



(For use by the Officials of the Indian Audit and Accounts Department only)

**Office of the Principal Accountant General (Audit-II), Gujarat,
Ahmedabad**

MANUAL OF AUDIT MANAGEMENT GROUP - III
(FIRST EDITION)

Issued by

Pr. Accountant General (Audit –II), Gujarat, Ahmedabad

Table of Contents

Chapter	Subject	Page No
	Preface	
1	Introduction	1-72
2	Part A : Finance Department	73-85
	Part B : State Tax Office	86-90
	i. Goods and Service Tax (GST)	90-150
	ii. Value Added Tax (VAT)/Central Sales Tax (CST)	151-224
	Part C: FINAT	225-233
	Part D : RAO/ PAOs	234-242
	Part E : SFAR	243-248
3	Stamp Duty & Registration Fee	249-358
4	Energy and Petrochemicals Department	359-412
	Appendices	413-456

PREFACE

This Audit Manual has been compiled for the guidance of the audit staff of the Audit Management Group III (AMG III) of the office. This manual deals with the audit technique for the audit of the Finance Department, audit of Stamp Duty and Registration Fees under the Revenue Department and, Energy and Petrochemicals Department under the audit purview of AMG III Group. The relevant checks to be exercised during the audit of a particular law or record have been discussed in detail while dealing with the concerned department, law or record.

For the purpose of conducting effective audit, a good knowledge of the provisions relating to the relevant Acts and Rules made thereunder is essential. If in the course of audit any reference should be made to the relevant Act or Rule, the same should be made quoting the relevant Act or Rule and not the paragraph of this manual. The manual should be treated as a guide and the audit checks indicated therein should not be taken as exhaustive.

Any error or omission in the manual or suggestion to improve it may be brought to the notice of the Group Officer in Charge of AMG III Group.

I hope that this publication will be a useful guide to the staff and officers of the office of the Principal Accountant General (Audit –II), Gujarat in the efficient functioning and discharge of their duties. Suggestions for its improvement are welcome.

Place: Ahmedabad
Date: March 2021

(H. K. Dharmadarshi)
Pr. Accountant General (Audit-II), Gujarat

CHAPTER 1: ORGANISATION AND FUNCTIONS

1. INTRODUCTION

The Comptroller and Auditor General (CAG) is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. It is the duty of the CAG to audit receipts and expenditure of the Union and each State and the Union Territory Governments. Article 151 of the Constitution of India lays down that the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union and of the States shall be submitted to the President or the Governor, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. The duties of the CAG extend to audit of Government Companies, Corporations and bodies and authorities in accordance with the laws made by the legislature and rules made thereunder.

Principal Accountant General (Audit-II), Gujarat is CAG's principal officer of IAAD for the State of Gujarat for eleven departments including Finance department, Revenue department, Energy & Petrochemical department etc., with its head office (HO) at Ahmedabad. PAG coordinates IAAD's interface with the Government of Gujarat (GoG) and the media. PAG's core audit function areas are: audit of all the Departments/Agencies/Public Sector Undertakings (PSUs) /Autonomous Bodies (ABs)/Statutory Corporations falling under the eleven department for the Government of Gujarat.

1.1 AUDIT MANDATE

The CAG derives his authority and functions mainly from Articles 149 to 151 and, Article 279(1) of the Constitution of India. Article 149 and Article 279(1) of the Constitution provides that the CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament.

Audit derives mandate from:

1. CAG's (Duties, Powers and Conditions of Service) Act in 1971 (DPC Act, 1971). Audit of Government Companies, Statutory Corporation, Autonomous Bodies and Government Department is mandated in sections 13, 14 and 19 of the CAG's(DPC), Act, 1971.
2. The Regulations on Audit & Accounts 2007
3. The Auditing Standards (*third edition*) effective from **1 April 2017**.

1.2 CODE OF ETHICS

The Code of Ethics code incorporates values and principles contained in the Central Civil Services Conduct Rules for Government Servants in India (CCS Conduct Rules) and suitably adapted broad principles contained in ISSAI 30 (INTOSAI Standards for Supreme Audit Institutions). This Code is applicable to all the individuals working in the auditing and accounting wings of the IA&AD and all the individuals working for or on behalf of this Department i.e. consultant, expert, statutory auditors etc.

In order to comply with the Code, the action to be taken is as follows:

- (i) As referred in Para 3.24 of the Code, a declaration in the format prescribed in Annexure I of the Code is required to be signed separately by each member of the audit team, including the supervisory Officer prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report having acknowledgement from the Management.
- (ii) Similarly, a declaration as prescribed in the Statement-II is to be obtained from outside auditors engaged on contract with the SAI like expert, consultant, statutory auditors etc. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Report to be submitted to SAI India.

(Authority: I/B/5/954-PPG/41-2012 Dt.25 September 2012)

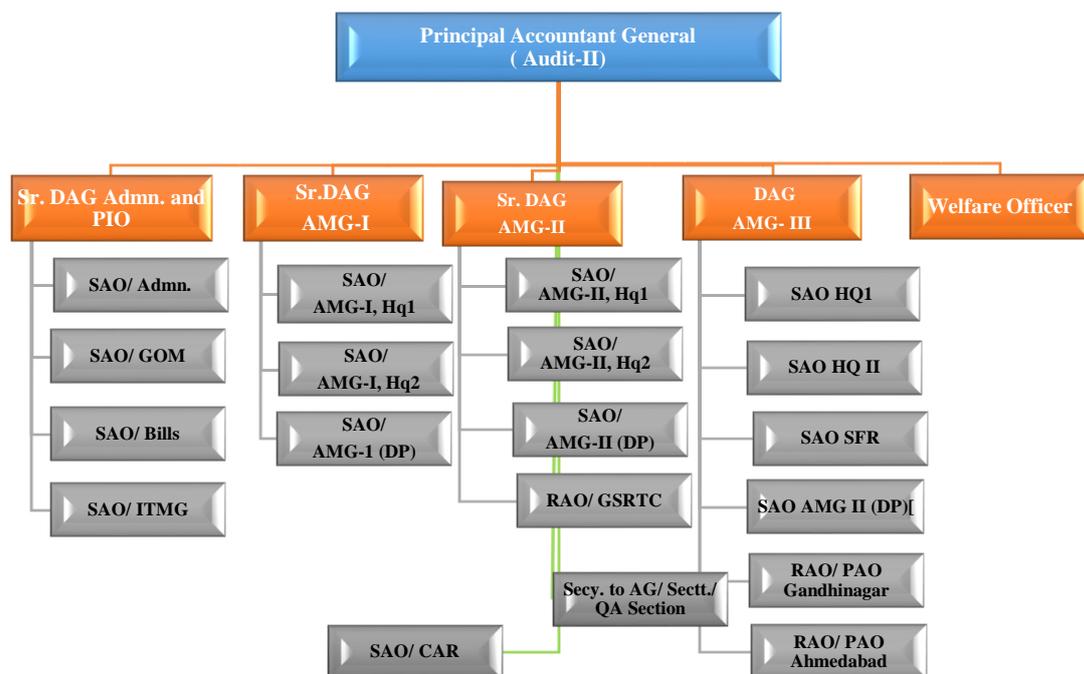
1.3 ORGANISATIONAL STRUCTURE

The Office of the Principal Accountant General (Economic and Revenue Sector Audit), Gujarat was renamed as the Principal Accountant General (Audit-II), Gujarat by CAG's orders issued in No. 95/09-SMU/2020 dated 15.05.2020 upon restructuring of the Audit Offices and the Group Officers' charge were called Audit Management Group (AMG). The Group-wise distribution of clusters and the Group Officers' charges in this office with effect from 21 May 2020.

The cadre control of Senior Audit Officers (Sr. AOs)/Assistant Audit Officers (AAOs) of civil cadres of PAG(Audit-II) Gujarat, O/o. PAG (Audit-I), Gujarat and O/o the PDA(C) Ahmedabad are with the Principal Accountant General (Audit-II) Gujarat and the cadre control below the level of AAOs viz., Multi Tasking Staff (MTS), Record Keeper/ Daftry, Data Entry Operators, Auditors, Sr. Auditors, Supervisors O/o PAG (Audit-II) are with Sr. Dy. Accountant General (Administration).

The group officers' charge in the office of the Principal Accountant General (Audit-II), Gujarat for audit functions is called Audit Management Group (AMG) (ie. AMG-I, AMG-II & AMG-III).

The Organisational Structure of Office of the PAG (Audit-II), Gujarat, Ahmedabad, is as follows:



1.4 Audit Management Group (AMG-III)

As per cluster wise distribution, Audit Management Group (AMG-III), is responsible for the audit of departments falling under Finance, Revenue (Stamp Duty & Registration) and Energy and Power clusters.

AMG-III wing is responsible for conducting audit of

- Superintendent of Stamp & Registration Fee and Inspector General of Registration (SS & IGR) under Revenue Department,
- Finance Department, including Commercial/ State Goods & Services Tax Offices, two PSUs, etc.
- Energy & Petrochemical department including one Autonomous Body (GERC), 21 PSUs, etc.
- Resident audit offices at Ahmedabad (RAO PAO) and Gandhinagar

The following table shows the Department wise number of units and Autonomous Body under the AMG-III wing:

Department/ Autonomous Bodies	PSUs	Total Units (including implementing units and PSUs)
Finance	02	199
Revenue	00	358
Energy and Petro Chemicals	21	173
Autonomous Body (GERC)	00	01
Total	23	699

The Sanctioned Strength and Men in Position of Sr.AO/AO, AAO and Auditor for AMG-III wing as on 01 March 2020 is as follows:

Particulars	SAO/AO	AAO/Sup	Sr.Ar/Ar	Total
Sanctioned Strength of AMG-III	16	32	35	83
Actual MIP of SS (incl SFR/FINAT/ RAOs)	13	25	18	56
Less: Staff in Hqrs incl SFR/FINAT/ RAOs)	5	13	18	36
Manpower for Field Audit Work	8	12	0	20

The AMG-III Wing is headed by a Group Officer. The Wing is further divided into AMG- III (Hq-1), AMG- III (Hq-2), AMG-III (SFR) Section and RAO PAOs, Ahmedabad and Gandhinagar. Each Section is under the charge of a Branch Officer. The Branch Officer of these Sections are assisted by AAOs and other subordinate staff.

The SFAR Section is responsible for preparing the SFR Report. The duties and responsibilities of AMG III (Hqr-1 & Hqr-2) are as follows:

AMG III (Headquarter 1) is the controlling section for the audit of

- Finance Department, including receipts and expenditure of Commercial/ State Goods & Services Tax Offices, two PSUs, Directorate of Insurance, Directorate of Pension, etc.

- Receipts and expenditure of Superintendent of Stamp & Registration Fee and Inspector General of Registration (SS &IGR) under Revenue Department,

AMG-III (Headquarter 2) is the controlling section for

- The audit or receipts and expenditure of the Energy and Petrochemicals Department
- The propriety audit and audit of accounts of the Public Sector Undertaking (PSUs) of the Energy Sector under the Energy and Petrochemicals Department and Finance Department.
- Audit of one Autonomous Body - Gujarat Electrical Regulatory Commission (GERC).

The RAO PAOs Ahmedabad & Gandhinagar are responsible for

- Post audit of contingent vouchers/bills relating to Governor office, Liaison offices at New Delhi and Mumbai for Gujarat Bhavan, expenses of MLAs, Gazetted Officers and non- Gazetted Officers/officials passed and paid by the Pay & Accounts Offices.
- Audit of sanctions, Audit and countersignature of Monthly Compiled Accounts submitted by the Pay & Accounts Offices before it is submitted to the Accountant General (A&E).
- Review of contract register, register of Utilisation certificates submitted in respect of all grants-in-aid paid by the Pay and Accounts offices.

The FINAT is responsible for

- Audit of the Annual Accounts of the State Government (the Finance Accounts and the Appropriation Accounts), Audit of Monthly Civil Accounts and Monthly Appropriation Accounts and co-ordination with the other teams in the Financial Audit Wing dealing with scrutiny of vouchers, sanctions, etc. and Treasury Inspection teams of the office of Accountant General (A&E), Gujarat, Rajkot.
- Sampling of treasury vouchers collected from O/o the PAG (A&E), rendering an opinion on proposals for opening of new sub-heads received from the State Government (Source: D.G (GA) instruction vide letter. TM/S-2//ONS-COR/2012-13/573 dated 29.12.2014.
- Vetting of draft explanation notes (through UORs), preparation of questionnaire on the basis of para appeared in Appropriation Accounts for the 2011-12 and onwards.

The SFR is responsible for

- Preparation of CAG's Report on State Finances, Government of Gujarat.
- Preparation of data for presentation before a new Finance Commission whenever constituted.

The Report Section is responsible for

- Identification of topics for undertaking Performance Audit (PA) and Subject Specific Compliance Audit (SSCA) and monitoring implementing the Audit plan for PAs/SSCAs.
- Preparation of CAG's Audit Report
- Assist COPU/PAC on the observations selected for discussion.

1.5 AUDIT PLAN

The Audit Plan structure for each year shall be drawn considering the organizational set up of the department with particular reference to the audit domain. The Annual Audit Plan shall aim at ensuring independent, reliable, balanced and timely reporting on public finance and governance, adopting best practices in Government auditing with optimum utilization of available resources, by conducting financial audit, performance and compliance audits of various functions and activities of the Government. The Audit Plan may basically be based on the vision and strategic objectives laid out in Strategic Audit Plan. Categorization of units may be based on revenue of the auditee unit, risk perception linked to the budget estimates of the department, State Budget speech, past audit results, etc.

Based on the risk analysis the department wise A, B and C categorization of units are made. Here “A” indicates High Risk Units, “B” Medium Risk Units and “C” Low Risk Units. The units are identified keeping in view the thrust areas to be covered in respect of revenue and expenditure units and autonomous bodies.

Man days for audit plan may be worked out keeping in view the manpower available for the field audit work. The working days in a year are estimated after deducting from 269 days (approximate total working days of the State Govt.), the number of days for leave, monthly meetings, in-house/external training programmes, etc. The man days drawn on the basis of available working days and manpower for field audit are to be allocated between Performance Audits (PA), Subject Specific Compliance Audits (SSCA), Audit of Accounts of PSUs & Autonomous Bodies, Certification of Actual Revenue of the State, Compliance Audits, follow-up Reviews, etc.

The parameters and weightage presently adopted for the categorization of different audit units based on the prescribed criteria are as follows:

1.5.1 SELECTION CRITERIA ADOPTED (For Commercial Tax):

For GST, Value Added Tax, Profession Tax, Entry Tax and Purchase Tax on sugarcane, risk assessment may be conducted taking into account the parameters mentioned in following table. Risk for each unit for each parameter may be rated between 1 to 3 points based on criteria fixed for each (*Annexure - 01*). Thereafter, weightage for each parameter may be fixed totaling 300 points based on the importance of these criteria in assessing the risk as detailed in table below:

Sl. No.	Parameters	Maximum Weightage based on rating out of 300
1	Revenue Rating vis-à-vis total revenue of the State Tax Deptt	60
2	FNs/ Part II A paras issued during the last 3 years	60
3	Manufacturers to total dealers rating	60
4	Units audited during last 3 years	30
5	Deptt. Response to IR – reply during last 3 years rating	30
6	Budget proposal rating	30
7	Complaints/ Media Reports	30
	Total	300

Specific weightage has been assigned for each of the parameters under various taxes which are explained. Based on the result of the risk assessment, categorization of units as A, B and C are to be made as follow:

Category A: Units with total 180 or more points are identified as high risk units.

Category B: Units with 140 or more points but less than 180 points are identified as medium risk units.

Category C: Remaining units i.e. all units below 140 points are identified as low risk units.

1.5.2 SELECTION CRITERIA ADOPTED (For Stamp Duty & Registration Fees):

Based on the result of the risk assessment carried out, specific weightage is assigned for each of the parameters under various taxes which are explained (*Annexure –02*)

Weightage for categorization of Units in A, B and C category are given as mentioned below:

1. **Revenue:** - 20 points
2. **Complaints / Media Reports:** -10 points
3. **Budget Proposal:** -10 points
4. **Number of Documents/units:-** 20 points
5. **Units audited in last three years:** - 10 points
6. **Reply of IRs during last three years:** - 20 points
7. **Part IIA Paras / FNs issued during last three years:** - 10 points.

Based on the result of the risk assessment, categorization of units as A, B and C are to be made as follow:

Category A: Units with total 170 or more points are identified as high risk units.

Category B: Units with 130 or more points but less than 170 points are identified as medium risk units.

Category C: Remaining units i.e. all units below 130 points identified as low risk units.

1.5.3 SELECTION CRITERIA ADOPTED (Other Finance Department offices):

The following four units, previously falling under the audit jurisdiction of the erstwhile Office of the Pr. Accountant General (G&SSA), Gujarat, Rajkot are after the restructuring of the office audited by the AMG III Group of Pr. Accountant General (Audit-II), Gujarat. The audit of these units is conducted annually

- Director Accounts & Treasury
- Director of Pension Provident Fund
- Registrar of Sale Tax Tribunal
- Director of Insurance

1.5.4 SELECTION CRITERIA ADOPTED FOR PSUs:

1. Following is the criteria/ parameter applied in respect of PSUs:

Sl. No.	Criteria	Risk Points	
a.	Positive capital employed	1	
b.	Increase in capital employed (compare to 5 years ago)	2	>100%=2 <100%=1
c.	Increase in turnover (compare to 5 years ago)	2	>100%=2 <100%=1
d.	Profit making PSU	1	
e.	Activity of the PSU contributed major part of the revenue	2	<50%=0 50-80%=1 >80%=2
f.	Total income and expenditure		
g.	(i) is over ₹ 1000 crore (ii) is between ₹ 500 and ₹ 1000 crore (iii) is less than ₹ 500 crore	3 2 1	
h.	Adequacy of internal control	1 to 2	
i.	Areas of audit scrutiny	1 to 4	
j.	Past audit concern	1 to 3	

Total Risk Points (RP) in all PSUs are worked out based on financial figures for the prior year (latest available). Thereafter, individual PSUs are categorised as per criteria given below:

- If RP equal to or greater than 12 of total 20 RP; the PSU is Category 'A'
- If RP equal to or greater than 1 but less than 11; the PSU is Category 'B'
- If RP is equal to 0; the PSU is Category 'C'

After categorisation of PSUs, further categorisation of PSU units is made in the following manner:

- a) Gujarat State Electricity Corporation Ltd.
 - All Power Station taken into Category 'A'
- b) Gujarat Energy Transmission Company Ltd.
 - Transmission Circle, Category 'B'
- c) For all DISCOMs
 - Divisions having revenue of ₹ 500 crore and above, category 'A'.
 - Divisions having revenue between ₹ 100 and ₹ 500 crore, category 'B'.
 - Rest of the divisions, category 'C'.
 - All circles and RSOs, category 'C'.

2) Supplementary Audit

The criteria for selection of State PSUs for supplementary Audit as per CAG's letter no 500/ WR/ KC/ Selection Criteria/ 341-2013 dated 09 July 2014 is discussed later in this Chapter.

3) Integration of risk analysis with annual plan

In respect of corporate offices of PSUs selection is made based on marks allotted based on risk analysis and past experience

In respect of divisions of PSUs the selection is based on the following criteria:

- Manpower available after covering PSUs.
- Inter se expenditure and revenue of the divisions
- When the unit was previously audited.

Revised criteria for selection of State PSUs for audit of annual accounts under Section 143 (6) (a) of the Companies Act, 2013

The existing criteria for selection of State PSUs for audit of annual accounts under Section 143 (6) (a) of the Companies Act, 2013 have been revised in supersession of all earlier instructions. The periodicity of selection of annual accounts of State Government Companies for supplementary audit would be as under:

Periodicity	Criteria
Annual	Paid up capital above ₹ 50 crore or Capital employed above ₹ 200 crore or Turnover above ₹ 500 crore whichever is applicable.
Triennial	Paid up capital ₹ 20 crore to ₹ 50 crore or Capital employed ₹ 100 crore to ₹ 200 crore or Turnover ₹ 200 crore to ₹ 500 crore whichever is applicable.
Once in five years	Others (not covered under above criteria).

1. Annual accounts wherein disclaimer/ adverse opinions have been given by the Statutory Auditors should be taken up for supplementary audit irrespective of applicable selection criteria.
2. First accounts of the Company should be taken up for supplementary audit irrespective of the applicable selection criteria.
3. The Statutory Corporations may be audited annually as CAG is the sole auditor.
4. Notwithstanding the above criteria, in case PAG/ AG, based on assessment of risks, wishes to conduct the supplementary audit of companies falling under category (2) and (3) above for more than one year, the audit could be taken up without any restrictions.
5. While issuing non-review certificates in respect of companies falling under triennial or once in five years' category, the ES I&II must ensure that minimum check such as arithmetical accuracy, general compliance to Accounting Standards in drawing the financial statements, compliance with earlier year observations and correctly carry forwarding the previous year figures are done. AMG-III Headquarter Section may carry out general checking of the accounts before PAG/ AG signs the non-review certificates.

(Authority: CAG's letter no. U.O. 500/ WR/ KC/ Selection Criteria/ 341-2013 dated 9 July 2014)

Headquarters I section consolidates the Annual Audit Plan (AAP) for AMG III Group and forwards it to Central Audit Report Section (CAR). The AAP is submitted to CAG's Office during August/ September of each year for the subsequent financial year for approval. After consolidation by Central Audit Report Section, the Annual Audit Plan of the office is submitted to CAG's Office during August/ September for approval.

1.6 FRAMING OF AUDIT PROGRAMMES

The quarterly audit programme is prepared for each local audit party based on the receipt of approval of the Audit Plan for its implementation from Head quarters. After approval of programme by the Principal Accountant General, the same is issued to Local Audit parties. The Audit Programme (Quarterly) are to be uploaded on the official website of office of the PAG (Audit-II), Ahmedabad, Gujarat.

The composition of local audit party generally consists of one Sr. AO/AO, One AAO and one Auditor keeping in view the nature, and complexity of the work of auditee organization. Besides, the supervision at Group Officer level is done for audits as per the programme approved by the PAG (Audit-II).

1.7 DURATION OF AUDIT

There are no well-laid down norms for fixing the duration of audit. The time allocation is closely reviewed to decide the duration of audit keeping in view the availability of audit resources and increase in the volume of activities of the auditee units.

The Inspecting Officers may indicate their suggestions for increase in the duration of audit for future audits in the Title sheet while forwarding the draft inspection reports. In consideration of these aspects duration of audit may be decided by RSA I (Hq) Section.

1.8 COMMUNICATION OF AUDIT PROGRAMME

An intimation of audit should be sent to the management of the concerned auditee unit at least two weeks in advance detailing the names of the audit party personnel and the duration and type of audit after the approval of the Quarterly Tour Programme by the Pr.A.G. Quarterly tour programmes as approved by the PAG should be intimated to the Inspecting Officers and local audit parties well in advance. A programme register shall be maintained by AMG-III (Hqr-1) Sections. The extension of audit programme if any, along with detailed justification are to be submitted to the Group Officer for prior approval.

1.9 DUTIES AND RESPONSIBILITIES

For ease of functioning, AMG-III has been further divided into Headquarters I, II, Resident Audit Office (RAO), Ahmedabad & RAO, Gandhinagar and SFR Section. These Sections and RAOs function under the supervisory charge of Deputy Accountant General, AMG-III. Each Section is under the direct charge of a Sr. Audit Officer.

The allocation of duties and responsibilities to AAOs, Sr. Auditors, Auditors, Clerk- cum- Typist and Data Entry Operators would be entrusted by the Branch Officer. The following are the important duties and responsibilities entrusted to the AMG-III (Hqs 1 and 2) Sections:

1.9.1 AMG-III (HQ-1) SECTION

The duties and responsibilities mainly include:

- i. This Section is responsible for preparation of Audit Plan in respect of Finance Department and Revenue Department (for SS & IGR) as also consolidation of the Annual Audit Plan of the Wing;
- ii. The section is responsible for execution of the Audit Plan by proposing tour programmes for audit of all the units under the jurisdiction of the AMG III Group;
- iii. Vetting and issue of LARs within 30 days of completion of audit in respect of Finance department including PSUs, Value Added Tax, Goods & Service Tax, Sub Registrar, Dy. Collector (VOP) and IGR ;
- iv. Issuance of Factual Notes;
 - v. The Section is responsible for organizing monthly meetings of the wing as well as making arrangements for in-house training and nominations for training at RTI/RTC
- vi. Convening of Audit Committee Meetings;
- vii. Checking of T.A. bills of the field party members with their approved tour programme and weekly diaries of work done and other records maintained

at the headquarter Section and to forward the same to the Bills Section of the office for re-imburement;

- viii. Diarizing of all letters received by the Wing.
- ix. Consolidation of various returns/ information of the wing for onward transmission to the Comptroller and Auditor General's Office.
- x. Disposal of court cases pertaining to AMG-III section when received.
- xi. Maintenance of Guard files of the circulars received from the C & AG of India and arrange for their circulation to the field parties and Sr. Audit Officers/AOs/Inspection Officers to serve as their guide for the audit work.

Other important functions:

(i) COMPUTATION OF EXTERNAL ARREARS

The computation of external arrears forming part of the Monthly Arrear Reoirt is based on following time schedule is prescribed in respect of outstanding objections relating to VAT Audit and other State Receipts Audit:

- | | | |
|---|---|----|
| (a) Under assessment and over assessments | - | 20 |
| minutes | | |
| (b) Defective procedure | - | 15 |
| minutes | | |

(Authority: CAG's letter No.3409/Rev.A/616-67 dated 31.07.1968)

(ii) REGISTER OF WEEKLY DIARIES

A register to watch the receipt of weekly diaries from LAPs should be maintained by AMG-III (Hqr-1). The weekly diaries on receipt, may be entered in the register which shall be put up to the Branch Officer for approval. In case of supervised audits, the weekly diaries are required to be countersigned by the Inspecting officers.

(iii) REGISTER OF TA BILL

The register is intended to record the receipt of the TA Bill from Sr. Auditors and AAOs posted in the LAPs. The T.A. Bills shall be verified with reference to the tour programmes, dairies and leave account etc. and forwarded to the Sr.AO Bills Section for sanction and disbursement. The Inspecting Officers may submit the TA Bills directly to Sr.AO/Bills.

1.9.2 AMG- III (HQ-2) SECTION

The duties and responsibilities of HQ2 mainly include:

- i. Preparing Audit Plan for audit of Energy & Petrochemical Department;
- ii. To convene a meeting with the Management and the Statutory Auditors of all the Companies with the DAG/ PAG to discuss about the schedule dates of finalisation of accounts.
- iii. To resolve/ take up the matter with the Chief Executive Officer of the Company in advance before commencement of supplementary audit in

respect of Accounting Policies adopted by the Companies which are not in compliance with the Accounting Standards.

- iv. To provide local audit parties the details of important areas/ points to be specifically examined in the field after scrutinising the Board and Agenda Minutes received at Headquarter from the respective Companies.
- v. To arrange for training of Officers/ Staff with regard to the introduction/ revision of Companies Act, IFRS and Accounting Standards so as to enable them to audit in changed circumstances.
- vi. To arrange for training of Officers/ Staff in ERP/ SAP to enable them to conduct the Audit in Computerised Environment.
- vii. *Prima-facie* verification of the certified accounts received and submission of the review remarks to the DAG/ PAG along with the proposal for selection of PSUs as per the criteria prescribed. The specific key areas to be verified on comparison with the audited accounts of previous years be prepared and communicated to the Field Parties before commencement of the Supplementary Audit after obtaining the approval of the DAG/ PAG.
- viii. To monitor the receipt of certified accounts from the Companies vis-à-vis schedule dates of finalisation of accounts.
- ix. Vetting and issuing of draft comments on the annual accounts of Government Companies received from the local audit parties (LAP), within the reasonable time keeping in view of the relevant instructions of the CAG in this regard.
- x. To scrutinise the replies to the draft comments as furnished by the Statutory Auditors and the Management of the Government Companies and to finalise the comments on the annual accounts and to forward the same to the CAG for its approval along with the Annotated statement containing suitable rebuttal and Audit evidences.
- xi. To verify and issue the comments on the annual accounts of Government Companies, as approved by the CAG, to the Managing Director of the Company. To furnish a copy of the issued comments to CAG's Office along with Proforma on performance of Auditors.
- xii. To issue Management Letters about minor deficiencies/ observations made in audit and the assurances to the Chief Executives of the Companies to rectifying the same during finalisation of accounts for the next financial year.
- xiii. To watch the receipts of printed annual accounts of Government Companies after adoption of the accounts and the comments of the CAG in the Annual General Meeting for forwarding required copies of the annual accounts to CAG's Office.
- xiv. Arrange audit of accounts received from the Companies/ Corporations as per the prescribed time limit and to arrange propriety audit of units as per Audit plan. The audit of accounts of Government Companies under Section 143 (6)(b) read with Section 129 (4) of the Companies Act, 2013 is selected by the Principal Accountant General keeping in view the

various Guidelines issued and criteria prescribed from time to time by the CAG.

- xv. Vetting and issue of LARs of Autonomous body, PSUs of Energy and Petrochemical Department working under this department within 30 days from the date of completion of audit;
- xvi. Issuance of Factual Notes;
- xvii. Convening of Audit Committee Meetings;
- xviii. Maintenance of Guard files of circulars received from CAG & Resolutions & Orders received from Revenue Department regarding allotment of Government Land. Guard file in respect of circulars of any received in respect of other taxes is also maintained.

Other important functions:

(i) Arranging pre-Accounts meeting with the Statutory Auditors and Management

Headquarter Office had directed that meeting with the Company's management and statutory auditors should be convened and should be advised to comply with the various requirements of the Companies Act, 2013 and the Accounting Standards/ Indian Accounting Standards, etc. while finalising/ certifying the accounts and to ensure that the assurances furnished by them for the audit observations pointed out in the earlier years are fulfilled.

Detailed time schedule be drawn up in consultation with the Company's management and Statutory Auditors from the commencement to completion of audit by the Statutory Auditor and handing over the required number of signed copies of accounts to CAG for supplementary audit. The time schedule is to be monitored through constant interaction with them.

(Authority: CAG's letter no.247-CA-II/Co-ord./Instructions/2008-09/82/2005/Vol II dated 11 May 2009)

The pre-accounts meeting with the Statutory Auditors and management has to be held with all the companies every year in the month of February and March before the start of supplementary audit.

(ii) Audit by Statutory Auditors under the directions of the CAG

The Statutory Auditors are required to submit a copy of the audit report to the CAG which, among other things includes directions if any, issued by the CAG to them under Section 143(5) of the Companies Act, 2013, the action taken thereon and its impact on the accounts and financial statements of the company.

In this regard, it was decided that three general directions as finalised by the Audit Board for Central PSUs would apply to State PSUs in toto and as such may be issued to the Statutory Auditors for compliance in respect of the annual accounts for the year 2018-19 and onwards.

The approved directions are as follows:

- a) Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of

accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.

- b) Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.
- c) Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/ utilised as per its terms and conditions? List the cases of deviation.

In addition to these directions, the Field Audit Offices can also issue additional company specific directions (sub directions) to the Statutory Auditors for Compliance. The latest sector specific directions applicable to PSUs are as per **Annexure-1**. For the purpose of having the uniformity and standardisation of Company/ Sector specific directions, specific instructions would be issued by Western Region.

(Authority: CAG's letter no. 42 WR/Coord/C&AB/Comp. Amend Bill/16-2013 dated 04 February 2019)

(iii) Companies (Auditor's Report) Order 2016

In exercise of the powers conferred by sub-section (11) of Section 143 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Auditor's Report) Order, 2015 after consultation with the Institute of Chartered Accountants of India, the Ministry of Corporate Affairs, Government of India made an Order viz., Companies (Auditor's Report) Order 2016 which was published in the Gazette dated 29 March 2016. The extract of the CARO, 2016 is enclosed (**Annexure 2**).

(iv) Implementation of Financial Attest Audit Manual (FAAM)

CAG office has desired that Financial Attest Audit Manual (FAAM) be implemented during the supplementary audit of Government Companies. FAAM is a systematic approach towards accounts audit for obtaining better results. As per the manual three broad stages have to be followed during supplementary audit.

- 1) **Planning which involves**(a) Describing the auditee institution; (b) Establishing audit objectives and scope; (c) Determining materiality; (d) Assessing risk; (e) Preparing audit plan; and (f) Preparation of detailed audit programme.
- 2) **Execution which involves**(a) Sampling or test of controls; (b) Performing control testing procedures; (c) Performing analytical review; (d) Sampling for substantive test of details; and (e) Review or working papers.
- 3) **Reporting which involves** (a) Deriving conclusions and evaluating audit findings; and (b) Reporting.

Relevant pages of the FAAM manual published by the IA&AD in June 2009 containing detailed instructions relating to the above areas may be referred to.

(v) Consideration of fraud in audit of financial statements

During the audit of financial statements, two types of intentional misstatements are relevant to the auditor viz., misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements including omissions of amount or disclosures in financial statements to deceive financial statement users. Fraudulent financial reporting may be accomplished by (i) Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared; (ii) Misrepresentation in, or intentional omission from, the financial statement of events, transaction or other significant information; and (iii) Intentional misapplication of accounting principles relating to the amounts, classification, manner of presentation or disclosure etc. Detailed guidelines/ Standing Orders on role of audit in relation to cases of fraud and corruption issued by IA&AD in September 2006 may be referred to.

(vi) Issue of Draft Comments

As a result of supplementary audit under Section 143(6)(b) of the Companies Act, 2013 of the accounts, the draft comments should be issued to the Management and the Statutory Auditors prescribing time limit for their reply. On receipt of their reply Annotated Statement should be prepared with further audit remarks and submitted to CAG for approval. On receipt of approval, the same may be issued to the company for placing it before the Annual General Meeting, at the same time and manner in which Statutory Auditors Report is placed. In case where no comment on the accounts is noticed as a result of audit under Section 143(6) (b) of the Companies Act, 2013 a "NIL" comment certificate may be issued by the PAG to the Company.

If the Management of a Government Company decides to revise its annual accounts and specific disclosure in Notes Forming Part of Accounts regarding the revision of the accounts in the light of the PAG's comments under Section 143 (6) (b) of the Companies Act, 2013 it is made by the Management and the Statutory Auditors of the Company by way of a note to the revised accounts, a 'Nil Comment certificate' may be issued by the PAG after receipt of the revised accounts duly audited by the Statutory Auditors from the company. A copy of such certificate along with the Revised Independent Auditors' Report may be forwarded to the CAG for his information as is done in the case of "Non Review Certificate" and "Nil comment Certificate" on the accounts. A compendium of comments issued during 2017-18 and 2018-19 is kept at **Annexure-3**.

(vii) Formats of certificates for issue of comments

Consequent upon notification of the provisions of the Companies Act, 2013 and Rules made there under the existing formats of certificate for issue of comments under Section 143 (6) (b) of the Companies Act, 2013 have been modified which are applicable in respect of financial statements of accounting periods commencing on or after 1 April 2018. A copy of each of the five new formats of certificate for issue of comments (for Standalone Accounts and Consolidated Accounts) is kept as (**Annexure-4 (A) to 4 (E) and 5 (A) to 5 (I)**).

(Authority: CAG's letter no. 563/WR/C&AB/Comp Amend Bill/16-2013/Vol-I dated 27 August 2018)

(viii) Audit of Consolidated Financial Statements

According to provisions of the Companies Act, 2013 including those relating to appointment of Statutory Auditors, CAG conducts supplementary audit of financial statements of the Government Companies and also other companies which are owned or controlled directly or indirectly, by the Central Government or by any State Government or Governments, partly by the Central Government and partly by one or more State Governments w.e.f. 1 April 2014.

Combined reading of Section 129(1 to 4), 143(5) and 143(6) of the Companies Act, 2013 lead to a conclusion that for the holding companies which are either Government companies or Government companies which fall in the category of companies owned or controlled directly or indirectly, by the Central Government or by any State Government or Governments, partly by the Central Government and partly by one or more State Governments, auditors for audit of Consolidated Financial Statements (CFS) prepared and adopted by such holding companies would be appointed by CAG and supplementary audit of such CFS would also be conducted by CAG. Further as per the explanation given under Section 129(3) of Companies Act, 2013, subsidiary includes associate company and joint venture. The guidance note on audit of consolidated financial statements is kept at **(Annexure-6)**.

(ix) Proforma of Performance of Auditors

In order to assess the performance of the auditors of Government Companies and Corporations, information in a detailed Proforma need to be sent to the CAG Office along with the endorsement copy of Comments/ Nil Comments/ Non-review certificate on the accounts of the Company **(Annexure-7)**. If the performance is considered unsatisfactory, requisite documents may be sent to CAG office after considering the final comments issued to the SPSU.

(Authority: CAG's letter no. AA 1193/CA V/30-2003/Vol II dated 13.11.2017 and letter no. 1331/ CA-V/ F/ 65-2019/ Vol I dated 18.12.2019)

(x) Advice Sought By Statutory Auditors

Under Section 143 (5) of the Companies Act 2013, C&AG has the power to direct the manner in which the accounts shall be audited and to give instructions in regard to any matter relating to the performance of the Auditor's functions. If AG is approached by any any of the Statutory Auditors for advice on any problem area during the course of audit, AG should seek the query in writing and furnish the reply also in writing.

(xi) Arrears In Accounts Of State Government Companies

The AG should brief the Chairman of the Committee on Public Undertakings about arrears in finalization of the accounts of the Companies so that COPU

could call the Chief Secretary to explain the action taken by the Government in tackling and overcoming the arrears

1.9.3 Common instructions for Headquarters Sections on certain matters:

(i) PROCESSING & ISSUE OF LAR

The draft LAR should be vetted carefully to ensure that all the working paper requirements as explained above have been complied with and the audit evidence in the form of key documents is available and is sufficient and appropriate.

The draft LAR duly vetted is to be submitted to the Group Officer for approval and to be issued within 30 days from the date of completion of audit or such other period as prescribed in this regard to the Head of the Department or the authority concerned.

Headquarters instructions to maintain the quality of the Inspection Reports (IRs) insists that only such paras should be included in Part-II A of Inspection Report which can be developed further for Audit Report of the same year or within the next 2-3 years. The monetary limit of paras in Part-II A should be the same as the monetary limit for the FNs/PDPs. For findings involving serious systematic issues, no monetary limit should apply. (Authority Letter No: 137/RSCS/Coordn/Aud Pln/2008/279 dated 04.02.2009)

(ii) FACTUAL NOTES, PDPs/ DPs

Instructions on Factual Notes, PDPs, DPs and Audit Reports will be issued separately. The Factual Notes, should be supported by a copy of the relevant half margin, paragraph of the LAR along with relevant key documents for its further process for inclusion in the Audit Report, Government of Gujarat.

(iii) PURSUANCE OF LAR

The officer in charge of the auditable entity shall send the reply to the LAR within one month of its receipt. In case of non-receipt of replies; periodical reminders may be issued at appropriate level till compliance is received.

(iv) PROGRESS REPORT OF ISSUE OF LARS

To watch the prompt disposal of draft LARs received from the field parties and RAO/PAOs Ahmedabad & Gandhinagar, a return is to be submitted to the Group Officer on 7th of every month. The Branch Officer in-charge of the Section should ensure its submission.

(v) Review OF OUTSTANDING PARAS OF OLD IRS

Pendency of old vintage IRs/Paras were being noticed during inspections of various Audit Offices across India. Headquarters vide letter no 137/RSCS/Coordn/Aud Pln/2008/279 dated 04.02.2009 issued instructions to review all outstanding para pertaining to the period more than five years to

forward to the respective departmental Secretaries/Chief Secretary with a request for necessary follow up action in each case. **(Authority Letter No: 722/Inspection/307/2-13-14 Dated 29.09.2014)**

(vi) IR MAIN / OPTIMA

The AMG-III Hqs (1 & 2) Sections are required to maintain the ‘IR Main / OPTIMA’, a software developed in-house, to cater to the requirement of monitoring LARs and money value objections, ensure timely issuance of inspection reports, pursuance of objections and preparing the periodical returns. The database consists of four components namely, master data of auditee Offices to be audited, Inspection Reports, Audit Objections and Potential Draft Paragraphs as well as MIS reports.

Further, the I.A.A.D. is in the process of developing and implementing One IAAD One System application (OIOS). The application envisages Audit Planning, Audit Execution, framing Audit Queries, Local Audit Reports, etc. on the application. Detailed guidance and instructions for the same are being issued from time to time.

(vii) INWARD REGISTER

An Inward Register to watch the disposal of important correspondence received from C&AG and Government etc., will be maintained in Headquarters Sections. A weekly report of outstanding letters is to be prepared and submitted to the Branch Officer and to the Group Officer and PAG once in a month.

(viii) DEALING WITH GENERAL MATTERS

AMG-III (Hqs-1&2) Sections shall deal with all general matters and necessary instructions in the form of circulars etc., are issued after getting approval of Group Officer. The calendar of returns shall be maintained by both the Headquarter Sections and the various returns should be submitted on due date to the Group Officer/PAG/C&AG after consolidation by Headquarters I.

(ix) PRESERVATION OF OLD RECORDS

SL.NO.	CATEGORY OF RECORDS	PERIOD OF PRESERVATION
1.	Local Audit Reports finally closed as no audit objection is outstanding	5 years for annual and 6 years for biennial audits from the date of issue of report or till the settlement of all paras whichever is later.
2.	Files related to the instructions and directions issued by the C & AG from time to time regarding scope of audit.	Permanent

3.	Digest of important cases	Permanent
4.	Digest of Supreme Court decisions	One year from the end of the year in which all the cases included in the Digest have appeared in the Sales Tax Cases.
5.	Files dealing with audit of Annual Accounts	Five years
6.	Files dealing with Supplementary Reports of Statutory branch auditors	Five years
7.	Files dealing with Quarterly Financial Reports	Two years
8	Printed Annual Reports of PSUs	Eight years
9	Files dealing with receipts and disposal of audit of annual accounts of PSUs	Eight year
10	Files dealing with Comments under section 619(4) of the Companies Act 1956.	Five years
11	Detailed Schedules of Annual Accounts and working sheets thereof different PSUs	Three year
12	Audit Programme files	Three years from the end of the year to which it relates
13	Clarifications issued by the Government	Till they are included in the bulletins.
14	Bulletin referred to in 13	Permanent

(Authority: CAG letter No.443/Tech.Admin/1/770-68 dtd.16/12/1968)

(x) C&AG office has made significant changes in audit methodology. In this regard following changes in audit have been made:

1. Compliance Audit

- Before commencement of audit, desk review is being conducted by LAPs in pursuance of Guidance Note on improving the quality of Inspection Reports issued by CAG office. This gives the LAP an understanding and insight about the audit entity and the focus areas before visiting their office.
- Draft POMs with money value more than ₹ 1 crore are submitted by LAPs for approval. POMs above ₹ 1 crore and upto ₹ 25 crore are being approved by Group Officer and above ₹ 25 crore are being approved by HoD/ PAG.

2. Financial Audit

During the course of processing of the draft comments after completion of Accounts audit, the comments which are to be dropped or are to be pursued through Management Letter are being discussed with Field Audit Parties so as to take their view/ consent before finalization of comments to be sent to C&AG Headquarters.

(Authority: C&AG's letter no. 01-WR/ Coord/ AAB/ 184-2017 dated 01-01-2019)

1.10 Audit Report Section

Consequent to restructuring of May 2020, the **State Finance Audit Report** is a mandatory report. SFARs for the year 2019-20 will include analytical information on State Revenues (contained presently in chapter 1 of the Revenue Report) and a summary analysis of financial performance of State PSUs with a bearing on the fiscal situation of the State, so as to present a qualitatively superior picture of State Finances. This report will be prepared by the office to which the **Finance Cluster is allocated**. The other office will contribute resources/analysis as required. Accordingly, this report would be made by the PAG (Audit-II), Gujarat

Guidelines and instructions for preparation of Sectoral Reports and other reports will be issued separately.

1.10.1 LAYOUT OF THE CHAPTERS

The layout of Chapters in the Audit Report of the Comptroller and Auditor General of India, Government of Gujarat contains information relating to the trend of revenue receipts of the State, recovery position results of the paragraph etc. The format of this Chapter is prescribed by the CAG Office from time to time. The format was last revised vide CAG's Letter No:598/WR-SRA/45/K. Centre/2014 Dated 14.08. 2014. The draft report are to be submitted to the Head Quarters within the time schedule as prescribed from time to time through Central Audit Report (CAR) Section.

1.10.2 DRAFT PARAGRAPHS

AMG-III (Hqs I & II) Section and RAO/PAO, Ahmedabad & Gandhinagar identifies the Potential paragraphs from the Inspection Reports and prepares Factual Note (FN) and obtain the approval of the Group Officer for further processing. The approved FNs received from Hqs.Section are entered into FN register and are scrutinized with relevant key documents submitted.

Potential Draft Paragraphs (PDP) are prepared and issued to the Managing Director/ head of the concerned Audited Entity with the approval of the Group Officer in respect of FNs which are found fit for inclusion in the Audit Report. The FNs which are deficient in key documents or want of some additional information are returned to Hqs. section for collecting the missing key documents from the field parties. If the PDP is not found appropriate for inclusion in the Audit Report, a note would be put up for its closure to the Hqs. section with the approval of the PAG.

The PDPs issued would be processed as Draft Para further in the Section and submitted to CAR Section who independently examines the case along with the relevant key documents and put up the case file for the approval of the PAG for issue to the Government/Department/ Managing Director. After approval, the case would be entered into the DP Register. The DPs are consolidated Chapter-wise and sent to CAG's Office which is returned with queries. The DP section prepares compliance to these observations in annotated form and incorporates the reply of the Department/Government in the DP. The DP is revised or modified, if required, based on the observations of CAG's Office or the reply of the Company/Department.

The targets fixed by the PAG at the beginning of each financial year in sending the material to CAG's Office may be strictly adhered to.

1.10.3 MONETARY VALUE

The minimum monetary value limit for the DPs for inclusion in the State Reports for Revenue was prescribed by CAG Office before restructuring during the year 2005 and 2006, respectively. The monetary limit was reviewed by ADAIs of State Report Wings and they approved (March 2015) the monetary value for DPs which was revised from Rupees 5 lakh to Rupees 10 lakh for Gujarat State.

Further, the Committee of ADAIs decided (May 2019) that the considerations for DPs may also be based upon systematic deficiencies, materiality and nature of the observation.

(Authority: C&AG Letter No: 251/ WR/ Coord/ DPs/ 74-2014 dated 20 April 2015 and Letter No: 204-WR/ Coord/ 224/ 2016/ Vol-I dated 15 May 2019)

1.10.4 PERFORMANCE AUDIT, FOLLOW-UP AUDIT & IT AUDIT

1.10.4.1 PERFORMANCE AUDIT

The Performance Auditing guidelines 2004 helped the Department to adopt the prevalent International Standards of performance auditing and bring about rigour and discipline in selection of topics through risk based planning and scientific conduct of audit. However, with the passage of time, a need was felt for revision of these guidelines in order to stay aligned with the new International Standards for Supreme Audit Institutions (ISSAIs) and also, at the same time, contextualize it to the IA&AD based on the lessons learnt by us during conduct of performance audits in various sectors and governance environments. A stringent process of circulation of exposure drafts, their examination through workshops, discussions and obtaining written feedback from officers at all levels was undertaken which has culminated in the new Performance Auditing Guidelines, 2014.

The new guidelines have several distinguishing features which supersede the Performance Audit Guidelines 2004 which are as follows:

- They lay down a strong conceptual foundation of the principles of

Performance Auditing and emphasise the need to organically link the strategic planning at the headquarters level with the planning process at the field audit level.

- The guidelines elucidate different audit approaches that can be adopted.
- A new Audit Design Matrix that is to be used and constantly reviewed throughout the period of audit and linked to the Audit Findings Matrix has been prescribed.
- The forceful articulation and mandating of a stringent documentation process.
- While outlining the methods of reporting and making recommendations it focuses on the need for continuous interaction with the audited entities to ensure balanced reporting.
- Further, the need for following up the Performance Audit reports to bring about improvement in governance has been highlighted. An attempt has also been made to make the guidelines more concise and focussed.

(i) GENERAL OUTLAY OF PERFORMANCE AUDITING GUIDELINES

These guidelines are presented in a sequence as the process of performance audit. The Department has to deal with a variety of subjects of performance audits and conduct audit in diverse entity environments. Besides, different structures for audit management exist in the Department for the Union Government (civil, defence, railways, communication, revenue and commercial audits) and the audit of State Governments. It may, therefore, be necessary to adjust the actual process of planning, field audits and consolidation of the performance audits in the context of the entity environment and composition of audit offices.

Chapter 2 of these guidelines deals with the Mandate and General Principles for Performance Audits.

Chapter 3 deals with the strategic audit planning and selection of subjects.

Chapter 4 enumerates how to plan individual performance audits.

Chapter 5 discusses various elements of implementing the performance audit.

Chapter 6 deals with aspects relating to evidence and documentation.

Chapter 7 deals with the reporting process of draft performance audit report.

Chapter 8 deals with follow-up procedures.

(ii) QUALITY ASSURANCE

A peer review is performed by an independent team which may be internal or external to the Department to evaluate whether an organization's internal quality

control system is suitably designed and operating effectively to provide the entity with reasonable assurance that established policies, procedures and applicable government auditing standards were being followed. The peer review involves testing the entire quality control system and not work in process. The Inspection and Peer Review Wing of Department is responsible for carrying out internal peer reviews. Besides, external peer reviews can also be arranged to seek assurance of robustness of the processes.

The Performance Auditing Guidelines 2014 could be accessed on the CA&G's Office Website.

(iii) CONSIDERATION OF FRAUD IN PERFORMANCE AUDIT

In Performance Audits, while selecting Objectives, Sub-objectives and Issues the vulnerability/risk to fraud and corruption should be given due consideration. The effectiveness of internal controls to prevent and detect fraud and corruption should be considered as one of the objectives, depending on materiality and risk analysis. A Detailed guidelines / Standing Order on Role of audit in relation to cases of fraud and corruption issued by IA&AD in September 2006 may be referred to.

1.10.4.2 FOLLOW UP AUDIT

C&AG aspired (19 September 2014) the need of carrying out follow-up audits to review the outcome of accepted Audit recommendations in selected sectors was agreed to. For this purpose, the feasibility of such audits by identifying a sector based on performance appraisals conducted during the last five years needed review. A follow-up is expected to review whether the accepted Audit recommendations have actually led to any concrete action and, if so, with what results.

Depending on the nature of findings, the Audit product may be appropriately structured as a standalone Report or as a separate chapter/ paragraph in an existing Audit Report. Such findings of follow-up audit would supplement the present practice of giving statistical summary of the follow up action taken by the Government on Audit findings in the Audit Reports.

(Authority Letter No 745-755 WR/Coord/Sr Mgmt/405-2013 Dated 13.10.2014)

Consequent to the above, in order to implement the above requirement, the following instructions were issued.

A. SELECTION OF TOPICS FOR FOLLOW-UP AUDIT

(i) At least one follow-up audit may be taken up for each State Government and included in the annual audit plan. In case of Union Government, one follow-up audit may be taken up in each sector. Selection of topic should be based on the following criteria:

- Performance audits which have not been selected by PAC/COPU and are not expected to be picked up for examination in near future should be considered for selection.

- Audits conducted at least 3 years ago should be considered, as sufficient time should be available to the audited entities to implement the recommendations.
- Follow-up audits should be taken up of such performance audits where the audited entity has accepted recommendations given by Audit.

(ii) While selecting a follow-up, the Accountant General should consider the following questions:

- Has the initial issue identified in the earlier audit evolved with time?
- To what extent the chances have altered the risks associated with issue raised in the original report?

(iii) The focus should be to determine the progress achieved in resolving the issues originally identified. However, issues may evolve with time, and focusing strictly on recommendations may result in missing a new concern, as the recommendations may not be fully relevant to new circumstances or the evolution of the issue. These concerns should be kept in mind while planning and conducting the audit as well at the time of reporting audit findings.

B. AUDIT SCOPE AND METHODOLOGY

(i) The main objective of conducting a follow-up audit is to assess the progress the audited entity has made toward implementing recommendations of a previous performance audit. A follow-up should not merely be restricted to checking whether the recommendations have been implemented but should focus on whether the audited entity has adequately addressed the problem and remedied the underlying conditions. The auditor should adopt an unbiased and independent approach.

(ii) Follow-up audit should be initiated as a desk review. A well-structured questionnaires could be issued to the audited entity and those charged with governance of the audited entity to elicit an update on the status of the action taken to implement the recommendations from earlier audits. The request should include the following questions:

- What action plan or strategy has been drawn by audited entities to implement the accepted recommendations?
- What efforts have been made to implement the action plan or strategy?
- How well are these efforts progressing?

(iii) Depending upon the responses received, field audit may be undertaken to validate the action reported by the audited entity. The extent of field audit to be undertaken would be decided after the responses of the audited entities. Interviews of the responsible officers from audited entities can also be taken as the evidence for this purpose.

(iv) Ideally, the original audit team members should carry out the follow-up, but this may not always be possible because of conflicting scheduling needs or other reasons. However, it is important to ensure that team members assigned to the audit follow-up have the appropriate understanding of the subject matter of the audit. A session at the initiation of the follow up for a comprehensive briefing

or orientation to transfer the knowledge from the original audit team should be organized, if possible.

C. AUDIT FINDINGS

(i) The status of implementation of accepted recommendations can fall in following categories:

- Insignificant or No progress – assurance without concrete plans is regarded as insignificant progress.
- Substantial implementation – Structure and process are in place and integrated in some parts of the organisation, and some achieved results have been identified.
- Full implementation – Structures and process are operating as intended and implemented fully in all intended areas of the organisation.

(ii) At the end of the follow-up, the audit team should present and discuss the results with the audited entity and prepare a report.

D. REPORTING THE RESULTS OF AUDIT

(i) The follow-up audit should result in a report that provides an assessment of the adequacy of the corrective action taken to resolve previously reported issues. The report should not normally repeat recommendations from the previous report. Also, if there are observations and conclusions on new issues, the audit team may take “new” recommendations to address them.

(ii) The decision of presenting the follow-up report to the legislature would be taken depending upon the significance of the audit results. The results of audit could be presented as a chapter in the Audit Report or appear as a para in the relevant chapter. Sometimes the audit team identifies issues that are important enough to be brought to the attention of entity management but not necessarily to the attention of the legislature. This may be done through a management letter.

(iii) While conducting audit follow-up, the audit team may find that the issues have evolved and need to be redefined. New issues may also be identified and judged from a risk perspective. In such a scenario, the key issues should be identified for considering a fresh audit.

(Authority Letter No: 48/40-PPG/2012 Dated 25.02.2015)

1.10.4.3 INFORMATION TECHNOLOGY AUDIT (IT AUDIT)

As a number of Government Departments, Public Sector Enterprise and Autonomous Bodies have computerised various areas of their operations, it has become imperative for audit to change the methodology and technique of conducting audit. As IT is increasingly being used by the auditee organisations to automate their operations, the auditor needs to assess the risks associated with the use of these systems and their vulnerability to these risks. The provisions in Paras 3.22.1 to 3.22.76 of the MSO (Audit) Second Edition, 2002 may please be referred to.

In addition, the CAG Office had prepared and circulated an Information Technology Audit Manual containing three volumes:

Volume I contains the IT Audit Process and focuses mainly on IT audit methodology to be adopted while conducting the IT audit.

Volume II contains the detailed checklists on various controls and application of CAATs etc., to assist the field audit parties in conducting IT audits.

Volume III focuses on audit programmes for specific applications like audit of ERP systems, computerized inventory systems, auditing e-Governance etc.

(Authority: CAG Office letter no.365/127-11/ITA-11/ITAM/2006-07 dated 27.11.2006)

1.10.5 DRAFTING OF AUDIT REPORT

The reporting style should be direct, simple and precise. Long and complicated sentences should be avoided. Legal jargons and complex words should be avoided as far as possible. The 'Style Guide' issued by IAAD (2nd Edition November 2005) reprinted in June 2013 should be referred to while drafting the Audit Report.

1.10.6 CONFIDENTIALITY OF MATERIAL FOR AUDIT REPORTS

The issue of maintenance of confidentiality of the Audit Reports has been reconsidered in the light of media reports on leakage of audit reports prior to its tabling in the Parliament/State Legislature. It has been decided that in order to maintain confidentiality/secretcy of draft Audit Report and the material for Audit Report, the following points should invariably be practiced:

- The confidentiality may be claimed once a conscious decision is taken by the Head of the Department in the field office to develop any audit observation whether in the form of Draft para/Long para/Review etc., for probable inclusion in the Audit Report.
- Any such material and records relating thereto should have restricted access and placed in password protected computers. The level up to which the access to report material is to be provided should be decided by the Head of the Department in the field offices.
- A confidentiality statement as per the prescribed format should be got signed from those dealing with the report material (including outside parties engaged for design and printing of report) and placed on record.
- All the pages of the material decided to be processed for inclusion in the Audit Report should be marked as Confidential and issued to the Audited Unit or Administrative Department/Government in Sealed Cover with a remark "To be opened by Addressee only".

- While forwarding the draft material to the audited unit or concerned Administrative Department/ Government for verification of fact and figures mentioned in the draft material for Audit Report and for eliciting their comments thereon, it should categorically be mentioned that views expressed in the material so issued are interim and may change depending upon the response of audited unit or concerned Administrative Department/Government. Besides, it should also invariably be mentioned in the forwarding letter that the audited unit/Administrative Department/Government should also exercise due care to ensure confidentiality of draft material for Audit report.
- The report material may invariably be sent through official mail and to the official addresses only with a request to acknowledge receipt.
- In case, the material is transmitted by Email the following should be expressed:
 - *“This electronic mail message and any attached file(s) contain information intended for the exclusive use of the individual or entity to which it is addressed and may contain information that is proprietary, privileged, confidential, and/or recipient, you are hereby notified that any viewing, copying, disclosure or distribution of this information may be subject to legal restriction or sanction. Please notify the sender of any unintended receipt and delete the original message along with all attachments thereto without making any copies.”*

The above instructions may be strictly followed to ensure the confidentiality /secrecy of the material contained in the draft Audit Report and may also be brought to the notice of all the Officers/staff connected with the Audit Report work for strict compliance. In addition to the above, HODs may also place further controls as deemed fit to ensure confidentiality of Audit Reports.

(Authority Letter No: II/S/5/258-PPG/24-2012 Dated 27.07.2012)

1.10.7 BOND COPY

A spot discussion on the paragraphs proposed for inclusion in the Audit Report is carried out in this office by the CAG Office team with reference to the annotated form and supporting key documents. Subsequently, the report is formatted as per the style guide issued by the CAG and the formatted bond copy after the approval of PAG is sent to CAG Office as per the schedule. The officials of Report section visits CAG Office, New Delhi for assistance in approval of bond copy. While forwarding, the bond copy of the Audit Reports to CAG Office, PAG should indicate in the forwarding letter the number of cases of fraud and corruption if any, included in the Report with the money value of the concerned paragraphs. Further, the following documents should also accompany the bond copy:

- (i) For the purpose of measuring audit effectiveness, the CAG Office has prescribed a matrix (**Anneuxre 3**) for allotment of weights for Audit Reports. The money value together with classification (R1, R2 etc.,) should

be indicated in the margin of each paragraph included in the bond copy of the Audit Report. In addition to this, a consolidated report of the weighted matrix may also be sent at the time of sending bond copy of the Report. Further, in case of draft paragraphs where the entire amount of the draft paragraph issued to Government/Department has been recovered at the instance of audit, the money value may be taken into account for working out the financial impact of the Audit Reports from 2004-05 onwards. A reference in this regard may be made in the paragraph "Response of the Department to Draft Audit Paragraph" and the fact that recoveries have been made in full may be depicted in this paragraph.

- (ii) In order to assess the quality and impact of audit, the CAG Office had prescribed that the bond copy of Audit Report may be accompanied by Assurance Memo signed by the Pr. Accountant General/Principal Audit Officers. The Assurance Memo should contain the following declarations: -
 - (a) That the Audit Plan for the year has been fully implemented.
 - (b) That all observations pointing out lapses in the implementation of systems and procedures and all weaknesses in the responsibility centers have been discussed with the heads of administrative departments and assurances obtained in regard to corrective measures for arresting potential risks.
 - (c) That all contested evidences have been conclusively handled with reference to the facts at the disposal of audit.
 - (d) That in respect of reviews of schemes, samples have been selected based on risk analysis and judgement sampling and that the evidence of such exercise is available on record.
- (iii) A Certificate from Dy. Accountant General (A & E) confirming the figures appeared in Chapter I of the Audit Report matches with Finance Accounts of the State for the year of Report may also be sent along with the bond copy.

The targets fixed by the PAG at the beginning of each financial year in sending the material to CAG's Office may be strictly adhered to.

(Authority: CAG Office letter No: 256-SRA/3(i)/2005 dated 29.04.2005 & letter No: 116-Audit (AP)/4-2003 dated 22.08.2003)

1.10.8 PRINTING AND TRANSLATION

In order to bring uniformity in allotment of number to Audit Reports and new design for front and back cover of the Audit Report (State Government), the detailed system enumerated in the CAG Office letters No.99/PPG/8-2012 dated 26 March 2012, No.135/PPG/8-2012 dated 24 April 2012 & 18/ PPG/ 8-2012 dated 28 January 2013 may be followed.

After the approval of Bond copy, the English version is checked for correctness of facts and figures. Thereafter, printing approval is sought from the CAG Office and on receipt of the same; the material is given to the press for printing of the Audit Report. Simultaneously, the English version of the approved and checked bond copy is given for translation in the local language. A weekly status report is sent to CAG office regarding the status of printing and translation. The translated material from the translator is received in batches and is verified by an official assigned with the work which is thereafter vetted by the Report

section. The final translated Audit report received from the translator is formatted as per style guide and given for printing. Minimum two Proof reading are done at the press to ensure minimizing the mistakes in formatting or printing.

To have good quality of printing of Audit Reports and Annual Finance & Appropriation Accounts, Senior Management in this office has decided to get the same printed through private press. However, option for printing of Audit Reports through Government Press is open, if the quality of printing is up to the desired standards.

For administrative approval in respect of printing of Audit Reports through private press, the requisite details to be furnished in the prescribed format to CAG Office. While forwarding the requirement of fund, the following to be ensured that:

- Requirement of fund may be made after proper market survey and best competitive price;
- Requirement of fund may be projected only for which the printing is to be undertaken and payments to be made during the Financial Year.
- Previous liabilities, if any, may also be mentioned in the enclosed Annexure with due justification. Administrative approval awarded previously and payment not made till date, will deem to have lapsed as at the end of the financial year.

(Authority: Circular No.15/Staff/2012 dated 26/04/2012)

1.10.9 COUNTERSIGNATURE AND PLACEMENT

The final hard rexin bound printed copies are sent to CAG Office for countersignature of the CAG. As per Regulation 210(2) under Chapter 15 of Regulation on Audit & Accounts (Amendment), 2012, a signed copy of the audit report shall simultaneously be sent to the Secretary to the President of India or the Governor of the State or Union Territory having legislative assembly or the Administrator of Union Territory, as the case may be, informing him of requisite copies having been sent to the Ministry/ Department of Finance.

1.10.10 DISCUSSION OF THE AUDIT REPORT

Replies which are received from the Government in UOR form after placement of the Report in State Legislature are processed further and vetting remarks are offered after the approval of PAG. The Audit Reports are selected by the Public Accounts Committee (PAC) or Committee on Public Undertakings (COPU) for discussion. Replies to UOR remarks are submitted by the Department to PAC/ COPU. The above reply is sometime given by PAC/ COPU to this office for preparation of Questionnaire for use in the discussion during the PAC/COPU meetings. Based on our questionnaire, the PAC/COPU Chairman or member of PAC/COPU questions the MD/Secretary/Pr. Secretary of the concerned Department. Based on the discussion, the PAC/COPU either settles the Para or gives recommendations on the paragraphs through PAC/COPU report. The Government/Department/Company has to give reply/Action taken Note (ATN)

to the PAC/COPU report to this office on which this office gives remarks which are further discussed by PAC.

1.10.11 OTHER WORK

(i) DEALING WITH GENERAL MATTERS

AMG-III Report Section shall deal with all general matters and necessary instructions in the form of circulars etc., are issued after getting approval of Group Officer. The calendar of returns shall be maintained by the Section and the various returns should be submitted on due date to the Group Officer/Pr.AG/C&AG.

(ii) PROCEDURE FOR SENDING LETTERS TO CAG OFFICE

Para 2.17.4.2 of Manual of Standing Order (Administrative) Vol.1 (Third Edition) requires that all correspondence with CAG Office should be undertaken at the level of Head of the Office i.e. Pr. AG or AG/Pr. Director of Audit. Invariably, such communications when signed by the Sr. DAG/DAG/Director indicated to that effect that the communication has been issued with the approval of Pr. AG/AG/Pr. DA.

(iii) MEDIA POLICY FOR INDIAN AUDIT & ACCOUNTS DEPARTMENT

A need was felt to devise a proper media policy to interact with the print or the electronic media and dissemination of information to the masses in a promise manner regarding the activities of the CAG of India. A broad framework media policy is given hereunder for compliance.

- The CAG will be the nodal officer, or in his absence, the senior most DAI, to interact with the media on (i) specific requests from the media (ii) dissemination of information to the media considered largely essential for mass consumption and (iii) issuing clarifications, if any need to remove distortions or misrepresentations of facts by the media or an individual or a group. Media Advisor will handle this work under the direct supervision of the CAG/DAI in close coordination with their Secretariats/Personal Staff.
- Media Advisor will act as a focal point to process all media requests for formal interviews, except those coming directly to the CAG. He will be the CAG's interface before the media and after consultations with senior officers arrange suitable replies to the queries from the media.
- No press release/press note or a formal reply will be issued to the media without the express approval of the CAG. It will apply even if the CAG is abroad or on tour. After approval, the press notes/dischpatched, the process notes/release will be faxed/emailed/dischpatched through special messengers to local media offices through normal channels.

- No regular press meet/press conference will be held by any officer other than the CAG and in case of a State by the PAGs for their respective States after obtaining approval from the CAG. Media Adviser should be associated with A.G. press conference as far as possible.
- The frequency of the regular press meet/press conference could be once a year after presentation of bulk reports to Parliament/State Legislatures, highlighting the main aspects of the report. If necessary CAG may hold regular press meet more than once a year. All such press meets for the CAG will be organized by the Media Adviser and Director and for the AGs by the AGs themselves.
- Departmental Heads upto the level of DGs/ Principal Directors will keep the Media Adviser informed of the activities of their departments. They will provide him with suitable calendar of forthcoming events backgrounds agenda notes and recommendations of a Conference/Seminar which they deem fit to be disseminated to the media.
- Media adviser will be part of all conferences participated by the CAG as far as possible.
- Media Adviser will be given tabled Reports from all wings.
- PAG will keep the CAG informed of the media developments in their States and e-mail/fax copies of any media reports published/telecast in local media relating to their CAG functions or regarding State Reports.
- The Sr.AO in charge of the Section in DA wing will coordinate with the Media Adviser regarding feedback on reports published/telecast or broadcast in the media on CAG activities reports.
(Authority Letter No: 221/Com/Med/01/04 Dated 18.01.2005)

(iv) Guidance Note regarding direct access to Private Sector records for audit by CAG

A Guidance note regarding direct access to Private Sector records for audit by CAG is enclosed for compliance (**Annexure-4**).

Authority: Head Quarter letter no.119/3-PPG/2014 dated 4 July 2014)

(v) Guidance Note on Preface to Audit Reports

The Guidance note on preface to Audit Reports may be referred to from CAG's Website.

(Authority: Head Quarter letter no.70 to 160/PPG/44-2013 dated 4 April 2014)

(vi) Preservation of old records

SL. No	CATEGORY OF RECORDS	PERIOD OF PRESERVATION
1.	Policy files containing instructions of the C & AG issued from time to time regarding preparation of Audit Reports.	Permanent
2.	Files containing material to be collected by the audit parties for Audit Reports.	Three years from the end of the year in which PAC has issued their report on the concerned Audit Report.
3.	File dealing with the material for Audit Report on Revenue Receipts/Revenue Sector already sent to the C & AG for approval for inclusion in the State Audit Report.	(i) Statistical particulars as per item 2 (ii) Draft paragraphs and statements of under assessments etc., as per item 1.

(Authority: CAG letter No.443/Tech.Admin/1/770-68 dtd.16-12-68)

1.11 LOCAL AUDIT

1.11.1 AUDITING STANDARDS

As per the Regulation on Audit & Accounts issued (2007) by IA&AD, the field standards provide an overall framework for conducting and managing an audit which *inter alia* include the following:

- **PLANNING:** The auditor should plan audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- **SUPERVISION AND REVIEW:** The work of audit staff at each level and audit phase should be properly supervised during audit and a senior member of the audit staff should review documented work.
- **EXAMINATION AND EVALUATION OF INTERNAL CONTROL:** The auditor, in determining the extent and scope of audit, should examine and evaluate the reliability of internal control. Auditors should obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of checks to be performed.
- **COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS:** The auditor shall verify compliance with applicable laws, rules and regulations and highlight deviations, if any.
- **AUDIT EVIDENCE:** Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement as well as conclusions regarding the organisation, programme, activity or function under audit.

1.11.2 CONDUCT OF AUDIT BY LOCAL AUDIT PARTIES

The Local Audit Parties (LAPs), on receipt of the quarterly audit programme from the AMG-III (Hq-1) duly approved by the DAG or PAG has to conduct (i) Compliance Audit or (ii) Thematic Audit or (iii) Performance Audit or (iv) Follow-up Audit, as the case may be.

The detailed guidelines in conducting the Performance Audit and Follow-up Audit are discussed separately in Performance Audit, Follow up Audit & IT Audit. Thematic Audit is the terminology which is being used for audits which may have both compliance and performance audit objectives. The objectives of such audits are to focus on a particular audit objective across sectors or audited entities. A brief about Compliance Audit given in the following paragraph:

(i) COMPLIANCE AUDIT

The officers and the staff of IA &AD must follow Compliance Audit Guidelines -2016 in planning, implementation, reporting, observing follow-up processes and obtaining quality assurance in compliance audits. They outline principles, objectives, approach, methodology, techniques and procedures for conducting compliance audits. These guidelines are based on the existing guidelines and instructions applicable within IA &AD and have adapted the ISSAIs (International Standards of Supreme Audit Institutions) for compliance auditing.

Compliance audit examines the transactions relating to expenditure, receipts, assets and liabilities of Government for compliance with:

- the provisions of the Constitution of India and the applicable laws; and
- The rules, regulations, orders and instructions issued by the competent authority either in pursuance of the provisions of the Constitution of India and the laws or by virtue of the powers formally delegated to it by a superior authority.

Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence and effectiveness that is whether these are:

- *intra vires* the provisions of the Constitution of India and the laws (**legality**);
- sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to waste, misuse, mismanagement, errors, frauds and other irregularities (**adequacy**);
- clear and free from ambiguity and promote observance of probity in decision making (**transparency**);
- judicious and wise (**propriety and prudence**); and
- Effective and achieve the intended objectives and aims (**effectiveness**).

Compliance audit can be part of a combined audit that may also include other aspects. Though other possibilities exist, compliance auditing is generally conducted either:

- in relation with the audit of financial statements, or
- separately as individual compliance audits, or
- in combination with performance auditing

For improving quality of Inspection Report-PPG Guidance Note & Compliance Auditing Guidelines-2016, specific essential procedures for efficiency and effectiveness of the compliance audits, the following instructions for conducting and managing an audit which inter alia include the following:

Planning Compliance Audit: Use wherever necessary IT resources for data analytics, maintenance of guard file for each auditable unit, legislations, rules, policies, orders, financial outcome budgets and internal control procedures, etc.

Desk Review: Field parties have to carry out a desk review at Hqrs sections before proceeding for audit. This review should comprise study of guard file, data analysis to determine focus of audit, identify records. The criteria specified in SI No 1(a) of Statement 7 have to be considered.

For this purpose, an audit party should submit an advance copy of the result of Desk Review to the Hqrs section for record purpose. However, the result of desk review has to be submitted by the party along with Audit.

Planning audit procedures include audit objectives, scope of audit, main focus areas for audit, assignment plan for team members, etc. along with Audit Design Matrix to be submitted for approval of the Group Officer before commencement of audit.

Copy of specimen Audit Procedure Plan w.r. to Compliance audit guidelines-2016 is enclosed for reference (*Annexure-05*)

(ii) CONDUCT OF STAFF DURING INSPECTION

All the members of the audit inspection party should conduct themselves professionally and try to avoid any misunderstanding or friction with the members of the auditee institution. They should not indulge in verbal criticism and avoid frivolous objections. The party members should comply with the procedures indicated in Code of Ethics as discussed in *paragraph 1.10*. The allocation of duties and responsibilities to AAOs, Sr. Auditors, Auditors, would be entrusted by the Branch Officer. The Branch Officer should ensure that Sr. Auditors and Auditors are assigned with the Audit Work invariably so that they would be acquiring the auditing skills over a period of time.

(iii) PROCEDURE FOR LOCAL AUDIT:

The annual accounts present the financial picture of a Company/ Corporation. The audit party should apply their mind to appreciate any transaction in its proper perspective. The party should study the systems of internal check and

control, various manuals prepared and adopted by the Company, administrative orders and annual report and should also review the agenda and minutes to form an idea of the institution as a prelude to commence the audit. The senior member of the Audit Party would meet the Head of the Unit on the commencement of the audit and conduct an Entry Conference and the minutes of the meeting would be authenticated and well documented.

(iv) SAMPLING

Quantitative Analysis is a way of measuring things. It involves examination of data available in any form; it could be the data relating to financials like earnings, revenue, market share or data relating to programme implementation like details of beneficiaries *etc.* The audited entities' data can be analysed by auditors to illustrate or corroborate a statement. Mathematical, economical, computational and statistical analyses are some of the quantitative techniques which can be used by the auditors while analyzing complex data of the audited entity. It is quite possible to analyze the whole population with the help of the various IT tools available. Data analytics and other techniques can be used for these purposes. The quantitative analysis can provide trends, explanation for a particular behaviour and other results.

However, when it comes to substantive testing, it may not be possible to work with the complete data due to the high volume of data and information associated with a programme or entity. In such cases, sampling techniques are required to be used. The nature of the population should be examined to decide the most appropriate sampling methodology. The sample selected and the sampling approach and methodology should be documented and shared with the entity.

When selecting an audit sample, specific audit objectives and the attributes of the population from which the sample is to be drawn should be taken into account. In determining the sample size, it should be considered whether sampling risk would be reduced to an acceptable low level. The sample items are to be selected so as to have a reasonable expectation that all sampling units in the population have an equal chance of selection. The extrapolation of audit findings based on substantive testing of audit sample to the whole audit universe has to be considered keeping in view homogeneity of the population, audit objectives and the analytical tools applied.

(v) REVIEW OF SPECIAL POINTS REGISTER

LAP should review the cases mentioned in the Special Points Register by the Head quarters section during the course of the compliance audit and submit a detailed report with evidence or Supporting records to substantiate the finality of the special point while submitting the Draft Inspection Report to Head Quarters section.

(vi) ISSUE OF AUDIT OBSERVATIONS

During the course of audit, the audit party may come across certain observations and the party members should prepare the "Half Margins" (HMs) by bringing out the facts of the case appropriately and with proper audit conclusion. The HMs should not be in the form of Audit Requisition calling information from the auditee.

Further, Pr.AG had instructed the Local Audit Party (LAP) conducting the Compliance Audit and Performance Audit should obtain the concurrence of Group Officer and Pr.AG before issuing the Audit Enquiry/POM/Half Margin of their audit observations as under:

- In respect of POM/ HMs having money value of ₹ one crore and above should be sent by LAP to the Group Officer for approval before issue and
- In respect of POM/ HMs having money value of ₹ 25 crore and above should be sent to AG/ PAG for approval
- If POM/ HMs having money value of ₹ one crore and above pertain to cases of serious irregularities and lapses which the Group Officer feels should be brought to the notice of the AG/ PAG, the same can be sent to the AG/ PAG for approval.
- The above procedure will apply to all LAPs conducting compliance audit, performance audit and theme based audits.
- It may be ensured that no LAP of any wing issues POM/ HMs to the auditee institution without following the above laid down procedure.
- For speedy communication and avoiding delays, the LAPs and Hqrs Section may use email based communication (through IDs provided by NIC).

(Authority: Note No.05 of 2018-19 issued vide letter PAG/126-B/Tr. No.110 dated 25.0-5.2018)

(vii) In some Court cases, audit has been made a respondent. These are due to the fact that the assessing officers make audit observations the basis for making additions in assessments or re-assessments. Hence, Pr. AG had instructed the LAPs conducting the audit of the offices of Sub Registrar, Dy. Collector (SDVO), Inspector General of Registration, Collector (in respect of paras pertaining to Stamp duty) to insert the following note after the audit query emphasizing that the Assessing Officer has to make an independent assessment:

“Above audit observations are based on the examination of records by the audit team purely on the basis of records made available by auditee on as is where is basis during the currency of audit. The audit is conducted under Section 16 of the Comptroller and Auditor General’s (Duties, Powers & Conditions of Service) Act, 1971. The Audit observations are a matter between the Audit and

the Auditee. The auditee is required to reply to audit observations by taking a remedial action if it agrees with the audit observation or stating its reasons of disagreement with the audit observations”.

The Assessing Officer (AO) is required to exercise independent application of mind while assessing tax/ determining additional demand for tax. Audit observations are one of the inputs that the AO has. In the end, AO has to reach the conclusion based on his independent assessment. After considering the audit input, if AO reaches the conclusion that additional demand needs to be raised, he should raise this independently without citing audit observations. If he cites audit observations in his demand, his act can be construed as an act in pursuance of audit observations without independent application of mind. In such a case, the demand notice issued by AO, even though correct and tenable according to the law, is likely to be set aside purely on technical ground that there was no independent application of mind. This, in the end, is not in the interest of revenue of the State.

Above position may please be kept in view while taking a remedial action on the audit observations.”

(Authority: Circular No.RSA-II/SAO/Misc/2015-16 dated 02.06.2015)

- (viii)** The acknowledgement of the receipt of the HMs by the auditee should be obtained and kept in a systematic and chronological order on record by the Audit Party. Every effort may be made to get the replies to the audit observations. However, the drafting of inspection report should in no case be delayed due to non-receipt of replies to HMs. It is the primary responsibility of the auditee to satisfy audit by furnishing replies to the audit observations. The information/ figures required during audit may be compiled by the Audit Party from the files, records and reports. However, a confirmation of the figures compiled should be obtained from the auditee.
- (ix)** No audit objection should be dropped without the specific approval of the Audit Officer- in- charge of the party or the Audit Officer-in-charge of AMG-III Hq Section. If any objection has been dropped from the draft LAR during its discussion with the head of the office, the minutes of exit conference should be kept to enable Headquarters to understand the circumstances under which the audit objection has been dropped. The senior member of the LAP should draft the Inspection Report in the manner enumerated below:

1.11.3 COMMUNICATION OF RESULTS OF AUDIT

According to Compliance Audit Guidelines-2016 and improving the quality of Inspection Report-PPG Guidance Note (issued in August 2017), the Local Audit Report or Inspection Report of an audit unit should provide a perspective of the unit level compliance and may comprise the following parts:

Part I – Introduction- This part may commence with an overview of the audit unit and may provide its functional/geographical jurisdiction, budget, financial performance and a perspective of the relative significance of the unit in the

overall hierarchy of the department in pursuit of organisational goals. This may be followed by a brief explanation of the scope of audit, the sampling procedure followed and the audit sample – including the implementing units, the subject matter(s) selected and the sources of criteria that have been adopted to evaluate the selected subject matter(s). It may indicate that the audit has been conducted in accordance with the applicable Auditing Standards of CAG.

Part II – Audit findings–This part shall contain all findings – both positive and negative findings that pertain to the audit unit and may be arranged in two distinct parts - Part IIA and IIB - the first part comprising significant audit findings (*i.e. Major irregularities*) relating to evaluation of the regularity related subject matter(s)/ specific subject matter(s) and propriety related subject matters and the second part – IIB (*i.e. Minor irregularities*) comprising other incidental findings relating to both regularity and propriety aspects. The audit findings should be organised in decreasing order of materiality and significance, if possible.

Part III – Follow up on findings outstanding from previous reports–This part may indicate the progress of settlement of audit findings outstanding from previous Inspection Reports and list out the findings that continue to be outstanding.

Part IV– Best practices – Any good practices or innovations, if noticed, during the course of audit may be mentioned.

Part V – Acknowledgement– This part may contain the acknowledgement of the extent of audit units’ cooperation in all matters including production of records called for in Audit. It may also contain details of persons holding the leadership positions in the audit units.

The responsibility of drafting the Inspection Reports shall vest with the respective audit team and that of review and approval with the respective Group Officer through respective Branch Office in field offices.

DISCLAIMER CERTIFICATE

It has been decided by the C&AG of India that the inspection report as finally issued to the Administration or head of office inspected after scrutiny and editing in the headquarters office of an Accountant General should be formally approved by the Group Officer. Further, last page of the LAR should contain a disclaimer statement as given below:

"The Inspection Report has been prepared on the basis of information furnished and made available by the auditee(s). The Office of the Pr. Accountant General (Audit-II), Gujarat, Ahmedabad, disclaims any responsibility for any misinformation and / or non-information on the part of auditee."

1.11.4 REVIEW OF OUTSTANDING PARAS OF THE PREVIOUS IRS

The LAP should make concerted efforts to collect the information/ documents called for by the Head quarters section and also to obtain final replies of the outstanding paras and submit the results of verification in the verification sheet

of LARs with recommendations which may be submitted to the Group Officer for final orders of settlement of the paras.

1.11.5 WORKING PAPERS & DOCUMENTATION

The LAP should prepare the working papers and the title sheets for the Compliance Audit as prescribed by the AMG –III Hqrs (I & II) and indicated in Statement ‘B’ of Chapter 2 to 4 for compliance and submission to the AMG-III Headquarter Sections along with the Draft LARs. The Draft LAR files for the Compliance Audit may be submitted within 5 working days from the date of completion of audit to the concerned AMG-III Headquarter Sections for further issuance to the auditee office. The AAOs, Sr. Auditors / Auditors should submit their weekly dairies to the senior member of the LAP for further submission to AMG –III Hq Section. The Draft LAR files should be properly indexed and key referenced by the LAP before submission to the Head Quarters section.

Copy of specimen showing Title Sheet in addition to existing Title Sheet, Exit Meeting, Duty list for each member of the audit team, follow up of supervision by Group Officer, Certificate of Conclusion of Audit, Dially diary of each member of the audit team, A certificate regarding compliance with CAG’s Auditing Standards, Code of Ethics, etc. are enclosed in Annexure **06 & 06 (A)** for ready reference.

1.12 GRADING OF INSPECTION REPORTS

As per Compliance Audit Guidelines-2016 and improving the quality of Inspection Report-PPG Guidance Note (issued in August 2017), the Local Audit Report or Inspection Report submitted by LAP duly vetted at headquarters section. Group Officer gives grading to inspection report based on the criteria fixed as provided in **Statement-07** attached herewith.

Annexure-01

(Refer Paragraph 1.5.1)

Methodology adopted for categorising risk parameters for State Tax Department

1. Revenue

If more than or equal to 1% of Revenue of State Tax of the State	3
If more than or equal to 0.3% but less than 1% of Revenue of State Tax of the State	2
If less than 0.3% of Revenue of State Tax of the State	1

2. Complaints

Complaints/Media Reports during last 1 year	3
Either Complaints or Media Reports during last 1 year	2
No Complaints/Media Reports during last 1 year	1

3. Budget Proposal

Budget proposal applicable to the unit	3
Budget proposal if partially applicable to the unit	2
Budget proposal if not applicable to the unit	1

4. Manufacturers

If number of manufacturers are more than equal to 60% of registered dealers of the unit	3
If number of manufacturers are more than equal to 30% but less than 60% of registered dealers of the unit	2
If number of manufacturers are less than 30% of registered dealers of the unit	1

5. Units audited last three years

Unit not audited during last three years	3
Unit audited once in three years	2
Units audited more than once in three years	1

6. Reply of IRs during last three years

If not replied all IRs	3
If replied 1 out of 3 IRs	2
If replied all three IRs	1

7. Part IIA Paras/FNs issued during last three years

If more than equal to 5 Part IIA Paras/FNs	3
If more than equal to 2 Part IIA Paras/FNs but less than 5 Part IIA Paras/FNs	2
If less than 2 Part IIA Paras/FNs	1

Annexure-02

(Refer Paragraph 1.5.2)

Methodology adopted for categorizing risk parameters **(for taxes other than State Tax)**

S. No	Department	Risk parameters	Rating
1.	Revenue		
B	Sub Registrar Offices	Units with more than 2 percent of total revenue of state	3
		Units with 1 percent or more but less than 2 percent	2
		Units less than 1 percent	1
C	Dy. Collector Stamp Duty Valuation Offices	Units with more than 4 percent of total revenue of state	3
		Units with 1 percent or more but less than 4 percent	2
		Units less than 1 percent	1
F	Energy & Petrochemicals	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	
2	Complaints / Media Reports :-		
B	Stamp Duty And Registration fee	Complaints and Media Reports during last 1 year	3
		Either Complaints or Media Reports during last 1 year	2
		No Either Complaints or Media Reports during last 1 year	1
C	Dy. Collector Stamp Duty Valuation Office	Complaints and Media Reports during last 1 year	3
		Either Complaints or Media Reports during last 1 year	2
		No Either Complaints or Media Reports during last 1 year	1
F	Energy & Petrochemicals	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	
3	Budget Proposal		
B	Stamp Duty And Registration fee	Budget proposal applicable to unit	3
		Budget proposal if partially applicable to unit	2
		Budget proposal if not applicable to unit	1

C	Dy. Collector Stamp Duty Valuation Office	Budget proposal applicable to unit	3
		Budget proposal if partially applicable to unit	2
		Budget proposal if not applicable to unit	1
F	Energy & Petrochemicals	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department	
4	Number of Documents		
B	Stamp Duty And Registration fee	No. of Documents registered more than 20000	3
		No. of Documents registered less than 20000 but more than 10000	2
		No. of Documents registered less than 10000	1
C	Dy. Collector Stamp Duty Valuation Office	No. of Documents registered more than 3000	3
		No. of Documents registered less than 3000 but more than 1000	2
		No. of Documents registered less than 1000	1
F	Energy & Petrochemicals	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	
5	Unit Audited in last three years		
B	Stamp Duty And Registration fee	Unit not audited during last three years	3
		Unit audited once in three years	2
		Unit audited more than once in three years	1
C	Dy. Collector Stamp Duty Valuation Office	Unit not audited during last three years	3
		Unit audited once in three years	2
		Unit audited more than once in three years	1
F	Energy & Petrochemical	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	
6	Reply of IRs during last three years		
B	Stamp Duty And Registration fee	If first reply not received for all IRs	3
		If first reply received one out of three IRs	2
		If first reply received for three all IRs	1
C	Dy. Collector Stamp Duty Valuation Office	If first reply not received for all IRs	3
		If first reply received one out of three IRs	2
		If first reply received for three all IRs	1

F	Energy & Petrochemical	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	
7	Part IIA Paras/ FNs issued during last three years		
B	Stamp Duty And Registration fee	If no. of Part IIA Paras / FNs are more than 5	3
		If no. of Part IIA Paras / FNs are less than 5 but more than 2	2
		If no. of Part IIA Paras / FNs are less than 2	1
C	Dy. Collector Stamp Duty Valuation Office	If no. of Part IIA Paras / FNs are more than 5	3
		If no. of Part IIA Paras / FNs are less than 5 but more than 2	2
		If no. of Part IIA Paras / FNs are less than 2	1
F	Energy & Petrochemical	There are two HODs, four Audit Units and 18 implementing units are under audit jurisdiction of this wing. One HOD (Director of Petroleum) is categorized as B class unit. Therefore, One HOD and one Audit unit will be taken every year. Hence risk parameter is not adopted for this department.	

Annexure-03

(Refer paragraph no.1.10.7)

**ALLOTMENT OF WEIGHTS ON THE DESIRABILITY
ACCEPTABILITY MATRIX
RECEIPT AUDIT REPORTS**

Acceptability index/para desirability index	Recovered	Accepted by the department/government	Not accepted by the department/government but effectively rebutted by audit	No reply from department or government
Non compliance to laws, rules, etc.	R1 (1)	R2 (0.8)	R3 (0.4)	R4 (0.2)
Lacuna in law/procedure, policy	-	S2 (0.4)	S3 (0.2)	S4 (0.15)
Control weaknesses	T1 (0.3)	T2 (0.2)	T3 (0.15)	T4 (0.10)

**WEIGHTED AGGREGATE OF MONEY VALUE
AUDIT REPORT FOR THE YEAR ENDING**

Para No.	Financial period	Money value	Premium for timelines	Matrix identity	Matrix Weight	Weighted money value	Contributing office
(4.2)	(2001-02)	(50 lakh)	(55 lakh)	H4	(0.10)	(5.5 lakh)	

Signed

Accountant General/ Pr. Director

Note-1: Money value of paras pertaining to transactions of preceding two years will be enhanced by 10 per cent

Note-2: Last column needs to be filled up only for the reports for which materials is contributed by more than one office.

Figures in brackets are shown as illustrations.

PROFORMA

Bond copy of Audit Report (Revenue Receipts) Government of _____ for the year _____

Para-wise Money Value of DPs/Reviews

(₹ In Crore)

Para No.	R1	T1	R2	S2	T2	R3	S3	T3	R4	S4	T4	Total

Chapter-wise Money Value of Paras and Reviews

Chapter	R1	T1	R2	S2	T2	R3	S3	T3	R4	S4	T4	Total

**CALCULATION SHEET FOR WEIGHTED MONEY VALUE OF
REVENUE RECEIPTS FOR AUDIT REPORT – GOVERNMENT OF
FOR THE YEAR _____**

Sl. No.	Category/ Reference of the paras	Matrix	Matrix weight	Money value	Premium for timeliness	Weighte d money value
(1)	(2)	(3)	(4)	(5)	(6)	(7)
01.	Recovered					
	Non compliance to law, rules etc.	R1	1			
		T1	0.3			
	Total					
02.	Accepted by the Department/Government					
	Non compliance to law, rules etc.	R2	0.8			
	Lacuna in law, procedure, policy	S2	0.4			
	Control weaknesses	T2	0.2			
	Total					
03.	Non accepted by the Department/Government					
	Non compliance to law, rules etc.	R3	0.4			
	Lacuna in law, procedure, policy	S3	0.2			
	Control weaknesses	T3	0.15			
	Total					
04.	No reply					
	Non compliance to law, rules etc.	R4	0.2			
	Lacuna in law, procedure, policy	S4	0.15			
	Control weaknesses	T4	0.10			
	Total					
	Grand Total					

Annexure-04

(Refer paragraph no. 1.10.11(iv))

DIRECT ACCESS TO PRIVATE SECTOR RECORDS FOR AUDIT BY CAG-PROTOCOL

The duties and powers of the Comptroller and Auditor General of India (CAG) to directly access and audit the records of the private sector have been under discussion for some time. This issue was examined by the Hon'ble Delhi High Court and the Supreme Court of India in the case of access of records of Private telecom companies by the CAG. The Hon'ble Courts recognized that the records for private players entrusted with the responsibility of delivering public goods and services by utilizing the state owned resources should be accessible to the CAG for audit.

Important arguments accepted the rationale behind the judgments and the highlights of the above mentioned judgments that have wider implications for audit by the CAG of private sector organisations are brought out below:

JUDGEMENT DATED 6TH JANUARY 2014 OF THE DELHI HIGH COURT

Applicability of Principle of 'Res Communes' – The doctrine of 'res Communes' claims that some things are common to mankind – the air, the water etc. Thus, the titles of these resources are vested with the State as the sovereign, in trust for the people (Para No 21). Licensees are the accountants of the Central Government and are expected to maintain complete, accurate and honest books of accounts as to any transaction(s) involving revenue as a fiduciary duty. (Para No 31).

Revenue would include any income of the nation derived from any source, to be credited into the Consolidated Fund of India. Therefore, the revenue shared by the Licensees with the Central Government, flowing into the CFI is the income of the nation and it comes under Article 266(1) of the Constitution (Para No 48).

JUDGEMENT DATED 17TH APRIL 2014 OF THE SUPREME COURT OF INDIA

Article 149 of the Constitution and the Comptroller and Auditor General of India (DPC) Act 1971 is to provide for Parliamentary control of executive on public funds, consequently ambit of audit by CAG has to cover all issues that are required to be examined by the Parliament (Para No 18).

Article 266 of the Constitution of India take in "all revenue receipts by the Government of India" and submitted that a combined reading of Sections 13, 16 and 18 of the C&AG (DPC) Act would indicate that it is obligatory on the part of the CAG to audit all transactions entered into by the Union and the States pertaining to the consolidated Fund (Para No 19).

When nation's wealth/natural resources, like spectrum, are being dealt with either by the Union, State or its instrumentalities or even the private parties, like service providers, they are accountable to the people and to the Parliament (Para No 37).

CAG's examination of the accounts of the Service Providers in a Revenue Sharing Contract is extremely important to ascertain whether there is an unlawful gain to the Service Provider and an unlawful loss to the Union of India, because the revenue generated out of that has to be credited to the Consolidated Fund of India (Para No 41).

The Expression "to audit all receipts" doesn't distinguish the revenue receipts and non-revenue receipts (Para No 45).

Section 13 read along with the Section 16 makes it clear that the expression 'to audit all transactions' so also "audit of all receipts". Payable into Consolidated Fund of India would take in not only the accounts of the Union and of the State and of any other authority or body as may be prescribed or under any law made by the Parliament but also to audit all transactions which Union and State have entered into which has a nexus with Consolidated Fund, especially when the receipts have direct connection with Revenue Sharing (Para No 45).

Unless the underlying records which are in the exclusive custody of the Service Providers are examined, it would not be possible to ascertain whether the Union of India as per the agreement, has received its full and complete share of revenue, by way of license fee and spectrum charges (Para No 48).

CAG is not actually auditing the accounts of the UAS Service providers as such, but examining all the receipts to ascertain whether the Union is getting its due share by way of License fee and Spectrum charges, which it is legitimately entitled to, by way of revenue sharing (Para No 50).

CAG's function is separate and independent and is not familiar to the audit conducted by the DoT under clause 22.5 or special audit under clause 22.6 (Para No 51).

ROLE OF CAG IN A CHANGING AUDIT ENVIRONMENT:

In essence, these judgments have emphasized that the duties and powers of the CAG being part of the basic structure of the Constitution, are to be interpreted and carried out to meet the changing needs and requirements of accountability. In the current scenario, the purpose of audit by CAG of records of private sector organizations can be stated as under:

- Providing an independent assurance that the terms and conditions of the agreements have been complied with in letter and spirit.
- Assisting in protecting the legitimate interest of public at large.
- Ensuring parliamentary oversight.

An independent assurance by the CAG, as an external auditor, to the Government is necessary and different from the roles of executive, the statutory auditor and the regulator. As the audit of such private sector records is to

safeguard the interests of the State or its agencies of instrumentalities, it is the constitutional mandate of CAG and has been upheld in the above said judgment. Therefore, there may be no requirement of specific entrustment of such audits.

PROTOCOLS

The emerging audit scenario requires a new protocol to be established for accessing/auditing private sector records. This guidance note aims at laying down the procedure on the following aspects:

- Identification of agreements involving private sector participation
- Determination of need to access private sector records
- Scope of examination of private sector records
- Mode of interactions with private sector
- Composition of Audit parties and capacity building.

Identification of agreements involving private sector participation

The field audit offices are required to prepare a master data base of all agreements entered into by the Union and State Governments and their agencies or instrumentalities with private sector:

- a) For delivery of public goods and services
- b) Dealing with transfer or natural resources (like land, water, spectrum and general resources) or public properties to private sector, if such transfer affects public interest.
- c) Nexus with consolidated fund of India or State.
- d) Having an impact on public matter.

Presence of one or more of the above mentioned parameters could be the basic identification of agreements for this purpose. These parameters would help in identifying agreements/ contracts which could require access to private sector records by CAG to provide assurance as indicated above.

DETERMINATION OF NEED TO ACCESS PRIVATE SECTOR

RECORDS

The decision to access the records of any private sector organization has to be taken with the approval of controlling DAI/ADAI. The necessity of accessing the private sector records would be decided by the HQ on a case by case basis, depending upon the risk assessment of the subject matter and the ability /inability of the CAG to effectively fulfill his mandate only through audit records of the government/public entity which comes under the CAG audit purview. HQ would also decide the applicable section of the CAG's DPC Act under which such audit would be conducted deciding in turn the scope of audit. A self contained proposal giving justification/necessity for such direct access has to be sent by the field audit officer to the headquarters. While recommending the need to access/audit private sector records the following aspects may be kept in view:

- a) The contract may provide for specific agreements clauses requiring private sector organization to provide access to information/records to public sector partners or any other public authority.
- b) In most of the cases it may be possible to get the required information through the public sector audited entity entering into agreement with the private sector entity in question. The public sector entity should be the first port of call.
- c) In certain cases, it would not be possible to provide assurance that the terms and conditions of the agreement are being complied with, unless the underlying records that are in the exclusive custody of the private sector organization are examined.
- d) In all cases, the materiality and the risk perception need to be given due consideration.

Annexure-05*(Refer paragraph no. 1.11.2(i))*

Format for planning audit procedures

SI No	Description	Details
1	Name of the Entity	
2	Period of audit	
3	Duration of audit	
4	Have the documents of the Entity (such as the Financial budgets/ Outcome budgets/ Result Framework Documents/ Annual Report/ New Policies and changes in policy, previous Inspection Reports/ Performance Audits Reports conducted earlier etc) been desk reviewed	
5	Have documents and data from secondary sources (such as Reports of the State and Union Governments and of various Commissions/ <i>I</i> Census data/ Statistics put out by Government/ NSSO data/ digitized data available in data.gov.in, VLC data, Beneficiary data (if applicable) etc, and other sources like media reports, research reports, academic reports etc) been desk reviewed	
6	Potential risk/ focus are as that emerge of the review conducted as at (4) and (5) above.	
7	List the Audit Objectives that are intended to be pursued both on regularity and propriety aspects	
8	Summarize the planned scope of audit	
9	Audit procedures that are intended to be applied (review of records, physical verification, joint inspections, external evidence collection etc)	
10	Broad Assignment Plan for each party member	
11	Other remarks	

Senior Audit Officer /Audit Officer

Group Officer

Annexure-06

(Refer paragraph no.1.11.5)

TITLE SHEET (TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)		
I.	PART A (Summary of audit results)	
1	Name of the organization audited	
2	Name of party personnel	
	(i) Sr. Audit Officer/ Audit Officer	
	(ii) Asst. Audit Officer/ Supervisor	
	(iii) Senior Auditor/ Auditor	
3	Period of audit	
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	
5	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes/ Record of discussions. If no, provide reasons	
6	Number of potential paras (drawing reference to para nos) included in Part-IIA of the Inspection Report	
7	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc	
8	Paras relating to persistent irregularities etc that need to be brought to the notice of HOD through Management Letter.	
9	Briefly mention the challenges faced during audit (non-production of records, manpower or resource constraints, scope limitation etc) and how they were addressed during the course of audit	
10	Suggestions for overcoming such challenges in future audits	
11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/ Nodal Officer of the Audited Entity. If no reasons may be indicated.	Minutes as per Statement A to be enclosed.
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted within a period of 7 working days from the date of conclusion of audit)	
13	Reasons for delay in submission of draft IR etc. to Hqrs with reference to the allotted time period, if any.	
14	General remarks, if any	
II.	Part B (Details of Audit Process followed)	
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/AO/AAO/Sr. Auditor/ Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no reasons and justification may be provided.	Allocation of duties as per Statement B to be enclosed

2	Sampling methodology adopted (Use as many rows as needed)				List of files/ vouchers/ other documents reviewed maybe enclosed	
	Sl. No.	Section/Wing being audited	Nature of document	No Selected for review	Percentage of selection	Sample method adopted
		Purchase/Works/ Establishment etc	Files/ Vouchers etc.	(Indicate actual number selected)	(Indicate percentage for each category)	Random/ Stratified/ Judgmental etc.
3	Whether focus areas identified and procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit)? If no, reasons and justification may be provided.					
4	Whether all issues marked for examination by Group Officer on supervision/ Hqrs section have been addressed?				Compliance to Group officer comments on supervision to be enclosed as per Statement C.	
5	Whether all work assigned as per allocation of duties was completed? If no, provide whether the reasons and justification are provided.				Certificate as per Statement D to be closed.	
6	Briefly indicate the potential focus areas for next audit					
7	Whether daily diaries indicating the documents/ records team members of the Audit Team have been and enclosed?				Daily Dairy as per Statement E to be enclosed for each member	
8	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?				Certificate as per Statement F to be enclosed	
9	Whether the key documents have been referenced in the para and the source of evidence has been provided as footnotes?					
10	Please indicate the position of outstanding paras of previous inspection Reports as under.					
	Period of Inspection Reports		No of paras outstanding (opening)	No. of paras outstanding (closing)	Reasons for the paras remaining outstanding	
	1		2	3	4	
11	Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?				Certificate as per Statement F to be closed	
12	Whether a certificate that the audit party has complied the with Audit Quality Frame work and Code of Ethics has been provided?				Certificate as per Statement F to be enclosed	
Dated:				Sr. Audit Officer/ Audit Officer		

Statement A

Sample Format of Minutes/ Record of Discussions at the conclusion of Audit

Minutes of the Minutes hold on _____ to discuss audit observations to be included in the draft inspection report for the period _____ relating to the Ministry of _____ / Audited Entity _____

Present:

From Ministry's side	From Audit side

(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issued to the Ministry in the shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarifications, wherever sought, were given from the Audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of ___ audit observations were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible.

The meeting ended with vote of thanks.

(Signature)	(Signature)
(Name & Designation) From Ministry's side	(Name & Designation) From Ministry's side

Statement B

Proforma for Duty list of each member of the Audit Team

Duties assigned	Noted and signed (Acknowledgement)
SAO/AO :Name 1.	
AAO/Supervisor Name 1. 2.	
Sr. Auditor/Auditor : Name 1. 2.	

Statement C

Follow up of supervision by the Group Officer

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action taken by the Audit Team on Comments/Queries

Statement D

Certificate at the conclusion of Audit

We have examined all the issues as per the duty list (except the following) and necessary audit observations based on audit scrutiny, have been issued.

Sl. No.	Brief particulars of the issues which could not be seen in audit	Reasons there for (non availability of records, time constraints, shortage of manpower, other constraints/reasons) etc.
1		
2		

Sr. Audit Officer/Audit Officer

Statement E

Daily Diary of each member of the Audit Team

Date	Brief details such as file number, item of work done, records seen and examined etc

(Signature)
(Name of the Officer
& Designation)

Statement F

Certificate

It is certified that:

- a) Sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report
- b) That the audit was conducted in accordance with the CAG's Auditing Standards 2017
- c) The audit party has complied with the Audit Quality Framework and Code of Ethics

Sr. Audit Officer/Audit
Officer

**TITLE SHEET FOR COMMENTS ON ACCOUNTS
(PART 'A')**

Statement-06 (A) (Refer paragraph no.1.11.5)

1.	Name of the:	
	• Company/ Corporation whose Accounts are being Audited	
	• Holding Company of the Company/ Corporation	
	• Subsidiary of the Company/ Corporation	
	• Associate of the Company/ Corporation	
	Whether the Company is a Dormant Company under section 455 of the Companies Act, 2013	
2.	Name of the authority having right to appoint majority of Directors or to control the Management or policy decision of the Company/ Corporation.	
3.	Names of party personnel with dates	
	(i) Supervisory Officer	
	(ii) Assistant Audit Officer/ Supervisor	
	(iii) Sr. Auditor/ Auditor	
	(iv) Consultant/ contractual appointment	
4.	Year of financial statements	
5.	Month selected for detailed review of cash book	
6.	Date of: (To be filled by PAG/ AG HQ's Office)	
	i. approval of consolidated/ financial statements by the Board of Directors.	
	ii. the Audit Report (Applicable where a separate Statutory Auditor is appointed)	
	iii. receipt of certified accounts along with Auditors Report; and	
	iv. receipt of compliance to directions under section 143 (5) of the Companies Act, 2013	
	v. commencement of conducting audit and duration of audit (in working days)	
	• Details of extension sought, if any; and • number of days for which extension is granted. (in working days)	
7.	Provisional Comments (To be filled by PAG/ AG HQ's Office)	
7. (i)	Date of issue of draft comments to:	
	i. Statutory Auditor	
	ii. Company	

7. (ii)	Date of receiving replies of draft comments from:	
	i. Statutory Auditor	
	ii. Management of the Company	
7. (iii)	Date of sending draft comments to CAG office	
8.	Date of Annual General Meeting in which the accounts for the previous year were adopted	
9.	Did the Audit Committee have a discussion with Auditor and had reviewed the financial statements before their submission to the Board of Directors.	
10.	Whether the Statutory Auditors attended, the meetings convened for planning and finalisation for audit of accounts. If not details of the meetings not attended. <i>(To be filled by PAG/ AG HQ's office)</i>	
11.	Whether the Management/ Statutory Auditors have replied to all audit enquiries? If not, whether it has been brought to the personal attention of Chief Executive?	
12.	Whether all records/ information required by Audit Team was made available. If not, the details of records not produced to Audit may be given.	

(PART 'B')

I	Review of Statutory Auditors Report	
1.	Whether all the statutory assertions specified in sections 143 (2) and (3) of the Companies Act, 2013 have been stated in the Report.	
2.	Whether the requirements of SA 700 have been fulfilled as regards the form and content of the Report <i>(A check list is enclosed as Annexure-I)</i>	
3.	Whether the Report includes the required statements on all matters specified in CARO 2003/ Companies (Auditor's Report) Order, 2015. Whether the following requirements of CARO 2003/ CARO 2015 have been complied with <i>(CARO 2003 is applicable up to the accounts finalized for financial year 2013-14 only)</i>	
	i) If the auditor is unable to report on any of the matters, whether the fact has been indicated along with reasons.	
	ii) Whether the assessment made by statutory Auditor on the adequacy of internal control system is consistent with other observation of the Auditors.	

	iii) Whether the report of auditor on maintenance of proper books of accounts under law is correct and verified. ¹	
	iv) Whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement.	
	v) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;	
	vi) Whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.	
4.	Qualifications in Auditor's Report Whether the requirements of Section 143(4) and Statement on Qualifications in Auditor's Report as indicated below have been complied with.	
	i. Has the auditor stated the full information about the subject matter of qualification?	
	ii. Has the auditor stated the reasons for the qualification?	
	iii. Has the auditor stated all the qualifications in their report itself and without referring to a report made in earlier years?	
	iv. If any note to accounts is a subject matter of qualification, whether the auditor has stated the full subject matter of the note in his qualification, instead of referring to the note.	
	v. Whether the auditor has stated, wherever possible, the effect of individual qualification and total effect of all qualifications and total effect of all the qualifications on profit or loss or state of affairs.	
	vi. If it is not possible to quantify the effect of qualifications accurately, whether the auditor has stated the effect based on estimates made by the management, after indicating the fact that the figures were based on management estimates.	

¹ The purpose of this item is to verify the audit observations relating to non-maintenance of proper books of record required by the Companies Act and/or any other relevant Act with reference to records of the Company. There is no need to examine all the records of the company but where the statutory auditor has made audit observation in this aspect, only these observations need to be examined and not all therecords.

5.	Whether the auditor has furnished the report U/ s 143 (5) along with Auditor's report U/ s 143 (2). If not, the date of receipt of report u/ s 143 (5) may be mentioned.	
6.	Has the auditor complied with all directions issued and sub directions issued U/ s 143 (5)?	
7.	Whether Statutory Auditor has shared his working papers with the Audit Team as and when asked for.	
8.	Whether the opinions expressed by the auditors on the financial statements is fair keeping in view their qualifications.	
9.	If the auditor has revised his Audit Report, Whether the same is in accordance with 'Guidance Note on Revisions of Auditor's Report'	
10.	Whether Statutory Auditors has issued any communication to those Charged with Governance under SA 260? If yes, whether the same has been reviewed ² .	
11.	Is there any material evidence regarding non-compliance with any Standard of Auditing by the Auditor ³	
II	Review of Financial Statement	
	Whether the following have been verified?	
1.	Whether the Balance Sheet and statement of Profit and Loss have been prepared in the forms set out in Schedule III- Part I and Part II of the Companies Act, 2013 respectively.	
2.	Whether financial statements including consolidated financial statements, if any, have been approved by Board of Directors and authenticated as required under Section 134 (1) of the Companies Act, 2013.	
3.	Whether all significant accounting policies have been disclosed ⁴ and form part of the financial statement	
4.	Whether any accounting policy is vague leaving scope for misinterpretation or is against the provisions of Accounting Standards/ relevant laws.	

² Communication under AAS 27 can be reviewed either before taking up or during the supplementary audit to review the observations of Statutory auditor contained therein which may be helpful in deciding the scope and extent of supplementary audit.

³ To be reported only on exception basis if some convincing evidence indicating material non-compliance of SA are noticed during the normal course of Supplementary audit.

⁴ List of the areas where the entity should frame accounting policy as given in AS-1, can be considered as significant areas. In addition to this, based on the experience, PAG office may be aware of the major significant areas where the Company should have an accounting policy. Such examination is not necessary during supplementary audit, it can be done before the start of audit or any part of the year as change in Accounting Policies is not a routine feature of a Company and most accounting policies remain the same.

5.	If there is a change in accounting policy, which has a material effect The amount by which financial statements is affected should be disclosed as such in one place otherwise the reasons for non-disclosure should be indicated.	
6.	Whether auditor have signed their report only after adoption of previous years accounts in AGM as required in Companies Act, 2013 and letter of appointment of Auditor.	
7.	Whether unusual transactions have been dealt with in accounts properly. If not, has the auditor given significant comments on it?	
8.	Whether depreciation has been charged as required by section 123 considering the useful lives to compute depreciation as stipulated in Schedule II. Where the Company adopts useful and residual life different from the limits specified in Part 'C' of Schedule II it has been disclosed with justification in financial statements.	
9.	The useful and residual life of any specific asset notified for accounting purpose by a Regulatory Authority constituted under any special Act of parliament shall be applied for calculating depreciation to comply with requirement under section 123 of the Companies Act, 2013.	
10.	Whether test checks revealed that SA 250 regarding due consideration of laws and regulations followed by the Auditor is adequately reported?	
11.	Whether the Company is liable to make provision for Corporate Social Responsibility (CSR) as required by section 135 of the Companies Act, 2013, if so, whether provision has been made for notified activities of CSR.	
III	Compliance with Accounting Standards	
1.	Whether the financial statements complied with Accounting Standard as required in Section 133 of the Companies Act, 2013 read with Rule 7(2) of the Companies (Accounts) Rules, 2014.	
2.	Cases of non-compliance if noticed during test check. (A checklist is enclosed as Annexure-II)	
3.	i. Whether the Company has made disclosures as required in Section 129 (5) of the Companies Act, 2013.	
	ii. If not, whether the Statutory Auditor has stated the non-compliance in their report.	

IV	Compliance with Assurances:	
	Whether the Company has complied with all the assurances given to Audit in the previous year (s)	
V	Compliance with requirement of Regulatory Authorities relating to preparation and presentation of financial statement/ accounts	
	Whether the requirements of any, regulatory authorities viz., SEBI, IRDA, RBI, BPE, NHB and Administrative Ministry etc, with regard to financial reporting been complied with by the Company? If not, indicate whether specific non-compliance has been pointed out.	
VI	Recommendations of Supervisory Officer	
1.	Whether any change in time allotted is necessary for future audit?	
2.	Details of areas to be focused in compliance audit?	
3.	Constraints faced, if any, in conducting the audit of accounts of the Company/ Corporation	
4.	Other recommendations/ remarks.	

Part C <i>(The matters included in this part are not exhaustive PAG may include other matters according to their requirement)</i>	
1.	Whether all the points indicated in the register of important points marked for verification in the accounts audit by the ES-1 section have been reviewed and action taken.
2.	Whether list of audit points, which may have some audit value for other LAPs been attached.
3.	Whether the Statutory Auditors' report and the audited accounts of units not selected for audit been reviewed.
4.	Whether the contribution statement with money value and name of the LAP official has been attached.
5.	A statement of allocation of duty amongst the party members may be attached duly signed by all members of the audit party accepting the duty assigned to him/ her and a certificate that the duty assigned was completed.
6.	A copy of declaration regarding adherence to the code of ethics of Comptroller and Auditor General of India separately signed by the LAP officials in duplicate, giving one copy to head of audited entity prior to commencement of audit.
7.	A certificate regarding investment by State Government in form of equity/ capital contribution may be attached as per Annexure-III
8.	Whether a separate file containing the documents to be collected as per Annexure-IV attached with signature of officials that have verified the items mentioned in working sheet.
9.	whether all the information required in the proforma on performance of auditors of Government Companies and Corporations has been obtained and incorporated in the attached Annexure-V .

Submitted to Dy. Accountant General (AMG-II1))

Camp:

Date:

Signature of AO
AMG II1/ Party
No._____

Certificate of completion of allocated duty by LAP officials

Sl. No.	Name	Details of Work	Signature

Audit Officer /AMG II1 P.No._____

Statement-(a)

(Continuation of Annexure-06 (A))

Check list to ensure compliance of Standard on Auditing 700

Sl. No.	Particulars	Compliance
	Whether the audit report contains the following basic elements:	
	• Title	
	• Addressee	
	• Opening paragraph	
	• Scope of Paragraph	
	• Opinion paragraph	
	• Date of Report	
	• Place of Signature	
	• Auditor's signature	
	Whether the type of report to be issued based on audit has been decided, if yes, whether it is properly drafted considering the type of report-	
	Qualified	
	Disclaimer	
	Adverse	
	Whether the membership number is mentioned of the member signing the report	

Statement-(b)

(Continuation of Annexure-06 (A))

CERTIFICATE

The figures of Investment of ₹ . Lakh made by the State Government in the form of equity share capital/ capital contribution and shown in the accounts for the period from..... to of..... is verified with respect to the following basic documents and is found correct:

- 1) Government Resolution regarding release of equity capital/ capital contribution to the PSU.
- 2) Bank/ PLA account documents in respect of actual receipt of capital fund.
- 3) Board resolution regarding allotment/ issue of shares to the Government.
- 4) Register of shareholders.
- 5) Intimation made by the PSU to Registrar of Companies.
- 6) Posting of the figure of investment in all the related accounts maintained by the PSU.
- 7) Any other documents (*as the LAP may deem fit to cross-check the correctness of the figures of investment shown in the account of the PSU*)

Audit Officer (I)
AMG-II1 Party
No. _____

Statement-(c)

(Continuation of Annexure-06 (A))

Working Sheet

(For Accounts Audit)

DOCUMENTS TO BE ATTACHED WITH EVERY ACCOUNT AUDIT IN A SEPARATE FILE ALONG WITH AUDIT PLAN

Sl. No	Particulars	Page No. of file where kept	Signature of official that has checked the item
1	Balance Sheet grouping		
2	Trial Balance		
3	Statement of fixed assets showing details of assets under each category of the fixed assets schedule, along with opening balance additions, transfer/ sale and closing balance, of the gross block and opening balance, addition, reduction and closing balance of depreciation. The statement should be certified to have been checked and verified.		
4	Statement of CWIP/ Project under execution showing opening balance, addition, transfer and closing balance, with project wise details. Certificate to the effect that the same has been verified		
5	Statement showing details of investments, opening balance, additions, sale and closing balance. The investments should be classified as quoted and un quoted and their market value should also be shown. A certificate that the statement of investments has been verified and found correct.		
6	Statement showing closing stock valuation (RM, WIP and finished goods) and a certificate that the same is as per declared policy and as per records.		
7	Statement showing list of scrap and obsolete items with date from which lying as scrap or obsolete.		
8	Statement showing age wise analysis of debtors and certificate that balances are as per ledger and whether confirmed/ not confirmed by debtors		

Sl. No .	Particulars	Page No. of file where kept	Signature of official that has checked the item
9	Policy of Bad debt provisioning and certificate that provisioning has been made as per policy		
10	Bank's Confirmation of bank balances both for current accounts and fixed deposit accounts, along with bank reconciliation statements for difference with cash book		
11	Statement showing interest accrued and due calculation on fixed deposits		
12	In respect of loans and advances similar statement as in the case of sundry debtors		
13	In case of increase in paid-up share capital. Board Resolution allotting shares		
14	Statement showing party wise details of secured and unsecured Loans with certificate that balances has been verified with ledger balances.		
15	Interest accrued and due calculation statement on the above Loans		
16	Project wise statement of grant/ subsidy showing opening balance, receipt, expenditure and closing balance. A certificate that the statement has been verified with ledger accounts.		
17	Statement showing deferred tax calculation as incorporated in accounts, along with supporting document.		
18	Party wise balances of sundry creditors with certificate that same has been verified with ledger accounts		
19	Statement showing provision for outstanding expenses		
20	Statement showing provision for taxation		
21	Statement showing provision for employees benefits		

Note: If hard copies of the above documents are not feasible/ provided by Company/ Corporation, the information may be collected in soft copy in a Compact Disc containing the above details for submission.

Statement-07

(Refer paragraph no.1.33.7)				
Grading of Inspection Reports				
Sl. No	Process Parameter	Allocated Score	Scoring methodology	Actual Score
1	Planning	30		
1(a)	Desk review- Understanding the auditable entity			
	Review of guard file, data analysis and understanding internal controls. This should comprise review of both internal documents and external applicable data bases/ data.	10 5 5	<p>This has two dimensions.</p> <p>Review of internal documents (Max score- 5): A comprehensive review of the entire range of available documents would yield the maximum score of 5 and a limited/restricted review would have to be correspondingly scored lower than 5. Review of internal documents include budgets-financial and outcome, rules/regulations, past audit findings etc.</p> <p>Review of relevant external data bases (Max score- 5):A comprehensive review of the entire range of available data/data sets/reports would yield the maximum score of 5 and a limited/restrictive review would have to be correspondingly scored lower than 5. Review of external data includes data analysis of relevant external databases, reports/statistics of Govt. etc.</p>	
	Identification of potential risk / focus areas	10 5 5	<p>This has two dimensions.</p> <p>Focus areas from past audits (Max score- 5): Identification of persistent irregularities, systemic issues emerging from past audit findings would be scored based on the range of areas identified up to a maximum of 5.</p> <p>New focus areas (Max score- 5): Identification of any new focus area(s) would yield a score of 5.</p>	
1(b)	Determination of scope of audit and Audit Objectives	05	Determining the scope and audit objectives duly approved by the Group Officer (as per the prescribed template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	
	Deciding the assignment plan for team members, audit procedures and preparation of audit design matrix if applicable	05	Deciding the assignment plan and broad audit procedure duly approved by the Group Officer (as per the envisaged template) prior to commencement of audit would fetch a score 5. Not doing so would yield a score of zero.	

2	Conducting the audit	45	
2 (a)	Findings and evidence		
	Extent of findings from identified risk/focus areas	25	The score against this parameter would have to be determined on the basis of the percentage/rate of conversion of risk/focus areas identified (as at 1 (a) above) into findings in the Inspection Report. The specific findings from other than focus areas included in the Inspection Report would also be considered.
		25	(A) Clear cases of overpayments/ wasteful or infructuous expenditure /leakage of revenue/ revenue foregone or short collected/ frauds or presumptive frauds/losses /non-compliance with laws or rules/ violation of contractual obligations/ undue favour to contractors/ service providers (scoring to be based on proportion of such paras to total paras in IR eg if all paras in the IR fall in this category it would fetch full score of 25. If 60% of the paras fall in this category, it would fetch a score of 15 i.e 60% of 25) – (Max score 25)
		15	(B) Clear cases of idle investments/blocking of funds/delays in procurements, commissioning of equipment, project execution and diversion or mis-utilisation of funds (scoring to be based on proportion of such paras to total paras in IR eg if all paras in the IR fall in this category it would fetch full score of 15. If 20% of the paras fall in this category, it would fetch full score of 15. If 20% of the paras fall in this category, it would fetch a score of 3 i.e 20% of 15) – (Max score 15)
		5	(C) Procedural issues either not involving financial implications or having financial implications lower than materiality (scoring based on proportion of such paras in IR eg if all paras in the IR fall in this category it would fetch full score of 5. If 20% of the paras fall in this category, it would fetch a score of 1 i.e 20% of 05) – (Max score -5) In case of 'NIL' Inspection Reports, the conduct of audit has to be evaluated against the nature of the audited entity (high risk/ medium risk/low risk) focus areas that have been pursued against applicable audit criteria. The scoring would be based on proportion of focus areas that were pursued vis-à-vis that were identified during planning stage and compliance to the envisaged audit process (if all areas were satisfactory pursued against applicable audit criteria and the audit process was followed it would yield a full score of 25 else the score would have to be proportionately reduced)

	Extent of sufficient and appropriate Evidence (Key documents) obtained and evaluated.	10	<p>Part II A- (Max Score -8): The score against this parameter would have to be determined on the basis of the percentage of paras in the Inspection Report for which sufficient and appropriate evidence have been obtained and evaluated. (e.g. If the IR has 20 Part II A paras and full set of KDs (evidence) have been obtained for only 14 paras (70% of paras), this parameter would fetch a score of 5.6 (70% of the maximum allocated score of 8)</p> <p>Part II B – (Max Score -2):The score against this parameter would be on similar basis as envisaged for Part II A paras above.</p>	
2(b)	Documentation			
	Preparation of Audit file and documentation of Working papers – Extent of field work done-	10	Preparation of Audit file comprehensively as envisaged in Compliance Auditing Guidelines and containing the audit strategy, scope and methodology, sample selection, audit procedures applied, Audit Design and Audit Findings matrices (where applicable) etc and documenting the working papers comprehensively as envisaged in Compliance Auditing Guidelines and detailing the extent of work done, contracts/agreements examined etc would yield the full score of 10. The score against this parameter would have to be proportionately reduced based on the extent of gaps in documentation observed during the process vetting the IR. This is applicable for NIL IRs also.	
3	Reporting	25		
3(a)	Drafting and presentation			
	Drafting quality	05	The score against this parameter would have to be determined on the basis of extent of revision that was necessary while vetting the IR. This is not applicable for NIL IRs	
	Appropriate classification of paras into Part –II A and Part –II B.	05	The score against this parameter would have to be determined on the basis of the proportion of paras that were incorrectly classified to the total paras. (eg if two out of six paras in the IR were incorrectly classified (which had to be rectified during vetting process) ie. 30% incorrectly classified and 70% correctly classified, the (70% of the total score). This is not applicable for NIL IRs.	
	Mortality of paras	05	The score against this parameter would be determined on the basis of percentage of paras retained (number of paras wrt total paras in Draft IR) during the vetting process. i.e. if 80% of the paras have been retained, the score to be awarded would be 4 (80% of the total score). This is not applicable for NIL IRs.	

3(b)	Timeliness			
	Submission of Draft IR	05	Dispatch of Draft IT/ emailing the Draft IR promptly (7 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days: 4 Delay upto seven days: 3 Delay upto nine days: 2 Delay of 12 days: 1 Delay > 12 days: 0 This would apply to NIL IR also	
	Issue of IR	05	Issue of IR promptly within the specified time (30 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days: 4 Delay upto one week: 3 Delay of 10 days: 2 Delay of two weeks: 1 Delay > two weeks: 0 This would apply to NIL IR also	
	Total	100		

IR Grading

Score of IR	Less than 25	26-30	31-35	36-40	41-45	46-50	51-60	61-70	71-80	81-90	91-100
IR Grade	0	1	2	3	4	5	6	7	8	9	10

CHAPTER 2 (Part-A)

2. FINANCE DEPARTMENT

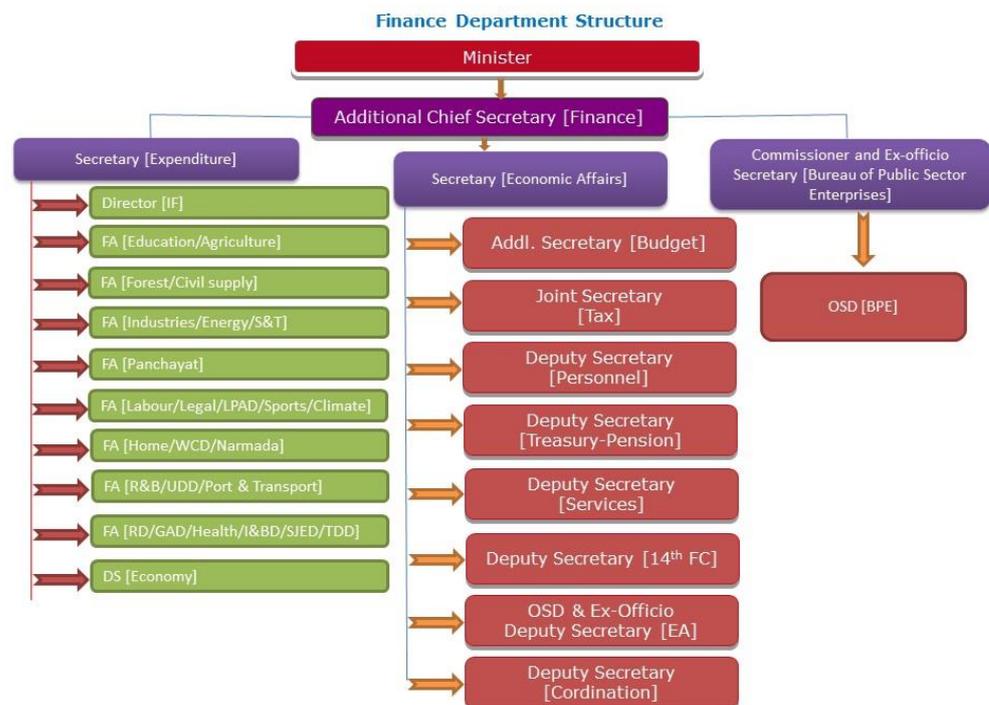
2.1.1 INTRODUCTION

The Department of Finance, Government of Gujarat plays a pivotal role in the development of the state by providing sound and efficient finance management system for good governance at the helm of Industrialization and development. It works within an efficient Organizational Structure managing economic affairs, revenue, expenditure, taxes, Funds, budget planning and various financial works. Subjects like Ways and Means, Open Market Borrowing/Loan and Sinking Depreciation Fund is monitored by RBI. It has various other branches for Budget, Govt. Loans, Public Undertakings, Establishments and other service related work.

2.1.2 ORGANISATIONAL SETUP

The State Finance Minister is in charge of the Finance department at the Ministerial level who is assisted by the Additional Chief Secretary (Finance).

The Additional Chief Secretary (Finance) oversees the functioning of the Secretary (Expenditure), Secretary (Economic Affairs) and Commissioner and Ex-Officio Secretary (Bureau of Public Sector Enterprises). The various sub-offices/branches under these three have been indicated in the following flow Chart.



2.1.3 HEAD OF DEPARTMENT (HOD)

Following Heads of Department are functioning under Finance Department:

- Chief Commissioner of State Tax
- Director Accounts & Treasury
- Director of Pension Provident Fund
- Registrar of Sale Tax Tribunal
- Director of Examiner, Local Fund
- Director of Insurance

The brief functions of the above Departments, except State Tax Department which is mentioned separately in Part B of this Chapter, is mentioned below:

2.1.4 DIRECTOR OF ACCOUNTS & TREASURIES

Introduction

Directorate of Accounts & Treasuries (DAT) performs its functions under Finance Department of State Government. DAT was established in May 1960. With formation of DAT, all functions of all Directorate of Accounts & Treasuries, PAO, Local fund accounts, establishment, Accounts, Training Centre, stores verification unit working under direct control of Finance Department were brought under administrative control of DAT. DAT mainly deals with all Government offices, DDOs, Grant in Aid institutions, Panchayats, Municipalities, Universities, Pensioners and public at large.

Main functions of the Directorate of Accounts & Treasuries are:

- Timely payment of Government claims.
- Timely credits of Government dues / collection / taxes.
- Compilation of Government Accounts i.e. Receipts and Payments.
- Submission of Accounts to Accountant General.
- Safe custody of valuable and sale of stamps to licenced stamp vendors/public.
- Pension Payments
- Accountings of Public Deposits and implementation of Letter of Credit System introduced for cheque system of Roads and Building, Irrigation and Forest Department.
- Inspection of Treasuries and Sub Treasuries.

2.1.4.1 AUDIT

Audit of Directorate of Accounts & Treasuries is conducted under Section 13 of CAG's DPC Act, 1972 by the Audit Management Group (AMG-III) of the Principal Accountant General (Audit-II), Ahmedabad and inspection/audit of treasuries is conducted by the Accountant General (A&E), Rajkot.

2.1.4.2 ORGANISATIONAL STRUCTURE:

Directorate of Accounts and Treasuries (DAT) is headed by the Director, of Accounts and Treasuries, Gandhinagar and assisted by the District Treasury Officers, Pay and Accounts officers, Pension and Payment Officers, E-Payment and Accounts Officers at field/ District level and sub-treasury officers at Taluka level.

2.1.4.3. PAY & ACCOUNTS OFFICE

Pay and Accounts Office is responsible for making the payments and also for the maintenance of accounts of the transactions pertaining to the following four groups of offices of the State Government (1) Secretariat Department (2) Governor's Establishment (3) Legislature and (4) State Level Heads of the Departments located at Ahmedabad. The payments are made after conducting cent-percent checks on the same lines and to the same extent as would be conducted by an audit office. Where pre-audit is conducted by such check, it is considered to have been applied as a departmental measure. Consistent with the distinctive functions of this office, it is divided into several branches-

- (i) **Service Record Branch**
- (ii) **IRLA Branch (Individual Running Ledger Account)**
- (iii) **Gazetted Audit Branch**
- (iv) **Departmental Audit Branch**
- (v) **State Accounts Branch** (submits compiled accounts to the Accountant General, Gujarat, Rajkot & Ahmedabad)-
- (vi) **Cash and Cheque Branch**
- (vii) **Establishment, Control and Record Branch**

2.1.5 DIRECTOR OF PENSION AND PROVIDENT FUND

Introduction

Government established Directorate of Pension and Provident Fund vide the Finance Department's Resolution No. DPP/ 4887/ 455(2)/ P-1 dated the 21 August 1987. The Directorate became functional with effect from 01 September 1987. The stipulated date (cut of date) for fixing pension was decided as 01 April 1988 by this office. The Directorate of Pension and Provident Fund performs its functions under the control of Finance Department of the State Government. Director, Pension and Provident Fund has been declared as the Head of Department under Finance Department vide Finance Department's Resolution No. DPP/ 1187/ 521/ P-1 dated the 24 September 1987. This is a State level office and has no subordinate office at the district or taluka level and considering the nature of functions.

2.1.5.1 FUNCTIONS

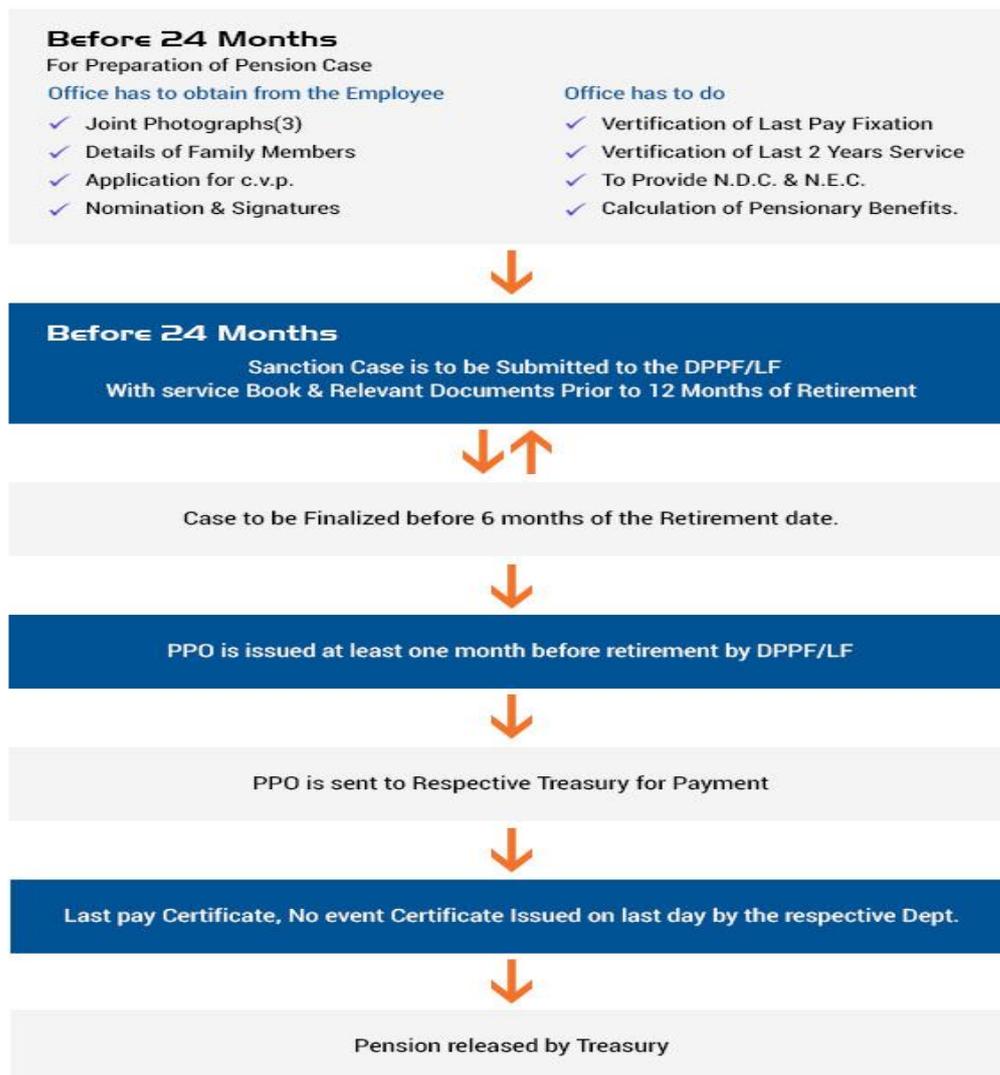
The main functions of the Directorate of Pension and Provident Fund are:

The office deals with the authorisation of **pension** cases of State Government, Grant in Aid, Non-Government Schools, College, Universities, Panchayat employees (Retiring on or after 01.06.2016 in case of Panchayat Employees) and Rojamdars & Kotwals. Also, maintain General Provident Fund (GPF) Accounts for Class IV, Rojamdar and Work charged employees, accounts of House Building Allowance (HBA)/ Motor Car Advance (MCA) and New Pension Scheme.

Pension is a right and is not covered under the provisions of the Section 10 (1) of the CAG's (DPC) Act, 1971. The State Government, with a view to expedite the disposal of the pension cases, decided to take over the dealing of pension from the Accountant General with the effect from 1 April 1988 through the Finance Department's Government Resolution No. DPP/4887/453(1)/ P-1 dated 21 August 1987.

Pension Payment Authority is being issued to all Government servants eligible for pension on receipt of pension (sanction) papers duly sanctioned by the competent authority. Pension of the Class IV employees has been assigned to the Assistant Examiner of the District concerned vide Finance Department's Resolution No. Misc. / 2000/ D/ 903/ P dated 16 March 2001. The work relating to authorization of the pension of the daily wage workers, kotwals, Class-IV employees of Grant-in-Aid institutions is dealt by the Directorate of Pension and Provident Fund (mentioned in this office Circular No.DPP/ LM/ Class IV/ 804/ 312 dated 27 March 2001).

The road map for pension cases is defined as follows:



Assessment of Pension Liabilities:

The State Government, vide Finance Department's Resolution No. PNL/ 2003/ GOI/ 7/ P dated 27 July 2005, initiated a project in consultation with the World Bank, New Delhi, under the instructions of the Central Government, to collect the details of all the employees of all the administrative departments of the Government, Heads of Departments, Heads of Offices, Semi Government Offices, Boards/ Corporations/ Autonomous bodies where the retirement benefits or grants relating thereto is paid by the State Government and details of all the pensioners or family pensioners whose pension expenditure is incurred by the Government of Gujarat. The details collected under this project is used for assessment of retirement benefits with reference to the prevailing pension scheme and the it is reviewed on regular interval.

The pension, gratuity, and family pension of the following Government employees are regulated by the Directorate.

- i. All the Class-I, II, III and IV employees of the State Government.
- ii. Judges of High Court, IAS / IPS / IFS Officers in the State Government Services.

- iii. Members of Public Service Commission.
- iv. Employees/ Officers of Gujarat Legislative Secretariat.
- v. Office Bearers, Officers and employees entitled to avail pension from the Consolidated Fund of the State whose expenditure of establishment is made from the above fund.
- vi. Employees/ Officers of the Non-government High Schools.
- vii. Employees/ Officers of the non-government Higher Secondary Schools.
- viii. Employees/ Officers of the Universities and recognized Colleges thereof availing Government grant.
- ix. Class of Non-teaching employees/ Officers of the recognized colleges availing grant-in-aid.
- x. Employees/ Officers of the recognized physical education colleges availing Government grant.
- xi. Employees/ Officers of the recognized non-government teaching colleges.
- xii. Employees/ Officers of the recognized non-government Gujarat Basic Training Course, Colleges availing government grant.
- xiii. Employees/Officers of Gujarat State Social Welfare Advisory Board and Family and Children Welfare Centre.
- xiv. Employees/ Officers of such institutions run for the handicapped under Social Defence Department as are availing 100% grant.
- xv. Employees/Officers of the Gujarat Ayurvedic University.
- xvi. Class of all other employees/officers as directed by the State Government from time to time.
- xvii. Special Family Pension.

2.1.5.2 PAYMENT OF PENSIONS TO GOVERNMENT PENSIONERS AND OTHER CENTRAL TRANSACTIONS CARRIED OUT BY PUBLIC SECTOR BANKS

(a) AUDIT OF CENTRAL GOVERNMENT PENSIONS

The scheme for payment of pensions to Central Government pensioners (including pensioners of the department of Defence and Railways) by public sector banks was introduced by Government of India in stages from the 01 July 1976. The Government of India approved a list of public sector banks for disbursal of pension. The overall supervision and co-ordination of this work at the district level is carried out by the nominated branches of the approved public Sector Banks designated as Link Branch.

The authority issuing the Pension Payment Order indicates in it the particular branch of the public sector bank from which the pensioner has opted to draw the pension. He will forward through the Treasury Officer concerned, both the halves of the Pension Payment Order to the Branch of the Public Sector Bank through the link branch of the Bank. The paying Bank will credit the pensioner's individual savings/current account, with pension including dearness relief sanctioned by Government of India from time to time. Payment of pension including family pension is automatic and no bill is required to be presented.

During local audit of pension payments made by the Bank, among other things it should be seen that:

- (i) Income Tax is deducted at source wherever required and certificate of tax deduction issued in April each year.
- (ii) In case of the death of the pensioner, payment is made only up to and including the day of death of the pensioner.
- (iii) Payment of lifetime arrears of pension is made only to the legal heirs of the deceased pensioner.
- (iv) No amendment or change in the rates of pension is made except on proper authority. 134
- (v) Life Certificate, certificate of non-employment/ non-marriage/ remarriage have been obtained where required.
- (vi) Classification of pension has been made correctly.
- (vii) Family pension at lower rate is enforced from the date mentioned in the pension payment order.
- (viii) Commuted portion of pension is deducted from the original amount of pension while making monthly payments.

(b) AUDIT OF STATE GOVERNMENT PENSIONS

The scheme for the payment of pensions to State Government civil pensioners and All India Service Officers who retired from a post under the State Government and those who were borne on the State cadre and retired from posts under the Central Government on or after 1 October, 1982 and, family pensioners, through Public Sector Banks was introduced in the State of Gujarat.

Local audit of state pensions paid through public sector banks is to be conducted in the same manner as in the case of audit of Central pensions and the checks mentioned above for the audit of Central pensions have to be exercised in the audit of State pensions also. However, in the case of State pensions, it should be seen that payment is made only up to and including the month of the death of the pensioner.

(c) AUDIT OF OTHER CENTRAL TRANSACTIONS

The local audit party should also audit other central transactions relating to 'Public Provident Fund', 'Compulsory Deposit Scheme', 'Special Deposit Scheme' etc. maintained in the bank audited and satisfy itself that these transactions are in order.

2.1.5.3 Examiner Local Fund Account

The Local Fund Department is an independent audit department under the administrative control of Finance Department of the State Government Functioning as per the Gujarat Local Fund Audit Act 1963 and the Gujarat Local Fund Audit Rule 1974 under technical guidance and supervision of CAG.

2.1.5.4 Registrar of Sale Tax Tribunal

The Gujarat Sales Tax Tribunal has been constituted under section 28 of the Gujarat Sales Tax Act. As per the provision of The Gujarat Value Added Tax Act 2003, Chapter III provides for Commercial Tax Authority and Tribunal. Registrar is one of the member of tribunal and defined as per Rules 2(1) of Gujarat Value Added Tax Tribunal Rule 2008 as Registrar of the Tribunal and includes any person who is for the time being, discharging the function of the Registrar. The Registrar shall perform such function as are assigned to him by Gujarat Value Added Tax Tribunal Rule 2008 or the President (Reference rule 35).

2.1.6 Director of Insurance

INTRODUCTION

The Government Insurance Fund was established in 1960 by the Government to act as an insurer for all Government properties and properties of all Government undertakings. It acts as a registered tariff Insurer, licensed under the Insurance Act to carry on the business of general insurance of all types i.e. Fire, Marine and miscellaneous risks. The Fund is under the administrative control of Finance Department of State with effect from 01 April 1976. The activities of this organization are also likely to expand further after the General Insurance Act, 1972 in as much as Government Insurance Fund will cover insurance risk relating to properties not only belonging to undertakings owned wholly or mainly by the State Government but also properties belonging to semi-Government bodies or any Board or corporate body established by the State Government under any Statute or any industrial or commercial undertakings in which the State Government has substantial financial interest as a shareholder, lender or guaratee.

2.1.6.1. ROLE OF GOVERNMENT INSURANCE FUND (GIF)

GIF can insure the properties/ interests belonging to State Government undertaking owned wholly or mainly by the State Government or properties belonging to Semi-Government bodies or any board or body corporate established by State Government under any industrial or commercial undertaking in which State Government has directly or indirectly acquired substantial financial interest whether as shareholder, lender or grantor or properties/ interests acquired/ created by individuals/ Associations/ subsidiaries created by any board/ bodies/ corporation/ Co-operative and/ or industrial/ commercial undertaking/ institutions etc., with the help of direct and/ or indirect financial loans/ advances/ guarantors etc., from the State Government. GIF can go into Co-Insurance with Public Sector General Insurance Company as well as Private Sector General Insurance Companies. The sharing in Co-Insurance will be 45 per cent share of GIF and 55 per cent share to respective General Insurance

Company. Claims are also processed and settled in the same fashion as are processed by various General Insurance Companies.

2.1.6.2 ORGANISATION STRUCTURE

The Government Insurance Fund is administrated by the Director of Insurance, Gujarat State, who is responsible for the administration as well as discharge of all technical duties concerned with the working of the Government Insurance Fund and assisted by the Deputy Director and the Assistant Director.

2.1.6.3 WORKING OF THE DEPARTMENT

GIF is mainly working as a co-insurer sharing business with PSU's and private insurance companies which have come up in recent past. The functions of GIF business areas by nature of business are mentioned below:

(1) Co-insurance business

For co-insurance business, GIF has entered into MOU with Regional Office of the Insurance companies working in Gujarat, MOU covers conditions regarding business sharing, function of leading company, claim settlement, subsequent reimbursement of claims settled, settlement of disputed claims etc.

(2) Direct business

In case of Direct business, GIF underwrites Direct business on 100 per cent basis for limited insurance policies like a Fire, House Building Fire Policy for Govt. Employees availing of Govt. housing loan (HBA fire insurance policy issued for 100 per cent loan period) burglary, cash in transit, electronic equipment, LPG gas dealers (Government civil supplies department), Civil Aviation business of Govt. owned aircraft.

The claims arising out of above policies are processed and settled by GIF.

Welfare Policy (Group Personal Accident Policy):- Government of Gujarat has framed and introduced welfare schemes for different categories of employees and sectors of population. Welfare Policies cover:

- (i) Registered Farmers
- (ii) First nominee of farmers
- (iii) Landless Labourers
- (iv) Police Personnel
- (v) College Students
- (vi) Primary & Secondary Students
- (vii) Diamond worker
- (viii) Orphan widow
- (ix) Jail guards
- (x) Handicap person
- (xi) Safai Kamdar

The scheme's name itself suggests the beneficiaries covered under the scheme. Above welfare scheme covers accidental death (excluding natural death and suicide) and permanent total disablement due to accident. The unique feature of this policy is that, beneficiaries do not have to contribute towards premium, as entire premium amount is being paid by the State Govt. through relevant department formulating and operating the scheme.

Risk Management:

Main principle of insurance is sharing of risk and therefore as a part of risk management GIF re-insures its co-insurance and direct business depending upon the risk involved in terms of hazards and high valued risk. The net retention of the risk varies from case to case.

Though GIF is a part of Govt. of Gujarat, the working of GIF was regulated under Insurance Act 1938 as amended from time to time, and as of today under IRDA Act 2000. The Insurance Regulatory and Development Authority of India, (IRDA) monitors GIF's functions and activities through inspection, audit and scrutiny of quarterly returns.

Accounting Procedure:

Revenue Accounts and Balance Sheet:

As a commercial department, GIF maintains its accounts on the pattern of an Insurer and prepares annual Revenue Accounts for arriving at surplus (profit) earned during the year after making adequate provisions for the outstanding items like claims and other liabilities incurred but not paid during the year and providing for adequate premia reserves for future liabilities if any, occurring on such unexpired risks. An annual Balance Sheet is also compiled showing the Assets and Liabilities of the Fund and the aggregate Fund Balance including miscellaneous reserves.

The accounts in the account section are maintained through various registers and ledger which are closed annually. Revenue Account and the Balance sheet are prepared by transferring the balance from following registers:

- (i) Premia Register
- (ii) Claim Register
- (iii) Liability Register
- (iv) Time Policy Register
- (v) Claim paid Register
- (vi) Re-insurance/ Co-insurance premia paid register
- (vii) Premia subsidiary register or Insured wise ledger

Outstanding balances at the end of current year of all above register are carried forward to the next year.

Over and above, Government Insurance Fund maintains the following registers also for maintaining the accounts as per Government accounting system:

- (i) Cash Book
- (ii) Bill Register
- (iii) T. A. Control Register
- (iv) Disbursement Register
- (v) Un-disbursement Register
- (vi) Journal & Ledger

As per office procedure laid down by Government read with the Government Orders issue from time to time following registers are to be maintained:

- (i) Service Postage Stamp Register
- (ii) Legislature Assembly Question Register
- (i) Library Register
- (ii) Register for periodical Returns
- (iii) Inward & Outward Register
- (iv) Transit Register
- (v) Worksheet Register
- (vi) Movement Register
- (vii) File Register

There are certain registers which are required to be maintained as per contingent Expenditure Rules read with Government Orders issued from time to time. They are as follows:

- (i) Contingent Grant Register
- (ii) Dead Stock Register
- (iii) Stationery Register
- (iv) Register for typewriters, Motor Vehicle, Cycle, Wall Clock etc.

Following registers are required to be maintained for convenience of the office as per Audit Manual and/ or Government Orders issued from time to time:

- (i) Advance Register
- (ii) Medical Re-Imbursement Register
- (iii) Permanent Advance Register
- (iv) Service Book Register
- (v) Roaster Register
- (vi) Casual Leave Register
- (vii) Trunk Call/ Phonogram, etc Register
- (viii) Reconciliation Register
- (ix) Deposit Register
- (x) Journal Register etc.

2.1.6.4 AUDIT: POINTS TO BE SEEN DURING LOCAL AUDIT

Regular Audit of the working of the funds and audit of Accounts is carried on annually by the wing to certify the Revenue Accounts and Balance Sheets.

During audit, it must be particularly seen that:-

- (i) Premium underwritten during the month is totalled by each underwriting section and rechecked by the Accounts Section.
- (ii) The monthly premium accrued during month is also noted in premia subsidiary Register or insurance ledger (as decided from time to time) journal/ ledger in respective ledger Accounts.
- (iii) The Co-insurance and re-insurance premia payable during the month are to be computed and deducted from 100 per cent gross premia to arrive at the direct Gross Premia.
- (iv) When the premium is received, it should be entered into Premium Register, and ensured that the premium amount is properly entered into accounts of the subscriber. Payment made into the treasury should also be reconciled.
- (v) It should also be seen that Premium Register is closed annually and all outstanding entries in respect of outstanding premia at the end of the year are to be carried forward to the Premium Register of the next year.

(a) Underwriting Section

The underwriting Section would bifurcate all the details of premium register insured party wise/ class wise. The total premia (100 per cent) of co-insurance share of GIF, facultative and treaty Re-insurance net share of GIF. After effective endorsements are shown every month insured-wise and total of these accounts are tallied with premia register every month and then transfer for posting in monthly reports. All the totals of each underwriting Section should tally with premia subsidiary registers of Account Section, or Insured-wise ledger maintained by the underwriting Section. It should be seen whether proper bifurcation of premium is done.

As per Para 19.8 (Chapter VIII) of the Insurance Manual, all debits and credits to the Fund are communicated to GIF on monthly basis by the Accountant General after closure of accounts. The abstract of monthly transactions is to be prepared by the fund at the end of calendar year and the same is to be reconciled with the records maintained by the Accountant General. It should be examining whether reconciliation of debits and credits balance have been done with records of the Accountant General and whether necessary actions have been taken to clear difference in fund balance.

(b) Payment of Re-Insurance/Co-insurance Premia.

Underwriting of the risk has been entrusted to the subsidiary companies of General Insurance Corporation of India and such companies on acceptance of risk will issue cover note and/ or policy showing the G.I.F share. It should be checked with reference to directive, if decided earlier and also with reference to the tariff and other rules and regulations; whether rating is properly done and proper warranties/conditions have been applied. If it is a time policy, it should

be seen that whether they are entered into Time policy register, Risk Register and Premia Register etc.

(c) Claims

This section covers the settlement of claim and deals with processing of the claims. It should be seen during the local audit:

- (i) Whether all required particular are received i.e. original policy survey or inspection report, claim bill etc.
- (ii) Whether there are liabilities under the policy in respect of claims.
- (iii) Whether the issue is proximately caused by a peril insured against and
- (iv) Whether insurer is liable or not etc.
- (v) Proportionate recovery should also be made from the re-insurers/ co-insurers, if any. It should be seen whether proportionate share and claim and survey fee have been recovered or not.

(d) Surplus Balance of GIF

After providing for statutory requirement, if any, surplus balance of GIF should be transferred to consolidated fund of the state every year. It should be seen whether surplus balance of GIF has been transferred to the consolidated fund of State or not.

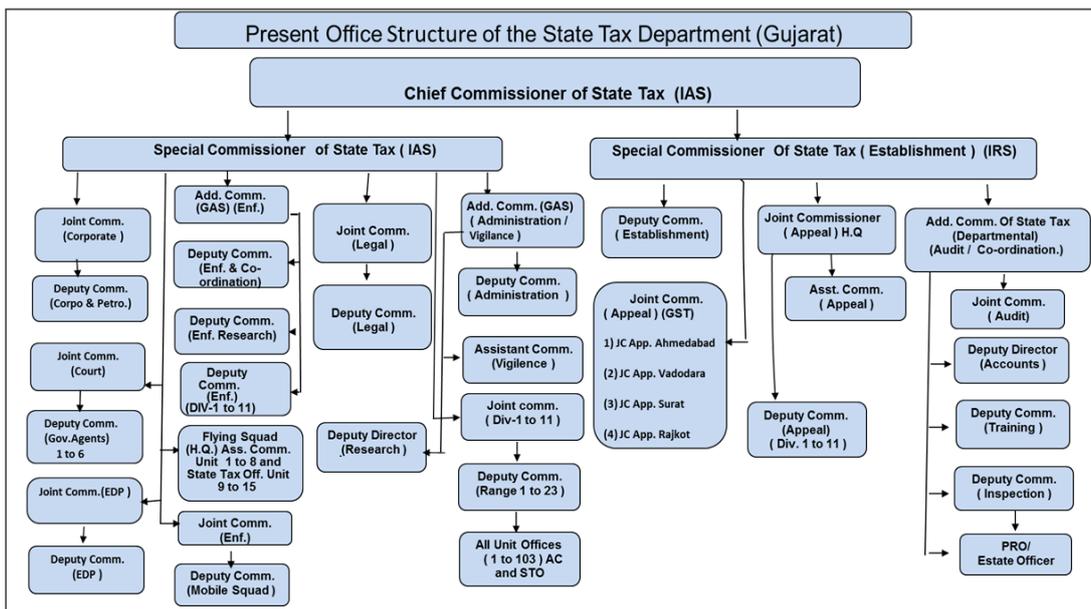
Chapter II (Part-B)

Chief Commissioner of State Tax

INTRODUCTION

2.2.1 Organisational Setup:

The Chief Commissioner of State Tax is responsible for the assessment and collection of Goods and Service Tax and, the Value Added Tax. He is assisted by a Special Commissioner and four Additional Commissioners. The Department has 11 Divisions, 23 Range offices and 103 Unit offices headed by Joint Commissioners (JCST), Deputy Commissioners (DCST) and Assistant Commissioners (ACST) respectively. The following organizational chart explains the set up of the Department.



2.2.2 Authority of CAG To Conduct Audit Of Tax Receipts

As per Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the Comptroller and Auditor General of India has been entrusted with the audit of all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to make for this purpose, such examination of the accounts as he thinks fit and report thereon.

2.2.3 Scope and Extent Of Audit

(i) Audit of receipts and refunds) is regulated by the general principles governing the audit of receipts as laid down in chapter 4 of Section-II of the C.A.G.'s Manual of Standing Orders (Audit) and provisions of this Manual.

(ii) The most important function of audit is to see that adequate regulations and procedures have been framed by the Commercial Tax Department (the Department) to secure an effective check on the assessment, collection and proper allocation of receipts and to satisfy itself that such regulations and procedure are in accordance with law and that they are actually being duly

carried out. Audit should also make such examination as it thinks fit with respect to the correctness of sums brought to account in respect of the receipts.

(iii) It is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to Government which have to be brought to account are correctly and promptly assessed, realised and credited to Government account. During the audit, it should, however, be seen that all receipts due to Government are actually received and brought to account and that receipts, which have entered in the books of the Department, are correctly calculated and are, in fact, credited to Government account in time. It should also be checked that the executives have not granted unjustified or unauthorised remissions to tax payers.

(iv) Audit of revenues differs from audit of expenditure in that, in the former, attention must be given not only to examine the records of amounts actually received but also to ascertaining that adequate precautions are taken to ensure that all amounts received or due to be received in the period of account are properly and promptly brought to account. Since the laws under which the revenue is collected provide for judicial remedy or judicial interpretation, the scrutiny by audit should be generally limited to those matters which are not subject to judicial processes.

(v) The Audit should not in any way substitute itself for the revenue authorities in the performance of their statutory duties. But Audit should satisfy itself in general that the departmental machinery is sufficiently safe-guarded against errors and fraud, and so far as can be judged, the procedure is calculated, to give effect to the requirements of the law.

(vi) Audit does not consider it the main part of its duties to review the judgement exercised or the decision taken in individual cases by officers entrusted with those duties but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received on any individual case is insufficient to enable Audit to see how the requirement of the law have been complied with, Audit may consider it its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is, however, towards forming a general judgement rather than to the detection of individual errors of assessment etc. that the audit enquiries should be directed. The detection of individual errors is an incident rather than the object of audit.

(vii) Members of the audit department will have access to relevant papers and records of the Department, but they should observe secrecy in the same way as officers of the Department.

(viii) The most important function of Audit in relation to assessments and refunds of receipt is to satisfy itself by such test checks as it may consider necessary, that the internal procedure adequately provides for and actually secures:

- (a) the collection and utilisation of data necessary for the computation of demand or refund under the law,
- (b) the prompt raising of demands on tax payers in the manner provided by the law,

- (c) the regular accounting of demands, collections and refunds,
 - (d) the correct accounting and allocations of collections and their credit to the Consolidated Fund,
 - (e) that proper safeguards exist to ensure that there is no wilful omission or negligence to levy or collect taxes or to issue refunds,
 - (f) that claims on tax-payers are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority,
 - (g) that double refunds, fraudulent or forged refund orders, or other losses of revenue through fraud, default to mistake are promptly brought to light and investigated, and
 - (h) that interest recoverable from the assesses for belated payment of tax is properly calculated in accordance with law and there is no omission to levy or collect the interest, and in cases where levy of penalty is discretionary whether such levy was at all considered by the assessing authority and a note has been kept to this effect. Where the levy of penalty is not mandatory, the quantum of penalty imposed would be outside the purview of audit.
- (ix) To discharge these functions effectively, the auditor must be thoroughly conversant with the processes and procedure relating to the levy and collection of taxes and the laws and the rules governing such processes and procedure.
- (x) The basic provisions of the law and the rules governing the assessment and collection of the Goods and Service Tax and Value Added Tax are set out in the following paragraphs.

Being only a summary, this manual can in no sense, be regarded as a substitute for the Acts themselves and, therefore, it should be treated merely as a preliminary step to enable the auditor to grasp the essential of the administration of the GST and VAT Laws. For a fuller and comprehensive study, the auditor should refer to the provisions of the Acts and the Rules made there under and also to the case laws on the subject as summarised in the leading commentaries.

LEGISLATIVE BACKGROUND

Constitutional Provisions

Seventh Schedule to the Constitution of India has three lists namely Union List (List I), State List (List II) and Concurrent List (List III). These lists contain subject matters on which Parliament and State Legislatures have powers to make laws. On matters enumerated in List I Parliament has powers (Article 246(1) of the C.O.I) and on matters appearing in List II, States Legislatures have powers (Article 246(3) of C.O.I). Both the Parliament and State Legislatures have jurisdiction to make laws on matters listed out in List III subject to conditions laid down in Article 246(2) of the Constitution of India.

Entry 54 of List II reads as “Taxes on the sale or purchase of goods other than news papers” was later amended by the Constitution (Sixth Amendment) Act, 1956. The amended entry 54 of List II reads as “Taxes on the sale of purchase of goods other than news papers subject to the provisions of entry 92.A of the List I”.

By virtue of Article 246(2) of the Constitution of India, States have acquired powers to levy tax on the subject matters enumerated in Entry 54.

By virtue of entry 92.A in List I which reads as “Taxes on the sale or purchase of goods other than news papers where such sale or purchase takes place in the course of inter-State trade or commerce” read with Article 246(1) of the Constitution of India, Union has acquired powers to levy tax on the above subject matter and accordingly Central Sales Tax Act, 1956 was enacted to fulfill the objective (Entry 92.A of List I). Levy of tax on sale or purchase of goods in the course of inter-State trade or commerce is out of the purview of the State Legislatures, however Article 269 of the Constitution of India provides that taxes on inter-State sales shall be levied and collected by the Central Government but shall be assigned to the State. A provision is made in the Central Sales Tax Act, 1956 (Section 9) which empowers the State Governments to collect tax and retain the proceeds provided that such sale takes place within the territory of the State.

Article 286 of the Constitution of India, excludes from the purview of the State Legislation levy and imposition of tax on sales or purchase of goods (I) in the inter-State trade or commerce, (II) in the course of import into or export out of the territory of India and (III) that takes place outside the State and restricts the power of States in so far as it imposes or authorises the imposition of tax on the sales or purchase of goods declared by the Parliament by law to be of special importance in the inter-state trade or commerce. The principles governing these restrictions are formulated by the Parliament in the Central Sales Tax Act, 1956.

On 3rd February, 1983, 46th amendment to the Constitution was made enlarging the definition of tax on the sales or purchase of goods (clause 29.A of Article 366 of Constitution of India) and also a new levy on consignment of goods where such consignment take place in the course of inter-state trade or commerce. Gujarat State has adopted this enlarged definition of the sale from 5th August, 1985. In Central Sales Tax Act, 1956 the provisions of new levy on consignments has not been incorporated so far.

Section I

GOODS AND SERVICE TAX

Purpose:

The manual outlines the principles and policies of audits conducted under the GGST Act, 2017 and the Rules made there under. The guidelines provided herein are intended to ensure that the audit of taxpayers is carried out in a uniform, efficient and comprehensive manner, adhering to the stipulated principles and policies and as per best international practices.

INTRODUCTION

Legislative Background and Constitutional Provisions

Before implementation of GST, Indian taxation system was a mixture of central, state and local area levies. GST is a destination based consumption tax. Under destination based taxation, tax accrues to the destination place where consumption of the goods or services takes place. The existing VAT regime was

based on origin principle where Central Sales Tax was assigned to the State of origin of production or sale and not to the State where consumption happened.

Before advent of GST, the most important sources of indirect tax revenue for the Union were customs duty (entry 83 of Union List), central excise duty (entry 84 of Union List), and service tax (entry 97 of Union List). Although entry 92C was inserted in the Union List of the Seventh Schedule of the Constitution by the Constitution (Eighty-eighth Amendment) Act, 2003 for levy of taxes on services, it was not notified. So tax on services continued to be levied under the residual entry, i.e. entry 97, of the Union List till GST came into force. The Union also levied tax called Central Sales Tax (CST) on inter-State sale and purchase of goods and on inter-State consignments of goods by virtue of entry 92A and 92B respectively. CST however is assigned to the State of origin, as per Central Sales Tax Act, 1956 made under Article 269 of the Constitution.

On the State side, the most important sources of tax revenue were tax on sale and purchase (entry 54 of the State List), excise duty on alcoholic liquors, opium and narcotics (entry 51 of the State List), Taxes on luxuries, entertainments, amusements, betting and gambling (entry 62 of the State List), octroi or entry tax (entry 52 of the State List) and electricity tax ((entry 53 of the State List). CST was also an important source of revenue though the same was levied by the Union.

The Constitution (122nd Amendment) Bill, 2014 was introduced in the 16th Lok Sabha on 19.12.2014. The Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill was referred to the Select Committee of Rajya Sabha on 12.05.2015. The Select Committee submitted its Report on the Bill on 22.07.2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further the bill was ratified by required number of States and received assent of the President on the 8th of September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16.09.2016.

1. GOODS AND SERVICE TAX (GST):

Goods and Services Tax is a very significant step in the field of indirect tax reforms in India. GST subsumed various Central and State taxes with a goal to mitigate the cascading or double taxation effects and paved the way for a common national market. GST reduces the overall tax burden on goods or services. GST is imposed at every stage of supply chain i.e. from manufacturing to the end sale to the consumer and; input tax credit is available across the supply chain. This lowers the price to be paid by the end consumer of the goods and services. GST would be easier to administer because of its transparent and self-policing character.

Following taxes and duties levied and collected by the Union were subsumed:

- a. Central Excise Duty
- b. Duties of Excise (Medicinal and Toilet Preparations)
- c. Additional Duties of Excise (Goods of Special Importance)
- d. Additional Duties of Excise (Textiles and Textile Products)

- e. Additional Duties of Customs (commonly known as CVD)
- f. Special Additional Duty of Customs (SAD)
- g. Service Tax
- h. Cesses and surcharges insofar as they related to supply of goods or services.

Following taxes and duties levied and collected by States were subsumed:

- a. State VAT
- b. Central Sales Tax
- c. Purchase Tax
- d. Luxury Tax
- e. Entry Tax
- f. Entertainment Tax (except those levied by the local bodies)
- g. Taxes on advertisements
- h. Taxes on lotteries, betting and gambling
- i. Cesses and surcharges insofar as they related to supply of goods or services.

2. GST ACT AND RULES

Four Laws namely CGST Act, UTGST Act, IGST Act and GST (Compensation to States) Act were passed by the Parliament and since been notified on 12.04.2017. All the other States (except J&K) and Union territories with legislature passed their respective State GST Acts (SGST). The economic integration of India was completed on 08.07.2017 when the State of J&K also passed the SGST Act and the Central Government also subsequently extended the CGST Act to J&K.

3. SALIENT FEATURES OF GST:

1. The Goods and Services Tax effective from 1st July 2017 is applicable on “supply” of goods or services, as against the concept of tax on manufacture of goods or on sale of goods or on provision of services.
2. GST is a destination-based consumption Taxation as opposed to the origin based VAT system prior to the introduction of GST.
3. It is a dual GST with the Centre and the States simultaneously levying it on a common base. The GST levied by the Centre is called Central GST (central tax- CGST) and that levied by the States [including Union territories with legislature] is called State GST (state tax- SGST). Union territories without legislature levy Union territory GST (union territory tax- UTGST).
4. An Integrated GST (integrated tax- IGST) is levied on inter-State supply (including stock transfers) of goods or services. This is to be collected by the Centre so that the credit chain is not disrupted.
5. Import of goods is treated as inter-State supplies and is subject to IGST in addition to the applicable customs duties.

6. Import of services is treated as inter-State supplies and is subject to IGST. CGST, SGST /UTGST & IGST is levied at rates which are mutually agreed upon by the Centre and the States under the aegis of the GSTC.
7. GST applies to all goods and services except Alcohol for human consumption. Taxpayers with an annual turnover of ₹ 20 lakh (₹ 10 lakh for special category States (except J&K) as specified in article 279A of the Constitution) would be exempt from GST.
8. A composition scheme (i.e. to pay tax at a flat rate without credits) is available to small taxpayers (including to manufacturers other than specified category of manufacturers and service providers) having an annual turnover of up to ₹1 crore (₹75 lakh for special category States (except J&K and Uttarakhand) enumerated in article 279A of the Constitution). This limit shall be raised to ₹1.5 crore after necessary amendments in the Act. The threshold exemption and compounding scheme would be optional.
9. All Exports and supplies to SEZs and SEZ units would be zero-rated.
10. Credit of CGST paid on inputs shall be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs shall be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit is permitted to be utilized in the following manner:
 - ITC of CGST allowed for payment of CGST & IGST in that order;
 - ITC of SGST allowed for payment of SGST & IGST in that order;
 - ITC of UTGST allowed for payment of UTGST & IGST in that order;
 - ITC of IGST allowed for payment of IGST, CGST &SGST/UTGST in that order.
11. ITC of CGST cannot be used for payment of SGST/UTGST and vice-versa.
12. Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.
13. Audit of registered persons to be conducted in order to verify compliance with the provisions of Act.

4. GOODS AND SERVICE TAX COUNCIL (GSTC)

A Goods and Services Tax Council was established under article 279A of the Constitution. The GSTC constituted (September 2016) comprise of the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features briefly shown as under: -

1. The GSTC shall make recommendations to the Union and the States on
 - a. the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
 - b. the goods and services that may be subjected to, or exempted from the goods and services tax;

- c. model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply;
 - d. the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
 - e. the rates including floor rates with bands of goods and services tax;
 - f. any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
 - g. special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
 - h. any other matter relating to the goods and services tax, as the Council may decide.
2. The GSTC shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
 3. While discharging the functions conferred by this article, the GSTC shall be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services.
 4. One-half of the total number of Members of the GSTC shall constitute the quorum at its meetings.
 5. The GSTC shall determine the procedure in the performance of its functions.
 6. Every decision of the GSTC shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting.
 7. The GSTC shall establish a mechanism to adjudicate any dispute -
 - a. between the Government of India and one or more States; or
 - b. between the Government of India and any State or States on one side and one or more other States on the other side; or
 - c. between two or more States, arising out of the recommendations of the Council or implementation thereof

5. CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

Central Board of Indirect Taxes and Customs (erstwhile Central Board of Excise & Customs) is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs, Central Excise duties, Central Goods & Services Tax and IGST, prevention of smuggling and administration of matters relating to Customs, Central Excise, Central Goods & Services Tax, IGST and Narcotics to the extent under CBIC's purview. The Board is the administrative authority for its subordinate organizations, including Custom Houses, Central Excise and Central GST Commissionerates and the Central Revenues Control Laboratory.

On 22.06.2017, the first notification was issued for GST and notified certain sections under CGST. Since then, 186 notifications under CGST Act have been issued notifying sections, notifying rules, amendment to rules and for waiver of penalty, etc. 19, 34 and 2 notifications have also been issued under IGST Act, UTGST Act and GST (Compensation to States) Act respectively. Further, 88, 92, 88 and 10 rate related notifications each have been issued under the CGST Act, IGST Act, UTGST Act and GST (Compensation to States) Act respectively. Similar notifications have been issued by all the States under the respective SGST Act. Apart from the notifications, 111 circulars, 18 orders and 14 Removal of Difficulty Orders have also been issued by CBIC on various subjects like proper officers, ease of exports, and extension of last dates for filling up various forms, etc.

6. GOODS AND SERVICE TAX NETWORK

The Goods and Services Tax Network - Special Purpose Vehicle (GSTN-SPV) was created as a private limited, not-for-profit company under Section 25 of the Companies Act, 1956 (Section 8 of the Companies Act, 2013) by Govt. of India on 28th March, 2013 with an objective to provide shared IT infrastructure and services to Centre and States Governments, tax payers and other stakeholders for implementation of Goods and Services Tax (GST) in the country.

GSTN would provide three front end services to the taxpayers namely registration, payment and return. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 27 States who have opted for the same. GSTN has selected 34 IT, ITeS and financial technology companies, to be called GST Suvidha Providers (GSPs). GSPs would develop applications to be used by taxpayers for interacting with the GSTN.

Presently, the Central Government and State Government are holding 24.5% equity shares respectively and the remaining 51% are held by non-Governmental institutions and through various mechanisms, GSTN is under strategic control of government. Majority of the GST processes including registration, filing of returns, payment of taxes, processing of refunds is IT driven and GSTN is handling large-scale invoice level data of lakhs of business entities including data relating to exports and imports. Considering the nature of 'state' function performed by GSTN, Council felt that GSTN be converted into be a fully owned government Company.

The Government on September 26, 2018 cleared a proposal to convert GSTN into a government-owned company. The new modification in the ownership orientation of GSTN aims to permit the Centre to own a 50% stake in the GST Network and the remainder will be held by the states on a pro-rata basis in the new entity.

7. GST IMPLEMENTATION BY STATE OF GUJARAT

The Gujarat Goods and Services Tax Act, 2017 (GGST) was enacted by the Legislature on 9 May 2017. The erstwhile Commissioner of Commercial Tax (CCT) of the VAT regime is responsible to administer the GGST in the State of Gujarat through the State Tax Department (the Department). The Department functions under the control and supervision of the Additional Chief Secretary,

Finance Department, Government of Gujarat. The Department is headed by Chief Commissioner of State Tax (CST).

8. TAX ADMINISTRATION:

In order to ensure single interface, all administrative control of over 90% of taxpayers having turnover below ₹ 1.5 crore vest with State tax administration and over 10% with the Central tax administration. Further all administrative control over taxpayers having turnover above ₹ 1.5 crore shall be divided equally in the ratio of 50% each for the Central and State tax administration.

Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions.

Power to collect GST in territorial waters shall be delegated by Central Government to the States.

Power to take enforcement action over entire taxpayers' base would be with both Central as well as State tax administration.

9. IMPORTANT PROVISIONS OF SGST

9.1 REGISTRATION:

Section 22 of the SGST Act provides that every supplier (other than of specified category) of the goods or services or both needs to register, if his turnover⁵ exceeds ₹ 20 lakhs. Further, irrespective of threshold turnover⁶ certain categories of persons as specified in Section 24 shall be required to register under this Act.

Section 139 of the GGST Act read with Rule 24 of the GGST Rules stipulates registration of every person registered under the GVAT Act and having a Permanent Account Number (PAN) **shall** enroll under GGST Act by validating his email address and mobile number. Upon enrolment, a provisional certificate of registration (PCR) is required to be issued to such persons. The persons so enrolled are required to apply for final registration certificate (RC) by furnishing required information within three months from the date of implementation of GST.

(Government from time to time issues notification/circular regarding exemption of registration under GST is appended in table-A separately).

a. PROCEDURE FOR REGISTRATION:

As per Section 25 and 26 of GGST Act, 2017 read with Rule 8 to 11 of SGST Rules, 2017 every person seeking registration shall declare PAN, e-mail address, State or Union territory in Part A of FORM REG-01 on the common portal, either directly or through a Facilitation Centre (FC) notified by the Commissioner. Upon validation, a temporary reference number shall be generated and communicated to the applicant. Using the reference number

⁵aggregate value of all taxable supplies, exempt supplies, Exports, and inter-State supplies but excludes taxes.

⁶ Threshold limits of aggregate turnover for exemption from registration and payment of GST for the suppliers of goods would be ₹ . 40 lakhs and ₹ 20 lakhs (in case of States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand) with effect from 01.04.2019.

generated the applicant shall electronically submit an application duly signed or verified through electronic verification code, along with the documents specified in the said Form. Following is the timeframe laid down for granting registration upon application accompanied by information and required document required:

- i. Proper Officer examines the application within a period of three working days** from the date of submission of the application
- ii. For deficiencies in** information or any document or for clarification, **issues notice electronically within a period of three working days** from the date of submission of the application
- iii.** Applicant shall furnish such clarification, information or documents electronically, within a period of **seven working days** from the date of receipt of such notice.
- iv.** Proper Office on satisfaction with the clarification, information or documents; approve the grant of registration to the applicant within period *seven working days*.
- v.** Proper Office when not satisfied with the response to notice shall in writing reject the application and shall inform the applicant of reason of rejection.
- vi.** If Proper Officer fails to take any action within three days of application or within seven days of receipt of clarification, the applicant shall be deemed to have been registered.
- vii. Physical verification:** Rule 25 of GGST Rules, 2017 provides that proper officer on satisfaction that the physical verification of the place of business of a registered person is required after the grant of registration, may get such verification done. The verification report along with the other documents, including photographs, shall be uploaded in **FORM GST REG-30** on the common portal within a period of fifteen working days following the date of such verification.

b. CASUAL/ NON-RESIDENT TAXABLE PERSON: (Section 27 of GGST Act, 2017)

Registration is granted to casual taxable person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in state or union territory where he has no fixed place of business.

Similarly, registration is granted to **Non-Resident taxable person** who occasionally undertakes transactions involving supply of goods or services or both, whether as a principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

The certificate issued to casual or non-resident taxable person shall be valid for the period specified in the application for registration or 90 days from effective date of registration, whichever is earlier.

A person applying for registration as **casual taxable person** shall be given temporary reference number for making advance deposit of tax and the acknowledgement shall be issued electronically after the said deposit.

The procedure for application and issue of the registration certificate is same as in Section 25 and 26 *ibid*.

c. AMENDMENT TO REGISTRATION: (Section 28 of GGST Act, 2017)

The registration certificate can be amended by registered person and a person to whom a Unique Identity Number (UIN) has been assigned by informing the proper officer of any changes in the information furnished at the time of registration or subsequent thereto. The proper officer may approve or reject amendments in the registration.

Any rejection/ approval of amendments under the CGST Act shall be deemed as rejection /approval of amendments under the GGST Act. Any changes in Name of Business, Principal Place of Business and details of proprietor/ partners/ karta/ MD require approval from Tax Authorities

d. CANCELLATION OF REGISTRATION: (Section 29 of GGST Act, 2017)

Registration issued may be surrendered (by registrant/ legal heirs) or cancelled (by tax authorities) in the following circumstances:

- The business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of;
- There is any change in constitution of the business;
- The taxable person is no longer liable to be registered under the provisions of the GGST Act

Cancellation of Registration Certificate may be with retrospective effect. Such cancellation shall not affect the liability of the taxable person to pay tax and other dues for any period prior to the date of cancellation whether or not such tax and other due are determined before or after the date of cancellation.

Cancellation of Registration Certificate under one Act shall be deemed to be a cancellation of registration under both the Central and State Act. However, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

9.2 COMPOSITION SCHEME:

A Composition Scheme has been formulated for small businessmen being supplier of goods and supplier of restaurant services. Under the scheme, person with turnover up to ₹ 1.5 crore (₹ 75 lakhs in States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand) needs to pay tax at the following rates on his turnover and shall file returns annually, with quarterly payment of taxes from FY 2019-20.

Type of Business	Rate of Tax (CGST + SGST)	
Manufacturer and Traders (Goods)	1%	(0.5% + 0.5%)
Composite supplier of food or drink for human use	5%	(2.5% + 2.5%)

Composition scheme has also been formulated for supplier of services. Under the scheme, any person with turnover up to ₹ 50 lakhs shall pay tax @ 6% on his turnover and file returns annually, with quarterly payment of tax from FY 2019-20.

Conditions for opting the scheme:

- Cannot collect tax from recipient
- Not entitled to ITC
- Not applicable for supply of
 - Services other than composite supply of food/drink
 - Exempt goods
 - Inter-State outward supplies
 - Goods through E-Commerce Operator who is required to collect TCS u/s 52
 - Notified goods

TAX RATES: Four rates namely 5%, 12%, 18% and 28% have been adopted under GST. Besides, some goods and services are exempt also. Rate for precious metals and affordable housing are an exception to 'four-tax slab-rule' and the same have been fixed at 3% and 1% respectively. In addition, raw diamonds, precious stones, etc. attracts a rate of 0.25%. A cess over the peak rate of 28% on certain specified luxury and demerit goods, like tobacco and tobacco products, pan masala, aerated water, motor vehicles is imposed to compensate States for any revenue loss on account of implementation of GST. The list of goods and services in case of which reverse charge would be applicable has also been notified.

9.3 TAXABLE EVENT IN GST:

'Taxable event' is the happening of which, the charge is fixed. It is that event, which on its occurrence creates or attracts the liability of tax. Such liability does not accrue at any earlier or later point of time. Tax becomes payable when liability to pay tax arises and liability to pay tax arises by the happening of the taxable event.

a. SUPPLY UNDER GST (Section -7):

Section 7(1)(a)	all forms of supply of goods or services or both as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by person in the course or furtherance of business.
Section 7(1)(b)	Import of services for a consideration whether or not in the course or furtherance of business
Section 7(1)(c)	The activities specified in Schedule I, made or agreed to be made without a consideration
Section 7(1)(d)	The activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Schedule-I	Activities to be Treated as Supply Even if Made Without Consideration
Schedule-II	Activities to be Treated as Supply of Goods or Supply of Services
Schedule-III	Activities or Transactions Which Shall be Treated Neither as A Supply of Goods Nor a Supply of Services

b. Time of Supply, Place of Supply, Classification and Valuation of Supplies:

Goods & Service Tax is leviable on supply of goods and services. Time of supply attains a great importance to decide rate of tax, value and due dates for payment of tax. This aspect attains more significance when there is a change in the rate of tax. In terms of Sections 12 and 13 of CGST Act, “Time of supply” means the point in time when goods/ services are deemed to be supplied for determining liability of GST on them.

Section 12	Time Supply of Goods	of	<p>Time of Supply for Normal Registered Taxpayers (Except Composite Dealer)-</p> <ul style="list-style-type: none"> > Issue of invoice OR > The last date by which invoice has to be issued OR > The date on which supplier receives the payment with respect to the supply <p><i>So, it is clear the GST is not required to be paid at the time of receipt of advance in relation to supply of goods.</i></p> <p>Entire GST shall be payable only when the invoice is issued for such supply of goods.</p>
Section 13	Time Supply of Services	of	<p>Time of supply will be the earliest of the following in case of Invoice issued within 30 days/ 45 days-</p> <ul style="list-style-type: none"> >Issue of Invoice Or >Receipt of Payment <p>Time of supply will be the earliest of the following in case of Invoice not issued within time-</p> <ul style="list-style-type: none"> >Provision of Service Or >Receipt of Payment <p>Time of supply will be in case of Invoice not issued – Date of receipt in recipient’s book</p>

Change in Rate of Tax in respect of supply of goods or services Section 14:

Where there is a change in rate of tax of supply of goods or services, time of supply has to be determined in the following manner:

Invoice issued before date of change in tax rate	Payment received before date of change in tax rate	Time of supply	Applicable rate of tax
Supply is completed before the change in rate of tax			
No	No	Earliest of the date of Invoice or payment	New rate of Tax
Yes	No	Date of issue of invoice	Old tax rate
No	Yes	Date of receipt of payment	Old tax rate
Supply is completed after the change in rate of tax			
Yes	Yes	Earliest of the date of Invoice or payment	Old rate of Tax
Yes	No	Date of receipt of payment	New rate of Tax
No	Yes	Date of issue of invoice	New rate of Tax

However, the special procedure for payment of tax by suppliers of goods (other than composition dealers) notified by Government vide notification no. 66/2017-Central Tax dated 15.11.2017 under section 148 of the GST Act, 2017, will continue to govern even in the above situation. *In a nutshell, suppliers of goods other than composition dealers will have to pay tax at the time of issue of invoice only.*

DATE OF RECEIPT OF PAYMENT IN CASE OF CHANGE IN RATE OF TAX

Normally the date of receipt of payment is the date of credit in the bank account of the recipient of payment or the date on which the payment is entered into his books of account, whichever is earlier. Further, the date of credit in the bank account is relevant if such credit is after four working days from the date of change in rate of tax.

The way of calculation of time of supply is adequately covered by the provisions of Sections 12, 13 and 14. These provisions have to be considered to determine the time of supply which is the pivot to determine when the liability to discharge tax will arise.

c. PLACE OF SUPPLY (IGST)

Places of supply provisions have been framed for goods and services, keeping in mind the destination/ consumption principle. *In other words, the place of supply is based on the place of consumption of goods or services.* As goods are tangible, the determination of their place of supply, based on the consumption principle, is not difficult. Generally, the place of delivery of goods becomes the place of supply. However, the services being intangible in nature, it is not easy to determine the exact place where services are acquired, enjoyed and consumed. In respect of certain categories of services, the place of supply is determined with reference to a proxy. Separate provisions for the supply of goods and services have been made for the determination of their place of supply. Separate provisions for the determination of the place of supply in respect of domestic supplies and cross border supplies have also been framed.

Section 10- Place of supply of goods (other than supply of goods imported into, or exported from India)

Nature of supply	Place of supply
Supply involving movement of Goods	Location of goods at time of termination of movement for delivery to recipient
Supply of Goods on Direction of third person	Principal Place of Business of third person
Supply not involving movement of goods	Location of goods at the time of delivery to the Recipient
Supply by assembly / installation at site	Place of Installation / assembly
Supply on board a conveyance (vessel, aircraft, train etc.)	Location where goods are taken on board

Section 11- Place of supply of goods imported into, or exported from India

Nature of supply	Place of supply
Goods imported into India	Location of Importer
Goods exported from India	Location outside India

Section 12- Place of supply of services where location of supplier and recipient is in India.

Nature of supply	Place of supply
Supply to Registered Person	Location of Recipient
Supply to Un-registered Person(Location of Recipient available)	Location of Recipient
Supply to Un-registered Person(Location of Recipient not available)	Location of Recipient
Service directly related to immovable property	Location of Immovable Property
Service by way of lodging accommodation by Hotel, Inn, Guest House, Home Stay, Club or Campsite	Location of Immovable Property, Boat or Vessel

Section 13- Place of supply of services where location of supplier or location of recipient is outside India

Nature of supply	Place of supply
Performance Based Services	Location of Performance of Service
Service relating to Immovable Property	Location of immovable property
Service Relating to events	Location of Event
Specified Services-Section 13(8)	Location of Supplier of Services
Online information and database access or retrieval services	Location of Recipient of Service

9.4 INPUT TAX CREDIT:

Input Tax Credit: As per Sec. 2(63) of GGST Act, 2017, “input tax credit” means the credit of “input tax”;

Input Tax: As per Sec. 2(62) of GGST Act, 2017, “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- (a) the integrated goods and services tax charged on import of goods;

- (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
- (c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
- (d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or
- (e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy;

Input: As per Sec. (59) of GGST Act, 2017 “input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business;

Input Service: As per Sec.2 (60) of GGST Act, 2017 “input service” means any service used or intended to be used by a supplier in the course or furtherance of business;

Capital Goods: As per Sec. 2(19) of GGST Act, 2017 “capital goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

WHO CAN AVAIL ITC?

As per Sec. 16(1) of GGST Act, 2017, every registered person, subject to certain conditions and restrictions, is entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

Following are the conditions and Restrictions prescribed in GGST Act, 2017 and GGST Rules, 2017, in order to take Input Tax Credit: - [Section 16]

1. Possession of a tax invoice or debit note issued by a supplier registered under GGST Act, 2017 read with Rule 46 of GGST Rules, 2017.
2. Receipt of the goods or services or both
3. The tax charged in respect of such supply has been actually paid to the Government subject to provisions of matching concepts.
4. The relevant information, as contained in the document is furnished in the Form GSTR-2 by Input Tax Credit receiver.
5. The return is furnished under Sec. 39 of GGST Act, 2017.
6. In case the goods against an invoice are received in lots or installments, *credit can be taken upon receipt of the last lot or installment.*
7. Payment is made within 180 days from the date of issue of invoice, except in case of tax is payable under Reverse Charge Mechanism (RCM)
8. If payment is not made within 180 days from date of invoice then the amount of value not paid and proportionate input tax credit availed on such unpaid

amount of value shall be added to output tax liability with interest at the rate of 18% p.a. as per Sec. 50(1) of GGST Act, 2017.

9. The Interest at the rate of 18% p.a. is payable for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability

10. Input Tax Credit can be re-taken on payment to supplier. There is no time limit to claim for re-availing of any credit.

11. No Input Tax credit on Capital goods if the registered person has claimed depreciation on the tax under the provisions of the Income-tax Act, 1961.

12. No Input Tax Credit is available in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.

13. A registered person who has not opted for composition levy scheme under Section 10 of GGST Act, 2017.

TIME LIMIT FOR AVAILING THE INPUT TAX CREDIT:

As per Sec. 16(4) of GGST Act, 2017, a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under Section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of them relevant annual return, whichever is earlier.

Thus, time limit for availing the ITC is due date of furnishing of the return under Section 39 for the month of September following the end of Financial Year or furnishing of the relevant annual Return, whichever is earlier.

BLOCKED ITC

As per definition of input, input services and capital goods read with Sec. 16(1) of CGST Act, 2017, Input Tax Credit is allowed on goods and services used in the course or furtherance of business.

However, there are certain goods and services even if used in the course or furtherance of business, in respect of which input tax credit is not admissible to registered person.

List of admissible and inadmissible input tax credit briefly shown as under:

Admissible	Inadmissible
Input- <ul style="list-style-type: none"> • Any goods other than capital goods used in the course or furtherance of business such as • raw material, • goods used in factory, office, • mobile phones provided to employees 	<ul style="list-style-type: none"> • Goods which are capitalized in the books of accounts • Goods used for effecting exempt supplies • Goods lost, stolen, destroyed, written off, gifted, provided free of cost, • Goods used for construction of an immovable property (land, building

<ul style="list-style-type: none"> • stationery, and other consumables, • safety material • goods used in erection commissioning of plant and machinery which includes apparatus, equipment, machinery, fixed to earth by foundation or structural support that used for making outward supply and includes such foundation and structural supports. <i>(if not capitalized)</i> 	<p>or any other civil structure) on own account</p> <ul style="list-style-type: none"> • food and beverages • Motor Vehicles • Goods used for personal consumption • Goods used for construction of land, building or any other civil structure, telecommunication tower, pipeline laid outside the factory. • Tax paid after demand made by department alleging suppression facts, fraud, willful misstatement etc. • Tax paid on detention, seizure on goods and conveyance in transit. • Tax paid on goods or conveyance confiscated.
<ul style="list-style-type: none"> • Capital Goods- • Goods which are capitalized in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of business • Furniture, Office Equipments, • Motor Vehicle used for making following taxable supplies • further supply of such vehicles or conveyances; or • transportation of passengers • imparting training on driving, flying, navigating such vehicles or conveyances; • for transportation of goods • Structures, structural supports 	<ul style="list-style-type: none"> • Goods which are used for effecting taxable supplies but are not capitalized (Goods taken on high purchase, operational or financial lease. • Motor Vehicles • Goods used for effecting exempt supplies • Goods lost, stolen, destroyed, written off, gifted, provided free of cost, • Goods used for construction of an immovable property (land, building or any other civil structure, telephone tower, pipeline laid outside the factory) on his own account • Goods used for personal consumption • Tax paid after demand made by department alleging suppression facts, fraud, willful misstatement etc. • Tax paid on detention, seizure on goods and conveyance in transit. • Tax paid on goods or conveyance confiscated.

<p>Input Services-</p> <ul style="list-style-type: none"> • Any service used or intended to be used by a supplier in the course or furtherance of business • Housekeeping, security, • Marketing, sales Promotion • Professional consultancy • Technical Consultancy • Banking and Financial • Transportation both inward and outward • Credit Rating • Works Contract services used for supply of works contract services 	<ul style="list-style-type: none"> • In respect of Motor vehicles and other conveyance except used for following effecting taxable supplies- • further supply of such vehicles or conveyances; or • transportation of passengers • imparting training on driving, flying, navigating such vehicles or conveyances; • for transportation of goods • food and beverages, outdoor catering • beauty treatment, • health services, cosmetic and plastic surgery • except where used for making an outward taxable supply of the same category of goods or services; • membership of a club, health and fitness centre, • Bus transport to employees, auditors or others in relation to business • rent-a-cab, life insurance, health insurance except where obligatory as per government notification. • travel benefits extended to employees on vacation such as leave or home travel concession.
	<ul style="list-style-type: none"> • Works Contract Services for construction of immovable property even when used in course or furtherance of business. • Construction services for construction of an immovable property on own account even when used in course or furtherance of business. • Services used for effecting taxable supplies under Composition Levy • Services used for personal consumption

	<ul style="list-style-type: none"> • Tax on input services where paid after demand made by department alleging suppression facts, fraud, willful misstatement etc. under Sec. 74. • Tax paid on detention, seizure on goods and conveyance in transit under Sec. 129. • Tax paid on goods or conveyance confiscated under Sec. 130.
--	--

Summary of provisions of input tax credit in case of special circumstances:

Provision	Compliance
Application for registration within 30 days from the date of becoming liable for registration	Can take credit of Input Tax in respect of: Inputs held in stock Inputs contained in Semi- Finished/Finished goods held in stock & Tax invoices issued within 1 year after becoming liable to pay tax
Voluntary registration	Can take credit of Input Tax in respect of: Inputs held in stock Inputs contained in Semi- Finished/Finished goods held in stock Tax invoices issued within 1 year from the date of Grant of registration subject to certain conditions
A person who ceases to pay tax under Composition levy	Can take credit of Input Tax in respect of: Inputs held in stock Inputs contained in Semi- Finished/Finished goods held in stock Capital goods (Credit can be reduced by prescribed percentage points) Within 1 year from the date of issue of tax invoices after becoming liable to pay tax
Where an exempt supply by a registered taxable person becomes a taxable supply	Can take credit of Input Tax in respect of: Inputs held in stock Inputs contained in Semi-Finished/ Finished goods held in stock Capital goods, which are Exclusively used for such supply

	From the date from which such supply become taxable.
In case of sale/ merger/ demerger/ amalgamation/ lease or transfer of the business with the specific provision for transfer of liabilities	The input tax credit can be transferred to such sold/ merged/ demerged/ amalgamated/ leased or transferred business in the manner prescribed
Registered taxable person availing input tax credit switches over as a taxable person	He shall pay an amount, by way of debit in the electronic credit or cash ledger, equivalent to the credit of input tax in respect of: - Inputs held in stock Inputs contained in Semi- Finished/ Finished goods held in stock Capital goods (Credit can be reduced by prescribed percentage points)

9.5 RETURN FILING:

The basic features of the return mechanism in GST includes electronic filing of returns, uploading of invoice level information, auto-population of information relating to input tax credit from returns of supplier to that of recipient, invoice level information matching and auto-reversal of input tax credit in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.

Under GST, a registered dealer has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required.

TYPES OF GST RETURNS:

The list of all the returns to be filed as prescribed under the GST Law along with the due dates.

Return Form	Particulars	Interval	Due Date
Any regular business			
GSTR-1	Details of outward supplies of taxable goods and/ or services effected	Monthly*	10th of the next month

GSTR-9	Annual Return	Annually	31st March of next financial year
GSTR-3B	Provisional return for every month	Monthly	20th of the next month
Opting Composition Scheme:			
GSTR-4	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter**
GSTR-9A	Annual Return	Annually	31st March of next financial year
Certain specific registered dealers			
GSTR-5	Return for Non-Resident foreign taxable person	Monthly	20th of the next month
GSTR-5A	Return for Non-resident persons providing OIDAR services	Monthly	20th of the next month
GSTR-6	Return for Input Service Distributor	Monthly	13th of the next month
GSTR-7	Return for authorities deducting tax at source.	Monthly	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month
GSTR-10	Final Return	Once. When registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN and claiming refund	Monthly	28th of the month following the month for which statement is filed

(Note: subject to change by Notifications /orders)

* Registered persons having aggregate turnover of up to ₹ 1.5 Crore in the preceding financial year or the current financial year shall furnish GSTR-1 on a quarterly basis.

Other Registered persons having aggregate turnover of more than ₹ 1.5 Crore shall furnish these returns on a monthly basis.

REVISION OF RETURNS:

The mechanism of filing of revised returns for any correction of errors/ omissions has been done away with. The rectification of errors/ omissions is allowed in the return for subsequent month(s). However, no rectification is allowed after furnishing of the return for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

9.6 INTEREST ON LATE GST PAYMENT

An interest of 18 percent is levied on the late payment of taxes under the GST regime. The interest would be levied for the days for which tax was not paid after the due date. An interest of 24 percent is levied on the wrong availment of ITC Credit.

9.7 PENALTY FOR NON-FILLING OF GST RETURNS

In case a taxpayer does not file his/ her return within the due dates, he/ she shall have to pay a late fee of ₹200/- i.e. ₹ 100/- for CGST and ₹ 100/- for SGST per day (up to a maximum of ₹ 5,000/-) from the due date to the date when the returns are actually filed.

Note: In case of GSTR-3B

From the month of October 2017 onwards, the GST Council has recommended that the amount of late fee payable by a taxpayer whose tax liability for that month is 'NIL' is ₹ 20/- per day (₹ 10/- per day each under CGST & SGST Acts). However, if the tax liability for that month is not 'NIL', the amount of late fee is ₹ 50/- per day (₹ 25/- per day each under CGST & SGST Acts)

Late fee shall be completely waived for all taxpayers in case FORM GSTR-1, FORM GSTR-3B & FORM GSTR-4 for the months / quarters July, 2017 to September, 2018 which are furnished after 22.12.2018 but on or before 31.03.2019.

From October 2017 onwards, the amount of late fee for late filing of GSTR-3B payable by a registered person is as follows:

- a. whose tax liability for that month was 'NIL' will be ₹ 20/- per day instead of ₹ 200/- per day;
- b. whose tax liability for that month was not 'NIL' will be ₹ 50/- per day instead of ₹ 200/- per day.

9.8. PAYMENT OF TAXES:

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit (ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

There are three ledgers prescribed by the government that is required to be maintained by every tax payer –

1. Electronic Tax Liability Ledger: The electronic tax liability ledger shows the total tax liability of a registered person at any point of time.

2. Electronic Cash Ledger: An Electronic Cash Ledger will also require to be maintained on the GST portal. It will show the amount deposited by the tax payer towards discharge of his tax liability or interest or late fee or penalty any other amounts.

Also, it is now mandatory for businesses making payment for more than ₹10,000 to do it electronically.

3. Electronic credit ledger: All the taxes paid on the inputs would be recorded in the electronic credit ledger.

All the payments under GST have to be made by either using the input tax credit available in the electronic credit ledger or through the electronic cash ledger.

Utilizing ITC for the fulfillment of Tax liability:

IGST: After the IGST input tax credit is used for payment of IGST then the remaining ITC can be used to pay tax liability under CGST and SGST.

CGST: The CGST input tax credit cannot be used to pay the SGST liability but can be used to pay the liability under CGST.

SGST: The SGST input tax credit cannot be used to pay the CGST liability but can be used to pay the liability under CGST.

Modes of Payment: Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).

9.9 REVERSE CHARGE UNDER GST

In the normal course the tax is payable by the supplier of goods and / or services. However, provisions have been made in the GST Act that in certain cases, the tax liability is shifted on the recipient of goods and / or services. The advantages of such provisions are that the Government gets maximum revenue from comparatively lesser number of tax payers. The relevant provisions are as under –

Thus, criteria for Reverse Charge is twofold – (a) Specified categories of supplies of goods and services. (b) Purchase of goods and / or services from Unregistered suppliers.

(A) REVERSE CHARGE ON GOODS AND SERVICES -

i) Reverse Charge on Goods - Notification No. 4/2017- Central Tax (Rate) dt. 28.06.2017 has notified following goods in respect of which tax shall be paid by the recipient as per the provisions of Section 9(3) of the CGST Act –

Sr. No.	Tariff Heading	Description of supply of goods	Supplier of goods	Recipient of supply
1	0801	Cashew nuts, not shelled or peeled.	Agriculturist(*) ⁷	Any registered person
2	14049010	Bidi wrapper leaves (Tendu)	--do--	--do--
3	2401	Tobacco leaves	--do--	--do--
4	5201	Raw Cotton	--do--	--do--
5	5004 to 5006	Silk yarn	Any person who manufactures silk from raw silk or silk worm, cocoons for supply of silk yarn	--do--
6	--	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent
7	Any Chapter	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	Central Govt. State Govt. Union Territory or a local authority	Any Registered person

Thus, any registered person purchasing these specified goods from the specified suppliers is required to pay the tax on Reverse Charge.

ii) Reverse Charge On Services: Notification 13/2017 Central Tax (Rate) dt. 28.06.2017 has been issued specifying following services which are covered under reverse Charge.

(a) Services by Goods Transport Agency who has not paid tax in respect of transportation of goods to specified persons viz. Factories, Societies, person registered under GST Act, body Corporate, Partnership firm, casual taxable person.

(b) Services by an individual Advocate including senior advocate or form of advocates by way of legal services to any business entity located in the taxable territory.

(c) Legal Service” means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational Services before any court, tribunal or authority.

⁷ Section 2(7) of the GGST Act defines “agriculturist” means an individual or a Hindu Undivided Family who undertakes cultivation of land— (a) by own labour, or (b) by the labour of family, or (c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

- (d) Services supplied by an arbitral tribunal to a business entity.
- (e) Sponsorship services provided to any-body corporate or partnership firm.
- (f) Services supplied by the Central Government, State Government, Union Territory or local authority to business entity (except Postal and courier service, aircraft service, transport of goods or passengers)
- (g) Services supplied by the Central Government, State Government, Union Territory or local authority by way of renting of immovable property to a person registered under the CGST Act.
- (h) Services supplied by a director of a company or a body corporate to the company or body corporate.
- (i) Services supplied by an insurance agent to any person carrying on insurance business.
- (j) Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.
- (k) Services supplied by a person located in non-taxable territory by way of transportation of goods by vessel from a place outside India upto the customs station of clearance in India.
- (l) Services supplied by an Author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.
- (m) Supply of services by the members of Overseeing Committee to Reserve Bank of India.

iii) Reverse Charge On Import Of Services: – Section 2(11) of the IGST Act defines Import of Services as the supply of any service where – (i) The supplier of service is located outside India. (ii) The recipient of service is located in India and (iii) The place of supply of service is in India.

Section 5(1) of the IGST Act provides that IGST Tax shall be levied on all inter-state supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption.

Notification No. 10/2017 – Integrated Tax (Rate) dt.28.06.2017 covers same services as per Notification under CGST referred above. In addition, there is an entry as under–

S. No.	Category of supply of services	Supplier of service	Recipient of service
1	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable person.	Any person located in a non-taxable territory	Any person located in taxable territory other than non-taxable online recipient.

In view of this provision, when services are imported by any registered person, he is liable to pay the tax under Reverse Charge.

Section 7(4) of the IGST Act provides that – Supply of services imported into the territory of India shall be treated to be a supply of services in the course of inter-state trade or Commerce. In view of these provision, in case of import of services, the recipient has to pay IGST tax.

iv) Reverse Charge For Services Provided By Electronic Commerce Operator – Section 2(45) of the CGST Act defines Electronic Commerce Operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Notification 17/2017 – Central Tax (Rate) dt. 28th June, 2017 provides that in the following categories of services, the tax on intra-State supplies shall be paid by the electronic commerce operator –

- (i) services by way of transportation of passengers by a radio –taxi, motor cab, maxicab and motor cycle;
- (ii) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section (1) of section 22 of the said Central Goods and Services Tax Act.

v) Services Of Supply By Person In Non-Taxable Territory – Section 14 of IGST Act makes special provision for payment of tax by supplier of online database access and retrieval services (OIDAR). It provides that if the supplier of service is located in non-taxable territory and received by non-taxable online recipient, the primary responsibility for payment of tax shall be on the supplier of service. However, if he supplies the services through intermediary or he has any person representing him in a taxable territory or he appoints any person as his representative, then he will not be liable for payment of GST. But, the intermediary or such representative shall be deemed to be receiving such service from a supplier in non-taxable territory.

Section 2(16) of the IGST Act defines non-taxable online recipient as Government, Local authority, Governmental authority, Individual and any person non registered under the GST Act and receiving service in relation to any purpose other than commerce, industry or any other business or profession located in taxable territory.

B) PURCHASES OF GOODS AND/OR SERVICES FROM UNREGISTERED SUPPLIERS –

As per Section 9(4) of CGST Act and Section 5(3) of the IGST Act, tax is to be paid on RCM in respect of purchase of goods /services from unregistered persons.

Notification No.8/2017 (Central Tax) Rate dt. 28.06.2017 exempted purchase of goods and services from unregistered persons upto a value of ₹5000/- per day. Further, as per Notification No. 38/2017-Central tax (Rate)dt. 13.10.2017

and Notification No. 32/2017 Integrated Tax (Rate) dt. 13.10.2017, all categories of registered persons are exempted from these provisions without any monetary limit. This Exemption is in force till 30th June, 2018.

Such exemption was further extended to 30 June 2018, then 30 September 2018 and then 30 September 2019 vide various notifications issued by the Central Government on both Intra-state and Inter-state Supplies.

Now, vide Notification No.01/2019 -Central Tax (Rate) dt. 29.01.2019, Central Government rescinds principle Notification No.8/2017 (Central Tax) Rate dt. 28.06.2017 and consequently exemption provided till 30 September 2019 stands withdrawn. Such exemption was also withdrawn on inter-state supplies in the same line vide Notification No.01/2019 –Integrated Tax (Rate) dt. 29.01.2019 . Hence, amended Section 9(4) and withdrawal of exemption provided for applicability of said section are effective from 01-02-2019, the provisions of RCM on inter-state and intra-state supplies of specified categories goods or services or both received from unregistered dealer by a class of registered dealer shall be applicable.

EXEMPTION FOR CERTAIN SERVICES COVERED UNDER REVERSE CHARGE –

Notification No. 12/2017 – Central Tax (Rate) and Notification No. 9/2017 – Integrated Tax (Rate) dt.28.06.2017 grant exemption to certain services covered under Reverse Charge. These exemptions are conditional and the tax payer has to ensure that the relevant conditions are fulfilled and the exemption is rightly claimed. The specified services are –

1. Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation below one thousand rupees per day or equivalent.

2. Services provided by a goods transport agency, by way of transport in a goods carriage of -

(a) agricultural produce;

(b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees;

(c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred and fifty;

(d) milk, salt and food grain including flour, pulses and rice;

(e) organic manure;

(f) newspaper or magazines registered with the Registrar of Newspapers;

(g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or

(h) defence or military equipments.

3. Services provided by-

(a) an arbitral tribunal to –

(i) any person other than a business entity; or

(ii) a business entity with aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year;

(b) a partnership firm of advocates or an individual as an advocate other than a senior advocate senior advocate, by way of legal services to-

(i) an advocate or partnership firm of advocates providing legal services;

(ii) any person other than a business entity; or

(iii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year;

(c) a senior advocate by way of legal services to-

(i) any person other than a business entity; or

(ii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year.

4. Services by way of sponsorship of sporting events organized –

(a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;

(b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;

(c) by the Central Civil Services Cultural and Sports Board;

(d) as part of national games, by the Indian Olympic Association; or

(e) under the Panchayat Yuva Kreedha Aur Khel Abhiyan Scheme.

9.10 EXPORT OF GOODS AND SERVICES:

Section 2(5) of the IGST Act defines “export of goods” means taking goods out of India to a place outside India.

Section 2(6) of the IGST Act defines “export of services” means the supply of any service when,–

(i) the supplier of service is located in India;

(ii) the recipient of service is located outside India;

(iii) the place of supply of service is outside India;

(iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and

(v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;

Zero Rated Supply: As per the GST Act, export of goods and Services supplied to other countries and supplies to a unit located in Special Economic Zone or to a developer of SEZ are considered as Zero Rated. Concept of zero rated supplies of goods and services has following objectives –

(a) Taxes paid on supplies which are Zero Rated are refunded.

(b) Input Tax credit on inputs, input services and capital goods used in such supplies is allowed.

(c) When the supplies are made without payment of tax, the taxes paid on the inputs or input services – i.e. the unutilized input tax credit is refunded.

Thus, to qualify any transaction to be considered as Export of Goods, it must carry the goods outside the territory of India. If the goods are not physically moving out of territory of India, the transaction cannot be considered as Export of goods, even if the payment is received in foreign exchange.

9.11 IMPORT OF GOODS AND SERVICES

Section 2(10) of the IGST Act, defines import of goods as bringing goods into India from a place outside India.

Import of Services already dealt with under Reverse Charge Mechanism.
(Please refer 2.1.23 (iii))

For import of goods, instead of erstwhile CVD; IGST is charged and input tax credit is allowed of such IGST paid.

9.12 JOB WORK

Job work means outsourcing of manufacturing activities for completion of a product beyond the premises of the principal manufacturer. The principal manufacturer gets the manufacturing facilities through job worker to meet requirement of customers

Section 2 (68) of CGST Act, 2017, “Job work” means any treatment or process undertaken by a person on goods belonging to another registered person and expression “job worker” shall be constructed accordingly.

Service classification for manufacturing services on physical inputs (goods) owned by others (job work) is 9988.

The registered person on whose goods (inputs or capital goods) job work is performed is called the “Principal” for the purpose of section 143 of the CGST Act. The principal must be a registered taxable person under Section 25 of the CGST Act, 2017. The person who undertakes to carry job working of another person is called “job worker”.

The transaction between principal and job worker is fully covered under scope of supply and GST is payable thereon. But there is exception in terms of Section 143(1) of the CGST Act, 2017 prescribed that registered person can send any inputs or capital goods, without payment of tax, to a Job worker for job work and there subsequently send to another job worker and likewise.

Concessional Rate Of 5% For Certain Job Work

As per the Notifications No. 11/ 2017-CT (Rate) and No. 8/2017-IT (Rate) both dated 28-06-2017, effective from 01-07-2017 as amended from time to time.

Services by way of job work in relation to

1. Printing of Newspapers
2. Textile and textile products falling under chapters 50 to 63 in the First schedule to the Customs Tariff Act, 1975. Thus, from 22- 08-2017, job work of garments will also be subject to GST @5%.

3. All products falling under chapter 71 of Customs Tariff Act [Pearls, precious, and semi-precious stones, precious metals (like gold, silver, platinum) and their Articles, imitation jewellery, coin etc.]
4. Printing of books, journals and periodicals.
5. Printing of all goods falling under Chapter 48 or 49 which attracts GST rate of 5% or Nil.
6. All foods and food products falling under chapters 1 to 22 of Customs Tariff Act [inserted w.e.f. 13-10-2017]
7. Processing of Hides, skins and leather falling under chapter 41 in the First schedule to the Customs Tariff Act, 1975.
8. All products falling under Chapter 23 of Customs Tariff Act [residues and waste from food industries, prepared animal fodder] except dog and cat food put for retail sale [inserted w.e.f. 13-10-2017].
9. Manufacture of clay bricks falling under Tariff item 6901 00 10 [inserted w.e.f. 13-10-2017]
10. Manufacturing of clay bricks falling under tariff item 6901 00 10 [inserted w.e.f. 13-10-2017]
11. Manufacture of Handicraft goods as defined in Notification No. 32/2017-CT dated 15-09-2017 [inserted w.e.f. 15-11-2017]

Job work of Manufacture of Umbrella GST rate in respect of job work of manufacture of umbrella is 12% [(6% CGST and 6% SGST)] w.e.f. 13.10.2017 Notification No. 11/2017 CT (Rate) and 8/2017 IT (Rate) both dated 28.06.2017 amended we.f.13.10.2017

Documents for movement of inputs and Capital goods to Job worker Rule 55 (1) (c) of CGST Rules, 2017 provides that for the purpose of transportation of goods for job work, the principal manufacturer may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation.

Sub-rule (2) of Rules 55, the delivery Challan shall be prepared in triplicate, in case of supply of goods (a) Original for Consignee, (b) Duplicate for transporter and (c) Triplicate for consignor.

Rule 45 of CGST Rules, 2017 provides **conditions and restrictions in respect of inputs and capital goods sent to the job worker** and the sub- rules as under

(1) The inputs, semi – finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job- worker.

(2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.

(3) The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in FORM GST ITC- 04 furnished for that period on or before the twenty- fifth day of the month succeeding the said quarter.

(4) Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Levy And Collection Of Tax On Supply Of Services By Job Worker

The concept of supply has been adopted to levy tax in place of manufacture of excisable goods and supply of taxable services. Section 7 of CGST Act, for the purpose of expression of “Supply” includes as specified at sub-section (d) that “the activities to be treated as supply of goods or supply of services as referred to in Schedule II”.

Schedule II of Section 7 provides the activities to be treated as supply of goods or supply of services and schedule II (3) any treatment or process which is applied to another person’s goods is a supply of services.

Thus, job work process is carried by the Job worker on behalf of the principal and will attract GST on job work Charges, in case of threshold limit of ₹ 20 lakh of aggregate turnover exceeds in a financial year of a job worker. If the aggregate turnover exceeds the threshold limit the job worker would be required to obtain registration under section 25.

Further, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker. After completion of job work, if the goods directly supplied to the customers from the premises of the job worker, the value of such supply will be included in the aggregate turnover of the principal.

It is to be noted that in the erstwhile Central Excise and Service Tax provisions where job work charges or supply of services are subject to service tax only, if the process carried by job worker does not amount to manufacture.

Availability Of Input Tax Credit By The Principal Or Job Worker:

It is clarified that, in view of the provisions contained in clause (b) of sub-section (2) of section 16 of the CGST Act, the input tax credit would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker’s place of business, without being brought to the premises of the principal. It is also clarified that the job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered under GST.

9.13 TAX DEDUCTION AT SOURCE:

There are certain category of persons for whom registration under GST Act is mandatory irrespective of their turnover limits as specified in Section 22 (i.e. ₹ 10 lakhs for special category states and ₹ 20 lakhs for others). These categories have to get themselves registered mandatorily under the GST Act by virtue of Section 24 of the Act. Under this section, eleven categories of persons are specified to take compulsory registration. Entry no (vi) of Sec-24(1) deals with registration requirement of persons who are required to deduct tax under section 51, whether or not separately registered under this Act. Thus, the entry makes compulsory registration for TDS deductors’ separately under this act as

deductor, even though they hold a separate registration number under any other category in the Act itself.

So, the person who is required to deduct tax under Section 51 (i.e. deductor) would have to take registration under GST. For the purpose of registration under GST, Section 25 mandates for every person to have a permanent account number issued the Income tax Act, 1961 in order to be eligible for grant of registration. But in case of person who is required to deduct tax under section 51 may have, in lieu of a **permanent account number**, a Tax Deduction and Collection Account Number issued under the said Act in order to be eligible for grant of registration.

For taking registration as deductor, such person requires to submit application in Form GST REG-07 duly signed and verified on common portal. After due verification of the same, proper officer grant certificate of registration in **Form GST REG-06** within 3 Working days from the date of submission of the application;

1. Effective date for enabling provision of TDS under GST

By Notification No.-50/2018-Central Tax dated 13th September 2018, Central Government made the provisions of TDS effective from 01st day of October, 2018.

2. TDS Returns under GST Regime

Every person registered as deductor has to furnish a return in **Form GSTR-7** electronically through the common portal for the month in which such deductions have been made within ten days after the end of such month. After furnishing return as required, such registered person would have to issue a certificate in **Form GSTR-7A** to the deductee which would be available electronically on the common portal.

3. Payment of TDS under GST

Any amount deducted under Section 51 shall be credited to electronic cash ledger of the registered taxable person and the amount so deducted shall be paid by debiting the electronic cash ledger of such person. The amount deducted as tax under this section; shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made, in such manner as may be prescribed. Interest in accordance with section 50(1) is to be paid in addition to such amount if payment is not made within prescribed time.

4. Persons who are required to deduct the TDS under GST

As per section 51 read with **notification no 50/2018, dated 13/09/2018**, following category of person would have to deduct tax at the rate of one per cent (effective rate would be 2 % i.e. 1 % as CGST and 1% as SGST) from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, **exceeds two lakh and fifty thousand rupees**.

1. A department or establishment of the Central Government or State Government; or-Sec-51(1)(a)
2. Local authority; or- Sec-51(1)(b)

3. Governmental agencies;- Sec-51(1)(c)
4. Such persons or category of persons as may be notified by the Government- Sec-51(1)(d)- Notification No -50/2018
 - a. An authority or a board or any other body, -
 - i. set up by an Act of Parliament or a State Legislature; or
 - ii. established by any Government, with fifty-one per cent. or more participation by way of equity or control, to carry out any function;
 - b. Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860);
 - c. Public sector undertakings.

5. No TDS deduction

If location of supplier and place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient, no deduction is required to be made.

6. Value on which TDS is to be deducted

The value of supply shall be taken as the amount excluding the central tax, State tax, Union territory tax, integrated tax and cess indicated in the invoice

7. Late fees for non furnishing GSTR-7 & GSTR-7A (TDS Returns)

For GSTR- 7:- ₹100 per day subjected to maximum of five thousand rupees.

For GSTR- 7A:- ₹100 per day from expiry of five days period subjected to maximum of five thousand rupees.

8. Refund of TDS under GST

If there is a refund on account of excess or erroneous deduction of TDS, the same shall be dealt with in accordance with the provisions of Section 54. But no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee.

9. Penalty for TDS Provision:-

Where a taxable person who fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts an amount which is less than the amount required to be deducted under the said sub-section, or where he fails to pay to the Government under sub-section (2) thereof, the amount deducted as tax; he shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded or the tax not deducted under section 51 or short deducted or deducted but not paid to the Government, whichever is higher.

9.14 TAX COLLECTION AT SOURCE:

1. Tax Collection at Source (TCS) has similarities with TDS, as well as has distinctive features also. TDS refers to tax which is deducted when recipient of goods or services makes some payments under a contract etc. while TCS refers to tax which is collected by the electronic commerce operator when a supplier

supplies some goods or services through its portal and the payment for that supply is collected by the electronic commerce operator.

2. As per Section 52 of the GGST Act, 2017 the e-commerce operator, not being an agent, is required to collect an amount calculated at the rate not exceeding one per cent., as notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such operator. The amount so collected is called as Tax Collection at Source (TCS).

Section 2(44) of the GGST Act, 2017, electronic Commerce means the supply of goods or services or both, including digital products over digital or electronic network.

Section 2(45) of the GGST Act, 2017, electronic Commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Section 24(x) of the GGST Act, 2017, every electronic commerce operator has to obtain compulsory registration irrespective of the value of supply made by him.

3. Rate of TCS is 0.5% under each Act (i.e. the CGST Act, 2017 and the respective SGST Act / UTGST Act respectively) and the same is 1% under the IGST Act, 2017. [Notifications No.52/2018-Central Tax and 02/2018-Integrated Tax both dated 20th September, 2018]

4. As per Section 24(ix) of the GGST Act, 2017, every person supplying goods through an e-commerce operator shall be mandatorily required to register irrespective of the value of supply made by him. However, a person supplying services, other than supplier of services under section 9 (5) of the GGST Act, 2017, through an e-commerce platform are exempted from obtaining compulsory registration provided their aggregate turnover does not exceed INR 20 lakhs (or INR 10 lakhs in case of specified special category States) in a financial year. [Notification No.65/2017-Central Tax dated 15th November, 2017]

5. As per the extant law, registration for TCS would be required in each State / UT as the obligation for collecting TCS would be there for every intra-State or inter-State supply. In order to facilitate the obtaining of registration in each State/ UT, the e-commerce operator may declare the Head Office as its place of business for obtaining registration in that State / UT where it does not have physical presence.

6. The amount collected by the operator is to be paid to appropriate government within 10 days after the end of the month in which the said amount was so collected.

7. The amount of TCS deposited by the operator with the appropriate Government will be reflected in the electronic cash ledger of the actual registered supplier (on whose account such collection has been made) on the basis of the statement filed by the operator in **FORM GSTR-8** in terms of Rule 67 of the GGST Rules, 2017. The said credit can be used at the time of discharge of tax liability by the actual supplier.

8. TCS collected is to be deposited by the e-commerce operator separately under the respective tax head (i.e. Central tax / State tax / Union territory tax / Integrated tax). Based on the statement (FORM GSTR-8) filed by the e-commerce operator, the same would be credited to the electronic cash ledger of the actual supplier in the respective tax head. If the supplier is not able to use the amount lying in the said cash ledger, the actual supplier may claim refund of the excess balance lying in his electronic cash ledger in accordance with the provisions contained in section 54(1) of the CGST Act, 2017.

9. Every operator is required to furnish a statement, electronically, containing the details of outward supplies of goods or services affected through it, including the supplies of goods or services returned through it, and the amount collected by it as TCS during a month within 10 days after the end of such month in FORM GSTR-8. The operator is also required to file an annual statement by 31st day of December following the end of the financial year in which the tax was collected in FORM GSTR-9B.

10. As per section 52(6) of the GGST Act, 2017, interest is applicable on omission as well in case of incorrect particulars noticed. In such a case, interest is applicable since it is a case of omission. Further, penalty under section 122(vi) of the GGST Act, 2017 would also be leviable.

11. As per section 52(12) of the GGST Act, 2017, any authority not below the rank of Deputy Commissioner may serve a notice requiring the operator to furnish the details of their supplies of goods or services or both as well as stock of goods held by the suppliers within 15 working days of the date of service of such notice.

9.15 INPUT SERVICE DISTRIBUTOR

Section 2(61) of GGST Act, 2017 defines “Input Service Distributor.”

Who is an Input service distributor (ISD) under GST? An Input service distributor (ISD) is a business which receives invoices for services used by its branches. It distributes the tax paid, to such branches on a proportional basis by issuing an ISD invoice.

The branches can have different GSTINs but must have the same PAN as that of ISD.

Insight on ISD under GST regime

Conditions and restrictions in respect of ISD	
Who can be Input service distributor?	An office of the supplier of goods and/or services which receives tax invoices issued under section 31 of GGST Act, 2017
Document based on which credit can be distributed	Receives tax invoices issued by supplier u/s. 31 per Section of GGST Act, 2017 towards receipt of input services
How to distribute credit?	By issuing an ISD invoice for the purposes of distributing to a supplier of taxable goods and/or

	services having the same PAN as that of the office referred to above
Type of tax credit that can be distributed	The credit of CGST (SGST in State Acts) and/or IGST paid on the said services
To whom can it be distributed?	To supplier having the same PAN. i.e., credit cannot be distributed to outsourced manufacturers or service providers.

It is important to note that the **ISD mechanism is meant only for distributing the credit on common invoices pertaining to input services only and not goods** (inputs or capital goods).

Conditions to be fulfilled by ISD

Registration: Input Service Distributor has to compulsorily register as “ISD” apart from its registration as a normal taxpayer under the Act, wherein he has to specify under serial number 14 of the REG-01 form as an ISD. Only then he shall be able to distribute the credit to the recipients.

Invoicing: ISD can distribute the amount of tax credit to his other units having separate GSTIN (recipients) by issuing an ISD invoice (Rule 54 of GGST Rules, 2017).

Returns: Amount of tax credit distributed should not exceed the amount of tax credit available with the ISD as at the end of a relevant month to be filed in GSTR-6 by 13th of the succeeding month by ISD.

- The recipient of the tax credit can view the tax credit so distributed by ISD in GSTR-2A that is auto-populated and in turn, can claim the same by filing GSTR-2.
- An ISD need not file annual returns as ISD.
- Distribution of Input Tax credit: The credit of tax paid under reverse charge mechanism is not available for distribution to the recipients. So, the ISD has to utilize such credit only as a normal taxpayer.

As per Section 20 of GGST Act, 2017 read with Rule 39, the Input Service Distributor shall distribute the credit of central tax, as central tax or integrated tax and integrated tax, as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

Every ISD shall, on the basis of details contained in FORM GSTR-6A [*Auto Populated*], and where required, after adding, correcting or deleting the details, furnish electronically the return in FORM GSTR-6, containing the details of tax invoices on which credit has been received and those issued under section 20.

ANNUAL RETURN:

1. Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year

electronically in such form and manner as may be prescribed on or before the thirty- first day of December following the end of such financial year.

2. Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.

9.16 REFUND OF TAX:

Normally, refund provisions apply in case of (a) zero rated supplies (exports and supplies to SEZ) and (b) Inverted duty structure i.e., input credit more than tax payable on output supply (but not in case of exempted supply or supply Nil rate of tax).

‘Taxable Person’ can also claim refund if he has paid excess tax by mistake.

Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application in that regard to the proper officer of IGST/CGST/SGST/UTGST before the expiry of two years from the relevant date in prescribe form and manner – section 54(1) of CGST Act.

Application And Procedure Of Refund

The application for refund shall be accompanied by –

(a) Such documentary evidence as may be prescribed to establish that a refund is due to the applicant, and

(b) Evidence that incidence of duty has not been passed on by him to any other person. However, where the amount claimed as refund is less than two lakh rupees, self-declaration based on documents available with him is sufficient – section 54(4) of GGST Act.

Application For Refund Of Tax, Interest, Penalty, Fees Or Any Other Amount

Any person, except the persons covered by notification issued under section 55 (UN Agencies, Embassies), claiming refund of tax, interest, penalty, fees or any other amount paid by him, may file as application in form GST RFD- 01 electronically – Rule 89(1) of SGST Rule, 2017.

Refund Of Balance In Electronic Cash Ledger: – Any claim for refund relating to balance in the electronic cash ledger in accordance with the provisions of section 49(6) may also be made through the return furnished for the relevant tax period in form GSTR-3, form GSTR-4 or form GSTR-7, as the case may be:- first proviso to Rule 89(1) of CGST and GGST Rules, 2017.

Refund Application In Case Of Supply Of Goods To Sez: – In respect of supplies of goods to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the supplier of goods after such have been admitted in the Special Economic Zone for authorized operations, as endorsed by the specified officer of the Zone – second proviso (a) to rule 89(1) of CGST and GGST Rule, 2017.

Refund Application In Case Of Supply Of Services To Sez – In respect of supplies of services to Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by supplier of services along with the evidence regarding receipt of services for authorized operations as endorsed by the specified officer of the Zone – second proviso (b) to Rule 89(1) of CGST and GGST Rule, 2017.

Refund Claim In Case Of Deemed Export Either By Recipient Of Supplier – In respect of supplies regarded as deemed exports, the application may be filed by (a) the recipient of deemed export supplies; or (b) the supplier of deemed export supplies in case where the recipient does not avail input tax credit on such supplies and furnishes an undertaking to effect the supplier may claim the refund – third proviso to Rule 89(1) of CGST and GGST Rules, 2017 as amended w.e.f. 18-10-2017.

Refund Of Advance Tax By Casual Or Non-Resident Taxable Person – Refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 (casual taxable person or non-resident taxable person) at the time of registration, shall be claimed either in the last return required to furnish by him or only after furnishing of the said last return – fourth proviso to rule 89(1) of CGST and GGST Rules, 2017.

Documents To Be Filed With Refund Claim: The application for refund under rule 89(1) shall be accompanied by documentary evidences, as applicable, to establish that the refund is due to the applicant [Rule 89(2) of CGST and GGST Rules, 2017]

Refund Of Unutilised Input Tax Credit: Subject to the provisions of section 54(10), a taxable person may claim refund of any unutilized input tax credit at the end of any tax period – section 54(3) of CGST Act. [Section 54(10) provides for recovery of penalty, tax or interest from any refund due].

No refund of unutilized input tax credit shall be allowed in cases other than exports including zero rated supplies or in case where the credit has accumulated on account of rate of tax on inputs being higher than rate of tax on output supplies, other than nil rated or fully exempted supplies – first proviso to section 54(3) of CGST Act.

No refund of unutilized input tax credit shall be allowed in case where the goods exported out of India are subjected to export duty – second proviso to section 54(3) of CGST Act.

No refund of input tax credit shall be allowed if the supplier of goods or services avails duty drawback of CGST/SGST/UTGST or claims refund of IGST paid on such supplies – third proviso to section 54(3) of CGST Act.

However, drawback of customs duty portion can be availed.

Drawback – “Drawback” in relation to any goods manufactured in India and exported, means the rebate of duty, tax or cess chargeable on imported inputs or any domestic inputs or input services used in the manufacture of such goods – section 2(42) of CGST Act.

Refund only in case of (a) exports and supplies to SEZ (b) inverted rate structure – Refund will be admissible only in case of physical exports and supplied to

SEZ. Provision of 'deemed export' has been made in CGST Act. However, there is no specific provision of refund in case of deemed exports or supplies to EOU.

Refund is admissible if GST rate on inputs is higher than GST rate of output supplied. However, refund is not available in case where supply is exempted or nil rated – first proviso to section 54(3) of GGST Act.

Refund In Case Of Inverted Duty Structure: In case of inverted duty rates (i.e. input tax credit more than tax payable on outward supply) there is a provision for refund of excess credit under section 54(3) of CGST and SGST Act.

No Refund If Tax Is Nil Or Exempted – The refund is not admissible where the rate of output supply is Nil or exempted. Thus, some tax must be payable.

No refund in certain cases, even if ITC more than tax paid – As per proviso (ii) to section 54(3) of CGST and SGST Act, Government can notify supply of goods and services where refund of unutilized Input Tax Credit (ITC) will not be admissible, even if ITC is more than tax payable on output supply. Under these powers, Notification No.5/2017-CT (Rate) and 5/2017-IT (Rate) both dated 28-6-2017 has been issued. As per this notification, the refund is not admissible even if ITC is more than tax paid, in the following cases –

- (i) Woven textile fabrics falling under specified headings in chapters 50 to 55
- (ii) Knotted netting of twine, cordage of rope, made up of fishing nets or other made up nets, of textile fabrics, falling under heading = 5608 [inserted w.e.f. 14-11-2017]
- (iii) Corduroy fabrics falling under head 5801 [inserted w.e.f. 22-9-2017]
- (iv) Narrow woven fabrics (all goods) falling under chapter 60
- (v) Railway locomotives and their parts falling under heading 8601 to 8608

Restriction Not Applicable In Case Of Export Of Aforesaid Goods: – This restriction is only in respect of refunds under section 54(3)(ii) of CGST Act. Thus, the restriction is not applicable to refund under section 54(3)(i) of CGST Act i.e. zero rated supplies. Hence, in case of export of these goods, refund of entire ITC will be available – MF(DR) circular No. 18/18/2017- GST, dated 16-11-2017. [The clarification is in respect of fabrics, but principle applies to all goods notified under Notification No. 5/2017-CT (Rate), dated 28-6-2017].

No Refund Of ITC Even If Input Tax Credit Is More Than Gst Payable On Outward Supply In Case Of Construction Of Complex: – In case of services of construction of complex [specified in Item 5(b) of Schedule II of CGST Act], refund of unutilized ITC will not be available – Notification No. 15/2017-CT (Rate) and 12/2017-IT (Rate) both dated 28-6-2017.

Refund In Case Of Export Or Supplies To SEZ: The taxable person has following options – (a) pay IGST on exports and claim refund of IGST (b) Clear goods for export without payment of IGST and claim refund of ITC (c) If this part supplies are exports, he can utilize that credit for payment of GST on supplies within India. In that case he need not apply for refund at all.

9.17 TRANSITIONAL PROVISIONS: (Section 139 to 142)

Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

The important provisions in this regard are:

(i) The existing taxpayers shall be issued a certificate of registration valid for 6 months. Upon furnishing of prescribed information, registration shall be granted on a final basis.

(ii) The amount of Cenvat credit / VAT carried forward in a return shall be allowed to be taken as input tax credit subject to certain conditions. Un-availed Cenvat credit on capital goods, not carried forward in a return, shall also be allowed to be taken as ITC subject to certain conditions.

(iii) Credit of eligible duties and taxes in respect of inputs held in stock shall be allowed to a registered taxable person subject to fulfilment of certain conditions.

(iv) Credit of eligible duties and taxes in respect of inputs held in stock shall be allowed to a taxable person switching over from the composition scheme to the normal scheme.

(v) No tax is payable on the goods removed/ despatched earlier but returned to the place of business after the introduction of GST. This is subject to the condition that the goods are returned within a period of 6 months after the introduction of GST.

(vi) Likewise, no tax shall be payable on the inputs, semi-finished goods and finished goods removed/ despatched earlier for job work or for carrying out certain processes and returned to the place of business after the introduction of GST. This is subject to the condition that the inputs / goods are returned within a period of 6 months after the introduction of GST.

(vii) Pending refund claims shall be disposed of in accordance with the provisions of earlier law and the amount of refund shall be paid to the claimant in cash, subject to certain conditions.

(viii) Pending claim of Cenvat credit /input tax credit shall be disposed of in accordance with the provisions of earlier law and the amount of refund shall be paid to the claimant in cash, subject to certain conditions.

(ix) No tax shall be payable on the supply of goods and /or services made before the introduction of GST where a part of consideration for the said supply is received on or after the introduction of GST, but the full duty or tax payable on such supply has already been paid under the earlier law.

(x) No tax shall be payable on the goods sent on approval basis before the introduction of GST but are rejected and returned to the seller on or after the introduction of GST if such goods are returned within 6 months from the introduction of GST.

9.18 RECOVERY OF ARREARS:

1. Under GST, there are well defined procedures for demand of unpaid tax, which is done via the issue of Show Cause Notice (SCN) and Order. However,

if the due tax amount still remains unpaid, then the department is authorised to start recovery of tax, meaning proceedings can be started officially.

2. As per the provisions of recovery of tax in GST, if the amount payable by a taxable person, remains unpaid, even after 3 months from the date of issuing the order for demand of tax, then the recovery of tax under GST will be initiated. However, if the proper officer considers it urgent in the interest of revenue, he may state reasons recording in writing, and direct the concerned taxpayer to make payment in a reduced period as well. In any case, if the demand is not paid in the time specified, then the department will initiate proceedings for recovery of tax in GST.

3. Modes Of Recovery

- Deduction of due amount from the tax amount payable to such person by the department
- Recovery of tax by way of detaining and selling any goods belonging to such person
- Recovery of tax from another person, from whom money is either due or may become due to such person
- Recovery of tax from another person, who holds or may subsequently hold money for or on account of such person, to pay to the credit of the Central or a State Government
- Detention of any movable or immovable property belonging to such person, until the amount payable is paid. If the dues are not paid within 30 days, the said property is to be sold and with the proceeds of such sale the amount payable and cost of sale is to be recovered
- Recovery of tax through the collector of the district, in which such person owns any property or resides or carries on his business, as if it were an arrear of land revenue. The proper officer will need to prepare a certificate specifying the amount due from such person and hand it over to the concerned collector, for this purpose
- Recovery of tax by way of application to the appropriate magistrate, who in turn shall proceed to recover the amount as if it were a fine imposed by him
- Recovery of tax via enforcing the bond or instrument executed under the Act or any rules or regulations made under the Act
- Recovery of tax done by the proper officer of the State Government or Union Territory Government, wherein, any CGST arrears will be recovered as if it were an SGST / UTGST arrear. Such an amount will be recovered, and then later credited to the account of the Central Government. In case the amount recovered by this means, is less than the amount due, then the amount will be apportioned among the Central Government and State / UT Government in proportion to the amount due to each authority

4. As per the GST provisions, the department can seize properties belonging to the defaulter to recover the due tax amount. Sometimes, in order to avoid such seizures, the taxpayer transfers the property via sale, mortgage, exchange etc. after the amount has become due – the intention being to evade paying the tax

amount which is due. To handle such a scenario, the provisions have been laid down, which state that transfer of property will become void, whenever there is a tax amount due to be paid.

However, the transfer will not be held as void, provided:

- Transfer has been made for an adequate consideration
- Transfer has been made in good faith, i.e. without any intention to cause fraud
- The taxpayer has not received any notice regarding pending tax dues or proceedings at the time of transfer
- Prior permission of the proper officer has been obtained

5. As per the provisions of recovery of tax in GST, any tax amount which is due, including interest and penalty, will be the first charge on the property of the defaulter, and will override all laws, except the Insolvency and Bankruptcy Code.

6. If at any point in time, the commissioner is of the opinion, that the government revenue is at stake, then he has the authority to provisionally attach any property of the defaulting taxpayer. Such a provisional attachment will have a validity of 1 year.

7. Properties are generally treated as a temporary security for the purpose of provisional attachment, especially when there is a strong suspicion that the defaulter will abscond. That is the reason why the provision has been made to include bank accounts also into such property and include them as part of provisional attachment of property to protect revenue.

8. If the taxpayer files for an appeal or revision against the notice of demand received, then either of the following can occur, as far as the decision is concerned:

- **Due Amount is Increased** – In this case, the commissioner will serve another notice of demand for the difference amount. The old amount will anyway be covered by the notice issued earlier.
- **Due Amount is Decreased** – In this case, the commissioner will inform the taxpayer about the reduction, and also apprise the authority with whom the recovery of tax under GST is pending. No new notice will be issued in this case.

Arrears of tax to be recovered using various modes including detaining and sale of goods, movable and immovable property of defaulting taxable person.

9.19 APPELATE AUTHORITY:

Any appeal under any law is an application to a higher court for a reversal of the decision of a lower court. Appeals arise when there are any legal disputes.

The initial resolution of this dispute is done by a departmental officer by a quasi-judicial process resulting into the issue of an initial order known by various names -assessment order, adjudication order, order-in-original, etc.

GST Act defines the phrase “adjudicating authority” as any authority competent to pass any order or decision under this Act, but does not include the Board, the First Appellate Authority and the Appellate Tribunal. Thus, in a way, any decision or order passed under the Act is an act of “adjudication”.

Steps of appeals under GST

Appeal level	Orders passed by	Appeal to ——	Sections of the Act
1 st	Adjudicating Authority	First Appellate Authority	107
2 nd	First Appellate Authority	Appellate Tribunal	109,110
3 rd	Appellate Tribunal	High Court	111-116
4 th	High Court	Supreme Court	117-118

As per the GST Act, CGST & SGST/ UTGST officers are both empowered to pass orders. As per the Act, an order passed under CGST will also be deemed to apply to SGST. However, if an officer under CGST has passed an order, any appeal/review/ revision/rectification against the order will lie only with the officers of CGST. Similarly, for SGST, for any order passed by the SGST officer the appeal/review/revision/rectification will lie with the proper officer of SGST only.

All appeals must be made in prescribed forms along with the required fees.

Fee will be- –The full amount of tax, interest, fine, fee and penalty arising from the challenged order, as admitted by appellant, AND –10% of the disputed amount

In cases where an officer or the Commissioner of GST is appealing then fees will not be applicable.

Appeals cannot be made for the following decisions taken by a GST officer-

- An order to transfer the proceedings from one officer to another officer
- An order to seize or retain books of account and other documents; or
- An order sanctioning prosecution under the Act; or
- An order allowing payment of tax and other amount in installments

A person unhappy with any decision or order passed against him under GST by an adjudicating authority can appeal to the First Appellate Authority.

If they are not happy with the decision of the First Appellate Authority they can appeal to the National Appellate Tribunal, then to High Court and Supreme Court.

9.20 ADVANCE RULING AUTHORITY:

1. “Advance ruling” means a decision provided by the Authority or the Appellate Authority to an applicant on matters or on questions specified in sub-section (2) of section 97 or subsection (1) of section 100 of the GGST Act, 2017, in relation to the supply of goods or services or both being undertaken or proposed to be undertaken by the applicant.

2. Section 100(1) of the GGST Act, 2017 provides that the concerned officer, the jurisdictional officer or an applicant aggrieved by any advance ruling pronounced by the Authority for Advance Ruling (AAR), may appeal to the Appellate Authority for Advance Ruling (AAAR). Thus it can be seen that a decision of the Appellate authority is also treated as an advance ruling.

3. Both the AAR and AAAR are vested with the powers of a civil court under Code of Civil Procedure, 1908, for discovery and inspection, enforcing the attendance of a person and examining him on oath, and compelling production of books of account and other records. Both the authorities are deemed to be a civil court for the purposes of section 195 of the Code of Criminal Procedure, 1973. Any proceeding before the authority shall be deemed to be judicial proceeding under section 193 and 228 and for the purpose of section 196, of the Indian Penal Code, 1860. The AAR and AAAR also have the power to regulate their own procedure.

4. The following matters/ questions specified in Section 97(2) & Section 100(1) of the GGST Act, 2017 passing order by AAR/ AAAR

- (a) Classification of any goods or services or both
- (b) Applicability of a notification issued under the provisions of GGST Act
- (c) Determination of time and value of supply of goods or services or both
- (d) Admissibility of input tax credit of tax paid or deemed to have been paid
- (e) Determination of the liability to pay tax on any goods or services or both
- (f) Whether applicant is required to be registered
- (g) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

9.21 ASSESSMENT:

Section 2(11) of the GGST Act 2017 defines assessment as the determination of tax liability under this act and includes self-assessment, reassessment provisional assessment, summary assessment and best judgment assessment. On a broader sense, ‘assessment’ is the estimation of tax liability of a registered person i.e. amount of tax payable on value of goods or services or both supplied by him.

Self Assessment: Section of the 59 of the act every registered person shall self-assess the tax payable on supplied made during tax period and file the return of each tax period as per section 39 of the GGST Act.

Provisional Assessment: Section 60 of the Act enumerates that the provisional assessment is carried out in case where a taxable person is unable to determine his value of supply or rate of taxes applicable there to the Proper officer may within 90 days from the receipt of application along with required document issue an order specifying the rate and value which tax has to pay on provisional basis. In terms of the section 60(2) a registered person are bound to execute the bond and furnish surety or security in the form of Bank Guarantee which shall not exceeding 25% of the amount covered under the bond.

The proper officer shall determine the tax liability on provisional basis within six months from the date of communication of the provisional assessment order after taking into consideration such information as may be required for finalising the assessment. Joint or additional commissioner may record in writing the reason to extend the date of final assessment order to further six months maximum. The commission may extend the date for further period of 4 years. Thus, a Provisional assessment can remain provisional for a period of maximum of 5 years.

The registered Person shall be liable to pay interest on so much of the amount of tax payable on provisional basis which remains unpaid on the date of payment of taxes under section 60(4) of the act. A registered person shall be entitled for refund if the amount of taxes paid on provisional basis exceeds the actual liability determined on finalisation of assessment.

Scrutiny Of Returns: Once the registered person furnishes the return the proper officer may scrutinize the returns and related particulars to verify its correctness. If there is any discrepancy, between the returns and available information, the same discrepancies will be communicated to the registered person for giving explanation on it. In terms of the section 60(3), if the registered person fails to furnish any satisfactory explanation to the proper officer within 30 days from the date of communication of discrepancies, then the appropriate action will be taken against the registered person as per Section 65, 66, 67 and determine the dues or penalty if any as per Section 65, 66, 67 and determine the dues or penalty if any as per Section 73, 74.

Assessment Of Non Filers Of Returns: As per Section 62 of the act empowers the proper officer to make best judgment assessment If the registered person fails to furnish the return under Section 39 or final return under section 45 even after submission of notice under Section 46. If the registered person fails to file the returns as per the defined sections and rules or where a taxable person fails to obtain the registration or Whose registration is cancelled and they are liable to tax, then the proper officer assess the tax liability to the best of his judgment and issues the order of best judgment assessment within a period of 5 years from the date of Annual Return of the financial year to which tax not paid relates. The registered person will be given 15 days' time for submission of their reply after issue of best judgment notice.

Assessment Of Unregistered Person: As per Section 63 , a taxable person is liable to be registered in accordance with the provision of the Section 22 of

Section 24 but fails to obtain registration or whose registration has been cancelled on account of circumstances mentioned in Section 29(2) but who was liable to pay tax, the assessing officer may assess the tax liability to the best of his judgment for the relevant tax period and issue assessment order within five years from the date of furnishing annual return i.e. 31st December following the financial year to which the tax paid relates.

Assessment In Special Cases Under GST (Section 64): As per Section 64 (1), If the proper officer is having such evidences which proves that there is some discrepancies in the tax liability, then he may with the previous permission of the Joint Commissioner or Addl. Commissioner assess the tax liability in the interest of the revenue. Further, If the taxable person to whom the tax liability is imposed is not ascertainable, then the person in charge shall be liable to pay the assessed tax or any other dues.

9.22 AUDIT

Provisions of GGST ACT, 2017 for audit:-

Section 2(13) of the GGST Act, 2017, defines 'Audit' as "the examination of records, returns and other documents maintained or furnished by the registered person under this Act or Rules made there under or under any other law for the time being in force to verify, inter alia, the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or rules made thereunder".

Accordingly, 'Audit' implies –

- (a) Detailed examination of
 - (i) records,
 - (ii) returns and
 - (iii) other documents - maintained / furnished by a registered person, under GST law/any other law or rules;
- (b) For verification of correctness of –
 - (i) turnover declared;
 - (ii) taxes paid;
 - (iii) refund claimed;
 - (iv) input tax credit availed; and
 - (v) assessment of compliances with provisions of GST law and rules. 7

Thus, GST audit is not only for reconciliation of tax liability and payment thereof but, it also encompasses the verification of compliance of the provisions of the GST Acts, laws etc. by a registered person.

Audit By Tax Authorities:

Sec. 65 of GGST Act, 2017:

(1) The Commissioner or any officer authorized by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed.

(2) The officers referred to in sub-section (1) may conduct audit at the place of business of the registered person or in their office.

(3) The registered person shall be informed by way of a notice not less than fifteen working days prior to the conduct of audit in such manner as may be prescribed.

(4) The audit under sub-section (1) shall be completed within a period of three months from the date of commencement of the audit:

Provided that where the Commissioner is satisfied that audit in respect of such registered person cannot be completed within three months, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding six months.

Explanation.—For the purposes of this sub-section, the expression “commencement of audit” shall mean the date on which the records and other documents, called for by the tax authorities, are made available by the registered person or the actual institution of audit at the place of business, whichever is later.

(5) During the course of audit, the authorized officer may require the registered person,

(i) to afford him the necessary facility to verify the books of account or other documents as he may require;

(ii) to furnish such information as he may require and render assistance for timely completion of the audit.

(6) On conclusion of audit, the proper officer shall, within thirty days, inform the registered person, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.

(7) Where the audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under section 73 or section 74.

Provision for access to business premises and records for audit: Sec. 71 of GGST Act, 2017

(1) Any officer under this Act, authorized by the proper officer not below the rank of Joint Commissioner, shall have access to any place of business of a registered person to inspect books of account, documents, computers, computer programs, computer software whether reinstalled in a computer or otherwise and such other things as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.

(2) Every person in charge of place referred to in sub-section (1) shall, on demand, make available to the officer authorized under sub-section (1) or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66—

- i. such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed;
- ii. trial balance or its equivalent;
- iii. statements of annual financial accounts, duly audited, wherever required;
- iv. cost audit report, if any, under section 148 of the Companies Act, 2013;
- v. the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961; and
- vi. any other relevant record.

for the scrutiny by the officer or audit party or the chartered accountant or cost accountant within a period not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the chartered accountant or cost accountant.

Prescribed Rules for audit:

Rule 101 of the State Goods And Service Tax Rules, 2017:

(1): The period of audit to be conducted under sub-section (1) of section 65 shall be a financial year or part thereof or multiples thereof.

(2): Where it is decided to undertake the audit of a registered person in accordance with the provisions of section 65, the proper officer shall issue a notice in FORM GST ADT-01 in accordance with the provisions of sub-section (3) of the said section.

(3): The proper officer authorized is conduct audit of the records and the books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the rules made there under, the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of the supply of goods or services or both, the input tax credit availed and utilized, refund claimed, and other relevant issues and record the observations in his audit notes.

(4): The proper officer may inform the registered person of the discrepancies noticed, if any, as observed in the audit and the said person may file his reply and the proper officer shall finalize the findings of the audit after due consideration of the reply furnished.

(5): On conclusion of the audit, the proper officer shall inform the findings of audit to the registered person in accordance with the provisions of sub-section (6) of section 65 in FORM GST ADT-02.

Maintenance of accounts and records: Section 35 of GGST Act, 2017 read with Rule 56 of GGST Rules 2017 provides for maintenance of accounts and records by registered person. Further Section 36 of GGST Act and Rules 57 and 58 of GGST Rules may also be referred in this regard.

Calling for documents from the registered taxpayer: The auditor shall intimate the date of conduct of audit by writing a letter in form GST AD01 at least fifteen days prior to the conduct of audit and also request for providing records / documents which are necessary for conducting audit. In case the

Registered Person does not respond to the letter, a reminder should be issued within reasonable time. In case the registered person is not volunteering to submit the same on the basis of letters issued by the auditor, another letter should be issued giving details of penal provisions contained in Section 122, 123 and 125 of the GGST Act, of not complying with the request of the department to facilitate conduct of Audit. However, in case the Registered Person fails to comply then action under above sections of GGST Act may be taken and a self-contained note may be sent to the Commissionerate for taking appropriate/ necessary action against the Registered Person. Further the details of such registered persons should be forwarded to the respective Divisions for inclusion in the Risk Parameters so that, in future the said person may be identified for audit on priority. Details of said person may also be provided to the concerned authorities to downgrade his GST compliance ratings.

9.23 COMPENSATION TO STATES: The Goods and Services Tax (Compensation to States) Act, 2017 provides for compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax. **Compensation will be provided to a State for a period of five years from the date on which the State brings its SGST Act into force.** For the purpose of calculating the compensation amount in any financial year, year 2015-16 will be assumed to be the base year, for calculating the revenue to be protected. The growth rate of revenue for a State during the five-year period is assumed to be 14% per annum. The base year tax revenue consists of the states' tax revenues from:

- (i) State Value Added Tax (VAT),
- (ii) central sales tax,
- (iii) entry tax, octroi, local body tax,
- (iv) taxes on luxuries,
- (v) taxes on advertisements, etc.

However, any revenue among these taxes arising related to supply of alcohol for human consumption, and five specified petroleum products, will not be accounted as part of the base year revenue. A GST Compensation Cess is levied on the supply of certain goods and services, as recommended by the GST Council to finance the compensation.

The GST compensation payable to a State shall be provisionally calculated and released at the end of every **two months**, and shall be finally calculated for every financial year after determination of the actual revenue collection of the State in terms of Section 7(3)(b) of the Goods and Service Tax (Compensation to States) Act, 2017 and, as audited by the Comptroller and Auditor General of India (CAG).

In case, any excess amount has been released as GST compensation to a State in any financial year during the transition period, as per the CAG audited figures of revenue collected, the excess amount so released shall be adjusted against the GST compensation amount payable to the State in the subsequent financial year.

9.24 E-WAY BILL SYSTEM: The introduction of e-way (electronic way) bill is a monumental shift from the earlier —Departmental Policing Model to a —Self- Declaration Model. It envisages one e-way bill for movement of the

goods throughout the country, thereby ensuring a hassle free movement for transporters throughout the country. The e-way bill system has been introduced nation-wide for all inter-State movement of goods with effect from 01.04.2018. As regards intra- State supplies, option was given to States to choose any date on or before 03.06.2018. All States have notified e-way bill rules for intra-State supplies last being NCT of Delhi where it was introduced w.e.f. 16.06.2018. New features in the e-way bill system have been introduced such as the auto calculation of distance based on PIN codes for the generation of e-way bill and blocking the generation of multiple e-way bills against one invoice.

9.25 ANTI- PROFITEERING MECHANISM: Any reduction in rate of tax or the benefit of increased input tax credit should be passed on to the recipient by way of commensurate reduction in prices.

National Anti-profiteering Authority (NAA) has been constituted under GST by the Central Government to examine the complaints of non-passing the benefit of reduced tax incidence. The Authority shall cease to exist after the expiry of two years from the date on which the Chairman enters upon his office unless the Council recommends otherwise.

The Authority may determine whether any reduction in the rate of tax or the benefit of input tax credit has been passed on to the recipient by way of commensurate reduction in prices. It can order reduction in prices, imposition of penalty, cancellation of registration and any other decision as may deem fit, after inquiry into the case.

(Audit Checks & Annexure for audit of Goods & Service Tax is appended in Annexure-I & I-A)

Annexure-I

AUDIT CHECKS FOR GST :

At present as per instructions of the AMG-III (Hqr-1) the following audit checks are to be followed during the course of local audit in the State Tax Department

I. TRAN-I

The sample size of TRAN-1 returns completed by the Department to be audited is shown as under: (*Minutes of July 2018 MM*)

- a. 100 per cent cases where input credit on closing stock is ₹ 20 lakh and above
- b. 10 per cent cases where input credit on closing stock is ₹ 10 lakh or more but less than ₹ 20 lakh
- c. 02 per cent all cases where input credit on closing stock is below ₹ 10 lakh

II. Refund

While verification of GST refund cases, the following conditions of the process adopted by the State Tax Department in sanctioning of GST refund should be analysed properly:

Whether it is given through IT module of the Department or manually

Whether refund allowed is entered in and reflected in the GSTN

Whether system restricts double payment of refund

Whether refund is claimed under SGST and CGST on same transactions on duplicate documents

Any irregularities noticed must be brought to the notice of the Department and may be incorporated in IR.

III. Registration

Issues relating to grant of registration under GST with reference to provisions of the GGST Act/ Rules may required to verify and any lapses noticed should be brought to the notice of the Department and may be incorporated in IR.

ANNEXURE-I (A)

CHECKS TO BE APPLIED DURING AUDIT OF GST

I. REGISTRATION OF DEALERS		
Sl. No.	Description of audit checks	Remarks
01	Whether the dealer has applied for new registration under GGST or migrated from VAT regimes?	
02	The persons who have applied for new registration, had applied immediately for registration on exceeding the specified threshold limit? If not, whether appropriate action is taken by the department and GST on supply exceeding specified limit has been recovered?	
03	Threshold limit should be taken from all the places of businesses of the dealer with the same PAN. It can be verified with reference to ITR of the same PAN holder.	
04	Whether the details provided in the GST Registration Certificate with the actual principal place of business, additional place of business, partners/ directors details are correct, HSN given are relevant one, address mentioned is correct, proper documentation is there for the authorized signatories?	
05	Whether there are any casual registration taken during the audit period and they are surrendered?	
06	Whether The casual/non-resident taxable person makes an advance deposit of tax for an amount equivalent to estimated tax liability for the period for which registration was sought?	
07	It should be seen that extension for further 90 days is supported by sufficient cause shown by the taxable person.	
08	It should also be seen whether casual/non-resident taxable person has deposited additional amount of tax equivalent to the estimated tax liability for the extended period?.	

09	Whether all the required/prescribed information/documents, have been submitted by the applicant seeking amendment in registration?	
10	Whether opportunity has been given to the person before rejection of amendments fully or partially by the proper officer	
11	Whether liability of the taxable person to pay tax and other dues for any period prior to the date of cancellation, have been recovered?.	
12	Whether the registered person whose registration is cancelled by the proper officer on his own motion, applied for cancellation within thirty days from the date of service of the cancellation order?	
13	Whether All the applications received for revocation of cancellation of registration is dealt by the Proper Officer as prescribed in Rule	
14	Whether decisions on such applications are taken only after giving the opportunity of being heard to the applicant?	
II. SUPPLY		
Sl. No.	Description of audit checks	Remarks
1	Whether the items are classified as Taxable, Exempted, Nil Rate as per Law?	
2	Whether all the transactions carried out by the client and check if they fall under the scope of supply and tax is levied on them accordingly or not?	
3	Whether interstate supply is properly determined?	
4	Whether intra state supply is properly determined?	
5	Whether the supplies made to SEZ or SEZ Developers are actually Zero Rated supplies or not?	
6	Whether LUT is applied and in place for the supplier to SEZ or SEZ Developers on without payment of taxes?	
7	Whether the composite supply is principle of taxability is implemented or not?	
8	Whether the supplies are classified as mixed supplies or not?	
9	Whether the tax rate is levied accordingly or not in case of mixed supplies?	
10	Whether the tax rate is applied properly in case of advance received for supply of goods or services having different tax rates?	
11	Whether on the receipt voucher is tax is levied correctly if the place of supply is not known at the time of receipt of advance from the customer?	
12	Whether the classification of supply of goods and services is carried out correctly or not?	

III. TIME OF SUPPLY		
Sl. No.	Description of audit checks	Remarks
1	Whether Time of Supply is followed correctly for the inward supply of goods or services from unregistered taxpayers for receiver charge?	
2	Whether there any transactions for Time of supply where goods are sent on sale or approval? If yes, check if documentation is carried out accordingly.	
3	Whether the provisions of Time of Supply is followed for the issue of tax invoices for supply of goods or services?	
4	Whether the provisions related to Time of Supply are followed for the Continuous Supply.	
5	Whether the provisions are followed correctly for the issue of voucher as per the provisions of Time of supply	
IV. CLASSIFICATION		
Sl. No.	Description of audit checks	Remarks
1	Whether the goods are classified correctly as per the Customs Tariff Act?	
2	Whether the services are classified correctly as per the Notification No 11 of Central Taxes dated 28th Jun 2017.	
3	Whether the tax rate is applied on the goods are services is followed as per the relevant notifications from time to time	
4	Whether the classification of goods/services have been changed in GST regime as compared to pre-GST regime to take advantage of lower rate of tax (PAN India or State Level Data analysis can be done using Service Tax/Central Excise/VAT classification and comparing it with classification adopted under GST);	
5	Whether classification of goods/services have been changed after reduction in rate of tax to take advantage of lower rate of tax (For this also, to identify cases to be checked, queries can be run on classification before and after rate change for those goods/services that underwent rate change);	
6	In case of composite supply under GST, whether the tax rate of principal goods/services have been applied on the whole transaction or not?	
7	In case of mix supply under GST, whether the highest rate of tax have been applied on the whole transaction or not?	
8	Whether the exemption available on a particular good/service is taken correctly or not i.e. all the conditions of exemption notification are fulfilled or not?	

9	Whether the top five goods/services as mentioned in registration details, feature in returns filed by the assessee or not. If not, this could be due to mis-classification of goods/services?	
10	Whether any intermediate goods/services have been supplied and whether the classification of these goods were considered for tax purposes?	
11	Whether the classification of each product has been made separately when the supply of such product is independent i.e. all by products, scrap etc.?	
12	Where there is ambiguity in the description and nature of goods supplied, whether necessary reference has been made to the Rules of Interpretation of Customs Tariff as applicable to GST Tariff ?	

V. VALUE OF SUPPLY

Sl. No.	Description of audit checks	Remarks
1	Check if the provisions of Section 15 are followed for the value of Supply or not?	
2	Check if any discounts are given post supply and verify the GST implications if the same is not documented in the Sales agreement or contracts or sales orders, etc?	
3	Check the process followed for the internal consumption for determining the valuation?	
4	Check the pricing followed for the branch transfers?	
5	Check if all the taxes or levies other than GST are included in the valuation of Goods or Services?	
6	Check if there are any agreements for pure agents, if verify all the process is followed for the pure agents as per the provisions of the law	

VI. PLACE OF SUPPLY

Sl. No.	Description of audit checks	Remarks
1	Whether the Place of Supply is determined correctly for the Inter and Intra state transactions as per the IGST Act on inward and outward supplies.	
2	Whether the all the conditions given are fulfilled to qualify the transaction as Export of Goods or services.	
3	Whether there are any import of goods / services, verify if all the provisions are met.	
4	Whether there any Zero rated supplies, if yes all the conditions are full filled or not?	
5	Whether there are any High Sea Sales and how the place of supply is determined and the provisions are met accordingly.	

6	Whether the client is having any intermediary supplies under GST and all the conditions are fulfilled?	
7	Whether the place of supply provisions are followed for the purchase and sale returns?	
8	Whether the conditions for the location of supplier and recipient are met as per the provisions of the law and place of supply is determined accordingly.	
9	Whether the place of supply is determined correctly for the supplies to SEZ / SEZ Developers.	

VII. INPUT TAX CREDIT (ITC)

Sl. No.	Description of audit checks	Remarks
1	Check if input tax credit is availed only on the receipt of goods or services only.	
2	Check if the input tax credit is availed on receipt of original tax invoice only.	
3	Check the eligibility of input tax credit claimed?	
4	Check if there are any transactions on which input tax credit is not availed?	
5	Check the amount of input tax credit claimed reflected correctly in the GSTR – 3B?	
6	Check if there any inputs used for both taxable and exempted supplies?	
7	Check in the above case the input tax credit is reversed as per the provisions of the law.	
8	Check if matching is done between the GSTR – 2A and the purchase register.	
9	Check the input tax credit is accounted under the head inputs, services, capital goods, import of good and services correctly in the books of accounts.	
10	Check process followed for the reversal of input tax credit in case where the capital goods are sold before the completion of the life of the asset?	
11	Check if there are any invoices which are not paid within 180 days? If there any, check the reversal of input tax credit is done and interest is paid	
12	Check the tax invoices, Debit / Credit notes received from the supplier are as per the provisions of the law?	
13	Check if the input tax credit is availed, the GSTIN is mentioned correctly on the supplier's tax invoice.	
14	Check if there is any credit which is availed is falling under the blocked input tax credit	
15	Check if there any transition credit availed in GST TRAN -1, if yes is the assessment is complete	
16	Check if there is any input tax credit availed form transition	

	from Composition taxpayer to regular tax payer.	
17	Check whether entries in Inward supplies records for input tax and reconciled with Invoices from the vendors?	
18	Whether the inward supplies records with Monthly return and ascertained reasons for variations, if any?	
19	Whether monthly return is tallied with Input tax credit receivable, if any?	
20	Whether input tax credit is availed on capital goods? If yes, whether credit is reversed as per Rule 43 of the CGST Rules?	
21	Whether of input tax credit for the goods sent for job work is reversed?	
22	Whether input tax credit availed is debited to recoverable account for availing re-credit?	
23	Whether the supplier has availed both benefits of depreciation and input tax credit?	
24	Whether Input tax credit is reversed against the receipt of Credit Note?	
25	Whether input tax credit is bifurcated in to eligible, ineligible, blocked and common credits?	
26	Whether the common credits are reversed as per Rule 42 of the CGST Rules?	
27	Whether reconciliation of input tax credit between GSTR 3B and GSTR 2A is done?	
28	Whether transitional Credit is availed as per the provisions of the law?	
29	Whether any ineligible transitional credit is reversed as per the law?	
30	Any Reversal of Input Tax Credit for change in scheme from composition to Regular?	
31	Whether separate registration is taken as per the Provisions of law for Input Service Distributor?	
32	Whether any tax is payable under reverse charge and obtained separate Registration?	
33	Whether eligible and ineligible input tax credit is apportioned as per the GST law?	
34	Whether the calculation of Turnover for allocating the input tax credit is as per the law?	
35	Whether the ISD invoice containing the relevant particulars is issued correctly as per the provisions of the law?	
36	Whether Inward supplies received from unregistered persons liable to reverse charge on which tax is paid & ITC availed have been reversed?	
37	Whether any input tax credit in respect of goods/Services have been restricted in terms of Section 17(5) of the CGST Act	

38	Whether input tax credit availed are in respect of use in course or furtherance of business?	
39	Check the inward supplies records with Monthly return and ascertained reasons for variations, if any?	
40	Whether input tax credit is bifurcated in to eligible, ineligible, blocked and common credits?	
41	Whether ITC has been reversed on purchases made from cancelled/ab-initio cancelled dealers?	
VIII. REVERSE CHARGE		
Sl. No.	Description of audit checks	Remarks
1	Check if reverse charge tax is paid under 9(4) of the CGST Act 2017 up to 12th October 2017?	
2	Check if any taxes are paid under reverse charge on notified supplies under Section 9(3) and 9(5) of the CGST Act 2017 is duly paid?	
3	Check if the payment for reverse charge is made correctly or not?	
4	Check if input tax credit on reverse charge payment is take only in cases it is eligible?	
5	Check all the conditions for the reverse are fulfilled or not?	
6	Check if the payment voucher is issued for payment of reverse charge	
IX. REFUND		
Sl. No.	Description of audit checks	Remarks
1	Whether refund application was filed within due time by the eligible person?	
2	Check if all the refund applications filed are processed for refund or any applications are still pending	
3	Whether the Proper Officer had scrutinized the refund application within 15 days ensuring compliance of all conditions prescribed under Act/Rules?	
4	Whether acknowledgement/deficiencies were communicated to the assessee within 15 days?	
5	Whether the Proper Officer had intimated the applicant to file fresh application in cases where deficiencies were noticed?	
6	Whether refund application had all supporting documents, certificates of Chartered Accountants/Cost Accountants where required, attached with it as per prescribed provisions?	
7	Whether in the case of refund of unutilized input tax credit, debit entry of the amount is attached with the claim of refund?	
8	Whether the Department has ensured that, as per Notification No. 15/2017-Central Tax (Rate), no refund of unutilized ITC has been allowed under sub-section (3) of section 54 of the	

	said CGST Act, in case of supply of services specified in sub-section (b) of item 5 of Schedule II of CGST Act	
9	Whether Bank Realization Certificate (BRC) was issued for granting of refunds of export of services	
10	Whether before granting provisional refunds assessee's background was checked in respect of any offence committed under the Act or under an existing law for tax evasion exceeding ₹ 2.50 lakh	
11	Whether provisional refund was sanctioned within seven days from the acknowledgement	
12	Whether the Department had exercised all the checks before sanctioning the refund claims	
13	Whether refund claimed for wrong tax paid, was subject to provision of unjust enrichment	
14	Whether refund claim was disposed off within time	
15	Whether before crediting any refund amount to assessee's accounts, it was ascertained that there was no outstanding demand pending against the assessee under the Act or an existing law	
16	Where any amount of refund is withheld, the assessee had been informed of the reasons for withholding of refund amount	
17	Whether interest which was payable due to belated disposal of refund claim had been paid in all cases and whether the reason of delay were recorded and all efforts were made to avoid delay and resultant payment of interest	
18	Whether the Returns filed for refund have been appropriately accounted in the books of account	
19	Whether rejection for refund has been recorded appropriately	
20	Whether Refund rejected has been re-credited to Electronic Credit Ledger	
21	Whether three Registers as envisaged in the Circular No. 17/2017-GST are being maintained by the Office of the jurisdictional proper officer, and are complete in all respects	
22	Whether timeliness as specified under the rules were adhered to in regard to FORMS GST RFD 02 to FORMS GST RFD 09	
23	Whether the refund order issued either by Central Tax Authority or the State Tax Authority was communicated to the concerned counter-part tax authority within prescribed timelines of three days. Reasons for delay, if any may be called for	
24	Whether the minimum threshold limit of ₹ less than 1000 was adhered to	
25	Whether the refund arising out of existing law was paid as per the existing law and were made in cash and were not allowed as ITC	

26	Whether in case of refund of ITC in case of inverted duty structure, the formula prescribed under Rule 89(5) had been adopted for granting maximum refund amount	
27	Whether adjustment of any outstanding demand against refund was done in terms of rule 92(1)	
28	Whether any amount was withheld from the refund in terms of rule 92(2), the proper officer passes such orders in prescribed form informing the registered person the reasons for such withholding	
29	Whether refund of input tax credit in case of zero rated supply was granted as per the formula envisaged in rule 84(4)	
30	Whether refund claim under rule 95 of CGST Rules, 2017 was accompanied by all the supporting documents	
31	Whether all such invoices were above five thousand limit and had all the details as prescribe in rule 95(1) of CGST Rules, 2017	
32	Whether all returns were filed by casual/non-resident taxable person before refunding excess advance tax	
33	In case of refund of integrated tax paid on goods exported out of India, confirmation from Customs authorities had been received	
34	In case of export of services under bond or letter of undertaking, the applicant had given the undertaking to pay the refund amount with interest in case of non-fulfillment of export obligations	
35	Whether the Department had taken any action to confirm the export of goods/services in case of export of goods/services under bond or letter of undertaking	
36	Whether any action to recover the refunded amount with interest is initiated in case of non –export of goods/services	
37	In case of claim of refund of IGST for exports to Bhutan, whether it was verified if such refund was paid/payable to Government of Bhutan and not to the exporter	
38	Whether the Standing Committee on Consumer Welfare Fund had been constituted according to the provisions of the Act	
39	Whether all the amount due had been credited to the Fund had been credited	
40	Whether the amount is debited from the fund, only after fulfilling the conditions as prescribed	
41	Whether before granting any amounts to any agency or organization background checks as prescribed in rule 97(6) of CGST Rules, 2017 had been carried out or not	
42	Whether refund amount was paid by the PAO on time	
43	Whether the manufacturer who is an exporter has filed Export General Manifest	
44	Whether as per CBEC's Circular 37/11/2018-GST dated 15.03.2018, in refund case, lower of the invoice value to be adopted	

X. GOODS SENT TO JOB WORK		
Sl. No.	Description of audit checks	Remarks
1	Check if all the provisions of Job Work are met?	
2	Check delivery challan are issued when material is shipped to Job Workers Location?	
3	Check if the Job Workers location is updated in the GST Registration if the goods are shipped directly from the Job Workers location?	
4	Check if the goods which are shipped prior to the rollout of GST are returned back within 6 months from the date of rollout of GST?	
5	Check the Job Worker is endorsing the challans before the material is being returned back to the assessee?	
6	Check if the delivery challans are separately numbered for the challans issued for the Job Work?	
XI. PAYMENT AND RECOVERY OF TAX, PENALTY AND INTEREST		
Sl. No.	Description of audit checks	Remarks
1	Whether the GST Liability is discharged on time or not?	
2	Whether Interest is paid as per provisions of section 50 for delayed payment of taxes if any?	
3	Whether the amount of tax collected is not more than the tax payable by the recipient or not?	
4	Whether tax liability is discharged under the correct heads and not discharged under wrong heads?	
5	Whether any such cases, check refund is claimed or how it is adjusted?	
6	Whether the Proper Officer has serviced/issued notices at least three/six months prior to the time of three/five years as the case may be applicable.	
7	In pending cases, whether the statement was issued for the years subsequent to the period covered in Show Cause Notice	
8	In pending cases, whether the statement was issued for the years subsequent to the period covered in Show Cause Notice?	
9	Whether the tax liability and interest payable by the taxpayer correctly ascertained by the Proper Officer before conclusion of proceedings ?	
10	Whether the Proper Officer had issued an order under rule 142 of CGST Rules, 2017 after verification of the payment details ?	
11	Payment is required to be made within 30 days of service of notice. If not paid, action taken by the Proper Officer may be verified.	
12	Whether the Proper Officer checked the correctness of payment details from the electronic ledgers available on ?	

13	Whether in cases in which appellate authority/tribunal or Court concludes that notice given under Section 74(i) is not sustainable, whether the Proper Officer determine the tax under sub-section 73(1) ?	
14	Whether there exists a fool proof mechanism to ensure that tax collected is deposited in Government account immediately. It may be kept in view that for this purpose there is no time limit for issue of notice to make recovery ?	
15	If not paid, whether the recovery proceedings had been initiated by the Proper Officer against the assessee.	
16	Whether payment of the confirmed demand by the assessee within three months of the order is monitored.	
17	Whether Proper Officer had followed the prescribed process for recovery of confirmed demand as laid down in Section 79 of the CGST Act, 2017.	
18	In case any assessee is allowed extended time or permitted for payment of confirmed demands in instalments by the Commissionerate. Whether: Commissioner recorded the reasons in file. No. of instalments restricted of 24 or less Such permission is subject to payment of interest Timely payment of instalment monitored and action to recover full amount initiated in case of default of any one instalment on its due date	
19	Whether the notice of demand has been served where the tax demand confirmed is enhanced in appeal/revision proceedings. In so far as the amount already confirmed prior to disposal of appeal/revision, the recovery proceedings may be continued from the stage at which such proceedings stood immediately before such disposal of appeal/revision.	
20	Check if the liability as per the GSTR – 3B is matching with liability as per GSTR – 1 and the sales register or not?	
21	Check if there is any interest payment on delayed payments is discharged or not?	
22	Check the liability for GSTR -1 matching with the liability as per GSTR – 9 filed.	
23	Check all the amendments to the invoices are getting reflected in the GSTR – 1 and GSTR – 3B correspondingly if any	

Also Refer the CAG's Office Guidelines for Audit and Checklist on various topics issued from time to time and forwarded by E-Mail to field parties

- 1. Compensation cess/ fund in GST**
- 2. Demand and Recovery process in GST**
- 3. E- commerce provisions in GST**
- 4. Classification provisions in GST**
- 5. Refunds provisions in GST**
- 6. Registration provisions in GST**
- 7. Time place and value of supply of Goods and service.**
- 8. Audit by Tax Authorities and special audit and Assessment in GST.**
- 9. "Offence and Penalty provision in GST" and "Appeal and revision in GST" and etc.**

Section II

VALUE ADDED TAX

ENACTMENT OF THE GUJARAT VALUE ADDED TAX ACT, 2003.

The levy of VAT in the Gujarat State is based on and is regulated by:

- (a) Gujarat Value Added Tax Act, 2003
- (b) Gujarat Value Added Tax Rules, 2006
- (c) The Central Sales Tax Act, 1956
- (d) The Central Sales Tax (Registration and Turnover) Rules, 1957
- (e) The Central Sales Tax (Gujarat) Rules, 1970
- (f) Gujarat Motor Spirit Cess Act, 2001
- (g) Gujarat Motor Spirit Cess Rules, 2001
- (h) The Gujarat Tax on Entry of specified Goods into Local Area Act, 2001.

SCOPE OF DEPARTMENTAL INSTRUCTIONS

Departmental circulars have no statutory value. A construction placed by the executive Government cannot bind Audit or a Tribunal or a quasi-judicial Tribunal. They are merely administrative directions issued by the Executive and must be within the ambit of the laws and the rules.

1. BASIC FEATURES OF THE GUJARAT VAT ACT

The Gujarat VAT Act, 2003, was enacted and came into force with effect from 1-4-2006. This Act contemplates levy of tax on sales or purchases of various goods by dealers who carry on business in the State. This Act has three Schedules. Schedule I comprises all tax free goods. Section 5 of the Act governs this Schedule. Schedule II contains list of various goods which attract VAT and Schedule III contains goods which attract tax on petroleum product. Section 7 of the Act governs this Schedule. The Act envisages composite system of levy of tax. The Act also contemplates levy of purchase tax on the purchase of goods under certain circumstances.

After implementation of GST, in the principal Act (*vide GUJARAT ACT NO. 26 OF 2017 may be called the Gujarat Value Added Tax (Amendment) Act, 2017*), Schedule I and Schedule II shall be deleted and for Schedule III, the following Schedule shall be substituted, namely:-

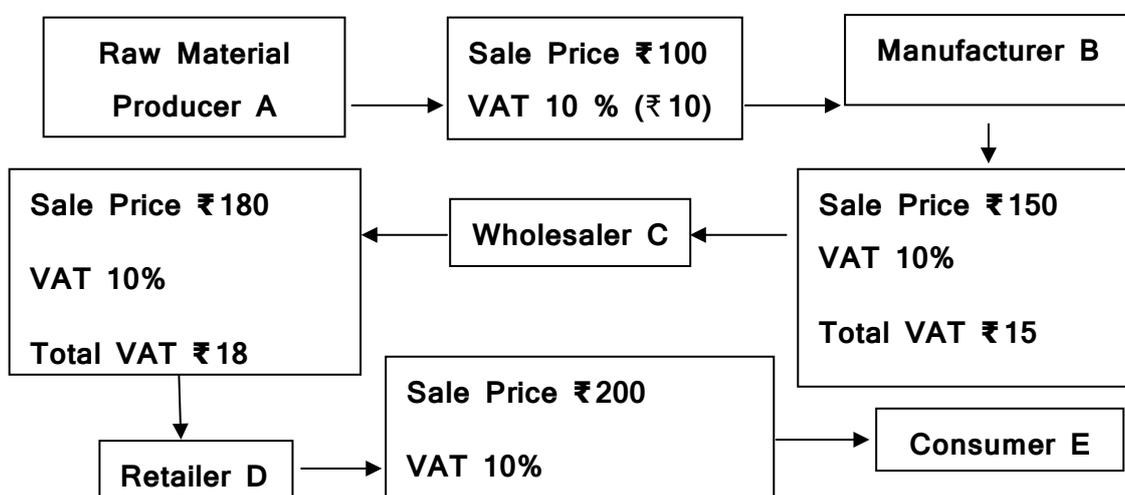
SCHEDULE III

(see section 7)

GOODS, THE SALE OF WHICH IS SUBJECT TO TAX AND RATE OF TAX

Sr.No.	Description of goods	Rate of Tax
1	High Speed Diesel	Twenty-four paise in the rupee
2	Motor spirit(commonly known as petrol)	Twenty-six paise in the rupee
3	Petroleum Crude	Five paise in the rupee
4	Aviation Turbine Fuel (Duty Paid)	Thirty paise in the rupee
5	Aviation Turbine Fuel (Bonded)	Thirty-eight paise in the rupee
6	Natural Gas	Fifteen paise in the rupee
7	Alcoholic Liquor for human consumption	Sixty-five paise in the rupee

- VAT is a modern and progressive form of sales tax. It is a multipoint tax with provision for granting set-off or credit of the tax paid on the purchases to be utilised against the tax payable on sales. In simple terms 'value added' means the difference between the sale price and the purchase price. Goods pass through various stages in the manufacturing and the distribution chain till they reach the consumer. At each stage, some value is added. VAT works on the principle of tax on the value addition at each such stage. VAT is payable, when there is sale of taxable goods by a registered dealer within the state in the course of his business. The tax so charged or collected is shown separately in the books of accounts and should not form a part of the turnover of the dealer. The flow chart given below explains the concept of VAT in a simple manner.



Some important changes made in VAT are as under:-

- Tax under VAT has been levied on sale at every stage instead of single point levy in sales tax.
- There is no provision of Registered Dealers resale in VAT as input tax credit system has been introduced in VAT.
- Input tax credit has been allowed in VAT system on purchase of raw materials, packing materials, consumable store, capital goods for utilising the same towards payment of output tax.
- In Sales tax, set off was allowed in restricted manner, but in VAT system, input tax credit is allowed even on capital goods but subject to certain conditions.
- Taxable goods under sales tax were classified under 195 entries. In VAT system there are only 87 entries in Schedule II and 6 entries in Schedule III.
- Slab of rate of tax was numerous in sales tax but in VAT, there are mainly three slabs i.e. 1%, 4% and 12.5%, plus additional tax.
- Unlike sales tax, checks by the Department have been restricted under VAT. There is no provision of cent *percent* assessment under VAT. Self assessment has also been introduced. Provisions for imposing penalty have been widened in VAT system.

2. IMPORTANT DEFINITIONS

The VAT Act is a law which empowers Government to levy tax on sales or purchases of goods affected by dealer who carries on business. Therefore, it is necessary to understand certain important terms. Such as dealer, business, goods, resale, manufacture etc. Certain important terms are briefly explained below for benefit of members of audit party. Provisions of bare Act, Rules and notifications are not reproduced below so as to make the field parties habituated to refer to the provisions from bare Act and Rules.

Additional Tax: Section 2(1A)

Levy of additional tax is governed by Section 1(A) of section 7 or sub section (6) of section 9. The additional tax is chargeable from 1-4-2008. Two and half paise in the rupees on the goods specified in the entries at serial numbers 25, 46B, 48A, 49A, 49B, 51A, 76A and 87 is leviable whereas one paise in the rupee on the goods specified in other entries except in entry at serial number 13 in Schedule II is leviable on goods specified as declared goods and under Section 2(11) of the Act. With effect from 11.4.2014, additional tax is also leviable on declared goods at the rate of one paise in the rupee.

Business: Section 2(4)

This term is divided into 2 clauses. As per clause (i) the term includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture whether or not such trade, commerce, manufacture, adventure or concern is carried on with motive to make profit or gain and whether or not any profit or gain accrues from such trade, commerce, manufacture, adventure or concern. In other words, even if the intention of an

activity is not to earn profit, such activity still falls within this definition. Clause (ii) includes of any transaction of buying or selling or supplying of goods which is ancillary or incidental to or resulting from such trade, etc.

Dealer: Section 2(10)

“Dealer” means any persons who, for the purpose of or consequential to the engagement in or, in connection with or incidental to or in the course of his business buys, sells, manufactures, makes supplies or distributes goods, directly or otherwise, whether for cash or deferred payment, or for commission, remuneration or other and includes the persons listed in (a) to (h) of sub section 2(10). However, Agriculturist who sells exclusively agricultural produce grown on land cultivates by him personally, an individual who sells exclusively any fish or any sea food caught by him personally or by any member of his family on account of or on behalf of such individual and a charitable, religious or educational institution carrying on the activity of manufacturing, buying, selling or supplying goods, in performance of its functions for achieving its avowed objects are not in the nature of business.

Declared Goods: Section 2(11)

These are the goods enumerated in Section 14 of the CST Act, 1956. By virtue of Section 15 of the CST Act, 1956, tax is to be levied at one stage at a rate not exceeding 4% + 1% additional tax from 11-4-2011.

Goods: Section 2(13)

All kinds of movable property with the exception of newspaper, actionable claims, electricity or stocks, share or securities is treated as goods. It includes all materials, articles and commodities and every kind of property (whether as goods or in some other form) involved in the execution of works contract, all intangible commodities and growing crops, grass, standing timber or things attached to or forming part of the land, which are agreed to be severed before sale or under the contract of sale.

Person: Section 2(15)

Since the person who carries on business is a dealer, it is necessary to understand this term. It includes (1) Individual (male or female) (2) Legal person (3) Company (4) An association of persons (5) Body of individuals (6) A society (7) A club (8) Joint family or HUF (9) A firm (10) A local authority (11) Central Government (12) State Government.

Registered Dealer: Section 2(20)

“Registered dealer” means dealer registered under this Act who holds a certificate of registration granted or deemed to have been granted under this Act.

Resale: Section 2(21)

“Resale” means a sale of purchased goods (i) in the same form in which they were purchased or (ii) without using them in the manufacture of any goods or without doing anything to them which amount to or results in a manufacture.

Sale: Section 2(23)

“Sale” means a sale of goods made within the State for cash or deferred payment or other valuable consideration and includes,

- (a) Transfer, otherwise than in pursuance of a contract, of property in goods for cash, deferred payment or other valuable consideration,
- (b) Transfer of property in goods (whether as goods or in some other form) involved in execution of a works contract,
- (c) Delivery of goods on hire purchase or any system of payment by instalments,
- (d) Transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration,
- (e) Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration,
- (f) Supply of goods by a society or club or an association to its members on payment of a price or of fees or subscription or any consideration,
- (g) Supply of goods by way of or as part of any service or in any other manner whatsoever,
- (h) Supply of goods being food or any other article for human consumption or any drink (whether or not intoxicating) where such supply or service is for cash, deferred payment or other valuable consideration,
- (i) supply by way of barter of goods,
- (j) Disposal of goods by a person in the manner prescribed in Explanation (iii) to clause 10 but does not include a mortgage, hypothecation, charge or pledge; and the words “sell”, “buy” and “purchase” with all their grammatical variations and cognate expressions shall be construed accordingly.

Explanation

(i) For the purposes of this clause, “sale within the State” includes a sale determined to be inside the State in accordance with the principles formulated in sub -section (2) of section 4 of the Central Act;

(ii) for the purpose of sub clause (b) “works contract” means a contract for execution of works and includes such works contract as the State Government may, by notification in the Official Gazette, specify;

(iii) every transfer of property in goods by the Central Government, any State Government, a statutory body or a local authority for cash, deferred payment or other valuable consideration, whether or not in the course of business, shall be deemed to be a sale for the purposes of this Act,

As definition of the term ‘sale’ does not include mortgage, hypothecation, pledge or charge on goods, it is necessary to understand these terms.

(A) Mortgage

Section 58(a) of the Transfer of Property Act defines a mortgage to be “the transfer of interest in specific immovable property for the purpose of security payment of money advanced by way of loan, an existing or future debt or the performance of an engagement which may give rise to a pecuniary liability.

(B) Hypothecation

By hypothecation is meant a pledge without immediate change of possession; it gives right to the person making advances on the faith of it to have the possession of goods if the advances are not paid at the stipulated time; but it leaves to the owner of the goods hypothecated, the power of making such payment and thereby freeing them from the obligation.

(C) Pledge

Under Section 172 of the India Contract Act, 1872 (IX of 1972) pledge is the 'Bailment of goods as security for payment of a debt or performance of promise.

(D) Charge

Section 100 of the Transfer of property Act, 1882 says that "where immovable property of one person is by act of parties or operation of law, made security for the payment of money to another and the transaction does not amount to a mortgage, the latter person is said to have a charge on the property".

Taxable Goods: Section 2(29)

This clause does not define or list out any taxable goods. It says that goods other than those whose sale or purchase is wholly exempt from tax by virtue of Section 5 of the Act.

Year: See Section 2(36)

Year means a financial year.

Zero Rated Sale: See Section 2(37)

"Zero rated sale" means a sale of goods by a registered dealer to another registered dealer on which the rate of tax leviable shall be zero but tax credit on the purchase related to that sale is admissible.

3. CHARGING SECTIONS

Sections 7 and 9 are charging sections.

These Sections are explained below:-

- As per Section 7(1) State Government shall levy the tax on turnover of sales of goods specified in Schedule II and III at the rate mentioned against each entry and additional tax shall be levied under section 7(1A). Section 7(2) is relating to power of the State Government to reduce rate of tax, omit or amend any entry or part thereof in the Schedule II or III, but the state Government cannot enhance the rate of tax.
- Section 9(1) provides that purchase tax is to be levied on purchases of goods from a person who is not a registered dealer at the rate applicable as specified in Schedule II or III.
- Section 9(2) provides that a registered dealer purchasing sugarcane from a person who is not a registered dealer for use in manufacture of sugar or *khandsari* is liable to pay purchase tax on purchase of such sugarcane at the applicable rate.
- Section 9(3) provides a person or a dealer who has purchased any taxable goods under certificate or declaration under the provision of VAT Act did

not comply with the conditions therein, such person or dealer is liable to pay purchase tax on turnover of such purchases at the applicable rate to such goods in Schedule II and III.

- Section 9(4) provides that if a dealer purchase taxable agricultural produce from commission agent holding lump sum tax permission and does not resell such goods in Gujarat, purchase tax is payable on turnover of such goods at the rate applicable to such goods.

4. RATE OF TAX ON PACKING MATERIALS: SEE SECTION 10

Where goods packed in any materials are sold, the materials in which goods are so packed shall be deemed to have been sold or purchased along with the goods and the tax shall be leviable on such sales or purchases of the materials at the rate of tax, if any, as applicable to the sales or as the case may be, purchase of the goods themselves.

5. SPECIAL PROVISION REGARDING LIABILITY TO PAY TAX IN CERTAIN CASES: SEE SECTION 57

This Section speaks about liability of person under different circumstances irrespective of the facts whether the said person is liable to pay tax or not under Section 3 of the Act.

- 1) If a registered dealer dies and if the business of the deceased is continued by any person then that person shall be liable to pay all the tax dues whether such tax, interest, penalty is assessed or not. If the business of the deceased is not continued, then the tax dues would be payable by the heirs from the estate of the deceased.
- 2) In case of partition of Hindu Undivided Family (HUF), all members of the HUF are jointly and severally liable to pay tax, penalty etc. Similarly, if a firm is dissolved, then partners of the firm are liable to pay the tax and if a dealer transfers his business as a whole or in part then transferor and transferee are jointly and severally be liable to pay tax.

6. REGISTRATION AND TAX LIABILITY

The registration of dealers is the first stage in the scheme of levy of VAT. Its objective is to keep a complete record of the business activities of all dealers who are assessed to tax and to ensure that all dealers who are liable to assessment under the GVAT Act are so assessed.

Obligatory Registration

- (i) No dealer shall, while being liable to pay tax under this Act, carry on business as a dealer unless he possesses a valid certificate of registration (Sec 21(1)).

The application for registration is required to be filed in Form 101 within 30 days to the registering authority. A dealer having one place of business shall make an application for registration to registering authority within whose jurisdiction his place of business is situated and where more than one place of business shall make an application to the registering authority in whose jurisdiction his chief place of business is situated. If the prescribed authority is satisfied that an application is in order, a certification of registration shall be issued in Form 102. The dealer can apply for cancellation of registration for the

circumstances mentioned in Section 21 and Section 27 within 30 days of contingency or event to the registering authority.

Dealers already registered under Gujarat Sales Tax (GST) Act

A dealer who is already registered under the GST Act shall be deemed to have been registered under the GVAT Act from the date of its commencement and is not required to seek fresh registration under GVAT Act (Section 23).

Voluntary Registration (Section 22)

(i) Any person intending to commence or having commenced a business may, notwithstanding that he is not liable to get registration under section 21, apply to the authority competent to grant registration in the prescribed form for registration.

(ii) The authority competent to grant registration, after making such enquiry as it may consider necessary, may grant a certificate of registration in the prescribed manner from the date of application or as the case may be from the date of commencement of business and the provisions of section 21 shall *mutatis mutandis* apply. The dealer has to deposit an amount of rupees twenty five thousand in the Government Treasury. The dealer may, in his return to be furnished in accordance with section 29 adjust the amount so deposited against his liability to pay tax, penalty or interest payable by him.

Registration Under CST

Section 7 of the CST Act provides that every dealer liable to pay tax under CST shall within such time as may be prescribed for the purpose, make an application for registration in the appropriate state as Central Government may specify and every such application shall contain such particulars as may be prescribed. If the authority to whom an application is made in the prescribed form is satisfied that application is in conformity with the provision of the Act and rules made there under and the condition imposed has been complied with, he shall register the applicant and grant to him a certificate of registration in prescribed form.

Dealer Of Exempted Goods

A dealer exclusively dealing in exempted goods mentioned in first schedule is not required to get registration under the GVAT Act. (Section 21(2))

Registration of Casual Dealer or An Auctioneer

Under Section 3(2) of the GVAT Act, every casual dealer or auctioneer shall be liable to be registered if his taxable turnover of sales exceeds ten thousand rupees and he shall be liable to pay tax in accordance with the provisions of the Act.

7. ITC CLAIMS OF ALL DEALERS

Important provisions related to claiming of Input Tax Credit (ITC) by a dealer are as follows:

- The amount of tax credit shall be reduced by the amount of tax calculated at the rate of 4% on the taxable turnover of purchase within the State:
- of taxable goods consigned or dispatched for branch transfer outside the State,

- of taxable goods which are used as raw materials in the manufacture or in the packing of in goods which are dispatched outside the State, and
- of fuels used in the manufacture of goods. (Sec. 11(3)(b))

ITC Reversal @ 2% For Inter State Sales (@1% w.e.f. 01.04.2014⁸ vide GHN-14 VAT-2014-S.11(6)(4)-TH dated 23-09-2014)

Input Tax Credit (ITC) will have to be reversed w.e.f. 1st July, 2010 @ 2% of taxable turnover of purchases within the state, of goods, other than Schedule-II (13) goods (bullion etc.), for which tax credit is admissible, if the goods are either sold/ resold in the course of interstate trade and commerce or are used as input in the manufacture of goods, which are sold in the course of interstate trade and commerce.

W.e.f. 01-10- 2010, no such reversal will have to be made for following goods of schedule II. a) Entry 13 - Bullion, etc. b) Entry 24 - Cotton & Cotton waste, Bidi Pan, timaru Pan c) Entry 48(i) - viz Isabgul, Jira, Variali, Methi, Suva, Ajma, Asalia, Kalingda seeds, Khas Khas, Dhana, Dhanani Dal & Paper. d) Entry 54 - Oilseeds, Peanuts, other taxable seeds & e) Entry 76 - Timru Leaves or Beedi Leaves.

Where whole ITC shall be reduced on “Natural Gas” when sold/ resold in the course of inter-state trade and commerce or consigned or dispatched for branch transfer or to agent outside the State. (*Notification No.(GHN-70)-VAT-2016-S.11(6)(7)-TH dated 28 November, 2016*)

Tax Credit shall not be allowed for purchase:

- made from any person other than a registered dealer under this Act,
- made from a registered dealer who has been permitted under Sec. 14 (including 14A to 14D) to pay lump sum amount of tax,
- made prior to the date of registration,
- made during the course of inter-State trade and commerce,
- of the goods (not being taxable goods dispatched outside State in the course of branch transfer or consignment) which are disposed of otherwise than in sale, resale or manufacture,
- of the goods specified in the Schedule I (goods exempt from tax) or the goods exempt from whole of tax by a notification under Section 5 of the GVAT Act,

⁸ **@2% on Petroleum products:**Crude oil, furnace oil, aviation turbine fuel, high speed diesel oil, light diesel oil, solvent, petrol, low sulphur heavy stock, linear alkyl benzene, bitumen, liquefied petroleum gas and other petroleum products and Natural gas

Explanation: “Petroleum product” means any commodity made from petroleum or natural gas and shall include refined crude oil, processed crude petroleum, cracking stock, uncracked fuel oil, fuel oil, treated crude oil residuum, casing head gasoline, natural gas gasoline, naphta, distillate gasoline, kerosene, waste oil, blended gasoline, lubricating oil, blends of mixture of oil with one or more liquid products or by-products derived from oil or gas, and blends or mixtures of two or more liquid products or by-products derived from oil condensate; gas or petroleum hydrocarbons; whether herein enumerated or not

- of the goods and capital goods used in manufacture of goods specified in the Schedule I or the goods exempt from whole of the tax by a notification under Section 5(2) or in packing of goods so manufactured or in generation of electrical energy including captive power,
- of vehicles of any type and its equipment, accessories or spare parts (except when the purchasing dealer is in the business of sale of such goods),
- of the goods which are used as fuel in generation of electrical energy for captive use or otherwise,
- of petrol, high speed diesel, crude oil and lignite unless such purchase is intended for resale,
- of capital goods used in transfer of property in goods involved in execution of works contract,
- where original invoice does not contain the details of tax charged separately by the selling dealer from whom goods were purchased,
- made from a dealer who is not liable to pay tax under this Act,
- made prior to the relevant date of liability to pay tax as provided in Section 3(3),
- of the property or goods not connected with the business of the dealer,
- of the goods which are used as fuel in motor vehicles,
- of the goods for which right to use is transferred for any purpose,
- made from a dealer after the name of such dealer has been published under Section 27(11) or 97 of the Act,
- of the goods which are remained as unsold stock at the time of closure of the business,
- of the goods purchased during the period when the permission granted under Section 14(1)(a) remained valid under Section 14(1)(b),
- where original or duplicate tax invoice is not available with the purchasing dealer or there is an evidence that it was not issued by the selling dealer (Section 11(5))
- where ITC has been claimed on purchase of capital goods, and the capital goods are not used continuously for full five years in the State, the amount of tax credit shall be reduced proportionately (Section 11(8)(b)).

8. COMPOSITION OF TAX

It is the payment of a lump sum tax as per Section 14, 14A, 14B, 14C and 14D of the GVAT Act, 2003 in lieu of the amount of tax payable under Section 7 of the GVAT Act, 2003. In case of dealers carrying specified business, the Act allows the dealer to pay lump sum tax calculated at certain percentage of the turnover. These provisions are made to simplify the tax regime for such dealers.

Types of Composition Schemes

The following category of dealers can opt for payment of lump sum tax in lieu of regular tax:

- Re-sellers,
- Person executing Works contract,
- A dealer purchasing agricultural produce,
- A person receiving income of right to use the goods, and
- Hotels, restaurants, caterers etc., who deals in sales of eatables.

8.1 RESELLERS OPTING FOR LUMP SUM TAX

Section 14 provides for payment of lump sum tax on total taxable turnover for small dealers, who resell their goods to the consumers. Section 14 provides following conditions under which a dealer can be allowed to pay lump-sum tax:

- Total turnover does not exceed ₹50 lakh in the previous year.
- Permission for payment of lump sum tax shall not be granted to a dealer who:
 - Is an Inter-State trader or an exporter.
 - Purchased goods in previous year or purchases the goods in the course of inter State trade or imports goods.
 - Effects branch transfer received in previous year or receives the goods through Inter State branch transfer.
 - Was a manufacturer in previous year or is a manufacturer.
 - Has sold or purchased in previous year or made sales or purchases through commission agent.
 - Is a works contractor or a dealer engaged in transfer of right to use any goods for any purpose.
- Permission for lump sum tax will remain valid till the dealer follows the provisions of the Section and Rule, on contravention; he shall be liable to pay tax under Section 7 and 9.
- Rate of lump sum tax applicable to such dealers is one-half *per cent* of total turnover.
- Further, a lump sum tax permission holder shall not claim ITC, or charge any tax in the sales bill, or issue tax invoice to purchasers.
- In addition to lump sum tax, the dealer shall also pay purchase tax under Sub section (1),(3) and (6) of Section 9 of the Act. Section 9(1) provides for levy of tax on purchases from an unregistered dealer, Section 9(3) provides for levy of tax on purchases against a certificate or declaration under any provision of the VAT Act or earlier law, rule or notification where the conditions specified in the said certificate or declaration are not complied

with. Section 9(6) provides for levy of additional tax on turnover of purchases liable to tax under sub-section (1) and (5), wherever prescribed.

- The dealer shall follow the following procedure to obtain permission for composition of tax:
- Application form for payment of lump sum tax in Form-210 shall be submitted by a registered dealer to the CTO concerned. Rule 28(1).
- Decision on permission or rejection of application shall be communicated to the dealer within fifteen working days. Rule 28(4)
- The permission shall be granted in Form-211.
- A registered dealer opting to pay lump sum tax who has already claimed ITC on the stock on the date of effect of permission shall reverse and pay such tax credit. Rule 28(3A).

8.2 WORKS CONTRACTORS (REGULAR AND LUMP SUM)

- The word 'WorksContract' has not been defined in the Act. Hence, any dealer who executes some work or carry out some process on behalf of another dealer/person will fall in the category of works contract dealers. Examples are all types of civil works contractors, fabric processing dealers etc.
- Works contract dealers can be assessed under two options:
- When the dealer has opted for composition
- When the dealer has not opted for composition

When the dealer has opted for composition

- The composition rates applicable to different kinds of dealers are given by way of Notification. A dealer who wants to opt for composition, can make application under Section 14(A). Important provisions related to such dealers are as follows:
- **Section 14A(1)** The Commissioner may, in such circumstances and subject to such conditions as may be prescribed, permit every dealer referred to in sub-clause (f) of clause (10) of Section 2 to pay at his option in lieu of the amount of tax leviable from him under this Act in respect of any period, a lump sum tax by way of composition at such rates as may be fixed by the State Government by notification in official gazette.
- **Section 2(10)(f)** says that 'any person who transfers property in goods (whether as goods or in some other form) involved in the execution of a works contract' will be considered as 'Dealer'.
- A dealer can opt for composition for each contract basis or for the whole year. In the first case, Rule 28(8) (b) is applied and in case of whole year permission, (bb) of the same rule is applied.
- **Section 14A(2)** The provisions of sub-sections (3) and (4) of section 14 shall apply mutatis mutandis to a dealer who is permitted under sub-section (1) to pay lump sum tax by way of composition.

- The most important provision is Section 14A(2) which says that provisions of section 14(3) and 14(4) will also apply to the works contract dealers who have opted for composition.
- **Section 14(3)**
 - A dealer who is permitted to pay lump sum tax shall not -
 - Be entitled to claim tax credit in respect of tax paid by him on his purchases,
 - Charge any tax under this Act in his sales bill or sales invoice in respect of the sales on which lump sum tax is payable; and
 - Issue tax invoice to any dealer who has purchased the goods from him.
- **Section 14(4)**
 - A dealer who is permitted to pay lump sum tax shall be liable to pay purchase tax leviable under Sub-sections (1), (3) and (6) of Section 9, in addition to the lump sum tax under this section.

Other important provisions under the Rules related to composition by the works contract dealer are mentioned below:

 - An application for composition shall be made within 30 days from the beginning of the contract. **Rule 28(8)(b)(iii)**
 - In respect of dealers in whose case the tax already paid along with the respective returns for any period prior to the date of application is less than the amount of composition payable for the particular period, such a dealer shall pay the amount of difference between the composition due for that period and the amount already paid along with the interest on unpaid amount at the rate of one and one half per cent per month. **Rule 28(8)(b)(iv)**
 - The dealer shall not use the goods in the execution of works contracts covered under the permission to pay lump sum tax, if the goods are-
 - Purchased in the course of interstate trade or imported from outside India
 - Received from his branch situated outside the State. **Rule 29(8)(vi-a)(1)**
 - If the permission to pay lump sum tax is granted, the dealer shall not dispatch the goods to his branch situated outside the State. **Rule 28(8)(vi-a)(4)**.
 - According to this, the amount shall be considered to have been received from the date on which it becomes due as per the schedule of payment, if it is provided in the contract,
 - The date on which the bill is prepared, if there is no schedule of payment. **Rule 28(8)(e)**.

- The composition money shall be payable by the dealer on the full amount received by him at any time in respect of those contracts for which permission has been granted after deducting the amount paid by way of price for entire sub-contract, if any, made with sub-contractor. **Rule 28(8)(c).**
- The option exercised under this rule shall be final and irrevocable. **Rule 28(8)(i).**

Rate Of Lump Sum Tax Is As Under

Sr. No	Description of workscontract	Rateof lump sum tax
1	All kinds of works contracts other than any of the following entries	2% of total value of workscontract
2	Processing of Polyester Textile Fabrics including bleaching, dyeing and printing thereof.	0.5% of total value of works contract
3	Various kinds of civilworks as listed in this entry	0.6% of totalvalue of workscontract (w.e.f. 11/10/06). Before this date, 2% was applicable.

When the dealer has not opted for Composition

- In case of dealers who have not opted for composition, the most important guiding rule is Rule 18AA.
- The value of the goods at the time of the transfer of property in the goods involved in the execution of a workscontract shall be determined by deducting the amounts paidby way of pricefor sub contract made with registereddealer pertaining to the said works contract. Rule 18AA(1)
- A registereddealerwho claims any deduction referred to in Section 2(30)(c), shall maintaintrue and correct records for such deductions and prove that he hasactually paid the amount in the year in which deduction is claimed and furnish true and correct evidence for claiming such deductions.
- Where the amount of charges towards labour, service and other like charges are not ascertainable or the accounts maintained are not clear, a lump sumdeduction shall beadmissiblein accordance with the percentages mentioned in the table given below the rule. Rule 18AA(2).
- Section 2(30)(c) provides that in relationtoworkscontract turnover, the charges towards labour, service and other like charges shall be deducted from the taxable turnover.

- Notwithstanding anything contained in this Act, tax credit shall not be allowed for purchases of capital goods used in transfer of property in goods involved in the execution of works contract. Section 11(5)(mm)

8.3 COMPOSITION OF TAX ON AGRICULTURAL PRODUCE

- **Section 14B** defines the role of a Commission Agent, who exclusively carries on business of agricultural produce and who is licensed as general commission agent with a market committee established under the Gujarat Agricultural Produce Market Act, 1963.
- Section 14B provides conditions under which a dealer can be allowed to pay lump sum tax. Accordingly, permission for payment of lump sum tax shall not be granted to a dealer who:
 - Is an Inter-State trader or an exporter.
 - Purchases the goods in the course of inter State trade or import.
 - Effects branch transfer or receives the goods through inter State branch transfer.
 - Sells the goods to a person who is not a registered dealer.
 - Sells the goods to a dealer who is permitted to pay lump sum tax under section 14.
 - Further, a lump sum tax permission holder shall not:
 - Claim ITC,
 - Charge any tax in the sales bill, and
 - Issue tax invoice to purchasers.
 - In addition to lump sum tax he shall pay purchase tax under sub section (1), (3), (4) and (6) of section 9 of the Act.
 - Permission for lump sum tax will remain valid till the dealer follows the provisions of the Act and Rule, on contravention; he shall be liable to pay tax under section 7 and 9.
- Procedure to obtain permission for composition of tax and the rate of tax applicable is explained below:
 - Application form for payment of lump sum tax in Form-210A shall be submitted by a commission agent to the CTO concerned. Rule 28A(1).
 - The permission shall be granted in Form-211A. Rule 28A(3).
 - Rate of lump sum tax applicable for such dealers is 0.05 per cent of total turnover. (Notification No. GHN 62 dated 17.5.2006)

8.4 COMPOSITION OF TAX ON TURNOVER OF RIGHT TO USE THE GOODS

- The term “Right to Use Goods” has been understood to be transfer of right to use goods by way of lease, license, bailment, exchange etc. Transfer of right to use goods is one of the elements of “deemed sale”. Therefore, at point of time when the control and possession of the goods is transferred to

the customer, the customer acquires right to use the said goods. For example, giving mobile towers on rent to cellular company is a deemed sale covered under right to use goods.

- Section 14C deals with such kinds of dealers who transfers the right to use of any goods for any purpose. It provides conditions under which a dealer can be allowed to pay lump-sum tax. Accordingly, a composition tax permission holder shall not:
 - Claim ITC,
 - Charge any tax in the sales bill, and
 - Issue tax invoice to purchasers.
 - In addition to lump sum tax he shall pay purchase tax under Section 9 of the Act.
 - Permission for composition tax will remain valid till the dealer follows the provisions of the Section and Rule, on contravention; he shall be liable to pay tax under Section 7 and 9.
 - Rate of lump sum tax applicable to such dealers is Four *per cent* of total turnover. (Notification No. GHN 63 dated 17.5.2006)
- Procedure to obtain permission for composition of tax has been explained below:
 - Application form for payment of lump sum tax in Form-210B shall be submitted by a dealer to the CTO concerned. Rule 28B(1).
 - The permission shall be granted in Form-211B. Rule 28B (3).

8.5 COMPOSITION OF TAX ON SALES OF EATABLES BY HOTELS, RESTAURANTS, CATERERS ETC.

- **Section 14D** provides for composition scheme on sale of eatables by hotels, restaurants, caterers etc. Commissioner may permit any dealer who is engaged in the business of sale of eatables in any form (whether processed or unprocessed) served, delivered or given in package from the place of business of the dealer or any other place to pay at his option lump sum tax by way of composition. The Commissioner shall not grant permission to pay lump sum tax to a dealer who is engaged in the activity of manufacturer such goods as the Government may specify.
- Eatables: means all kinds of foods for the purpose of consumption including all types of alcoholic and non alcoholic beverages, water (mineral, purified or aerated) and soda water, ice-cream and kulfi, sweets and sweetmeats, fruits and fruit juice, all types of milk preparations, bakery products and such other goods as the State Government may, by order, specify. (Explanation below Section 14D)

Ineligible Dealers

As per Notification No. GHN 90 dated: 17.08.2006, manufacturers of following goods shall not be granted permission to pay lump sum tax under sub-section (1) of Section 14D:

- Alcoholic and non alcoholic beverages, including soda water.

- Aerated, mineral, purified, medicinal, and ionic or emineralised water or water sold in sealed container.
- Ice cream and kulfi
- Biscuit (branded).

Section 14D provides conditions under which a dealer can be allowed to pay lump-sum tax. Accordingly, a lump sum tax permission holder shall not:

- Claim ITC,
- Charge any tax in the sales bill, and
- Issue tax invoice to purchasers.
- In addition to lump sum tax he shall pay purchase tax under Section 9 of the Act. Permission for composition tax will remain valid till the dealer follows the provisions of the Section and Rule, on contravention; he shall be liable to pay tax under section 7 and 9. Rate of lump sum tax applicable to such dealers is four *per cent* of total turnover. (Notification no. GHN 89 dated 17.8.2006).
- The dealer shall not import or purchase eatables or raw materials in the course of inter State trade. He shall not receive any such goods from branch outside the State. However, the dealers may import, receive through branch transfer or purchase in the course of inter State trade goods like, disposable bowls, spoons, straw, paper napkin, packing materials and oven, freeze and other capital goods. (Circular dated: 11.07.2008)
- Procedure to obtain permission for composition of tax is explained as under (Rule 28 C):
 - Application form for payment of lump sum tax in Form-210C shall be submitted by the dealer to the CTO concerned. Rule 28C (1).
 - The permission shall be granted in Form-211C within a period of fifteen working days.
 - A dealer opting to pay lump sum tax who has already claimed ITC on the stock on the date of effect of permission shall reverse and pay such tax credit. Rule 28C (3A).
 - The Commissioner shall not grant permission to a dealer who has in his stock raw materials or eatables in any form which was imported or purchased in the course of inter State trade or branch transferred to him or have not borne the tax payable under the Act.

9. RETURNS UNDER GVAT ACT/ RULES

9.1 Return is a document which reflects the gross turnover, taxable turnover, output tax, tax credit and net tax payable/refund due by a dealer during a return period, also known as “tax period”. Filing of true and correct return within the stipulated time is not only mandatory but also a legal obligation of the registered dealer. By not filing return within the given time or filing an incorrect return, the dealer is not only deprived of the benefit of self assessment but also liable for penal consequences.

9.2 Every registered dealer shall assess his tax liability and furnish return for such period, in such form as may be prescribed to the Commercial Tax Officer within whose jurisdiction his chief place of business as mentioned in certificate of registration is situated. Form numbers, periodicity and mandatory period of few important returns are given in the table below:

S.No.	Return/ Form No.	Periodicity	Nature of dealer/ mandatory period
1	201 along with 201A, 201B	Monthly (Rule19)	<p>A registered dealer whose turnover exceeded rupees fifty lakh in the previous year, who make zero rated sale under Section 5A of the Act, who import or export the goods out of territory of India, who being an eligible unit obtained a certificate of entitlement under Rule 18A, who has established an industry in SEZ or developer or co-developer of SEZ, who is a unit carrying on business in the processing area or in the demarcated area of SEZ, who is registered under the provisions of the CST Act, 1956 or who deals in commodities (i) Timber (ii) Ceramic tiles (iii) scrap of iron and steel (iv) Tobacco and tobacco products (excluding unmanufactured tobacco) and (v) major minerals as may be specified by the Commissioner.</p> <p>Where taxable turnover exceeds one crore, returns is to be uploaded on website of the Department.</p>
2	201 alongwith 201A, 201B	Quarterly	<p>A registered dealer (who is not liable to pay tax exceeding sixty thousand during year or previous year) and Who purchases goods from the state and sold the same in state of Gujarat, Who is manufacturer or sell and purchase in the course of inter State trade and commerce or dispatch or received goods from his branch or from consigning agency, Who has been granted permission to pay composite tax. Where taxable turnover exceeds one crore the returns is to be unloaded on website of the Department</p>

3	201	Half yearly	A registered dealer who is a co-operative society engaged in the manufacture of sugar or <i>khandsari</i>
4	202	Monthly/ Quarterly/ Annual	Every registered dealer who is granted permission under section 14,14A,14B,14C or 14D
5	203 or 204	Monthly	Every dealer who hold certificate of exemption or certificate of deferment of tax under any or the incentive scheme and availed the benefit of the scheme.
6	205	Annual	Every registered dealer furnish annual return by way of self assessment

Explanation: Quarter means the period of three months ending on 30 June, 30 September, 31 December and 31 March and month shall mean calendar month.[Under Rule 2(g)]

Revised Return: If any dealer having furnished returns discovers any mistake, error, omission or incorrect statement therein, he may furnish a revised return before the expiry of one month from the last date prescribed for furnished the original return.

10. ASSESSMENT UNDER GVAT ACT

Assessment means verification of correctness of returns furnished by a dealer, determination of the turnover and quantification of VAT payable on sales made by him during any financial year. The tax becomes due at the moment a dealer makes a sale which is subject to tax. Obligation to pay tax arises at the moment tax becomes due. The tax liability, which has come into existence, cannot be enforced till quantification is effected by the assessment proceedings. Under the GVAT Act, assessment is related to a tax period and dealer has been given an opportunity to compute his turnover and determine his tax liability in a self assessment manner. Return, if filed in time and complete in all respects, shall be deemed to be assessed on the date of furnishing of such return. This step, perhaps, has been taken to allow the refunds of excess tax credit on the basis of completed assessment. In accordance with Section 42 of the GVAT Act the dealer has to pay the tax, interest and penalty assessed under Section 32, 33, 34, 35, 75 or 79 within thirty days from the date of service of notice of demand issued. Therefore, assessment of tax is a pre-condition before raising a demand against the dealer. However, assessment under GVAT Act is required to be made in the (following) manner discussed in the succeeding paragraphs.

10.1 Provisional Assessment

As per Section 32 every returns or revised returns is subject to scrutiny by the Commissioner. The Commissioner may issue notice for the circumstance mentioned in Sub-section 2 of Section 32 of the Act requiring him to explain him in writing, the basis on which dealer has furnished such returns or revised returns. After considering the explanation furnished by the dealer a provisional assessment is finalized. Where the dealer has not furnished the return the Commissioner is empowered to assess on the basis of past returns or past

records or on the basis of the information received by him. The Commissioner may provisionally assess to the best of his judgment the amount of tax payable by the dealer for the reasons mentioned in Sub-section (4) of Section 32.

10.2 Self Assessment

As per Section 33 of the GVAT Act every registered dealer who has filed return/revised return within the prescribed time and paid tax due according to such returns and the Commissioner is satisfied that the returns or as the case may be, revised returns and annual return furnished by such dealer are correct and complete and notice under Sub-section (2) of Section 34 has not been served for audit assessment, such dealer shall be deemed to have been assessed for that year. The Commissioner on his own motion within a period of three years from the end of the year in respect of which or part of which the tax is assessable, may call for and examine the record of such dealer who has been deemed to have assessed and after serving notice and giving the dealer an opportunity of being heard, pass an order of assessment thereon in accordance with the provision of Section 34, as the Commissioner may think just and proper.

10.3 Audit Assessment

As per Section 34 of the GVAT Act every return furnished by a registered dealer shall be subjected to such scrutiny and where the Commissioner is not satisfied with the bonafides of claim of tax credit, exemption, refund, deductions, concession, rebate or genuineness of any declaration or evidence furnished by the dealer along with self assessment or has reason to believe that detailed scrutiny of case is required, serve notice to dealer for audit assessment. The commissioner may assess to the best of his judgment for the circumstances mentioned under sub section (4),(5) and (6) of Section 34.

Any dealer who has been liable to pay tax in respect of any period has failed to get himself registered, the assessment shall be done under Section 34(8). The assessment shall be made within *four* years from the end of the year in respect of which or part of which tax is assessable. And no assessment under Sub section (8) (registration not obtained) shall be made after eight year from the end of the year in respect of which or part of which the tax is assessable (Sub-section 10).

10.4 Turnover Escaping Assessment

As per section 35 of the Act where after a dealer has been assessed under section 32,33 or 34 for any year or part thereof the Commissioner has reason to believe that, the whole or any part of taxable turnover has escaped assessment or under assessed or assessed at a lower rate or wrongly allowed any deduction or wrongly allowed any credit may serve notice and after hearing the dealer, assess to the best of his judgment, the amount of tax due from the dealer in respect of such turnover which comes to his notice subsequently. The assessment under this Section shall not be made after the expiry of the five year from the end of the year in respect of which or part of which tax is assessable.

10.5 Assessment On Basis Of Fair Market Price

If the Commissioner is of the opinion that any transaction by any dealer during any tax period or a set of transactions by the dealer has been accounted in a manner so as to pay tax less than the tax otherwise payable on such sale or purchase, then the Commissioner shall calculate the tax liability as per fair

market price of such transactions. Fair market price means the value at which goods of like kind are sold or would be sold in the open market in the State. (Section 34A)

11. REFUND OF EXCESS PAYMENT

As per Section 36 of the Act, the Commissioner may refund to a person the amount of tax, penalty and interest paid by such dealer in excess of the amount due from him. The Commissioner shall first apply such excess towards the recovery of any amount due under the Act or the earlier laws and shall refund the balance. No such adjustment shall be made towards recovery of an amount stayed by an appellate authority.

11.1 Provisional Refund

- If a registered dealer has filed any return which shows any amount to be refundable to the dealer, the Commissioner may grant provisional refund pending assessment. The dealer has to apply in such form and in manner prescribed.
- The Commissioner may require the dealer to furnish Guarantee or other security for an amount equal to the amount of refund.
- The Commissioner may direct early assessment of relevant period and adjust the provisional refund against the tax due.
- Excess amount of provisional refund shall be recovered as if it is a tax due and interest shall be charged at the rate of eighteen *per cent* per annum from the date of grant of provisional refund till the date of assessment (Section 37).

11.2 Interest On Refund (SECTION 38)

- Where refund of any amount of tax becomes due as per an order of assessment, the dealer shall be entitled to simple interest at the rate of six per cent per annum from the date immediately following the date of the closure of the accounting year till the date of payment of refund.
- Where the dealer has paid any amount of tax after the closure of accounting year and such amount is required to be refunded, no interest shall be payable from the date of closure of such accounting year to the date of payment of such amount.
- Where the realization of any amount remains stayed by the order of court or authority and such order is subsequently vacated, interest shall be payable also for a period during which such order remained in operation.
-

12. OFFENCES AND PENALTIES/ INTEREST

12.1 Besides payment of tax, the dealer, under certain circumstances, has to pay penalty and interest. These provisions are explained below:

S.No.	DEFAULT	PENALTY
1	Penalty for not making application for registration (Section 34(8) of the GVAT Act)	Equal to tax assessed or a sum of rupees five thousand, whichever is more.
2	Penalty for unauthorised collection of tax (Section 31(3) and (4) of the GVAT Act)	Amount so collected shall be forfeited and penalty of a sum equal of such amount is payable in addition to tax.
3	Penalty for avoidance or evasion of tax (Section 34(7) of the GVAT Act)	Penalty of a sum not exceeding one and half time of the amount of tax assessed for the said avoidance or evasion.
4	Penalty on awarder where an awarder of a works contract fails to deduct the amount in lieu of tax from the bill of contractor as prescribed, or after having deducted such amount from such bill does not deposit the same in the prescribed manner and time (Section 59B(12) of the GVAT Act)	A sum not exceeding twenty five <i>per cent</i> of the amount required to be deducted by him.

12.2 Clauses (a) to (g) of Section 85 (1) list out various offences which a dealer is likely to commit. In such cases, the dealer shall, on conviction be punished with imprisonment for a term which may extend to six months or with fine not exceeding rupees twenty thousand or both provided that in absence of special and adequate reasons to the contrary to be mentioned in the judgement of the Court, such imprisonment shall not be less than one month and such fine shall not be less than rupees ten thousands. If the offence is a continuing one, on conviction, a daily fine not exceeding rupees one hundred during the period of the continuance of the offence is recoverable in addition to the punishment provided in the Act.

Section 85 (2) clauses (a) to (j) also list out various offences which a dealer is likely to commit. In such cases, the dealer shall, on conviction be punished with a imprisonment for a term which may extend to six months or with fine not exceeding rupees ten thousand or with both. If the offence is a continuing one, a daily fine not exceeding rupees one hundred during the period of the continuance of the offence is recoverable.

12.3 Composition of Offences

Once a decision is taken to initiate prosecution proceeding, Section 89 of the Act authorises the Commissioner to compound the offences punishable under section 85 or rules made there under for a sum of rupees five thousand or where offence is charged under section 85 not exceeding double the amount of tax but not less than the amount of tax, which would have been payable on the turnover of sale or purchase to which said offence relates, whichever is greater.

Section III

THE CENTRAL SALES TAX ACT

1. OBJECTS OF THE CST ACT

The Central Sales Tax (CST) Act, 1956 provides for the levy, collection and distribution of taxes on sales of goods in the course of inter-State Trade or Commerce. The Act also formulates principles for determining when a sale or purchase of goods takes place in the course of inter-State Trade or Commerce or outside the State or in the course of an import into or export from India. The following principles govern the scheme of the Central Act.

2. LEVY AND COLLECTION OF TAX (SECTION 9(4))

The Union Government had delegated the right of administration of this Act to the States. The executive machinery provided in the State law is employed for administering the Central Act. Provisions of State Law regarding the filing of returns, appeals, revisions, penalties, compounding of offences are applicable *mutatis mutandis*. The proceeds of any tax including any penalty levied and collected under this Act in any State on behalf of Government of India shall be assigned to that State and shall be retained by it.

3. INTER-STATE SALE, CONSIGNMENT SALE/ STOCK TRANSFER, EXPORT, IMPORT

➤ **Inter-State Sale**

A sale or purchase of goods is deemed to take place in the course of inter State trade or commerce, if the sale or purchase:

- occasions the movement of goods from one State to another or ;
- is effected by a transfer of documents of title to the goods during their movement from one State to another. **(Section 3)**

A sale or purchase of goods is deemed to take place inside the State if the goods are within the State

- in the case of specific or ascertained goods, at the time the contract of sale is made; and
- in the case of unascertained or future goods, at the time of their appropriation to the contract of sale by the seller or by the buyer, whether the assent of the other party is prior to or subsequent to such appropriation. **(Section 4)**

➤ **Export (Section 5 (1))**

A sale or purchase of goods shall be deemed to take place in the course of the export out of the territory of India only if the sale or purchase either occasions such export or is effected by a transfer of documents of title to the goods after the goods have crossed the customs frontiers of India.

To constitute a sale in the course of export there must be:

- an intention on the part of both the buyer and seller to export;
- an obligation to export;
- actual export.

A sale in the course of export predicates a connection between the sale and export, the two activities being so integrated that the connection between the two cannot be voluntarily interrupted without a break of contract.

➤ **Import (Section 5 (2))**

A sale or purchase of goods shall be deemed to take place in the course of the **import** of goods into the territory of India only if the sale or purchase either occasion such import or is affected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.

➤ **Sales Made To Merchant Exporters (Section 5(3))**

Last sale or purchase of goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall also be deemed to be in the course of export, if such last sale or purchase took place after, and was for the purpose of complying with, the arrangement or order for or in relation to such export, and such sale or purchase of the goods are exempted from levy of tax on production of 'H' Forms, subject to:

- the sales must be for the purpose of complying with agreement or order in relation to export, and
- such sale is made after the agreement or order in relation to export, and
- same goods which are sold in penultimate sale should be exported.

➤ **Stock Transfer/Consignment Sale (Section 6A)**

Stock transfer/consignment of goods from one State to another State other than by way of sale is exempted from levy of tax subject to production of 'F' Forms.

➤ **Sales Made To Special Economic Zone (Sez) (Section 8(6) TO 8(8))**

Sales made to SEZ unit or SEZ developer of the other state are exempted from levy of CST subject to production of 'I' Forms.

➤ **Rates Of Tax**

A dealer is liable to pay Central Sales Tax (CST) on all inter-State sales. The rates of CST have been prescribed in Section 8 of the CST Act. The concessional rate of 4 *per cent* from 1-7-1975 (2% up to 30-6-1975) is applicable only in cases of sales affected to the Government and registered dealers on production of prescribed certificates i.e. Form C or D. CST rate on sales against C-forms was reduced to 3% from 01-4-2007 and to 2% from 01-6-2008.

Sales to registered dealers can be of only those goods specified in the certificate of registration granted to him as being intended for resale by him or for use by him in the manufacture or processing of goods for sale in mining or in the generation or distribution of electricity or any other form of power.

Note: The concessional rate of tax at 4% against D-Forms in respect of sales made to Government Departments was withdrawn with effect from 1st April 2007.

4. WHERE SALES ARE NOT TO A REGISTERED DEALER-

The rate of tax in the case of declared goods shall be calculated at twice the rate applicable to the sale or purchase of such goods inside the appropriate State (effective from 1-7-1975) and the rate of tax, in the case of goods other than declared goods is 10 *per cent* or the rate applicable to such goods, under the State Law, whichever is higher.

Note: Where sales are not to a registered dealer, rate of tax (CST) was leviable at the rate applicable to the sale or purchase of such goods inside the appropriate State under the Sales Tax law of that State with effect from 1-4-2007.

A dealer is liable to pay tax under this Act on the inter-State sale of any goods even though no tax would have been leviable (whether on the seller or the purchaser) under the Sales Tax Act of that State, if that sale had taken place inside that State.

The only exemptions authorized by the Central Act are those where the State Government by Notification in the Gazette may exempt the goods from tax (or reduce the rate of tax) in respect of sales made by a dealer in the course of inter-State trade. The exemption/lower rate of tax is available only to dealers who have a place of business in the State and sales are made from such place of business.

5. “C” AND “D” FORMS

Proviso to Rule 12 of the Central Sales Tax (Registration and Turnover) Rules required that a Form ‘C’ or ‘D’ should not cover more than one transaction of sale, except in cases where the total amount of sales made in a year covered by one declaration or certificate, does not exceed ₹ 25,000/- (enhanced to ₹ 1 lakh from 30 September 1993).

The Rule does not lay down a time limit for filing these declarations. So the declarations filed before assessment, are valid and should be accepted (20 STC ‘S66’ 19 STC 306). Where no declarations are filed by the time of assessment, the assessing officer should give an opportunity to the dealer (20 STC 266).

According to the new proviso to Section 8(4) of the CST Act introduced from 1-4-1973 by the Central Sales Tax (Amendment) Act 1972 (61 of 1972), ‘C’ forms have to be furnished to the “assessing authority” within the prescribed time or within such further time as that authority may, for sufficient cause, permit. The proviso refers to extension of such period by the assessing authority.

With effect from 01-10-2005, Rule 12(7) : The declarations in Form C or Form F or the certificate in Form E-I or E-II shall be furnished to the prescribed authority within three months after the end of the period to which the declaration or the certificate relates.

If the prescribed authority is satisfied that the person concerned was prevented by sufficient cause from furnishing such declaration or certificate within the aforesaid time, that authority may allow declaration or certificate to be furnished within such further time as that authority may permit.

With effect from 01-04-2011 the dealers have been now enabled to *download ‘C Forms’ electronically* after furnishing relevant information without the need

of the approval of any departmental authority. By this there is no scope for any delay and there is total transparency in service delivery.

The selling dealer is not concerned whether the goods are such as can be used by a purchaser for the declared purpose. He has only to satisfy himself that the purchaser is a registered dealer and the goods are specified in the certificate of registration.

in respect of sale or purchase of goods which are **generally** exempt under the State Sales Tax Act or tax on which is leviable under the State Act at a rate less than 3 per cent (four per cent with effect from 1-7-1975) whether called a tax or fee or by any other name), the Central sales tax leviable in respect of sales of such goods in the course of inter-State trade or commerce would be 'nil' or the rate applicable under the State Sales Tax Act as the Case may be.

The word 'generally' used is very important. The provisions of 'Explanation' below Sub-section 2A of Section 8 of the Central Sales Tax Act should be borne in mind.

If the lower rate/exemption is available only on the fulfillment of certain conditions it should be ignored, because in that case, the goods cannot be said to be generally exempt from tax.

If a particular commodity is taxable at purchase point but is not taxable at the sale point under the State law, it is not generally exempt from tax. Thus the turnover of the seller though not taxable under the State law, is taxable under the Central Act.

Similarly, if a sale is taxable at the first point under the State law and if it is the second or third point seller who sells it in the course of inter-state sale, the commodity is not generally exempt from tax. Though it would not be taxable under the State law in the hands of the second or third point seller, it would be taxed under the Central Act.

The turnover for purposes of this Act is to be determined in accordance with the provisions of Section 8A of the CST Act 1956.

6. DECLARED GOODS (SECTION 14 & 15)

Article 285(3) of the Constitution lays down that in the case of goods which have been declared by Parliament by law, to be of special importance in the inter-state, trade or commerce, the State Sales Tax on these goods would be subject to such restrictions and conditions as Parliament by law may specify. These restrictions/conditions can be in the nature of system of levy, rates and other incidents of tax. The list of goods thus declared is contained in Section 14 and items are added or deleted from this list from time to time. The restrictions on the State law have been spelled out in Section 15 of the Act.

They are:-

- the rate of tax should not exceed 5% with effect from 11-4-2011 (4% w.e.f 1.7.1975 to 10.4.2011)
- the State can levy such tax at one stage only

where a tax has been levied on the sale or purchase of such declared goods within the State and such goods are again sold in the course of inter-State trade or commerce, the tax so levied shall be reimbursed to such persons in such

manner and subject to such conditions as may be provided for under the law in force in that State. (Section 15(b)).

AUDIT CHECKS:

Audit checks and instructions for the audits of VAT, GST and P.T. may be referred to as given in following Annexures to the Chapter:

1. Quantum of Audit Checks - Annexure I
2. Checks during VAT audit - Annexure II
3. GVAT Forms - Annexure III
4. Check for audit of Professional Tax - Annexure IV
5. Informatory H.M. Annexure V (Statement IA, IB, IC, ID, IE, IF)
6. Allocation of work - Annexure VI

ANNEXURE - I

QUANTUM OF AUDIT & AUDIT CHECKS FOR LOCAL VAT OFFICES

	QUANTUM OF AUDIT	BY WHOM TO BE CHECKED	BY WHOM TO BE REVIEWED
a.	Cases having turnover of more than 5 crore assessed under Section 34	Sr. Audit Officer/Audit Officer	
b.	Cases having turnover between 5 crore and 2 crore assessed under Section 34	Assistant Audit Officer/Supervisor	Sr. Audit Officer/Audit Officer
c.	Cases having turnover between 2 crore and 50 lakh assessed under Section 34	Assistant Audit Officer /Supervisor	
d.	Cases having turnover of less than 50 lakh assessed under Section 34	Auditor/Sr. Auditor	Assistant Audit Officer /Supervisor
e.	Cases of top 50 dealers in self assessment cases (turnover wise) are to be selected for audit	Assistant Audit Officer / Supervisor	Sr. Audit Officer/Audit Officer
f.	Top 25 cases of lump sum dealers whose total turnover exceeds 75 lakh (self assessment) other than those mentioned in (e)	Assistant Audit Officer / Supervisor	Sr. Audit Officer/Audit Officer
g.	Refund cases above 1 lakh.	Assistant Audit Officer / Supervisor	Sr. Audit Officer/Audit Officer

For selection of Audit assessment cases i.e. cases assessed under Section 34 (category a, b, c & d of the table above) the following criteria shall be adopted:-

- a) **Based on tax payable** top 10 percent assessment cases should be checked 100 percent.
- b) After excluding above cases remaining cases should be arranged in descending order **according to turnover** and;
 - i) 20 percent of the assessment cases should be checked 30 percent.
 - ii) Remaining 70 percent of the assessment cases should be checked 10 percent.

- c) The cases in (b) above should be selected on random basis using IDEA or any other sampling techniques.
- d) The above sample selection is subject to **a minimum of 100 assessment cases** to be selected as sample for audit in each auditee unit.
- e) When the number of cases to be seen calculated by the formula prescribed in the circular falls short of minimum 100 cases to be seen, the cases required to meet the shortfall will first be selected from the second strata on random basis. If the shortfall cannot be met even by exhausting all the cases of second strata the required number of cases may be selected from the third strata on random basis.
- f) The working of sample selection along with the list of total assessment cases arranged in descending order according to the amount of tax paid as well as according to turnover as prescribed above should invariably be enclosed with the LAR and should be duly signed by Sr.AO/ AO of the audit party concerned.
- g) The sample size determined above shall not be increased ordinarily. In exceptional cases where the audit party feels the need to increase the sample size, a detailed note justifying the requirement for increase of sample size will be submitted by the Sr.AO/ AO of the party concerned for obtaining prior approval of the group officer.

Illustrations for selection of cases are as under:-

Illustration 1		
S.No	Steps	
1	Total number of assessments done in the audited entity during the period covered by audit	500
2	All the assessments as mentioned at Sl. No.1 are to be arranged in the descending order on the basis of tax payable	500
3	The top 10 percent cases from amongst those arranged in descending order at Sl. No. 2 are to be selected for audit 100%.	10% of 500 = 50
4	Number of cases remaining after selection at S.No. 3	500-50 = 450
5	The cases remaining at S.No. 4 (Excluding those selected at S.No. 3) are to be arranged in descending order on the basis of turnover	450
6	Select number of top cases equal to 20 percent of assessments made (20% of number at S.No. 1).	20% of 500 = 100
7	Of those selected at S. No. 6, select 30 percent cases for audit through random sampling	30% of 100 = 30
8	Assessments remaining after selection at Sl. No. 3 and 6	(500-50-100) = 350

9	Of the cases remaining (As per S.No. 8) 10 percent are to be selected for audit through random sampling	10% of 350 = 35
10	Total No. of cases to be audited (3+7+9)	50+30+35= 115

Illustration 2			
S.No	Steps	Example 1	Example 2
1	Total number of assessments done in the audited entity during the period covered by audit	400	200
2	All the assessments as mentioned at Sl. No.1 are to be arranged in the descending order on the basis of tax payable	400	200
3	Strata I: The top 10 percent cases from amongst those arranged in descending order at Sl. No.2 are to be selected for audit 100%	10% of 400 = 40	10% of 200 = 20
4	Number of cases remaining after selection at S.No.3	400-40=360	200-20=180
5	The cases remaining at S.No. 4 (Excluding those selected at S.No. 3) are to be arranged in descending order on the basis of turnover	360	180
6	Strata II: Select number of top cases equal to 20 percent of assessments made (20% of number at S.No. 1).	20% of 400 = 80	20% of 200 = 40
7	Of those selected at S. No. 6, select 30 percent cases for audit through random sampling	30% of 80 = 24	30% of 40 = 12
8	Strata III : Assessments remaining after selection at Sl. No. 3 and 6	(400-40- 80)=280	(200-20- 40)=140
9	Of the cases remaining (As per S.No. 8)10 percent are to be selected for audit through random sampling	10% of 280=28	10% of 140=14
10	Total No. of cases (3+7+9)	40+24+28=92	20+12+14= 46
11	No. of cases by which total cases are falling short of minimum 100 cases	8	54

12	No. of cases to be selected from each Strata	Strata I : 40 out of 40 Strata II: 24+8=32 to be selected randomly out of 80 Strata III: 28 to be selected randomly out of 280	Strata I : 20 out of 20. Strata II: 12+28=40 out of 40. Strata III: 14+26=40 to be selected randomly out of 140.
13	Total No. of cases to be selected for audit finally	40+32+28=100	20+40+40 = 100

ANNEXURE- II

CHECKS TO BE APPLIED DURING AUDIT OF VAT

S. No.	WHAT TO CHECK	Y/N/NA	COMMENTS
I. REGISTRATION OF DEALERS			
i)	Whether the dealer had submitted an application for registration within the prescribed time from the date of his liability as per the applicable provisions of the VAT Act. (30 days – form 101)		The audit party should prepare a section wise list of the applications that were not made in the prescribed forms. The details of the forms may also be indicated. The list should also indicate whether such cases were referred to the Business audit branch.
ii)	Whether market survey was conducted on periodic basis to unearth the errant dealers? Have departmental instructions been followed regarding the frequency of surveys?		The audit party should make a list of date-wise surveys conducted, no. of dealers unearthed, no. of dealers registered and reasons for non-registration of those unearthed. A similar list must also be made in respect of those dealers in respect of whom input tax credit has been claimed (i.e. purchases above Rs. 1 lakh in a single transaction have been included in the return of any dealer) but whose returns are not available.
iii)	Are prescribed registration fees and security paid by all the applicants?		The audit party should make out a list of registration applications without the prescribed fees and security.

iv)	Whether the registration certificate is issued by the competent authority within the prescribed time and with correct TIN.		TIN should consist of 11 digits, the first two being the State code. The audit party should prepare a list of all the dealers whose TIN is not correct and no return is available.
v)	Any tatkal registration done as per rules		Audit party should check non-localised dealer not to apply.
vi)	Whether the registration certificate indicates the goods being produced/dealt in with correct description.		The audit party should ascertain the correct classification of the goods and make a list of such cases where the dealers are dealing in the goods not mentioned in their RC and work out the consequent loss of revenue.
vii)	Whether any dealer has been issued duplicate TIN.		The audit party should prepare a list of all dealers who have been allotted more than one TIN after running duplicate key detection test using CAATs. In case this is not possible, the party should get a certified CD containing all the details with TINs. The returns submitted by these dealers should be cross verified with the statutory forms issued to them.
viii)	Whether in case of any change in the nature and/or place of business, the RC has been suitably amended.		The audit party should make a list of all such cases where the returns are not submitted as per the amended RC.
ix)	Whether the prescribed registers/ records like VAT register, default register, late registration register, issue of RC register etc are being maintained/ updated properly.		The audit party should make a list of all registers/lists which are either not updated or are incomplete or have discrepancies. The extent of discrepancies should be clearly indicated.
x)	Whether the application for cancellation was made within the prescribed time of the closure of the business and whether the cancellation order was issued in time.		The audit party should make a list of all the cases where cancellation orders were issued but the electronic database was not corrected indicating the arrears of tax due against each.
xi)	Whether cancellation of VAT dealers, registered under the appropriate provisions of the VAT Act, has been made after the expiry of the prescribed period from the date of registration.		The audit party should make a list of all the cases where cancellation orders though due have not been made.

xii)	Whether the VAT dealer whose registration is cancelled has paid back Input Tax Credit (ITC) availed in respect of all the taxable/capital goods on hand on the book value on the day of cancellation.		The audit party should make a list of all the cases where cancellation orders have been issued but ITC has not been refunded.
xiii)	Whether the certificate of a VAT dealer who has failed to pay the tax, interest or penalty payable, failed to furnish the monthly returns and has committed any other offence, has been suspended.		The audit party should make a list of all such cases referred by the returns branch where RC was not suspended.
xiv)	Whether before cancelling the certificate of registration it has been ensured that the certificate merits cancellation on the basis of prescribed conditions.		<p>Make a list of cases where the registration certificates have been cancelled in disregard to the conditions prescribed and bring out the financial implications of the tax foregone. Check the prescribed conditions</p> <p>e.g. where the business has been discontinued, where the firm stands dissolved, where in respect of a dealer his turnover and taxable turnover is within the prescribed threshold (e.g. total turnover during the year immediately preceding the appointed day is less than ₹5 lakh and taxable turnover is less than ₹10,000 in a year) (Gujarat VAT Act, 2003).</p>
xv)	Whether the dealer whose certificate of registration has been cancelled has paid the tax, penalty or interest due for any period prior to the date of cancellation whether such tax, penalty or interest is assessed before the date of cancellation but remains unpaid or is assessed thereafter?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.

xvi)	Whether the dealer whose certificate of registration has been cancelled has paid, in respect of the taxable goods held in stock on the date of cancellation, an amount equal to the tax which would have been payable if the goods had been sold at fair market price on that date or the total tax credit previously claimed in respect of such goods, whichever is higher?		A list of cases where the provisions have not been followed may be prepared and the financial impact of the tax not collected or the input tax credit not refunded by the dealer may be calculated.
xvii)	Whether there are any cases where certificates of registration have been found to be transferred by one dealer to another?		In case of irregular transfer of the certificates, there is a danger of corruption of the database of dealers and evasion of tax. Any change in the nature, ownership, place etc of business will have to be covered by amendment of the certificate within six months (period may vary under different Acts) and not transfer.
xviii)	Whether at the time of amendment of a certificate of registration, the amendment was without prejudice to any liability for tax, interest or penalty or for any prosecution of offence under the Act?		Make a list of cases where consequent to amendment, the tax, penalty and interest has not been collected correctly and work out the financial implication.
xix)	Whether the assessing officer has imposed penalty as provided under the Act after following due procedure in case of a dealer who fulfils conditions necessitating amendment in his registration certificate but has not brought facts to the notice of the assessing officer?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
xx)	The Act provides for cancellation of the certificate of registration by the departmental authority in certain circumstances, such as failure of the dealer to file three consecutive returns within the prescribed time period, knowingly furnishing incorrect details in his returns etc. Whether such instances have been detected and certificates cancelled as provided under the Act?		A list of cases where the provisions have not been followed may be prepared. Where the certificates have not been cancelled, trade would continue and tax credit could continue to be availed. The financial impact of less payment of tax and tax credit irregularly availed may be calculated.

xxi)	Whether on the failure of the dealer to surrender his certificate of registration on cancellation, the necessary penalty has been imposed and recovered by the assessing officer?		The financial impact of non-levy of penalty may be calculated. Also the point made above may hold true in this circumstance also.
xxii)	Whether the Commissioner has published the particulars of the dealers whose certificate of registration has been cancelled as provided under the Act?		A list of such dealers may be prepared and irregular availing of tax credit by such dealers may be worked out. Also a dealer purchasing goods from an unregistered dealer has to pay purchase tax; the non-levy of purchase tax can be calculated.
xxiii)	Whether every registered dealer has filed a declaration stating the name of the person or persons who shall be deemed manager/managers of business of such dealer?		Compliance with the provisions in the Act may be seen.
xxiv)	Whether a periodical survey/ enumeration of the dealers whose registration certificates have been cancelled has been done to check if their total turnover and taxable turnover calculated from the commencement of any year exceeds the thresholds of turnover on any day within the year?		In case no survey has been done, this may be commented upon. Alternatively, if a survey has been done, the action taken may be seen.
xxv)	Any other point(s) specify		

II. SUBMISSION AND SCRUTINY OF RETURNS

i)	Whether all regular registered VAT dealers/ presumptive tax dealers submitted their monthly/ quarterly/ annual returns in time and in the prescribed proforma indicating that the payment of tax was made on or before the prescribed period.		The audit party should make a list of all the dealers who are not submitting the returns regularly. The list should indicate whether references to business audit branch were made.
ii)	Whether revised returns have been filed within the specified time indicating the reasons for such revision. (one month)		The audit party should make a list of all such dealers and ascertain the suitability of the reasons assigned by the dealers for the revision of returns.

iii)	In case of revised returns, any excess amount of tax to be paid has been calculated and paid along interest		
iv)	Whether the VAT dealer whose registration has been cancelled has filed the final return within the specified time.		The audit party should make a list of all such dealers in whose case this has not happened and work out the revenue implication.
v)	Whether the casual dealers have filed declarations within the specified time of arrival of goods in the state and paid the advance tax and filed final declaration on the last day of business along with the details of payment of tax		The audit party should make a list of all the dealers who filed a purchase declaration but did not file sale declaration.
vi)	Whether the dealers whose gross turnover exceeded the prescribed limit have furnished the audited accounts within the specified time.		The audit party should make a list of all such dealers in whose case this has not happened and ask for the Annual Audited Accounts.
vii)	Whether the VAT dealer, who is a manufacturer also, has filed a true and complete statement showing the quantity and value of goods received for use/consumption in manufacture, closing stock of such goods and quantity and value of goods manufactured.		The audit party should make a list of purchases, on selection basis, reflected in returns which need cross verification with Income tax/Central excise records and offer comments on such cases referred to them by Headquarters.
viii)	Whether penalty at the prescribed rate on the tax and interest payable from the date it has become due to the date of its payment or to the date of order of assessment, whichever is earlier, has been levied.		The audit party should make a list of all such dealers in whose case this has not happened and work out the revenue loss case wise.
ix)	Whether a VAT dealer or any other person or dealer liable to pay tax, interest and penalty, has deposited the amount on the date prescribed in the notice.		The audit party should make a list of all such dealers in whose case this has not happened and work out the revenue due including interest/penalty scrutinised case wise.
x)	Whether returns were scrutinised by the assessing authorities to verify the correctness of calculation, application of correct rate of tax and interest and input tax credit claimed therein and full payment and interest payable by the dealer for any tax period.		The audit party should make a list of mistakes case wise and work out the revenue loss.

xi)	Whether the details of returns received were entered in the register/computer within the specified time and bank scrolls reconciled with tax amounts mentioned in the return where applicable.		The audit party should make a list of all such dealers in whose case this has not happened.
xii)	Whether notice has been issued requiring the dealer to pay the amount of tax along with interest in case the amount paid is less than the amount to be paid.		The audit party should make a list of all such dealers in whose case this has not happened. Interest payable for non/delayed payment may be worked out.
xiii)	Whether in case of a seller who has accounted for, either in the tax invoice or in the return, an incorrect amount of tax (in case of the events mentioned in the Act), the adjustment in calculating the tax payable by him has been carried out in the return for the tax period during which it has become apparent that the tax is incorrect, and not in any tax period prior to that?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
xiv)	Any other point(s) specify		

III. SELF/ PROVISIONAL ASSESSMENT

i)	Whether the dealer has filed all the returns and annual returns in respect of any tax period within the prescribed time.		<p>The audit party should see that the following documents have been filed with the annual returns within the specified period for the purpose of self assessment:</p> <p>A declaration, duly issued by a selling dealer, in the prescribed form.</p> <p>Copy of the audited accounts along with the form of audit certificate in the prescribed form if the turnover exceeds the prescribed limit or manufacturing, trading and P&L Account as the case may be.</p> <p>Statement showing the purchases, stock transfer receipts or import of goods under the CST Act, 1956.</p>
----	--	--	--

			<p>Statement of the purchases and sales to the registered dealer within the state along with the details of tax invoices received or issued and particulars thereof.</p> <p>Statement showing the details of all the Central/State declaration forms received or issued in support of the claims.</p>
(ii)	Whether arithmetical errors have been checked before accepting the self-assessment.		
iii)	Whether the return and revised returns, if any, have been furnished by a dealer within the prescribed period and in the prescribed manner and self assessment claims are correct, consistent and complete, the prescribed authority has checked the arithmetical errors and accepted the self assessment after necessary adjustments.		
iv)	Whether the returns of the VAT dealers are in order as compared with the records of the dealers under the CST Act.		The audit party should verify whether all classes of goods purchased from outside the State through declaration forms are properly exhibited in the returns under the VAT Act. Besides, up-to-date submission of the utilisation statements of the declaration forms may also be verified from the CST file of the dealer and discrepancy, if any, found in the return furnished under the VAT Act be highlighted.
v)	Whether a final assessment was made by the prescribed authority keeping in view whether the returns/ revised returns were not filed in time and were not sufficient/ relevant for self-assessment. Whether such adjustments as may be necessary in disallowing input tax credit, exemptions, concessions, refunds, levy of interest etc. were made, wherever required, in the final assessment.		The audit party should make a list of all such dealers in whose case provisional assessment was resorted to but final assessment is pending. Suitable comments should be made pointing out the errors and omissions in such assessment and its impact on revenue.
vi)	Whether assessment for any tax period was made after the expiry of the permissible period from the end of the tax period		The audit party should make a list of all such dealers in whose case this has not happened and comment on the revenue implications.

vii)	Whether a demand notice in the prescribed form has been issued if the tax assessed along with interest and penalty is more than the amount paid along with the self-assessment.		The audit party should make a list of all such dealers in whose case this has not happened and comment on whether the notice has taken care of the difference or not. Besides, interest payable for delayed/non-payment of tax may also be worked out.
viii)	Whether provisional assessments have been carried out in the cases fulfilling the conditions mentioned in the Act?		Provisional assessments have been specified in certain cases, e.g. where net tax payable is nil, where tax credit is carried over to the subsequent return, where a dealer has not filed the return etc. Lack of provisional assessments can be commented upon suitably.
ix)	URD assessment cases there? if yes, assesment done correctly		
x)	Any other point(s) specify		

IV. BUSINESS/TAX AUDIT ASSESSMENT

i)	Whether the dealers have been properly selected for Business Audit/Tax Assessment and justifications for selection are available on record.		The registered dealers are selected for audit assessment by the prescribed authority on the basis of specified criteria or on random basis. The criteria are: a) The registered dealer has failed to furnish any return in respect of any tax period. b) If the prescribed authority is not satisfied with the correctness of the return filed or genuineness of any evidence like declaration forms or bonafides of any claims like exemption, input tax credit etc. c) If the prescribed authority has reasons to believe that detailed scrutiny of the case is necessary.
ii)	Whether the dealers who should have been selected for Business Audit/ Tax Assessment have been left out. Some applicable parameters may be the continuation of the following conditions in the returns of the dealers: ITC > OUTPUT TAX SALES < CLOSING STOCK PURCHASES <= WAY BILLS PURCHASES = 0		
iii)	What is the percentage of selection of the total number of registered dealers in the State selected for Business Audit/Tax Assessment?		Audit party should see that the provisions of the Act/instructions have been adhered to so as to cover all dealers under Business Audit/ Tax Assessment within a specified period. If not done, its effect on revenue may be worked out, if feasible.

iv)	Whether cross verification of any information gathered during the course of an audit assessment was made to establish the implication of revenue.		The audit party should examine whether the required cross verification has been correctly done and comment on revenue implications.
v)	Whether input tax credit, exemptions and other credits or concessions claimed by the dealer in the returns were disallowed for which no supporting documents were filed/produced.		
vi)	Whether the tax audit report was handed over to the dealer and the dealer filed his final reply within the specified period after receipt of the report.		
vii)	Whether the prescribed authority assessed the dealer to the best of his judgment.		
viii)	Whether the prescribed penalty was imposed if the prescribed authority was prevented from conducting the proceedings or if the dealer committed any act of omission in order to evade or avoid payment of tax.		
ix)	Whether a demand notice was issued for additional amount of tax with penalty.		
x)	Whether audit assessments have been completed within the time provided under the Act?		Delay in assessments and impact thereof may be commented upon suitably.
xi)	Whether in the case of a dealer, the amount of tax assessed or reassessed for any period exceeds the amount of tax already paid for this period by 25 <i>per cent</i> (percentage could vary across States) of the amount so paid, the amount of penalty as provided under the Act has been levied?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
xii)	Whether in case of a dealer whose part turnover has escaped assessment is assessed within the prescribed time under the Act?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.

xiii)	Whether the liability of the dealer, registered under different clauses, to pay tax has been calculated from the correct date?		Make a list of cases where the liability to pay tax has been calculated from incorrect dates to ascertain the financial implication e.g. where the turnover exceeds the threshold, liability to pay tax takes effect from the appointed day, where turnover in any year exceeds the threshold for the first time, liability takes effect immediately from the date the turnover exceeds the threshold etc.
xiv)	Whether on assessment, if the provisional refund granted is found to be in excess, it has been recovered as if it is a tax due from the dealer and interest has been charged at the rate of 18 <i>per cent</i> *per annum?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
xv)	Whether in the cases of assessments under audit assessment, on refund becoming due, simple interest of 6 percent only has been allowed for the period from the date of closure of the accounting year to the date of payment of such amount?		Financial impact of excess refund may be worked out.
xvi)	Whether purchase tax has been levied on a dealer who purchases goods from an unregistered dealer?		Non-levy of tax may be calculated.
xvii)	Whether appeal against assessment order has been accepted without proof of payment of the tax (a minimum of 20 <i>per cent</i> of the tax assessed has to be paid) in respect of which the appeal has been preferred?		The incorrect acceptance of such appeals may be pointed out and the amount of the tax not collected including the interest due on it may be calculated and commented upon.

*Percentage of interest leviable may vary across the States.

xviii)	Whether the liability for tax to be paid in a works contract (in some Acts goods used in the execution of works contract are deemed as sale of such goods) has been computed correctly as per the provisions in the Act?		The provisions in the Act for payment of tax on Works Contract may be seen. There is a provision of lump sum tax on work contract (Maharashtra) or in other places (Delhi, for instant) a particular percentage of labour, services and other like charges have been given which are to be deducted from the total contract price to arrive at the taxable price of a contract. In case the contractor can establish the cost of the labour utilised in the contract, he may deduct the same for arriving at his liability of a particular contract. When goods are sold in the execution of works contract, the rate of tax applicable to the goods shall be the rate of tax applicable to such goods.
xix)	In case of business transfer cases, tax liability, if any, has been paid by transferor or transferee. (Sn 51 ex: good will)		
xx)	In case of amalgamation of companies, tax assessed correctly. (Sn 52)		
xxi)	Any other point(s) specify		

V. REFUNDS, SET-OFF AND COMPENSATION CLAIMS			
A. Regular refunds			
i)	Whether the application of refund was submitted in the prescribed form within the specified period.		Whether application received in prescribed form in time?
ii)	Whether all the returns due have been filed and the taxes, interest or penalties due have been paid and a notice of excess demand has been issued by the prescribed authority and received by such dealer.		Audit party has no verify from demand register.
iii)	Whether any tax, penalty etc. is outstanding against the dealer under the Repealed Act or CST Act.		
iv)	Whether any refund has been made within the specified period of filing of such claims and after examination of the case by Business/tax audit wing and after verifying the proof of deposit of tax.		
v)	Whether the VAT dealer claiming refund under the scope of section 5(1) or 5(3) of CST Act have furnished all the required documents according to the provisions of Act/ Rules.		
vi)	Whether any amount has been paid as interest.		Refund orders to be verified.
B. Provisional refund			
vii)	Whether the application of refund has been submitted in the prescribed proforma within the specified period from the date of filing of the return and all the documents showing that the sales made by him is zero rated sales and he is entitled to input tax credit, have been enclosed with the application.		Whether application submitted in time?
viii)	Whether the VAT dealer has filed an affidavit that input tax has been paid by him to the registered VAT dealers against the tax invoices under the provisions of the Act.		
ix)	Whether the VAT dealer claiming provisional refund has furnished security either in the form of a bank guarantee or in some other form.		Banks guarantee register to be verified.

x)	Whether the amount of provisional refund found to be in excess on assessment has been recovered as tax due.		
xi)	Whether interest at the prescribed rate has been charged on the excess amount of provisional refund from the date of refund to the date of assessment. (@18%)		Calculation to be verified.
C. Refund to Special Category			
xii)	Whether the application of refund has been submitted in the prescribed proforma within the specified period of the tax so paid with the documents as required under the relevant VAT Rules.		
xiii)	Whether the refund order in the prescribed proforma was passed within the specified period from the date of receipt of the application.		Refund to be verified.
D. Set-off/Compensation claims			
xiv)	Whether refunds have been accurately accounted for before claiming compensation.		
xv)	Whether the details/break up of VAT and non-VAT receipts were available since refunds are allowable only on the VAT receipts.		
xvi)	Whether set-off/concessional rates of tax were wrongly allowed for refund and compensation claims.		
xvii)	Whether ITC has been adjusted against CST dues.		
xviii)	Whether any interest on refund has been allowed on the tax paid by the dealer after the closure of the accounting year, from the date of the latter to the date of payment of such amount?		In case the dealer has paid the amount of tax after closure of the accounting year and it is to be refunded, interest shall not be payable. If interest has been paid, its financial impact may be calculated.
xix)	Any other point(s) specify		

VI. INPUT TAX CREDIT (ITC)			
i)	Whether ITC has been allowed in any inadmissible case.		The audit party should check whether ITC was allowed in the following cases where ITC is not admissible**:
ii)	Whether ITC has been allowed to be carried over without the excess credit being 'set-off' against any outstanding tax, penalty or interest payable.		The audit party should prepare a list of all such cases and comment on impact on revenue.
iii)	Whether ITC has been correctly adjusted against CST dues before carrying forward.		The audit party should prepare a list of all cases where wrong credit was allowed and comment on impact on revenue.
iv)	Whether in the case of a dealer, who purchased goods intended for the purposes specified in the Act and used the same fully or partly for other unspecified purposes/prohibited circumstances, the tax credit has been reduced from the tax credit being claimed for the tax period during which such use has taken place?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
v)	Whether in the case of a purchaser (registered dealer), if the tax credit availed by him in any period in respect of which the purchase of goods relates, becomes short/excess (due to issue of credit/debit note or return of goods), the adjustment of the amount of tax credit allowed to him is permitted only in the tax period in which the credit or debit note has been issued/goods have been returned?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
vi)	Whether tax credit has been allowed correctly in respect of inputs if the goods are sold in another State?		Purchases intended for inter State sales as well as exports are eligible for tax credit in excess of 4 percent CST. Any instances where tax credit has been incorrectly availed/ allowed may be brought out in audit.

vii)	Whether ITC has been reduced proportionately where inputs are used partly to make taxable goods and partly for exempted goods?		As an illustration, X purchased machinery for Rs. 1 lakh and paid a tax of Rs 12,500 on it and used it in the manufacture of taxable as well as exempted goods. If the share of taxable goods made by that machinery is 80 <i>per cent</i> , his ITC would have to be restricted to Rs. 10000 (80 <i>per cent</i> of Rs.12,500).
viii)	ITC availed on capital good are not used continuously for five years, but sold, the amount of tax credit shall be reduced proportionately having regard to the period of failing short of the period of five years.		Audit party should see that fixed assest sales in schedule of balance sheet and ascertain the details for proportionately reverse if applicable.
ix)	In case ITC availed on capital goods, i.e plant & Machinery, are meant for use in manufacture of taxable goods and accounted as capital assets in the books of accounts.		Audit party should verify the balance sheet and fixed assets schedule to confirm that plant and Machinery capitalized and on which only ITC availed.
x)	if the goods are sold in the course of inter-state trade or commerce or used in the manufacture of the goods which are sold in the course of inter-state trade and commerce, tax credit to be reduced : (1.07.10 to 30.09.14) @2% : except sr.no.13 of schedule II w.e.f.: 1.10.14 @1%: except sr.no. 13,24,48(i), 54,76 @2%: crude oil,furnance oil, avaiation turbine fule,HSD oil,LDO,Solvent,petrol, low sulphur heavy stock, linear alkyl benzene, bitumen, liquefied petroleum gam and other petroleum products and natural gas		Audit party has to verify correctness of ITC reverse calculations.
xi)	Any other point(s) specify	No	
VII. PAYMENT AND RECOVERY OF TAX, PENALTY AND INTEREST			
i)	Whether a notice of demand has been served on the dealer for payment of assessed tax, interest and penalty. The date specified should not be more than the period allowed from the date of service of notice.		The audit party should prepare a list of all cases where it was not done and comment on the impact on revenue.

ii)	Whether the prescribed authority has taken care in the interest of revenue while allowing payment of any demand in installment and for reasons to be recorded in writing on the condition that the said dealer furnishes sufficient security for such facility.		The audit party should prepare a list of all cases where it was not done and comment on the impact on revenue.
iii)	Whether the rate of penalty, interest or any other amount due, as prescribed in the Act, have been levied for failure to make payment of the assessed tax etc. for every month for the period for which payment has been delayed by him after the date on which such amount was due to be paid.		The audit party should prepare a list of all cases where it was not done and comment on the impact on revenue.
iv)	Whether a proceeding has been initiated to recover the unpaid amount even after the due date in pursuance to the notice of demand issued to the dealer.		The audit party should prepare a list of all cases where it was not done and comment on the failure of department/impact on revenue.
v)	Whether the cases where whole or part of the tax, penalty or interest payable by any dealer or class of dealers has been remitted or of any specified class of sales or purchase has been remitted, this has been done by an order of the State Government?		The existence of an order of the State Government may be checked. Else the financial impact of the irregular remission may be commented upon.
vi)	Whether the dealer has paid the amount of tax (assessed, reassessed etc.), penalty and interest that have become payable within 30 days of the demand notice served upon him?		It may be seen whether a system of monitoring such delays exists in the offices.
vii)	Whether, if payment of tax has been allowed in instalments and the dealer has defaulted in paying an instalment, the dealer has been held to be in default in respect of the whole amount then outstanding and all other instalments have been held to have become due on the same date as the date of the instalment in default?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.

viii)	As a special mode of recovery, whether the assessing officer, in case of a defaulting dealer on whom demand notice has been served in respect of tax, penalty or interest, has served a notice to any person from whom any amount of monies is due or may become due to the dealer or to any person who holds monies for or on account of such dealer?		The financial documents on the basis of which the demand was raised/ assessment files of such dealers may be scrutinised to check if such persons are discernible on whom notices could be served in respect of the defaulting dealer. The efforts made by the assessing officer towards use of this mode of recovery may be selectively commented upon and substantiated.
ix)	Whether interest has been charged at the prescribed rate of eighteen <i>per cent</i> for the delay in payment of dues from the due date until the date of payment?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
x)	Whether interest has been charged at the prescribed rate of eighteen percent for the period as has been extended or the instalments that have been granted?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
(xi)	Whether the assessing officer has imposed the penalty of the sum equal to the amount of the tax in case of dealers furnishing incorrect information/ availing incorrect tax credit etc in an attempt to evade/ avoid payment of tax?		A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.
(xii)	Any other point(s) specify		
VIII. LUMPSUM TAX			
i)	Whether lump sum permission obtained by dealer to continue the lump sum payment. (01.08.08 permission granted earlier shall be continued)	.	The audit party should check whether dealer obtained permission to pay tax in lumpsum. If assessment cases are after 01.08.08, check whether permission obtained to continue the same.
ii)	Under Section 14 A, who opted to pay lump sum tax has been paid i) @0.6% only for his work contract covered under sub-items (i) to (ix) of item 3 of Notification (GHN-106) S.14A (v) dated 11.10.06. ii) @ 2% other than works contracts specified above		The audit party should see that correct lump sum tax has been levied for the specified works contract.

iii)	Whether there are any instances in case of a dealer who has been permitted to pay lump sum tax in lieu of tax on sales, where purchase tax leviable on specified instances in the Act has not been paid?		A list of cases where purchase tax has not been levied may be prepared and the financial impact may be calculated.
iv)	Any contravention of any of the provisions of the lump sum permission granted.		The audit party should list of all cases where dealer breach the lum sum permission.
v)	Whether tax has been levied under Section 7 & 9 from the first day of the month during which event of such contravention has occurred.		In case of contravention, dealer is to be considered as normal dealer and such cases list to be prepared and financial impact may be calculated.
vi)	Tax deducted at source under 56B (8), has been furnished the certificate along with other particulars		TDS – whether original certificates are available
vii)	Whether dealer furnished original certificate to avail credit and that TDS pertains to the relevant year for payment of lump sum tax under Section 14 A		TDS – original certificates produced and credit availed are pertains to relevant year only. If not, credit to be disallowed.
viii)	Any other point(s) specify		

IX. MISCELLANEOUS

(i)	Whether opening stock on the appointed date is correctly calculated using the prescribed formula (e.g. Tax amt. = rate of tax * purchase value of opening stock/100+ rate of tax in the State)		The audit party should prepare a list of all cases where it was not done and comment on the failure of department/impact on revenue.
(ii)	All inter-state sales, export sales, sales made to an unit located in “SEZ” or “EOU” or “STP” or “EHTP” shall be termed as ‘ZERO RATED SALES’. In these types of sales, no VAT is payable, but such dealers shall qualify for “input tax credit”. Calculation of ITC and its admissibility should be properly checked.		The audit party should prepare a list of all cases where ITC was wrongly allowed and comment on the failure of the department/impact on revenue.

(iii)	<p>All inter-state branch transfers or stock transfers or consignment sales or such transactions that involve inter-state movement otherwise than by way of sale is termed as “Exempt Transactions”. In such transactions, no VAT or CST is payable.</p> <p>No ITC up to 4% input tax is, thereafter, admissible. Only proportionate ITC in excess of 4% shall be admissible. It should be checked whether the ITC on exempt transactions was correct.</p>		<p>The audit party should prepare a list of all cases where ITC was wrongly allowed and comment on the failure of department/ impact on revenue.</p>
(iv)	<p>All dealers who are neither importers nor manufacturers and whose turnover does not exceed the prescribed limit for VAT (e.g., Rs. 50 lakh in Jharkhand) shall be eligible for Composition or Presumptive Tax Scheme. They shall not be eligible for any ITC, nor can they issue tax invoice. It should be checked whether any ITC was allowed to such dealers covered under the <i>Composition or Presumptive Tax Scheme</i>.</p>		<p>The audit party should prepare a list of all cases where ITC was wrongly allowed and comment on the failure of department and loss of revenue.</p>
(v)	<p>Whether the time limits for filing appeals, filing of memorandum of cross objections (By the Commissioner on appeals decided by the Deputy Commissioner) and revision cases is being adhered to?</p>		
(vi)	<p>Whether the goods, vehicles or documents seized at the check-post/barrier have been released after payment of tax, penalty and interest or on furnishing security?</p>		<p>A list of cases where the provisions have not been followed may be prepared and the financial impact may be calculated.</p>
(vii)	<p>Whether a transit pass issued at a check post for a boat, vehicle or animal carrying goods coming from outside the state and bound for a place outside the state, is shown at the last check post before exit from the state?</p>		<p>The issue and receipt of the transit passes of all check posts within the state must be cross checked. In case the transit pass is not shown at the last check post before exiting the state, it is to be presumed that the goods so carried have been sold within the State and tax and penalty payable has to be levied. Instances of non levy of such tax and penalty may be aggregated and the amount ascertained.</p>

(viii)	Whether a survey has been done of the owners/lessee of cold storage/ware houses, godowns who store taxable goods for hire or reward to ascertain if correct and complete records are being maintained by them in respect of the particulars of the person whose goods are stored in such places and in respect of the quantity, value and date of delivery of such goods?		
(ix)	Any other point(s) specify		
X. Audit on works contractors (who availed benefit of Amnesty scheme announced by the Govt of Gujarat on 14.10.2014)			
i)	Whether dealers have made application in the form prescribed by the Commissioner.		If no, list of such dealers may be prepared and such lacuna may be pointed out.
ii)	Whether dealers have made application within prescribed time limit i.e 14.10.2014 to 13.04.2015.		If no, list of such dealers who made application after lapse of scheme may be prepared and such irregularities may be pointed out.
iii)	Under the scheme only Civil contractors are eligible. Other contractors executing works like mechanical work, electrical works etc are not eligible. It may be checked whether the benefits of scheme were provided to civil works contractor's only.		Such cases may be pointed out.
iv)	All transaction taken place on and after 1.4.2006 till the date of application made under the said scheme were eligible for benefit under this scheme. It may be checked that benefit of the scheme has been given on the transactions between 1.4.2006 to date of making application only.		List of dealer avails benefit of transaction pertaining to prior period may be made and involved tax may also be pointed out.
v)	Whether dealers have furnished name of dealers from whom the goods were purchased during 1.4.2006 to 11.4.2015.		If no, then the list of such purchases and tax involved may be prepared.
vi)	Benefit of this scheme shall be available only for those transactions which took place after 01/04/2006 and which are expressly getting		If yes, list of such dealers who availed benefit under this scheme irregularly may be prepared and irregularity may be pointed out.

	<p>covered because of the L&T judgement.</p> <p>Whether any dealer who was not covered under the L&T judgement has availed the benefit of scheme.</p>		
vii)	<p>Works contractor who takes the benefit of this scheme, and who purchases from Unregistered Dealer (URD), is liable to pay purchase tax under section 9 and no ITC will be available under section 11 under the GVAT, 2003 on such payments</p> <p>Whether purchase tax, if any, was levied on URD purchases.</p>		List of such dealers who did not pay PT may be prepared and irregularity may be pointed out.
viii)	<p>Dealers should have paid Entry Tax on purchase /branch transfer of machineries in the form of Vehicles from Outside of Gujarat State (OGS). If no entry tax had been paid at the time of purchase, it has to be paid under this scheme.</p> <p>Whether Entry tax, if any, was levied on purchase from outside of Gujarat state.</p>		List of such dealers who did not pay Entry tax may be prepared and irregularity may be pointed out.
ix)	<p>No appeal can be filed by the dealer against the order issued under this scheme. If any tax, interest or penalty has been paid against the transactions during 1.4.2016 to date of application, such amount will not be refunded by the department under any circumstances.</p> <p>Whether any such amount has been refunded or adjusted against the tax payable of the dealer.</p>		If yes, list of such cases with tax involved may be prepared.
x)	<p>Whether all dealer's who availed the benefit under this scheme were assessed under section 34 of GAVT ACT in the prescribed time period.</p>		List of dealers not assessed under section 34 may be prepared and reasons of non assessment may be collected from the department.
xi)	<p>Whether sufficient supporting documents such as VAT report/P&L A/c etc have been furnished by the dealers.</p>		If no, list of dealers who did not submit sufficient document may be prepared and brought to notice of the department.
xii)	<p>Total number of dealers applied after 11.4.2015 under the scheme.</p>		
xiii)	<p>Amnesty scheme was further extended by the Government i.e. from 11.4.2015 to 11.8.2015.</p>		It may be verified that dealers who applied for benefit during extended period has paid interest

	However, dealers who applied under the scheme were liable to pay interest on the payable tax from 11.4.2015 to the date of payment of tax.		with tax or not. List of such dealers may be prepared with tax implication.
XI. Enforcement and recovery			
i)	Total number of inputs/complaint received by the office of Additional Commissioner (Enforcement), Ahmedabad against the dealers regarding evasion of tax during the audit period.		.
ii)	Out of above in how many case enforcement activity was conducted.		
iii)	Number of proposal for the purpose of enforcement activity received from Units/Ranges.		
iv)	Out of above, number of cases in which proposal for enforcement was approved by the competent authority.		List of cases in which proposal was turned down may be prepared and reasons for not accepting proposal for enforcement activity may be collected.
v)	After conducting enforcement activity the concerned officer may pass provisional order for the limited period to the dealer. In certain cases after the consent of competent authority may make Audit Assessment and pass an order. Whether details of such provisional order has been passed to concerned office at the time of regular assessment of the dealer.		If no, list of cases where no action was initiated may be prepared and reasons may be collected from the department.
vi)	Whether the department liaised with other Government agencies for getting information in respect of dealers engaged in evasion of tax.		
vii)	Whether assessment has been done under section 34 of GVAT Act in case of dealers engaged in evasion of tax.		
viii)	The proper notices for demand of tax, interest or penalty, as the case may be, were issued timely.		
ix)	Further proceedings such as proceeding under land revenue code were initiated in the cases where demanded amount was not paid within the stipulated time.		

XII. Check Posts			
i)	On Inter/Intra State movement of “specified goods” is accompanied with Form – 402 and has been endorsed by the officer manning the check post/ barrier.		
ii)	Carrier of goods entering into the State has Form – 403 duly authenticated by the registering authority under whose jurisdiction the dealer is registered.		
iii)	The transit passes Form – 404 were issued to the carrier/vehicles carrying goods to other states through Gujarat.		
iv)	The transit passes were regularly reconciled by the entry check posts with the exit check posts to ascertain that the goods were not sold or delivered within the State of Gujarat.		
v)	Whether registers viz i) Stop Delivery Memo Register, ii) Raid Case Register is being maintained?		
	Checked by	Signature:	
		Name:	
		Designation:	

ANNEXURE - III

GVAT FORMS

FORM NAME	PROVISIONS OF THE RULE	DESCRIPTION
<u>Form 101</u>	Rule 5	Application For VAT Registration
<u>Form 101A</u>	Rule 5	Details of Additional Places of Business
<u>Form 101B</u>	Rule 5	Address of Branches and Godowns outside Gujarat
<u>Form 101C</u>	Rule 14(1)	Specimen signature of Authorized person
<u>Form 101D</u>	Rule 5(5)	Details of Partners / Directors
<u>Form 101E</u>	Rule 14	Addition information of Business
<u>Form 102</u>	Rule 6	Certification of VAT Registration
<u>Form 103</u>	Rule 10(1)	Application for Cancellation of Registration
<u>Form 104</u>	Rule 10(3)	Notice for Suspension / Cancellation of Registration
<u>Form 105</u>	Rule 12	Security under section 28 & 67(16) of the GVAT Act
<u>Form 106</u>	Rule 13	Declaration/Revised declaration regarding manager of business
<u>Form 107</u>	Rule 14(2) & (3)	Revised declaration regarding bank accounts
<u>Form 108</u>	Rule 16	Statement of goods held in stock (on 31/03/2006)
<u>Form 109</u>	Rule 18A(3)	Application for Certificate of entitlement
<u>Form 110</u>	Rule 18A(4)	Certificate of entitlement
<u>Form 111</u>	Rule 15(5A)	List of purchase of goods
<u>Form 112</u>	Rule 15(5B)	List of purchase of goods
<u>Form 201</u>	Rule 18 and sub rule (2),(3A),(3B) and (3C) of rule 19	Monthly/ Quarterly return
<u>Form 201A</u>	Sub rule (2) of rule 19	List of Sales of goods
<u>Form 201B</u>	Sub rule (2) of Rule 19	List of Purchases

<u>Form 201C</u>	Sub rule (2),(3A) and (3B) of rule 19	Balance of Stock (List of inventory)
<u>Form 202</u>	Sub rule (3) of rule 19 and sub rule (4) of rule 20	Monthly/Quarterly / Annual return for Lump Sum Dealers
<u>Form 202A</u>	Sub rule (3) of rule 19	List of Purchases for Lump Sum Dealers
<u>Form 202 B</u>	Rule 19(3)	List sales of goods against retail invoices
<u>Form 202 C</u>	Rule 19(3)	List of purchases of goods
<u>Form 203</u>	Sub rule (4) of rule 19 and sub rule (9) of rule 20	Monthly / Annual return of incentives
<u>Form 204</u>	Sub rule (4) of rule 19 and sub rule (9) of rule 20	Monthly / Annual return of deferment of tax
<u>Form 205</u>	Sub rule (2) of rule 20	Annual return (self assessment)
<u>Form 205A</u>	Sub rule (1) of rule 20	Additional Information of Business
<u>Form 206</u>	Sub rule (1) of rule 22	Application for Permission to file separate return
<u>Form 207</u>	Rule 23	Challan
<u>Form 208</u>	Rule 24	Notice for Crossing Threshold of Turnover
<u>Form 209</u>	Sub rule (1) of rule 25	Application for Exemption from filing returns
<u>Form 210</u>	Sub rule (1) of Rule 28	Application for Permission to pay lump sum tax under Section 14 of GVAT Act
<u>Form 210A</u>	Rule 28A(1)	Application for Permission to pay lump sum tax under Section 14 of GVAT Act
<u>Form 210B</u>	Rule 28B(1)	Application for Permission to pay lump sum tax under Section 14C of GVAT Act
<u>Form 210C</u>	Rule 28C(1)	Application for Permission to pay lump sum tax under Section 14D of GVAT Act
<u>Form 211</u>	Sub rule (4) of rule 28	Permission to pay lump sum tax under Section 14 of GVAT Act

<u>Form 211A</u>	Rule 28A(3)	Permission to pay lump sum tax under Section 14B of GVAT Act
<u>Form 211B</u>	Rule 28B(3)	Permission to pay lump sum tax under Section 14C of GVAT Act
<u>Form 211C</u>	Rule 28C(4)	Permission to pay lump sum tax under Section 14D of GVAT Act
<u>Form 212</u>	Sub rule (5) of rule 19	MST Return
<u>Form 213</u>	Sub rule (5) of rule 19	Daily Account of MST Commodities
<u>Form 214</u>	Sub rule (8) of rule 28	Application for Permission to pay composition for works contract
Form 214 A	Sub rule (8) of rule 28	Application for Permission to pay lump sum tax for works contract executed during the year
<u>Form 215</u>	Sub rule (9) of rule 28	Permission to pay composition for works contract
<u>Form 215A</u>	Sub rule (8) of rule 28	Permission to pay composition for works contract
<u>Form 216</u>	Sub rule (8) of rule 28	Statement for composition of works contract
Form 216 A	Rule 19(3BB)	Statement of claiming credit of amount deducted as tax under Section 59B of the GVAT Act
<u>Form 217</u>	Sub rule (1) of rule 44	Audit report
<u>Form 301</u>	Sub rule (1) of rule 29	Notice for Provisional Assessment
<u>Form 302</u>	Sub rule (1) of rule 31	Notice for Audit Assessment
<u>Form 303</u>	Sub rule (1) of rule 32	Notice for Re-assessment
<u>Form 304</u>	Sub rule(2) of rule 29 and sub rule (2) of rule 31 and sub rule (2) of rule 32	Assessment Order under Section 32, 34,35 of GVAT Act
<u>Form 305</u>	Rule 27	Notice for amount assessed
<u>Form 306</u>	Rule 37(1)	Application for Provisional Refund
<u>Form 307</u>	Rule 38 and 40	Refund / Interest Payment Order
<u>Form 308</u>	Rule 39(2)	Refund Adjustment Order
<u>Form 309</u>	Rule 46(1)	Notice for Imposing Penalty
<u>Form 310</u>	Rule 63(2)	Order for compounding of offences
<u>Form 401</u>	Rule 48	General notice for seeking information

<u>Form 402</u>	Rule 51	Movement of goods within / going outside the state
<u>Form 403</u>	Rule 51(5)	Goods entering into the state from other states
<u>Form 404</u>	Rule 52(1)	Application for issue of Transit pass
<u>Form 405</u>	Rule 52(2)	Issue of Transit pass under Section 69(1) of the GVAT Act
<u>Form 501</u>	Rule 54(3)	Application for Appeal or second appeal under Section 73 of GVAT Act
<u>Form 502</u>	Rule 54(4)	Application for revision under Section 75 of GVAT Act
<u>Form 503</u>	Rule 57(2)	Notice before passing Order in Appeal / Revision
<u>Form 504</u>	Rule 57(3)	Notice before passing order of rectification under Section 79 of GVAT Act
<u>Form 601</u>	Rule 59(2)	Application for enrolment as Tax Practitioner under GVAT Act
<u>Form 602</u>	Rule 59(3)	List of Tax Practitioners
<u>Form 603</u>	Rule 60(2)	Authority by Tax Practitioner/CA
<u>Form 604</u>	Rule 60(1)	Authority by a Relative
<u>Form 701</u>	Rule 65(2)	TDS Exemption Certificate
<u>Form 702</u>	Rule 65(3)	Statement by the contractor to the sub-contractor under Section 59B(3)(c) of the GVAT Act
<u>Form 703</u>	Rule 65(4)	TDS Certificate under Section 59B(8) of the GVAT Act
<u>Form 704</u>	Rule 65(5)	Yearly Declaration by a person paying specified sale price to contractor
<u>Form 705</u>	Rule 65(4)	Register to be maintained by the person responsible for the deduction of tax at source.
<u>Form 706</u>	Rule 65A(1)	Application for allotment of TDS account number
<u>Form 707</u>	Rule 65(3)	Tax Deduction Account Number (TDN)
<u>Form 708</u>	Rule 65A(4)	Application for cancellation of TDN

ANNEXURE – IV
CHECKS TO BE APPLIED DURING AUDIT OF
PROFESSION TAX.

S. No.	PARTICULARS	CHECK TO BE EXERCISED
1.	<p>Check</p> <p>Monthly return filed by the Employer in Form 5</p> <p>(Refer Rule 11(1) of The Gujarat State Tax on Professions, Traders Callings and Employment Rules, 1976)</p> <p>Annual return filed in Form 5-A/5-AA filed by the employer?</p> <p>(Refer Rule 11(2) & 11A(i) of The Gujarat State Tax on Professions, Traders Callings and Employment Rules, 1976)</p>	<p>(1) Verify that the employer has filed the return within fifteen days on expiry of the previous month?</p> <p>(2) Verify that the employer has filed the return within fifteen days on expiry of the previous succeeding year. (in case wherein the number of employees does not exceed more than twenty employees)</p> <p>(3) Verify that the employer has paid within fifteen days immediately succeeding the quarter an amount equivalent to the tax</p> <p>[As and when, number of employees exceeds twenty, the employer shall from the following year, furnish the return in accordance with provisions of rule-11]</p> <p>(4) The return shall be furnished to the prescribed authority separately for each place of work, unless the employer is permitted to file a consolidated return under sub – rule (3).</p> <p>(5) Verify that the payment of tax is at the rates specified in entry I of Schedule - I appended to the Act on account of salaries and wages that may be paid to the employees.</p> <p>(6) Monthly/Annual return as the case may are received in time including payment of tax should be checked.</p>
2.	<p>Payment of tax salaries/ wages including arrears of Salaries/ wages may be paid to the employees by the employer?</p>	<p>1) Check the rates of tax deducted conform to and is in accordance to the entry I of Schedule - I appended to the Act.</p> <p>2) Employees receiving monthly salaries/wages less than Rs 6,000/- in that case no deduction towards tax is required to be made.</p>

		<p>3) Person does not have status of regular employment in that case no deduction towards tax is required to be made.</p> <p>4) The designated authority is State Government to be approached for compliance of professional tax matters? All other area not covered under a Panchayat, Municipality or Municipal Corporation.</p> <p>5) Check that in the return salaries or wages paid by the employer in respect of the year is correct and tax is deducted accordingly.</p> <p>6) If tax payable according to the return is more than the tax paid for each month see that the employer has furnished along with the return, a copy of receipts showing payment of differential amount of tax, interest and penalty if any. (Refer Section 9 & 10)</p>
3.	Registration certificate issued	<p>1) Every employer not being an officer of Government liable to pay tax under Section-4 shall obtain a certificate of registration from prescribed authority. (Refer Rule 3(1) & (2))</p> <p>2) Check registration file to ascertain whether registration is done on time and that there has been no delay thereof from the date on which liability has arisen</p>
4.	Registration certificate cancelled	Certificate of registration granted under rule 3 can be cancelled by the prescribed authority after he satisfies himself that the employer has ceased to be an employer. (Refer Rule 7)
5.	Arrears in collection of Profession tax if any.	<p>1) Arrears of any tax, penalty, interest or fees due under this Act shall be recoverable as arrears of land revenue. (Refer Section 11)</p> <p>Conditions specified in Amenity Scheme-2019 announced for the period between 01-06-19 and 31-08-19 issued vide Circular No.10 dated 12/07/2019 may also be check during the verification of of arrears in collection of tax</p>

Govt. of Gujarat has notified the jurisdictions of following designated authorities in whose office; a person falling under entry 2 to 10 of Schedule 1 may approach.

1. District Panchayat: - Area of District Panchayat.
2. Municipality: - Area of Municipality.
3. Municipal Corporation: - Area of Municipal Corporation.
- 4 **State Government: - All other area not covered under a Panchayat, Municipality or Municipal Corporation.** Hence, taking into view jurisdiction of the designated authority only Registration Certificate has been considered as the same falls under the State Government which is administered by the Value Added Tax Department.

ANNEXURE-V

(Allocation of works)

Allocation of work for conducting compliance audit of Unit-----, for the period April 202--to March 202---.

(A). Sr.Audit Officer

1. Audit of selected cases (as per sampling) with turnover of More than ₹ 5 crore
2. Review of cases audited by AAO

(B) Assistant Audit Officer/Supervisor

1. Audit of selected cases (as per sampling) with turnover of from ₹50 lakh upto ₹ 5 crore
2. Review of cases audited by Sr.Auditor

(C) Sr. Auditors

1. Audit of cases for turnover upto ₹50 lakh
2. Tracing of two month collection in the treasury records.
3. Any other work allotted by A.O, A.A.O.

Sr.Audit officer/AMG-III/ P

ANNEXURE – VI

GUIDE OF PROCEDURES FOLLOWED DURING COMPLIANCE AUDIT OF VAT/ PT/ GST

A. Desk review:

The audit party entrusted with compliance audit should carry out a desk review at Headquarters before embarking on an audit. The review should comprise a study of the guard file, data analysis to determine the direction/ focus of audit and to identify records /transactions that are potentially error prone for verification in the field. Ideally this can be synchronised with the quarterly scheduling of audits. Use of data analytics at this stage is recommended. While ordinarily a desk review needs to be carried out for gaining an understanding of the entity to be audited and its focus areas, in certain cases, based on the context - size, complexity, scale of audit, desk review as a distinct procedure may not be warranted. In such cases, specific relaxation should be obtained from the concerned Group Officer, duly explaining the circumstances and recording/ documenting the reasons for the relaxation, before commencing the audit.

B. Entry Meeting

On the first day of audit itself the Audit Party members should have an 'entry meeting' with the Head of Office to inform of the audit plan and also of the records and documents required and to request the head of office and other officers and staff to be available in the office throughout the period of audit. Minutes of the 'entry meeting' should be documented and should form part of the inspection report papers.

C. Code of ethics

A declaration in the format prescribed in Annexure .2.1.1 of the Code is required to be signed separately by each member of the audit team, including the supervisory Officer prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report having acknowledgement from the Management.

(Authority: I/B/5/954-PPG/41-2012 Dt.25 September 2012)

D. Informatory HMs

After entry meeting, an informatory HM (Half Margin) as given in **Statement (I-A to F)** may be issued over the signature of sr.AO. In case where there is no supervision of Inspecting Officer, the HMs may be issued on approval by AAO concerned. In this HMs the audit party should call for general information of the auditee office, internal audit/internal inspection conducted during the period of audit and computerisation etc. The original HM with duly replied by the head of audit entity should be obtained and attached with inspection report.

E. Audit Sampling

The audit party will call for the day book and the soft copy in excel sheet of the total assessment finalised from the concerned auditee. The cases should be selected in audit by way of sample selection methodology approved by PAG.

The audit party should prepare and furnish a list of files under each category selected in sampling to head of auditee for earlier production for audit scrutiny. The head of the auditee office should be informed to produce the files which were not produced in the

earlier audit to the party at the earliest. After verification a list of the cases and earmark against each document/cases the authority who had scrutinized the document should be kept separately in draft LAR file.

F. Distribution of work among the members of the party

Before the commencement of audit the work should be distributed among the members as per Statement –II (A) and an allocation list duly noted by all members be kept on record. On completion of audit each member of the party should be required to certify on the statement that items of works allotted have been duly checked by him. The supervisory officer/Assistant. Audit Officer in case of non-supervised audit) should ensure that all work has been duly completed. The statement of work done duly certified and countersigned by the Assistant. Audit Officer/Inspecting Officer should be forwarded along with the inspection reports

G. Records required to be examined during field visit

(i) During audit of VAT.

1. Day Book of VAT & CST assesment made during the year of audit;
2. Sampling selected Assesment files both for VAT & CST;
3. Files of declared forms ie Form-C”, “Form-H’, Form-I if maintained separately.
4. RC Book of the assessee;
5. Recovery register;
6. Refund register;
7. Register for amnesty scheme;
8. Service Books;
9. Pay bill register;
10. TA bill register;
11. Cash Book;
12. Dead Stock Register;
13. List/Register of cases of exemption given from payment of stamp duty & registration fees;
14. Files relating to internal audit/internal inspection carried out by the department;
15. Enfacement registers if any;
16. List of outstanding audit objections and their compliance. The relevant Inspection Reports may also be provided to audit.

H. Issue of Half Margin (HM)/POM)

During the course of audit, the audit party may come across certain observations and the party members should prepare the "Half Margins" (HMs) over the signature of Sr. Audit Officer. In cases where the HMs have been issued without approval by the Sr. Audit Officer (i.e. before commencement of supervision by Sr. Audit Officer) the Sr. Audit Officer should call for the office copies of such HMs and issue further remarks where he considers it necessary to modify the audit enquiry already issued or to obtain supplementary or other information, clarification etc

Where it becomes necessary to discuss with the Head of the Office inspected, any matter arising from audit scrutiny or any difficulty in getting the records, replies and facilities for conducting audit, such discussion may be held by the supervising Sr. Audit Officer if he is available or in his absence, by the senior Asst. Audit Officer of the party

Local Audit Party (LAP) should obtain the concurrence of Group Officer and Pr.AG before issuing the POM/Half Margin of their audit observations involving the money value above ₹ 1 crore and ₹5 crore, respectively. Therefore, the LAPs should send their draft POM/HM on high value cases should be promptly sent by e-mail to Group Officer for obtaining the concurrence of Group Officer or Pr.AG. The LAPs should issue the HM to the auditee after taking into account the instructions and modifications made by Group Officer/Pr.AG while giving their concurrence.

The acknowledgement of the receipt of the HMs by the auditee should be obtained and kept in a systematic and chronological order on record by the Audit Party. Every effort may be made to get the replies to the audit observations. However, the drafting of inspection report should in no case be delayed due to non-receipt of replies to HMs. The information/ figures required during audit may be compiled by the Audit Party from the files, records and reports.

I. Collection of Audit Evidence/Key Documents.

Following key documents should be supported with HMs issued

1. Copy of order of VAT assessment ;
2. Copy assessment of CST order;
3. Copy of relevant page of VAT audit Report ;
4. Copy of relevant page of P&L account;
5. Copy of Annual Account;
6. Copy of relevant page of ITC ledger (where necessary);
7. Copy of ITC calculation sheet where available (If necessary);
8. Copy of Refund order passed by competent authority;
9. Copy of challan of refund payment;
10. Copy relevant notification/circular/resolution as specified in HM;
11. Copy of any of other paper necessary decided by the head of audit team.

J. Review of outstanding paras of the previous IRs.

The LAP should issue the list of old outstanding paras of the previous IRs to the head of the auditee office on the day of commencement of audit with a request to furnish the detailed action taken and status of it till the date of audit. The LAP should also make concerted efforts to collect the information called for by the Head quarters section and also to obtain final replies of the outstanding paras with copy of the supporting papers/letters and submit the para wise verificational remarks in an annotated statement to the Head Quarters section for its early settlement.

K. Non production of records.

The audit team should periodically pursue to head of auditee office to arrange for production all the assessment files selected in audit sampling for scrutiny in audit. In the last date of audit the audit party should prepare a list of un produced files/records during current audit and brought the matter to the notice of head of the audit units.

L. Preparation of Local Audit Report

The responsibility of drafting the Inspection Reports shall vest with the Audit Officer/Sr.Audit Officer of respective audit team. On completion of audit of each unit, the Audit Officer/Sr.Audit Officer should prepare Draft Local Audit Report as per Compliance Audit Guidelines-2016 and improving the quality of Inspection Report-PPG Guidance Note (issued in August 2017). *Chapter-I para 1.33.4*

M. Exit Meeting

At the close of audit, the audit team leader or the Group officer in charge should also hold an exit meeting with the officer in charge of the audit unit to discuss the audit findings and request responses. The minutes of the exit meeting should be prepared and shared with the audit unit and acknowledgement requested.

N. Preparation LAR & other files for submission

Draft LAR files should be prepared in five parts ie. Vol-I, to Vol-V as detailed below.

Volume I :- This file should contain the draft LAR, new Title Sheet, existing Title Sheet (**statement-III A & B**), Exit Meeting, Duty list for each member of the audit team, follow up of supervision by Group Officer, Daily diary of each member of the audit team, Code of Ethics, Disposal of HMs, treasury verification statement, HMs with reply and Contribution statement.

Volume II :- This file should contain programme books & old outstanding cases.

Volume III :- This file should contain statistical informations.

Volume IV :- This file should contain key documents of all audit observations.

Volume V :- This file should contain copy of audit plan of the Unit Audit Design Matrix

O. Submission of Local Audit Report to AMG-III Hqr

The Draft LAR files for the Compliance Audit may be submitted within 5 working days from the date of completion of audit to the concerned AMG Headquarter Sections for further issuance to the auditee office. The Draft LAR files should be properly indexed and key referenced by the LAP before submission to the Head Quarters section.

Statement-I(A)
(Informatory HM for audit of VAT/GST)

- (A) **The following information may please be furnished to audit, immediately.**
1. List of CTOs/ACs/DCs in charge of the division/circle during the period covered under audit .
 2. Statement showing revenue receipts i.e. GST/VAT, CST, Entry Tax and MST during the period covered under audit
 3. List of Commercial Tax cases assessed during the period covered under audit. The list may be in the following categories, DC/AC/CTO/CTI-wise separately
 - (a) Cases having gross turnover below ₹ 50 lakh.
 - (b) Cases having gross turnover of ₹ 50 lakh and above, but below ₹ 2 crores.
 - (c) Cases having gross turnover of ₹ 2 crores and above, but below ₹ 5 crores.
 - (d) Cases having gross turnover of ₹ 5 crores and above.
 4. List of the cases assessed under section 11 by DC/AC/CTO/CTI as per categories (a), (b), (c) and (d) mentioned in item (3) above.
 5. List showing outstanding Inspection Report paras with their present status. (Outstanding previous inspection report paras alongwith correspondence file may be shown to audit).
 6. Enforcement cases, if any, decided during the period of audit may please be made available to audit, alongwith list.
 7. Cases in respect of high speed diesel dealers under Motor Spirit Taxation Act, if any, assessed during the period of audit may be made available to audit, alongwith list.
 8. VTS Activity: The period up to which verification of treasury schedule has been completed. If the same is in arrears, reasons thereof may please be stated.
 9. Old cases which could not be produced to earlier audit may please be made available now (list enclosed in last LAR).
 10. List of refund cases in excess of ₹ 1,00,000/-, (interest thereon may be indicated separately) alongwith details of
 - i) PAN Number
 - ii) General Index Number of Income Tax Return
 - iii) Ward/Circle of the dealer where he is being assessed under Income Tax Act
 - iv) Jurisdictional Assessing Officer (Income Tax) may be furnished **(In Two Copies)**. The case files may also be produced to audit.
 11. List of write-off cases along with details may be furnished to audit.
 12. List of cases where the recovery was affected under the Land Revenue Code may be furnished.

13. IT questionnaire (In the proforma attached).
14. Please furnish the following details in respect of departmental Inspection
 - (i) Name and designation of the authority
 - (ii) Period covered in the inspection
 - (iii) Date of inspection

(B) Sub: Information regarding internal audit

According to instructions contained in Circular No. 115 dated 07.06.2003 issued by the Commissioner of Commercial Tax, internal audit is to be carried out as per quantum stipulated in the circular ibid. In this connection the following information may please be furnished to audit for the year ---- to ---- in the following proforma.

Year	Tax Criteria	No. of cases assessed during the year	No. of cases to be transferred for audit	No. of cases transferred to audit	No of cases audited	Shortfall, if any, in respect of cases to be transferred to audit	Shortfall, if any, in respect of cases to be audited
	Above ₹ 2 Lakh						
	₹ 25,000 to ₹ 2 lakh						
	Refund cases						
	Enforcement cases						
	Total						

1. Reasons for shortfall, if any, in respect of cases to be transferred to audit may be stated.
2. Reasons for shortfall, if any, in completion of internal audit may be stated.
3. The above information may be furnished separately for each year of audit, if AG audit is for more than one year.

(C) Subject: System existing for prevention/detection and reporting of fraud and corruption.

With reference to above subject, the following information may please be furnished to audit:

1. What is the policy/system existing in the unit/circle to prevent and detect fraud/corruption.
2. What is the system existing in the unit/circle for reporting of fraud/corruption.

3. What is the system existing in the unit/circle to establish accountability for fraud/corruption.
4. Whether and what are the indicators fixed or identified as indicators towards occurrence of fraud/corruption.
5. Instances of fraud/corruption noticed by the unit/circle during 2015-16 to 2017-18. The relevant records/case files may be produced to audit.
6. What is the action taken on above instances, including strengthening of internal control system, if any?
7. Special areas, if any, identified as prone to risk of fraud/corruption in the working of unit/circle.
8. Whether any guidelines issued by the management for controlling fraud/corruption may be stated. If so, copy of the same may be furnished to audit.

(D) Subject: Expenditure Audit

The following information in respect of this unit office for the period --- may please be furnished to audit

1. Name of the office and address:-
2. Name of the present ACCT, Unit-75, Bhavnagar
3. Name of the officer who held the charge of ACCT, Unit-75, Bhavnagar during the period covered under audit
4. **Details of Last Inspection AG Audit Department**
 - (i) By whom done
 - (ii) Period of audit
 - (iii) Date of audit
5. A statement showing the month-wise/ year-wise expenditure incurred on pay & allowance of Officers, establishment, contingencies etc. for the period covered under audit
6. Statement showing month wise Expenditure met out from Permanent Advance.
7. Statement showing the month-wise /year-wise receipts (other than 0040 Sales tax receipts) for the period covered under audit.
8. Statement showing the accounts/documents and registers maintained by the office.
9. Statement showing name of officials in whose case the Service Books are maintained by this office, with separate statement, showing expected date of retirement for the officials retiring within a period of five year
10. Statement showing the name & designation of departmental officer who has inspected the accounts during the period covered under audit and date of inspection.
11. List showing the details of loss of public money, theft, misappropriation, defalcation, embezzlement etc, if any, during the period covered by audit (respective file may be produced to audit).

Sr. Audit Officer/ AMG P

To,

The Assistant Commissioner of Commercial Tax,

Statement-I(B)

(Informatory HM)

Information required to be collected from the auditee unit for the purpose of determining field of audit coverage.

Informative “A”

1. The total number of live dealers in the unit to be audited
2. The total number of task generated (i.e. CTO wise AC wise and DCCT wise)
3. The total number of cases assessed. (kindly supply the information with the name of dealer, TIN number, Gross Turnover, ITC allowed and VAT paid)
4. The total number of dealers covered under lump-sum tax.
5. The total number of dealers assessed under lump-sum tax. (kindly supply the information with the name of dealer, TIN number, Gross Turnover and VAT paid)
6. Details of the top hundred tax payers (kindly supply the information with the name of dealer, TIN number, Gross Turnover and VAT paid)
7. Details of all dealer with gross turnover of Rs 5 crore or above (kindly supply the information with the name of dealer, TIN number, Gross Turnover and VAT paid)

Sr. Audit Officer/ AMG.P.No.

To,

The Assistant Commissioner of Commercial Tax,

(Informatory HM)

Information required to be filled by the department and supplied to audit

Informative “B”

1	Whether any dealer had submitted an application for registration within the prescribed time from the date of his liability as per the applicable provisions of the VAT Act.	
2	Whether all dealers registered under the repealed Act, submitted the application for registration within the prescribed time and got themselves registered under VAT. Specify the number of cases where dealer registered under GST Act have not got themselves registered under VAT	
3	Whether the dealers, whose applications for registration under the repealed Act were pending for decision before the Act was repealed, submitted applications for registration under the VAT Act within the prescribed time?	
4	Whether any market survey was conducted on periodic basis to unearth the errant dealers? Whether any departmental instructions exist regarding market survey. If yes, whether the same has been followed ?	
5	Whether prescribed registration fees and security paid by all the applicants?	
6	No. of dealer where duplicate TIN has been issued.	
7	No. of cases where application for change/amendment in the Registration Certificate has been received by the department	
8	No. of cases where application for the closure of business was received by the department and the no. of cases where permission for the same was granted. (1) Under GST and (2) under VAT	
9	No. of cases where the certificate of registration of a VAT dealer who has failed to pay the tax, interest or penalty payable, failed to furnish the monthly returns and has committed any other offence, has been suspended/cancelled.	
10	No. of cases where, on the failure of the dealer to surrender his certificate of registration on cancellation, the necessary penalty has been imposed and recovered by the assessing officer.	

11	Whether there are any cases where certificates of registration have been found to be transferred by one dealer to another?	
12	Whether the Commissioner has published the particulars of the dealers whose certificate of registration has been cancelled as provided under the Act?	
13	Whether every registered dealer has filed a declaration stating the name of the person or persons who shall be deemed manager/managers of business of such dealer?	
14	Whether a periodical survey/ enumeration of the dealers whose registration certificates have been cancelled has been done to check if their total turnover and taxable turnover calculated from the commencement of any year exceeds the thresholds of turnover on any day within the year?	
15	No. of dealer who were selected for (1)Business Audit and (2) Tax Assessment	
16	No of cases where refund was granted and the amount of refund in ₹	
17	No of cases where department has granted the dealer facility for payment of tax assessed in installments.	

Sr. Audit Officer/AMG-P

To,

The Assistant Commissioner of Commercial Tax,

Statement-I(C)
(Informatory HM)

The following information may please be furnished to audit immediately.

1. Professional Tax receipts (total of the division and CTO-wise) during the period covered under audit
2. (a) No. of RC and EC cases live as on 1.4----.
(b) No. of RC and EC cases issued during the period covered under audit.
(c) No. of RC and EC cases cancelled up to 31.3.----
(d) No. of RC and EC cases live as on 31.3.-----
3. List of RC/EC issued during the period covered under audit.
4. Position of arrears in collection of profession tax as on 31.3.-----
5. Files of RC/EC cases mentioned against item (4) above may be produced to audit.

Sr. Audit Officer/ AMG P.No

To,

The Assistant Commissioner of Commercial Tax,

Statement-I (D)
(Informatory HM)

As per Circular No.GST-1014-884-VAT Cell dated 14.10.2014 Government of Gujarat announced an amnesty scheme for the construction developers on the basis of taxability reinforced by the judgement of M/s L & T Ltd. of Honorable Supreme Court dated 26.09.2013 in relation to levy of VAT on sale of immovable property. Period of this scheme will be 180 days from the date of notification (i.e. from 14.10.2014 to 10.04.2015) to avail the benefit of builders and developers were not registered and even those who are registered are not regular paying VAT. Further the scheme was extended upto August 2016 with certain conditions and liable to pay interest on the payment of tax from 11.4.15 to the date of payment of tax. In response to the above circular, following information and records may be provided to audit immediately,

1. Total no. of registered dealer who applied for the benefit under the scheme and details of paid tax.
2. Total no. of unregistered dealers who applied under the scheme and details of paid tax. Whether assessment as per provision 34(8) of the Act, ibid has been passed in respect of the unregistered civil works contractor/developer. If assessment have finalised the records may be available to audit
3. If assessments of unregistered civil works contractor/developer are pending the reason for the same may be furnished of audit.

Sr. Audit Officer/AMG P.No

To,
The Assistant Commissioner of Commercial Tax,

Statement-I(E)
(Informatory HM)

Kindly arrange to furnish the information to the Audit Party immediately, as appended below:-

(A)

Year	No. Of Registered Dealers	Total Revenue
2015-16		
2016-17		
2017-18		

(B)

Year	Grants Received	Expenditure Incurred
2015-16		
2016-17		
2017-18		

Sr. Audit Officer/ AMG-III

P No

To,

The Assistant Commissioner of Commercial Tax,

Statement-I(F)
(Informatory HM)

The Commercial Tax Department vide Circular 02.06.2017 announced Amnesty Scheme for VAT dealers known as VAT Amnesty Scheme 2017.

In this connection, please arrange to furnish information and records of the dealers who have availed the benefits under the scheme.

Sr. Audit Officer/ AMG-P

To,

The Assistant Commissioner of Commercial Tax,

PART- C

FINANCIAL ATTEST AUDIT TEAM (FINAT)

1 INTRODUCTION

The Financial Attest Audit of State Government Accounts is to be conducted as per the Guidelines approved by the CAG of India in March 2015. The Guidelines recognize the roles of AsG(A&E), PAsG/AsG (Audit) and the state governments and aim at establishing synergy in their working.

In Gujarat, the O/o the Pr. AG (Audit-II),Gujarat, Ahmedabad functions as the Principal Auditor and O/o the AG (Audit-I), Gujarat, Rajkot functions as the Sub- Auditor in respect of the financial attest audit of the State Government accounts. The FINAT is to be headed by a Senior Audit Officer and has a sanctioned strength of two Assistant Audit Officers and seven Auditors.

2 RESPONSIBILITIES / FUNCTIONS OF FINAT

1. Audit of the Annual Accounts of the State Government (the Finance Accounts and the Appropriation Accounts) and expressing an opinion on these Accounts based on the results of such audit
2. Planning, execution, reporting and documentation of different stages of the audit of Finance Accounts (FA) and Appropriation Accounts (AA), audit of Monthly Civil Accounts and Monthly Appropriation Accounts and co-ordination with the other teams in the Financial Audit Wing dealing with scrutiny of vouchers, sanctions, etc. and Treasury Inspection teams of the office of Accountant General (A&E), Gujarat, Rajkot.
3. Vetting of draft explanation notes (through UORs) submitted by all departments on the comments appearing in the Appropriation Accounts of Gujarat before their submission to the Public Accounts Committee.
4. Rendering an opinion on proposals for opening of new sub-heads received from the State Government to the O/o the AG (A&E). Gujarat, Rajkot. (Source : D.G (GA) instruction vide letter. TM/S-2//ONS-COR/2012-13/573 dated 29.12.2014.
5. Checking of Accounts at a Glance prepared by the O/o AG (A&E), Gujarat, Rajkot annually.

3 EXECUTION OF AUDIT PROCESS

The Guidelines lay down the timelines for the financial attest audit of the accounts of the State Government, procedures to be followed in such audit, responsibility centers for the audit and the audit checks to be exercised by the audit team for proving the correctness of assertions made in audit. The audit procedure has been structured as under:

- a. Audit Planning

b. Audit Implementation

c. Documentation and Reporting.

3.1 AUDIT PLANNING STAGE

The audit of FA and AA currently commences with the issue of a time schedule by the Government Accounts wing of the Headquarters office (CAG's office). On the basis of this schedule, O/o the AG (A&E), Gujarat, Rajkot communicates a detailed time schedule for audit and certification of FA and AA.

The audit planning process for financial attest audit of State Government accounts would have the following elements:

3.2 INTERNAL CONTROL ASSURANCE

3.2.1 ASSURANCE FROM A&E OFFICE

The accounts of the State Government are compiled and prepared by the AG (A&E) through voucher level compilation (VLC) system from the primary records and accounts maintained by the State Government. It is important that FINAT obtains an assurance from the O/o the AG (A&E) on correctness of records maintained by that office. Assurance on VLC on validation controls, inclusion of all accounts rendering units in monthly accounts and capturing of budget data against each unit of appropriation are to be obtained by FINAT from the O/o the AG (A&E) on an annual basis. However, the FINAT will also validate the internal control assurance given by the O/o AG (A&E) through independent test checks.

(Source: Para 2.11 of the Guidelines)

3.2.2 ASSURANCE FROM STATE GOVERNMENT

Information on guarantees given by State Government, investment in Statutory Corporations/ Government Companies, incomplete works etc., are furnished by the Finance Department/other departments, which appear as part of the financial statements. In these cases, an assurance from the Finance Department/other departments should be obtained by FINAT, through A&E Office or directly on the correctness of the data depicted in the Annual Accounts to be certified by the Principal Auditor . However FINAT should also conduct independent test check for confirming the robustness of the system prevent in the departments.

(Source: Para 2.12 of the Guidelines)

3.3 RISK ANALYSIS

Audit planning requires conducting of risk analysis of account areas, accounting information, and accounts rendering units, expenditure incurring units and revenue for collection units. The decision on selection of appropriate sampling method, materiality levels and risk parameters is taken on the basis of a formal process of identifying risk parameters and their evaluation. *(Source: Para 2.13– 2.15 of the Guidelines)*

3.4 DETERMINING MATERIALITY LEVELS & SAMPLE SELECTION

FINAT shall receive vouchers details from VLC section of O/o the AG (A&E). The selection of samples for substantive testing of accounting inputs like

vouchers, challans, classified abstracts, consolidated abstracts, transfer entries, settlement accounts, clearance memorandum and different transactions forming part of the accounts will be done by Principal Auditor by adopting appropriate statistical sampling methods. Similar activities are required to be done by Sub- Auditors in their respective audit jurisdictions. FINAT has to apply the appropriate sampling methodology as decided by the Principal Auditor, i.e. Pr. AG (Audit-II) Gujarat, Ahmedabad to draw the sample transactions and communicate the same to FAW, field audit parties and treasury inspection teams.

(Source: Para 2.16 and Annexure D of the Guidelines)

3.4.1 SAMPLING PROCEDURE ADOPTED IN THE O/o PR. AG (Audit-II), GUJARAT, AHMEDABAD

Monetary Unit Sampling Method through the IDEA application is being applied in the O/o Pr. AG (Audit-II) Gujarat, Ahmedabad erstwhile O/o Pr. AG (E&RSA)) Gujarat, Ahmedabad on vouchers (revenue and capital separately) from April 2015 onwards as given below:

- Confidence level not below 95%.
- Upper Error Limit not above 1% of total amount.
- Expected Error Rate not above 0.49%.

Further, the details of treasury vouchers are stratified in three categories as under:

1. Vouchers having money value less than Rs. 5 lakh.
2. Vouchers having money value between Rs.5 lakh and Rs.1 crore.
3. Vouchers having money value more than Rs.1 crore.

The sampled vouchers details are communicated to FAW in O/o AG (G&SSA) Rajkot by FINAT for substantive testing of vouchers.

3.4.2 CHECKING OF CERTAIN CLASS OF VOUCHERS

FINAT will check 100 *per cent* of transactions, forming part of the Monthly Civil Accounts and Report on Monthly Expenditure (Monthly Appropriation Accounts) of the State considered material by Nature and Context. The details of Accounts Heads have been given below for such checking:

- Loans under Major Heads 6075 to 7615(except 7610-Loans to Government servants, etc.)
- Public Debt under Major Heads 6003 and 6004;
- Contingency Fund under Major Heads 7999 and 8000;
- Reserve Funds booked under Major Heads 8115 to 8235;
- Minor Heads 101–Pay and Accounts Office-Suspense, 102–Suspense Account (Civil),109– Reserve Bank Suspense (Headquarters), 110– Reserve Bank Suspense (Centre Accounting Office), 111–Departmental Adjusting Account under major Head 8658 –Suspense Accounts
- Cash Balances booked under Major Head 8999 – Cash Balances

- Cash Balance Investment Account – 8673
- Minor Head 800-Other Expenditure (especially if schemes like flag ship programmes are booked here)

Any other Head of Account for which this office feels that 100 *per cent* check has to be conducted can be added to the above list.

(Source: Para 2.18 of the Guidelines).

3.5 DECIDING DOCUMENTATION REQUIREMENTS IN FORM OF MATRIX & INFORMATION SHEET

FINAT would prepare a ‘*Matrix*’ showing the assertions sought to be proved, sample of transactions and vouchers selected for carrying out the test and substantive audit tests to be carried out. A sample matrix is given at Annexure-B of the Guidelines.

(Source: Para 2.20 and Annexure B of the Guidelines)

FINAT would monitor receipt of ‘*Information Sheet*’ based on the ‘*Matrix*’ supplied to all the audit teams involved in the Financial Attest Audit (FAA) of FA & AA showing the nature of substantive audit test, the units/account area/account information on which the test was carried out and the results of the substantive audit tests carried out by FAW, Local Audit Parties and Treasury Inspection units. The Information Sheets will be forwarded to FINAT from FAW on a monthly basis. Local inspection parties and treasury inspection units will attach the information sheet as a separate appendix to the regular inspection reports and these will be forwarded to FINAT after vetting by the concerned headquarters section of the respective wings.

(Source: Para 2.21 and Annexure-C of the Guidelines)

3.6 AUDIT IMPLEMENTATION

3.6.1 PREPARATORY WORK FOR COMMENCEMENT OF FINANCIAL ATTEST AUDIT.

The implementation of FAA of State Government accounts should appropriately start with a review of the State budget. As per the Guidelines, the office of the Principal Auditor may rely on the Budget Review Report prepared by O/o the AG (A&E). FINAT will obtain the copy of Budget Review Report from the O/o AG (A&E), Gujarat, Rajkot on an annual basis.

Before the commencement of the audit of transactions from the first month of the financial year, Audit has to ensure that budget provisions/estimates included in the Demands for Grants and other budget documents have been correctly carried over into the Voucher level Computerization (VLC) system and records maintained in the Book Section. In Gujarat, the A&E office has been getting data in electronic format and has been importing it electronically to the VLC system, FINAT need not check correctness of the budget data transferred to VLC system. It is sufficient to seek an assurance in this regard from the A&E office.

(Source: Para 3.2 to 3.4 of the Guidelines)

3.7 FAA IMPLEMENTATION STAGES:

The Implementation of Financial Attest Audit can be organized in two Phases

Phase I - Year Long Activities

3.7.1 Examination of Sanctions & vouchers performed by FAW and communicated to FINAT. (*Source: Para 3.7 to 3.13 of the Guidelines*)

3.7.2 FAA USING INPUTS FROM INSPECTION OF TREASURIES -

Inspection of Treasuries will be performed by O/o the AG (A&E) and result will be communicated to FINAT on a quarterly basis. (*Source: Para 3.14 – 3.16 of the Guidelines*)

3.7.3 ANALYSIS OF INPUTS BY FINAT

FINAT would analyse the inputs received from desk audit and local audit of selected vouchers, treasury inspection reports and monthly accounts to ascertain their impact on the financial statements. FINAT may conduct a wider audit of accounting areas where major deficiencies, weaknesses or inaccuracies were noticed during the above mentioned examinations. The objectives of such audits would be to identify underlying reasons of deviations and their impact on the financial statements. The results of this audit should be reported in the Report on State Finances, if considered significant or informed to the State Government in the form of a Management Letter. (*Source: Para 3.17 of the Guidelines*)

3.7.4 AUDIT OF THE MONTHLY CIVIL ACCOUNTS AND REPORT ON MONTHLY EXPENDITURE (MONTHLY APPROPRIATION ACCOUNTS)

As the next step, FINAT will perform the detailed audit of monthly civil accounts, Report on Monthly Expenditure (Monthly Appropriation Accounts) and their underlying transactions and vouchers is to be taken up. This audit should be taken up immediately after the O/o the AG(A&E) shares the monthly civil accounts for the month of September with the Principal Auditor since this would provide half-yearly figures of expenditure and receipts. Detailed audit of the monthly civil accounts and the Report on Monthly Expenditure (Monthly Appropriation Accounts) may be carried out for the selected months of September, January, February, March (preliminary) and March (supplementary).

The objective of the audit checks in this phase are to identify errors, unauthorized expenditure etc. if any, sufficiently early so that corrections can be carried out before the accounts for the year are finally closed. FINAT will also test check transactions indicated in the 'Verified Date-wise Monthly Statement' for each month. The audit checks to be carried out at this stage are indicated in 'Audit Checks for audit of Monthly Civil Accounts' as given in Annexure –G of the Guidelines. The audit checks to be carried out on Report on Monthly Expenditure (Monthly Appropriation Accounts) are indicated in the 'Audit Checks for audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)' as given in Annexure – H of the Guidelines.

(*Source: Para 3.18-3.19 of the Guidelines*)

3.7.5 COMPREHENSIVE REVIEW OF GRANTS

FINAT should conduct a comprehensive review of at least two Grants every year. The results of this audit and the findings of audit of monthly civil accounts, Report on Monthly Expenditure (Monthly Appropriation Accounts) and the FA & AA should be used for reporting on the administration of the Grant by the departmental officers. Grants for such review may be selected by the Principal Auditor using professional

judgment on the basis of substantial persistent savings/excesses/other irregularities disclosed in past appropriation accounts. Failure of the controlling and drawing & disbursing officers to restrict their expenditure within the allotted amounts would be requiring special attention and probe. (*Source: Para 3.20 of the Guidelines*)

3.7.6 REGISTER OF AUDIT OBSERVATIONS.

A separate Register may be maintained in FINAT to record errors and omissions noticed during audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)/ Monthly Civil Accounts for follow up action. The unsettled cases which may have impact on the accuracy or completeness of FA & AA should be considered for audit comments and for qualification of accounts as well as for inclusion as comments in the Report on State Finances. (*Source: Para 3.21 of the Guidelines*) **Phase II - Year End Activities**

3.7.7 ENTRY AND EXIT CONFERENCE.

Entry conference with the State Government is to be organized at an appropriate time, before the start of Phase- II of audit implementation. In such conference, the O/o the AG (A&E) and other Sub-Auditors should also participate. This conference may be organized along with the Exit Conference being organized by AG (A&E) to discuss finalization of accounts. It is of paramount importance that the audit objectives, scope, methodology are discussed with the Finance Department of the State Government, and also sent to them through a formal communication with a copy to the AG (A&E).

(*Source : Para 3.22-3.23 & 3.34 of the Guidelines*)

3.7.8 AUDIT OF STATEMENTS AND APPENDICES OF FINANCE ACCOUNTS.

FINAT will commence the audit after the submission of Statements and Appendices of Finance Accounts by the O/o the AG (A&E). In addition to the audit checks prescribed, review of compliance with audit observations pointed out during earlier phase of audit will also be part of the scope of audit of this phase. In case, corrections are carried out later on in the Monthly Civil Accounts already audited, these corrections should be scrutinized and their impact on accounts assessed. The detailed audit checks to be carried out on each Statement and Appendix of Finance Accounts are indicated in the 'Audit Checks for audit of Finance Accounts' as given in Annexure – I of the Guidelines.

3.7.9 AUDIT OF APPROPRIATION ACCOUNTS.

FINAT will commence the audit of Annual Appropriation Accounts as soon as Grant Statements containing information relating to grant number, nomenclature of the heads of accounts up to sub-head level forming part of the

particular grant and final grant against each sub head are received from AG (A&E). The correctness of grant number and nomenclature of heads of account should be checked at this stage with reference to those in detailed demands for grants and any corrigendum issued thereof as also the Supplementary Demands for Grants for the year. Further, information relating to the sanctioned provision (Original and Supplementary) and the effect of re- appropriation/resumption orders issued during the year against each sub-head should also be checked for correctness.

Audit of detailed Appropriation Accounts showing final Grant expenditure figures should focus on verifying whether the expenditure incurred is within the sanctioned provision or is covered by re-appropriation orders issued to meet the excess expenditure. Finally the audit of the final Appropriator Accounts is to be taken up as per the audit checks attached as Annexure- J of the Guidelines.

Several of these audit checks are amenable to execution on the VLC Database through use of Computer Aided Audit Techniques (CAATs) like IDEA. Audit checks required in various substantive audit tests are listed out in the Guidelines to facilitate easy development and adoption of CAATs in such audits. The audit report module could be developed in the VLC system for automating the financial audit process itself. Computerization of the audit process either through in-house or off the shelf software would assist in better planning, execution and monitoring of Financial Attest Audit procedures and reporting. Sample audit report which can be developed in the VLC system to facilitate audit check is included as Annexure-K of the Guidelines.

(Source: Para 3.25-3.28 of the Guidelines.)

3.7.10 VETTING OF NOTES TO ACCOUNTS

Notes to Accounts (NTAs) are additional information/disclosures provided in Volume-I of the Finance Accounts that help explain specific items in the statements as well as provide a more comprehensive assessment of the financial position.

It has been an established practice that AG (A&E) proposes draft NTAs and these are vetted by the Principal Auditor before their inclusion in the accounts. FINAT will vet the NTA after their receipt from the O/o the AG (A&E). Even after vetting the NTAs there may be circumstances where audit observations elaborating and accentuating NTAs may be necessary for the reasons of materiality and context. In such cases, the audit observations should bring out the impact of the NTAs on the accuracy and reliability of accounts. Such audit observations should be communicated to the AG (A&E) and State Government and considered for inclusion in the Report on the State Finances.

3.7.11 PREPARATION OF DRAFT AUDIT COMMENTS

Based on the results of audit, FINAT would prepare the draft audit comments on the Finance and Appropriation Accounts and send it to Finance Department for their replies with a copy to AG (A&E) and Sub- auditors.

3.8 DOCUMENTATION AND REPORTING

3.8.1 AUDIT FILES

Documentation in a FAA requires maintenance of audit file along with a

set of working papers. Audit file refers to one or more folders, in physical or electronic form, containing the records that describe the audit documentation for a specific engagement. The audit file to be maintained by FINAT should include the detailed audit plan, the sample selection, nature, timing and extent of procedures performed, results of such procedure and the evidence obtained. It should also mention significant matters arising during the audit, the conclusions reached thereon and significant professional judgments made in reaching those conclusions. Audit file should also include record of discussions of significant matters with Management, Government

and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

(Source: Para 4.1 to 4.3 of the Guidelines)

3.8.2 ASSURANCE MEMO.

Assurance Memos have been prescribed in the guidelines to seek an assurance from the Principal Auditor and AG (A&E) to the compliance of these guidelines. The Assurance Memo regarding audit of FA and AA would be prepared by FINAT. These memos would provide the assurance to the controlling ADAI/DAI about the completeness and robustness of the process being followed while compiling and certifying the accounts by the concerned authorities. The Memo to be signed by the Principal Auditor i.e. Pr. AG (Audit-II), Gujarat, Ahmedabad is given in Annexure L1 of the Guidelines and would be supported by an Assurance Memo about compilation of Finance and Appropriation Accounts as given in Annexure L2 of the Guidelines to be signed by the Pr. AG/AG (A&E).

3.9 RESULTS OF AUDIT

The objectives of conducting FAA of State Government accounts are to provide an assurance on accounts to the stakeholders, improving quality of accounts, encouraging systematic improvements and enforcing financial discipline. The outcome of FAA can be in the following forms:

3.9.1 REVISION /CORRECTION OF ACCOUNTS

3.9.2 MANAGEMENT LETTER

A Management Letter would be proposed by FINAT and the same would be issued to the Principal Secretary in-charge of Finance Department (the audited entity) pointing out those audit findings which though not material enough to affect the audit opinion, need to be addressed to improve the quality of accounts after its approval by Pr. AG (Audit-II), Gujarat, Ahmadabad. While developing findings, it is important to focus on underlying causes of problems rather than simply to report the problems and their results. It should be ensured that nothing communicated to the audited entity is inconsistent with the audit opinion. Further, a copy of the Management Letter issued to the State Government should also be sent to the AG (A&E) for matters relating to compilation of accounts. A management letter can also be issued to the O/o the AG (A&E) for matters relating to compilation of accounts.

3.9.3 AUDIT OPINION

Audit of financial statements are 'reasonable assurance' engagements. Given the

inherent limitations of an audit engagement, the auditor can only provide a 'reasonable assurance' and not an 'absolute one', the result of which is that most of the audit evidence obtained by the auditor will be persuasive rather than conclusive. The results of this audit are communicated to the external stakeholders through an audit opinion which has two components as discussed in paragraph 1.4 of this manual.

3.9.4 SUPERVISION AND REVIEW

The responsibility of preparing draft audit opinion including draft Audit Certificate and draft audit comments which might find a place in the Report on State Finances would be of FINAT after conclusion of audit and after considering the replies received from the State Government. The draft audit opinion would be sent to the controlling DAI / ADAI for approval of the CAG. This opinion would be supported by the Assurance Memos as discussed in preceding para 4.2 and an appreciation note about the process followed.

4. RESPONSIBILITIES ON VETTING OF UORS

There are 26 departments (having 108 grants) of which comments are appearing in Appropriation Accounts every year. Comments on sub-heads appear as per the PAC norms in the Appropriation Accounts. On appeared comments, the departments submit their detailed explanations in the form of UORs which are vetted in FINAT. After, vetting of UORs, finally questionnaire is prepared by FINAT on the detailed explanation which is to be discussed in the PAC.

5. OPINION ON OPENING OF SUB HEADS

The State Government has been empowered to discharge the function of the Union Government under article 150 of the Constitution of India related to the opening of Sub heads and Detailed Heads of Accounts under the various Major and Minor heads of account in its Accounts. Similarly, in terms of section 21 of the Comptroller and Auditor General (DPC Act 1971), the CAG of India has delegated to the State AsG the powers to tender advice to the State Government in the matter of opening of Sub head/ Detailed head in the accounts.

Further, as per D.G. (GA) instruction vide letter. TM/S-2//ONS-COR/2012-13/573 dated 29.12.2014. Pr. AG (Audit-II), Gujarat, Ahmedabad required to give the opinion on the opening of new sub- head. However, final concurrence on this matter rests with O/o the AG (A&E).

6. CHECKING OF ACCOUNTS AT A GLANCE

Accounts at a Glance provide a broad overview of Government activities. The information is presented through brief explanation, statements and graphs. It is prepared by the O/o AG (A&E) annually and checked by FINAT.

7. ANY OTHER FUNCTIONS OF FINAT

FINAT will attend any other work assigned by Pr. AG (Audit-II), Gujarat, Ahmedabad in matters relating to Financial Attest Audit.

PART-D

RESIDENT AUDIT OFFICE (PAY & ACCOUNTS OFFICE)

1 INTRODUCTION

The Pay and Accounts office (PAO) was formed at Ahmedabad under the control of State Government on 1 May 1960 to deal with the payment to Gazetted Officers, payments on account of establishment and other contingent charges pertaining to (1) Secretariat Department (2) Governor's establishment (3) Legislature and (4) State Level Heads of the Departments located at Ahmedabad.

After shifting of the Secretariat and other State Level offices to the new capital city of Gandhinagar, another Pay and Accounts PAO was created at Gandhinagar with effect from May, 1970. Thus at present there are two PAOs at Ahmedabad and Gandhinagar for dealing with the pay and accounts work pertaining to the various departments of the Government of Gujarat.

1.1 FUNCTIONS OF THE PAO

In pursuance of the general policy of the Government to divest the Audit department of the responsibility of making payments and compilation of accounts which are not germane to audit functions, the functions of pre-check and accounting of the state transactions arising in Gandhinagar and Ahmedabad were taken- over by the PAO from the Accountant General from 14 June 1965 (Gandhinagar from 1 May 1970). Thus, the PAOs at Gandhinagar and Ahmedabad are responsible for making the payments and also for the maintenance of accounts of state transactions pertaining to above mentioned four groups of offices of the State Government. The PAOs function as a Treasury in respect of payments of these four groups of offices arising in Gandhinagar and Ahmedabad. The PAOs also compile the accounts for all such payments including transactions recorded at Resident Commissioner, New Delhi and Liaison Officer, Mumbai and the compiled Accounts are rendered to the Accountant General (A&E), Gujarat. The Function and duties of the Pay and Account Office has been described in the Pay and Account Office Manual, 1965.

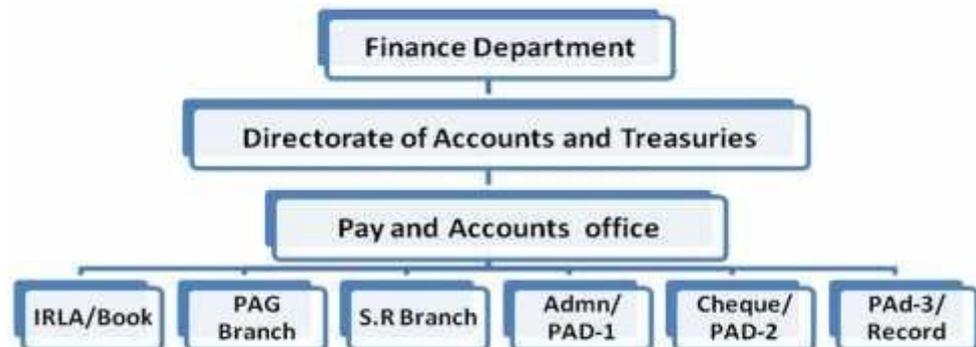
The main functions of the PAOs at Ahmedabad and Gandhinagar are as follows:

- (a) Payment, after cent per cent pre-audit of all contingency and pay & establishment vouchers. PAO Gandhinagar conducts pre-audit of vouchers of 128 departmental offices and PAO Ahmedabad conducts pre-audit of vouchers of 25 departmental offices.
- (b) Maintenance of detailed records of such payments as was done in Accountant General's office in accordance with the procedure prescribed by the Comptroller and Auditor General of India, in the various Codes and Manuals.
- (c) Sending monthly compiled accounts to the Accountant General (A&E) by the 10th of every month from the details furnished by the Reserve Bank and

those originating in the PAO office. The PAOs also conduct reconciliation of monthly expenditure of all departments with Accountant General (A&E).

1.2 ORGANISATION OF THE PAO

The Finance department is the administrative Department for Directorate of Accounts and Treasuries (DAT). The Pay and Accounts Officer is in charge of the Pay and Accounts Office who provides assistance to the DAT. He is assisted by Accounts Officer Class-I and Class-II, Superintendent, Upper Division Clerks *etc.* Consistent with the distinctive functions of this office in respect of State and Central transactions arising, the office is divided into several branches as detailed below:



INDIVIDUAL RUNNING LEDGER ACCOUNTS (IRLA):

It deals with payment of salaries and allowances of the Governor, Speaker of the Legislative Assembly of the State, Ministers and MLAs and personal claims of these authorities.

PAY AND ALLOWANCES OF GAZETTED OFFICERS (PAG) BRANCH:

It deals with pay and allowances of Gazetted officers working under the above four groups of offices.

SERVICE RECORDS (SR) BRANCH:

It deals with the maintenance of service records of officers of All India Services working under the State Government and all officers working on the post of State Level Heads of Departments located at Ahmedabad and Gandhinagar, issue of salary slips, reports on the entitlement of leave *etc.*

DEPARTMENTAL AUDIT BRANCH (PAD):

It deals with pay and allowances *etc.*, of non-gazetted establishment, contingencies and payments authorised by the Accountant General, Gujarat. These branches also deal with payment and maintenance of Contingency Fund and its adjustment.

CASH & CHEQUE BRANCH:

It deals with the receipts and payments (by cheque) of bills.

ESTABLISHMENT, CONTROL AND RECORD BRANCH:

It deals with establishment matters of this office, co-ordination of various sections, orders issued by the Government, Accountant General *etc.*

1.3 MANUAL, RULES AND ACTS FOLLOWED BY PAO

For sanction audit and pre audit of contingent payments, the PAOs adhere to the following Manual/ Rules:

1. The Bombay Pay and Account Office Manual, 1965
2. The Gujarat Civil Services Rules, 2002
3. The Gujarat Civil Services Rules, 2005
4. The Gujarat Civil Services Rules, 2006
5. The Financial Power (Delegation) Rules, 1998
6. Mumbai Contingency Expenditure Rules, 1959
7. Gujarat Treasury Rules, 2000
8. The Gujarat Civil Service (Revision of Pay) Rules, 2009 & 2016.
9. The Gujarat Financial Rules, 1971
10. Bombay General Provident Fund Rules
11. The Medical Civil Service Rules, 2015
12. All India Civil Services Rules Part-1-2-3, 2016

2. ORGANISATION AND FUNCTIONS OF THE RESIDENT AUDIT OFFICE

2.1 PRE-RESTRUCTURING

The accounts and all contingent vouchers of the Pay and Accountant Offices located at Gandhinagar and Ahmedabad are subject to audit by the Comptroller and Auditor General of India (CAG).

The functional control of Resident Audit Offices was under Works wings, Ahmedabad under the jurisdiction of the Office of the Accountant General (Civil Audit), Rajkot. The expenditure audit of the Departments and the field offices of the State Government were conducted by the Office of the Accountant General (Civil Audit), Rajkot up to 1 April 2012. However, as a part of Restructuring of Indian Audit & Accounts Department, with effect from 2 April 2012 the Works wing was renamed as Economic Sector-II (ES-II) Wing and placed under the jurisdictional control of Accountant General (Economic and Revenue Sector Audit). The ES-II wing was given the responsibility of auditing six departments. Central Audit of Monthly Accounts of Public Works Department *viz.*, Roads and Buildings Department and Water Resources Department and Pay and Account Offices, Gandhinagar and Ahmedabad were also placed under the control of ES-II wing.

The functions of Central Audit of monthly accounts of Public Works Departments and Resident Audit Offices of Pay & Accounts Offices located at

Gandhinagar and Ahmedabad were placed under the control of Dy. Accountant General (Administration) with effect from 25 February 2015.

(Authority: Office Order No. Admn (Au)/BL 180 dated 25-02-2015).

2.2 RESTRUCTURING OF INDIAN AUDIT & ACCOUNTS DEPARTMENT

As a part of restructuring of Indian Audit & Accounts Department on cluster based approach, the RAOs Ahmedabad and Gandhinagar were placed under AMG-III group under the control of Principal Accountant General (Audit-II), Gujarat, Ahmedabad with effect from 15 May 2020.

The functions of Resident Audit Offices of Pay & Accounts Offices located at Ahmedabad and Gandhinagar were placed under the control of Dy. Accountant General (AMG-III) with effect from 15 May 2020.

(Authority: Office letter no. 95/09-SMU/2020 dated 15.05.2020)

2.3 CADRE WISE SANCTIONED STRENGTH

The sanctioned strength of Sr. Audit Officer/ Audit Officer, Assistant Audit Officer/ Supervisor, Sr. Auditor/ Auditor, Data Entry Operator and MTS for Resident Audit Offices, Gandhinagar and Ahmedabad as on date is as follows:

Cadre	Sanctioned strength	
	Gandhinagar	Ahmedabad
Sr. Audit Officer/ Audit Officer		
Asstt. Audit Officer /Supervisor	1	1
Sr. Auditor/ Auditor	5	3
Data Entry Operator	1	1

(Sanction strength revised in May 2015)

2.4 FUNCTIONS OF THE RESIDENT AUDIT OFFICE

The functions of the Resident Audit Offices of PAOs Gandhinagar and Ahmedabad are as follows:

1. Post audit of contingent vouchers / bills, pay and establishment bills, travelling allowances bills, medical bills and LTC etc., relating to Gazetted Officers and non- Gazetted Officers / officials passed and paid by the Pay & Accounts Offices.
2. Audit of sanctions received from the Departments and offices located in Gandhinagar and Ahmadabad, of which payments/ transactions do not route through treasury and payments for which are routed through Pay and Accounts Offices.
3. Audit and countersignature of Monthly Compiled Accounts submitted by the Pay & Accounts Offices every month before it is submitted to the Accountant General (A&E) by the 10th of each month.

4. Review of contract register for agreements made for purchases above 50,000 maintained in manuscript by the Pay & Accounts offices.
5. Post audit of expenditure relating to Governor office, Liaison offices at New Delhi and Mumbai for Gujarat Bhavan, and expenses of MLAs such as TA Bills, Medical Bill and Pay bills *etc* is done by RAO Gandhinagar.

2.5 BROAD OBJECTIVES OF AUDIT

The broad objectives of post audit of vouchers conducted by the RAO are to ensure legality, regularity, economy, efficiency and effectiveness of financial management and public administration. RAO seeks to check whether:

- (1) Funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred;
- (2) Either a special or general sanction of the Competent Authority authorizing the expenditure is available;
- (3) All financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate Heads of Accounts;
- (4) The monthly compiled accounts are properly prepared, are complete in all respects and are presented with adequate disclosures; and
- (5) Whether the provisions of the Constitution, the applicable laws, rules and regulations made there under and various orders and instructions issued by competent authority are being complied with;

2.6 SAMPLE SIZE FOR SELECTION OF VOUCHERS FOR AUDIT

Prescribing and planning materiality level in the form of monetary thresholds and other criteria for selection of sample vouchers, sample account areas and sample transactions for substantive testing is one of the major audit planning activities. The selection of samples for substantive testing of accounting inputs like vouchers, challans, classified abstracts, consolidated abstracts, transfer entries, settlement accounts, clearance memorandum and different transactions forming part of the accounts is to be done by Principal Auditor adopting any appropriate statistical sampling methods. Similar activities are required to be done by Sub- Auditors in their respective audit jurisdictions.

(Source: Paragraph 2.16 and Annexure D of FINAT Guidelines)

Resident Audit Offices receives vouchers relating to the contingent expenditure, Pay Bills, TA Bills, Medical Bills, Abstract Contingent Bills and Detailed Contingent Bills for audit. The sample size for selection of vouchers for detailed audit approved by the Principal Accountant General vide Note orders dated 15 May 2015 is as under:

Sr. No.	Particulars of Vouchers	Voucher having payment of ₹ 50 lakh and above	Voucher having payment of ₹ 1 lakh to ₹ 50 lakh	Voucher having payment less than ₹ 1 lakh
1	Contingent	100%	50%	10%
2	AD/DC bill	100%	50%	10%
3	Medical bill	NA	100%	20%
4	TA Bill	NA	NA	50%
5	Pay Bill	100%	50%	10%

2.7 AUDIT CHECKS

The broad audit checks to be followed while conducting audit of sanctions, various kinds of vouchers and monthly compiled accounts by the RAO are discussed below. A list of audit checks to be conducted is placed as annexure to the chapter.

2.7.1 EXAMINATION OF SANCTIONS

RAO would carry out audit of sanctions received from respective department/ office with the objective of identifying deficiencies that may affect the accuracy and reliability of Finance Accounts and Appropriation Accounts. The following points should specifically be looked into by the RAO while auditing sanctions and the results of such audit communicated to PAO:

1. Whether the classification of heads of account indicated in the sanction is as provided in the Demands for Grants/ Supplementary Demands.
2. Whether the sanction issued complies with the provisions of Government Accounting Rules with regard to classification into Revenue and Capital expenditure.
3. Whether the sanction order correctly classifies the sanctioned expenditure into Voted/ Charged categories where required.
4. Whether the sanction is for drawal of budgeted funds merely to avoid lapse of budget provision and if so, pursue the matter for appropriate comments.
5. Whether the sanctions are issued by the competent authority and where required with the approval of Finance Department /Council of Ministers.
6. Whether timelines are prescribed for submission of utilization certificates (e.g. in case of GIA sanction) or repayment schedules for loans and advances.
7. Whether write-off sanctions are issued after following prescribed procedures.

2.7.2 AUDIT OF CONTINGENT VOUCHERS

The RAO would select the sample transactions (as per sample size discussed above) to be checked in detail. The audit checks to be followed for audit of Contingent vouchers, Advance payments, AC & DC Bills and Medical / TA & Pay Bills are given in **Annexure I to IV**.

2.7.3 DOCUMENTATION OF WORKING PAPERS

Documentation in RAOs requires maintenance of audit file along with the set of working papers. Audit file refers to one or more folders, in physical or electronic form, containing the records that describe the audit documentation for a specific engagement. The audit file to be maintained by the Auditor should include the detailed audit plan, the sample selection, nature, extent of procedures performed, results of such procedures and the evidence obtained. It should also mention significant matters arising during the audit, the conclusions reached thereon and significant professional judgments made in reaching those conclusions.

Audit file should be properly indexed, referenced and supplemented by the set of working papers. In case of multiple audit files, a master index of the files may be maintained in addition to the index of each audit file. The auditor should complete the administrative process of finishing the audit file on a timely basis.

(Source: refer paragraph 4.1 to 4.3 of FINAT Guidelines)

2.7.4 AUDIT OF COMPILED MONTHLY ACCOUNTS

The PAO submits Compiled Monthly Accounts supported by schedules/ vouchers of (i) Postal Life Insurance, (ii) State Insurance Fund, (iii) Provident Fund, (iv) Security Deposits of employees of the four groups of offices and (v) Items adjustable by Accountant General, Gujarat or any Accounts Officers for the countersignature of the RAO before submitting to the Accountant General (A&E). After submitting the monthly account, one copy is submitted to the RAO. The monthly accounts are to be checked with reference to the broad sheet and relevant schedules. The related checklist for audit of monthly account is given in Annexure 4.5. The Important provisions, rules etc., which provide a reference point for Audit are given in Annexure 4.6.

2.7.5 MONTHLY RECONCILIATION OF ACCOUNTS BY DEPARTMENTAL OFFICER

Reconciliation of account figures with the departmental book will, in first instance, be done by Departmental Officers with the PAO and then supplemented, where necessary for reconciliation in the Accountant General's office so far as the transactions of four groups are concerned. The RAO has to watch the progress of reconciliation done by the PAO with Accountant General's office and if any arrears in reconciliation, the same has to be communicated to the PAO for necessary action.

2.8 RESULTS OF VOUCHER AUDIT

Any audit findings noticed during detailed scrutiny of vouchers are to be communicated to the PAO for compliance and rectification of errors/ mistakes. The RAO has to document all checks by gathering/ collecting copies of vouchers, sanctions etc and maintain it in a separate file. The correspondence has to be watched at RAO level and observations have to be forwarded to the Audit parties of PAG (Audit-II) and AG (Audit-I) offices for detailed audit.

2.9 OBJECTION BOOK AND ADJUSTMENT REGISTER

The RAO has to maintain Objection book and Adjustment book for objections relating to contingent vouchers and AC & DC Bills separately. The audit findings issued to the PAO are to be entered into the objection Books and based on compliance of the PAO, necessary entry has to be adjusted in the OB and adjustment register. Before 5th of every month, the closing of the OBs has to be submitted to the Dy. Accountant General (AMG-III) for perusal.

2.10 OTHER FUNCTION OF THE RAO

Apart from the above functions, the RAO has to submit the various returns by the due dates to the respective groups.

Following returns are to be submitted before 5th of every month:

1. Calendar of Returns to Quality Assurance Section through Group Officer
2. Arrear Report to Quality Assurance Section through Group Officer
3. Men in position to Administration Section
4. Audit Certificate to AMG-III Section
5. Closing of Attendance Register to Resident Audit Officer

Following returns are to be submitted quarterly before 5th of April, July, October and January:

1. Quarterly Hindi report to Hindi Section
2. Position of civil suits filed to the Administration Section.

A half yearly return of complaint register is to be submitted for review by the PAG (Audit-II) i.e in the month of April and October every year.

The returns/ information relating to the cases of misappropriation, write off, losses *etc.*, for Report on State Finances, to the State Finance Report Section is to be submitted before **5th of July every year**. The closing of inward registers and outward register has to be submitted weekly to the Resident Audit Officer.

The submission of the above returns within due dates has to be observed by the RAO.

2.11. ALLOCATION OF DUTIES

2.11.1 SR. AUDITORS/AUDITORS

The duties of Sr. Auditors/ Auditors defined are as under:

- The Sr. Auditors and Auditors have to carry out works of post audit of vouchers as per sample decided with the respective checklist and document it properly.
- Checking of schedules and vouchers with the monthly accounts submitted by the PAO with the prescribed checklist and document it properly.
- The sanction orders required to be checked in detail by applying detailed checks as prescribed in the checklist, MSO (Audit) and Financial Attest Audit Guidelines and required to be documented properly. Necessary

entries of sanctions checked are to be maintained Department wise separately.

- Audit observations are to be prepared by each Sr. Auditors/ Auditors and submit it to the Sectional head for approval.
- After issue of audit objection to PAO, necessary entry with money value has to be entered in the objection books (including AC/DC OB) and watch the clearance of the audit objection by applying adjustment by settlement or recovery as case may be. Compliance of the pending objection is to be watched by submitting reminders to the RAO on monthly basis.
- Letters received from the office of the State Government and Central Government/ Departments and from the Headquarter office require to be promptly attended for suitable disposal.
- The senior most Sr. Auditor in the RAO has to prepare all returns before due dates and submit it to the Supervisor / Asstt. Audit Officer/ RAO for onward transmission to the respective Sections as mentioned in the Calendar of Return. The Monthly Arrear Report and Calendar of Returns has to be submitted before 5th of every month to the Quality Assurance Section through Dy. Accountant General (AMG-III).

2.11.2 ASSTT. AUDIT OFFICER / SUPERVISOR

Asstt. Audit Officer / Supervisor is the sectional head of RAO and he has to review work done by the Sr. Auditors/ Auditors. The audit conducted by the Sr. Auditors / Auditors as per prescribed samples and checklist has to be reviewed and submitted to the RAO for approval. He should ensure that audit has been carried out in conformity with the prescribed parameters drawn in the Checklist, MSO (Audit) and FINAT guidelines. Before submission of monthly Account for countersignature of RAO, he should carry out necessary checks as enumerated in the Bombay Pay & Accounts Manual 1965 and checklist prescribed by the office. He should review all pending audit objections at regular interval (say fortnightly/ monthly) and necessary pursuance should be made with PAO by regular meetings and through issuing reminder letters. He should prepare a list of quarterly outstanding audit objection statement and issue to Director, Directorate of Accounts and Treasuries, Gandhinagar/ Ahmedabad for necessary action. He should ensure timely submission of all returns and provide guidance to all Sr. Auditor/ Auditor where ever necessary.

2.11.3 RESIDENT AUDIT OFFICER

The RAO is the supervisory officer who has to review all the sectional works and provide necessary guidance to the official of the RAO section. He should also review audit work being submitted by the AAO and accord approval to the audit observation, if found fit. He should also conduct regular meetings and follow up of Audit observations and also ensure timely submission of the returns.

PART-E

STATE FINANCE AUDIT REPORT SECTION (SFAR)

1 INTRODUCTION

Prior to earlier restructuring of audit offices in Gujarat w.e.f. 02.04.2012, the branch office of DAG (Works) at Ahmedabad under erstwhile office of AG (Civil Audit), Rajkot was responsible for the preparation of CAG's Report on State Finances, Government of Gujarat.

After restructuring of audit offices in Gujarat with effect from 02.04.2012, initially office of the AG (G&SSA), Rajkot was designated to prepare the State Finance Report. However, Headquarters office, vide Letter No. 130-SMU/PP/Reorganisation/5-2011 dated 30.03.2012, directed that Pr. AG or AG (Audit)-I should prepare the CAG's annual report on State Finances (SFR) under the specific charge of a Senior Group Officer. Accordingly, the said work was assigned to the office of Pr. AG (E&RSA), Ahmedabad.

As per Pr. AG's orders dated 02-05-2012, the Audit Report (AR) section of the erstwhile Works wing was re-designated as the State Finance Report section. Sr.DAG/DAG (Administration) was assigned the charge of preparation of SFR.

As a part of restructuring done in 2020-21 of Indian Audit & Accounts Department on cluster based approach, the State Finance Audit Report (SFAR) Section has been placed under AMG-III group under the control of Principal Accountant General (Audit-II), Gujarat, Ahmedabad with effect from August 2020.

2 SANCTIONED STRENGTH

At the time of creation of the section w.e.f. 02.05.2012, the sanctioned strength of 1

SAO/AO, 1 AAO/Supervisor, 2 Sr. Ar/Ar was derived from the erstwhile AR section of the Works wing at Ahmedabad. Subsequently, in July 2015, the sanctioned strength of Sr. Ar/Ar cadre in SFR Section was revised to 3 while sanctioned strength of 1

CT/DEO was allocated to the section. Thus, at present the sanctioned strength of section comprises 1 SAO/AO, 1 AAO/Supervisor, 3 Sr. Ar/Ar and 1 CT/DEO.

3 FUNCTIONS

The main functions of the SFaR section are:

- Preparation of CAG's Report on State Finances, Government of Gujarat and obtaining its approval from Headquarters office.
- Inclusion of new paragraphs as per new template prescribed by the Headquarters office from time to time.
- Consolidation of data from the offices of AG (Audit-I) Gujarat, AG(A&E) Gujarat and audit groups of office of Pr. AG(Audit-II) Gujarat for presentation before a new Finance Commission whenever constituted.

- Monitoring the task of translation of State Finance Report in Gujarati language and printing of reports in English and Gujarati versions in co-ordination with Central Audit Report section.
- Performing the work relating to providing the copies of Audit Report on State Finances to the Finance Department (FD) for its presentation in the State Legislature.

4 PREPARATION OF THE REPORT ON STATE FINANCES

Mandate

The Report on the State Finances is prepared for submission to the Governor of Gujarat under Article 151 of the Constitution which stipulates that the Comptroller and Auditor General of India is required to prepare and submit Reports on the accounts of the Central/State Government to the President/Governor, who is required to cause them to be laid before the Parliament/Legislature. The Report is to be treated as a confidential document till it is presented to the Legislature.

4.1 CONTENTS OF THE REPORT:

Earlier the Report on State Finances consists of the following three chapters:

CHAPTER-I: *Finances of the State Government*

CHAPTER-II: *Financial Management and Budgetary Control*

CHAPTER- III: *Financial Reporting*

However, according to “companion guide for issuing SFAR” issued by the CAG office in 2020-21 in the Report on State Finances a new chapter of the year-long activities has been added. Accordingly, the revamped SFAR will consist of following chapters:

CHAPTER-I : *Overview*

CHAPTER-II : *Finances of the State*

CHAPTER- III: *Budgetary Management*

CHAPTER- IV : *Quality of Accounts and financial reporting practices*

CHAPTER- V : *Through Year Activities*

The salient features of the revamped SFAR are:

1. The revamped SFAR seeks to widen readership, and target a cross section of stakeholders.
2. The objective of the SFAR should be to analyse and assess State’s (i) budgetary position, (ii) long-term fiscal sustainability, (iii) reliability of fiscal indicators, and (iv) quality of accounts and financial reporting.
3. The SFAR is based on the annual accounts and the effort should be to include audit comments arising from an in-depth analysis of the Budget and Accounts. The Report, while being centred on State Finances, should focus primarily on financial audit with an emphasis on ‘audit findings’ in addition to the analysis of budget and accounts. Further State Finance and budget manuals should be extensively used to derive and verify comments from accounts.

4. All issues included in the Emphasis of Matter to the Accounts, should be reflected in the SFAR with due analysis and comment.
5. Content must be analytical, drilling down to as granular a level as possible, extensively utilizing VLC/ IFMS data.
6. For major parameters, trends should be depicted for the past five years. Where relevant, monthly trends for the current year should be analysed by drawing on VLC data.
7. Trend analysis must be causal rather than mere narration of facts; and impact/ implication highlighted.
8. Presentation should extensively use infographics and charts, minimizing descriptive text. There should be no repetition of text narrating information available in the tables/ infographics/ charts. The text should be analytical and reflect greater details.
9. Concepts should as far as possible be explained through infographics; and integrated into the text as and where appropriate.
10. A narrative style should be adopted with easy language and a clear storyline. Generic broad analysis and motherhood statements should be avoided.
11. Sources of Data other than that derived from the Budget and Accounts, should be minimal, validated and clearly indicated.
12. All findings should indicate the authority/criteria against which the subject matter is being evaluated. The authority/criteria may be drawn from the Constitution, Acts, rules, regulations, manual, etc.

(Source: Companion guide for issuing SFAR issued by CAG office in 2020-21)

4.2 SOURCES FOR PREPARATION OF THE REPORT:

The main sources for preparation of the Report on State Finances include Finance and Appropriation Accounts of the State Government, subsidiary accounts, findings from inspection of treasuries by O/o AG (A&E), outcome of audit of selected grants, audit of Utilisation Certificates in selected departments, result of audit of functioning of PD/ PLA accounts, data regarding irregularity in drawal and submission of AC and DC Bills and other data provided by the Finance department and other departments of the State Government.

Further, the analysis of inputs received from desk audit and local audit of selected vouchers, treasury inspections reports and monthly accounts to ascertain their impact on the financial statements carried out by FINAT or the results of audit of accounting areas where major deficiencies, weaknesses or inaccuracies were noticed by FINAT, are also to be reported in the Report on State Finances, if considered significant.

The unsettled cases of errors and omissions noticed during audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)/ monthly civil accounts which may have impact on accuracy or completeness of Finance Accounts and Appropriation Accounts are also to be considered for inclusion as comments in the Report on State Finances.

The results of FAA in form of audit comments are presented in the Report on

State Finances. Significant irregularities noticed during audit of Finance Accounts and Appropriation Accounts are presented as audit findings along with an analysis of underlying causes and their impact. The audit findings could relate to financial management weaknesses, internal control deficiencies or inappropriate accounting treatments etc. noticed during the audit checks performed.

(Source: Para 3.17 of Financial Attest Audit Guidelines)

4.3 MAJOR ASPECTS TO BE EXAMINED WHILE FINALIZING REPORT ON STATE FINANCES

A. *The major areas of audit examination in respect of FA and AA which may be incorporated in the Report on State Finances are:*

FINANCE ACCOUNTS

Opaqueness in Accounts –

- Public funds lying outside Government accounts, Operations of personal deposits accounts, moneys in commercial savings banks and cooperative schemes
- Funds lying outside the Consolidated Fund- non transfer of unutilized funds from personal deposit /treasury savings bank accounts at the end of the financial year.
- Continued adverse balance and static balances over a period of time
- Non transfer of funds collected to appropriate Reserve Funds and its non-investments
- Integrity and reconciliation issues, wrong classifications-pendency of detailed contingent bills and Utilization certificates
- Conversion of State Government Loans into Equity and writing off of Loans made by the State Government

APPROPRIATION ACCOUNTS

- Expenditure incurred without budget provision
- Failure to obtain legislative approval for augmenting provisions
- Incorrect classification – voted & charged, revenue & capital
- Other misclassifications
- Deficient sanction orders
- Sanction of additional funds by executive orders
- Inappropriate advances from contingency funds
- Non furnishing or incorrect utilisation certificates

(Source: Para 4.15 - 4.17 of Financial Attest Audit Guidelines)

B. Other important aspects to be examined for their possible inclusion in Report on State Finances as under:

- i. Overall assessment on the achievement of the state regarding optimizing of finance commission grants
- ii. Test check to analyse the extent of projects under Public Private Partnership (PPP) to expand the resources availability of the state
- iii. Information and analysis of release and utilisation of grants released under the recommendations of subsequent finance commissions.
- iv. Analysis of reasons for abnormal reduction in Revenue Deficit/Fiscal Deficit to see if any unacceptable accounting adjustments were carried out by the State Government for projecting better financial position.
- v. Comments on sectors as well as Major Heads in which increase in revenue expenditure is perceptible. Reasons for low capital expenditure also need to be examined for comments.
- vi. Analysis of reasons for low recovery of loans and advances given by the State Government.
- vii. Examination of cases of realization of receipts from certain departmental undertakings resulting in reducing the revenue deficit of the state.
- viii. Analysis of funds raised by State PSUs by way of loans/Bonds for their own activities which are utilized by the State Government to meet their ways and means requirement. Such cases need to be seen thoroughly and suitably commented.
- ix. Examination of cases where the State Government has resorted to the practice of withdrawing investments from the State PSUs and subsequently recycling them to the same organization in the form of subsidies/fresh investment.
- x. Examination of all cases of “Nil” bill draws which camouflage the nature and extent of expenditure as per existing instructions.
- xi. “Minus balance” under certain heads in Finance Accounts are perpetually shown to be under investigation etc. The matter should be vigorously pursued with the Accountant General (A & E). The result of such investigation carried out should be reflected in the Audit Report.

(Source: Hqrs Letter No.1216/Rep(States)/Co-ord/SAR-State Finances/2009-329 dated 4.9.2009 & Hqrs. Letter No.457-Rep(S)/110-99 dated May 14-2007)

5 PRINTING AND SUBMISSION OF REPORT

The following points are to be ensured before printing of the Report:

- All the facts and figures as well as modifications/changes may be thoroughly rechecked. It may also be ensured that there is no discrepancy of any kind between the Executive Summary and the text and that the facts, statements and tables are mutually consistent.
- The Report should be consistent with the style guide (Second Edition) prescribed by the Headquarters office.

- Any modifications made in the approved Bond Copy based on updation of facts and figures etc. may also be got approved from Headquarters.
- Headquarters office is to be kept informed of the progress of the printing of the Report. A certificate to the effect that the printed Reports corresponds, in all respects, to the approved version of the Bond Copy may also be furnished while submitting the printed Report on State Finances for C&AG's countersignature. Besides, a certificate to the effect that sufficient numbers of copies of the printed Audit Report are available with this office for presentation to the Legislature may also be furnished.
- While sending the printed Audit Report on State Finances, three sets of CDs containing the exact version of the printed version in English as well as in Gujarati may also be sent for web-site use.
- Translation work should be started immediately after the Bond copy is submitted to CAG or even earlier and should be completed in three weeks. Changes made while approving the Bond copy may also be carried out subsequently in the translated Report.
- As per extant instructions of the Headquarters, field audit offices are required to take necessary steps for printing of the audit reports within 30 days of the approval of Bond Copy by the C&AG.
- At present 925 copies of English version and 750 copies of Gujarat version are printed every year. After printing, six printed copies each of English and Gujarati version are sent to Headquarters office for counter signature of C&AG. 600 copies each of English and Gujarat are sent to Governor for presentation to Legislature with the instructions to keep it confidential till its placement.
- All efforts should be made to complete the printing of the Audit Reports and forward the signed Audit Reports to the State Government as early as possible. It should be impressed upon the State Government that the Audit Reports should be

tabled in the Budget session. In case it is not possible to forward the Audit Reports to the Government during the Budget session, Government may be requested to arrange placement of the Reports in the Legislature in the next session.

CHAPTER 3: STAMP DUTY AND REGISTRATION FEES

LEGISLATIVE BACKGROUND-STAMP DUTY

Entry No.63 of List II-State list of the seventh schedule to Article 246 of the Constitution enables the State Government to legislate on the rates of stamp duty in respect of documents other than those specified in the provisions of List I. The exclusion from entry 63 of the provisions of List with regard to rates of stamp duty is for the purpose of securing uniformity in the rates of stamp duty through out the country in respect of Bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of Insurance, transfer of shares, debentures, proxies and receipts. In respect of these instruments the rates of stamp duty will be determined by the Union Government under entry No.91 of List I Union List of the Seventh Schedule of the Constitution. In addition, the subject of stamp duty (other than duties collected by means of judicial stamp but not including rates of stamp duty) finds a place in entry No.44 of List III (concurrent list) also. By virtue of these constitutional provisions, the Bombay Stamp Act 1958 is in force in the State of Gujarat which has been now renamed as the Gujarat Stamp Act, 1958.

THE STAMP ACT-A FISCAL STATUTE

The Stamp Act is a fiscal statute dealing with tax on transactions and the tax is levied in the shape of stamps on instruments recording the transactions. The law is modeled mostly on the English law on the subject and English decisions have furnished valuable guidance in the matter of the administration of the law in India. The collection of stamp duties unlike the collection of court fees cannot, in the nature of things, be under the immediate scrutiny and supervision of the Government Officers at the stage when they fall due. The scrutiny comes in at a later stage when the document is sought to be used before a Court or other Officer or when it is presented for registration. It is possible that in many cases there may be no occasion to use the document and this factor may tempt parties to make some illegal saving on stamps. To discourage this, penalties are provided for non-payment of proper duty in the first instance and, in glaring cases of evasion, the collector is authorised to launch prosecutions. From the point of view of Government revenue, the statute imposes a duty on judges and Officers of Courts to scrutinise every document presented before them to see whether it is properly stamped. In respect of instruments which are required to be registered compulsorily, this duty of protecting the revenue falls primarily on the registering officers.

The basic principle of the Stamp Act is that it levies the duty on the instruments. Hence the levy of stamp duty is on the instruments recording the transactions and not on the transactions themselves.

The quantum of stamp duty on an instrument depends on the real nature or substance of the transactions recorded in the instrument and not on any title or description or on nomenclature given by the parties who execute the instruments. The description in any deed given by the parties is thus, not

decisive in classifying the documents but it is only the actual character of the transactions and the true nature of the rights created by the instrument that are decisive in such matters.

The third principle is that the sufficiency of stamp duty leviable on a document must be determined by looking at the document and what is stated therein and not on any other evidence. The valuation of properties for the purpose of stamp duty is also to be based on the value on the date of execution of the instrument and not with reference to subsequent changes.

The stamp duty chargeable on an instrument should be determined with reference to the law in force on the date of the execution of the instrument but the levy of penalty is to be determined by reference to the law in force at the time of presentation of the instrument in evidence.

Schedules specifying the rates of duty form part of the statute and must be read together with it for the purpose of construction. If there is inconsistency between the schedules and the provisions in the Section, the latter shall prevail.

The instruments not mentioned in the schedule are not liable to stamp duty e.g. license etc.

3.1 THE GUJARAT STAMP ACT, 1958

In the State of Gujarat, the Bombay Stamp Act, 1958, now renamed as the Gujarat Stamp Act, 1958 is in force. Under the Act, Schedule-I is included which contains 59 different classes of instruments liable to stamp duty in the State. These items in the schedule are referred to as Articles of the schedule. Every document of the nature described in the schedule should be affixed with applicable stamp at the time it is executed regardless of whether the document requires registration or not (Section 3).

3.2 ADDITIONAL DUTY (SECTION 3A)

The instruments viz certificate of sale (Article No.17), conveyance (Article No.20(a), 20(b) and 20(c)), exchange of property (Article No.26), further charges (Article No.27), gift (Article No.28), lease (Article No.30), mortgage deed (Article No.36), power of attorney when given for consideration and authorising the attorney to sell any immovable property (Article No.45(f)), settlement (Article No.52) and transfer of lease by way of assignment and not by way of under lease (Article No.57) chargeable with duty in schedule I, when executed in an urban area shall in addition to such duty, be chargeable with a duty at the rate of twenty five *per cent* of such duty with effect from 10-8-1988 (Section 3A). Additional *panchayat* stamp duty was leviable under Sections 207 and 209 of the *Gujarat Panchayat Act, 1993* at different rates for different *panchayat* area which was maximum 35 *per cent*.

By the amendment made by Gujarat Act No. 15 of 2003, the rate of additional stamp duty (w.e.f. 01-04-2003) of the instruments specified in Section 3A has been increased to forty *per cent* including the rate of stamp duty to be increased as provided for in Section 207 and 209 of the *Gujarat Panchayats Acts, 1993*.

3.3 INSTRUMENTS RELATING TO VACANT LAND (SECTION 3B)

Every instrument of vacant land, exchange of vacant land, gift of vacant land, lease of vacant land, power of attorney when given for consideration and authorising attorney to sell vacant land and transfer of lease of vacant land by way of assignment and not by way of under lease chargeable with duty under Section 3 as mentioned in articles' No.20, 26, 28, 30, clause (f) of article 45 and article 57 respectively in Schedule-I shall,

- (i) when such vacant land is situated in an urban area be chargeable in addition to duties chargeable under Section 3 and 3A with duty at the rate of fifty *per cent* of the duty chargeable under Section 3, and
- (ii) when such vacant land is situated in an area other than urban area and is non agricultural lands, be chargeable in addition the duties chargeable under Section 3 with a duty at the rate of twenty-five *per cent* of the duty chargeable under Section 3.

Provided that nothing in this section shall apply to vacant land of an area not exceeding one hundred square meters which is intended to be used for a residential purposes.

(Section 3B deleted by Gujarat 15 of 2003).

3.4 MULTIPLE INSTRUMENTS (Section 4)

Under the Act when several instruments are employed for carrying out certain transaction, highest duty applicable will be leviable only on one of the instruments to be called the principal instrument and it being left to the parties themselves to decide which of the instruments will be regarded as the principal instrument by them. On the instruments other than principal instruments, a duty of ₹ 10 (**now increased to ₹100 with effect from 1.04. 2006**) shall be chargeable.

3.5 MULTIFARIOUS INSTRUMENTS (Section 5)

When an instrument deals with more than one distinct matter, it shall be charged to duty at the aggregate of the stamp duty that would be payable on each of the matters dealt with in the instrument. Distinct matter means matter of different kind such as an agreement for service and a lease which cannot blend into one or at any rate are not so intended or conceived by the parties that they can be regarded as merely parts of a single aggregate. Comprising or relating to *several distinct matters* means transactions which are distinct in their nature so as to be capable of being carried out by *two or more instruments instead of one*. What has to be considered is not whether the instrument embodies distinct contracts but whether it comprises distinct matter. The provision is not applicable if it is not shown that a deed in question embodies two separate and distinct matters. The provision would not also apply to a document, which embodies different convenient relating to the same transaction. An instrument must be read as a whole to find out its dominant object. It is not permissible to divide it into several parts and look at it piecemeal and then to assign each one of such parts

to some of the other Article of the Schedule to the Stamp Act. The main test to find out whether a document comprises of two or more distinct matters is to ascertain the leading object of the instrument and to see whether the second matter is only auxiliary to the main object or is independent of it.

3.6 AMBIGUOUS INSTRUMENTS (Section 6)

When an instrument is so framed as to fall under more than one description of the articles in the schedule I to the Stamp Act and where the duties chargeable there under are different, the instrument will be charged to the highest of such duties.

In conclusion, it may be stated that *Section 4* of the Stamp Act deals with multiple instruments, *Section 5* with multifarious instrument and *Section 6* with ambiguous instruments. The distinction between these three sections is to be clearly understood for a proper examination in audit of the stamp duty on documents registered.

3.7 METHOD OF STAMPING INSTRUMENTS (Section 10)

Documents executed have to be affixed with either adhesive stamp or embossed stamps as prescribed in the Act for different classes of documents. Like wise documents are also to be written in accordance with the provisions of the Act and Rules made there under in order that they may be regarded as duly stamped. Documents requiring adhesive stamp will not be treated as duty stamped, if they have been prepared on a paper with an embossed stamp and vice versa. In regard to the question of the proper stamp duty payable on an instrument, it must be borne in mind that stamp duty appropriate to a document will be at the rate in force on the date of the execution of the document. For this purpose, *execution* means affixing of signature on the document.

3.8 TIME OF STAMPING INSTRUMENTS EXECUTED IN THE STATE AND OUTSIDE THE STATE (Section 17 & 18)

All instruments chargeable with duty and executed by any person in this State shall be stamped before or at the time of execution or immediately thereafter on the next working day following the day of execution. However, clearance list falling under Article 18A, 18B, 18C, 18D or 18E of Schedule I may be stamped within two months from the date of execution.

Every instrument chargeable with duty executed only out of this State may be stamped within three months after it has been received in this State.

3.9 DOCUMENTS EXECUTED OUTSIDE THE STATE (Section 19)

When an instrument relating to property in the State of Gujarat is executed outside the State, the first taxable event is its execution and the instrument must bear the Stamps of the State of execution. If the instrument is brought into the Gujarat State, where properties are situated for the purpose of registration or later on for enforcing it, no other stamps would be required thereon unless the stamp duty payable in Gujarat State on the instrument is higher. In the latter case, the difference of duty is payable to Gujarat State.

3.10 INSTRUMENTS RESERVING INTEREST (Section 23)

When interest is expressly made payable by the terms of an instrument, such instrument shall not be chargeable with stamp duty higher than that with which it would have been chargeable, had no mention of interest been made therein. In other words, mention of interest does not alter the character of an instrument. For instance, in deed of mortgage, it is the principal sum, which will be subject to stamp duty without regard to the interest on such sum, which would be stipulated in the deed.

3.11 DEDUCTION OF DUTY ALREADY PAID ON TRANSFER OF MORTGAGE PROPERTY (Section 25)

Where any mortgage property subject to a mortgage is transferred to the mortgagee, he shall be entitled to deduct from the duty payable on the transfer the amount of any duty already paid in respect of the mortgage.

3.12 VALUATION IN CASE OF ANNUITY, ETC. (Section 26)

When an instrument is executed to secure the payment of an annuity or other sum payable periodically or where the consideration for a conveyance is an annuity or other sum payable periodically, the amount secured by such instrument or the consideration for such conveyance, shall be deemed to be :-

- (a) Where the sum is payable for a definite period so that the total amount to be paid can be previously ascertained, such total amount;
- (b) Where the sum is payable in perpetuity or for an indefinite time not terminable with any life in being at the date of such instrument or conveyance, the total amount which, according to the terms of such instrument or conveyance will or may be payable during the period of twenty years calculated from the date on which the first payment become due; and
- (c) Where the sum is payable for an indefinite time terminable with any life in being at the date of such instrument or conveyance the maximum amount which will or may be payable as aforesaid during the period of twelve years calculated from the date on which the first payment becomes due.

3.13 STAMP WHERE VALUE OF SUBJECT MATTER IS INDETERMINATE (Section 27)

In the case of mining lease in which royalty or a share of the produce is received as the rent or part of the rent, it shall be sufficient to have estimated such royalty or the value of such share for the purpose of stamp duty,

- (i) When the lease has been granted by or on behalf of the Government at such amount or value as the Collector may having regard to all the circumstances of the case have estimated as likely to be payable by way of royalty or share to the Government under the lease; **or**
- (ii) When the lease has been granted by any other person at twenty thousand rupees a year and the whole amount of such royalty or share whatever it may be shall be claimable under such lease.

3.14 ADJUDICATION AS TO STAMPS (SECTION 31)

The Act makes provisions for adjudication by the Collector on the stamp required on a document when such document is taken to him by an applicant on payment of prescribed fees. This process is known as voluntary adjudication. Likewise, the Collector is also empowered to decide finally subject only to the supervision of the Chief Controlling Revenue Authority (CCRA) all questions relating to the proper stamp duty on an instrument referred to him by a registering officer or any public officer. The Act requires that every registering officer or every public officer to whom a document is presented will satisfy himself about the adequacy of the stamp on the instrument and if he has any doubt in the matter, he would impound the document under Section 33 of the Act and send it to the Collector for his adjudication (**Section 31(3) and 32A**). This instrument presented to the Collector is adjudicated under **section 32** of the Act by determining the duty with which the said instrument is chargeable. The Chief Controlling Revenue Authority will refer cases of doubt to the High Court for decision.

3.15 DETERMINATION OF MARKET VALUE OF PROPERTY (Section 32A)

(1) If any officer registering under the Registration Act, 1908 an instrument of conveyance, exchange, gift, certificate of sale, partition, partnership or settlement or power of attorney or to sell immovable property when given for consideration or transfer of lease by way of assignment and any person referred to in Section 33 before whom such instrument is produced or come in the performance of his functions has reason to believe that the consideration set forth therein does not approximate to the market value of the property which is the subject matter of such instrument or as the case may be the market value of the property which is the subject matter of such instrument has not been truly set forth therein, he may before registering the instrument or as the case may be performing his functions in respect of such instrument refer the instrument to the Collector of such district in which either the whole or any part of the property is situated for determining of the true market value of such property and the proper duty payable on the instrument.

(2) The Collector of the district shall after giving the parties concerned a reasonable opportunity of being heard, and in accordance with the rules made by the State Government in this behalf, determine the true market value of the property which is the subject matter of the instrument and the proper duty payable thereon.

(3) Upon such determination, the Collector of the district shall require the party liable to pay the duty to make payment of such amount as is required to make up the difference between the amount of duty determined and the amount of duty already paid by him and shall also requires such party to pay a penalty of two hundred and fifty rupees or less and on such payment, return the instrument to the officer concerned.

Provided that no such party shall be required to pay any amount to make up the difference or to pay any penalty if the difference between the amount of the consideration or as the case may be the market value as set forth in the instrument and the market value as determined by the Collector of the district does not exceed ten *per cent* of the market value determined by the Collector of the district. **(This proviso had been deleted with effect from 1.04.2004)**

(4) The Collector of the district may *suo moto* or on receipt of information from any source within¹ six years from the date of registration of any instrument referred to in sub-para (1) above call for and examine the instrument for the purpose of satisfying himself as to the correctness of the consideration or of the market value of the property which is the subject matter of such instrument and the duty payable thereon and if on such examination he has reason to believe that the consideration does not approximate to the market value of such property, has not been truly and fully set forth in the instrument, he shall proceed as provided in sub-paras (2) and (3) above.

3.16 CONTROL OF AND STATEMENT OF CASE TO CCRA (Section 53)

(1) Any person aggrieved by an order of the Collector determining the market value may after depositing with the Collector² 25 *per cent* of the amount of duty or as the case may be, the amount of the difference of duty payable by him by application presented within a period of ninety days from the date of such order refer it to the Chief Controlling Revenue Authority for final decision.

(2) Such Authority shall consider the case and send a copy of its decision to the Collector who shall proceed to assess and charge the duty (if any) in conformity with such decision.

3.17 INSTRUMENT NOT DULY STAMPED

In regard to several classes of instruments duty is calculated on the amount of consideration (*if any*) market value and all other facts and circumstances set forth in the instrument, Revenue is protected by marking it obligatory on the party to set forth fully and truly the facts and circumstance affecting duty and providing penalties for infringement of the provisions. Likewise, the Act contains provisions for prosecution of parties executing document without proper stamp thereon or defrauding revenue in other way (**Section 28 and 42, 59, 62 etc.**).

3.18 RECOVERY OF DUTIES PENALTIES AND INTEREST

(1) Where any person required to pay any amount of duty, penalty or other sums does not pay the same within the time prescribed for its payment, he shall be liable to pay simple interest at the rate of twenty four *per cent* per annum (**fifteen *per cent* with effect from 1.04.2002**) on such amount or on any less amount thereof for the period for which such amount remains unpaid.

¹ Substituted by "Six" in place of "two" by Gujarat Act 13 of 1994

² Substituted by "25" in place of "75" by Gujarat Act 13 of 1994

(2) All duties, penalties and other sums required to be paid under this Act may be recovered by the Collector by distress and sale of the movable or immovable property of the person from whom the same are due, or as an arrears of land revenue (**Section 46 substituted by Gujarat 13 of 1994**).

3.19 FURNISHING OF STATEMENT, RETURN AND INFORMATION (SECTION 46A)

(1) The Collector may require any trading member of any stock exchange or an association as defined in clause (a) of Section 2 of the Forward Contract (Regulation) Act, 1962 or any organization, institution, company or association or any person liable to pay duty under any Article of *Schedule I*, to submit a statement or return or to furnish any information in respect of any transaction within such period as may be prescribed by rules.

(2) The Collector may impose penalty of a sum not exceeding rupees five thousand if any such person fails to submit a statement or return or information as required within a prescribed time, after giving an opportunity of being heard, without prejudice to any other action, which is liable to be taken against such person under any other provisions of the Act.

3.20 REFUND OF STAMP DUTY PAID IN EXCESS

The Act contains provisions for refund of the value of stamp purchased but not used, stamps spoiled, misused etc. in Section 47, 50, 51 and 52 of the Stamp Act.

3.21 THE INDIAN STAMP ACT TO APPLY TO CERTAIN TRANSACTIONS

The rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letter of credits, policies of insurance, transfer of share, debentures, proxies and receipts will be as laid down in the Indian Stamp Act, 1899.

3.22 REDUCTION OR REMISSION OF DUTY (SECTION 9)

The State Government may by rule or order published in the official gazette, reduce or remit whether prospectively or retrospectively, in the whole or any part of the State, the duties with which instruments or any particular class of instruments or any of the instruments belonging to such class or any instruments when execution by or in favour of any particular class of persons or by or in favour of any members of such class are chargeable and provide for the composition or consolidation of duties in the case of issues by any incorporated company or other body corporate of bonds or marketable securities other than debentures.

3.23 ORGANISATION AND FUNCTIONS OF THE DEPARTMENT

The Inspector General of Registration is the organisational head of the Registration Department. Matters relating to stamp duty and registration pertaining to various offices are entrusted to officers of the rank of Sub-

Registrar in his office. In each District, the work of registration is under the supervision of a Head Quarter Sub-Registrar and in places like Ahmedabad an area wise Sub-Registrars assist him in his duties. In the *Taluka* places, a Sub-Registrar is in charge of this work. The district and *taluka* offices are periodically inspected by the Inspectors of stamps and registration and it is the duty of each Inspector to minutely examine every office of Head Quarter Sub-Registrar and the Sub-Registrars under him in *taluka* places. The inspection also includes the check of correctness of stamp duty and registration fees levied on documents registered.

For the purpose of determining the stamp duty on documents presented for adjudication under Section 31 of the Gujarat Stamp Act, the Assistant Superintendent of Stamps acts as Collector in the State. All instruments executed or proposed to be executed within or out side the State may be presented to him for his opinion. Within the jurisdiction of each district however, the Collector of the district also acts in that capacity. The proceedings of the Collector are also subject to the control of CCRA. The instruments so executed can be registered in any office of Sub-Registrar in the State.

In Gujarat, the powers of Inspector General of Registration, Superintendent of Stamps and chief Controlling Revenue Authority are vested in the same person.

3.24 GENERAL GUIDELINES FOR CLASSIFICATION OF INSTRUMENTS FOR PURPOSES OF STAMP DUTY

3.24.1 ARTICLES OF THE SCHEDULE TO THE GUJARAT STAMP ACT

As mentioned in the earlier Chapter that the Schedule to the Bombay Stamp Act as applicable to Gujarat, renamed as the Gujarat Stamp Act contains 59 Articles under which documents executed by parties would be classified. There is no residuary Article in the schedule and accordingly every document has to be fitted into one or the other of the Articles. These Articles which are arranged in alphabetical order in the Schedule are generally self-explaining. However many of the Articles depend on other related Acts, like Transfer of Property Act, Contract Act and knowledge of such related laws is a *sine-que-non* for the examination of the stamp duty on a document. Further, difficulty is likely to be experienced in understanding the distinction between certain Articles. The usual confusion that would arise is whether a document is a settlement or a partition, release or conveyance and so on. The following commentary will be useful in addressing these issues:

3.24.2 PARTITION AND RELEASE DISTINGUISHED:

Certain decisions or case laws are given below:

- (1) A deed by which co-owners divide property in severalty is deed of partition and mereby because mutual release is an incident of the division the partition deed does not become a release. Moreover a deed of release is a one sided document and binds the executant alone while a partition is an agreement between two or more persons who are all bound by it. The essence of a partition is that assets in co-ownership as it were as in the case

of a coparcenary is split up into severality the process involving the destruction of the co-ownership and conversion of the same into several interests which are available for exclusive allotment to each harrier, such allotment of interests may be wholly in favour of one of the erstwhile coparceners without the other coparcener getting anything as and by way of share. That will be partition and not a release. Release is not necessarily destruction of co-ownership.

- (2) Under Section 2(15) it is enough if the parties purport to deal with the properties as co-owners, though they may not be co-owners in the eye of law. For this purpose, even if the description as co-owners is not actually found in a document it is still open to the court to find on a proper construction of the terms thereof whether the parties purport to be co-owners of the property or not.
- (3) Where of the two daughters who inherited certain property from their mother, one dies, and her husband and the surviving daughter purporting to be co-owner divided the property among themselves, and executed two documents styled as release, it was held that they were really instruments of partition, though styled as release. Following this decision, the **Board of Revenue, Madras** ruled that a document styled a release, executed by five persons in favour of one M.S. reciting that there were no ancestral property and that the property then possessed by the family from the profits in trade and the exertion of M.S. was a partition deed, the executants being treated as co-owners of the document.
- (4) One of the undivided brothers agreed to take from the eldest brother as his share in the family property, a certain amount in cash and certain outstanding due to the family and executed a document in the form of release in favour of the eldest brother. Subsequently, another brother also passed to the eldest brother a document in the form of a release whereby he and the eldest brother divided the remaining family property by the latter handing over to the former securities for money. It was held that the effect of both the documents was to divide the property of co-owning brothers in severality, and hence they were instruments of partition within the meaning of the section 2(15).
- (5) Where each of the two person's claims, as full and exclusive ownership of certain property and where each of them afterwards agrees to release a portion in favour of the other, such agreements are release deeds and not partition deeds as the case is not of the co-owners agreeing to divide the property.
- (6) A Hindu executed in favour of his father, as representing the interests of the other members of the family, an instrument by which he relinquished his right over the general property of family in consideration of certain lands being allotted to him for life, and certain debt incurred by him being paid, It was held that the instrument was not a deed of partition but a release, and should be stamped accordingly.
- (7) There is no difference in principle between such a document as between members of a coparcenary and one as between co-owners.

- (8) Where three out of seven brothers constituting an undivided Hindu family executed documents whereby each acknowledged the receipt of certain property, made over to him, “a division of family property having being effected”, and acknowledged himself liable for one seventh of the debts of the family, the documents were held to be instruments of partition.
- (9) In Superintendent of Stamps V/s Chimanlal, instruments which were in fact simple transfers of shares by the eldest brother in whose name they stood in favour of his two younger brothers, were held to be instruments of partition as they had the effect of dividing the property held by the co-owners. But this decision can hardly be justified and is dissented from by Mulla himself, who was one of the judges in the case, in his commentaries on the Act, on the ground that Act taxes the instruments and not transactions.
- (10) Where the partners in a partnership business by a deed, divide between themselves certain debts of the firm to be collected and appropriated, but remain joint regarding the other items of business, the deed must be constructed as a partition deed and not as a deed for the dissolution of partnership.
- (11) Where two firms were jointly owned by five persons, of whom three were undivided members of a family, the fourth their distant and separated coparcener and the fifth a stranger and an award was passed and embodied in a document, assigning one firm to three undivided members as a group and the other firm to the other two persons as a group, the document had been held to be chargeable as an instrument of partition and not as dissolution of partnership by reason of section 6. The fact that the allotments are not made to each individuals among the original co-owners but to groups does not make any difference because the true antithesis in section 2(15) is between the original common ownership and the subsequent cessation of the common ownership. From the difficulty in applying the conception of co-ownership to individual items of partnership assets it is not correct to say that partners are not co-owners with regard to the net asset of the partnership on the dissolution and a document embodying an arrangement dividing the assets between themselves, though it may take place as part of scheme of dissolution as well, is “an instrument of partition”. In such a case the documents may be both an instrument of partition and instrument for the dissolution of partnership. An instrument so framed comes within two or more of the descriptions in schedule 1 and the duties chargeable there under are being different; the document is chargeable only with the higher of such duties under Section 6.
- (12) A grant made by Zamindar to a junior member in lieu of his maintenance claim is not an instrument of partition.
- (13) A deed of partition necessarily presupposes that more than one person has a joint share in the property and that joint share is divided between the parties. Where the karta who is the father exercised the power to divide the joint family property, the documents bringing about the division is clearly an instrument of partition within the meaning of section 2(15). The document could be ‘settlement’ within the meaning of section 2(24)(b) if

the property belonged to the settler alone, the documents by which such property is divided cannot be described as a settlement.

3.24.3 CONVEYANCE AND RELEASE DISTINGUISHED

According to Explanation-I below clause (iv) Section 2(g) inserted with effect from 4-4-1994 (by Gujarat 13 of 1994) for the purpose of this clause, an instrument where by a co-owner of any property transfers his interest to another co-owner of the property and which is not an instrument of partition shall be deemed to be an instrument by which property is transferred inter-vivos.

Thus instead of making physical division of such property if one co-owner purports to abandon or relinquish his claim to the share in the family property in favour of remaining co-owner or co-owners of the property such instrument termed as release will be covered within the scope of Explanation-I as above for the purpose of chargeability of stamps duty as "conveyance".

In the case of *Kuppuswami V/s Arumugam* AIR 1967 para-6 the Supreme Court pointed out although a deed described as release deed can be usefully employed as a form of conveyance by a person having some right or interest to another having a limited estate e.g. by a remainder man to a tenement for life and release then operators as an enlargement of limited estate, it can also be made by using words of sufficient amplitude to transfer title to one having no title before the transfer.

Basically, a right or interest which is capable of being transferred in law by a one co-owner as releaser to another co-owner or co-owners by an instrument termed as release deed will not be chargeable as conveyance. At the same time a right or interest which is not capable of being transferred in law, like the right to future maintenance, or a mere right to sue can not be covered with the scope of Explanation-I.

In accordance with Gujarat Government Gazette bearing No. RP/1/89/45/88/1483-Research dated 20-1-1989, the *benami* transactions were prohibited to be dealt with as per Section 3(b) by way person other than person stated in sub-section (2) *ibid*. Further whoever entered in any *benami* transaction under Section 3 *ibid* was punishable. Further under Section 4(i), no suit, claim or action to enforce any right in respect of any property held *benami* against whose name the property is held shall be by or on behalf of a person claiming to be the real owner of such property.

Under Section 5(i), all the properties held *benami* shall be subject to acquisition by such authority as maybe prescribed by the Government.

Under Section 5(ii), the Government has to acquire such property without any amounts of payments.

3.24.4.1 SETTLEMENT

In the English Act, a settlement is defined as any instrument whether voluntary or upon any good or valuable consideration other than a bonafide pecuniary consideration where by any definite and certain principal sum of money (*whether charged or chargeable on lands or other hereditaments or heritable*

subject or not or to be laid out in the purchase of lands or other hereditaments or heritable subjects or not) or any definite and or certain amount of stock or any security settled or agreed to be settled in any manner whatsoever. There is no correspondence between this provision in the English Act and the definition in the Indian Act except that agreement to settle is included in both the provisions.

In the Indian Act of 1860 and 1869 also the definition was vague. In the Act of 1860, settlements, marriage settlements etc. were defined as deeds or instruments whereby any sum of money of any Government security or other property, real or personal was settled or agreed to be settled upon or for the benefit of any person in any manner whatsoever. In the Act of 1869, a settlement was defined or devolution of movable or immovable property was settled or agreed to be settled.

The definition in the Act of 1879 is the same as in the present Act except for the words "or for the purpose of providing for some person dependent on him" newly introduced in clause (b) in the present Act. The use of the word "distributing" in that clause conveys the idea of division among several persons. It was accordingly observed by the Madras High Court that the definition suggested the creation of a separate interest in favour of several persons who may have a legal or a moral claim on the settler, or for whom he may desire to make provision and a document by which a person out of natural affection bestowed upon his sister and her son certain lands, was held liable to stamp duty as a gift and not as a settlement. In view of the decision referred to above the definition has been amended in the present Act, by the addition of the words "or for the purpose of providing for some person dependent on him", so as to prevent the exclusion from it of what is not an infrequent document a settlement in favour of a single person. Thus a settlement includes not only a document which has for its object the distribution of the property of the settler but of providing, whether by distribution or otherwise, for some person dependent on him.

Even before this Act, this was the position according to some decisions. Thus an instrument by which the executant made over his house to his sister in law for occupation during her life was held to be a settlement, as being a non-testamentary disposition in writing of immovable property for the purpose of distributing property of the settler among those for whom he desired to provide. Though the disposition of the house was in favour of a single person it was held to be nonetheless, a settlement within the definition.

Even the Madras High Court held that an instrument, by which a life interest in a certain land was created in favour of the settler's sister with reversion to the settler and his heirs after her life time, was a settlement and not a gift. The decision in Reference 7 Mad. 349 was distinguished on the ground that there was an absolute and unqualified disposition of property by way of gift while in this case there was a provision merely for the life of the donee.

3.24.5 SETTLEMENT AND WILL DISTINGUISHED

The definition excludes testamentary disposition. The test in distinguishing a settlement from a will is whether the document is intended to have immediate operation. The document would be a settlement if it was intended to have immediate operation though there might be provisions as to the management and the ultimate beneficial interest in the property showing that it was contemplated that its operation might extend beyond the lifetime of the owner.

One of the invariable test in determining whether an instrument is testamentary disposition or not is to see whether it is revocable. If it is not revocable, it is not a will. The use of future tense is not a conclusive test when the intention is otherwise clear.

A reservation of life estate by the settlement would not render the instrument any the less a settlement.

An instrument in the following terms: "As I have become old, it is necessary that I should make in a document the disposal of my property with the object of preventing disputes here after about it. I therefore execute this document and direct that the village M is to be enjoyed hereditarily, that my son has an independent right like that which was exercised by me over the village, and the revenues thereof, and that nobody else has any right; and my son is the owner of my other movable and immovable property situated in G, I put him in possession of the same from this day. He is therefore the owner of my own and my ancestral property of every description "was held to be a settlement.

3.24.6 SETTLEMENT OR GIFT

For the application of the clause, it would appear that the object of the instrument must be to make provision for the grantee. A "gift" is the transfer or certain existing movable or immovable property made voluntarily and without consideration, by one person called the doner to another called the donee, and accepted by or on behalf of the donee whereas a Settlement is a disposition of property generally couched in the form of trust for a consideration of marriage, religion, charity or provision for family or dependents or others. Thus for a settlement, it is essential that the object of the gift should be to make some provision for the donee whereas gift is one which is made voluntarily and without consideration.

While proceeding on pilgrimage and intending to devote himself to a religious life, A made over all his property to his minor son under the guardianship of his mother. The Uttar Pradesh Revenue Board held that the deed was a settlement.

Two brothers executed deeds each in favour of the other. One was a deed of gift of all the property of the executant, and the other was a deed coming within no known category, but it provided for the expenses during his life time of the executant of the deed of gift, and hypothecated certain portion of the property comprised in the deed of gift to secure payment thereof. It was held that the two documents were part of the same transaction and amounted to a settlement.

A settlement deed is not taken outside the scope of this definition by the mere fact of its including an agreement by the beneficiary to act in a particular way in consideration of the settlement.

3.24.7 SETTLEMENT OR CONVEYANCE:

A transfer of land absolutely in pursuance of a compromise of a widow's suit for maintenance, is neither a gift nor a settlement but must be stamped as a conveyance.

However, if a son transfers any property in settlement of widow's claim to maintenance, it should be treated as a settlement as the son is under legal obligation to maintain the widow out of his own property and consequently, the mother would be regarded as his dependent.

In the matter of Maharaja of Dharbanga, a grant by the Maharaja of a pargana subject to certain conditions along with a payment of a lump sum, to his younger brother in consideration of the latter relinquishing his claim upon the former for maintenance, was held not to be a settlement under the Act, of 1879. Even under the present Act, it may not be a settlement as it would be difficult to regard the junior member entitled to maintenance out of the family property as a person dependent on the Maharaja. But it would be a conveyance as defined in the present Act.

Where a document in respect of lands, styled '*dakhal*' has been executed, partly due to love and affection towards the vendees and partly for expenses incurred by the vendees in respect of their *archakatwam* service and for '*paditharamulu*' such a document is partly a sale deed and partly a settlement deed.

3.24.8 SETTLEMENT OR TRUST DEED:

Where there is a transfer of property to certain trustees who are to manage it on behalf of the owner during his life time and in the event of his death, to make certain arrangements, and certain directions as to disposal of the income are also given, and a right of revocation is also reserved in the owner, the document is not a settlement.

A Trust is an expression of the desire by the author of the trust to vest to property in a body may be singular in its feature, for that body to administer if for convenience and for an equitable distribution of that estate of the author as per his directions contained in the deed itself. For executing a trust, the property need not be distributed by the author of the trust. But, in cases the declaration of a trust may be made only for purpose of equitable administration of the same so as to preserve it without being wasted as apprehended by the testator himself. This distinction therefore has to be borne in mind while interpreting an instrument for purposes of imposition of stamp duty while interpreting the word "settlement". The emphasis should be on the intention of the author of the trust to distribute the property among members of his family or to those who are near and dear to him.

3.24.9 CLAUSE (C) OF DEFINITION OF SETTLEMENT:

"*Wakf*" created by *Mussalmans*, should be treated as a settlement. A document which purported to be *wakf alalwladwal Khandan* is a deed of settlement within Section 2(24).

'R' constructed a *Dharamshala* for pilgrims and made certain restrictions as to its use and also made provision for the maintenance of the building. The Uttarpradesh Revenue Board held that as the document was a non-testamentary

disposition of property made for a charitable purpose and such disposition had not been made before in any other instrument the document was chargeable as a settlement.

A person transferred certain properties to the Board of Trustees and recorded that he would not be able to look after the trust personally. The Uttar Pradesh Revenue Board held it to be a transfer of property for religious and charitable purposes and as such a settlement.

A deed styled as a deed of release recorded that the executant had already created a trust of his properties for charitable purposes and by virtue of this deed relinquished all the claims to those properties. The Uttar Pradesh Revenue Board held that the document was deed of settlement as recording the terms of the provision disposition.

An instrument prepared for declaring trusts of certain funds for establishing a charitable institution, one of the sources the trustee got money from being public contributions was held to be a settlement within section 2(24) as regards this portion of the funds, there being no previous disposition in writing about this part of the funds.

The Calcutta High Court held in one case that a document styled a settlement deed by which all the executants properties were given to certain deities could not be regarded as settlement or deed of trust but only as deed of gift. Mitter J. observed as follows: "The word 'settlement' as it is generally understood refers to a disposition of successive interest in immovable property and is generally couched in the form of a trust and it is such a settlement which is in the nature of disposition of movable and immovable property either in consideration of marriage or for one or more of the objects specified namely, religion charity or provision for family dependants or others, that is contemplated by clause (24) of Section 2. Underlying the idea of settlement, there is the notion or conception of trust. It is difficult to say that when a gift is made to deity, the deity is to be regarded as a trustee'. This is also the view taken by a Full Bench of the Nagpur High Court.

But this view is dissented from in a latter Calcutta case where it is held that a similar document by which the executants' property was given to certain deities is a settlement deed for the purpose of the Stamp Act notwithstanding that there is no trust and no disposition of successive interest in the property. It is therefore remarked that the express meaning given to the word "Settlement" in the Act cannot be controlled by reference to the meaning given to the word by the Specific Relief Act.

3.24.10 SETTLEMENT IN THE FORM OF A TRUST:

An instrument called a trust deed by the executant may be a settlement. According to the terms of an instrument the future rental income of the two houses of the donor from the date of execution of the deed was to be utilised by the trustee for the benefit of the various beneficiaries who were all minor children of the donor. From the date of its execution the two houses would vest in the trustee and also would vest in him the rental income excusing from the two houses. This rental income was to be divided among the various

beneficiaries who were all minor children of the donor. It was held that the instrument was a settlement satisfying the requirements of Section 2(24) (b) and was liable to stamp duty as an instrument of settlement under Article 58 amended Article 52 and not under article 64 amended Article 58. Certain property was purchased by four persons and they declared a trust of the property by a document entitled "Declaration of a Trust" and it was executed by the four settlers. The trustees were authorised to recover the rates and profits of the property. The document also provided for annuities to be paid to the unborn children of the two daughters of the settlors and in a certain contingency for sale of the property and distribution of sale proceeds among the children of two daughters in equal proportion. It was held, that the document was a deed of settlement. The expression disposition includes any and every property of the settlor. As long as there is a disposition of movable or immovable property and it is for the purpose of distributing property of the settlor in any shape or form the requirements of the section would be fulfilled. Further the word used in the definition is 'disposition' of property and not 'transfer'. A transaction may amount to a disposition of property though it may not amount to a transfer of property. Disposition is a word of much wider connotation than transfer. When a man created a trust and constitutes himself a trustee, he undoubtedly deposes of his property though he is not transferring it.

Certain properties were to be devoted for charitable purposes and the deed was to have immediate effect. It was stipulated that the executant would manage the properties during his lifetime as a trustee and not as a proprietor. The Uttar Pradesh Revenue Board held that there was a disposition of property for charitable purposes and the instrument was a settlement.

Conveyances in favour of trustees (a) for social and physical training and recreation of the such persons resident in certain country boroughs as were members or likely to become members of Methodist Church and being of insufficient means otherwise to enjoy the advantages provided by the Trust: (b) for promotion and encouragement of all forms of activities calculated to contribute to health and well being of such persons were held not in favour of trust established for charitable purposes only.

3.24.11 DEED RECORDING DISPOSITION:

The last portion of the definition as to oral disposition was added by Act XV of 1904 to prevent evasion of stamp duty by the expedient of an oral disposition of the property subsequently recorded in the form of a declaration of trust.

A document falling within the definition as recording by way of declaration or otherwise the terms of an oral disposition was held chargeable to duty under Article 58, amended Article 52 although the oral disposition was made prior to the amending Act (XV of 1904) which added the words as to oral settlement in this clause.

Where in a partition deed between four brothers, their father also joined with a view to confirm the oral gift of the property made previously by him in favour of his sons who divided the properties, it was held that it should be stamped also as a settlement deed being an instrument recording the disposition. The expression recording 'has a more far-reaching significance than that of a mere narration and is intended to furnish indubitable proof of a transaction. Though

the document is not a settlement in the sense that the owner of the property settled under the document upon certain other persons yet it becomes a settlement by reason of the artificial definition created by section 2(24), that is to say it is a record of an earlier oral settlement. If the person settling the interest does not join the instrument then the reference to the settlement may be merely a narrative of the origin of the title and the document could not operate of its own volition as a gift.

The document in this case contained also reference to a gift of some other items as having been made in favour of the settlor's wife and daughters who were not parties to it. It was held that settlement duty was not required in respect of these items. As regards these items, the full effect of the document only indicates the setting apart of certain items for the purpose of making a gift in favour of them by means of documents to be executed in future. Even assuming that a gift had been made in favour of them, in the absence of those persons joining him in the execution of the document the recital in so far as they are concerned cannot be regarded as a record within the scope of section 2(24) of the Act.

3.24.12 MORTGAGE AND DEPOSIT OF TITLE DEEDS: -

The distinction between a pledge and a mortgage is that while under a pledge for which delivery of possession is essential, there is only a bailment, under mortgage; there is transfer of right of property by way of security, which need not be accompanied with delivery of possession. For a pawn or pledge, there must be delivery of property either actual or constructive, mere agreement to give possession cannot operate as a pledge. Hence, an agreement where in return of finance provided by the financial distributor the producer agrees to deliver final prints of a film under production when they are ready, the agreement cannot be called as pledge or pawn, there being no actual transfer of property.

Where, however, there is a regular mortgage of movable property created but delivery of possession is not given, it is called hypothecation and operates only as an equitable charge. Article 6, would not apply to it and Article 40 of Indian Stamp Act (Article 36 in Gujarat Stamp Act, 1958) would apply where there is a regular mortgage of movable property accompanied with delivery of possession. Duty is payable under Article 40.

As regards immovable property, Article 6 applies to mortgage by deposit of title deeds and Article 40 to regular mortgage, where a document evidencing the deposit of title deeds contains also a condition enabling the lender to sell the property on default in payment on the agreed date the power of sale creates an interest not only in the title deeds but in the properties themselves and the document is chargeable as a regular mortgage. Although a document may be a mortgage deed if it falls within the special class of document referred to in Article 6, stamp duty payable will be under Article 6 and not under Article 40. In order that Article 6 may apply, the document should merely contain the bargain between the parties with regard to the deposit of title deeds and conditions subsidiary or ancillary to the deposit of the title deeds. But if a document contains all the provisions, which one would normally find in a

mortgage deed, then the mere fact that the document also contains the bargain with regard to the deposit of deeds will not make it an agreement for the deposit of title deeds. Where a deed contains many provisions which are never found in an agreement with regard to the deposit of title deeds such as a provision with regard to the acceleration of the due date for the payment of the mortgage debt it was held that it was a provision which has nothing whatever to do with the deposit of title deeds. The title deeds, having been deposited and that fact having been recorded this was an obligation which was undertaken by the mortgager to pay the mortgagee, debt earlier than on the due date if he did not carry out any one of the conditions mentioned in that clause. The document therefore would fall under Article 40 and not under Article 6. Where a document contains such terms as the properly shall remain as continuing security for the amount due to the mortgagee” the expenses incurred by the mortgagee to keep the mortgaged properties insured shall be secured upon the mortgaged properties’. ‘the mortgagors declared the properties belong absolutely to them, on default of payment of quarterly interest the entire amount due under the mortgage hereby created shall become due and immediately payable, such recitals in the document created by their own force a mortgage in favour of the mortgagee quite from a deposit of title deeds or the terms of the bargain of such deposits and the stamp duty for such a document is payable under Article 40 and not under Article 6.

An equitable mortgage by memorandum and deposit of deeds, falls under Article 6 provided the memorandum amounts to an agreement and not if the memorandum merely records the fact of the deposit. An instrument to fall under Article 6 must be an agreement relating to deposit of title deeds. The Article takes in the most common class of equitable mortgages by deposit of title deeds accompanied with a memorandum of charge containing the terms of the mortgage.

3.24.13 PARTNERSHIP DOCUMENTS:

“Partnership” is the relation which subsists between persons who have agreed to combine their property, labour or skill in some business, and to share the profits labour between them.

Where the partners in a partnership business by a deed divide between themselves certain debts of the firm to be collected and appropriated but remain joint regarding the other items of business the deed must be considered as a partition deed and not a deed for the dissolution of partnership. In a case in which two firms were jointly owned by five persons, of whom three were undivided members of a family, the fourth their distant and separated co-parceners and the fifth a stranger and an award was passed and embodied in a document assigning one firm to three undivided members as a group and the other firm to other two persons as a group, the document has been held to be chargeable as an instrument of partition and not as dissolution of partnership by reason of Section 6. The fact that the allotments are not made to each individual among the original co-owners but to groups does not make any difference because the true anti these is Section 2(15) is between the original common

ownership and subsequent cessation of common ownership. From the difficulty in applying the conception of co-ownership to individual item of partnership assets, it is not correct to say that partners are not co-owners with regard to the net assets, of the partnership on the dissolution and an instrument embodying an arrangement dividing the assets between themselves, though it may take place as part of a scheme of dissolution as well, is 'an instrument of partition'. In such a case the document may be both an instrument of partition and an instrument for the dissolution of partnership. An instrument so framed comes within two or more of the description is schedule I and the duties chargeable there under being different, the document is chargeable only with the higher of such duties under section 6.

An instrument coming into existence on dissolution of partnership would be chargeable as an instrument of partition if it effects the division of the partnership assets among the partners. Where under an award, two of the four partners relinquished their rights in the partnership for specified consideration; the award is chargeable to stamp duty under article 13 and not as one directing partition.

3.24.14 PARTNER BRINGING IN ASSETS INTO PARTNERSHIP- WHETHER A CONVEYANCE:

Under Section 14 of the partnership Act, it is always possible for a partner to bring into the partnership, property belonging to him by the evidence of his intention to make it part of the assets of the partnership. A partner can sell his property to a partnership firm, which includes himself as a member. But the question whether there was a sale would depend upon his intentions and on the language of the document. Where an instrument of partition between the parties contains no words whatever of a dispositive character which expressly or by implication amount to a transfer of interest as between the owner and the other partners and there is only a clause which can only be taken as a declaration of the rights of the partnership in the properties consequent upon the fact that the properties were brought into the common stock, the document in question is a deed of agreement of partnership.

3.24.15 WHEN A CONVEYANCE COMES INTO EXISTENCE:

A conveyance may be executed on the conversion of partnership into a limited company. Thus a transfer of the properties belonging to a partnership to a company, the shareholders of which consist exclusively of members of the partnership who executed the transfer was held chargeable as a conveyance. On such a transfer, duty was charged on the value of the property as evidenced by the books of the partnership. The conveyance may come into existence on the dissolution of a partnership. Thus, an instrument whereby a retiring partner to the continuing partnership retires for the consideration of a certain sum of money is a conveyance. Such assignment would be a conveyance even though the consideration is expressed to be allowed "in account and appropriated out of the assets of the partnership". An instrument by which an outgoing partner declared that he accepted a promissory note executed in his favour by the

continuing partner in full satisfaction of all his claims against the latter, in respect of his share and interest in the partnership and the assets and properties thereof should be charged to ad valorem conveyance duty. If the terms of the deed coming into existence on dissolution of partnership are such that property actually passes by the deed then the deed would be liable to conveyance duty even in respect of movable which can be transferred by delivery. If, however, the retiring partner instead of assigning his interest takes the amount due to him from the firm gives a receipt for the money and acknowledges that he has no more claims on his co-partners they will practically obtain all that they want, but such a transfer even if carried out by deed, could hardly be held to be sale and no ad valorem stamp duty would be payable.

The Gujarat High Court has, relying on the Supreme Court decision in Commissioner of Income tax V/s Dewas Cine Corporations and dissenting from the decision of the Mysore High Court in Venkatachalapati V/s State, extended the view even to a case where the retiring partner takes the amount on the footing of an actual or notional sale of his interest. The interest of a partner in a partnership is not an interest in a specific item of the partnership property but it is a right to obtain his share of profit from time to time during the subsistence of the partnership and on dissolution of the partnership or his retirement from the partnership to get the value of his share in net partnership assets which remain after satisfying the liability set out in section 48 of the Partnership Act. When, therefore, a partner retires from partnership and the amount of his share in the net partnership asset after deduction of liability and prior charges is determined on taking account on the footing of a notional sale of the partnership asset and given to him what he receives his share in the partnership and not any price for sale of his interest in the partnership.

His share in the partnership is worked out by taking account in the manner prescribed by relevant provisions of the partnership law and it is this and his only his share in the partnership which he receives in terms of moneys. There is in this transaction no element of sale, the retiring partner does not sell his interest in the partnership to the continuing partner. He, on the contrary, carves out his interest and takes it away by evaluating it.

Where long before the actual dissolution of a partnership, one of the partners had received from the other partner, the capital contribution made by him a subsequent deed of dissolution of partnership which recites that the outgoing partner shall have no interest what-so-ever in any of the properties of the partnership and provides for the ascertainment of the profits payable to such partner has been held to be properly stamped as a deed of dissolution as the payment was made not under the deed and cannot be construed to be consideration and there were no elements to render the deed one of conveyance.

3.24.16 DISTRIBUTION OF PARTNERSHIP PROPERTY ON DISSOLUTION- WHETHER PARTITION DEED REQUIRING STAMP DUTY:

Where the assets of a firm are, on its dissolution, distributed between the partners, it is not a partition and need not be stamped as deed of partition. Explaining the reasons in the case of the Chief controlling Revenue Authority *Vs. Chaturbhuj*, the Gujarat High Court said:

“In our opinion, what the legal position which ultimately emerges from *Narayanappa Vs. Bhaskara Krishnappa*; *Commissioner of Income Tax Vs. Dewas Cine Corporation*; *Commissioner of Income Tax Vs. Bankey Lal Vaidya*; and *Velo Industries Vs. Collector* is that whatever a partner gets either in the shape of money or in the shape of an immovable property which prior to the distribution was a property of the partnership firm, is his share in the surplus of the assets of the firm which remained after the liabilities and other outgoing of the firm are provided for. There is no concept of co-ownership amongst partner during the subsistence of the partnership. The partnership properties are not held by the partners as co-owners. The property belongs to the firm and it merely vests in all the partners because the firm has no legal entity. But such vesting does not mean that all the partners are co-owners of the property. The distinction between co-ownership and partnership pointed out by the Supreme Court in *Champaram Cane Concern Vs. State of Bihar* must be borne in mind in this connection. Moreover, what happens at the time of dissolution is merely handing over to each partner his share in the surplus of the partnership assets after all the liabilities and outgoings are provided for and if any particular property which prior to the dissolution was part of the partnership property is allotted to the partner it is merely by way of adjustment of his share in the assets of the partnership. As the Supreme Court pointed out in *Dewas Cine Corporation* case, the distribution of surplus is for the purpose of adjustment of the shares of the partners in the assets and it is in the course of such adjustment that one or the other property may be movable may be immovable-comes in the allotment to a particular partner. The concept of partition or the concept of co-owners of the property dividing or agreeing to divide such property in severally can never apply to what happens when a firm is dissolved and one property or another is allotted to a partner. There are no elements to render the deed one of conveyance.

3.24.17 DISTINCTION BETWEEN ANCESTRAL PROPERTY AND SEPARATE PROPERTY

Property inherited by a Hindu from his father, father's father, or father's father's father, is ancestral property. Property inherited by him from other relations is his separate property. The essential feature of ancestral property is that if the person inheriting it has sons, grandsons or great-grandsons, they become joint owners with him. They become entitled to it by reason of their birth. Thus, if A, who has a son B, inherits property from his father, it becomes ancestral property in his hands and through. A as the head of the family is entailed to hold and manage the property, B is entitled to an equal interest in the property with his

father A and to enjoy it in common with him. B can therefore restrain his father from alienating it except in the special cases where such alienation is allowed by law and he can enforce partition of it against his father. On his father's death, he takes the property by right of survivorship and not by succession. It is otherwise, however to separate property. A man is the absolute owner of property inherited by him from his brother, uncle etc. His son does not acquire an interest in it by birth and on his death; it passes to the son not by survivorship, but by succession. Thus, if A inherited property from his brother, it is his separate property and it is absolutely at his disposal. His son B acquires no interest in it by birth and he cannot claim any partition of it nor can he restrain A from alienating it. The same rule applies to the self-acquired property of a Hindu. But it is of the utmost importance to remember that separate or self-acquired property, once it descends to the male issue who inherits it becomes ancestral property. Thus if A owns separate or self acquired property, it will pass on his death to his son B as his heir. But in the hands of B it is ancestral property as regards his sons. The result is that if B has a son C, C takes an interest in it by reason of his birth and he can restrain B from alienating it and can enforce a partition of it as against B.

Ancestral property is a species of coparcenary property. It was stated above that if a Hindu inherits property from his father, in such a case, it is said that the son becomes a coparcener with the father as regards the property so inherited and the coparcenary consists of the father and the son.

But this does not mean that a coparcenary can consist only of a father and his sons. It is not only the sons but also the grand-sons and great-grandsons, who acquire an interest by birth in the coparcenary property. Thus if A inherits property from his father and he has 2 sons B and C, they both become coparceners with him as regards the ancestral property. A as the head of the family is entitled to hold the property and manage it and hence he is called the manager of the property. If B has a son D, and C has a son E, the coparcenary will consist of the father, sons and grandsons, namely A, B,C,D and E. Further, if D has son F, and E has a son G the, coparcenary will consist of 7 members. But if F has a son X, X does not become coparcener, for a coparcenary is limited to the head of each stock and his sons, grandsons and great-grandsons. X being the great great-grandson, of A cannot be a member of the coparcenary, so long as A the holder of the joint property is alive.

(Principles of Hindu law by Mulla)

COPARCENERS AND COPARCENERY PROPERTY UNDER MITAKSHARA LAW

3.24.18 JOINT HINDU FAMILY:

A joint Hindu family consists of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters. A daughter ceases to be a member of her father's family on marriage and becomes a member of her husband's family. A joint or undivided Hindu family may consist of a single male member and widows of deceased male members. The property of a joint family does not cease to be a joint family property belonging to any such family

merely because the family is represented by a single male member (coparcener) who possesses rights which an absolute owner of property may possess. Thus for instance, a joint Hindu family may consist of a male Hindu, his wife and his unmarried daughter. It may similarly consist of a male Hindu and widow of his deceased brother.

3.24.19 HINDU COPARCENARY:

A Hindu coparcenary is a much narrower body than a joint family. It includes only those persons who acquire by birth an interest in the joint or coparcenary property. These are the sons, grandsons, and great grandsons of the holders of the joint property, for the time-being in other words the three generations next to the holder, in unbroken male descent.

3.24.20 FORMATION OF COPARCENARY:

The conception of a joint Hindu family constituting a coparcenary is that of a common male ancestor with his lineal descendents in the male line within four degrees counting from and inclusive of such ancestor. No coparcenary can commence without a common male ancestor though after his death, it may consist of collaterals such as brothers, uncles, nephews and cousin etc. No female can be a coparcener although a female can be member of the joint Hindu family.

A coparcenary is created in such way as the following:

A Hindu male A, who has inherited no property at all from his father, grandfather or great-grand father, acquires property by his own exertions. A has a son B, B does not take any vested interest in the self-acquired property of A during A's life time, but on A's death he inherits the self acquired property of A. if B has a son C, C takes a vested interest in the property by reason of his birth and the property inherited by B from his father A becomes ancestral in B's hands and B and C are coparceners as regards the property. If B and C continue joint family and a son D is born to C, he enters the coparcenary by the mere fact of his birth and if a son E is subsequently born to D, he also becomes a coparceners.

3.24.21 UNDIVIDED COPARCENARY INTEREST

The coparcenary property is held in collective ownership by all the coparceners in a quasi corporate capacity. The incidents of a coparcenary are first, the lineal male descendents of a person upto the third generation acquire on birth ownership in the ancestral properties of such person, secondly that such descendants can at any time work out their rights by asking for partition, thirdly that till partition, each member has got ownership extending over the entire property conjointly with the rest, fourthly that as result of such co-ownership, the possession and enjoyment of the properties, is common, fifthly that no alienation of the property is possible unless it is for necessity without the concurrence of the coparceners and sixthly, that the interest of a deceased member passes on his death to the surviving coparceners on the principle of survivorship.

3.24.22 INCIDENTS OF SEPARATE OR SELF ACQUIRED PROPERTY:

A Hindu, even if he be joint, may possess separate property. Such property belongs exclusively to him. No other member of the coparcenary, not even his male issues acquires any interest in it by birth. He may sell it or he may make a gift of it or bequeath it by will to any person he likes. It is not liable to partition and on his death, intestate it passes by succession to his heirs and not by survivorship to the surviving coparceners. Property acquired in any of the following ways is separate property of the acquirer.

- (1) Property inherited by a Hindu from a person other than his father, father's father or father's father's father.
- (2) Property obtained as a share on partition by a coparcener who has no male issue.
- (3) Property held by a sole surviving coparcener, when there is no widow in existence who has power to adopt.

(4) PERSONS ENTITLED TO SHARE IN COPARCENARY PROPERTY UNDER MITAKSHARA LAW :

The only property that can be divided on a partition is coparcenary property. Separate property cannot be the subject of partition. Every coparcener is entitled to a share upon partition. Every adult coparcener is entitled to demand and sue for partition of coparcenary property at a time. A son who was in his mother's womb at the time of partition is entitled to a share though born after partition as if he was in existence at the time of partition. If no share is reserved for him at the time of partition, he is entitled to have the partition reopened and a share allotted to him.

A father separating from his sons may or may not reserve to himself a share on partition. The rights of a son born as well as begotten after partition are different according as the father has or has not reserved a share for himself. Where the father has reserved a share for himself, a son who is begotten as well as born after partition is not entitled to have the partition reopened. But in lieu thereof, he is entitled after the father's death to inherit not only the share allotted to the father on partition by the whole of the separate property of the father, whether acquired by him before or after partition. Where the father has not reserved a share to himself on a partition with his sons, a son who is born as well as begotten after partition is entitled to have the partition reopened to have a share allotted to him.

Where an adoption is made by a member of joint family governed by Mitakshara Law, the adopted son becomes a member of the coparcenary from the moment of his adoption and the adoptive father has no power either by deed or will to interfere with the rights of survivorship of the adopted son in the coparcenary property. The same principle applies when adoption is made by sole surviving coparcener, however, subject to any agreement binding the adopted son. Where

a son is born after adoption to the adoptive father the adopted son is entitled to the same share on partition as a legitimate son.

3.24.23 SHARE OF A WIFE IN PARTITION

A wife cannot herself demand a partition but if a partition does take place between her husband and his sons, she is entitled to receive a share equal to that of a son and to hold and enjoy that share separately even from her husband. If the wife has *STRIDHANA* given to her by her husband or father-in law, its value should be deducted from her share by her husband. Wife in relation to sons includes the step-mother. Likewise a widow mother cannot compel a partition so long as the sons remain untied. But if a partition takes place between the sons, she is entitled to have a share equal to that of a son in the coparcenary property. As in the case of a wife in the case of a mother also *STRIDHANA* from her husband or father-in-law should be deducted from her share. The term 'mother' for this purpose includes stepmother. On a partition between sons by different mothers when more than one mother is alive, the rule is first to divide the property in to as many shares as there are sons and then allot to each surviving mother a share equal to that of each of her sons in the aggregate portion allotted to them.

3.24.24 MORTGAGE BY CONDITIONAL SALE AND SALE WITH A CONDITION TO REPURCHASE

From the point of view of stamp duty, it is necessary to grasp the difference between sale with a condition of retransfer and mortgage by conditional sale. In the former case, when the property sold is retransferred to the vendor, the second transaction would constitute only sale and attract stamp duty at conveyance rates, whereas in the latter case, the retransfer of the property to the original owner would be a reconveyance chargeable under Article 48 of the Schedule to the Gujarat Stamp Act. Further, the distinction is also important from the point of view of Section 25 of the Stamp Act, providing for rebate on stamp duty in respect of sale of mortgaged property. The following commentary on the subject is relevant.

A sale with a condition of retransfer is not a mortgage for the relationship of debtor and creditor does not subsist and there is no debt for which the transfer is a security. It is not a partial transfer but a transfer of all right in the property reserving only a nominal right in the property of repurchase or pre-emption which is lost if not exercised within the stipulated time. "The rule of law on this subject is one dictated by common sense that *prima facie* an absolute conveyance containing nothing to show that the relation of debtor and creditor is to exist between the parties does not cease to be an absolute conveyance and become a mortgage merely because the vendor stipulates that he shall have a right to repurchase. But although the difference in the legal effect of a sale with a condition of repurchase and a mortgage by conditional sale is clear, it is often a matter of extreme difficulty to decide which of these two transactions a particular document or a set of documents discloses. The distinctions purely one

of intention namely whether it was intended that the relation have generally been applied to find the intention of a document for the purpose stated above.

- (1) The existence of a debt.
- (2) The period of repayment, a short period being indicative of a sale and a long period of a mortgage. But the fact that time was made the essence of the contract to repurchase is not decisive.
- (3) A stipulation for the payment of interest indicates a mortgage.
- (4) The continuance of the grantor in possession indicates a mortgage.
- (5) A price below the true value indicates a mortgage a fair market value is storage evidence that the transaction is a sale.

A mortgage by conditional sale is a mortgage in which the ostensible sale is conditional and intended as security for the debt. In case of payment at the fixed time the condition was that the sale became void or that the mortgagee executed a reconveyance. In a mortgage the debt subsists and right to redeem rests with the debtor. But a sale with a condition of repurchase is not a lending and borrowing arrangement, No debt subsists and no right to redeem is reserved by the debtor but only a personal right to redeem is reserved by the debtor but only a personal right to repurchase. This personal right can only be enforced strictly according to the terms of the deed and at the time agreed upon. But in a mortgage by conditional sale the right of redemption subsists notwithstanding that the mortgagee has failed to pay at the time stated. This right arises from the fact that the property is considered to be merely a pledge for the loan.

A transaction cannot be a mortgage if the sale and the agreement to repurchase had been embodied in separate documents because the provision of section 58(c) of the transfer of property Act dealing with a mortgage by conditional sale makes a specific provision that no transaction of ostensible sale shall be deemed to be a mortgage unless the condition referred to in section is embodied in the document which effects or purports to effect the same. The effect of the proviso to clause 'c' is that if the condition for retransfer is not embodied in the document which affects or purports to affect the same, the transaction will not be regarded as a mortgage.

It does not follow that if the stipulation for reconveyance is embodied in the same document a transaction is necessarily a mortgage. The Legislature has made a clear cut classification and excluded transactions embodied in more than one document from the category of mortgages. Therefore, it is reasonable to suppose that persons who after amendment choose not to use two documents do not intend the transaction to be a sale unless they displace that presumption by clear and express words and if the conditions of Section 58 (c) of the Transfer of Property Act are fulfilled then deed should be construed as a mortgage.

In case of ambiguity, the courts lean to the construction of a mortgage. In this connection reference is also invited to paragraph No.95 of the Book (Important Government Orders under the Indian Stamp Act and the Court Fees Act

Incorporating G.R.R.D.No.678/24 dated 30th January 1935 Code Order No.262).

3.24.25 GIFT-WHAT IS

Under section 122 of the Transfer of Property Act, Gift is the transfer of certain existing moveable or immovable property made voluntarily and without consideration by one person called the donor to another called the donee and accepted by or on behalf of the donee. Such acceptance can be made during the lifetime of the donor and while he is still capable of giving if the donee dies before acceptance, the Gift is void. The essential elements of a gift are:

1. The absence of consideration
2. The Donor
3. The Donee.
4. The Subject matter
5. The Transfer
6. The Acceptance

The essence of gift is that it is a gratuitous transfer. The word “voluntarily” is used in its popular sense denoting the exercise of unfettered will and in its technical sense of “without consideration”. On behalf of the donor, the essential ingredient is that he should voluntarily and without consideration transfer the property to the donee and giving away implies a complete divesting of the ownership in the property by the donor. The word ‘consideration’ is used in the same sense as in the Indian Contract Act and excludes natural love and affection. A transfer in consideration of an expectation of spiritual and moral benefits or in consideration of natural love and affection is a ‘gift’ for such consideration is not that contemplated by the section. But a gift in consideration of a donee undertaking the liability of the donor is not gratuitous, and is not a gift.

A donor is the person who gives. Any person who is sui juris (on his own right) can make a gift of his property. Trustees cannot make a gift out of the trust property unless authorised by the terms of trust.

Donee is the person who accepts the gift. The gift may be accepted by or on behalf of a person who is not competent to contract. The donee must be alive at the date of the gift and the representatives of person deceased at the date of the gift cannot take for him. The donee must also be ascertainable person and so the public cannot be donee under this section not can a gift be made to an unregistered society.

The subject matter of the gift must be certain existing movable or immovable property. It may be land, goods or actionable claims, but it cannot be future property.

A gift of immovable property can only be made by a registered instrument. A deed cannot be dispensed with even for a property of small value as in the case of sale and as a further precaution attestation by 2 witnesses is required. The provision in section 123 of the Transfer of Property Act excludes every other mode of transfer and even if the intended donee is put in possession a gift of

immovable property is invalid without a registered instrument. The deed must be signed by the donor.

The word 'registered' in the section 123 does not mean registered in lifetime of the donor. If the other conditions to the validity of a gift are complied with neither the death of the donor nor his express revocation is the ground for refusing registration.

The donor cannot revoke gift after delivery of the deed of gift and before its registration. While registration is necessary solemnity for enforcement of a gift of immovable property it does not suspend the gift until registration actually takes place. When the instrument of gift has been handed by the donor to the donee and accepted by him the former has done everything in his power to complete the donation and to make it effective. Registration thus does not depend upon his consent, but is the act of an officer appointed by the law for the purpose.

Where a gift has been affected by a registered document duly attested and the gift has been acted upon by the donee, the title legally passes to the donee and cannot be defeated by an intention of the donor to the contrary. Thus in a case where the gift deed was deposited with the Registrar but was taken away by murdering the Registrar, it was held that the gift was completed and could not be superseded by subsequent registered deed.

The acceptance of gift by the donee need not be expressed. The acceptance may be inferred and it may be proved by the donee's possession of the property or even by the donee's possession of the deed of gift. Acceptance has been inferred from the acceptance of the right to collect rents in the case of a gift of tenanted property or from the mutation in the register, provided the donee is in possession of the property the donor's retention of the deed is not necessarily proof of the fact that there has been no acceptance. Acceptances may be by donee who is not competent to contract for a minor, may accept benefit although he cannot incur an obligation and a minor's guardian may accept a gift for him. So also in the case of a deity this acceptance may be by its agent. Acceptance must be in the lifetime of the donor and of course if the donee dies before acceptance there is no gift. If the gift has been accepted but the donor dies before the deed is registered the transfer can be completed by registration after the donor's death

3.24.26 BENAMI SALES

Benami sales are fairly common in our country. The sale is in favour of the nominee of the real purchaser and he holds it on his behalf and not for himself although outwardly he appears as the owner.

The motives for this vary from sheer sentiment to evasion of the law. Needless to say, if the real purchaser that is to say the person advancing the money for the purchase was to permit the nominee to hold the property for himself, it would amount to a gift. But the essence of the transaction is, as the name suggest, one holding a property only in name but in reality for another.

In law the burden of proving that a sale is *benami* and that the apparent purchaser is not the real owner rests on the person asserting it to be so. He may

be the real owner claiming against the nominee with whom he has fallen out or it may be the State charging that the *benami* sale is a breach of some law.

By itself, there is nothing illegal about a *benami* sale. But if the object is to evade a law for example, one restricting land holdings or ownership to a particular category of persons, the position is different. The law will not assist the real owner to acquire title and possession from his *benamidar* because to do so is to assist a party to wrong. Where no illegality is involved the Courts will help the real owner who proves his claim.

No absolute formula or acid test can be laid down. However, the Supreme Court has formulated six criteria to weigh the evidence.

They are: - (1) the source from which the purchase money came, (2) the nature and possession of the property after the purchase, (3) motive, if any, for giving the transaction a *benami* colour (4) the position of the parties and the relationship, if any, between the claimant and the alleged *benamidar*; (5) the custody of the title deed after the sale; and (6) the conduct of the parties concerned in dealing with the property after the sale.

The above indicia are not exhaustive and their efficacy varies according to the facts of each case. Nevertheless, the first, namely, the source whence the purchase money came, is by far the most important test for determining whether the sale standing in the name of one person, is in reality for the benefits of another, the Supreme Court has ruled.

In accordance with Gujarat Government Gazette bearing No.RP/1/89/45/88/1483-Research dtd.20/1/1989, the *benami* transactions were prohibited to be dealt with as per Section 3(b) by way person other than person stated in sub-section (2) *ibid*. Further whoever entered in any *benami* transaction under Section 3 *ibid* was punishable. Further under Section 4(i), there of no suit, claim or action to enforce any right in respect of any property held *benami*. Against whose name the property is held shall be by or on behalf of a person claiming to be the real owner of such property.

Under Section 5(i), all the properties held *benami* shall be subject to acquisition by such authority as may be prescribed by the Government.

Under Section 5(ii), the Government was to be acquired such property without any amounts of payments.

3.24.27 DECLARATION OF TRUST:

Article 58 of the schedule I to the Gujarat Stamp Act deals with the declaration of a trust. A declaration of trust is not defined. It implies declaration by an executant that he holds certain property in trust. The article would thus apply only where the executant of the instrument makes himself a trustee and not where the executant of the instrument makes himself a trustee and not where he conveys property to others as trustees. When a person transfers his property in favour of other trustees whether for a charitable and religious purpose or not, the deed would be one of settlement and not one of declaration of trust. However, where from the recital in the documents, it is clear that executors were

only making a declaration of a preexisting trust coupled with transfer of its management and were not transferring their ownership in any specific trust property nor were they creating the trust by executing the deed in favour of the trustees such a document can not be treated as a conveyance and has to be stamped only as declaration of trust.

3.25 LAW RELATING TO REGISTRATION:

The Indian Registration Act, 1908 (Act XVI of 1908) relating to the registration of documents along with Rules framed there under by the State Government is in force in the State. Under Section 17 of the Act, it is only certain documents which are required to be registered compulsorily, namely the following:

- (a) Instruments of gift of immovable property;
- (b) Other non-testamentary instruments which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future any right title or interest, whether vested or contingent, of the value of one hundred rupees and upwards, to or in immovable property;
- (c) non-testamentary instruments, which acknowledge the receipt or payment of any consideration on account of the creation, declaration, assignment, limitation or extinction of any such right, title or interest;
- (d) leases of immovable property from year to year or for any term exceeding one year or reserving a yearly rent; and
- (e) non-testamentary instruments transferring or assigning any decree or order of a Court or any award when such decree or order or award purports or operates to create, declare, assign limit or extinguish, whether in present or in future, any right, title or interest whether vested or contingent, of the value of one hundred rupees and upwards, to or in immovable property.

Provided that the State Government may, by order published in the Official Gazette, exempt from the operation of this sub-section any leases executed in any district, or part of a district, the terms granted by which do not exceed five years and the annual rents reserved by which do not exceed fifty rupees.

The registration of any other document is optional.

3.25.1 OBJECTIVE OF REGISTRATION:

The real purpose of registration is to secure that every person dealing with property, where such dealings require registration, may rely with confidence upon the statements contained in the register as a full and complete account of all transactions by which his title may be affected. Registration thus protects a person against prior transactions.

There are other purposes of the Registration Act; one of them is to give solemnity of form and legal importance to certain classes of documents by directing that they shall be registered. Another purpose is to perpetuate documents, which may afterwards be of legal importance. Still another is to guard against fabrication of documents of title from time to time and to check fraud and forgery.

3.25.2 TIME OF PRESENTATION:

Under section 23 of the Indian Registration Act, 1908 every document other than a will should be presented for registration within four months from the date of its execution. Under section 25, if a document is presented beyond this time limit, but before the expiry of eight months of the date of execution, the registering officer may accept the document for registration on payment by the party concerned of fine not exceeding 10 times the amount of the proper registration fee. Further under Section 34 of the Act, the persons executing a document are required to appear before the registering officer within the time limit for presentation of the document for registration under Section 23 of the Act. As per proviso to Section 34, in case of delay on the part of executing persons to appear before the Registrar within the time allowed and where such delay in appearance does not exceed four months, the registrar is again empowered to register the document on payment by the parties of fine not exceeding 10 times the amount of the proper registration fee in addition to the fine payable under Section 25. The result is that while the maximum period for presenting an instrument for registration is eight months that for appearance of executions is twelve months. Under Rule 27 of the Registration Rules, the scale of fines under Section 25 and 34 is laid down as follows:

3.25.3 SCALE OF FINES UNDER SECTION 25 OR 34:

The scale of fines to be imposed under Section 25 or 34 shall be as follows, namely

- (1) if the delay does not exceed one month not exceeding 2 ½ times the proper registration fee;
- (2) if the delay exceeds one month but does not exceed two months not exceeding five times the proper registration fee;
- (3) if the delay exceeds two months but does not exceed three months not exceeding 7 ½ times the proper registration fee;
- (4) if the delay exceeds three months but does not exceed four months not exceeding 10 times the proper registration fee;

NOTE: This rule does not affect the Registrar's discretion to impose a smaller fine than the above maximum under Section 25 or 34 in suitable cases.

3.25.4 PLACE OF REGISTRATION

Every document which is compulsorily registerable in so far as such document affect immovable property shall be presented for registration in the office of the Sub-Registrar within whose Sub-District the whole or some portion of the property to which such documents relates is situated (**Section 28**).

3.25.5 PRESENTATION OF DOCUMENTS FOR REGISTRATION, APPEARANCE OF PARTIES, ETC :

The Act provides for procedural requirements in regard to manner of presentation of documents, the appearance of parties before the registering officer etc. in Section 32.

3.25.6 FEES FOR REGISTRATION, SEARCHES AND COPIES:

The State Government is empowered under Section 78 of the Registration Act to lay-down a table of fees payable for the registration of documents, searching the registers, granting copies of reasons, entries or documents, etc. In Resolution No.GM-87/134/M-RGN/1086-381/HI dtd.3.8.1987, the State Government have modified the fees chargeable for the purpose in the State effective from 10-8-1987.

Fees that are leviable are classified into the following four Articles.

- (I) This article shall apply to those documents on which registration fee is leviable on an *ad valorem* scale on the amount of value of the consideration or of the property to which the documents relates.

The registration fee on the following document shall be levied on an *ad valorem* scale on the amount or value of the consideration.

Acknowledgement (not being of the nature described in Article III), Agreement for consideration, Annuity Bonds, Award, Bond, Bill of Exchange, Bill of Sale, Lease, Instrument of Assignment, Conveyance, Mortgage, Release for consideration (not being of the nature described in Article III) Sale, Transfer, any certified copy of a decree or order of Court.

The registration fee on the following documents shall be levied on an *ad valorem* scale on the amount or value of the property.

Composition Deed, Gift, Partition, Partnership Deed, Settlement, Declaration of trust, Release than one falling under (2) above or Article III.

The *ad valorem* scale shall be: -

- (a) if the amount or value of the consideration or of the property to which such instrument relates, is wholly expressed therein.

	₹
When the amount or value does not exceed ₹ 200	10
When the amount or value exceeds ₹ 200 but does not exceed ₹ 400	15
-do- -do- 400 -do- 600	20
-do- -do- 600 -do- 800	25
-do- -do- 800 -do- 1000	30
-do- -do- 1000 -do- 1500	45
-do- -do- 1500 -do- 2000	60
-do- -do- 2000 -do- 2500	75
-do- -do- 2500 -do- 3000	90
-do- -do- 3000 -do- 3500	105
-do- -do- 3500 -do- 4000	120
-do- -do- 4000 -do- 4500	135
-do- -do- 4500 -do- 5000	150
For every ₹ 1,000 or part thereof in excess of ₹ 5000	15

Change of rate of registration fees on ad valorem

The rate of registration fees has been reduced vide Notification No.GHM/2007/18/M/STP/102007/663/H 1 dated 30.03.2007. The ad valorem scale shall be **one rupee for every rupees one hundred or part thereof on the amount or value of the consideration or of the property to which such instrument relates**, if the amount or the value of the consideration of the property to which such instrument relates is wholly expressed therein.

- (b) If such amount or value is only partly expressed the same advalorem fee as above on the amount or value which is expressed and an additional fee of ₹ 30
- (c) If such amount or value is not expressed at all, a fixed fee as under: -
 - (i) In respect of immovable properties situated in the City of Ahmedabad, the City of Baroda, and the City of Surat as constituted under the Bombay Provincial Municipal Corporation Act, 1949, and the Cantonment of Ahmedabad ₹ 450
 - (ii) In respect of immovable properties situated within the limits of Borough Municipalities ₹ 300
 - (iii) In respect of all other properties ₹150

II. For the registration of surrender of a lease the same fee as for the lease-surrendered if the same does not exceed ₹ 30 otherwise ₹ 30.

This article shall apply to documents on which fee shall be calculated according to the ad valorem scale in Article I subject to a certain maximum.

Registration fee calculated according to the ad valorem scale subject to a maximum of ₹ 30 shall be levied on the following documents: -

Document which acknowledges merely the payment of the consideration for some document which is also registered Document which acknowledges the receipt of the consideration expressed in a previous registered document but not paid at the time of the execution of such document, where full advalorem fee has, under Article I, been levied in respect of such previous document, Reconveyances and releases executed on the extinction of loans on mortgage which are previously registered and on which full advalorem fees have been levied. Documents acknowledging the receipts of installments on account of mortgages which are registered and on which full advalorem fee have been levied, Revocation of trust or settlement, duplicate or duplicates presented for registration with the original document or documents on the same day. Duplicate or duplicates not presented for registration with the original document or documents on the same day but on which reference to registration of the original document or documents is quoted, release executed in pursuance of some other document on which full advalorem fee in Article I has been paid.

III. This Article shall apply to documents on which fixed fee is to be levied.

A fixed registration fee of ₹ 30 shall be levied for the registration of the following documents: - Power of attorney, writing of divorcement, a certificate of heirship, guardianship, administratorship or executorship, a notice of pendency of suit or proceeding referred to in Section 52 of the Transfer of Property Act, 1882, revocation of trust or settlement dissolution of partnership, agreement of presumption in a partition deed or in lease, apportionment of property, adoption deed, declaration, agreements, easement where amount or value of consideration is not shown and documents which do not fall within any other article of the Fee Table.

IV. A Fixed fee of ₹15 is to be levied on instruments which purport or operate to effect any contract for transfer of immovable property irrespective of the amount of consideration or value of the property shown in the said document.

In additional to the fees for registration indicated above, the following other fees are also collected.

- (1) Copying fees
- (2) Search/ Inspection fees
- (3) Fees for attendance at private residence.

3.25.7 PROCEDURE IN REGISTERING OFFICES :

Documents received for registration are entered by the registering officers in day-books, maintained for the purpose separately for each calendar year. If the registering officer is satisfied on the eligibility of a document for registration, he would register the document on payment by the party concerned of the necessary fees. The document will then be copied by the registering officer in one or other of the books prescribed under the Registration Act. The copy will indicate the stamp used on the original. The Act prescribes separate registers for recording documents relating to immovable property, wills and testaments etc. Printed documents are filled by the registering officers in separate volumes maintained for the purpose.

3.26.1 SELECTION OF DOCUMENTS FOR SCRUTINY

The audit party will call for the day book and the soft copy of the same from the auditee. The documents should be selected in audit by way of sample selection methodology approved by PAG and documented *in Annexure-3(A)* of this Chapter.

The audit party will prepare a list of the documents selected under each category and earmark against each document the authority who had scrutinized the document. While scrutinizing the selected documents the audit checks mentioned in the *Annexure-3(B)* of this chapter should be followed.

3.26.2 EXAMINATION OF DOCUMENTS:

The documents will then be taken up one after the other for examination. Every document should be first read in its entirety and a conclusion reached on the

proper classification of the document under one or other of the Articles referred to in Chapter– I.

It is not sufficient merely to go by the title given to a document.

Having determined the nature of a document, it should be seen whether proper stamp duty as would be applicable to the case has been affixed on the document. In simple documents, like agreements, or small sales no difficulty is likely to be encountered. It is only in respect of documents involving complications regarding not only their nature but also the amount therein that would be assessed to stamp duty that would call for skillful audit examination.

It would be seen from the Articles in the *Schedule* to the Stamp Act that documents are subject to stamp duty in one or other of the following alternatives.

1. Chargeable to fixed sum as duty;
2. Chargeable *ad valorem*;
3. Chargeable *ad valorem* subject to a limit.

For example, acknowledgements, affidavits etc, are chargeable to fixed stamp duty. A declaration of trust is liable to *ad valorem* stamp duty subject to a limit of ₹ 50. Deeds as settlement, conveyance gift are chargeable to *ad valorem* duty without specification of any limitation on the amount of stamp duty.

3.26.3 CONVEYANCE, GIFT, SETTLEMENTS AND PARTITION:

A conveyance is chargeable to duty on the consideration. It has been held that consideration for this purpose would mean not the market value of the property sold nor the consideration set forth in the documents but the real consideration for the sale. Gifts, partitions, exchange and settlements are liable to duty on the market value of the property in question. It should be seen in audit, whether the market value of the properties stated in the documents really represent the values of the properties. Such an examination can be conducted with reference to the index register maintained by the registering officers showing therein for each village the property transactions that took place in the village during a year. Whenever it is seen that there has been any gross under valuation, an examination of the value should be suggested upon which action will be taken by the Collector under the provisions of the Gujarat Stamp Act and Rules.

3.26.4 MISCELLANEOUS AUDIT INSTRUCTIONS:

- (a) Whenever in a document of conveyance, if rebate of stamp duty is allowed on the basis that stamp duty was paid on the earlier mortgage of the property sold, it should be seen in audit that the property which is the subject of the sale, agrees in all respects with the property sold in the earlier mortgage deed. For this purpose, the description of the property given in the two documents should be compared diligently. It should be borne in mind that in every document relating to immovable property accurate description of the property is an essential requirement.

- (b) In deeds of partition, it should be verified whether the value of the largest share on which remission is given is worked out correctly.
- (c) The method of charging lease documents to stamp duty, with reference to the tenure of the lease and also taking into account the amount of premium or deposit taken in advance should be studied and applied in audit.
- (d) The distinction between a mortgage and a mortgage by deposit of title deed should be clearly understood.
- (e) Documents presented to the Assistant Superintendent of Stamps, Gandhinagar or to the Collectors of the Districts for adjudication as to the proper stamp duty leviable are scrutinised during audit and the observations are intimated to the Secretary to the Government in the Revenue Department and the Chief Controlling Revenue Authority, respectively. While communicating the observations audit should exercise restraint as to comments and conclusions thereon.
- (f) Whether the fees realisable for the various services rendered by the Registration Department have been correctly determined and collected and whether a proper receipt granted for the fees realised.
- (g) Whether fines and penalties leviable under the Act and the Rules have been levied and collected wherever necessary.
- (h) Whether proper account of receipt books has been kept.
- (i) The reports of the Internal Audit, if any, and the Inspectors of Stamps and Registration should also be seen in audit.
- (j) While checking the correctness of the stamp duty on a document, it should be seen side-by-side whether the registration fees, copying fees etc, have been correctly recovered.
- (k) The receipts realised by the registering officers are entered in a Cash Book and remitted into Treasury. The Treasury Officer records the certificate of receipt of the money on the Cash Book itself. The Cash Book should accordingly be checked with the counter-foils of receipts and the entry of the amount remitted with treasury cross checked with the treasury records for a few months.
- (l) Cases of exemption/ remission of duty should be scrutinised in order to see whether the exemption/ remission granted is in accordance with the orders of the Government on the subject and there is no attempt to abuse the exemption provisions.
- (m) Cases of refunds, if any, should be examined to see that the refunds are admissible under the provision of the Act/Rules and are correctly made and recorded.
- (n) In the audit of Stamp duty and Registration fees correlation with the records of Wealth Tax and Gift Tax and Estate duty records is to be regarded as an essential audit check. Discrepancies noticed between the wealth Tax, Gift Tax return and registered document in respect of values of property are reported by the Income Tax revenue Audit wing for scrutiny in State Receipt Audit. In a like manner, cases of registration of records without production of forms as prescribed in Income Tax Rule or

without Income Tax clearance certificate where the value of sale etc, is above ₹30 lakh (earlier ₹5 lakh) can be brought to the notice of the Income Tax wing by the State Receipt Audit wing.

EXEMPTION FROM PAYMENT OF STAMP DUTY

Under the provisions of the Bombay Stamp Act (now the Gujarat Stamp Act), 1958, Government have granted exemptions in certain cases. Reference to some of the important orders is given in the succeeding paragraphs:

1. In exercise of the powers conferred by clause (a) of Section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby remits stamp duty chargeable under the said Act, in respect of instrument of mortgage executed by a member of the panchayat service belonging to district and taluka cadres for securing repaying of an advance received by him from panchayats for the purpose of constructing, purchasing or repairing a dwelling house for his own use.

(G.O.G.R.D.No.GHM 75/123/M-STP-1474-9261-H dt.12/6/1975).

2. In exercise of the powers conferred by clause (a) of Section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby remits stamp duty chargeable under the said Act, in respect of instruments executed by or on behalf of or in favour of the Gujarat Rural Housing Board establishment under the Gujarat Rural Housing Board Act, 1972 (Gujarat 22 of 1972) in respect of which the said Board would be liable to pay the duty for the remission granted hereunder.

(G.O.G.R.D.No.GHM 76/32/M-STP-1475-136302-H dt.17/1/1977).

3. In exercise of the powers conferred by clause (a) of Section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) the Government of Gujarat hereby remits in the whole of the State of Gujarat the duty chargeable under the said Act, on instrument whether attested or not in respect of transactions relating to loans and advances loans and mortgages, cash credit or overdraft bond, agreements of pawn or pledge and letter of hypothecation executed by small farmers, marginal farmers, rural artisans and agricultural laborers for agricultural allied activities in favour of all commercial banks including the State Bank of India and its subsidiaries and Co-operative Banks Co-operative Societies Act, 1961 (Guj.X of 1962).

Explanation: for the purpose of this order:- (a) the expression "Agricultural Allied Activities" includes those activities which are mentioned in the definition of the word "agriculture" in section 2(a) of the Gujarat Agricultural Credit (Provision of Facilities) Act 1979 (b) the expression "small farmer" "marginal farmer""rural artisan" and "rural laborers" shall have the meanings assigned to them in Section 2 of the Gujarat Rural Debtors Relief Act, 1976.

(GOG RD No. GHM/81/155/M-STP/1480/475/H dtd 17.8.1981)

4. In exercise of the power conferred by clause (a) of section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) (herein after referred to as "the said Act") and in suppression of Government Order, Revenue Department No. GHM-75/212/M-STP/1474/4868/H dated the 20th October 1975, the government of Gujarat hereby reduces with effect on and from the 1st April 1987 in the whole of the State of Gujarat the duty with which the instrument described in column-1 of the Table below are chargeable under the said Act, to the duty at the rate specified in column 2 of the said table.

Description of Instruments	Reduced rate of Stamp duty
Instrument executed by or on behalf of, or in favour of the Gujarat Housing Board established under the Gujarat Housing Board Act, 1961 (Guj.XXVIII of 1961)* in respect of which the said Board would be liable to pay the duty but for the reduction granted hereunder.	Two rupees for every sum of ₹ 100 secured or part thereof.

(G.O.R.D.No.GHM/-87/53/M-STP-1486/265-H-1; dt.28/3/1987)

* These words were appended vide G.O.R.D. No.GHM-87/94/M/-STP/1486/265 H, dated 1st June 1987.

5. In exercise of the powers conferred by clause (a) of section 9 of the Bombay Stamp Act.1958 (Bom.LX of 1958) (hereinafter referred to as "the said Act") and in supersession of Government orders, Revenue Department No.GHM-83-2 STP-1482-TEC-7 (30)-3517-H.1, DATED THE 3rd January, 1983; No. GHM-86-10/M-STP-1482-TEC-7(30)-3517-H. dated the 30th January, 1986; No. GHM-86-81-M-STP-1482-TEC-7-(30)-3517-H.1 dated the 13th June, 1986; No.GHM-87/43/M/ STP/1482/TEC/7(30)/3517/H.1 dated the 27 February, 1987 and No.GHM-97-43-M-STP-1486-265-H.1 dated the 28th March, 1987, the Government of Gujarat hereby reduced with effect on and from the 1st April, 1992, in the whole of the State of Gujarat, the duty with which instrument of mortgage deed as defined in clause (p) of Section 2 of the said Act, executed by any person on behalf of any industrial undertaking in favour of any of the financial institution specified in Annexure-I, annexed hereto and executed by or on behalf of any of the said financial institution, for securing repayment of any loan advanced or to be advanced to such industrial undertaking, is chargeable under articles 36 of Schedule-I of the said Act, when the possession of the property or any part thereof comprised in such deed is not given, at the rate specified in Annexure-II annexed hereto.

ANNEXURE-I

1. The Industrial Development Bank of India.
2. The Industrial Credit and Investment Corporation of India.
3. The Industrial Finance Corporation of India.
4. The Life Insurance Corporation of India.
5. The General Insurance Corporation of India and its subsidiaries.
6. The Unit Trust of India.
7. The Industrial Reconstruction Bank of India.
8. The National Small Industries Corporation.
9. The Gujarat State Financial Corporation.
10. The Gujarat Industrial Development Corporation.
11. The Gujarat Small Industries Corporation.
12. The Gujarat State Textile Corporation.
13. The Gujarat Industrial Investment Corporation.
14. The State Bank of India and its subsidiaries.
15. The Nationalised Banks.
16. Any other Financial Institution in public sector.
17. International Financial Corporation, Washington.
18. Sugar Development Fund – Ministry of Food and Supply.
19. Small Industries Development Bank of India, Ahmedabad
20. Export Import Bank of India
21. Tourism Finance Corporation of India Ltd., New Delhi
22. Industrial Credit and Investment Corporation of India
Banking Corporation Ltd.
23. UTI Bank Limited

EXPLANATION-I

For the purpose of this order where any industrial undertaking has borrowed loan from more than one such financial institution, total amount of loan so borrowed would be considered for the assessment of stamp duty on such instrument.

EXPLANATION-II

“Nationalised Bank” means the Bank specified in column 2 of the First schedule to the Banking companies (Acquisition and Transfer of Undertaking) Act, 1970.

EXPLANATION-III

“Industrial Undertaking” means and includes any undertaking by a person or group of persons engaged in,

- i. The manufacture, preservation or processing of goods.
- ii. Mining or development of mines;
- iii. The hotel industry;
- iv. The transport of passengers or goods by road or by water or by air or by rope way or by lift;
- v. The generation or distribution of electricity or any other form of power;
- vi. The maintenance, repair, testing or servicing of machinery or any description or vehicles or vessels or motor boats or trailers or tractors;
- vii. Assembling repairing or packing any article with the aid of machinery or power;
- viii. The setting up or development of an industrial area or Industrial estate;
- ix. fishing or providing shore facilities for fishing or maintenance thereof;
- x. Providing special or technical knowledge or other services for the promotion of industrial growth;
- xi. Providing weigh bridge facilities;
- xii. The research and development of any process or product in relation to any of the matters aforesaid.

EXPLANATION-IV

The expression “processing of goods” includes any art or process for producing preparing or making any article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation.

ANNEXURE-II

Sr.No.	Description	Rate
1	If the amount of loan or debt does not exceeds ₹.1500000/-	1 per cent
2	(ii) If it exceeds ₹.15,00,000/-	2 per cent subject to a maximum of ₹.2/- lakh.
3	If such loan or debt is to be repaid within or up to the period of three months.	Half of the amount of duty payable under column (2) of item No.1.

GOG RD NO.GHM-92-37-M-STP-1491-3226-H-1 dt. 6-4-1992 superseded by GOR

GOG RD. NO.GHM/2000/63/M/STP/1099/637/H-1 dated 27.7.2000

6. In exercise of the powers conferred by clause (a) of Section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) (hereinafter referred to as the said Act) the Government of Gujarat hereby; (i) remits the stamp duty chargeable under the said Act on the instrument of EXCHANGE OF PROPERTY executed by one brother in favour of another brother subject to the conditions specified in Appendix I below; and (ii) reduces the duty with which the instruments described in column 1 of the Appendix II below are chargeable under the said Act, to the duty at the rate specified in column 2 of the said Appendix.

APPENDIX - I

(1) That the immovable properties specified in the instrument of exchange of property owned by the father of the executives of the said instrument;

(2) That the interest in the said properties have been developed by survivorship in the executants upon the death of their father.

(3) That the executants shall give understanding in writing that they have not exchanged before the said properties devolved by survivorship with his brother and that the benefit of remission is availed of only once in their lifetime.

(4) That such exchange of property should be affected within the period of five years from the death of the father or from the date they become owner of the said properties by way of survivorship.

APPENDIX-II

Description of instrument	Reduced Rate of stamp duty
(1) Instrument of partition executed by agriculturists in case of their agriculture land	Subject to maximum of hundred rupees, two rupees for every ₹ 100 or part thereof, of the amount of the value of the separated share or shares of the property.
(a) Where the amount of the value of the separated share or shares of the property does not exceed ₹ 10,000	
(b) and every ₹ 10,000 and part thereof in excess of ₹10,000	Subject to maximum of five hundred rupees, hundred rupees for every ₹ 10,000 or part thereof, of the amount of the value of the separated shares or shares of the property.

(2) Instrument of partition executed by agriculturists in case of their dwelling houses.	Subject to maximum of five hundred rupees, hundred rupees for every ₹ 10,000 or part thereof, of the amount of the value of the separated shares or shares of the property.
--	---

G.O.R.D. NO.GHM-89/46/M-STP-1086-2322-H-1 dated 27-4-1989 (Art. 26 & 43)

7. In exercise of the powers conferred by clause (a) of section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) the Government of Gujarat hereby remits, with effect on and from the **1st April 1997** the duty on the instrument relating to security for repayment of loan chargeable under Article 6(2) of Schedule-I to the said Act executed by farmer, unemployed person and the beneficiary under a scheme sponsored by the State Government or the Government of India

(Order No. GHM-97/14/M/STP/1097/365/H.1 dated 31.3.97 - Govt. of Guj Gazette Exty.Pt.IV-B No.67 dtd.31.3.97 P.67-1)

8. In exercise of the power conferred by clause (a) of section 9 of the Bombay Stamp Act 1958 (Bom.LX of 1958) the Government of Gujarat hereby reduces with effect on and from the 1st April 1997 the duty with which the instrument described in column 1 of the Table below is chargeable under the said Act to the duty at the rate specified in column 2 of the said Table.

Table

Description of Instruments	Reduced rate of Stamp duty
Investment of Conveyance executed by the Gujarat Housing Board or Corporation owned or controlled by the Government or the Local Authority relating to the residential houses constructed by them where the price of such house does not exceed ₹ 75,000.	One rupee for every hundred rupees or part thereof.

(Order No. GHM-97/15/M/STP/1097/365/H.1 dt.31.3.97 - Guj. Govt. Gaz. Exty.Pt.IV-B No.67 dt.31.3.97,P.67-2.)

9. In exercise of the powers conferred by clause (a) of section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) the Government of Gujarat hereby remits the duty chargeable under the said Act on an instrument of conveyance executed in favour of any person whose land is acquired for the purpose of an irrigation project in the State subject to the following conditions.

- (1) the land so purchased shall not exceed twice the area of land acquired, or
- (2) the market value of the land purchased shall not exceed the amount of compensation received by him.

- (3) the instrument of conveyance is executed within a period of three years from the date of payment of compensation for land acquired.
- (4) the person whose favour the instrument of conveyance is executed shall have to produce -
- (i) a certificate to the effect that the land has been acquired for the irrigation project
 - (ii) a copy of the award of compensation received by him.

(Order No. GHM/97/129/M/STP/1097/198/H-1 dtd.28-10-97 - Guj.Govt.Exty. Pt.IV-B No.260 dtd.4.11.97 P.260-1).

10. In exercise of the powers conferred by clause (a) of section 9 of the Bombay Stamp Act 1958 (Bom.LX of 1958) and in suppression of Government Orders, Revenue Department No.GHM/98/22/M/STP/1096/2527/H.1 dated 26.02.1998, the Government of Gujarat hereby reduces from the date of publication of this order the duty with which an instrument of securitization of loans or the Assignment of Debt with underlying securities is chargeable under Article 20(a) of Schedule 1 to the said Act, to seventy five paise for every rupees 1000 or part thereof the loan securitized or debt assigned with underlying securities.

(Order No. GHM/2002/M/STP/102000/2749/H.1 dated 25.01.2002 – Guj. Govt. Exty. Pt.IV-B, No.30 dt. 31.01.2002 p.30-1).

11. In exercise of the power conferred by clause (a) of section 9 of the Bombay Stamp Act, 1958 (Bom LX of 1958) the Government of Gujarat hereby reduces in the whole of the State of Gujarat, the duty with instruments described in column-1 of the Table below is chargeable under Article 34 of the Schedule-I of the said Act, to the duty specified in Column-2 of the said Table.

Description of Instruments	Reduced rate of Stamp duty
Instrument of Marriage Registration executed under the scheme "Sat Fera Samuh Lagna" formulated by the Department vide their Resolution No.PARACH1098/674/G dtd.29th April 1998.	Twenty rupees.

(Order No. GHM/98/58/M/STP/1098/1006/H.1 dtd. 15.9.98 - Guj.Govt.Gaz.Exty.Pt.IV-B No.240 dtd.17.9.98 p.240-1)

12. In exercise of the power conferred by clause (a) of section 9 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) the Government of Gujarat hereby extends from the duty with which the instruments of sales or leases executed or to be executed by all "eligible new information technology " units located in the notified "Infocity" chargeable under the said Act.

(Order No. GHM/99/37/M/STP/1099/uo/5/h.1 dtd. 10.6.99 - Guj.Govt.Gaz. Exty.Pt.IV-B, No.113 dt.10.6.99 p.113-1).

13. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby remits with effect from 10.02.2004, the duty of the instruments chargeable under Articles 6, 20, 27, 30, 36 & 51 of the Schedule I appended to the said Act, to the approved units in the processing area of the zone and to the developer in the area of Special Economic Zone declared as such by the Government of India under Sec.3 of the Gujarat Special Economic Zone Act, 2004 (Gnj.11 of 2004)
(Order No. GHM/2004/101/M/STP/102004/1465/H.1 dt.18.12.2004. Guj.Govt.Gaz. Exty. Pt.IV-B, No.277 dt.18.12.2004 p.277-1) = 2005 GSCS/II/P.14/H.24

14. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby remits in the whole of the State of Gujarat, the instruments of conveyance or lease executed by the Developer of the Industrial Park for the purpose of land or acquired land on lease by way of auction from Gujarat Industrial Development Corporation for setting up an Industrial Park and reduces by 50% the stamp duty chargeable on the instruments of conveyance or lease executed by the units of the Industrial Park.

This Order shall be deemed to have come into force on 10.06.2004.

(Order No. GHM/2010/56/M/STP/122009/2456/H.1 dt.23.08.2010 Guj. Govt. Gaz. Exty Pt.IV-B, No.301 dated 06.09.2010 p.301-1)

15. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby reduces the rate of stamp duty to one rupee for every one lakh or part thereof with which an instrument belonging to forward contract chargeable under items (d), (e), (f) and (g) of Article 5 and items (a), (b), (c) and (d) of Article 39 of Schedule I with effect from 07.06.2006 in the whole of the State of Gujarat.

(Order No. GHM/2006/45/M/102006/1863/H.1 dt.12.07.2006 – Guj. Govt. Gaz. Exty Pt.IV-B, No.230 dt.13.07.2006, p.230-1)

16. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby reduces the rate of stamp duty to twenty paise for every ten thousand rupees to part thereof with which the instrument belonging to purchase or sale of securities (in case of non-delivery and in future and option trading) are chargeable under item (c) of Article 5 and item (f) of Article 39 of Schedule I with effect from 30.08.2006 in the whole of the State of Gujarat.

(Order No.GHM/2006/67/M/STP/102006/H.1 dt. 04.10.2006 – Guj. Govt. Gaz. Exty., Pt.IV-B, No.319 dt.04.10.2006 p.319-1) = 2006 GSCS/II/P.568/H.375

17. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom. LX of 1958), the Government of Gujarat hereby with retrospective effect from 1 April, 2004 up to 29th August 2006 reduces the rate of stamp duty to ten paise for every ten thousand rupees or part thereof with

which the instruments belonging to purchase or sale of securities (in case of non-delivery and in future and option trading) are chargeable under item (c) of Article 5 and item (f) of Article 39 of Schedule I of the said Act in whole of the State of Gujarat with the condition that the person liable to pay has to make full payment of outstanding deficit duty up to 31 May, 2007.

(Order No.GHM/2007/17/M/STP/102006/2642/H.1 dt.30.03.2007.)

18. In exercise of the powers conferred by clause (a) of Sec.9 of the Gujarat Stamp Act, 1958 (Bom.LX of 1958), the Government of Gujarat hereby remits, in whole of the State of Gujarat.

- (i) The duty chargeable and interest payable on the instruments, particulars of which are specified in column 2.
- (ii) To the extent specified in column 3; and
- (iii) Subject to the conditions specified in column 4 of the Schedule appended hereto:

SCHEDULE

Particulars of instruments	Extent of reduction	Conditions
1	2	3
Instrument of conveyance chargeable to duty under clause (c) of Article 20 of Schedule-I of the Bombay Stamp Act, 1958 executed by Gujarat Housing Board in favour of a person other than original or first allottee;	Whole amount of duty leviable on the amount of difference between the amount of consideration shown in the instrument and the amount of true market value of the property which is the subject matter of such instruments;	(1)The instrument executed by Gujarat Housing Board up to period of six months from the date of this Order. (2)The person claiming remission has to produce certificate issued by the Gujarat Housing Board that he has made application up to 31.07.2008 to the Board for executing conveyance deed.
Power of Attorney so far as it related to the premises of Gujarat Housing Board chargeable to duty under clause (f) of Article 45 of Schedule-I of the said Act executed by original or first allottee in favour of another person or by another person to subsequent person.	Whole amount required to make up proper duty leviable under clause (f) or Article 45 of the said Act.	(1)The Power of Attorney executed on or before 31.07.2008. (2)The Power of Attorney holder has to produce Certificate issued by Gujarat Housing Board, that the Power of Attorney holder has paid transfer fee as required by the Gujarat Housing Board.

(Order No.GHM/2009/M/15/STP/102004/1131/H.1 dt.16.02.2009 -Guj. Govt. Gaz. Exty., Pt.IV-B, No.59, dt.20.02.2009, p.59-1).

The following notifications for remission/reduction in stamp duty may also be consulted.

- (1) GHM/102002/M/STP/102000/2558/H.1 dated 1.04.2002
- (2) GHM/2004/101/M/STP/102004/1993/H.1 dated 20.12.2004
- (3) GHM/2010/M/50/STP/122009/3041/H 1 dated 21.07.2010
- (4) GHM/2006/26/M/STP/102006/922/H 1 dated 26.04.2006
- (5) GHM/2006/67/M/STP/102006/H 1 dated 4.10.2006
- (6) GHM/2007/2/M/STP/102006/UOR 13/H 1 dated 23.01.2007

APPENDIX-5-A

(Refer parapgraph no.5.4.1)

Sampling Methodology

Audit in O/o the Inspector General of Registration & Superintendent of Stamps (HOD)

Registration Branch

Adjudication Branch

Amalgamation/ Re construction and Merger Cases, Mortgage, Conveyance audit party may adopt random selection basis/ judgemental sampling.

Verification of Stamp Vendor offices, Expenditure incurred against supply of stamps,

Contract finalised if any. For detailed *Expenditure Audit two months* to be selected

Dy. Collector (Stamp Duty Valuation Offices) Offices

SI No.	Selection criteria	Reasoning and aspects to be checked
1.	100% documents finalized and stamp duty collected during the selected month (Selection of month shall be based on the maximum number of documents finalized and disposed by DC under Section 32 and 33)	These cases may be checked with reference to speaking order of DC for ascertaining proper classification of the document, application of value of land and rate of stamp duty.
2.	100% documents pertaining to 'other source of revenue collected during the selected month	'Other source of revenue' - as directed by Superintendent of Stamps vide Circular dated 28.07.2011 (as per return)
3.	100% documents of the selected month where opinion under Section 31 of GS Act 1958 is given by DC	These cases may be checked to ascertain the extent of deviation from the <i>jantri</i> rates and reason and justification for such deviation
4.	100% documents where stamp duty/interest/penalty/service charge has been collected after issue of notices under Section 152/ 154/155 of Gujarat Land Revenue Code, 1879 and Rule 117 of Gujarat Land Revenue Rules.	These cases may be verified to ascertain the correct application of rate of stamp duty, levy of service charge etc.

5.	Cases which are remanded by the CCRA (U/s.53 and 53A of GS Act 1958)	These cases needs to be checked to ascertain the promptness in finalization of the cases
6.	Cases which are finalized by CCRA and forwarded to DC for recovery of deficit stamp duty/penalty etc. (U/s.53 and 53A of GS Act 1958)	These cases may be checked with reference to the promptness of creation of charge in Record of rights/efforts taken to recover the dues.
7.	100% refund cases	Application of correct rates, provisions of the Act, Rules etc.

***If audit is for more than one year, select the latest plus one or two years depending on time available.**

SUB REGISTRAR OFFICES

Sl No.	Criteria of document	Selection
1	Conveyance/ Sale deeds / Gift Deed <i>(Article 17,20,28)</i>	Basis- stamp duty paid.
	<i>A Category Unit</i>	Top 300 documents. plus 150 documents to be selected randomly.
	<i>B Category Unit</i>	Top 200 documents plus 100 to be selected randomly.
	<i>C Category Unit</i>	Top 100 documents plus 50 to be selected randomly
2	Mortgage deeds/Deposit of Title deeds/Hypothecation deeds/Debenture Trust Deeds <i>(Article 6, 27, 36)</i>	Top 25 documents plus 10 at random (Loan Amount to be considered)
3	Following category of documents	Top 10 documents each plus 5 others randomly selected (each category).
	a. Development agreement {Article 5 (ga)}	
	b. Cancellation of sale deeds (Article 16)	

	c. Exchange of property (Article 26)	
	d. Lease (Article 30)	
	e. Leave and License agreement (Article 30A)	
	f. Partition (Article 43)	
	g. Partnership (Article 44)	
	h. Dissolution of partnership {(Article 44 (3)}	
	i. Power of Attorney {Article 45 f and 45 (g)}	
	j. Release (Article 49)	
	k. Settlement (Article 52)	
	l. Transfer of lease or Assignment (Article 57)	
	m. Declaration/ Consent deed	
4	Documents where exemption from stamp duty/ registration fees is given based on Government Orders/ Notifications etc.	100 % (in order to verify the applicability of exemption in accordance with the provisions of the Act and Rules).

*** If more than one year for audit then select the latest plus one more year at random.**

APPENDIX-5-B

(refer paragraph no.5.4.1)

Audit Checks on Stamp Duty and Registration Fees

Introduction:

Entry No.63 of List II-State list of the seventh schedule to Article 246 of the Constitution enables the State Government to legislate on the rates of stamp duty in respect of documents other than those specified in the provisions of List I with regards to rates of stamp duty. In addition, the subject of stamp duty (other than duties collected by means of judicial stamp but not including rates of stamp duty) finds a place in entry No.44 of List III (concurrent list) also. By virtue of these constitutional provisions, the Bombay Stamp Act 1958 which was in force in the State of Gujarat which has been now renamed as the Gujarat Stamp Act, 1958 with retrospective effect from 1st May, 1960 by **the Gujarat Short Title (Amendment) Act, 2011**. Entry No.63 of List II-State list of the seventh schedule to Article 246 of the Constitution enables the State Government to legislate on the rates of stamp duty in respect of documents other than those specified in the provisions of List I with regards to rates of stamp duty. In respect of registration fees, by virtue of the powers conferred by Section 78 of the Registration Act, 1908 in its application to the State of Gujarat, Government of Gujarat fixes the rates of the registration fees from time to time on various types of instruments.

Following audit checks are prepared with reference to various provisions of the Act and the existing instructions issued by the State Government from time to time on the application of stamp and duty and registration fees on various instruments executed in the State. These are illustrative but not exhaustive. Audit parties may exercise their own audit checks with reference to the recitals of the instruments apart from following these audit checks:

(A) Audit checks on Stamp Duty in Sub Registrar Office

(I) GENERAL

1. Call for Annual Administrative Report (*Vaarshik Vahivat Ahwal*) and analyse revenue realization and volume of work
2. Whether the classifications of the instruments are properly done with reference to the definition given in Section 2 of the Act on various types of instruments and on the basis of the recitals and transactions appended therein?
3. Whether the applicability of provisions of Section 3 is fulfilled in respect of chargeability of duty on various instruments mentioned in Schedule I, other than those exempted under Section 9, which was not previously executed in the State?
4. Whether additional duty at 40% of basic rates has been charged on the various instruments (Certificate of Sale, Conveyance, Exchange of Property, Further Charge, gift, lease, Mortgage under Article 36, Power of Attorney with Consideration and authorizing the attorney to sell any immovable

property under Article 45 (f), Settlement and Transfer of Lease listed under Section 3A of the Act?

5. Whether the duty charged on several instruments (multiple instruments) used in single transaction was correct with reference to the principal instrument only and other instruments charged with a duty of one hundred each? (Section 4)
6. Whether instruments comprising or relating to several distinct matters or distinct transactions have been charged with the aggregate amount of duties on each distinct matters/ transactions as provided under Section 5? Also examine whether any instrument comprises distinct elements of conveyance/ release i.e. releasing of existing rights in the property in favour of another co-owner other than blood relations during his/ her life time, gift i.e. relinquishment of existing rights/interests in the property to another who has no pre-existing rights in the property.
7. Section 6 provides that wherein an instrument contains two or more descriptions in Schedule I, and where the duties chargeable thereunder are different, then only the highest of the duty will be chargeable. Here it may be checked whether there are no distinct matters/transactions (Section 5) involved in such instruments, which might attract applicability of aggregate amount of such distinct matters/ transactions.
8. Whether the provisions contained in Section 7 on payment of higher duty in respect of certain instruments have been fulfilled? For example, a copy of Debenture Trust Deed executed in Maharashtra when filed before the Registrar of Companies in Gujarat at Ahmedabad, it would be liable to levy of differential stamp duty.
9. Whether the exemption/ remission/ reduction in duty given on the instruments were complied with the provisions contained in Section 9?
10. Please see that the benefit of exemption/remission/reduction in duty has been given in respect of a particular class of instruments and not in individual cases.
11. Whether the proof of government notification/ circular/ orders were made available in support of exemption/ remission/ reduction?
12. Please see that only one instrument has been written on a piece of stamped paper and no second instrument has been written on the same piece of stamp paper (Section 14).
13. Please see that in respect of instruments executed in State, the duty has been charged before or at the time of execution or immediately thereafter on the next working day following the day of execution (Section 17).
14. Please see whether in respect of instrument executed out of State and brought to the State have been stamped within three months after it has been first received in the State. (Section 18)
15. Whether the provisions of Section 19 have been applied correctly for charging differential duty in respect of instruments described in Schedule I to the Act executed out of the State and subsequently received in the State.

16. Please see whether deduction/adjustment in duty is given in respect of any property transferred to the mortgagee (Section 25).
17. Please see that in respect of any property contracted to be sold, apportionment of market value has been correctly done with reference to the instruments executed in different parts and aggregate duty has been charged. (Section 29)
18. The liability as to by whom duty is payable on different instruments described in Schedule I has been mentioned in Section 30. In case of any doubt, these provisions may be examined.
19. Section 31 provides that when any person brings to the Collector, whether executed or not and whether previously stamped or not and seeks his opinion of the chargeability of duty on it, the Collector shall determine the duty and give his opinion on the chargeability of proper duty. In this connection please examine -
 - Whether an officer appointed as Collector under clause (f) of Section 2 has reason to believe that the market value of the property has not been truly set forth; he shall refer the matter to the Collector of such district for determining true market value under Section 32A.
 - Whether in between the date of seeking opinion and execution of the instrument, if there is change in rates of market value (jantri rates), provisions of Section 32A have been adopted.
 - Whether separate registers maintained in respect of instruments referred to the Dy. Collector (Valuation) under Section 31/32A/33 of the GS Act
 - Whether the instrument referred to under Section 32A each accompanied with Form I comprising details of properties referred for valuation?
 - Whether the monthly returns on the properties registered as per the prescribed value were regularly sent to the Income Tax Department?
 - Whether the Sub Registrars ensured inclusion in the instruments details of PAN Numbers of executants of various instruments, wherever necessary during registration process?
 - Whether the Sub Registrars ensured compliance to provisions of Section 52 C regarding invalid stamps in all the cases
 - Whether the Sub Registrars verified copy of power of attorneys submitted in support of execution of instruments by POA holders and ensured that it did not violate the existing provisions and there was no escapement of duty?

20. Section 32A- Determination of market value of property

It may be seen –

- Whether the registering officer has referred the instruments of conveyance, exchange, gift, certificate of sale, partition, partnership, settlement or power of attorney to sell immovable property when given consideration, or transfer of lease where correct market value is not adopted, to the Collector for determining true market value ?

- Whether the Collector followed the provisions of Rule 8 of the Bombay Stamp (Determination of Market Value of Property) Rules, 1984 ?

Hon'ble Gujarat High Court in the case of Gorva Vibhag Cooperative Housing Societies Association Vs. State of Gujarat has clearly observed that following factors are to be taken into consideration while deciding the true market value of the property:

- Whether the property is subject to mortgage charge
- Whether there are sitting tenants in the instruments of conveyance where deduction in market value on account of their period of holding in the properties were given.
- Whether the agreement to sell executed by the parties if being genuine one, the Collector is bound to consider it
- Any factors mentioned in the instrument which is relevant for the purpose of determining market value
- Any other factor which the Collector thinks to have a bearing on the valuation of the property.
- Check out the cases finalized by the CCRA and find out whether the applicants have preferred appeals before CCRA within 90 days from the date of order by the Dy. Collectors.

(II) Audit Checks with reference to Article-wise registration of instruments:

There are 58 Articles under Schedule I to the Act under which several instruments are registered. Here are some important Articles requiring proper audit checks which are likely to yield audit outputs:

1. Article 5(ga) – Agreements, popularly known as “Development Agreement”:

- Check whether applicable rates of duty i.e. one rupee (from 1.9.2001 /three rupees and fifty paise (with effect from 1.4.2014.) for every hundred rupees or part there of the market value of the property have been charged.
- Check whether true market value has been adopted as per the prevailing *jantri rates* with reference to the correct area of land/property agreed to be developed.
- Examine the recitals to find whether any power of attorney, rights, title and interest in the property had been passed on to the developers for ascertaining chargeability of higher duty as per conveyance.

2. Article 6/ Article 14 – Agreement or Memorandum of Agreement relating to Deposit of Title Deeds (commonly known as Deposit of Title Deeds), Pawn, Pledge or Hypothecation/Bond

- Check whether the classification of the instrument was in order i.e. whether any rights, title and interest in the property have been created in favour of mortgagee requiring applicability of additional duty (@ 40%) under Article 3A

- Check whether correct rate of duty had been charged with reference to the ceiling of loan amount i.e. loan amounts/amount secured which does not exceed/ exceed rupees ten crore

3. Article 17 – Certificate of Sale

Generally, Certificate of Sale is executed by any Civil/ Revenue Court order/ decree or as a result of highest bidder getting the property by way of public auction etc. In such cases, following area may be checked.

- Check to ensure that the duty applicable to conveyance under Article 20 on the market value of the property had been levied on the instrument of Certificate of Sale granted to the purchaser of any property sold by public auction by Civil or Revenue Court or Collector or Revenue Officer
- Check whether movable property also transferred simultaneously with the immovable property on which proper stamp duty at 2 per cent levied on consideration or market value whichever is higher

4. Article 20 – Conveyance:

- Examine and find how the seller of the property has acquired ownership of the property conveyed so as to link the earlier missing transaction.
- Examine and find the interests/ rights in the property in respect of any third party/ confirming party coming in the instrument.
- Examine and find any other element of distinct transaction involved to comment for application of provisions of Section 5.
- Examine and ensure whether the correct market value/ deductions/ floor-wise deductions as per jantry guidelines were applied in all the cases audited.
- Ensure jantry rates applicable to correct zone in which the property conveyed is situated.
- Examine and find whether the areas considered for application of market value are as per correct TP.Scheme/ Survey/ Block/ Revenue Survey Nos.
- Ensure the area mentioned in the instruments is converted to square metres for the purpose of application of jantry rates.
- Ensure whether the market values of movable/immovable properties are segregated for application of proper rate of duty on movable/immovable properties.
- Ensure whether proper duty applicable on a deemed conveyance under an Agreement to sell by which possession of the property had been charged on instrument of Agreement to Sell/ Irrevocable power of attorney under which possession of immovable properties had been given/ agreed to be given before, at the time of or after the execution of such instrument.
- Ensure whether provisions of valuation under Section 32A have been applied in respect of instruments of Agreement to Sell/ Irrevocable Power of Attorney

- Ensure whether in case of instruments by co-owners of any property, proper duty as per conveyance is charged as provided Explanation-I below Section 2(g)-Conveyance inserted with effect from 4.4.1994.
- Check whether movable property also transferred simultaneously with the immovable property on which proper stamp duty at 2 per cent levied on consideration or market value whichever is higher

In respect of instrument of conveyance on account of reconstruction/ amalgamation of companies as a result of High Court order, examine whether-

- Stamp duty had been correctly levied at one per cent on the aggregate market value of shares issued or allotted or the face value of shares whichever is higher and the amount of consideration, if any, paid for such amalgamation or an amount equal to one per cent of the true market value of immovable property of the transferor company in Gujarat State, whichever is higher
- All the movable/ immovable properties listed in the High Court order situated in the State of Gujarat amalgamated/ reconstructed have been considered for valuation and recovery of stamp duty
- Market value of listed/ unlisted shares issued or allotted in exchange of or the face value of such shares, whichever is higher have been considered for the purpose of valuation and recovery of stamp duty
- Amount of consideration paid for such amalgamation also taken for the purpose of valuation and recovery of stamp duty
- The value of movable/ immovable properties transferred after the date of order of Higher Court was also considered for the purpose of recovery of stamp duty

5. Article 26 - Exchange of Property

- Whether same duty as is leviable on a conveyance under Article 20 on the market value of the property of greatest value had been levied?
- Ensure other provisions applicable to instrument of conveyance including application of correct market rates are applied.

6. Article 27 – Further Charge

- Ensure that the principal instrument was mortgage only Article 20(a)
- Ensure stamp duty at prescribed rate is levied.

7. Article 28 - Gift

- Ensure whether the provisions applicable to instrument of conveyance such levy of stamp duty at conveyance rates, provisions of market value under Section 32A etc. are applied.

8. Article 30 – LEASE

- Examine whether property duty had been recovered with reference to the period of lease, premium/ lease rent mentioned in the lease agreement.

- Ensure whether all the amounts paid including municipal taxes, GST, recurring charges undertaken to pay, rent paid in advance excluding such amount to be set off towards the last installment or installments of rent, security deposit amount paid payable are included for the purpose of working out average annual rent/ premium.
- Examine whether proper rate of duty with reference to period of lease/ extended period of lease had been recovered.
- Ensure whether conveyance rate of duty had been charged in respect of assignment of lease applying market rate as per jantry or consideration whichever is higher.
- Examine whether the taxes/ duties/ land revenue/ non-refundable security deposits etc are also included for the purpose of levy of stamp duty.
- Ensure that instrument of assignment of lease subject to provisions of market value.

9. Article 30A – Leave and License Agreement:

- Ensure whether the total amount payable including the total amount of fine or premium or money advanced irrespective of the period for which such leave and license mentioned in the agreement had been subject to levy of duty.

10. Article 36 - Mortgage Deed:

- Ensure whether the same rate of duty as applicable on a conveyance had been charged where possession of the property had been given/ agreed to be given, excluding the possession agreed to be given in case of default.
- Ensure additional duty under Section 3A had been charged.
- The conditions on the instruments classified as Mortgage without possession are examined and found correct.
- Examine whether duty at conveyance rate is applied on instrument of mortgage with possession of the property given/agreed to be given, but not on account of any provision for giving consent for possession in case of any default of the conditions prescribed.
- Ensure proper rate of duty had been charged in respect of mortgage of the property in the nature of collateral security.

11. Article 43/ 44 – Partition

- Ensure whether duty had been applied on the amount after separation of largest share.
- Ensure co-owners are legal holders of the property partitioned
- Ensure that in case of property owned by a partner brought to the partnership firm as his share of capital contribution and transferred to another partner on dissolution of the property is charged with the rate of duty applicable to instrument of conveyance.
- Examine whether registration fees are recovered at one *per cent* of the market value of the property.

- Ensure that the partition appeared to have been taken place as could be seen from the instruments are compulsorily registered.
- Ensure in the case of death of father and where co-owners who hold equal rights in the property as per Hindu Succession Act, 1956 and had released their share in favour of other co-owners without taking any monetary consideration, proper duty as applicable to conveyance is charged.
- Ensure whether duty as applicable to conveyance is charged in case of dissolution of partnership under which any immovable property is taken by any of the partners other than the partner who bought that property as his share or contribution to partnership *{(Article 44 (3))}*.

12. Article 45 – Power of Attorney:

- Ensure that all such powers of attorney given to persons other than blood relations are liable to proper stamp duty.
- Ensure whether in case of instruments of power of attorney given for consideration authorizing the attorney to sell any immovable property, rate of duty is charged as is leviable on a conveyance with additional duty under Section 3A.
- Ensure that all such powers of attorney with consideration given in respect of immovable properties are compulsorily registered.

13. Article 52 – Settlement:

- Ensure that where settlement is made for other than for a religious or charitable purpose, rate of duty is charged as is applicable on a conveyance.
- Examine whether instruments of gift/release/conveyance etc. made by persons other than by family members have been misclassified as instrument of “settlement”

14. Article 57 – Transfer of Lease

- Ensure that stamp duty is levied as is leviable on a conveyance under Article 20(a)-Conveyance for the amount of consideration or market value whichever is higher.
- Ensure that instrument of assignment of lease is subject to the provisions of market value under Section 32A.
- Ensure that the instrument of assignment of lease executed by GIDC in respect of its industrial sheds are subject to the provisions under Section 32A

Determination of market value of property

Working of market value of property submitted for registration is an important aspect during the audit of Sub-Registrar and Dy. Collector (VOP).

Following steps should be followed for working out the market value of a property.

Steps	Aspects to be seen
I	<p><u>Find out the area of the property</u> The area of the property is available in the description part of the document. It should be converted into square meter.</p>
II	<p><u>Find out the type of property</u> Check and ensure whether the property is agricultural land or non - agricultural (NA) land. In agricultural lands check whether it is an Irrigate land & non irrigated land? In NA open lands, check whether it is a residential/ commercial or Industrial open land? In case of constructed buildings, then check whether it is for residential, office, shops or industrial purpose?</p>
III	<p><u>Finding out the area details of the property</u> Verify the recital of the document and find the survey number/TP & FP number, village and <i>taluka</i> of the area in which immovable property situated. (Normally it is described in the schedule of the property in the document)</p>
IV	<p><u>Searching rates of agricultural land in Jantri</u> <i>Jantris</i> are prepared for rural area and urban area separately. Jantri for rural area are of two type ie. agricultural and non-agricultural. Agricultural jantri shows different rate for irrigated and non irrigated agricultural land. NA <i>Jantri</i> shows different rate for residential, commercial, industrial and for mining purpose. For property in urban area, search and find the rates of the particular TP & FP number of the zone in which the property is situated. For property in rural area, search and find the rate of the particular survey number of the village in which property is situated. For rate of agricultural land refer to agricultural jantri and for non-agricultural land refer to non agricultural jantri.</p>
	<p><u>Searching rates of open land in Jantri</u> Rates of open land in <i>jantri</i> are of two type ie. Developed open land and Industrial open land. For working out the market value of residential & commercial open land the rate of developed open land and for industrial open land the rate of industrial open land in the jantri should be taken into account. The market value of the open land would be worked out by multiplying the jantri rate of the land with that of area,</p>
V	<p><u>Fixation of market value of (Open land / Agricultural land)</u> By multiplying respective rate of agricultural land/open land in prevailing jantri with the area of the property the market value of the property would be fixed.</p>

VI	<p><u>Procedure for fixing market value of constructed property</u></p> <p>Market value of constructed property can be worked out in following methods</p> <p>Case I:- For valuation of residential flats, shops, offices etc.</p> <ul style="list-style-type: none"> • Determination of area:- For shops and office the built up area should be considered. If carpet area of the flat is given in the document, convert it into built up area multiplying the same into 1.2 (i.e Built up area = carpet area X 1.2) • Searching rates :- For valuation of above types of property, composit rates in prevailing jantri should be referred. Different composit rates ie. Residential, commercial, shops and industrial for different zone are shown in the jantri. The rate against TP/PF number of the property in the respective zone should be taken into account. <p><u>Fixation of market value of shops/offices & flats</u></p> <p>By multiplying respective rate of agricultural land/open land in prevailing jantri with the area of the property the market value of the property would be fixed.</p> <p>Case 2:- For valuation of property by aggregating the value of land and construction.</p> <p>Searching the area of property: Verify and find the area of the land and construction in the document. (Normally it is shown in the description part of the document)</p> <p>Valuation of land :- The rates against TP/FP number in the respective zone of the property shown in the jantri should be taken and multiplying the same with the area of land the value of land would be derived.</p> <p>Valuation of construction:- For this purpose rate of Rs. 1100/- for urban area and Rs.900 for rural is fixed and multiplying the same with the area of construction the value of the construction would be derived.</p> <p>Valuation of property:- For this valuation the value of land should be added with that of land. Different type of deduction if applicable may be given for getting market value of the property.</p>
VII	<p><u>Value to be considered for levy of stamp duty</u></p> <p>Market value of property as per <i>jantri</i> rate or the consideration price of the property whichever is higher should be taken into account for the purpose of levying stamp duty. For example the value of consideration is Rs.5 lakh and the market value of the land as per <i>jantri</i> rate is 8 lakh, then stamp duty should be levied on Rs.lakh.</p> <p>Finding out the reason for undervaluation:- For ensuring the undervaluation and reason thereof, the audit party should verify the calculation sheet, Form-I submitted by the party, copy of jantri etc.</p>

Application of jantry 2011–Certain Guidelines issued by the Revenue Department

Though, the *jantri* has no legislating backing of the Gujarat Stamp Act, 1958, Revenue Department has issued certain guidelines for implementation by registering authorities for the purpose of valuation, which the assessing officers are mandated to follow. Some of the important guidelines are as below:

At present, prevailing jantry had been made effective from 18-4-2011 prescribing distinct rates in respect of immovable properties situated in various villages/ cities/ towns/ nagarpalikas etc. The jantry is stated to have been prepared various parameters by taking into consideration the ongoing trend of rates of open land with reference to development, location, availability of common facilities, source of water, means of road approach and means of transport facilities available in the vicinity of the property. Rates of construction separately for Rural and Urban Areas have also been given with reference to load bearing structure, RCC frame structure, semi-temporary structure, industrial shed (RCC concrete and tin sheds). Besides percentage/ deduction of construction/ proportionate floor-wise deduction, the rates of depreciated value of construction have also been given.

The jantry is stated to have been prepared in consultation with the various departments of the State Government and also seeking public opinion as well.

The prevailing jantry also give different rates applicable to agricultural land, developed/open land, construction rates inclusive of land cost for residential, commercial, shops etc.

Some important deductions required to be applied in valuation of constructed properties as per the *jantri* guidelines are mentioned below:

(A) Floor-wise deduction admissible to conveyance of flats/ apartments

Floor	Percentage of valuation on construction with lift facilities	Percentage of valuation on construction without lift facilities
Ground floor	100%	100%
Ist floor	100%	100%
Second floor	100%	95%
Third floor and above	100%	90%
Top floor	95%	90%

(B) Road frontage for shops valuation:

Floor	Shops with road frontage	Shops without road frontage
Ground floor	100%	75%
First floor	75%	70%
Second floor and above	70%	65%

Note: For Shopping Mall, Arcade, Multiplexes, floor-wise/road frontage deduction will not be applicable

(C) RATES OF INCOMPLETE CONSTRUCTION

Incomplete construction	Percent
Incomplete structure without slab	Consider 50% of related SOR
Incomplete structure with slab	Consider 70% of related SOR

(D) VALUATION OF THE BANKS, HOSPITALS, NURSING HOME:

Floors	Percentage valuation
On above first floor	Rates shown against concerned value zone of office
Ground floor and first floor	Concerned value zone of shops

VALUATION OF CELLAR:

Purpose of use	Percentage valuation
For residential purpose	Concerned value zone of residential rates @ 40%
Commercial use	Concerned value zone @80%

CAR PARKING VALUATION:

Nature of construction	Covered parking	Open parking
Residential	10%	5%
Commercial	20%	20%

Note: When car parking area is not shown, then for each car 8 sq.mtrs. area will have to be considered and where definite area is not mentioned in the instrument, calculation of area has to be worked out taking the base area of minimum of 8 sq. mtrs.

(E) Agricultural land purchased for non-agricultural purposes with permission of competent authority:

Purpose of use	Rates at which valuation to be done
Non-agricultural	Concerned value zone of open land
Industrial purpose	Rates applicable to industrial non-agricultural rates
Note:(1)The area of land purchased for industrial purpose under section 63 of the Mumbai Tenancy & Agricultural Land Act, 1948 is more than 10000 sq. mts., then 20% deduction will have to be made and copy of permission given by the competent authority may be made available. (2) For industrial purpose land under the charge of Forest department is allotted, industrial rates to be applied	

(F) DEPRECIATION VALUE OF OLD CONSTRUCTION:

Age of properties	Percentage of deduction available for valuation
From 0 to 50 years	1.2% per year on the cost of construction
Above 50 years	60% of the total construction value

(G) Valuation of Cellar

Purpose of use	Percentage of value zone rates applicable
Residential purpose	40%
Commercial purpose	80%

(H) Terrace rights valuation:

Individual bungalows including the terrace, flat/office/shop terrace	40% of concerned value zone
--	-----------------------------

(I) Mezzanine Valuation i.e. lowest balcony or forward part of such balcony in a theatre:

For valuation of mezzanine floor, 70% value of concerned value zone to be considered.

(J) For valuation of properties obtained in public auction/tender:

Market value as per *jantri* rates or auction/tender price, whichever is higher would be applicable.

(K) For valuation of properties having tenants: (tenants staying for more than 15 years):

- ✓ Valuation deduction will be available for residential properties only
- ✓ Deduction will be available for residential properties holding tenancy rights for more than 15 years
- ✓ 80% of SOR/ jantri rates will be applicable
- ✓ Copy of municipal tax bill/receipts of taxes paid be produced for proving evidence of staying for more than 15 years

Effect of recent Amendments in the rates of stamp duty from 1.8.2013:

Article 6- Deposit of Title Deeds:

Loan Amount	Maximum duty amount (old) (in ₹)	Maximum amount (new rates) (in ₹)
Not exceeding 10 crore (Clause – (1) a(i))	Subject to maximum of one lakh rupees, twenty-five paise for every hundred or part thereof.	This limit of rupees one lakh rupees removed.
Where it exceeds 10 crore (Clause – (1) a(ii))	Subject to maximum of three lakh rupees, fifty paise for every hundred or part thereof.	Subject to maximum of eight lakh rupees, fifty paise for every hundred or part thereof.

Hypothecation	Maximum duty amount (old)	Maximum amount (new rates)
Loan not exceeding 10 crore (Clause – (b) (2) (i))	Subject to maximum of one lakh rupees, twenty-five paise for every hundred or part thereof.	This limit of rupees one lakh rupees removed.
Where the loan exceeds 10 crore (Clause (b) – (2) (ii))	Subject to maximum of three lakh rupees, fifty paise for every hundred or part thereof.	Subject to maximum of eight lakh rupees, fifty paise for every hundred or part thereof.

Similar amendments have been carried out in Article 14 (Bond), and in respect of Article 27 (Further Charge), clause (b) item (ii) (a) where the loan not exceeding ₹ 10.00 crore, the limit of rupees one lakh had been removed and in respect of clause (b) item ((ii) (b), the limit of rupees three lakh had been enhanced to rupees eight lakh. (Act No. 15 of 2013).

Article 44 – Instrument of Partnership – Rates of duty revised from 01.08.2014 (Act No. 17 of 2014)

Where such share of capital is brought in by way of cash	Subject to maximum of ten thousand rupees, one rupee for every hundred rupee or part thereof of the amount of the capital of partnership
Where such share of capital is brought in by way of immovable property	The same duty as is levible on a conveyance under Article 20 for the market value of such immovable property
Where such share of capital is brought in by way of immovable property	The same duty as is levible under sub-clauses (a) and (b) respectively

In Article 45 (f), following sub item have been added:

(i) When authorizing to sell or transfer immovable property without consideration or without showing any consideration, as the case may be -	
(a) If given to the father, mother, brother, sister, wife, husband, son daughter, grandson, granddaughter	One hundred rupees
(b) In any other case	The same duty as is leviable on a conveyance under Article 20 for the amount of consideration or, as the case may be, market value of the immovable property whichever is greater.

In Article 45 (g), for the words “One rupee” “Three rupees and fifty paise” have been substituted (w.e.f. 1.8.2014)

In Article 49 (Release), following clauses have been substituted:

<p>49. Release – that is to say, any instrument (not being such a release as is provided for by section 24) whereby a person renounce a claim upon another person or against any specified property.</p>	<p>Rate of duty</p>
<p>(a) I the release deed of an ancestral property or part thereof is executed by or in favour of brother or sister (children of renouncer's parents) or son or daughter or son of predeceased son or father or spouse of the renouncer or the legal heirs of the above relations</p>	<p>One hundred rupees</p>
<p>(b) In any other case</p>	<p>The Same duty as is leviable on a conveyance under Article 20 for the amount of consideration or, as the case may be, market value of the share, interest, part or claim renounced in immovable property, whichever is greater.</p>

Notification

Revenue Department,

Sachivalaya, Gandhinagar

Dated the 3rd August, 2019

No.GHM-2019-66-M-STP-122019-1036-H.1: In exercise of the powers conferred by sub-section (2) of section-1 of the Gujarat Stamp (Amendment) Act, 2019 (Guj. 12 of 2019), the Government of Gujarat hereby appoints the 5th August, 2019 as the date on which the said Act shall come into force.

(M.B.Soni)

Deputy Secretary to Government

Circulated vide Superintendent of Stamps's Circular No.Stamp/Act/F.No.68/2019 dated 12495-615 dated 05-08-2019 and the new rates are shown as under:

Article No.	Nature of document	Old Rate ₹	New rates w.e.f. 05-08-2019 ₹
02	Administration Bond	100	300
03	Adoption Deed	100	200
04	Affidavit	20	50
05h	Agreement or Memorandum of an agreement or its records	100	300
09	Appointment in execution of a power (a) Of Trustees (b) Of property movable or immovable	100 100	300 300
10	Appraisal or valuation made otherwise than under an order of the court in the course of a suit.	100	300
11	Apprenticeship Deed	100	300
13	Award	100	300
16	Cancellation	100	300
19	Composition Deed	100	300
21	Copy or Extract	100	300
22	Counterpart or Duplicate	100	300
23	Customs bond or Excise bond	100	300
25	Divorce	100	300
29	Indemnity bond Inspector ship Deed	100	300

32	Letter of Guarantee	100	300
33	Letter of Licence	100	300
34	Marriage Registration	100	300
35	Memorandum of Association of a company (a) If accompanied by articles of association under section 10 of the companies Act 2013	100	300
38	Notarial Act	20	50
39	Note or Memorandum (g) Of a Government Security	100	300
41	Note of protest by the master of a ship	100	300
44	Partnership 2(b) Alteration in the constitution of the partnership in consequence of any reason other than that referred to in sub clause(a), instrument of	100	300
	3(b) In any other case	100	300
45	Power of Attorney (a) When executed for the sole purpose of procuring the registration of one or more documents in relation to a single transaction or for admitting execution of one or more such documents,	100	300
	(b) When required in suits or proceedings under the presidency small clause courts act 1882	100	300
	(c) When authorizing one person or more to act in a single transaction other than the case mentioned in clause (a)	100	300
	(d) When authorizing not more than five persons to act jointly and severally in more than one transaction or generally	100	300
	(e) When authorizing more than five persons but not more than ten persons to act jointly and severally in more than one transaction or generally	100	300
	In any other case	100	300
46	Protest of Bill or Note	100	300
47	Protest by the master of a ship	100	300
48	Reconveyance mortgaged property	100	300
48-a	Record of Transaction	100	300

	(a) In relating to sale and purchase of Government Securities		
49	Release: that is to say, any instrument (not being such a release as s provided for by section 24) whereby a person renounces a claim upon another person or against any specified property.	100	200
51	Security Bond or Mortgage Deed	100	300
55	Surrender of Lease	100	300
56	Transfer (b) Of any interest secured by bond, mortgage-deed or policy or insurance	100	300
	(c) Of any property under the Administrators General Act, 1963 section 22	100	300
	(d) Of any trust property without consideration from one trustee to another trustee or from a trustee to a beneficiary	100	300
58	Trust (a) Declaration of – of, or concerning any property when made by any writing not being a will.	100	300
	(b) Revocation of- of concerning, any property when made by any instrument other than a will	100	300

REGISTRATION FEES:

- ✓ Whether all the compulsorily registerable instruments covered under Section 17 (c) of the Registration Act were brought to registration, wherever necessary?
- ✓ Whether fixed fees in respect of instruments registered under the provisions of Gujarat Table of Registration Fees on several articles as prescribed were levied and in order?
- ✓ Whether registration fees on ad valorem basis leviable on certain instruments including instrument of partnership were levied correctly?
- ✓ Whether aggregate registration fees were levied separately on each distinct transaction comprised in Section 5 of the Gujarat Stamp Act, 1958 were levied wherever necessary?

- ✓ Whether exemptions from registration fees given to women acquiring immovable properties and exemption given to other class/type of beneficiaries were in order?
- ✓ Whether such exemption given is only related to instruments involving transfer of immovable properties where the women only become the owner?

Check List in the Offices of Dy. Collector (Valuation):

- Whether there were separate registers maintained for recording instruments received under Section 31/ 32A/ 33?
- Whether there was any amnesty scheme during the period of audit?
- Whether conditions of eligibility for instruments considered for the amnesty scheme had been correctly applied in such cases?
- Whether interest and penalty under Section 46 of the GS Act had been correctly applied wherever applicable?
- Whether the Dy. Collector had recorded speaking orders in all the cases of valuation/pre-valuation?
- Whether the principles laid down under Rule 4 and Rule 8 of the Gujarat Stamp (Determination of Market Value of Property) Rules, 1984 had been followed for determination of market value of agricultural/non-agricultural properties?
- Whether the Sub Registrar had kept Form I comprising the details of properties of each instruments referred to the Dy. Collector (Valuation)?
- Whether the recovery proceedings made under Revenue Recovery Certificates (RRC) were adequate and notices issued under Land Revenue Code, attachment of properties etc. were adequate?
- Whether action taken for recovery in pending cases was adequate?
- Whether in respect of instruments referred to the Chief Controlling Revenue Authority (CCRA), time-limit of 90 days had been observed?
- Whether in cases remanded by the CCRA, timely action was taken to finalize the cases early and raise demands?

OFFICES OF INSPECTOR OF REGISTRATION:

- Inspection Parties conducting **audit of Inspector of Registration (IR)** offices may ensure that as per the following Notification dated 20 July 2018 issued by the Revenue Department, Government of Gujarat whether the said IR has been conferred powers as Collector under Section 32 A of Gujarat Stamp Act.
- If yes, then collect the details of cases finalized by the IR and audit those cases too.
- Whether the same has been intimated to the concerned DC (VOP).

- Take a specimen of the return or information forwarded to DC and attach the same to the list of Key documents.
- Also bring out the fact as procedural para that though as per notification, powers were conferred but no cases are finalized by the said designated IR.

NOTIFICATION
REVENUE DEPARTMENT
Sachivalaya, Gandhinagar
Dated the 20th July, 2018

ગુજરાત સ્ટામ્પ અક્ટ ૧૯૫૮ ની અન્વયે
૨૦/૭/૨૦૧૮

Gujarat Stamp Act, 1958. NO.GHM-2018-82-M-STP-122018-660-H-1 - In exercise of the powers conferred by sub-section (f) of section 2 of the Gujarat Stamp Act, 1958 (Bom LX of 1958), the Government of Gujarat hereby appoints the following officers as shown in column 2 of the Annexure appended herewith to be the "Collector" in respect of the areas allotted to them as shown in column 3 of the said Annexure for the purpose of section 32A of the aforesaid Act

ANNEXURE

Sr. No.	Designation of officer with Head Quarter of the Office	Name of areas of Jurisdiction of Sub Registrar/Taluka
1	2	3
1	Deputy collector(MDM), Vadodara	Vadodara(City)
2	Deputy collector(PROTOCOL), Vadodara	Vadodara(City)
3	District Supply Officer, Vadodara	Vadodara(City)
4	Inspector of Registration, Office of Inspector of Registration, Lunawada (Mahisagar)	Vadodara(City)
5	Deputy collector(MDM), Surendranagar	Surendranagar
6	Deputy collector(SUPPLY), Surendranagar	Wadhwan
7	Inspector of Registration, Office of Inspector of Registration, Devbhumi dwarka	Khambhaliya, Kalyanpur
8	Deputy collector(MDM), Morbi	Morbi
9	District Supply Officer, Morbi	Morbi
10	Deputy collector(MDM), Godhra	Godhra
11	District Supply Officer, Godhra	Godhra
12	Deputy collector(MDM), Jamnagar	Jamnagar(City)
13	Deputy collector(SUPPLY), Jamnagar	Jam Jodhpur (Rural)
14	Inspector of Registration Office of Inspector of Registration, Porbandar	Bhanvad, Kalawad
15	District Planning Officer, Jamnagar(City)	Jamnagar(City)
16	Deputy collector(MDM), Gir Somnath	Veraval
17	District Supply Officer, Gir Somnath	Kodinar
18	Inspector of Registration Office of Inspector of Registration, Gandhinagar	Kadi
19	Inspector of Registration Office of Inspector of Registration, Junagadh	Udleta, Dheera
20	Inspector of Registration Office of Inspector of Registration, Jamnagar	Dhrol, Jodiya and Lalpur
21	Inspector of Registration Office of Inspector of Registration, Rajkot	Rajkot (City)
22	Inspector of Registration Office of Inspector of Registration, Morbi	Halvad
23	Inspector of Registration Office of Inspector of Registration, Botad	Limbdj
24	Inspector of Registration Office of Inspector of Registration, Amreli	Savarkantla and Limbdj

20/7/18
H-1

25	Chief Inspector of Stamp, (Saurashtra Zone) Dy. Collector, Office of Stamp Duty Valuation, Rajkot	Gondal and Jetpur
26	Chief Inspector of Stamp (East Zone) Dy. Collector, Office of Stamp Duty Valuation, Godhra	Godhra
27	Inspector of Registration Office of Inspector of Registration, Surendranagar	Muli, Patadi and Dhrangadhra
28	Inspector of Registration Office of Inspector of Registration, Bhavanagar	Bhavanagar and Shihor

By order and in the name of the Governor of Gujarat,

Prabhukumar
(Pravin Dhandhukia)

Under Secretary to Government

To,

1. The Manager, Government Central Press, Gandhinagar with a request to publish notification in part IV of the Gujarat Govt. Extra Ordinary Gazette and send 25 copies of the same to Revenue Department/H.1 Branch & 25 Copies to the Superintendent of stamps and Inspector General of Registration, Gujarat State, Gandhinagar.

2. Ast. Draftman, Translation Unit, Legislative & Parliamentary Affairs Department, with a request to translate the notification in Gujarati and to instruct the Manager, Government Central Press, Gandhinagar to publish the same in part IV of the Gujarat Govt. Extra Ordinary Gazette and send 25 copies of the same to Revenue Department H.1 Branch & 25 Copies to the Superintendent of stamps and Inspector General of Registration, Gujarat State, Gandhinagar.

Copy forwarded with compliments for information to :

1. The Ps to H.E. the Governor of Gujarat, Raj Bhavan, Gandhinagar.
2. The PS to Hon'ble Chief Minister, Gujarat State, Sachivalaya, Gandhinagar.
3. The PS to Revenue Minister, Gujarat State, Sachivalaya, Gandhinagar.
4. The PS to finance Minister, Gujarat State, Sachivalaya, Gandhinagar.
5. The Additional Chief Secretary, Finance Department, Sachivalaya, Gandhinagar.
6. The Additional Chief Secretary, Revenue Department, Sachivalaya, Gandhinagar.
7. The S.C. & D.L.R. Gujarat State, Gandhinagar.
8. Superintendent & Stamps and IGR, Gujarat State, Gandhinagar.
9. All District Collectors.
10. The Accountant General, Gujarat, Ahmedabad/Rajku.
11. The Select File.

તાકીદનુ/સમય મર્યાદા
નં સ્ટેમ્પ/મલત/૦૪/૨૦૧૮/૧૨૮૬૧-૮૮૬

સુપ્રિ. ઓફ સ્ટેમ્પસની કચેરી,
"સ્ટેમ્પ અને નોંધણી ભવન",
સેક્ટર-૧૪, પ્રથમ માળ,
ગાંધીનગર.
તા. ૨૫/૦૭/૨૦૧૮

પ્રતિ,
નાયબ કલેક્ટરશ્રી,
સ્ટેમ્પ ડ્યુટી મુલ્યાંકન તંત્ર.

નાયબ કલેક્ટરશ્રી ની કચેરી સ્ટેમ્પ અને નોંધણી ભવન, ઓર્ગ. રાજકોટ ગ્રામ્ય વિ. ૨
ઈનવર્ડ નાં. :- ૪૬૪
તારીખ :- ૨૦/૭/૧૮
શાખા :- ૮-૧

વિષય :- ગુજરાત સ્ટેમ્પ અધિનિયમ -૧૯૫૮ ની કલમ ૩૨-ક હેઠળના કેસો નિકાલ
અર્થે મહેસુલી અધિકારીશ્રીઓને સોંપવા બાબત.

સંદર્ભ :- સરકારશ્રીના મહેસુલ વિભાગના જાહેરનામા નં. જીએચએમ - ૨૦૧૮ - ૮૨
- એમ - એસટીપી - ૧૨૨૦૧૮ - ૬૬૦ - એચ-૧ તા. ૨૦/૦૭/૨૦૧૮.

ઉપરોક્ત વિષય તથા સંદર્ભદર્શિત જાહેરનામા અન્વયે જણાવવાનું કે, ગુજરાત સ્ટેમ્પ
અધિનિયમ -૧૯૫૮ ની કલમ ૩૨-ક હેઠળના કેસોનો નિકાલ ઝડપી નિકાલ થઈ શકે તે હેતુથી
સરકારશ્રીના મહેસુલ વિભાગના ઉપરોક્ત સંદર્ભવાળા જાહેરનામાથી જાહેરનામામાં દર્શાવેલ કોલમ
નં.(૩)માં ઉલ્લેખ કરાયેલ કાર્યક્ષેત્રના વિસ્તાર માટે ગુજરાત સ્ટેમ્પ અધિનિયમ-૧૯૫૮ની કલમ ૩૨-ક
હેઠળના અધિકારો સોંપવામાં આવેલ છે. ગુજરાત સ્ટેમ્પ અધિનિયમ-૧૯૫૮ની કલમ ૩૨-ક હેઠળના
નિકાલ બાકી તમામ કેસોની સંખ્યા ધ્યાને લઈ; આપના / સંબંધકર્તા પ્રાંત અધિકારી અને જાહેરનામામાં
ઉલ્લેખિત સંબંધકર્તા મહેસુલી અધિકારી વચ્ચે વહેંચણી કરી સંબંધિત મહેસુલી અધિકારીશ્રીઓને તેઓના
નક્કી કરેલા કાર્યક્ષેત્રના પડતર દસ્તાવેજો પૈકી આપવાપાત્ર દસ્તાવેજો તાત્કાલિક સુપ્રત કરવા આથી
જણાવામાં આવે છે. આવા તમામ કેસોની ભૌતિક ચકાસણી કરી આપના જિલ્લાના મહેસુલી અધિકારી
મુજબ લીસ્ટ બનાવી કેસોને પાના નંબર આપી સંબંધિત મહેસુલી અધિકારીઓને તેઓના કાર્યક્ષેત્ર મુજબ
સોંપવાના રહેશે. આવા સોંપવામાં આવેલ કેસોની યાદીની એક નકલ અત્રેની કચેરીએ પણ મોકલી
આપવાની રહેશે. વધુમાં, આવા નિકાલ બાકી કેસોમાં નિકાલની કાર્યવાહી તુરત જ હાથ ધરવા તથા
નિકાલ કરેલા કેસોની માહિતી માસવાર સમયાંતરે નિયત પત્રકમાં અત્રેની કચેરીને અસુક મોકલી

આપવા જણાવવામાં આવે છે.
જાહેરનામા નં. ૪૨૫
૨૦/૭/૧૮
૧૨/૭/૧૮

સદરહુ બાબતને ટોચઅગ્રતા આપી તાત્કાલિક સંબંધિત મહેસુલી અધિકારીશ્રીઓને
કેસો સોંપણી કરી અત્રે જાણ કરવાની રહેશે.

વિશેષમાં જણાવાનું કે, જે અધિકારી દ્વારા કેસોનો નિકાલ કરેલ હોય તેના નિકાલી
કેસોનું વર્ગીકરણ કરી યોગ્ય રીતે જાળવવાનું રહેશે. નિકાલી રેકર્ડ સંબંધિત નાયબ કલેક્ટરશ્રી સ્ટેમ્પ
ડ્યુટી મુલ્યાંકન તંત્રની પોતાની કચેરીમાં પરત મેળવી લેવાનું રહેશે. તેમજ જે કિસ્સામાં આવું રેકર્ડ જમા
કરવા પહેલાં આ કેસોમાં અપીલ થયેલ હોય કે હાઇકોર્ટ મેટર થઇ ગયેલ હોય તથા અન્ય કોઇ બાબતે
કલેક્ટરશ્રીમાં વિગત રજુ કરવાની હોઇ તો તે તમામ કાર્યવાહી સંબંધિત મહેસુલી અધિકારીશ્રીએ કરવાની
રહેશે અને તેની જાણ સંબંધિત નાયબ કલેક્ટરશ્રી સ્ટેમ્પ ડ્યુટી મુલ્યાંકન તંત્ર કચેરીમાં કરવાની રહેશે.



સુપ્રિ. ઓફ સ્ટેમ્પસ
ગુજરાત રાજ્ય, ગાંધીનગર

નકલ જયભારત સહ રવાના:- (૧) નાયબ સચિવશ્રી, મહેસુલ વિભાગ, ૬-૧ શાખા, સચિવાલય,
ગાંધીનગર

(૨) કલેક્ટરશ્રી, કલેક્ટર કચેરી, તરફ જાણ તથા
સંબંધકર્તા મહેસુલી અધિકારીશ્રીઓને કેસો સંભાળી લેવા તથા
નિકાલની કાર્યવાહી હાથ ધરવા સુચના આપવા સારૂ.

(૩) મહેસુલી અધિકારીશ્રી,
જિ. કેસો સત્વરે સંભાળી લેવા તથા સત્વરે
નિકાલની કાર્યવાહી હાથ ધરવા સારૂ.

NOTIFICATION
Revenue Department
Sachivalaya, Gandhinagar.
Dated: 22nd June, 2011

*The
Bombay
Stamp Act,
1958*

No: **GHM/2011/59/M/STP/112011/1388/H.1:-** In exercise of the powers conferred by clause (f) of Sec.2 of the Bombay Stamp Act, 1958 (Bom.LX of 1958) the Govt. of Gujarat hereby appoints, the following officers shown in the Annexure appended herewith to be the "Collector" in respect of the areas allotted to them as shown Column No. 3 of the Annexure for the purpose of Sec. 32-A of this said Act.

ANNEXURE

Sr. No.	Deputy Collector (Prant) with his Head Quarter of the Office	Name of area Jurisdiction/Taluka
1	2	3
1	Deputy Collector (Prant), Sabarmati, Dist. Ahmedabad	Sabarmati, Ghantlodia, Asarva, Naroda and Daskroi (Part)
2	Deputy Collector (Prant), Vejalpur, Dist. Ahmedabad	Vejalpur, Daskroi (Part), Sanad (Part), Sanand
3	Deputy Collector (Prant), Maninagar, Dist. Ahmedabad	Maninagar, Vatva, Nikol, Bapunagar, Thakkarbapannagar and Daskroi (Part)
4	Deputy Collector (Prant), Navarangpura, Dist. Ahmedabad	Elisbridge, Naranpura, Dariapur, Kajipur, Danilimda, Jamalpur, Khadia, Daskroi (Part)
5	Deputy Collector (Prant), Viramgam, Dist. Ahmedabad	Viramgam, Mandal, Detroj
6	Deputy Collector (Prant), Dholka, Dist. Ahmedabad	Bavla, Dholka, Sanand
7	Deputy Collector (Prant), Dhandhuka, Dist. Ahmedabad	Dhandhuka, Barvala, Ranpur
8	Deputy Collector (Prant), Anand, Dist. Anand	Anand City, Anand Rural, Umreth
9	Deputy Collector (Prant), Petlad, Dist. Anand	Petlad, Sojitra
10	Deputy Collector (Prant), Borsad, Dist. Anand	Borsad, Aanklav

11	Deputy Collector (Prant), Khambhat, Dist. Anand	Khambhat, Tarapur
12	Deputy Collector (Prant), Amreli, Dist. Amreli	Amreli, Vadiya
13	Deputy Collector (Prant), Rajula, Dist. Amreli	Rajula, Jafrabad
14	Deputy Collector (Prant), Savarkundla, Dist. Amreli	Savarkundla, Liliya
15	Deputy Collector (Prant), Lathi, Dist. Amreli	Lathi, babra
16	Deputy Collector (Prant), Dhari, Dist. Amreli	Dhari, Bagsara, Khambha
17	Deputy Collector (Prant), Palanpur, Dist. Banaskantha	Palanpur, Vadgam
18	Deputy Collector (Prant), Disa, Dist. Banaskantha	Disa, Kankrej
19	Deputy Collector (Prant), Tharad, Dist. Banaskantha	Tharad, Vav
20	Deputy Collector (Prant), Ambaji, Dist. Banaskantha	Danta, Amirgadia
21	Deputy Collector (Prant), Dhanera, Dist. Banaskantha	Dantiwada, Dhanera
22	Deputy Collector (Prant), Diyodar, Dist. Banaskantha	Diyodar, Bhabhar
23	Deputy Collector (Prant), Bharuch, Dist. Bharuch	Bharuch, Vagra
24	Deputy Collector (Prant), Ankleshwar, Dist. Bharuch	Ankleshwar, Hansot
25	Deputy Collector (Prant), Jambusar, Dist. Bharuch	Jambusar, Aamad
26	Deputy Collector (Prant), Jaghadia, Dist. Bharuch	Jaghadia, Valia
27	Deputy Collector (Prant), Bhavnagar, Dist. Bhavnagar.	Bhavnagar City, Bhavanar Rural, Ghogha
28	Deputy Collector (Prant), Mahuva, Dist. Bhavnagar	Mahuva
29	Deputy Collector (Prant), Palitana, Dist. Bhavnagar	Palitana, Gariyadhar

30	Deputy Collector (Prant) Dist. Bhavnagar	Shihor,	Shihor, Umarada	Vallabhipur,
31	Deputy Collector (Prant) Dist. Bhavnagar	Botad,	Botad, Gadhda	
32	Deputy Collector (Prant) Dist. Bhavnagar.	Talaja,	Talaja	
33	Deputy Collector (Prant) Dist. Dahod	Dahod,	Dahod, Garbada	
34	Deputy Collector (Prant) Devgadhbaria, Dist. Dahod		Devgadhbaria	
35	Deputy Collector (Prant) Limkheda, Dist. Dahod		Dhanpur, Limkheda	
36	Deputy Collector (Prant) Dist. Dahod	Zalod,	Zalod, Fatepura	
37	Deputy Collector (Prant) Dist. Ahwa	Ahwa,	Dang	
38	Deputy Collector (Prant) Gandhinagar, Dist. Gandhinagar		Gandhinagar, Dahegam	
39	Deputy Collector (Prant) Dist. Gandhinagar	Kalol,	Kalol, Mansa	
40	Deputy Collector (Prant) Jamnagar City, Dist. Jamnagar		Jamnagar City	
41	Deputy Collector (Prant) Jamnagar Rural, Dist. Jamnagar		Jamnagar Rural, Kalawad	
42	Deputy Collector (Prant) Khambhalia, Dist. Jamnagar		Khambhalia, Bhanavad	
43	Deputy Collector (Prant) Dist. Jamnagar	Lalpur,	Lalpur, Jamjodhpur	
44	Deputy Collector (Prant) Dhwarka, Dist. Jamnagar		Dhwarka, Kalyanpur	
45	Deputy Collector (Prant) Dist. Jamnagar	Dhrol,	Dhrol, Jodiya	
46	Deputy Collector (Prant) Junagadh, Dist. Junagadh		Junagadh, Manavadar	Vanthli,
47	Deputy Collector (Prant) Veraval, Dist. Junagadh		Veraval, Sutrapada	Talala,
48	Deputy Collector (Prant) Keshod, Dist. Junagadh		Keshod, Mangarol	
49	Deputy Collector (Prant) Dist. Junagadh	Una,	Kodinar, Una	

50	Deputy Collector (Prant), Mendarda, Dist. Junagadh		Mendarda, Maliya Hatina
51	Deputy Collector (Prant), Visavadar, Dist. Junagadh		Visavadar
52	Deputy Collector (Prant), Dist. Kutch	Bhuj,	Bhuj
53	Deputy Collector (Prant), Nakhatrana, Dist. Kutch		Nakhatrana, Lakhpatt
54	Deputy Collector (Prant), Dist. Kutch	Anjar,	Anjar, Gandhidham
55	Deputy Collector (Prant), Mundra, Dist. Kutch		Mandvi, Mundra
56	Deputy Collector (Prant), Bhachau, Dist. Kutch		Bhachau, Rapar
57	Deputy Collector (Prant), Abadasa, (Naliya) Dist. Kutch		Abadasa
58	Deputy Collector (Prant), Nadiad, Dist. Kheda		Nadiad, Mahudha
59	Deputy Collector (Prant), Dist. Kheda	Kheda,	Matar, Mahemdabad
60	Deputy Collector (Prant), Kapadvanj, Dist. Kheda		Kapadvanj, Kathalal
61	Deputy Collector (Prant), Balashinor, Dist. Kheda		Balashinor, Virpur, Thasara
62	Deputy Collector (Prant), Mahesana, Dist. Mahesana		Mahesana, Unjha
63	Deputy Collector (Prant), Visanagar, Dist. Mahesana		Visanagar, Vijapur
64	Deputy Collector (Prant), Dist. Mahesana	Kadi,	Kadi, Bechraji
65	Deputy Collector (Prant), Kheralu, Dist. Mahesana		Kheralu, Vadnagar, Satlasana
66	Deputy Collector (Prant), Rajpipla, Dist. Narmada		Nandod, Tilakwada
67	Deputy Collector (Prant), Dediapada, Dist. Narmada		Dediapada, Saghara

tina

68	Deputy Collector (Prant), Navsari, Dist. Navsari		Navsari City, Navsari Rural, Jalalpor
69	Deputy Collector (Prant), Chikhli, Dist. Navsari		Chikhli, Gandevi, Vansada
70	Deputy Collector (Prant), Dist. Patan	Patan,	Patan, Chanasma
71	Deputy Collector (Prant), Radhanpur, Dist. Patan		Radhanpur, Santalpur
72	Deputy Collector (Prant), Dist. Patan	Sami,	Harij, Sami
73	Deputy Collector (Prant), Siddhpur, Dist. Patan		Siddhpur
74	Deputy Collector (Prant), Porbandar, Dist. Porbandar		Porbandar
75	Deputy Collector (Prant), Kutiyana, Dist. Porbandar		Kutiyana, Ranavav
76	Deputy Collector (Prant), Godhara, Dist. Panchmahal		Godhara, Kalol, Morva (Hadaf)
77	Deputy Collector (Prant), Lunawada, Dist. Panchmahal		Lunawada, Shahera
78	Deputy Collector (Prant), Dist. Panchmahal	Halol,	Halol, Jambughoda, Ghoghamba
79	Deputy Collector (Prant), Santarampur, Dist. Panchmahal		Santarampur, Kanpur, Kadana
80	Deputy Collector (Prant), City, Dist. Rajkot	Rajkot	Rajkot City, Rajkot Taluka, Kotada Sangani
81	Deputy Collector (Prant), Rural, Dist. Rajkot	Rajkot	Rajkot Rural, Lodhika, Padadhari
82	Deputy Collector (Prant), Gondal, Dist. Rajkot		Gondal, Jetpur
83	Deputy Collector (Prant), Vankaner, Dist. Rajkot		Vankaner
84	Deputy Collector (Prant), Dist. Rajkot	Morbi,	Morbi, Tankara, Maliya Miyana
85	Deputy Collector (Prant), Dhoraji, Dist. Rajkot		Dhoraji, Upleta, Jamkandorna

86	Deputy Collector (Prant), Jasdān, Dist. Rajkot	Jasdān
87	Deputy Collector (Prant), Himatnagar, Dist. Sabarkantha	Himatnagar, Bhiḷoda
88	Deputy Collector (Prant), Modasa, Dist. Sabarkantha	Modasa, Malpur, Meghraj
89	Deputy Collector (Prant), Idar, Dist. Sabarkantha	Idar, Vadali
90	Deputy Collector (Prant), Prantij, Dist. Sabarkantha	Prantij, Talod
91	Deputy Collector (Prant), Bayad, Dist. Sabarkantha	Bayad, Dhansura
92	Deputy Collector (Prant), Khedbhrama, Dist. Sabarkantha	Khedbhrama, Vijaynagar
93	Deputy Collector (Prant), Surat City. Dist. Surat	Surat City
94	Deputy Collector (Prant), Olpad, Dist. Surat	Olpad, Choryasi
95	Deputy Collector (Prant), Bardoli, Dist. Surat	Baroli, Mahudha
96	Deputy Collector (Prant), Mandvi, Dist. Surat	Mangrol, Mandvi, Umarpada
97	Deputy Collector (Prant), Kamrej, Dist. Surat	Kamrej, Palsana
98	Deputy Collector (Prant), Vadhavan, Dist. Surendranagar.	Vadhavan, Lakhtar
99	Deputy Collector (Prant), Limdi, Dist. Surendranagar	Limdi, Sayla, Cunda
100	Deputy Collector (Prant), Dhangadhra, Dist. Surendranagar.	Dhangadhra, Halvad
101	Deputy Collector (Prant), Chotila, Dist. Surendranagar	Chotila, Mul
102	Deputy Collector (Prant), Patdi, Dist. Surendranagar	Patdi
103	Deputy Collector (Prant), Valsad, Dist. Valsad	Valsad, Dharanpur
104	Deputy Collector (Prant), Pardi, Dist. Valsad	Pardi, Jinargam, Kaparada

105	Deputy Collector (Prant), Vadodara City, Dist. Vadodara	Vadodara City
106	Deputy Collector (Prant), Vadodara Rural, Dist. Vadodara	Vadodara Rural, Padra
107	Deputy Collector (Prant), Dabhoi, Dist. Vadodara	Dabhoi, Sankheda, Naswadi
108	Deputy Collector (Prant), Udepur, Dist. Vadodara	Chhota Udepur, Pavi, Jetpur, Kvant
109	Deputy Collector (Prant), Dist. Vadodara	Savali, Vaghodia
110	Deputy Collector (Prant), Dist. Vadodara	Karjan, Shinor
111	Deputy Collector (Prant), Dist. Tapi	Vyara, Valod, Vyara, Songadh
112	Deputy Collector (Prant), Dist. Tapi	Nizar, Uchchhal

By order and in the name of Governor of Gujarat.

(H. J. Shah)

Additional Secretary to Government
Revenue Department

TO,

- 1 The Manager, Government Central Press, Gandhinagar with a request to publish notification in part IV of the Gujarat Govt. Extra Ordinary Gazette and send 100 copies of the same to Revenue Department/H.1 Branch & 100 Copies to the Superintendent of stamps and Inspector General of Registration, Gujarat State, Gandhinagar.
- 2 Ast. Draftman, Translation Unit, Legislative & Parliamentary Affairs Department, with a request to translate the notification in Gujarati and to instruct the Manager, Government Central Press, Gandhinagar to publish the same in part IV of the Gujarat Govt. Extra Ordinary Gazette and send 100 copies of the same to Revenue Department H.1 Branch & 100 Copies to the Superintendent of stamps and Inspector General of Registration, Gujarat State, Gandhinagar.

(Signature)

(Dharmesh Modi)
Section officer to Government
Revenue Department.

Copy Forwarded with compliments for information to :-

- 1 The PS to H.E. the Governor of Gujarat, Raj Bhavan, Gandhinagar
- 2 The PS to Hon^{ble} Chief Minister, Gujarat State, Sachivalaya, Gandhinagar.
- 3 The PS to Revenue Minister, Gujarat State, Sachivalaya, Gandhinagar
- 4 The PS to Finance Minister, Gujarat State, Sachivalaya, Gandhinagar
- 5 The Additional Chief Secretary, Finance Department, Sachivalaya, Gandhinagar
- 6 The Principal Secretary, Revenue Department, Sachivalaya, Gandhinagar
- 7 The S.C. & D.L.R. Gujarat State, Gandhinagar
- 8 Superintendent of stamps and IGR, Gujarat State, Gandhinagar
- 9 All District Collectors.
- 10 All Sub-Registrars, Registration Department.
- 11 The Accountant General, Gujarat, Ahmedabad / Rajkot.
- 12 The Select file.

21
11-11

દા.૦૧/૦૫/૧૯૯૪ થી અમલમાં આવેલ સેત્રીય આવેલ સેત્રીય સુધીના દર

અ ક્ર	સમયગાળો	શહેરી વિસ્તાર-મ.ન.પા.		શહેરી વિસ્તાર સત્તાધિકાર		ગ્રામ્ય વિસ્તાર	
		૧૦૦ ચો.મી. થી ઓછી જમીન/ બાંધકામ/ બેઝીની જમીન	૧૦૦ ચો.મી. થી વધુ જમીન	૧૦૦ ચો.મી. થી ઓછી જમીન/ બાંધકામ/ બેઝીની જમીન	૧૦૦ ચો.મી. થી વધુ જમીન	૧૦૦ ચો.મી. થી ઓછી જમીન/ બાંધકામ/ બેઝીની જમીન	૧૦૦ ચો.મી. થી વધુ જમીન
૧	દા.૦૧/૦૫/૧૯૯૪ થી દા.૦૮/૦૮/૧૯૯૮ સોસાયટી આદી.૨૦(૩)	૮	૪	૧૦	૫	૧૦	૫
૨	દા.૧૦/૦૮/૧૯૯૮ થી દા.૦૫/૦૮/૧૯૯૦ સોસાયટી આદી.૨૦(૩)	૧૦	૧૦	૧૦	૧૦	૧૦	૧૦
૩	દા.૦૭/૦૮/૧૯૯૦ થી દા.૩૧/૧૨/૧૯૯૦ સોસાયટી આદી.૨૦(૩)	૧૦	૧૨	૧૦	૧૨	૧૦	૧૦
૪	દા.૦૧/૦૧/૧૯૯૧ થી દા.૦૭/૦૪/૧૯૯૨ સોસાયટી આદી.૨૦(૩)	૧૦	૧૨	૧૦.૮	૧૨.૮	૧૦.૮	૧૦.૮
૫	દા.૦૮/૦૪/૧૯૯૨ થી દા.૩૧/૦૩/૨૦૦૩ સુધી. સોસાયટી આદી.૨૦(૩)	૧૦	૧૪	૧૦.૮	૧૪.૮	૧૦.૮	૧૨.૮
૬	દા.૦૧/૦૪/૨૦૦૩ થી દા.૧૦/૦૫/૨૦૦૪	૧૧.૨	૧૧.૨	૧૧.૨	૧૧.૨	૧૧.૨	૧૧.૨
૭	દા.૧૧/૦૫/૨૦૦૪ થી દા.૩૧/૦૩/૨૦૦૫	૮.૪૦	૮.૪૦	૮.૪૦	૮.૪૦	૮.૪૦	૮.૪૦
૮	દા.૦૧/૦૪/૨૦૦૫ થી દા.૩૧/૦૩/૨૦૦૭	૫.૯૫	૫.૯૫	૫.૯૫	૫.૯૫	૫.૯૫	૫.૯૫
૯	દા.૦૧/૦૪/૨૦૦૭ થી હાલ સુધી	૪.૯૦	૪.૯૦	૪.૯૦	૪.૯૦	૪.૯૦	૪.૯૦

પાવર ઓફ એટર્નીના સેત્રીય સુધીના દર (૧) ૧૯૯૪ થી દા.૩૧/૧૨/૧૯૯૪ ૩.૧૦/-
 (૨) દા.૩૧/૧૨/૧૯૯૪ થી દા.૩૧/૦૩/૨૦૦૦ ૩.૨૦/- / અવેજ માટે/સામાજી સેવા હોય- આદી.૨૦
 (૩) દા.૩૧/૦૩/૨૦૦૦ થી ૧૦૦/- / અવેજ માટે/સામાજી સેવા હોય- આદી.૨૦

વર્ષ ૧૯૯૯ની જંત્રીને પાયો ગણતા જંત્રીમાં વર્ષવાર આપવાનો થતો ઘટાડો

વર્ષ	આપવા પાત્ર ઘટાડો (ટકાવારીમાં)
૧૯૯૭-૯૮	૬
૧૯૯૬-૯૭	૧૩.૧૧
૧૯૯૫-૯૬	૨૦
૧૯૯૪-૯૫	૨૬.૨૨
૧૯૯૩-૯૪	૩૦.૫
૧૯૯૨-૯૩	૩૬.૫
૧૯૯૧-૯૨	૪૩.૩
૧૯૯૦-૯૧	૪૮.૧૫

આમ, જો સન ૧૯૯૮-૯૯ ને પાયાનું વર્ષ લેવામાં આવે અને તે માટે જો કોઈ જમીનની કિંમત રૂ. ૧૦૦/- પ્રતિ ચો.મી. હોય તો વર્ષવાર ઘટાડો આપતા જમીનની કિંમત નીચે મુજબ થાય.

વર્ષ	રકમ રૂપિયા
૧૯૯૮-૯૯	૧૦૦/-
૧૯૯૭-૯૮	૯૪
૧૯૯૬-૯૭	૮૬.૮૮
૧૯૯૫-૯૬	૮૦
૧૯૯૪-૯૫	૭૩.૭૮
૧૯૯૩-૯૪	૬૮.૫
૧૯૯૨-૯૩	૬૩.૫
૧૯૯૧-૯૨	૫૬.૭
૧૯૯૦-૯૧	૫૧.૮૫

ઉપરની વિગતોના આધારે સન. ૧૯૯૮-૯૯ અગાઉના વર્ષના પકતર દસ્તાવેજોમાં જમીનની કિંમત નક્કી કરી મુલ્યાંકન કરવા આથી તમામ નાયબ કલેક્ટરશ્રી સ્ટેમ્પ ડ્યુટી મુલ્યાંકન તંત્ર તથા સંબંધિત અધિકારીશ્રીઓને જણાવવામાં આવે છે.

સુપ્રિન્ટેન્ડેન્ટ ઓફ સ્ટેમ્પ્સ.
ગુ.રા., ગાંધીનગર.

પ્રતિ,

નાયબ કલેક્ટરશ્રી, સ્ટેમ્પ ડ્યુટી મુલ્યાંકન તંત્ર, ગુ.રા., ગાંધીનગર.

પ્રકલ્પ સચિવાલય રૂબરૂમાં- (૧) અગ્ર સચિવશ્રી, મ.વિ. સચિવાલય, ગાંધીનગર.

(૨) સેટલમેન્ટ કમિશનર અને જમીન દફતર નિયામકશ્રી, અમદાવાદ.

PROCEDURE DURING COMPLIANCE AUDIT OF STAMP DUTY

Desk review:

The audit party entrusted with compliance audit should carry out a desk review at Headquarters before embarking on an audit. The review should comprise a study of the guard file, data analysis to determine the direction/ focus of audit and to identify records /transactions that are potentially error prone for verification in the field. Ideally this can be synchronised with the quarterly scheduling of audits. Use of data analytics at this stage is recommended. While ordinarily a desk review needs to be carried out for gaining an understanding of the entity to be audited and its focus areas, in certain cases, based on the context - size, complexity, scale of audit, desk review as a distinct procedure may not be warranted. In such cases, specific relaxation should be obtained from the concerned Group Officer, duly explaining the circumstances and recording/ documenting the reasons for the relaxation, before commencing the audit.

Entry Meeting

On the first day of audit itself the Audit Party members should have an 'entry meeting' with the Head of Office to inform of the audit plan and also of the records and documents required and to request the head of office and other officers and staff to be available in the office throughout the period of audit. Minutes of the 'entry meeting' should be documented and should form part of the inspection report papers.

Code of ethics

A declaration in the format prescribed in Annexure .2.1.1 of the Code is required to be signed separately by each member of the audit team, including the supervisory Officer prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report having acknowledgement from the Management.

(Authority: I/B/5/954-PPG/41-2012 Dt.25 September 2012)

Informatory HMs

After entry meeting, an informatory HM (Half Margin) as given in **Annexure-(I-A to C)** may be issued over the signature of sr.AO. In case where there is no supervision of Inspecting Officer, the HMs may be issued on approval by AAO concerned. In this HMs the audit party should call for general information of the auditee office, internal audit/internal inspection conducted during the period of audit and computerisation etc. The original HM with duly replied by the head of audit entity should be obtained and attached with Local Audit report.

Audit Sampling

The audit party will call for the day book and the soft copy in excel sheet of the documents registered by sub-registrar/ lists of cases finalised under section 31, 32 & 33 by Dy.Collector (VOP)/ cases finalised by superintendent of stamps &

Inspector of Registration from the concerned auditee. The documents/files should be selected in audit by way of sample selection methodology approved by PAG (Appendix-5-A in chapter 3).

The audit party should prepare and furnish a list of documents/files under each category selected in sampling to head of auditee for earlier production for audit scrutiny. The head of the auditee office should be informed to produce the /documents/files which were not produced in the earlier audit to the party at the earliest. After verification a list of the cases and earmark against each document/cases the authority who had scrutinized the document should be kept separately in draft LAR file.

Distribution of work among the members of the party

Before the commencement of audit the work should be distributed among the members as per Statement –II (A to C) and an allocation list duly noted by all members be kept on record. On completion of audit each member of the party should be required to certify on the statement that items of works allotted have been duly checked by him. The supervisory officer/Assistant. Audit Officer in case of non-supervised audit) should ensure that all work has been duly completed. The statement of work done duly certified and countersigned by the Assistant. Audit Officer/Inspecting Officer should be forwarded along with the inspection reports

Records required to be examined during field visit

During audit of Sub-Registrar following records and registers may be called for.

1. Day Book of documents registered during the year;
2. List of Article-wise documents finalized during the year (in excel format);
3. Copy of documents registered during the year;
4. Copy of Form I and jantri/SOR of lands/constructed properties;
5. Challans for entire period;
6. Counterfoils of receipts;
7. Files relating to treasury remittances carried out during the year;
8. List/Register of cases of exemption given from payment of stamp duty & registration fees;
9. Files relating to internal audit/internal inspection carried out by the department;
10. Registers of documents referred to the Dy. Collector Valuation under Section 31, 32, & 33 of the Bombay Stamp Act, 1958;
11. Receipts and challans of deficit duty received and remitted to treasury;
12. Enfacement registers of stamp duty paid by the executants directly to treasury under pre-valuation scheme;
13. List of outstanding audit objections and their compliance. The relevant Inspection Reports may also be provided to audit.

During audit of Dy. Collector (VOP)

- 1) Registers of documents received from each Sub Registrar Offices under Section 31, 32, & 33 of the Bombay Stamp Act, 1958;
- 2) List of cases finalised under section 31, 32 & 33 during the period of audit;
- 3) Registers of documents finalized by Dy. Collector (Valuation) under Section 31, 32, & 33 of the Bombay Stamp Act, 1958;
- 4) Sub Registrar-wise Register of pending cases under Section 31/32/33 of the Act;
- 5) Register of Appeal and Review Cases. List of case finalised along with necessary documents;
- 6) List of court cases where final order has been issued by the court during the audit period, if any;
- 7) Case file containing speaking order, challans etc in respect of cases finalized by the Dy. Collector (Valuation) under Sn. 32 and 33;
- 8) Records relating to refund of stamp duty;
- 9) Other important files, if any;
- 10) Cash books;
- 11) Service books;
- 12) TA bill registers;
- 13) Log book and Register of replaced spare parts;
- 14) Stamp Accounts and dispatch Register;
- 15) Dead stock Register;
- 16) Register of Permanent Advances;
- 17) Register of undisbursed pay etc;
- 18) Register of Inspection Reports and outstanding IRs;
- 19) T.A. bills/medical reimbursement bills and registers.
- 20) List of outstanding audit paras and their compliance. The concerned Inspection Reports may also be provided
- 21) Files relating to treasury remittances carried out during the year

During audit of Inspector Registration (IR)

- 1) Cash books;
- 2) Contingent bill register;
- 3) Bill payment register to contract;
- 4) Files relating to treasury remittances carried out during the year;
- 5) Service books;
- 6) TA bill registers;
- 7) Log book and Register of replaced spare parts;
- 8) Stamp Accounts and dispatch Register;
- 9) Dead stock Register;
- 10) Register of Permanent Advances;
- 11) Register of undisbursed pay etc;
- 12) Register of Inspection Reports and outstanding IRs;
- 13) T.A. bills/medical reimbursement bills and registers.
- 14) List of outstanding audit paras and their compliance. The concerned Inspection Reports may also be provided

During audit of Superintendent of Stamps

- 1 List of cases of amalgamation, re-construction and merger cases;
2. List of adjudication cases Mortgage deed, conveyance deed, etc.;
3. List of cases of payment of Consolidated Stamp duty.
- 4 List of Stamp Vendor;
- 5 Expenditure incurred against supply of stamps;
- 6 List of Contracts finalised;
- 7 Files relating to treasury remittances carried out during the year;
- 8 List/Register of cases of exemption given from payment of stamp duty & registration fees;
- 9 Files relating to internal audit/internal inspection carried out by the department;

In cases where the HMs have been issued without approval by the Sr. Audit Officer (i.e. before commencement of supervision by Sr. Audit Officer) the Sr. Audit Officer should call for the office copies of such HMs and issue further remarks where he considers it necessary to modify the audit enquiry already issued or to obtain supplementary or other information, clarification etc

Where it becomes necessary to discuss with the Head of the Office inspected, any matter arising from audit scrutiny or any difficulty in getting the records, replies and facilities for conducting audit, such discussion may be held by the supervising Sr. Audit Officer if he is available or in his absence, by the senior Asst. Audit Officer of the party

Issue of Half Margin (HM)/POM

During the course of audit, the audit party may come across certain observations and the party members should prepare the "Half Margins" (HMs) by bringing out the facts of the case appropriately and with proper audit conclusion. The HMs should not be in the form of Audit Requisition calling information from the auditee. Local Audit Party (LAP) should obtain the concurrence of Group Officer and Pr.AG before issuing the POM/Half Margin of their audit observations involving the money value above ₹ 1 crore and ₹5 crore, respectively. Therefore, the LAPs should send their draft POM/HM on high value cases should be promptly sent by e-mail to Group Officer for obtaining the concurrence of Group Officer or Pr.AG. The LAPs should issue the HM to the auditee after taking into account the instructions and modifications made by Group Officer/Pr.AG while giving their concurrence.

The acknowledgement of the receipt of the HMs by the auditee should be obtained and kept in a systematic and chronological order on record by the Audit Party. Every effort may be made to get the replies to the audit observations. However, the drafting of inspection report should in no case be delayed due to non-receipt of replies to HMs. The information/ figures required during audit may be compiled by the Audit Party from the files, records and reports. However, a confirmation of the figures compiled should be obtained from the auditee.

Collection of Audit Evidence/Key Documents

Following key documents should be supported with HMs issued

1. Copy of registered documents;
2. Copy of supporting registered documents (if necessary);
3. Copy of relevant page of *Jantri* ;
4. Grid Maps;
5. Copy relevant notification/circular/resolution as specified in HM;
6. Copy of Form-I submitted by the land owner during registration;
7. Copy of Calculation sheets of the concerned documents;
8. Copy of the orders issued by the competent authority;
9. Copy of the challan;
10. Copy of any other relevant paper.

Review of outstanding paras of the previous IRs

The LAP should make concerted efforts to collect the information/ documents called for by the Head quarters section and also to obtain final replies of the outstanding paras and submit the para wise verificational remarks in an annotated statement to the Head Quarters section for its early settlement.

Non production of records

The audit team should periodically pursue to auditee office to produce all the sample selected records/documents/cases to audit for verification. At the end of the programme the audit party should prepare a list of records not produced during current audit and brought the matter of non- production of records to the head of the audited entity with instruction to produce the same to audit during next local audit .

Preparation of Local Audit Report

The responsibility of drafting the Inspection Reports shall vest with the Audit Officer/Sr.Audit Officer of respective audit team. On completion of audit of each unit, the Audit Officer/Sr.Audit Officer should prepare Draft Local Audit Report as per Compliance Audit Guidelines-2016 and improving the quality of Inspection Report-PPG Guidance Note (issued in August 2017). **Chapter-I para 1.33.4**

Exit Meeting:

At the close of audit, the audit team leader or the Group officer in charge should also hold an exit meeting with the officer in charge of the audit unit to discuss the audit findings and request responses. The minutes of the exit meeting should be prepared and shared with the audit unit and acknowledgement requested.

Preparation LAR & other files for submission

Draft LAR files should be prepared in three parts ie. Vol-I, Vol-II & Vol-III as detailed below.

Volume I : _This file should contain the draft LAR, new Title Sheet, existing Title Sheet (**statement-III A & B**) , Exit Meeting, Duty list for each member of the audit team, follow up of supervision by Group Officer, Certificate of Conclusion of Audit, Dialy diary of each member of the audit team, A certificate

regarding compliance with CAG's Auditing Standards, Code of Ethics, Disposal of HMs and Contribution statement.

Volume II :- This file should contain key documents (KD) of all HMs issued along with department's reply.

Volume III :- This file should contain copy of audit plan of the Unit and sampling methodology adopted for audit of the unit.

Submission of Local Audit Report to AMG-III Hqr

The Draft LAR files for the Compliance Audit may be submitted within 5 working days from the date of completion of audit to the concerned AMG Headquarter Sections for further issuance to the auditee office. The Draft LAR files should be properly indexed and key referenced by the LAP before submission to the Head Quarters section.

Annexure-I (A)
Informatory HM for audit of Sub-Registrar

(To be returned in original duly replied immediately)

The following information for the year----may please be furnished.

(A)	1	Name, Address ,Telephone No. and E-mail id of the office	
	2	Name of present Sub-Registrar	
	3	Name of officials who held charge of Sub-Registrar during	
	4	Total No. of documents registered during	
	5	List of documents of consideration of Rs. Lakh and above may please be furnished	
	6	Total SD/RF collected during	
	7	Details of cases of exemption for payment of SD/RF	
	8	Details of cases of refund of Duty granted during	
	9	Month up to which receipts have been reconciled with treasury records.	
	10	Whether any dues written off during audit period	
	11	Whether any case of unauthorized use of invalid stamps purchased before six month from the date of execution	
	12	Whether the prescribed checks on validation of e stamping work and locking of e-stamps exercised in each case before registration of documents? I	
B		Returns	
	13	List of Returns submitted to higher authorities may please be furnished.	
	14	Periodicity of each return and provisions/authorities under which it is required to be submitted.	
	15	Returns are submitted on due date, if not the reasons thereof.	
C		Registers	
	16	List of Registers maintained by the office may please be furnished.	
	17	The authorities/provision/instruction under which it is required to be maintained.	
D		Internal audit	
	18	Details of internal audit of last three years. Provisions under which internal audit is required to be done.	

	19	When the last internal audit conducted and period of audit covered.	
	20	No. of objection taken and settled during the period covered by audit.	
		Internal inspection	
	21	Provisions under which internal inspection is require to be done.	
	22	When the last internal inspection conducted and period of audit covered.	
	23	No. of objection taken and settled during the period covered by audit.	
E		System of detection and prevention of fraud/corruption	
	24	Whether any cases of fraud/corruption/theft of Government money detection during the audit period.	
	25	What are the existing departmental instructions to avoid instances of fraud/corruption/theft/misappropriation of Government money in the office?	
	26	Whether any reporting standards have been prescribed in case of detection of fraud/corruption/misappropriation? If so, to whom such reports are to be submitted	
	27	Whether any time schedule has been prescribed for reporting such instances? If so, to what extent	
	28	Whether any monitoring system exists for watching follow up action in the cases of fraud/corruption detected and reported? If so, specify them.	
F		Expenditure audit	
	29	<i>Whether P.L.A. is maintained, if so, please furnish records.</i>	Can be examined for its retention since there is no apparent stores in SR offices.
	30	<i>Whether stores are being maintained is so please state.</i>	
	31	<i>A. Whether the stores is maintained in Quantity basis as on value basis.</i>	
		<i>B. Value of stores handled during the Period covered by Audit.</i>	
		<i>C. Whether the physical verification of Stores has been carried out? If so, give result thereof along with date of inspection.</i>	
	32	A complete statement indicating each head-wise (Plan and Non plan) of grant received, grant utilized and grant remained unspent of the end of each year for the period covered audit may be furnished.(
	33	A statement of outstanding utilization certificates as on first April.	
	34	Number of posts sanctioned, men in position and staff deployed cadre wise may be stated.	
	35	List of items lying idle / unserviceable, for over three years may be furnished in the following proforma.	

Sr. No.	Name of Article	Date of purchase	Purchase Value	Action taken to Dispose off
1.	2.	3.	4.	5.

	36	Whether any Contract has been executed during the period covered by audit and whether payments made as per agreement.	
G		Computerisation	
	37	<p>Details of computerisation :</p> <p>(a) Name of Software</p> <p>(b) Whether the work executed departmentally or through service provider?</p> <p>(c) Name of service provider and details of agreements executed, if any, may be stated</p> <p>(d) By whom the data entry is done</p> <p>(e) Documents/registers generated in the system</p> <p>(f) List of documents/records/registers maintained manually, if any, may be stated</p> <p>(g) Whether there were any instances of failure of the system due to dislocation of the system or otherwise? If so, what were the reasons?</p> <p>(h) What is the system in place for storage of backup data? Whether the backup data transmitted online or through hard discs?</p> <p>(i) Place of storage of data</p>	
H		Audit Paras	
	38	Previous LARs/IRs may please be furnished to audit along with latest status of the paras.	

AAO/AO/Sr.AO/AMG-III P. No.

To
The Sub-Registrar

Annexure-I (B)

Informatory HM for audit of Dy,Collector (VOP)

(To be returned in original with reply immediately)

No.AMG-III Party No-- /HM-1/

**Camp:-
dated**

Please furnish the following information to audit during the period:

A	1	Name of the Office, Address, Telephone No and E mail id	
	2	Name of the officer who is presently holding the charge as Dy. Collector (Valuation) and List of officers who held the said charge during the period of audit.	
	3	Name & Designation of the controlling officer	
	4	Head of the Department	
	5	No. of cases under Section 32-A & B received from the various Sub-Registrar during the year	
	6	No. of cases finalized during 18-19	
	7	Total No. of cases pending as on 31.3.19	
	8	Amount of Revenue realized during	
	9	Details of outstanding dues as on 31.3.19 (i) No. of cases (ii) Amount involved (iii) Action taken to recover the dues	(i) (ii) (iii)
	10	No. of cases where in exemption has been granted	Nil
	11	Details of refunds granted, if any (i) No. of cases (ii) Amount involved	
	12	Whether verification of treasury scroll (VTS) has been done? Month upto which done If not done, reason therefore	
	13	Review of "Amnesty Scheme" Was there any scheme of Amnesty in force during the period? If so, furnish following details (a) Period of Amnesty Scheme (b) No. of cases finalized (c) Age wise case finalized (d) Amount of SD involved (Deficit Amount) (e) Amount of SD finalized (f) Amount of SD forgone	
B			
	14	No. of Banks which has been authorized to issue stamps by franking machines?	
	15	Whether the monthly returns are submitted by them? If so details of any irregularities noticed?	
C		Returns	
	16	List of Returns submitted to higher authorities may please be furnished.	

	17	Periodicity of each return and provisions/authorities under which it is required to be submitted.	
	18	Returns are submitted on due date, if not the reasons thereof.	
D		Registers	
	19	List of Registers maintained by the office may please be furnished.	
	20	The authorities/provision/instruction under which it is required to be maintained.	
E		Internal audit Details of internal audit of last three years.	
	21	Provisions under which internal audit is required to be done.	
	22	When the last internal audit conducted and period of audit covered.	
	23	No. of objection taken and settled during the period covered by audit.	
		Internal inspection	
	24	Provisions under which internal inspection is require to be done.	
		When the last internal inspection conducted and period of audit covered.	
	25	No. of objection taken and settled during the period covered by audit.	
F		System of detection and prevention of fraud/corruption	
	26	Whether any cases of fraud/corruption/theft of Government money detected during the audit period.	
	27	What are the existing departmental instructions to avoid instances of fraud/corruption/theft/misappropriation of Government money in the office?	
	28	Whether any reporting standards have been prescribed in case of detection of fraud/corruption/misappropriation? If so, to whom such reports are to be submitted	
	29		
	30	Whether any monitoring system exists for watching follow up action in the cases of fraud/corruption detected and reported? If so, specify them.	
G		Expenditure audit	
	31	Whether P.L.A. is maintained, if so, please furnish records.	
	32	Whether stores are being maintained is so please state.	
	33	A. Whether the stores is maintained in Quantity basis as on value basis. B. Value of stores handled during the Period covered by Audit. C. Whether the physical verification of Stores, stores has been carried out is so give result thereof along with date of inspection.	
	34	A complete statement indicating each head-wise (Plan and Non plan) of grant received, grant utilized and grant remained unspent of	

		the end of each year for the period covered audit may be furnished.	
	35	A statement of outstanding utilization certificates as on first April.	
	36	Number of posts sanctioned, men in position and staff deployed cadre wise may be stated.	

	37	List of items lying idle / unserviceable, for over three years may be furnished in the following proforma.			
	Sr. No.	Name of Article	Date of purchase	Purchase Value	Action taken to Dispose off
	1.	2.	3.	4.	5.

	38	Whether any Contract has been executed during the period covered by audit and whether payments made as per agreement.	Mostly Nil
H		Computerization	
	39	Details of computerization : (j) Name of Software (k) By whom the data entry is done (l) Documents/register computerized (m) Computerized records/register is also maintained? (n) Problem faced in operating the system,if any	
I		Audit Paras	
	40	Previous LARs relating to outstanding paras may please be furnished for verification alongwith their latest position..	

Sr.Audit Officer/AMG-III Party No-

To
The Dy.Collector (VOP)

Annexure-I (C)

Informatory HM for audit of Superintendent of Stamps

(To be returned in original with reply)

The following information may please be furnished to audit for the year

I	Administrative Set Up	
1	Name, Address, Telephone Number and Email Id of office	
2	Name of the present Addl. Superintendent of Stamps	
3	Names of the officials who held the charge of the Addl. Superintendent. of Stamps during	
4	Name of the Controlling Officer/Department	
II	Adjudication cases:	
5	i) Total No. of documents received for adjudication pending as on 01.01.20...	
	ii)) Total No. of documents received for adjudication during.....	
	iii) Total documents	
	iv) No. of documents adjudicated and amount of stamp duty recovered.(List may be produced)	_____ List kept @ ____/c to _____/c.
	v) No. of documents pending as on 31.12.....	
6	Total No. of documents certified as properly stamped during.(List may be produced)	_____ List kept @ ____/c to _____/c.
7	No. of cases which have seen closed for any other reason .(List may be produced)	_____ List kept @ ____/c to _____/c.
8	No. of cases where exemption has been granted please give details .(List may be produced)	_____ List kept @ ____/c to _____/c.
9	Total revenue collected during	
10	No. of cases of documents more than Rs. /- for the year	
11	Were there any cases of withdrawal of documents presented for adjudication during the period? If so, please give details.	
12	Target fixed and achieved in respect of internal inspection of subordinate offices during the year.....	
13	i)No. of audits of subordinate officers conducted during the year..... ii)Short fall, if any, with reasons therefore	
14	i)No. of cases in which inspection reports issued ii) Total number of paras included in the inspection reports iii)Details of money value objections iv) No. of cases in which remedial action taken	

		v) No. of cases outstanding with reasons therefore.	
III		Procurement & Supply of Stamps	
	15	i) Total quantity (denomination-wise/category-wise) stamps indented during the year from Nasik Security Press.	
		ii) Total quantity received during the year with value iii) Details of stamps issued to various departmental stores with amount iv) Details of spoiled/damaged stamps returned to the Security Press v) Details of spoiled stamps replaced vi) Details of spoiled stamps yet to be replaced	
IV		Authorization of Banks/Post Offices for issue of stamps by franking:	
	16	i) No. of Banks/Post Offices authorized for issue of stamps as on 01.01.20... ii) No. of Banks/Post Offices which have requested for authorization during the year(s).... iii) No. of Banks/Post Offices requisitioned for authorization pending with reason therefore. iv) Whether the due return prescribed under the provisions of the Gujarat Stamps Supply and Sales Rules, 1987 were submitted by the banks by due dates? v) Who are the designated officials in the department to exercise the prescribed checks on the stamps issued by the Banks/Post Offices by franking machine? v) Whether such returns are periodically checked for accuracy by these designated officials? If so, were there any inconsistency noticed? v) No. of Banks/Post Offices who defaulted in submitting the monthly returns with action taken thereon	
V		Authorization Issue of Licence to Stamp Vendors	
	17	(i) What are the departmental instructions in issue/ authorization of licences to stamp vendors	
		(ii) Whether overall monitoring of this work done? If so details of any irregularities found?	
VI		Supply of stamps through e-stamping:	
	18	i) Names of agencies appointed as Central Record Keeping Agency (CRA) for supply of stamps by e-stamping	
		ii) No. of counters in operation	
		iii) Total amount of e-stamps authorised by the agency during	
		iv) Whether the e-stamping system of the CRA has been integrated with gARVI or other application operated in the state for registration of instruments?	
		v) Whether the services rendered by the CRA periodically reviewed and any shortcomings noticed?	

		vi) Whether the periodical returns prescribed under the Gujarat Stamp (Payment of Duty by Means of E-Stamping) Rules, 2014 are submitted by the agency	
		vii) Whether the periodical assessments/scrutiny of such returns are exercised?	
		viii) Any discrepancy noticed during periodical checking of returns?	
		ix) Whether timely action was taken by the agency in remitting the amount recovered on account of e-stamps issued to government account from time to time?	
		x) If not, what are the action initiated against the defaulting agency?	
		x) What are the instructions issued to the Sub Registrars/Inspectors of Registration for cross checking of authentication of e-stamping certificates?	
		xi) Whether such instructions are scrupulously followed by them?	
		xii) If not, whether rectification action were taken by them	
		VII Departmental Remittances:	
	19	i) Whether reconciliation of revenue realized during was done with treasury records ii) If so, up to which month reconciliation done?	
		VIII Returns	
	20	What are the list of Returns required to be submitted to higher authorities?	
	21	Periodicity of each return and provisions/authorities under which it is required to be submitted.	
	22	Whether the Returns are submitted on due date? If not, the reasons thereof.	
		IX Registers	
	23	List of Registers maintained by the office may please be furnished.	
	24	The authorities/provision/instruction under which it is required to be maintained.	
		X Internal Audit	
	25	Details of internal audit of last three years.	
	26	Provisions under which internal audit is required to be done.	
		When the last internal audit conducted and period of audit covered.	
	24	No. of objection taken and settled during the period covered by audit.	
		Internal inspection	
	25	Provisions under which internal inspection is required to be done.	
		When the last internal inspection conducted and period of audit covered.	
	26	No. of objection taken and settled during the period covered by audit.	
		XI System of detection and prevention of fraud/corruption	
	27	Whether any cases of fraud/corruption/theft of Government money detection during the audit period.	

28	What are the existing departmental instructions to avoid instances of fraud/corruption/theft/misappropriation of Government money in the office?
29	Whether any reporting standards have been prescribed in case of detection of fraud/corruption/misappropriation? If so, to whom such reports are to be submitted
30	Whether any time schedule has been prescribed for reporting such instances? If so, to what extent
31	Whether any monitoring system exists for watching follow up action in the cases of fraud/corruption detected and reported? If so, specify them.
	Expenditure audit
32	Whether P.L.A. is maintained, if so, please furnish records.
33	Whether stores are being maintained is so please state.
34	A. Whether the stores is maintained in Quantity basis as on value basis.
	B. Value of stores handled during the Period covered by Audit.
	C. Whether the physical verification of Stores, stores has been carried out is so give result thereof along with date of inspection.
35	A complete statement indicating each head-wise (Plan and Non plan) of grant received, grant utilized and grant remained unspent of the end of each year for the period covered audit may be furnished.(
36	A statement of outstanding utilization certificates as on first April.
37	Number of posts sanctioned, men in position and staff deployed cadre wise may be stated.

38	List of items lying idle / unserviceable, for over three years may be furnished in the following proform.				
	Sr. No.	Name of Article	Date of purchase	Purchase Value	Action taken to Dispose off
	1.	2.	3.	4.	5.
39	Whether any quantum is prescribed to check the expenditure if so, please state whether it is complete in or out standing.				

AAO/AO/Sr.AO/

To
The Addl.Superintendent of Stamps,

Statement – II(A)

(Duty list of Stamp Duty and Registration Fees)

(I) Sr. Audit Officer/ Audit Officer

- Review of items marked with asterisk and discussion of outstanding local audit report paras.
- Checking of correctness of valuation by comparison and by cross check with records of other department and giving suitable direction and guidance to AAO / Supervisor in this regard.
- Review of 100% of high value cases where consideration is Rs. 50,000/- and above.
- Review of report of the inspector of the department.
- Delay in resulting in resulting revenue locked up by reference to collector or otherwise and other systems defects.

(II) Asst. Audit Officer/Supervisor

- Audit of Stamp Duty assessment on instrument and document executed during the year 100% checking of documents should be made of the selected month in addition other important document should be reviewed in audit.
- All document presented to the Asst. Superintendent of stamp or to the Collector for adjudication as to the proper stamp duty leviable should be scrutinised during the audit.
- Audit of assessment and collection of Registration Fee.
- Audit of exemption/remission from duty granted to various documents. It should be seen that whether the exemption /remission from payment of stamp duty is in accordance with Govt. Others.
- Refund of stamp duty:-it should be seen that the refund are admissible under the act/rules and are correctly made and recorded.
- Whether penalty leviable have been levied and collected wherever necessary. Any other work allotted by Sr. AO/AO.

(III) Sr. Auditor /Auditor

- Audit of receipt books accounts.
- Tracing of counterfoils of receipts with the cash book of the selected month. Total of the cash book and the tracking of the entry in the cash book with the treasury records for the selected months.
- Check of receipt books in respect of all fees levied under Indian Registration Act and Rules made there under such as marriage fees, coping fees.
- Any other work allotted by Sr. AO/AO/AAO/SO.

Statement-II (B)

Duty list of Dy. Collector (VOP)

(A) S.A.O.

1. Review of outstanding paras of old LARs.
2. Review of assessment and collection of stamp duty in cases finalised during audit period.
3. Review of cases checked by A.A.O./ S.O
4. Review of remittance made by Deptt. into Treasury and checked by Sr. Auditor / Auditor / A.A.O. / Supervisor

(B) A.A.O. / Supervisor

1. Audit of cases finalised by the Dy. Collector during audit period for two selected months.
2. Audit of assessment and collection of Stamp Duty under section 32 at 100% for selected two months
3. Audit of refund cases if any refund is granted during audit period at 100%
4. Audit of exemption cases finalised under section 32 with ref. to Govt. Resolution Dated 30.09.91
5. Audit of cases where it is finalised as proper stamp duty for two month.
6. Audit of remained cases received either from the CCRA/ Court etc and finalised by the Dy. Collector.
7. Verification of outstanding paras of old LAR
8. Other works if any allotted by Sr. A.O. / A.O.

(C) Sr. Auditor / Auditor

1. Check of receipts book, accounts stock issue used with ref. to case book.
2. Checking of totalling receipts, entry in cash book, totalling for two selected month.
3. Checking of challans with ref. to case register with P.C. files and remittance made by try.
4. Other works if any allotted by AAO/SAO

Statement-III (A)
OFFICE OF THE PR. ACCOUNTANT GENERAL (AUDIT-II) GUJARAT
NAVRANGPURA, AHMEDABAD-380009

Title Sheet for Stamp duty and Registration fees

I.	GENERAL	
1	Name, address , telephone No. of the office or unit inspected with office code	
2	Name of Officer presently holding the charge	
3	Name and Designation of the Controlling Officer	
4	Head of the Department and Department Code	
5	Name of Section Officer/ Asstt. Audit Officer/Sr. Auditor/ Auditor	
6	Name of supervising officer and dates of supervision	
7	Dates of Supervision by Group Officer	
8	Period of Audit	
9	Date of Inspection	
10 (A)	Months selected for detailed checking of remittances into Treasury (i.e. Challan verification with Treasury/ Sub-Treasury records)	
10 (B)	Whether the Challans for above two months were actually verified with Treasury/Sub-Treasury Records? If not, to what extent with reasons thereof.	
11	When and by whom last audited: (a) By whom By A.G. By Department Administrative Inspection (b) Period of Audit (c) Dates of inspection	Internal Audit of docu ment
12	Whether all the required documents were made available to audit by the concerned? If not, indicate the documents not furnished.	
13	Whether any points were marked for special scrutiny during local audit? Were the same examined and reports furnished to the section concerned?	
14	Whether previous outstanding paras were examined and discussed with the auditee organization and minutes on discussion sent alongwith the Draft Local Audit Report.	
15	Whether dues written off during the period covered by audit were scrutinized and communicated in Draft Local Audit Report?	
16	No. of Preliminary Objection Memos issued and number of memos not replied.	
17	Whether list of points settled on the spot and objection memos with replies attached?	
II	Internal Audit Checks:	
18	i) Whether the office/ entity reconciled the treasury/ bank transactions at regular intervals, if not, a paragraph on the extent of discrepancy may be included in the proposed Draft Inspection Report.	Yes/No Para No. ____ @ ____/ c.
	ii) Whether Internal Audit of the office/ entity has been conducted and the Internal Audit report does not contain observation on system failure that may lead to fraud?	
	iii) Whether decisions were taken as per the financial powers delegated as per the delegation of financial powers?	

	iv) Whether payments for works executed under the contract were paid in accordance with the Terms and Conditions of the Contract.	
	v) Whether all the financial records prescribed under the applicable law/ by the competent authority for efficient and effective monitoring have been maintained.	
19	Whether the Draft Local Audit Report was discussed with the Head of Office and his replies incorporated therein?	
20	Whether the statement showing money value of objections raised and recoveries suggested with reference to the paras of the report and in terms of the objection has been attached.	
III	FRAUD	
21	Were there any case of misappropriation, defalcation embezzlement or fraud of Government money and if so, give reference to the HM/Paras No. in report or note separately	Yes/No. HM No. _____ dated ____@ ____/c Para.
	(a) Whether any fraud is noticed during the period of Audit, if so: <ul style="list-style-type: none"> • whether a separate note has been submitted for the fraud; or • proposed a paragraph on the observation related to fraud in the proposed Draft Inspection Report 	
	(b) In case the Local Audit Party has received any complaint for verification during the local audit whether the complaint was verified if so: <ul style="list-style-type: none"> • whether a separate note has been submitted on verification of the Complaint; or • proposed a paragraph on the observation related to complaint in the proposed Draft Inspection Report 	
22.	General State of accounts - If unsatisfactory, in what respect?	
IV	COMPUTERISATION:	
23	(i) What all aspects are computerized? Is it up-to-date? Mention arrears, if any. (ii) Who makes the data entry? DEO or departmental official or some one else? Please specify. (iii) System adopted.	
V	THE AUDIT OF SUB REGISTRAR'S OFFICES:	
24-A	No. of documents registered during the year	
24-B	Whether list of documents in Excel format (CD) collected and kept with the Draft LAR?	
25	Whether the prescribed checks on validation of E-stamping work and locking of E-stamps exercised in each case before registration of documents? If so, irregularities if any noticed?	
26	Were the documents reviewed in accordance with the Sampling technique pre Methodology? (i) Total No. of documents (ii) No. of documents selected as per sampling methodology (iii) No. of documents actually audited (iv) Shortfall if any and reasons thereof	
VI	OFFICE OF THE DY. COLLECTOR (VALUATION)	
27	(i) No. of valuation cases finalized during the period. (ii) No. of cases under Section 32-B accepted and referred to CCRA. (iii) No. of cases remanded by CCRA and reassessment done.	
VII	Maintenance of Registers>Returns	
28	(i) Whether the Register of documents received under Section 31, 32-A and 33 from each Sub-Registrar maintained in the prescribed proforma and their disposal watched?	

	(ii)	Whether the Register of documents referred to the Chief Controlling Revenue Authority (CCRA) under Section 32 B maintained and their final disposal noted/watched?	
	(iii)	Whether the required returns are maintained?	
	(iv)	Whether any Registers regarding Banks authorized for issue of Stamps by franking is being maintained?	
	(v)	No. of Banks doing Stamping by franking machine.	
	(vi)	Whether monthly prescribed returns are submitted by these banks?	
	(vii)	Whether these returns are subjected to prescribed checks?	
29		Whether the Sampling Techniques as prescribed in Annexure-A of Chapter IV of AMG-III Manual have been adopted?	
VIII		Expenditure Audit	
30	(i)	Whether the office locally audited is required to maintain detailed accounts of loans (and if so the category of nature of loans may be indicated)?	
	(ii)	Whether detailed Accounts are maintained?	
	(iii)	Whether the statement showing the demand in arrears in respect of recovery of loans on 1 st April is attached? If not, reasons thereof (year wise break-up should be given for arrears)	
	(iv)	The extent of arrears, in obtaining utilization certificate as on 1 st April with year wise break-up?	
	(v)	Whether the acknowledgement of balances as on 1 st April have been obtained in all cases and if not the extent of arrears with year wise break-up?	
	(vi)	Whether general state of accounts regarding loans has been commented upon in the inspection report?	
	(vii)	Whether the stores accounts are being maintained? Please indicate here. Whether the accounts on quantity basis or value basis?	
	(viii)	Value of stores handled during the year immediately preceding the local audit.	
	(ix)	If the accounts are maintained only on quantity basis is necessary to insist upon the maintaining of stores account value basis if so reasons therefore.	
	(x)	Whether the certificate of physical verification has been furnished on the stores account?	
	(xi)	Other irregularities noticed (like unnecessary accumulation of stores etc.) should be brought out in the IRs. and para to be indicated here.	
	(xii)	Were the checks on stores accounts contemplated in Para 80 and 89 of MSO (Tech) vol. I exercised?	
31	(i)	Were the department required to maintain proforma accounts?	
	(ii)	If so whether the accounts are being maintained?	
	(iii)	If the preparation of proforma accounts is in arrears the extent of arrears with full details.	
32		Were all the requisite audit check exercised to the extent prescribed as per manual, circulars and other orders?	
33		Whether check of service books and leave accounts done? Indicate the percentage of checks applied?	
34		Whether cent percent of check acquaintance for the payment of gratuity conducted with respect to paid vouchers?	
IX		MISCELLANEOUS INFORMATION	
35		Whether any inspection reports of supervisor officer/Internal Auditor/Accounts Officer of the Department available? If so, whether internal audit reports reviewed; to find out whether duplication of objections raised in internal audits are not included in the Draft LAR?	

36	Whether the audit checks as prescribed in Annexure-B of Chapter 3 has been followed	
37	Whether the discrepancy or objection noticed on account of exercise of checks as mentioned in Annexure-B of Chapter 3 Manual have been commented upon in the LAR	
38	Was the time allowed sufficient? If insufficient or excessive, indicate additional days required or saving possible with reasons.	
39	Remarks of the G.O. (if supervised).	
40	Date of dispatch of report to Hqrs.	
SR.AR/AMG-III P. No. _____ A.A.O./AMG-III. P. No.. _____		
SR.A.O./AMG-III _____		
For use in AMG-III Section		
Date of receipt of the Inspection Report in Hqrs:		
Date on which report submitted _____ :		
No. and date of issue of the report _____ :		

Statement-III (B)

OFFICE OF THE PR. ACCOUNTANT GENERAL (AUDIT-II) GUJARAT NAVRANGPURA, AHMEDABAD-380009

Title Sheet for IGR and Superintendent of Stamps

I	GENERAL	
1	Name, address, telephone No. ,Email Id of the office	
2	Name of Officer presently holding the charge	
3	Name and Designation of the Controlling Officer	
4	Head of the Department and Department Code	
5	Name of Section Officer/ Asstt. Audit Officer/Sr. Auditor/ Auditor	
6	Name of supervising officer and dates of supervision	
7	Dates of Supervision by Group Officer	
8	Period of Audit	
9	Date of Inspection	
10(A)	Months selected for detailed checking of remittances into Treasury (i.e. Challan verification with Treasury/ Sub-Treasury records)	
10(B)	Whether the Challans for above two months were actually verified with Treasury/Sub-Treasury Records? If not, to what extent with reasons thereof.	
11	When and by whom last audited: (a) By whom By A.G. By Department Administrative Inspection (b) Period of Audit (c) Dates of inspection	Internal Audit of document

12	Whether all the required documents were made available to audit by the concerned? If not, indicate the documents not furnished.	
13	Whether any points were marked for special scrutiny during local audit? Were the same examined and reports furnished to the section concerned?	
14	Whether previous outstanding paras were examined and discussed with the auditee organization and minutes on discussion sent alongwith the Draft Local Audit Report.	
15	Whether dues written off during the period covered by audit were scrutinized and communicated in Draft Local Audit Report?	
16	No. of Preliminary Objection Memos issued and number of memos not replied.	
17	Whether list of points settled on the spot and objection memos with replies attached?	
II	Internal Audit Checks:	
18	i) Whether the office/ entity reconciled the treasury/ bank transactions at regular intervals, if not, a paragraph on the extent of discrepancy may be included in the proposed Draft Inspection Report.	Yes/No Para No.____ @ _____/c.
	ii) Whether Internal Audit of the office/ entity has been conducted and the Internal Audit report does not contain observation on system failure that may lead to fraud?	
	iii) Whether decisions were taken as per the financial powers delegated?	
	iv) Whether payments for works executed under the contract paid in accordance with the Terms and Conditions of the Contract.	
	v) Whether all the financial records prescribed under the applicable law/ by the competent authority for efficient and effective monitoring maintained.	
19	Whether the Draft Local Audit Report discussed with the Head of Office and his replies incorporated therein?	
20	Whether the statement showing money value of objections raised and recoveries suggested with reference to the paras of the report and in terms of the objection as been attached.	
III	FRAUD	
21	Were there any case of misappropriation, defalcation embezzlement or fraud of Government money and if so, give reference to the HM/Paras No. in report or note separately	Yes/No. HM No. _____ dated _____ Para No. _____ @ _____/c.
(a)	Whether any fraud is noticed during the period of Audit, if so: <ul style="list-style-type: none"> • whether a separate note has been submitted for the fraud; or • proposed a paragraph on the observation related to fraud in the proposed Draft Inspection Report 	
(b)	In case the Local Audit Party has received any complaint for verification during the local audit whether the complaint was verified if so: <ul style="list-style-type: none"> • whether a separate note has been submitted on verification of the Complaint; or • proposed a paragraph on the observation related to complaint in the proposed Draft Inspection Report 	
22	General State of accounts - If unsatisfactory, in what respect?	

IV	COMPUTERISATION:	
23	(i) What all aspects are computerized? Is it up-to-date? Mention arrears, if any. (ii) Who makes the data entry? DEO or departmental official or some one else? Please specify. (iii) System adopted.	
V	OFFICE OF SUPDT. OF STAMPS	
	A. GENERAL	
24	(i) No. of cases adjudicated during the year _____ and pending as on _____	
	(ii) No. of cases referred to High Court etc.	
	(iii) Whether necessary checks have been applied and examined by the CCRA on the adjudicated documents? If so, results thereof?	
	(iv) No. of cases where exemption from stamp duty has been granted.	
	(v) In view of (iv) whether any irregularity noticed. Indicate Para No. in which commented in the IR.	HM No.____ dated____ @____/c Para No.____ @ _____/c.
	(vi) No. of cases where there is any withdrawal of adjudication case after submission by applicant and reasons therefore	
	(vii) Whether proper duty has been endorsed under Section 40 of the Bombay Stamp Act in respect of unduly stamped brought to him?	
25	Does the system of Franking Machine for payment of stamp duty exist? If so, the condition of order dated 12/8/99 are followed and weekly return prescribed for the purpose maintained and submitted to CCRA?	
	B. Procurement of Stamps	
26	(i) Whether details of Procurement and Supply of Stamps examined.	
	(ii) Whether any irregularity noticed. Indicate Para No. in which commented in the IR.	HM No.____ dated____ @____/c Para No.____ @ _____/c.
27	(i) Whether aspect of authorization of Banks/Post Offices for issue of Stamps by franking examined.	
	(ii) Whether any irregularity noticed. Indicate Para No. in which commented in the IR.	HM No.____ dated____ @____/c Para No.____

		@ _____/c.
28	(i) Whether the aspect of Supply of stamps through e-stamping and its proper remittance to Government Account checked?	
	(ii) Whether any irregularity noticed. Indicate Para No. in which commented in the IR.	HM No.____ dated____ @____/c Para No.____ @ _____/c.
29	(i) Whether areas of issue of Licenses to Stamp Vendor examined.	
	(ii) Whether any irregularity noticed	Yes/No HM No.____ dated____ @____/c Para No.____ @ _____/c.
VI	OFFICE OF INSPECTOR GENERAL OF REGISTRATION	
	A. GENERAL	
30	(i) Whether the office locally audited is required to maintain detailed accounts of loans (and if so the category of nature of loans may be indicated)?	
	(ii) Whether detailed Accounts are maintained?	
	(iii) Whether the statement showing the demand in arrears in respect of recovery of loans on 1 st April is attached? If not, reasons thereof (year wise break-up should be given for arrears)	
	(iv) The extent of arrears, in obtaining utilization certificate as on 1 st April with year wise break-up?	
	(v) Whether the acknowledgement of balances as on 1 st April have been obtained in all cases and if not the extent of arrears with year wise break-up?	
	(vi) Whether general state of accounts regarding loans has been commented upon in the inspection report?	
	B. Audit of Stores	
31	(i) Whether the office is required to maintain stores accounts?	
	(ii) Whether the stores accounts are being maintained? Please indicate here. Whether the accounts on quantity basis or value basis?	
	(iii) Value of stores handled during the year immediately preceding the local audit.	
	(iv) Whether the certificate of physical verification has been furnished on the stores account?	

Energy and Petrochemicals Department

Introduction

4.1 Energy & Petrochemicals Department has a very important contribution to the all-round development of the State with a vision to provide quality power and piped natural gas at sustainable rates to the people of Gujarat through increased generation, efficient and distribution transmission, private sector participation, energy conservation, power sector reforms and use of alternative sources of non-conventional energy. The Department is associated with various companies engaged in the field of power, gas, fertilizers and non-conventional energy. The Department has hierarchy of Additional Chief Secretary as the Head of Department, one Additional Secretary, and one joint Secretary, one Deputy Secretary, One OSD and two Under Secretaries. The working of the department is divided in five branches, each headed by Section Officer.

The subjects allocated to E&PD as rules of business are as under:

- i. Regulation of oil and natural gas fields and development to the extent which such regulation and development under the control of the Central Government is declared by Parliament by Law to be expedient in the public interest.
- ii. Royalty on Crude Oil and Natural Gas subject to any limitation imposed by Parliament by Law relating to Crude Oil and Natural Gas development.
- iii. Gas and Gas work.
- iv. Coal Bed Methane (CBM).
- v. Enforcement of The Electricity Act, 2003, and the rules made there under, Gujarat Electricity Duty Act, 1958 (Bombay XL, of 1958) and Bombay Electricity Duty (Gujarat) Rules, 1986. The Gujarat Aerial Ropeways Act, 1955 and the Gujarat Lifts and Escalators Act, 2000.
- vi. Implementation of order of the Government of India under section 3 of the Essential Commodities Act, 1955 in relation to regulation of manufacture, store, sale and distribution of lamps, Electrical accessories for domestic use and prescribing quality thereof.
- vii. The subjects specified in this list pertaining to the state owned undertakings and Govt. corporations, Gujarat Urja Vikas Nigam Ltd & its subsidiary companies, Gujarat State Petroleum Corporation Limited, Gujarat Power Corporation Limited etc.
- viii. Works, lands and buildings vested in or in the possession of Government for the purposes of the State and assigned to the Energy and Petrochemicals Department.
- ix. Inquiries and statistics for the purpose, of any of the matters in this list.
- x. Fees in respect of any of the matters in this list but not including fees taken in any court

Energy Sector

4.2 Prior to the commencement of the reform process in India in 1991, the electricity scenario in Gujarat (Generation, Transmission and Distribution) was mainly controlled by the Gujarat Electricity Board (GEB). GEB started entering into Power Purchase Agreements (PPA) with Independent Power Producers (IPPs) in February 1994 soon after opening up of the generation sector for the private parties by Government of India (GoI) in 1991.

As a part of Power Reform Process, the Gujarat Electricity Industry (Re-organisation and Regulation) Act, 2003 was passed by the Government of Gujarat (GoG) to restructure the electricity sector in the State. Accordingly, erstwhile GEB was reorganised from 01 April, 2005 into seven Companies⁹ (with functional responsibilities of Trading, Generation, Transmission and Distribution).

Industry Overview

4.2.1 The economic growth of the country is very closely linked with that of Power Sector. Availability of quality power at reasonable rates is essential for sustained socio economic development. However, being highly capital intensive in nature, mobilising adequate financial resources at competitive cost for developing generation, transmission and distribution infrastructure has always been a challenge for the Power Sector; and this has been a major factor that contributed to less than required generation and transmission capacity addition in the country. Although electricity generation has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. The data of Nation as a whole with respect to gap between demand and supply is given in following table:

Fiscal Year	Energy Requirement	Energy Availability	Energy Shortage/ Surplus	
			(Million units)	Percentage
2014-15	10,68,923	10,30,785	38,138	(3.6)
2015-16	11,14,408	10,90,851	23,557	(2.1)
2016-17	11,42,929	11,35,334	7,595	(0.7)
2017-18	12,13,325	12,04,697	8,629	(0.7)
2018-19	12,74,595	12,67,526	7,070	(0.6)

(Source: GUVNL Annual Report 2018-19)

4.2.2 Government policies

The following power policies are implemented by the Energy Sector:

- i. The National Electricity Policy (The Central Government shall from time to time, prepare the National Electricity Policy and tariff policy, in consultation with the State Governments and the Authority for

⁹ GUVNL- Gujarat UrjaVikas Nigam Limited (Holding Company), GSECL- Gujarat State Electricity Corporation Limited (Generation), GETCO- Gujarat Energy Transmission Corporation Limited (Transmission) and four Distribution Companies *i.e.* PGVCL- Paschim Gujarat Vij Company Limited, UGVCL- Uttar Gujarat Vij Company Limited, MGVCL- Madhya Gujarat Vij Company Limited, DGVCL- Dakshin Gujarat Vij Company Limited.

development of the power system based on optimal utilization of resources such as coal, natural gas, nuclear substances or materials, hydro and renewable sources of energy).

- ii. Power Generation Policy, 2009
- iii. LNG Terminal Policy, 2012
- iv. Gujarat Solar Power Policy, 2015
- v. Wind Power Policy, 2016
- vi. Gujarat Waste to Energy Policy, 2016.
- vii. Gujarat Small Hydel Policy, 2016
- viii. Gujarat Repowering of the Wind Projects Policy, 2018

Power Supply Position in the State

4.2.3 The total generating capacity of the State from various conventional sources at the beginning of the year 2018-19 was 19555 MW. The total installed conventional power generating capacity of the state at the end of the financial year 2018-19 is as under:-

(in MW)

Fuel/ Sector	Capacity as on 31.03.2018					During FY 2018-19		Capacity as on 31.03.2019
	GSECL	State Owned IPP	Private Sector	Central Sector	Total Gujara t	Capac ity de- rated	Additi on dur ing year	Total Gujarat
Thermal	4000	1250	5405	3012	13667	-	-	13667
Gas	970	1354	1802	424	4550	655	-	3895
Nuclear	-	-	-	559	559	-	-	559
Hydro	547	-	-	232	779	-	-	779
Total	5517	2604	7207	4227	19555	655	-	18900

(Source: GUVNL Annual Report 2018-19)

The total installed capacity from non-conventional energy sources at the end of 2018-19 was 8609 MW as against 7286 MW in 2017-18, the details of which are as under:-

(in MW)

Sl.No.	Renewable Source	2017-18	Addition during the year	2018-19
1	Wind	5,575	459	6,034
2	Solar PV	1,648	792	2,440
3	Biomass	41.2	40	81.2
4	Mini/ Small Hydel	21.6	32	53.6
	Total	7,286	1323	8,608.8

(Source: GUVNL Annual Report 2018-19)

Supply and Demand Scenario

4.2.4 The installed capacity from conventional sources in the State at the end of FY 2018-19 is 19555 MW against the peak level demand of 17097 MW in FY 2017-18. Conventional capacity to the tune of 1507 MW is planned to be added in next two financial years to cater the power demand in the State.

Status of implementation of Intra-State Availability Based Tariff

4.2.5 Intra State Availability Based Tariff (ABT) has been operationalised with effect from 05 April 2010 pursuant to Hon'ble GERC Order. Utilities are monitoring their generation/ drawl schedules and any deviation from schedule is accounted for as Unscheduled Interchange (UI) and having financial implications individually. Gujarat State Load Dispatch Centre is carrying out Energy Accounting and UI Accounting.

Central Electricity Regulatory Commission (CERC) has replaced the UI mechanism with Deviation Settlement Mechanism (DSM) for commercial settlement of deviation in generation/ drawl schedules with effect from 17 February 2014.

Augmenting Renewable Energy Sources:

4.2.6 Recognising the significance of pollution free Renewable Power and need of the long term energy security, State have pro-actively promoted Renewable Energy Source. Presently, State has augmented 5575 MW Wind Capacity and 154 MW Capacity from Solar Rooftop projects.

State has developed State of Art Solar Park in the country. Solar Park is having 850 MW potential at Charanka, North Gujarat wherein 702 MW capacity is already operational.

System of Transmission of Power

4.2.7 Voltage of energy generated at 11/22 KV is stepped up through sub-stations to 440/ 230 KV and transmitted over long distances. As this voltage is too high for supply to consumers, this power is subsequently stepped down to 66, 22 and 11 KV through sub-stations. Based on the consumer's demand, power is supplied directly from 22/ 11 KV feeders to High Tension (HT) industries or further reduced through distribution transformers to 440/ 230/ 120 Volts for supply to Low Tension (LT) industries and residential consumers. The total energy that is lost from the point of generation to the point of 66, 22 and 11 KV step down sub-stations is called transmission loss and energy that is lost between the 11/ 22 KV feeders and the ultimate consumer are called the distribution loss. The All India Aggregate Technical and Commercial Losses (AT&C) for the years 2015-16 to 2018-19 were 14.85, 12.42, 11.72 and 12.59 *per cent* respectively.

Transmission and Distribution losses

4.2.8 Energy lost in the process of transmission, transformation and distribution are broadly classified as technical and commercial losses. Technical losses occur due to resistance in conductors, design of the transformers and also loading of power in excess of capacity on feeders, lines and transformers. Commercial losses are losses due to theft, defective meters, un-metered supply *etc.* Transmission losses are technical losses whereas distribution losses include both technical and commercial losses.

4.2.9 Government Schemes

- Electrification Under Sub Scheme Of The Tribal Area
- Power Connection For Agriculture

- Kutir Jyoti Scheme
- Scheme for Electrification of Huts
- Sub Schemes For Schedule Castes
- Schemes For Over All Development Of Fishermen
- Programs For Makeover Of Power Development (RAPDRP)
- Scheme For Energy Power For Farmers Interest (KHUSI)
- Pump Sets Working On Solar Energy

4.2.10 Head of Departments

1. Chief Electrical Inspector, Collector of Electricity & Collector of Green Cess Duty.
2. Directorate of Petroleum.

1. Chief Electrical Inspector, Collector of Electricity & Collector of Green Cess Duty

Electricity is one of the basic infrastructure facilities required for development of the State. Electricity consumption is essential for industries, agriculture and every field including domestic appliances and progress cannot even be imagined in absence of electricity. On the flip side, careless usage of electricity can cause a terrible accident while wise and conservative use of the same could be an impetus for economic development of the state. Objective of ensuring electrical safety of the public, which is a Statutory responsibility of the State Government, is met through effective administration of the Electricity Law in the State by the Inspectorate. Function of recovery of an important Government Revenue of electricity duty is also carried out.

Two separate offices under the same Department known as (1) The Chief Electrical Inspectorate and (ii) the Collector of Electricity Duty perform the aforesaid functions. Both the offices are headed by the common Head of the Department designated as the Chief Electrical Inspector and Collector of Electricity Duty.

(A) OFFICE OF THE CHIEF ELECTRICAL INSPECTOR

Administration of Electricity Laws, inspection of electrical installations for ensuring electrical safety, Energy Audit and administration of Lift Laws are the main functions of the office of the Chief Electrical Inspector and several subordinate offices situated in the State. To carry out the functions assigned to this system with transparency, reliability and speed with proper guidance to the public thereby providing responsible and sensitive mechanisms is the objective of the Government which in turn is the right of people. This Inspectorate is committed to make sincere and honest efforts to achieve the objective of the system.

(B) OFFICE OF THE COLLECTOR OF ELECTRICITY DUTY

Perpetual monitoring of the recovery of electricity duty, which is important revenue, being collected by the suppliers of electricity and remitted to the State Government is carried out by the office of the Collector of Electricity Duty. Function of ensuring recovery of electricity duty from the consumers having self-generation of electricity is also carried out by the office of the Collector of Electricity Duty. In short, these Organizations take care of electrical safety of the public in the State as well as monitor recovery of an important revenue of electricity duty for the State.

The Organization Structure of Chief Electrical Inspector, Collector of Electricity & Collector of Green Cess Duty as under:

- Chief Electrical Inspector, Gandhinagar
- Central Zone, Gandhinagar, Deputy Chief Electrical Inspector
- Gandhinagar, Electrical Inspector
- Ahmedabad, Electrical Inspector
- Ahmedabad, Asst. Electrical Inspector
- Gandhinagar, Asst. Electrical Inspector
- Nadiad, Electrical Inspector
- Nadiad, Asst. Electrical Inspector
- Panchmahal, Asst. Electrical Inspector
- North Zone, Mehsana, Deputy Chief Electrical Inspector
- Mehsana, Electrical Inspector
- Mehsana, Asst. Electrical Inspector
- Himmatnagar, Asst. Electrical Inspector
- Palanpur, Asst. Electrical Inspector
- Kutch, Electrical Inspector
- Kutch, Asst. Electrical Inspector
- South Zone, Vadodara, Deputy Chief Electrical Inspector
- Vadodara, Electrical Inspector
- Vadodara, Asst. Electrical Inspector
- Bharuch, Asst. Electrical Inspector
- Surat, Electrical Inspector
- Surat, Asst. Electrical Inspector
- Valsad, Electrical Inspector
- Valsad, Asst. Electrical Inspector
- Navsari, Asst. Electrical Inspector
- Saurashtra Zone, Rajkot, Deputy Chief Electrical Inspector
- Rajkot, Electrical Inspector
- Rajkot, Asst. Electrical Inspector
- Junagadh, Asst. Electrical Inspector
- Jamnagar, Asst. Electrical Inspector
- Bhavnagar, Electrical Inspector
- Bhavnagar, Asst. Electrical Inspector
- Surendranagar, Asst. Electrical Inspector

Collector Electricity Duty, Gandhinagar

- Chief Auditor
- Assessment Officer
- Chief Accounting Officer (Accounts cadre)

LEGISLATIVE BACK-GROUND

Entry No. 53 and Entry No. 66 of List- II (State List) of the 7th Schedule to Article 246 of the Constitution of the India confer power on the State Government to legislate on taxes on the consumption or sale of electricity and the levy of fees. Similar power is also vested in the Union Government by Entry

No. 38 and Entry No. 47 of list- III of the aforesaid schedule. Under these provisions, the Indian Electricity Act, 1910, the Rules made there under as adopted and the Bombay Electricity Duty Act, 1958 now Gujarat Electricity Duty Act, 1958 and the corresponding rules constitute the legal basis for the levy and collection of duty and fees on consumption of energy and testing and inspection of electrical installations.

The Indian Electricity Act, 1910 deals with the grant of licenses for generation and supply of electric energy and the method and manner of revoking and amending the licenses. Licenses under the Act are required to be issued by the State Government.

The Act empowers the licensee to break open within his area of supply the soil and pavement in street, railway or any sewer etc. for the purpose of laying the cables or for repairing them. The Act deals with the question of supply of power, the licensee's legal objections to supply electricity within his area of supply to whoever applies for it at a rate which would give the licensee a reasonable return on the capital expenditure to theft of energy and prescribes licensee for legal or defective supply to procedure for intention of prosecution. There are supplementary provisions for arbitration and service of notice, under the documents.

Functions of the HOD

The audit of above offices under control of Chief Electrical Inspector, Collector of Electricity & Collector of Green Cess Duty is conducted under Section 13 and Section 16 of the Comptroller and Auditor General's (DPC) Act, 1971 by the Audit Management Group-III, office of the Pr. Accountant General (Audit II), Ahmedabad.

It is the function of the Deputy Chief Electrical Inspectors, Electrical Inspectors assisted by the Assistant Electrical Inspector to carry out the provisions of the Indian Electricity Act, 1910 and the rules framed there under and the Gujarat Electricity Duty Act, 1958. Inspections of Electrical installations, testing of equipments etc, are conducted by these executive officers.

In addition to these executive officers of the department, a Collector of Electricity Duty has been appointed by the State Government to ensure the prompt collection of electricity duty from the different licensees. In the cities of Ahmedabad and Surat, the Ahmedabad Electricity Company (now Torrent Powers Limited) is an important private licensee, licensed by the State Government under the Indian Electricity Act. In the districts, generation and supply of power are mainly undertaken by the different divisions of the Gujarat Electricity Board (now *Gujarat Urja Vikas Nigam Limited* and its six subsidiary companies). GUNVL and Torrent Powers Limited submit their monthly returns to the Collector of Electricity Duty along with challans indicating payment of electricity duty made by them into the treasury. With reference to these returns and the maintenance of suitable registers for watching the receipt of these

returns from the licensees, the Collector of Electricity duty exercises control over the collection of Electrical Duty.¹⁰

LEVY OF FEES FOR INSPECTION TEST AND SERVICES-

POWERS OF INSPECTORS

Under the Act, Inspectors are appointed by the State Government, who has many important duties to perform. The following are some of the important powers and functions of Electrical Inspectors appointed under the provisions of the Indian Electricity Act.

1. Power of entry, inspection and examination of any place where he has reasons to believe that electrical apparatus or appliances are kept and to test the same.
2. Power to serve an order upon any supplier, consumer, owner and occupant to comply with any specified rules.
3. Power to require an owner to submit for his examinations records of the test made by him.
4. Powers to require a list of consumers to be submitted to him.
5. Powers to direct disconnection of supply on default in payment of fee for periodical inspection and testing.
6. Powers to approve the form in which the result of test made by a supplier is to be recorded.
7. Powers to direct discontinuation of supply where facilities of testing are denied or leakages of power exceed prescribed maximum.
8. Power to approve suitable apparatus for examination, testing and regulation of energy meter.
9. Power to authorise commencement of supply at high or extra voltage on satisfactory compliance of specified provisions.
10. Other miscellaneous powers under the various provisions of the Act and the Rules, to settle disputes between a supplier and a consumer, to grant competitions, relax the provisions of certain rules etc.

The Government of Gujarat in Industries, Mines and Power Department Order No. GH/85/20/IEA/1076/9184/K dated. 25-3-85 and order No.GH/89/31/IEA/1076/9184-K dated 15.6.89 have made rules relating to testing and inspection of electrical installation under the Indian Electricity Act which are included in *Appendix-I*.

Under Art 287 of the Constitution, no law of a State shall impose or authorize the imposition of a tax on the consumption or sale of electricity which is consumed by the Government of India or sold to Government of India for

¹⁰ Gujarat Urja Vikas Nigam Ltd. – Holding Company
Gujarat State Electricity Corporation Ltd(GSECL) - -Generation
Gujarat Energy Transmission Corporation Ltd (GETCO) – Transmission
Uttar Gujarat Vij Co.Ltd (UGVCL) – Distribution
Daxin Gujarat Vij Co.Ltd(DGVCL) – Distribution
Madhya Gujarat Vij Co Ltd (MGVCL) – Distribution
Paschim Gujarat Vij Co.Ltd (PGVCL) - Distribution

consumption by that Government or consumed in the construction, maintenance or operation of any railway by the Government of India or a railway company operating that Railway, or sold to that Government or any such railway company for consumption in construction, maintenance or operation of any railway.

LEVY OF DUTY UNDER THE GUJARAT ELECTRICITY DUTY ACT, 1958

Electricity duty is levied on the units of energy consumed (excluding losses of energy sustained in transmission and transformation by a licensee before supply to a consumer). For this purpose, a consumer means, any person who is supplied with energy on payment of charges or otherwise by a licensee or by any other person who generates energy and includes a licensee in relation to energy either generated by himself or supplied by any other licensee, and any other person in relation to energy generated by himself, and used by such licensee or person for any purpose excluding that of construction, maintenance or operation of his generating, transmitting or distributing system, but including his commercial office or residential purpose connected with such system.

Electricity duty is not chargeable on the units of energy consumed:

- (i) by the Central/ State Government: Electricity charges are exempted for electricity consumption by the State and Central Government save in respect of premises used for residential purposes.
- (ii) by or in respect of any municipal corporation, municipality, local board, notified area committee, cantonment board or *panchayat* constituted under any law for the time being in force in the State for the purpose of, or in respect of public street lighting, public water works (including hand works and other auxiliary water supply works and pumps used for the purpose). Public gardens including Zoos, public museums or system of public sewers or drains;
- (iii) in respect of a hospital or dispensary which is not maintained for private gain; (save in respect of premises used for residential purposes)
- (iv) where the energy is generated by any person for the purpose of supplying it for the use of vessels.
- (v) where the energy is generated at a voltage not exceeding 100 volts.
- (v-a) where the energy is generated by any person by solar, wind or biogas energy:
- (vi) Save as provided in clause (vii), in respect of such industrial or agriculture purpose in such areas and subject to such terms and conditions and for such period as the State Government may, having regard to the need and conditions of industrial and agricultural development in the areas by general or special order specify in that behalf.
- (vii) for motive powers and lighting in respect of premises used by an industrial undertaking for industrial purpose, until the expiry of the following period, that is to say:-
 - (a) In the case of an industrial undertaking which generates energy either singly or jointly with any other industrial undertaking for its own use

or as the case may be, for the use of industrial undertakings which are jointly generating the energy.

- (i) fifteen years from the date of commencement of the Bombay Electricity Duty (Gujarat Amendment) Act, 1983 (hereinafter in this sub-section and sub-sections (2A) and (2AA) referred to as the commencement date) or the date of starting the generation of energy whichever is later, if such generation of energy is obtained by co-generation.
- (ii) ten years from the commencement date or the date of starting the generation of such energy whichever is later, if such generation of energy is based on any other process;
- (b) In the case of new industrial undertaking established on or after the commencement date, which does not generate energy for its own use, five years from the commencement date or the date on which industrial undertakings commences for the first time manufacture or production of goods, whichever is later.
- (c) In case of Additional industrial unit " should be set up by the existing industrial unit of the state and the additional capital investment for such additional industrial unit is more than 50% of the existing capital investment or if such investment is above Rs 100 crore, the eligible "additional industrial unit" under the Act. Electricity duty charges on the consumption of electricity for industrial purpose used in such "additional industrial units" for five years are exempt.
- (viii) Special Economic Zone (SEZ): New units and developers set up in the Special Economic Zone (SEZ) are provided with a waiver of electrical charges for 10 years from the date they commence operations for that purpose.
- (ix) 100% exportable units: New Industrial units in the state are eligible for waiver off electricity duty charges as stated in Sl.No.1 above. However, if these Industrial units are 100% export oriented, then the conditions have been relaxed for claiming exemption in the electricity duty.
- (x) Hotel Units: As per Tourism Policy 2015-20, Notification dated 1.6.2016, the "new tourism unit" is eligible for exemption from electricity duty charges for a period of 5 years.
- (xi) I.T. Units: As per I. T Policy 2006, the "new IT units" eligible under the policy are exempt for 5 years from the electricity duty charges on the electricity consumption, from the date of commencement of commercial activity.
- (xii) Common Effluent Treatment Plant: The industrial effluent treatment plant, which eliminates industrial pollution, is provided with a waiver of electricity charges for the first five years on electricity consumption.
- (xiii) Desalination Plant: As per notification dated 3.6.2019, the desalination plant, which is set up in the state to provide drinking water to the Gujarat Water Supply and Sewerage Board, has been provisioned to waive the electricity charges for twenty five years subject to the conditions laid down in it.

- (xiv) Residential - Rural: If electricity consumption for residential purposes in the rural area is annually less than 250 unit, then it is not eligible to pay electricity charges on such electricity consumption.
- (xv) Institutions run for physically disabled persons, old age homes and orphanages: Electricity Duty is waived off on the electricity consumed by the Institutions run for physically impaired, or agencies running orphan homes, or similar social activities and who are receiving grants from the Social Security Department of Gujarat State or Social Welfare Department, Government of India or organizations working for old age homes registered with the Charity Commissioner.
- (xvi) Regarding Waterworks and Sewerage System: As per the notification dated 12.8.2014 , there is provision for waiver of electricity duty charges on any electricity consumed by the Gujarat Water Supply and Sewerage Board for the waterworks and sewerage system for the local body organizations.
- (xvii) Cemetery Houses: Provision is made to waive the electricity charges on the electricity consumed for the electric furnace used in the cemetery, for the funeral procession of the deceased.
- (xviii) Renewable Energy: Electricity Duty is exempted for consumption of electricity generated by any person in the state through Renewable energy produced through solar, wind, bio-energy, liquid-solid wastes, hydro power plants, bio gas etc.

Provided that no industrial undertaking shall be entitled to exemption from payment of electricity duty under this clause, unless it has obtained a certificate regarding eligibility for such exemption in prescribed form by making an application therefore in prescribed form and within prescribed period to such officer as the State Government may, by notification in the Official Gazette, specify.

Explanation 1: For the purposes of clause (vii) of sub-section (2) and sub-section (2A) “a new industrial undertaking” means any such industrial undertaking which.

- (a) is not formed by the splitting up or the reconstruction of a business or undertaking already in existence in the State; or
- (b) is not formed by transfer to a new business or undertaking of a building, machinery or plant previously used in the state for any industrial purpose, of such value in relation to total investments, as the State Government may, by notification in the Official Gazette, specify or;
- (c) is not an expansion of the existing business or undertaking in the state.

For the purpose of item (vii) above, an industrialist is required to make an application to the Electrical Inspector in form “E” within 180 days from the date of starting generation of energy in the case of an industrial undertaking specified in sub-clause (a) of clause vii. In the case of (b) of clause vii also the application should be made within 180- days from the date of such industrial undertaking commencing for the first time manufacture or production of goods. Any consumer making an application

after the expiry of the period mentioned here, shall not be entitled for exemption from payment of Electricity Duty for the period lapsing between the date of application and the date of manufacture or production of goods, or generation of energy as the case may be. The total period of exemption shall be reduced to that extent.

- (a) where an industrial undertaking has by installing an additional generating set started generation of additional energy for its own use of any time during ten years before the commencement of the Bombay Electricity Duty (Gujarat Amendment) Act, 1979, (herein after referred to as “the commencement”) electricity duty shall not be leviable on such units of additional energy so generated as are consumed for motive power and lighting in respect of premises used by the industrial undertaking for industrial purpose, until the expiry of such period after the commencement as would together with the period from the date of starting the generation not exceed ten years.
- (b) where an industrial undertaking by installing an additional generating set starts generation of additional energy either singly or jointly with any other industrial undertaking for its own use or, as the case may be, for the use of industrial undertakings which are jointly generating additional energy, at any time on or after the commencement date, electricity duty shall not be leviable on such units of additional energy so generated as are consumed for motive power and lighting in respect of premises used by the industrial undertaking for industrial purpose until the expiry of-
 - (i) Fifteen years from the commencement date or the date of starting the generation of such additional energy whichever is later if such generation of additional energy is by back pressure turbine or if such generation of additional energy is obtained by co-generation.
 - (ii) Ten years from the commencement date or the date of starting the generation of such energy whichever is later if such generation is based on any other process;

Provided that, no industrial undertaking shall be entitled to exemption from payment of electricity duty under the above unless it has obtained a certificate regarding eligibility for such exemptions in prescribed form by making an application therefore in prescribed form and within prescribed period to such officer as the state government may, by notification in the official Gazette, specify.

Explanation- For the purpose of this provision

- (a) Where any generating set existing at the time of installation of the additional generating set is at any time not operated either wholly or partly, the total units of energy which the existing generating set is capable of generating shall be excluded from the units of the additional energy generated and consumed.
- (b) where any generating set existing at the time of installation of the additional generating set is disposed of, the total units of energy which the existing generating set so disposed off was capable of

generating shall be excluded from the units of the additional energy generated and consumed.

Rates of duty:The rates of electricity duty in force are given in *Appendix-II*. The Audit parties should check the prevailing rates notified by the Government from time to time.

Reduction &Exemption: The State Government is empowered by notification in the official Gazette to reduce the rate of duty or remit duty in respect of:-

1. An industrial unit run for the purpose of electro-metallurgical, electro-mechanical, electro-chemicals, is charged at concessional rate at 10 per cent of the electricity duty on the electricity consumed.
2. GIDC and Co-operative societies at industrial zones are granted a concession on electricity tariffs, i.e. 20% of the electricity tariff rate on the combined use of water for industrial estates, sewers, street lights and effluents.
3. Relief in Electricity Rate i.e. 20% Electricity tariff is allowed for the electricity consumption by a plant jointly established by a set of Industrial Units which is approved by Gujarat Pollution Control Board, Gandhinagar.
4. The electricity tariff for electricity used in mortuary (ie cold storage) is granted relief i.e. duty at a rate of 20%.
5. Electricity tariff (7.5 / 15 percent) applicable to the educational purpose fixed under the laws for postgraduate level of professional qualification, technical, educational or research institutes contributing to accelerate the economic and industrial development of the nation.
6. For Laundry business, only charge of electricity tariff i.e. 10% electricity tariff is charged on consumption of electricity used for ironing operations
7. Mobile camps with temporary power connection temporary power connection are charged a rate of 10 per cent electricity tariff i.e. on electricity consumption for drama, skits, etc.,
8. Electricity tariff rate i.e. 20% electricity tariff has been charged for the consumption of electricity used for poultry farm i.e. brooding or hatching purposes.
9. Under the Mumbai Public Trust Act, 1950, the sheep rearing farm / Panjrapole registered with the Charity Commissioner, Gujarat State, can apply for a relief of 10 per cent of the electricity duty rate.
10. As per Notification dated 31.3.2016, all hotels and restaurants can claim electricity tariff relief (i.e. 10/15%) from 1.4.2016.
11. As per the notification of 31.3.2016 , the relief of electricity tariff, i.e. 15% of the tariff, has been imposed on the electricity consumption of hospitals with facilities of 10 or more beds from 1.4.2016.

PAYMENT OF DUTY

Every licensee is required to collect and pay to the State Government, the Electricity duty payable under the Act on the units supplied by him to the consumers. The licensee should include the electricity duty leviable under the

Act as a separate item in the bill of charges for the energy supplied by him and collect the same from the consumer along with his own charges for the supply of energy. The licensee should pay the duty collected by him within 40 days after the expiry of the calendar month for which the duty was collected.

The Government may extend the period of payment by a period not exceeding 15 days where the meter reading continues beyond 25th of a calendar month subject to the condition that 80 *per cent* of payment on the basis of duty paid in the previous month is paid by the licensee within a period of 40 days.

The non-preparation of the bill of charges including electricity duty and non-delivery thereof to the consumer will not relieve the licensee from payment of electricity duty to the Government within the period prescribed.

Every person not being a licensee, who generated energy and supplies it to another person free of charge shall collect and pay to the State Government electricity duty within 10 days after the expiry of the month for which duty is collected. Every such person who intends to generate energy for his own use and every person not being a licensee who generates and supplies it to another person free of charge should make an application to the Collector of electricity Duty for registration in form "C".

PROVISION OF SEPARATE METERS.

It will be seen from the rates of electricity duty chargeable that the rates of duty differ according as the consumption is for a residential purpose, whether the energy is of low tension or high tension, etc. When the electricity duty in respect of energy consumed by a consumer is leviable under different clauses of the Rate Schedule, the consumer is required to install separate meter for indicating the consumption of electrical energy for different purposes separately in order to facilitate the correct calculation of duty payable by him. Where, however, meters for indicating consumption of electrical energy for different purposes are not provided by the consumer, the levy of electricity duty will be reckoned as if the energy consumed is for that single purpose for which the highest rate of duty is leviable under the Rate Schedule and duty shall be charged accordingly on the entire energy consumed for combined purposes by a consumer. The Collector of Electricity Duty can grant exemptions from this provision in consultation with the Chief Electrical Inspector to Government.

RECOVERIES

Any sum due on account of electricity duty if not paid in time and in the manner prescribed under the rules would be deemed to be in arrears. Such amounts in arrear will carry interest at 24 *per cent per annum* and the sum together with any interest thereon shall be recoverable either through a civil court or as arrears of land revenue. The recovery will be affected from the consumer or the licensee, the consumer or the person supplying energy free of charge, from the consumer or the person who generates energy for his own use as the case may be. Further, where any consumer fails or neglects to pay the electricity duty due from him the licensee or other person supplying energy free of charge may recover the amount due from the deposit placed by the consumer with the licensee or such other person.

SUBMISSION OF RETURNS

- I.** The following monthly returns should be submitted by a licensee under Section 5 in duplicate:-
- (A) A return in Form A containing the following particulars, namely,**
- (1) Number of units generated or purchased by the licensee or received by the Distributing centers of the Electricity Board and the number of units consumed in construction, maintenance or operation for generation, transmission, or distribution systems and the loss of energy sustained in transmission and transformation.
 - (2) Number of units of energy supplied to the various consumers specified under sub-section (2) of section (3) of the Act.
 - (3) Number of units of energy supplied in respect of the premises used for residential purposes or educational purposes:-
 - (a) in rural areas:
 - (b) in urban areas:
 - (4) Number of units of energy supplied in respect of premises used for the Hostel for students -
 - (a) in rural areas:
 - (b) in urban areas:
 - (5) Number of units supplied to an industrial undertaking engaged predominantly in manufacturing or producing goods other than energy consumed in respect of any of its premises used for residential purpose -
 - (a) where an industrial undertaking consumes high tension energy;
 - (b) where an industrial undertaking consumes exclusively low tension energy
 - (6) Number of units supplied in respect of any premises not falling under any of the items (1) to (3) in *Schedule I* to the Act.
 - (7) Number of units supplied to the consumers specified in notification issued under sub section (3) of Section 3 of the Act.
 - (8) Amount of consumption charges and the amount of electricity duty charged and recovered
 - (a) where an industrial undertaking consumes high tension energy:
 - (b) where an industrial undertaking consumes exclusively low tension energy.
 - (9) Number of units supplied in respect of pumping water for irrigation purposes.
- (B) (1) A return in form 'B' containing the following particulars, namely:**
- (i) names and addresses of consumers who have made defaults in payment of electricity duty;
 - (ii) the amount of electricity duty found irrecoverable from such consumers.

- II.** A copy of every Return under sub-rule (I) shall be forwarded to the Collector of Electricity Duty and to the Electricity Duty Inspector within 40 days of the expiry of the calendar month to which the return pertains.

Inspection of books of account and checking of returns: An inspector shall inspect the books of account and kept under Section 5 at least once in every month. The returns submitted by a licensee under rule 6 shall be subjected by an Inspector to a detailed test of individual entries to the content prescribed by the Collector of Electricity Duty for verifying the particulars noted by the licensee, in so far as they are connected with the levy of electricity duty. The inspector shall also verify all the entries relating to exemption from electricity duty.

PROCEDURE FOR REFUND

No consumer will be entitled to a refund of any electricity duty paid by him in excess of the duty leviable under the Act unless the consumer makes an application for the refund supported by the original energy bill and receipt of payment granted by the licensee within a period of 12 months from the date of payment of such excess duty to the Collector of Electricity Duty. On being satisfied that excess payment of duty had in fact been made, the Collector of Electricity Duty will arrange to make a refund to the consumer of the amount of electricity duty paid during the period of one year prior to the date of the receipt of the application from the consumer.

PROCEDURE FOR GETTING EXEMPTION UNDER SECTION 3(2) AND 3(2A):-

Any industrial undertaking desiring to get exemption under sub-clause (vii) of sub-section (2) of Section 3 or sub-section (2-A) of Section 3, may made an application to the Collector of Electricity Duty, Gandhinagar in Form 'E' within 90 days

(a) from the date on which such additional units of industrial undertaking begins to manufacture or produce goods for the first time, or

(b) from the commencement of the Gujarat Electricity Duty (Amendment) Rules, 2014 for the additional unit of the industrial undertaking which has begun manufacturing or production prior to the commencement of these rules.

(2) On receipt of an application under sub-rule (1), the Collector of Electricity Duty may make such inquiries and call for such further information as he may think fit and if he is satisfied that the applicant is entitled to exemption he may grant the certificate regarding eligibility for such exemption in Form "F" for the units covered under Clause (vii) of sub section 2 of section 3 or Form under clause (viii) of sub-section (2) of section 3, "G" for the units covered as the case may be.

(3) Any new industrial undertaking or additional unit of the undertaking making an application after the expiry of the period mentioned in sub-rule (1) shall not be entitled for exemption from payment of electricity duty for the period lapsed between the date of the application and the date of manufacture or production of goods or generation of energy as the case may be and the total period of exemption shall be reduced to that extent, provided that where the

State Government, after making such inquiry as it thinks fit, is satisfied that the applicant could not make the application within the period specified in sub-rule (1) for reasons beyond his control, the State Government may condone the delay in making the application and in that event the total period of exemption shall not be reduced.

Provided further that the units eligible under clause (viii) of sub section (2) of section 3 shall be entitled for the exemption from the date of sealing the metering system to record consumption of additional unit of the industrial undertaking, if it is adjacent to the existing premises either by the licensee or by any Laboratory established and operating in the Gujarat State and accredited by National Accreditation Board for testing and Calibration Laboratories, Department of Science and Technology, Government of India subject to the condition that sealing of metering system at site by such Accredited Laboratory is done within 60 days of Laboratory testing of meter or accreditation period, whichever is earlier. The unit shall not be entitled to exemption for the period lapsed, if any, between the date of production and date of sealing the metering system.

ELECTRICAL INSPECTION

ELECTRICAL INSPECTION WORK:

- It is seen whether various provisions of the Electricity Act, 2003 and the Indian Electricity Rules 1956 framed thereunder, as well as the Mumbai Electricity (Special Powers) Act 1946 and the Mumbai Cinema Rules, 1954 are followed. This operation is an important function of the electrical inspector's office. In the State when a power connection is demanded by any consumer at high pressure voltage, it is necessary to check through this account before turning on the power. If the installation complies with the various provisions of electricity safety code, then written permission is given to turn on the power. When lightning discharges are sought from light pressure voltages, the power supply is corrected by the power supply of electricity-related provisions.
- In the State, when any person or company wants to generate electricity from a generating set, it is necessary to get the written approval of the Regional Office of this department regarding the provision of electricity safety code applicable as per regulations before starting such generating sets. Captive Generating Sets and Generating Sets Permitted for High Pressure Voltage Consumers are approved by the Office of the Chief Electrical Inspector.
- Under the Mumbai Cinema Rules, 1954, it is necessary to obtain the written approval of the electrical inspector for the installation of permanent cinema houses established in the state. Such approval is given by the concerned electrical inspector or the assistant electrical inspector.
- It is also necessary to get the written approval of this inspector for the installation of temporary electricity for touring / cinema / exhibition, circus, entertainment etc. in the state. If only one type of program is to be done all over the state, its maps can be approved from the office of the Chief Electrical Inspector for the entire state. Or it may be approved by the concerned Regional Office for any particular place to be programmed. After the submission of the test report to the concerned Regional Office, it is

approved by the Regional Office for inspection and if the power installation is justified.

- In the construction of structures which are 5 m or more in height, it is necessary to get the written approval of this inspector before starting the power supply. Such approval is given by the Assistant Electrical Inspector's Office.
- Investigation of the fatal accidents and non-fatal accidents of human and animals caused by lightning in the state has been conducted by the Regional Offices of this inspection office. Such investigations look at the causes of the accident, the factors responsible for the accident, and whether the accidents responsible for the accident have been removed. If the electrical accident is built on the supplier's electrical installation, an accident investigation report is sent to the relevant bureaucracy and asked to remove the deficiencies responsible for the accident. In addition, at any place in the state, there appears to be no risk or disaster of any kind by the power or when information is received, the risk of conducting the investigation is removed and security measures are taken.
- A total of four zonal offices are located below the main electrical inspector's office for inspection. And under it are separate departmental / sub-divisional offices. As the head of the office, three officers of state Class-I and 3 Class-II officers, as well as field officers / employees at almost all the taluka levels under their charge, have been appointed. They are always available on matters related to electricity security, and to obtain security in the matters related to electricity, consumers can contact the field office or the chief electrical inspector.
- Any person consuming electricity can appeal to the electricity supplier under Section 127 on the final assessment bill provided under Section 126 of the Electricity Act, 2003. Detailed information may be available from contacting the Regional Office. The inspection efforts are done to ensure justice to the customers.
- Periodic inspections of electrical installations are also conducted by the department officials to ensure compliance with the electricity safety code provisions. The fees charged by the Government are charged for various services provided by t
- he officers of this inspection office.

NOTE:

"High tension energy" means any energy supplied, the voltage of which exceeds 450 volts under normal conditions subject, however, to the percentage variation allowed by the Indian Electricity Rules, 1936.

" Low tension energy" means any energy supplied, the Voltage of which does not exceed 450 volts under normal conditions subject, however, to the percentage variation allowed by the rules aforesaid.

ENERGY AUDIT.

As per the instructions of the Government of India, with the aim of achieving energy efficiency in the State and to save energy, at the first instance, industrial consumers having contract demand of more than 500 KVA and residential as well as non-industrial consumers with contract demand of 75 KW are compelled

to get energy audit done. An order regarding this has been issued by the State Government on 5.10.99. Considering that this operation is encouraging, the industrial customers with contract demand of more than 200 KVA are also covered under this order. Thus, on an average, more than 6000 consumers have to conduct energy audit once every three years. The execution of this order is done under the supervision of the Deputy Chief Electrical Inspector of the respective zone who oversees the operation.

Auditors are authorized to perform the energy audit as per the provisions of the order. Currently, 43 such auditors have been authorized.

The energy audit report has to be submitted to the Deputy Chief Electrical Inspector's Office.

- Processing in the public system upon receipt of application: After receipt of application, verification of application will be completed, correspondence regarding settlement details, physical verification of equipment verification. A Certificate of Authorization is given if all the details appear in accordance with the rules.
- The usual time required to issue a certificate: fifteen days.
- The valid term of the certificate: three years
- Renewal Procedure (if any): The approved authorization as an energy auditor is renewed after the end of the stipulated period.

LIFT AND ESCALATOR

GUJARAT LIFT AND ESCALATOR RULES, 2001 (AMENDED 2007)

- As per Rule 3 before installing lift or escalator permission to install the same is required.
- As per Rule 4 of License to use: The owner of a place who is permitted to install a lift or an escalator in such place shall within one month after the Lift or Escalator is installed, make an application to the officer authorized for a license for operating the lift or escalator.
- Each application shall be accompanied by a challans showing the payment of the necessary fee.
- Validity of the license is three years.

LIFT OPERATION- Fees for Lift and Escalators:

- Approval for installing new lifts and escalators (Plan Approval)-₹ 500 for lift and ₹ 1000 for escalator; validity of the certificate is six months;
- Application for a license to operate new lifts and escalators-

Fee for the elevator license (a) Upto five floors ₹ 1500/- and (b) floors more than 5 floors- ₹ 2000/-

Fee for obtaining escalator license is ₹ 10,000/-

Validity of the certificate is three years. w.e.f 10.4.2013, the validity of certificate is five years

- Regarding authorization for lifts and escalators –erection and maintenance: Fee for lift ₹ 3000; for escalator ₹ 5000/-; fee for renewal in respect of lift ₹ 1500/- and for escalators ₹ 2500/- and further for duplicate license in respect of lift ₹ 500/-; escalator ₹ 1000/- and for change in name in the

license ₹ 500/-. Validity of the certificate is three years. w.e.f 10.4.2013, the validity of certificate is five years.

- Regarding authorization of only maintenance for lifts and escalators: Fee : for lift ₹ 1000/- and escalator ₹ 2000/-; for renewal of lift ₹ 500/- and escalator ₹ 1000/- and for duplicate copy of license for lift ₹ 500/-and for escalator ₹ 1000/- and for change in name ₹ 500/-. Validity of certificate is three years. w.e.f 10.4.2013, the validity of certificate is five years.
- Regarding giving authorization for inspection of lifts and escalators: Fee is ₹ 1000/-for lift and ₹ 2000/- for escalator; for renewal purpose of lift ₹ 500/- and for escalators ₹ 1000/- and for duplicate copy of license for lift ₹ 500/- and for escalator ₹ 1000/- and for change in name ₹ 500/-. Validity of certificate is three years. w.e.f 10.4.2013, the validity of certificate is five year.

OFFENCES, PENALTIES AND FINES

Offences: Under the Indian Electricity Act, 1910, the dishonest abstraction, consumption or use of energy is deemed to be theft within the meaning of the Indian Penal Code. In addition, the following offences are explicitly mentioned in the Act.

- (1) the malicious wasting of energy or injury to electrical works
- (2) the unauthorized supply of energy by a non- licensee
- (3) illegal or defective supply of energy by the licensee or non-compliance with order
- (4) illegal transmission or use of energy
- (5) interference with energy meter, licensees work and improper use of energy
- (6) extinguishing public lamps

In respect of offences mentioned above, the Act provides for conviction and the payment of fine in all cases without prejudice to the liability in respect of payment of compensation and in the case of a licensee, the revocation of his license.

Where a person committing an offence is a company, every person who at the time the offence was committed, was in charge of or was responsible to the company for the conduct of the business of the company as well as the company will be held guilty of the offence.

Under the Gujarat Electricity Duty Act, any person who fails to keep books of accounts to submit returns as required under the provisions of the Act or the Rules, or willfully obstructs an Inspector in the exercise of the powers conferred upon him, shall on conviction be punished with fine which may extend to 1,000 Rupees (*By Gujarat Act No.8 of 1999*).

2. Directorate of Petroleum

Gujarat state is always supportive of industries & business since historical times as result of which many industries have developed in Gujarat viz. textile, chemical, engineering, petrochemicals etc. The soil of Gujarat is blessed with many mineral resources and progress oriented habitants as result of which its society and country have reaped the benefits of development.

Mineral richness of Gujarat contributes significantly in the nation's development as about 32% of on land crude oil and 24% of gas production in the country originated from Gujarat State during the year 2011-12 (source : petroleum statistics MoPNG). In the last 6 years, 37 MMT of crude oil was produced from Gujarat without any hindrance. (i.e. without any sociopolitical problems) Gujarat contributes to the energy security of the entire nation and reduces country's dependence on imported crude.

The Government of Gujarat has created the Directorate of Petroleum (DoP) vide G.R. No. 1095-5399-E (Part 2) dated 26/11/97 with an aim to regulate and monitor the Upstream Petroleum sector for the sustainable development of resources. With the growth of petroleum industry Government of Gujarat has entrusted many more responsibilities to the Directorate of Petroleum and designated DoP as a Nodal Agency for the downstream activities.

Main function of Directorate of Petroleum

(B) Upstream Sector

- (i) To process applications for Petroleum Exploration License (PEL) and Petroleum Mining Lease, to monitor the exploration and production operations for sustainable development of petroleum resources and to facilitate the industry in conducting their operations.
- (ii) To monitor and reconcile the statutory payments arising out of exploration and production activities.
- (iii) To prepare proposals for sharing of revenue earn from the production oil and gas from State with the Central Government.
- (iv) To create, manage and update the petroleum database of the State.
- (v) Finalization of the procedure and facilitation to companies for the execution of lease deed.

(B) Downstream Sector

- (i) To co-ordinate with other Government Agencies of the State for the proper and timely implementation of gas pipeline projects.
- (ii) Effective Monitoring for implementation of infrastructure as well as technical aspects as per the proposal by the company.
- (iii) To ensure safety measures to be followed by the transmission or distribution company.
- (iv) To monitor completion of work as per the development plan (distribution or transmission) of a company.

Director of Petroleum is head of the Directorate office assisted by the Geologist Assistant Manager (Commercial) and Assistant Geologist etc.

Audit

The audit of office of the Directorate of Petroleum is conducted under Section 13 of the Comptroller & Auditor General's (DPC) Act 1971 by the Audit Management Group-III, office of the Pr. Accountant General (Audit II), Ahmedabad

Companies/Corporations/Autonomous Bodies under E&PD

The State owned power sector companies are discussed below:

Gujarat Urja Vikas Nigam Limited

The GUVNL purchases power from its generating subsidiary, other IPPs, captive power producers and central sector and allocates various sources of power supply to the DISCOMs based on the category of consumers they cater to. The power so procured is sold to them and other purchasers through the transmission network of GETCO. This system has been approved by Gujarat Electricity Regulatory Commission (GERC).

The Management is vested with a Board of Directors (BoD) comprising of the Chairman, Managing Director (MD) and five Directors. The MD is assisted by functional heads *viz.*, General Manager (Commerce) and General Manager (Finance and Accounts). The shareholding as on 31 March 2020 consisted of 100 *per cent* shares held by Government of Gujarat.

Power Purchase

For meeting the demand of power in the State, power is purchased from all the available sources. The details of power purchased during the years 2017-18 and 2018-19 is as under:-

(in Million Units)

Sl. No.	Name of Agency	2017-18	2018-19
1	Nuclear Power Corporation	1831	3272
2	National Thermal Power Corporation	22087	23283
3	Sardar Sarovar Narmada Nigam Limited (Hydro)	146	91
	Total Central Sector (1 to 3)	24065	26646
4	Gujarat State Energy Generation Limited	189	365
5	Gujarat Industries Power Company Limited-Stage II	-	-
6	Gujarat Industries Power Company Limited-SLPP	2895	3085
7	GSPC Pipavav Power Company Limited	167	480
8	Gujarat Mineral Development Corporation Limited	1131	957
9	Bhavnagar Energy Company Limited	394	486
10	GSECL	21620	22349
	Total State Sector (4 to 10)	26397	27722
11	Essar (Vadinar) Limited	2464	-
12	CLP India Pvt. Ltd.	425	285
13	Adani Power Limited	8023	10068
14	ACB India Limited	1410	1405
15	Coastal Gujarat Private Limited	11689	12091
	Total IPPs (11 to 15)	24012	23848
16	Solar	1590	1959
17	Wind	6451	7560
18	Other Renewable	46	210
19	Power Exchanges and others	6268	10743
20	DISCOMs	652	7
	Total Others (16 to 20)	15007	20479
	Total Power Purchase	89480	98695

(Source: GUVNL Annual Report 2018-19)

Sale of Power

The bulk power purchased by GUVNL has been supplied to the Subsidiary Distribution Companies to meet their power requirement. The details of power supplied to subsidiary distribution companies' licensees and other during the year 2017-18 and 2018-19 are as under: -

(in Million Units)

Sl. No	Name of Company	2017-18	2018-19
1	Dakshin Gujarat Vij Company Limited	19391	21042
2	Uttar Gujarat Vij Company Limited	23871	27325
3	Paschim Gujarat Vij Company Limited	34065	38254
4	Madhya Gujarat Vij Company Limited	11320	11826
5	Gujarat Alkalies Chemicals Limited	182	241
6	Others	652	7
	Total	89480	98695

(Source: GUVNL Annual Report 2018-19)

Power Trading Business during the year

During FY 2018-19, GUVNL purchased 8529 million units at an average rate of ₹ 4.58 per unit under short term arrangement through power exchanges and DEEP e-bidding portal, GoI as against 5647 million units at an average rate of ₹ 4.06 per unit during 2017-18.

Special Points to be seen during audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether the MOUs/ PPAs entered into by GUVNL were in line with the established guidelines/ rules/ regulations.
- g) To examine whether the terms and conditions stipulated in the PPA were in the interest of the power utilities and were operationalised as per the terms and conditions of the agreement.
- h) To examine whether the Company considered the requirements of the Standard Bidding Documents as regards to provisional billing.

- i) To examine whether the Provisions in the PPA regarding non-payment of deemed generation on Naphtha based generation and non-reimbursement of tax on incentive payments has been violated.
- j) To examine the cases of tariff rates higher than applicable rates were paid and liquidated damages for delay in commissioning were belatedly levied while operationalising the PPAs.
- k) To examine creation of capacity for solar power in excess of the requirement stipulated by GERC.
- l) To examine whether the developers of solar energy satisfied the technical and financial criteria prescribed under solar policy.
- m) To examine whether there exists monitoring mechanism at Government level to monitor that incentives availed by solar power developers under Customs and Excise at a later stage were passed on through lower tariff to the GUVNL.
- n) To review the calculation and claiming of agricultural and water works subsidy by GUVNL from GoG and instances of arithmetical inaccuracies if any, in calculation of water works subsidy.
- o) To review the excess claiming of Fuel Price and Power Purchase Adjustment (FPPA) and water works subsidy due to adoption of erroneous formula which resulted in huge outstanding of subsidy from GoG.
- p) To review whether there has been increase in the metering of unmetered agricultural consumers and GoG continued subsidising the additional consumption of the unmetered consumers.
- q) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- r) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Gujarat State Electricity Corporation Limited

The Company was incorporated (August 1993) with the objective to initiate a process of restructuring of Power Sector and to mobilize resources from the market for adding to the generating capacity of the State and improving the quality and cost of existing generation. The Government of Gujarat (GoG) has given the Company status of Independent Power Producer (IPP) with approval to undertake new power projects. The Company commenced its commercial operation in the year 1998. As a result of unbundling of erstwhile GEB undertaken in March 2005, the Company has taken up the responsibility of electricity generation and supply of power to transmission Company. The Company has total 5541 Mega Watt (MW) generating capacity of which 3710

MW is coal based¹¹, 290 MW is lignite based¹², 970 MW is gas based¹³, 547 MW is hydro based¹⁴, 10 MW is wind based and 14 MW is solar based.

The Management of the Company is vested with a Board of Directors comprising of Chairman, Managing Director (MD) and six Directors. The MD is mainly assisted by an Executive Director (Generation), General Manager (Finance and Accounts) in day-to-day working of the Company and Chief Engineers at field level. The shareholding as on 31 March 2020 consisted of 100 *per cent* shares held by GUVNL.

The Government of Gujarat vide order dated 27 August 2018 has merged the 2 × 250 MW lignite based power station of Bhavnagar Energy Company Limited (BECL) with GSECL with effect from 01 April 2018. The power station is titled as Bhavnagar Lignite Thermal Power Station.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To review the deficit of power against the total installed power generation capacity *vis-à-vis* the effective available capacity and analyse the reasons thereof.
- g) To examine whether requirements of each category of fuel worked out realistically and whether the fuel was procured economically and utilised efficiently.
- h) To examine the time and cost overrun while executing the power project and analyse the reasons thereof.
- i) To examine the consumption of coal in thermal plants in excess of norms indicated in the DPRs of the power stations.
- j) To examine whether the Company has deployed more man power in thermal power stations in excess of norms stipulated by CEA.

¹¹ Ukai, Gandhinagar, Wanakbori and Sikka Thermal Power stations

¹² Kutch Power station

¹³ Utran and Dhuvaran Gas based Power Stations

¹⁴ Kadana and Ukai hydro Power Stations

- k) To examine whether the Company has paid overtime allowance.
- l) To examine whether the Company was able to achieve the targeted generation of power and was there any shortfall.
- m) To examine whether the PLF remained lower as compared to CEA norm and national average.
- n) To examine the auxiliary consumption of power by lignite and gas based plants in excess of norms.
- o) To examine whether energy bills were raised and recovered in an efficient manner.
- p) To examine whether the Company has allowed rebate on early payment of energy bills in contravention of the PPA.
- q) To examine whether GERC allowed controllable expenditure on Operation and Maintenance (O&M), fuel and working capital.
- r) To examine whether the various types of pollutants in power stations were within prescribed norms.
- s) To examine whether the transfer of undertakings of BECL to GSECL were done as per the transfer scheme notified by GoG in August 2018.
- t) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- u) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Gujarat Energy Transmission Corporation Limited

Transmission of electricity and grid operations in the State of Gujarat are managed and controlled by Gujarat Energy Transmission Corporation Limited (GETCO) which is mandated to provide efficient, adequate and properly coordinated grid management and transmission of energy. GETCO was incorporated on 19 May 1999 under the Companies Act 1956, and reports to the Energy and Petrochemicals Department. GETCO was vested with the assets and liabilities of erstwhile Gujarat Electricity Board relating to transmission network with effect from 1 April 2005 pursuant to the enactment of Gujarat Electricity Industry (Re-organisation and Regulation) Act, 2003.

The Management of GETCO is vested in a Board of Directors (BoD) comprising Chairman, Managing Director and eight Directors. The day to day affairs are carried out by the Managing Director who is the chief executive of GETCO with the assistance of Chief Engineers heading Project, Engineering, Transmission, Load Dispatch Units and General Managers heading Finance and Human Resource departments. The PSU transmits power through 400 KV, 220 KV, 132 KV, 66 KV and 33 KV High Tension (HT) lines and substations. In the field, GETCO consists of 13 Circle offices¹⁵ located in three zones headed by Superintending Engineers and Additional Chief Engineers respectively, 1869

¹⁵ Anjar, Amreli, Bharuch, Gondal, Himmatnagar, Jambuva, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur and Surendranagar.

sub-stations and 61056 CKM of transmission lines. The shareholding as on 31 March 2020 consisted of 100 *per cent* shares held by GUVNL.

The PSU's core activities are:

- Construction of transmission lines, sub-stations and installation of transformers.
- Operation and maintenance of transmission lines, sub-stations and transformers.
- Procurement of material.
- Implementation of schemes and projects

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether the Company prepared year wise plan for addition of sub-stations and lines.
- g) To examine whether there were delays in commercial commissioning of sub- stations and lines due to delay in completion of associated lines, delays in land acquisition, RoW problems and non-synchronisation of activities.
- h) To examine whether the Company has obtained clearance from the Forest Department for commissioning the Sub stations.
- i) To examine whether the Company has paid compensatory afforestation in lieu of land to the Forest Department.
- j) To examine whether the Company has delayed in taking over the land which lead to encroachment.
- k) To examine whether the Company has acquired alternate land at extra cost because of the encroachment.
- l) To examine whether the delays in the construction of sub-stations led to blocking of funds and delayed realisation of anticipated revenue.
- m) To examine whether the Company had addressed the issue of RoW compensation problem conclusively and in time.

- n) To examine the system of repair and overhauling of power transformers.
- o) To examine whether the transmission losses were within the norms prescribed by the GERC and CEA.
- p) To examine whether there were adequate facilities were in place for the Disaster Management.
- q) To examine whether delay was noticed in raising of transmission invoices leading to belated collection of revenue.
- r) To examine whether the pro-rata charges were revised at periodic intervals which may result in under recovery of cost towards augmentation.
- s) To examine whether a mechanism/ system exist to assess the benefits which were actually derived due to implementation of the schemes after obtaining feedback from the concerned field offices/ DISCOMs.
- t) To examine the cases of idle tower material in store.
- u) To examine the cases of idle equipment lying uninstalled.
- v) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- w) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Power Distribution Companies

As a part of Power Reform Process, the Gujarat Electricity Industry (Reorganisation and Regulation) Act, 2003 was passed by the Government of Gujarat (GoG) to restructure the electricity sector in the State. Accordingly, erstwhile GEB was reorganised from 01 April 2005 into seven Companies. Of which, there are four DISCOMs viz., Paschim Gujarat Vij Company Limited (PGVCL), Uttar Gujarat Vij Company Limited (UGVCL), Madhya Gujarat Vij Company Limited (MGVCL) and Dakshin Gujarat Vij Company Limited (DGVCL).

The Management of each DISCOM is vested with a Board of Directors (BoD) comprising of Chairman, Managing Director (MD) and the directors appointed by GoG. The day-to-day operations are carried out by the MD, who is the Chief Executive of DISCOM with the assistance of functional heads (Technical, Finance, Human Resources, Civil and the Company Secretary). Each DISCOM also has under its control Circle Offices, Division Offices and Regional Stores Offices (RSO). They are headed by Superintending Engineers, Executive Engineers and Deputy Engineers respectively. The shareholding as on 31 March 2018 consisted of 100 *per cent* shares held by GUVNL.

Various State and Central Government schemes of Energy Sector being implemented by the Department through Distribution companies (DISCOM) are as under:-

- (a) RAPDRP
- (b) Kutir Gram Yojana (KGY)
- (c) Jyotygram Yojana (JGY)
- (d) Electrification under Tribble Area Sub Plan

- (e) Agriculture Connection (Share Capital)
- (f) Zupda Vijilikaran Scheme
- (g) Schedule caste Sub Plan Scheme
- (h) Sagarkhedu Sarvangi Vikas Yojana
- (i) Kisan Heet Urja Shakti Yojana (KHUSHY)

Special Points to be seen during audit of DISCOMs

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the Corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine the terms and conditions stipulated in the PPA.
- g) To examine whether the DISCOMs has recovered the cost of operations. If not, analyse the reasons thereof.
- h) To examine whether the DISCOMs ensured availability of transformers to match with the overall connected load.
- i) To examine the achievement *vis-à-vis* the objectives contained in various schemes launched by the State Government and centrally sponsored schemes.
- j) To examine the utilisation of funds by the DISCOMs earmarked for the centrally sponsored schemes.
- k) To examine targets *vis-à-vis* achievement for lying HT lines and installation of transformers while implementing the centrally sponsored schemes.
- l) To examine whether DISCOMs could achieve the target to replace defective/ non-functioning meters.
- m) To examine whether the transmission and distribution losses are within the norms prescribed by the Central Electricity Authority (CEA) and GERC.
- n) To examine whether DISCOMs had identified certain specific actions *viz.*, maintenance of HT/ LT lines and transformers, checking of consumer installations, replacing defective meters, providing metal meter boxes, seals, *etc.* for reduction of distribution losses.

- o) To examine whether there was an effective system of material procurement which ensured timely purchase of material in an economic and transparent manner.
- p) To examine whether the accounting of material and stores management was done properly and whether there was a sound monitoring and control system at the Corporate Office.
- q) To examine whether the renovation/ replacement of conductors have been taken up by DISCOMs to minimise distribution losses in circle offices.
- r) To examine whether installation of meters on Distribution Transformer Centre (DTC) helps in proper accounting of energy sent out from the feeders to the various consumers and also in identifying high energy loss pockets.
- s) To examine whether there exists a proper system of replacing the quality meters in place of conventional meters to minimise distribution losses.
- t) To examine whether static meters has been installed in place of conventional meters or quality meters for LT Industrial connections to maintain the power factor at the prescribed level for possible reduction in distribution losses.
- u) To examine whether there exists any proper system of checking of installation and monitoring of theft of energy.
- v) To examine whether meters have been installed for all the agricultural consumers for increasing the sale of power and analyse the reasons for unmetered agricultural connections.
- w) To examine the system of claiming subsidy from GUVNL for supplying of energy beyond eight hours to agricultural consumers.
- x) To examine the system of collecting additional security deposit from the consumers.
- y) To examine the system of availment of rebate for prompt payment from GUVNL as per the Bulk Supply Agreement.
- z) To examine the system of filing Aggregate Revenue Requirement (ARR) with the GERC as per due dates.
- aa) To examine the whether there was any delay in submission of tariff petition to GERC.
- bb) To examine the system of realising the outstanding dues from the permanently disconnected consumers.
- cc) To examine the system of collection the outstanding dues from the defaulting consumers.
- dd) To examine the outstanding dues from NagarPalika's and analyse the reasons thereof.
- ee) To examine the system of redressal of consumer grievances.

- ff) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- gg) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Gujarat Power Corporation Limited

Apart from the above power sector companies, Gujarat Power Corporation Limited (GPCL) which was formed in 1990s has been playing the role of developer and catalyser in the energy sector in the State. GPCL identifies the power projects based on various fuels, prepares techno-economic feasibility reports for such power projects, identifies suitable private joint sector parties and implements these jointly with the selected parties. After the power project is identified, GPCL obtains various statutory and non-statutory clearances to be obtained for implementation of the power project, such as, water and air pollution clearance, forest clearance, environmental and forest clearance, civil aviation clearance etc. It also pursues the formalities related to acquisition of land under the Land Acquisition Act and ties up the fuel linkages for the power project. Since Inception GPCL has facilitated to augment the State generation capacity by 1155 MW with an investment of ₹ 5147 crore.

The shareholding as on 31 March 2018 consisted of 95.62 *per cent* shares held by Government of Gujarat and 4.38 *per cent* is held by GUVNL. The Management of GPCL is vested in a Board of Directors (BoD) comprising Chairman, Managing Director and four and two independent directors appointed by the Government of Gujarat (GoG).

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether the Company has identified the project based on market analysis.
- g) To examine whether the Company has prepared the techno-economic feasibility reports on realistic basis.
- h) To examine whether the Company has reviewed the technical and financial competence of the private joint sector parties.

- i) To examine the MoUs entered into for development of Power Projects.
- j) To examine various statutory and non-statutory clearances has been obtained for implementation of the power project, such as, water and air pollution clearance, forest clearance, environmental and forest clearance, civil aviation clearance etc.
- k) To examine whether the contracts for the implementation of the Power projects (Wind/ Solar), mining projects, maintenance of the projects and agreements for availing finance for the projects were executed in an efficient, economical and effective manner.
- l) To examine whether there was time or cost overrun while implementing the power project by the Company..
- m) To examine whether the land acquired from the Government as well as from the private parties had been developed for allotment to the prospective allottees for constructing for solar power projects.
- n) To examine whether the Company had formulated plot surrender policy where the allottee was unable to utilise the plot and willing to surrender the plot.
- o) To examine whether the Company could recover from the allottees the development charges incurred on developing the plot.
- p) To examine whether the Company could recover the penalty from the allottees for not utilising the plots.
- q) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- r) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Gujarat State Energy Generation Limited

Gujarat State Energy Generation Limited (GSEG) is promoted by Gujarat State Petroleum Corporation Limited (GSPC) and was incorporated in December 1998 for generating power using advanced and eco-friendly technology. It is also mandated to act as either a contractor or consultant for operation and maintenance of power plants. The major shareholders are GSPC (53.70 *per cent*), KRIBHCO (19.16 *per cent*), SBI (6.16 *per cent*), GUVNL (5.72 *per cent*). The Company has two gas based power plants in Hazira. One is with a capacity of 156.1 MW and other with a capacity of 351.43 MW commissioned in 2000 and 2012 respectively. The Company has entered into a long term Power Purchase Agreement (PPA) with GUVNL. However, both the power plants have been kept in preservation mode in absence of scheduling from SLDC/ GUVNL due to higher variable cost.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.

- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether fixed charges stipulated in the PPA with GUVNL had been recovered.
- g) To examine the Station Heat Rate (SHR) are maintained in the CCPP at the level prescribed in the PPA with GUVNL. If not, to examine whether the Company had absorbed the variable cost.
- h) To examine the liquidated damages clause in the PPA with GUVNL.
- i) To examine the clause relating to declaration of Commercial Operation Date (COD) of CCPP by the Company and tied up to provide with firm and affordable gas for the purpose of payment of fixed cost.
- j) To examine whether there were forced shut down of CCPP due to low power demand in the grid.
- k) To examine the status of pending work by BHEL in 351.43 MW gas based project.
- l) To examine the award and execution of contracts related to operation and maintenance of power plants.
- m) To examine whether the requirement of gas was fully met from Gas Supply contracts and whether there was any loss suffered by the PSU due to delay/ short supply of gas or for any other reason attributable to supplier.
- n) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- o) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

GSPC Pipavav Power Company Limited

GSPC Pipavav Power Company Limited (GPPC) was jointly promoted in 2006 by **Gujarat State Petroleum Corporation Limited (GSPC)** and **Gujarat Power Corporation Limited (GPCL)** to set up a power project catering to energy requirement in Gujarat especially the Saurashtra region.

The PSU has two power plants, one is 702 MW gas based power plant and another is 5 MW solar power project. 702 (2x351) MW gas based power plant at Amerli was commissioned during the financial year 2013-14. However, the

plant has been kept in preservation mode in absence of scheduling from SLDC/ GUVNL due to higher variable cost. 5 MW Photovoltaic Power Project at Gujarat Solar park was commissioned in 2011-12. The plant is performing well as compared to most of the solar plants in Gujarat Solar Park. During FY 2018-19, the PSU exported total 83,72,099 units of power to the State Grid. The Management is vested in a Board of Directors (BoD) comprising Chairman, Managing Director and seven Directors. The day to day affairs are carried out by the Managing Director who is the chief executive with the assistance of Executive Director (Finance and Administration) and Company Secretary. GSPC is holding 97.47 per cent and GPCL is holding 2.53 per cent equity stake in PSU. The main activities of the PSU are sale of power to GUVNL through Power Purchase Agreement, purchase of fuel from suppliers through Fuel Supply Agreements and operation and maintenance of power plants.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether the land of 11.28 hectares for 702 MW gas based project has been transferred by Government in name of the PSU.
- g) To examine the status of pending work of BHEL in 702 MW gas based project.
- h) To examine whether recovery of fixed cost is made as per PPA with GUVNL.
- i) To examine whether the operational parameters of the two power plants were as per the norms fixed by GERC.
- j) To examine exclusion of Sea Water Intake as well as outfall lines from the scope of EPC contract with BHEL as per the clearance by Ministry of Environment and Forests while calculating liquidated damages
- k) To examine the Foreign Exchange Clause in EPC contract with BHEL is in the financial interest of the Company.
- l) To examine whether the Company has the system of accounting for damaged part/ items received from BHEL.

- m) To examine the award and execution of contracts related to operation and maintenance of power plants.
- n) To examine whether the requirement of gas was fully met from Gas Supply contracts and whether there was any loss suffered by the PSU due to delay/ short supply of gas or for any other reason attributable to supplier.
- o) To examine whether there has been delay in implementation of the projects which had an impact on revenue generation.
- p) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- q) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3 Petrochemical Sector

Introduction

1.15 The activities of the Petrochemical Sector had been divided into (i) Upstream Business Activities; (ii) Midstream Business Activities; (iii) Downstream Business Activities; and (iv) Other activities.

(A) Upstream Business Activities

The upstream sector is used to refer to the search for, followed by the recovery and production of, crude oil and natural gas. **This sector is also widely known as the exploration and production (E&P) sector.** Stages within the upstream petroleum-product industry include the search for underground or underwater oil and gas fields, the drilling of exploratory wells and, if the wells are deemed economically viable and recoverable, the operation of wells that bring crude oil and raw natural gas to the well's surface.

4.3.1 Gujarat State Petroleum Corporation Limited

Gujarat State Petroleum Corporation Limited¹⁶ was incorporated on 29 January 1979. The main objectives of the Company *inter alia* include exploration, development and production of petroleum, carrying on business of all chemicals derived from hydrocarbons, generate energy in any form for sale and supply from available fuel and other inputs, etc. The Company actually ventured in the exploration activities under Pre-NELP in 1994 and participated in bidding with introduction of New Exploration Licensing Policy (NELP) from 1999.

The PSU along with its subsidiaries and associates has evolved strategically as an “Integrated Energy Company” with significant presence across the entire energy value chain spanning wide range of oil and gas activities comprising oil and gas exploration, development and production, gas trading, gas transmission, gas distribution and power generation. The Company has played a proactive role in the development of entire gas value chain in the State of Gujarat through its

¹⁶ It was called Gujarat State Petrochemicals Corporation Limited prior to November 1994.

initiative of participation in the midstream and downstream segments as well as gas based power generation and initiating activities for setting up of LNG Terminal. As on 31 March 2020, Government of Gujarat (GoG) was holding 20.83 per cent, Gujarat State Investment Limited was holding 69.85 per cent and Gujarat State Financial Services was holding 1.58 per cent equity stake in the Company.

The Management of the Company is vested in the Board of Directors (BoD) comprising a Chairman, the Managing Director (MD) and eight Directors. The MD is the chief executive officer who is assisted by 15 heads of department of the Company. The BoD has constituted various sub-committees viz., Project Committee, Technical Committee, Human Resource Committee, Audit Committee, and Shareholders/ Investors Grievance Committee to assist BoD in performing their duties.

Being the second largest gas marketer of non domestic gas in India, GSPC has expanded gas trading activity outside Gujarat to other States as well. As on 31 March 2020, the PSU holds Participating Interest (PI) in 21 onshore and offshore exploration and production blocks/ fields. Out of which, the PSU holds PI in 18 producing fields in Cambay basin and 01 producing field in Krishna Godavari Basin. Further, it holds PI in block situated in Mumbai Offshore and Kutch Offshore. The Company is currently marketing gas in 9 states namely Gujarat, Maharashtra, Karnataka, Uttar Pradesh, Uttarakhand, Dadra and Nagar Haveli, Punjab, Rajasthan and Haryana.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine the terms and conditions stipulated in the Gas Purchase Agreements and Gas Supply Agreements.
- g) To examine the strategic service agreements entered into by the Company with the Service Providers.
- h) To examine whether the blocks wherein the probable reserve assessed had passed the Economic Limit Test.

- i) To examine whether the Company had adopted aggressive bidding strategy for acquiring the blocks.
- j) To examine whether the Company had properly assessed the technical and financial issues before bidding for the block.
- k) To examine whether the Company was exposed to high risks in exploration activity by adopting aggressive bidding in obtaining blocks.
- l) To examine the terms and conditions stipulated in the joint bidding agreement concluded with the consortium partners.
- m) To examine the correctness of the geological model prepared by the consortium partners. If not, the penal clause to safeguard the interest of the Company needs to be reviewed.
- n) To examine whether there was any abnormal delay in conducting pre-drilling Environmental Impact Studies.
- o) To examine the time and cost overrun in drilling of offshore wells.
- p) To examine whether the Company had included in the Agreement with the driller to use superior quality of drill pipe grade as per the technical specifications indicated in the technical bid.
- q) To examine whether the Company has fixed norms for testing of objects in the well.
- r) To examine whether the Company has obtained consent from the Government of India before giving in-principle approval to other operators in private sector for laying pipeline/ installing Control and Riser Platform in company's blocks.
- s) To examine whether the Company has brought unviable wells into pre-existing local environment as per the guidelines issued by Ministry of Environment and Forest.
- t) To examine whether the Company had incurred any expenditure on drilling without the approval of the Management Committee.
- u) To examine whether the PSU carried out exploration, development and production activities efficiently, effectively and economically in blocks wherein it was the operator and safeguarded its financial interests in blocks wherein it was the non operator.
- v) To examine whether the PSU safeguarded its financial interests in case of surrender of blocks and/ or assignment of its participating interest in the blocks to another party.
- w) To examine whether the Company had included Take or Pay Charges in Gas Supply Contracts with the customers.
- x) To examine the utilisation of short term funds raised by the Company for capital expenditure.
- y) To examine that there was no undue delay in raising of joint interest billing statement on joint venture partners.
- z) To examine whether the internal control and monitoring mechanism were in place.

- aa) To examine the obligations of the parties under the Carried Interest Agreement.
- bb) To examine whether the PSU managed its finances in an efficient and effective manner.
- cc) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- dd) To examine the currency options and interest rate swap contracts to hedge its exposure in foreign exchange rates and interest in connection with foreign currency loans.
- ee) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3.2 GSPC (JPDA) Limited

GSPC (JPDA) was incorporated under the Companies Act on October 13, 2006. The business of the PSU is to carry out exploration and production activities in JPDA block (JPDA 06-103) awarded to the company in Joint Petroleum Development Area by Timor Sea Designated Authority. Videocon JPDA 06-103 Limited, Bharat Petro Resources JPDA Limited, Pan Pacific Petroleum (JPDA) Pty Limited, Oilex (JPDA 06-103) Limited and Japan Energy E&P Limited are consortium partners in the said block. The PSU is the wholly owned subsidiary of GSPC.

The Company has a participating interest of 20 *per cent* in JDPDA 06-103 block and as per the Minimum Work Programme (MWP) the consortium has a commitment to drill 3(+1) number of wells as per the Production Sharing Contract in the Initial (Mandatory) Period from 15-11-2006 to 14-11-2013. Of the committed wells, the consortium has already drilled 2 wells. The continuation of activities in the block was adversely affected due to dispute between the Government of Timor Leste and Government of Australia. Due to the commercial uncertainty, the commercial partners requested Autoridade Nacional do Petroleo (ANP) to terminate the PSC with all parties remaining in good standing. Subsequently, ANP terminated the PSC with condition of payment of penalty. The partners have protested against the same and final outcome is awaited in the matter. The Company has impaired the capital work in progress and the same has lead to complete erosion of its net worth. As on 31 March 2020, the commercial activity is yet to be started.

The Management of the Company is vested in the Board of Directors (BoD) comprising of three Directors.

Special points to be seen during the audit

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.

- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the terms and conditions contained in overseas joint venture (JPDA 06-103 Block) agreement to safeguard the financial interest of the company.
- (f) To examine the outcome of matter pending with ANP related to termination of PSC and whether any penalty was paid by the PSU.
- (g) To examine whether any expenditure was incurred on the 3rd well by the PSU inspite of termination of PSC by ANP.
- (h) To examine the system of cost booking to the extent of the Participating Interest.
- (i) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

(B) Midstream Business Activities

The midstream sector can include some elements of both the upstream and downstream sectors. However, the main component of midstream is the gathering system. **Gathering systems are oil and natural gas storage areas** where raw produced products are held until they can be transported, via pipeline, railcar or tanker truck to the refinery, where they are turned into marketable petroleum products.

The Midstream Business Activities has been classified into (i) Gas Trading, (ii) Gas Transmission and (iii) Setting up of LNG Terminal.

Gas Trading

4.3.3 GSPC Offshore Limited

The PSU was incorporated in September 2015 as a wholly owned subsidiary of GSPC for restructuring the business operations of GSPC by hiving off Krishna Godavari (KG) block from the assets of GSPC. The main objectives of the Company *inter alia* include exploration, development and production of petroleum, carrying on business of all chemicals derived from hydrocarbons, generation of energy in any form for sale and supply from available fuel and other inputs, etc. GSPC was handling KG basin and three gas wells were in production since 2014, however, sufficient volume of gas was not there in the wells to declare Commercial operation. As the gas productivity from the wells was not known clearly and any changes in the production volume would affect the cash flow and debt servicing ability of GSPC, it was decided that KG block should be transferred to a separate PSU to de-risk GSPC's other business from KG block's performance risk. Thus, GSPC Offshore Limited was incorporated. Meanwhile during 2016-17, GSPC sold its 80 per cent participating interest in KG Block to Oil and Natural Gas Corporation (ONGC). As one of the main purposes for incorporation of the PSU could not be achieved, the PSU is yet uncertain about its future activities and is yet to commence its operations as

on 31 March 2020. The authorized and paid up capital of the PSU is ₹ 15 crore and ₹ 0.05 crore respectively. The Management of the Company is vested in the Board of Directors (BoD) comprising of four Directors.

Special points to be seen during the audit

- a. To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b. To examine the Delegation of Powers approved by the Competent Authority.
- c. To examine whether the PSU was functioning as per the objectives incorporated in MoA.
- d. To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit.
- e. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- f. To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- g. To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- h. To examine whether the internal control and monitoring mechanism were in place.
- i. To examine whether the statutory compliances were fulfilled in a timely manner.
- j. To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- k. To examine the preliminary expenses being incurred by the PSU.
- l. Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3.4 GSPC Energy Limited

The PSU was incorporated in December 2015 as a wholly owned subsidiary of GSPC. The main objectives of the Company *inter alia* include exploration, development and production of petroleum, carrying on business of all chemicals derived from hydrocarbons, generation of energy in any form for sale and supply from available fuel and other inputs, etc.

The authorized and paid up capital of the PSU is ₹ 15 crore and ₹ 0.05 crore respectively. The Management of the Company is vested in the Board of Directors (BoD) comprising of three Directors. During 2017-18, the PSU has commenced operations through sale of gas.

Special points to be seen during the audit

- i. To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- ii. To examine the Delegation of Powers approved by the Competent Authority.
- iii. To examine whether the PSU was functioning as per the objectives incorporated in MoA.
- iv. To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- v. To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- vi. To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- vii. To examine whether the internal control and monitoring mechanism were in place.
- viii. To examine whether the statutory compliances were fulfilled in a timely manner.
- ix. To examine whether the Company has a system of raising invoice for recovery of interest from customers on account of payments made by them in instalments.
- x. To examine whether the Company had included Take or Pay Charges in Gas Supply Contracts with the customers.
- xi. To examine whether there was any delay in raising invoices on customers by the PSU.
- xii. To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- xiii. Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Gas Transmission

The State Owned PSUs coming under Gas Transmission are as follows:

4.3.5 Gujarat State Petronet Limited

Gujarat State Petronet Limited (GSPL) was set up to complement the efforts of GSPC. While GSPC harnesses and procures natural gas, GSPL is building the infrastructure that transmits the gas across Gujarat and ultimately allows last mile linkage to the user. The main activity of the PSU is transportation of gas to various industries in Hazira, Dahej, Vapi and City Gas Distribution (CGD) in various districts of Gujarat. GSPL is laying a gas grid to facilitate gas transmission from supply points to demand centres. The gas grid is equipped

with the latest bi-directional gas transmission technology to enable two way gas flow. This introduces a lot of flexibility into transmission by allowing gas to be sourced or uploaded at either end of the pipeline network. Besides, the network is continuously monitored using SCADA¹⁷ systems integrated with GIS¹⁸ technology. Another innovation is in the open access or contract carrier principle of transmission. This allows any gas transmission company to approach GSPL for permission to use the network on payment of required charges. The PSU has put in place pipeline network of about 2692 km and further extension of pipeline network is going on. The PSU has signed Gas Transmission Agreements (GTA) with various industries for the transportation of natural gas from various supply sources in Gujarat. Presently, the PSU transmits over 35 MMSMD of natural gas. Further, the PSU has also set up 52.50 MW Wind Power Project at Maliya Miyana (Rajkot) and Gorsar Adodar (Porbandar).

The Management of the Company is vested in the Board of Directors (BoD) comprising a Chairman, Managing Director (MD), Additional MD, and eight Directors (one Non-executive Directors and seven Independent Directors). As on 31 March 2020, GSPC holds 37.65 *per cent* and GMB holds 6.58 *per cent* shares of the PSU.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine the system of recovering inter-connectivity charges from the end consumers for remitting the same to GSPCL for using the pipelines laid by Gas Authority of India Limited.
- g) To examine whether the company has incurred any expenditure in laying of spur line without approval of Board of Directors and without ensuring any firm commitment by entering into Gas Transmission Agreement (GTA) with a customer.

¹⁷Supervisory Control and Data Acquisition

¹⁸Geographic Information System

- h) To examine whether the Company has raised invoices as per the terms and conditions stipulated in the GTA.
- i) To examine whether the company has foregone the legitimate right to recover the penal charges from the customers for non-maintaining the grid discipline.
- j) To examine the cases of waiver of capacity charges as stipulated in the GTA.
- k) To examine that there was any deviation from the agreed terms of recovery of transportation charges for transportation of gas from the specified entry point of the Company's pipeline network.
- l) To examine whether the Company has waived Ship or Pay Charges receivable from the customers as per the provisions of GTA.
- m) To examine whether the Company has a system of raising invoice for recovery of interest from customers on account of payments made by them in instalments.
- n) To examine the significant disputes/ court cases/ Arbitration cases/ claims against the Company and by the Company against the vendors/ parties.
- o) To examine whether the financial credentials of the customer were verified before entering into connectivity agreement and commencement of execution of dedicated pipeline.
- p) To examine the system of engagement of consultants for Geo-technical and Hydrological investigation. Also examine whether there exist penal provisions for technical deficiencies to safeguard the financial interest.
- q) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3.6 GSPL India Transco Limited

Government of India has constituted Petroleum and Natural Gas Regulatory Board (PNGRB) under PNGRB Act 2006, to regulate transportation and distribution of Natural Gas in India. PNGRB has authorised GSPL India Transco Limited (GITL) to execute 1746 Km long Mallavaram - Bhopal - Bhilwara – Vijaipur (MBBVPL) Cross Country Natural Gas Pipeline Project.

GITL is a Special Purpose Vehicle (SPV) incorporated on October 2011, which is a consortium of Gujarat State Petronet Limited (GSPL) holding 52 *per cent* equity, Indian Oil Corporation Limited (IOCL) - 26 *per cent*, Bharat Petroleum Corporation Limited (BPCL) – 11 *per cent* and Hindustan Petroleum Corporation Limited (HPCL) – 11 *per cent*. All the equity partners of GITL are leading oil and gas companies in India and have proven track records in Project Execution.

As authorised by PNGRB, GITL has to lay a network of gas pipeline and associated facilities for the transportation of natural gas to fulfil the requirement of various consumers in the states of Andhra Pradesh, Maharashtra, Madhya Pradesh and Rajasthan.

MBBVPL Pipeline shall be originated from Mallavaram in Andhra Pradesh with a total length of 1427 Km of Trunk line and approx. 335 Km of Spur lines. The Pipeline will transport Natural Gas from Krishna Godawari basin in Andhra Pradesh, east Coast of India and also from Chittorgarh to Vijaipur traversing through four states and will cater to all the demand centers en route of Andhra Pradesh (Six Districts.), Maharashtra (Four Districts), Madhya Pradesh (14 Districts) and Rajasthan (One Districts). The estimated project cost is approximately ₹ 5,735 crores. The scheduled date for completion of the project was July 2014 which was extended upto December 2017. The Company has sought further extension however, approval is pending from PNGRB. As a part of the project, the PSU is first laying 363 km pipeline segment (Phase I) for supply and transportation of natural gas to the urea plant of Ramagundam Fertilizers and Chemicals Limited.

The Management of the Company is vested in the Board of Directors (BoD) comprising of a Chairman and six Directors. The day to day activities are taken care of by the Chief Executive Officer who is assisted by the Chief Financial Officer and Branch Managers.

Special points to be seen during the audit

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the Company has obtained clearance from the statutory authorities for laying the pipeline.
- (g) To examine the title deeds relating to the acquisition of free hold land.
- (h) To examine the amount paid towards obtaining Right of Use (RoU) of land and Right of Way (RoW) permissions for laying the pipeline and examine the agreements entered into by the Company with the land owners.
- (i) To examine the system of procurement of major assets.
- (j) To examine the reasons for delay in completion of project and whether PNGRB has taken any action against the PSU for the same.

- (k) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3.7 GSPL India Gasnet Limited

Gujarat State Petronet Limited (GSPL) along with its consortium partners Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation (HPCL) has been awarded authorisation by PNGRB on 7 July 2011 to construct 1670 km (approx.) cross country natural gas pipeline from Mehsana in North Gujarat to Bhatinda in Punjab (MBPL) and 740 km (approx.) cross country natural gas pipeline from Bhatinda- Jammu- Srinagar (BJSPL). The project was scheduled to be completed by July 2014 which was further extended to December 2017 by PNGRB. As on 31 March 2018, the PSU has sought extension upto December 2020 which is yet to be granted.

As a part of the project, the PSU is first laying 329 km pipeline from Palanpur to Pali and 97 km pipeline from Jalandhar to Amritsar under Phase I.

In the consortium, GSPL share is 52 *per cent* while IOC has 26 *per cent* and HPCL and BPCL have 11 *per cent* each. The Management of the Company is vested in the Board of Directors (BoD) comprising of a Chairman and six Directors. The day to day activities are taken care of by the Chief Executive Officer who is assisted by the Chief Financial Officer and Branch Managers

Special points to be seen during the audit

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- (f) To examine whether the Company has obtained clearance from the statutory authorities for laying the pipeline.
- (g) To examine the title deeds relating to the acquisition of free hold land.
- (h) To examine the amount paid towards obtaining Right of Use (ROU) of land and Right of Way (ROW) permissions for laying the pipeline and examine the agreements entered into by the Company with the land owners.
- (l) To examine the system of procurement of major assets.

- (m) To examine the reasons for delay in completion of project and whether PNGRB has taken any action against the PSU for the same.
- (n) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Setting up of LNG Terminal

4.3.8 GSPC LNG Limited

GSPC LNG Limited (GLL) was incorporated in February 2007 and promoted by GSPC to augment the supply of environment friendly and efficient **fuel**. The PSU is setting up Mundra LNG terminal to import LNG to meet the growing energy demand. The LNG terminal will comprise of receiving, storage and regasification facilities of LNG with state of the art technology. The 5.0 MMTPA LNG terminal (expandable to 10 MMTPA) is designed to have two LNG storage tanks of capacity 1,60,000 M³ each, regasification facilities having five open rack vaporisers and LNG jetty capable of receiving LNG vessels of sizes ranging from 75,000 M³ to 260,000 M³. The terminal also has a facility for LNG truck loading.

The EPC contract for the LNG Storage facilities has been awarded to M/s IHI Corporation, Japan and EPCC contract for Re-gas **Facilities** has been awarded to consortium of Toyo Engineering India Limited and Toyo **Engineering** Corporation, Japan. The Company has appointed Whessoe Engineering Limited, UK as its Project Management Consultant (PMC). The Terminal has been commissioned and has started RLNG send out from February 2020 through GSPL's grid.

As on 31 March 2018, the Government of Gujarat holds 32.34 *per cent*, GSPC Limited holds 7.39 *per cent*, Adani Enterprise Limited holds 31.17 *per cent*, Gujarat Industries Power Company Limited holds 6.47 *per cent*, Gujarat Industrial Development Corporation holds 6.47 *per cent* and Gujarat State Petronet Limited holds 16.17 *per cent* of Company's shares.

The Management of the Company is vested in the Board of Directors (BoD) comprising of an Executive Chairman and six Directors.

Special points to be seen during the audit

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.

- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the long term sub-concession and sub-lease agreement entered into by the Company with APSEZ.
- (f) To examine the terms and conditions contained in the EPC contract in the financial interest of the Company.
- (g) To examine the agreement entered into by the Company with the Project Management Consultant.
- (h) To examine the major purchase orders placed on vendors for the capital items.
- (i) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

(C) Downstream Business Activities

The downstream sector refers to the refining of crude oil, and the selling and distribution of natural gas and products that are derived from crude oil. Such products can include LPG, gasoline, jet fuel, diesel fuel, fuel oils, asphalt and petroleum coke. The downstream segment includes oil refineries, petrochemical plants, petroleum distribution outlets, retail outlets and natural gas distribution companies. The downstream sector touches consumers through thousands of products from motor fuels to lubricants and fertilizers to pharmaceuticals.

4.3.9 Gujarat Gas Limited

The Scheme of Amalgamation and Arrangement involving erstwhile GSPC Gas Company Limited, erstwhile Gujarat Gas Company Limited, erstwhile Gujarat Gas Financial Services Limited and erstwhile Gujarat Gas Trading Company Limited into Gujarat Gas Limited (formerly known as GSPC Distribution Networks Limited) was sanctioned (March 2015) by Hon'ble High Court of Gujarat. The Scheme has come into operation and the name of GSPC Distribution Networks Limited, the Amalgamated Company, has been changed to Gujarat Gas Limited with effect from 15 May 2015.

The new amalgamated entity, Gujarat Gas Limited has emerged as India's largest city gas distribution player with presence spread across 23 Districts in the State of Gujarat, Union Territory of Dadra Nagar Haveli and Thane Geographical Areas (GA) which includes Palghar district of Maharashtra. In 10th CGD bidding round announced by Petroleum and Natural Gas Regulatory Board (PNGRB), the PSU has won 6 Gas comprising of 17 cities in the State of Punjab, Haryana, Madhya Pradesh and Rajasthan making GGL a pan India Company. The PSU has India's largest customer base in Residential, Commercial and Industrial Segments. The Company has network of 23,200 kms long gas pipeline and 344 CNG stations which distributes approximately 8.5 mmscmd of natural gas to about 13,55,000 households, approximately 2 lakh CNG vehicles and to over 3540 industrial customers. The role of GGL is envisioned to be complementary to GSPL. At every location where the GSPL network ends, the Gujarat Gas retail network starts. The PSU is catering to the natural gas requirements of all retail segments, which comprise of industrial, commercial, transportation and residential customers.

The Board of Directors of PSU consists of Chairman and seven Directors. The day to day activities of the PSU is taken care by the Chief Executive Officer who is assisted by the Chief Financial Officer and other senior Vice Presidents. As on 31 March 2020, GSPL, Gujarat State Fertilizers and Chemical Limited (GSFC) and GoG hold 54.17, 6.82 and 6.53 *per cent* of the shares of the PSU respectively.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether necessary statutory permissions were obtained for creating infrastructure for CNG stations.
- g) To examine the system of collection of initial connection charges from industrial, commercial and non-commercial customers.
- h) To examine whether the Company had sought authorisation from Petroleum and Natural Gas Regulatory Board (PNGRB) prior to starting operations in the new locations.
- i) To examine the system of raising invoice on customers. To also examine whether there were undue delays in raising invoices.
- j) To examine whether the PSU is following Standard Operating Procedure for issuing new connection to the customers.
- k) To examine whether the contracts for execution of works have been awarded in a transparent manner.
- l) To examine whether there is proper mechanism for classification/ categorisation of consumers.
- m) To examine whether the interest and penalty has been realised from the customers on delayed realisation.
- n) To examine whether the Bank Guarantee has been obtained from the customers against the outstanding Trade Receivables.
- o) To examine the renewal of Bank Guarantees at regular intervals.

- p) To examine whether the Company has taken Fire Insurance Policy to safeguard the capital inventory and spare parts in warehouse/ store yard.
- q) To examine whether the company has complied with SEBI Regulations being a listed company.
- r) To examine whether the Company has followed the guidelines prescribed by Authorities for investment of surplus funds in mutual funds.
- s) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

4.3.10 Sabarmati Gas Limited

Sabarmati Gas Limited (SGL) was incorporated in June 2006 as a Joint Venture Company of Bharat Petroleum Corporation Limited (BPCL) and GSPC to retail natural gas by implementing gas distribution networks in Gandhinagar, Mehsana, Sabarkantha, Aravalli and Patan districts in North Gujarat. The objective of PSU is to construct, operate and maintain natural gas distribution system to supply piped natural gas to various sectors. The PSU sources gas from market through mix of long term contracts and spot market besides sourcing gas from both BPCL and GSPC depending upon the market dynamics. Moreover, the PSU has entered into GTA with GSPL for transportation of gas from various sources to the identified tap off points.

The PSU predominantly serves four segments in its spectrum of retailing of natural gas. These four segments are domestic, industrial, commercial/ non-commercial customers through Piped Natural Gas (PNG) and automobile through Compressed Natural Gas (CNG) outlets. SGL has customer bases of 1,26,763 domestic customers, 281 industrial customers and 558 commercial establishment as well as 70 CNG stations in three districts of North Gujarat.

The Board of Directors consist of Chairman, Managing Director and four Directors. As on 31 March 2020, BPCL, GSPC and GSPL hold 49.94, 22.47 and 27.47 *per cent* of the shares of the PSU respectively.

Special points to be seen during the audit

- a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- b) To examine the Delegation of Powers approved by the Competent Authority.
- c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.

- e) To examine the corporate plan (including physical and financial targets) *vis-à-vis* the achievements. Analyse the reasons for deviations if any, for not achieving the targets.
- f) To examine whether necessary statutory permissions were obtained for creating infrastructure for CNG stations.
- g) To examine whether the PSU is following Standard Operating Procedure for issuing new connection to the customers.
- h) To examine whether the contracts for execution of works have been awarded in a transparent manner.
- i) To examine whether there is proper mechanism for classification/ categorisation of consumers.
- j) To examine the system of collection of initial connection charges from industrial, commercial and non-commercial customers.
- k) To examine whether the Company had sought authorisation from Petroleum and Natural Gas Regulatory Board (PNGRB) prior to starting operations in the new locations.
- l) To examine the system of raising invoice on customers. To also examine whether there were undue delays in raising invoices.
- m) To examine whether the interest and penalty has been realised from the customers on delayed realisation.
- n) To examine whether the Bank Guarantee has been obtained from the customers against the outstanding Trade Receivables.
- o) To examine the renewal of Bank Guarantees at regular intervals.
- p) To examine whether the Company has taken Fire Insurance Policy to safeguard the capital inventory and spare parts in warehouse/ store yard.
- q) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

(A) Other Activities

4.3.11 Guj Info Petro Limited

Gujarat Info Petro Limited (GIPL) was founded in 2001 to provide IT related services (Data Service Centres, E-mail solution provider, Website Development, Result Hosting, Live Surveillance Facility, E-tendering, End-to-End IT Solutions, Software Development and Facility Management Services). GIPL holds category “A” internet service provider license from the Department of Telecom, Government of India for operations across India. GIPL has been appointed as total solution provider for various government organisations. The Company has discontinued its ISP operations w.e.f. 31 October 2013.

The Management of the Company is vested in the Board of Directors (BoD) comprising of a Chairman and four Directors. The Company is headed by a Chief Executive Officer for looking after day to day affairs.

As on 31 March 2020, GSPC Limited and Gujarat Gas Limited holds 50.06 and 49.94 *per cent* of the Company’s shares respectively.

Special points to be seen during the audit

- (a) To review the various manuals prepared by the Management and approved by the Competent Authority for conducting its business. To examine the cases of any inconsistencies and non-compliances with reference to the manuals.
- (b) To examine the Delegation of Powers approved by the Competent Authority.
- (c) To examine the Management Information System (MIS) Reports and identify the key areas for conducting the audit. To also examine the Exception Reports if any, while auditing in the ERP environment by using Interactive Data Extraction Analysis (IDEA) Software.
- (d) To examine the effectiveness of the Internal Audit System so as to ensure adherence to its policies and mitigation of operational risks.
- (e) To examine the terms and conditions indicated in the orders placed by Company's clients for the services.
- (f) To examine the system of booking expenditure for software development, web casting, web site development etc.
- (g) To examine whether the outstanding dues from the customers is recovered in a timely manner.
- (h) To examine the projects undertaken by the Company this has been abandoned due to its non-viability.
- (i) To examine whether the assets has been disposed off after complying with the formalities due to closure of ISP business.
- (j) Whether the un-utilised/ surplus funds were properly invested in Gujarat State Financial Services Limited as per GoG directions.

Audit

Energy Sector companies and Petrochemical Sector companies are Government companies registered under Companies Act, 2013. The Audit of accounts of Government Companies is conducted under Section 19 of the Comptroller and Auditor General's DPC Act, 1971 by the Audit Management Group-III, office of the Pr. Accountant General (Audit II), Ahmedabad.

Agency/Institute/Commission/Autonomous Body under E&PD

4.4 Gujarat Electricity Regulatory Commission (GERC)

GERC was constituted on 12th November, 1998 under provisions of Electricity Regulatory Commissions Act, 1998. The Commission has come under the purview of the Electricity Act, 2003, as the Electricity Regulatory Commissions Act, 1998 has since been repealed. GERC has the mandate to regulate the Electricity Sector in the state of Gujarat in a transparent, effective and efficient manner so as to safeguard the interests of consumers. The Commission has introduced a system of regular interactions with the stakeholders in the Electricity Sector through meetings of the State Advisory Committee, the Co-ordination Forum of all the power utilities in the State, and the Consumer

Grievance Redressal Forums, to address the issues relating to consumers as well as the electricity supply industry. GERC has been taking effective steps in promoting renewable sources of energy.

(A) The functions of the Commission as stated under the Section 86 of the Electricity Act, 2003 are as follows: (a) The State Commission shall discharge the following functions, namely-

(i) Determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State: Providing that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers.

(ii) Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through 46 agreements for purchase of power for distribution and supply within the State; (iii) Facilitate intra-state transmission and wheeling of electricity;

(iv) Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

(v) Promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution license.

(vi) Adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;

(vii) Levy fee for the purposes of this Act; Specify State Grid Code consistent with the Grid Code specified under clause (h) of subsection (1) of section 79;

(viii) Specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

(ix) Fix the trading margin in the intra-State trading of electricity, if considered, necessary;

(x) Discharge such other functions as may be assigned to it under this Act.

(B) The State Commission shall advise the State Government on all or any of the following matters, namely:-

(i) Promotion of competition, efficiency and economy in activities of the electricity industry;

(ii) Promotion of investment in electricity industry;

(iii) Reorganization and restructuring of electricity industry in the State;

(iv) Matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.

In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3. GERC has hierarchy of Chairman as head of the Commission, Two Members, and One Secretary, Three Joint Directors, and working of the Commission is divided into four branches (i) Administrative(ii) Technical (iii) Tariff headed by Joint Director (iv) Legal is headed by Legal Advisor.

Audit

GERC was set up under State Electricity Regulatory Commission Act, 1998. The audit of GERC is conducted under Section 19 of the Comptroller and General's (DPC) Act, 1971 by the AMG-III wing of the Principal Accountant General (Audit-II), Gujarat, Ahmedabad, as an Autonomous Body. During audit kindly refer the Guidelines on Performance Audit of Regulatory Bodies, 2004 and Guidance note on compliance audit of Regulatory Bodies, 2016 available on CAG website.

Special Point to be seen during Local Audit:

During local audit of Departments/Board/Corporation/Autonomous Bodies etc. the audit party should see following special points in respect of Schemes/Projects/Programme/Mission etc implemented by the auditee entities:-

- (i) Review the various manuals approved by the Competent Authority for implementation of Scheme/ Programme/ Projects/ Activities of the Department. Examine the cases for any inconsistencies and non compliances with reference to the manuals.
- (ii) Examine whether the Delegation of Powers approved by the Competent Authority and that financial powers delegated are properly adhered to by Subordinate officials.
- (iii) Examine whether budget provisions for implementation of Scheme, Programme, Project etc. and expenditure thereof.
- (iv) Examine whether the Grants received from the State/ Central Government are utilised for the purpose it was granted/ sanctioned.
- (v) Usually the funds drawn for various Schemes/ Programmes/ Projects etc. are kept in Personal Deposit (PD) Account/ TP Account with the Treasury or Bank Account. Examine whether sanction exists for depositing the funds in such accounts.
- (vi) Whether there was any drawal of fund from the treasury to avoid lapse of funds/ grants.
- (vii) PD Accounts should be verified to see whether the amount drawn for various schemes are accounted separately.
- (viii) Expenditure under various schemes should also be accounted separately. The balance amount under each head should be worked out and verified whether it agree, with the balance lying in PD Account/ Bank Account.
- (ix) Examine unutilised grant that has been surrendered to Government Account.

- (x) Examine the expenditure incurred on conducting fairs, festivals, inauguration etc. are properly sanctioned and recovered.
- (xi) Examine whether funds allocated for the development of destination have been properly sanctioned, utilised and recovered.
- (xii) Examine Management Information System (MIS) Reports, Monthly/ Quarterly/ Yearly Progress Reports/ Expenditure Reports pertaining to activities of Department/ Scheme/ Programme/ Projects etc. Examine whether it indicates delay/ slow progress etc.
- (xiii) Examine whether the Prospective Plan/ Developing Plan/ Annual Plan etc of department and subordinate offices. Physical and financial targets and achievements against target fixed. Analyse the reasons for deviations, if any, for not achieving the targets.
- (xiv) Examine whether mechanism/ system exist to assess the benefits which are actually derived due to implementation of Scheme/ Programme/ Project/ Activities of department after obtaining 290 feedback from the concerned field offices/ Programme Implementing Units (PIU).
- (xv) Examine whether purchase policy for procurement of materials/ services etc. Whether Purchase Committee has been formed at appropriate level and procurements have been made as per purchase policies of the Industries & Mines Department.
- (xvi) Examine whether the system of tendering for execution for various projects/ system of procurements of material/ services/ machineries etc. the system of bid evaluation may also examined.
- (xvii) Examine whether the involvement of Public Private Partnership (PPP) was based on calling for Expression of Interest (EoI), Memorandum of Understanding (MoU) by clearly specifying the qualification criteria.
- (xviii) Examine whether the terms and conditions in PPP Agreement for implementation of project is in financial interest of the Government.
- (xix) Examine whether the system of physical verification of Store and Stock in adequate.
- (xx) Examine whether idle equipment/ unserviceable/ store and stock have been auctioned.
- (xxi) Examine whether internal audit system exists so as to ensure adherence to the policies and litigation of operational risk.
- (xxii) Examine whether the Disputes/ Court Cases/ Arbitration cases against department and by the department against Supplier/ Contractors/ Parties have been adequately addressed.
- (xxiii) Examine whether departmental receipt/ revenue have been taken into departmental account and credited the same into treasury/ Bank within prescribed time period.
- (xxiv) Examine whether fund drawn on Abstract bills/ by way of issue of charges against expenses, department receipt credited it Govt. Account has been reconciled within Treasury/ Bank and deposited/ credited into correct head of Accounts.

APPENDICES

ENERGY & PETROCHEMICALS DEPARTMENT

Order

Sachivalaya, Gandhinagar, 15th October, 1998

INDIAN ELECTRICITY RULES, 1956.

APPENDIX- I

No. GU/(98)/(52)/IER/1597/2840/K:- In exercise of the powers conferred by sub-rule (2) of the rule 7 and clause (a) of sub-rule (2) of rule 46 read with rule 8 of the Indian Electricity Rules, 1956 and in supersession of all the previous orders issued in this behalf, the Government of Gujarat hereby makes the following order, namely:-

1. SHORT TITLE:-

This order may be called the Indian Electricity (Fees for inspection, testing and the services of Inspectors) Order, 1998.

(2) It shall come into force on and from 1st November, 1998.

2. DEFINITIONS:-

(1) In this order, unless the context otherwise requires,

(a) "The Act" means the Indian Electricity Act, 1910,

(b) "Owner" includes an occupier of any building, place, premises, carriage or vessel in which energy is, or about to be, generated, received or used and also includes the supplier and consumer:-

(c) "the Rules" means the Indian Electricity Rules, 1956:

(d) "Schedule" means the schedule appended to this Order.

(2) All other words and expressions used but not defined in this order shall have the meanings respectively assigned to them in the Act and the Rules.

3. LEVY OF FEES:-

(1) Fees for inspections, examinations or tests of an installation made under the provisions of the Act and the rules shall be levied in accordance with the rates specified in Scales "A" to "H" to the schedule from the persons specified therein:

Provided that in the case of second or subsequent inspection, examination or test made within a period of twelve months from the date of the first inspection, examination or test necessitated in the opinion of the Inspector or of any officer appointed to assist the Inspector due to the neglect or failure of the supplier or the owner to carry out, within the stipulated time, any work specified in any written order of the Inspector or any officer appointed to assist the Inspector or by a breach of any of the provisions of the Act or the rules, fees at one half of the rates of the fees specified in the said scales "A" to "H" shall be levied.

Provided further that no fees shall be levied for such second or subsequent inspection, examination or test if the same has not been so necessitated.

Provided also that the fees for initial inspection shall be levied at the rate which shall be fifty percent more than the rates prescribed by this order in case of (a) new high voltage and extra high voltage installation, and (b) installation where entertainment as defined in Section 2 of the Gujarat Entertainments Tax Act, 1977, is provided.

Explanation:-

- (1) The Inspector or any officer appointed to assist the inspector may enter any premises for inspection and examination of any installation as provided in sub-rule (1) of rule 5 of the Rules for any number of times but the fee for such inspection and examination shall be levied only once in a period of twelve months commencing from 1st April, of every year and ending on 31st March, of the next year;
- (2) Fee for initial inspection, examination or test of an installation made under the provisions of the Act and the Rules shall be levied in accordance with the rates specified in Scales “I” to “K” and as expressly provided in the scale “F” in the schedule, from the persons specified therein;
Provided that, if in the opinion of the Inspector or any officer appointed to assist the Inspector, a second or subsequent inspection, examination or test of the installation is necessitated by the neglect or failure of the supplier, the telephone authority or the owner, as the case may be, to carry out, within the stipulated time, any work specified in any written order for the Inspector or any officer appointed to assist the Inspector or by a breach of any of the provisions of the Act, or the Rules, the rate of fees for such second or subsequent inspection, examination or test shall be one half of the rate of fees prescribed in the said Scales “I” to “K”.
Provided further that if an extension to, or any alteration in the installation made since the date of the initial or periodical inspection, examination or test of the installation, is inspected, examined or tested within twelve months of the said date, separate fees shall be levied in respect of such extension or alteration in accordance with the rates specified in the Scales “A” to “H” in the schedule, from the persons specified therein.
- (3) Fees for the services of any Inspector or any officer appointed to assist the Inspector requisitioned by a consumer or a member of the public shall be levied in accordance with the rates specified in the scales “L” to “S” in the schedule from the persons specified therein.
- (4) Fees for inspection and examination of all low voltage installations including sub-meters (not being low voltage installations in factory premises and in place of public entertainment including cinema theatres and not covered by scales “A” to “S” in the schedule) shall be levied in accordance with the rates specified in scale “T” in the schedule.
- (5) Fees for the services of an Inspector or any Officer appointed to assist the Inspector requisitioned by an owner or a member of the public under rule 50-A of the rules shall be levied in accordance with the rates specified in scale “P” in the schedule from the persons specified therein.

4. PAYMENT OF FEES.

- (1) The fees payable under this order shall be paid, (i) prior to, or at the time of the inspection, examination or test either, (ii) alongwith the application in case of approval to the layout of installation or route of overhead line and (iii) along with the application for referring the dispute.
 - (a) into the Government Treasury or the Reserve Bank of India to the credit of Commissionerate of Electricity under 0043 Taxes and Duties on Electricity. (102) fees under the Indian Electricity Rules, 1956
By challan in triplicate, the receipted duplicate being forwarded to the concerned Inspector or concerned Officer appointed to assist the Inspector by the Treasury Officer direct, or

(b) at the office of the Inspector or the officer appointed to assist the Inspector in cash, by money order or cheque or demand draft.

Provided that in case of every out-station cheque, the amount of commission to be deducted by the respective bank shall be added to the amount of fee payable under this order.

Provided further that the supplier shall include the fees leviable under this order as a separate item in the bill of charges for the energy supplied by him to the agricultural consumers and shall collect the same from such consumers along with his own charges for the supply of energy, on receiving the information from the Inspector or the Officer appointed to assist him. The supplier shall pay such fee into the Government Treasury by a challan within 40 days after the expiry of the calendar month for which it is levied.

(2) If for any reason, the fee is not paid either prior to, or at the time of inspection, examination or test, such fee shall be paid within ten days from the date of such inspection, examination or test.

(3) If for any reason the fees are not paid within ten days, of the time of inspection, examination or test, as provided in sub-clause (2), the Inspector may direct the supplier to recover the same along with the energy bills and pay it to the Inspector or the officer appointed to assist the Inspector.

SCHEDULE

	Capacity	Fees (₹)
SCALE-A		
(1)	Rate of fees for an inspection, examination or test made in pursuance of rules 51,60 to 64 and 65 to 68 of the rules, where energy is or is about to be supplied or of high, medium and low voltage (except in those cases to which Scales "B" to "N" of this Schedule specifically refer) shall be as under:.	
(i)	Not exceeding 5 Kilowatts.	25-00
(ii)	Exceeding 5 Kilowatts but not exceeding 10 Kilowatts.	50-00
(iii)	Exceeding 10 Kilowatts but not exceeding 20 Kilowatts.	75-00
(iv)	Exceeding 20 Kilowatts but not exceeding 50 Kilowatts.	100-00
(v)	Exceeding 50 Kilowatts but not exceeding 100 Kilowatts.	150-00
(vi)	Exceeding 100 Kilowatts but not exceeding 250 Kilowatts.	400-00
(vii)	Exceeding 250 Kilowatts but not exceeding 500 Kilowatts.	600-00
(viii)	Exceeding 500 Kilowatts but not exceeding 750 Kilowatts.	800-00
(ix)	Exceeding 750 Kilowatts but not exceeding 1000 Kilowatts.	1,000-00
(x)	Exceeding 1000 Kilowatts but not exceeding 1500 Kilowatts	1,200-00
(xi)	Exceeding 1500 Kilowatts but not exceeding 2000 Kilowatts	1,500-00
(xii)	Exceeding 2000 Kilowatts	₹ 1,500.00 + ₹ 250.00 for every 250 Kilowatts or part thereof in excess of 2000 KWs subj. to max. ₹ 5,000.00.
(2) The fees shall be paid by the owner to whom energy is or about to be supplied.		
SCALE-B		
(1)	Rates of fees for an inspection examination or test of any generating station receiving station, distributing station or other place in which energy is	

	generated transformed or distributed at a pressure of 100 volts or more shall be as under.	
(i)	Up to and including 25 Kilowatts.	100-00
(ii)	Exceeding 25 Kilowatts but not exceeding 100 Kilowatts.	300-00
(iii)	Exceeding 100 Kilowatts but not exceeding 500 Kilowatts	1,000-00
(iv)	Exceeding 500 Kilowatts but not exceeding 1000 Kilowatts	1,500-00
(v)	Exceeding 1000 Kilowatts but not exceeding 2000 Kilowatts	2,000-00
(vi)	Exceeding 2000 Kilowatts	₹ 2,000.00 + ₹ 1,050.00 for every 500 Kilowatts or part thereof in excess of 2000 KWs subj. to max. ₹ 7,500.00.
(2)	In the case of generating station, receiving station, distributing station owned by the supplier or other place in which energy is generated transformed or distributed by the supplier the fees shall be paid by the supplier. In any other case, the fee shall be paid by the owner.	
(3)	In the case of inspection of H.T. Switch gears controlling the transformers or generates not along with the transformers or generators the capacity of transformers or generators as the case may be shall be taken for the purpose of levy of fees.	
SCALE -C		
(1)	Rates of fees for an inspection examination or test of any generating station in which energy is generated at a pressure of 100 volts or more shall be as under.	
(i)	Up to 25 Kilowatts.	100-00
(ii)	Exceeding 25 Kilowatts but not exceeding 100 Kilowatts.	200-00
(iii)	Exceeding 100 Kilowatts but not exceeding 500 Kilowatts	500-00
(iv)	Exceeding 500 Kilowatts but not exceeding 1000 Kilowatts	1,000-00
(v)	Exceeding 1000 Kilowatts but not exceeding 2500 Kilowatts	2,000-00
(vi)	Exceeding 2500 Kilowatts but not exceeding 5000 Kilowatts	3,500-00
(vii)	Exceeding 5000 Kilowatts	5,000-00
(2)	In the case of generating station owned by the supplier or other place in which energy is generated by the supplier the fees shall be paid by the supplier and in any other case, the fee shall be paid by the owner.	
(3)	In the case of inspection of H.T. Switch gears controlling the generators not along with the generators, the capacity of generators, as the case may be, shall be taken for the purpose of levy of fees.	
SCALE - "D"		
(1)	Rates of fees for inspection, examination or test of any capacitor bank or reactor in pursuance of rule 63 and other provisions of the rules connected to a high or extra high voltage installation shall be as under:-	
(i)	Up to 500 KVAR	500-00
(ii)	501 to 1,500 KVAR	1,000-00
(iii)	1,501 to 3,000 KVAR	1,500-00
(iv)	3,001 to 5,000 KVAR	2,500-00
(v)	above 5,000 KVAR	5,000-00
(2)	The fees shall be paid by the supplier or the owner, as the case may be.	

SCALE -E		
(1)	Rates of fees for an inspection or examination or test of an electrical installation connected with the Neon Sign and X-Ray machine in pursuance or the provisions of rules 71, 72 and 73 of the rules shall be as under: -	
(i)	Neon Sign	50-00
(ii)	X-Ray machine	50-00
(2)	The fees shall be paid by the owner.	
SCALE -F		
(1)	Rates of fees for an inspection, examination or test of any electrical installation, appliance or apparatus in any public place where entertainment as defined in section 2 of the Gujarat Entertainments Tax Act, 1977 is provided shall be as under: -	
(i)	For the initial inspection examination or test of any electrical installation, appliance or apparatus in a Cinema or a Theatre other than a Touring Cinema or other temporary place of public entertainment referred to in clause (iv).	1,000-00
(ii)	For every subsequent inspection, Examination or test of the installation, appliance or apparatus in such Cinema or Theatre as isreferred to in clause (i)	300-00
(iii)	For an inspection examination or test of any authorized addition or alteration to the electrical installation in a Cinema or a Theatre.	100-00
(iv)	(a) For an inspection, examination or test of any electrical installation, appliance or apparatus in a travelling Cinema or other temporary place of public entertainment.	200-00
	(b) For every subsequent Inspection examination or test of any electrical installation appliance or apparatus in such Cinema or place of public entertainment necessitated on account of a changed place premises.	100-00
(v)	For an inspection examination or test of any electrical installation. appliance or apparatus in a travelling or temporary Cinema or other temporary place of public entertainment necessitated on account of a change of installation appliance or apparatus so as to confirm to the rules and regulations governing permanent places of public entertainment.	200-00
(2)	The fee shall be paid by the owner.	
SCALE – G		
(1)	Rate of fee for an inspection examination or test of any electrical installation, appliance or apparatus Perected temporarily in any place or premises, where entertainment and defined in section 2 of the Gujarat Entertainment Tax Act, 1977 is not provided.	
(i)	Installation having capacity upto 10KW	75-00
(ii)	Installation having capacity exceeding 10KW but not exceeding 50 KW	200-00
(iii)	Installation having capacity exceeding 50KW but not exceeding 100 KW	400-00
(iv)	Installation having capacity exceeding 100 KW	500-00

(2)	The fees shall be paid by the owner.	
SCALE - H		
(1)	Rates of fees for in inspection, examination or test of any electrical installation appliance or apparatus (other than generating station or a receiving station for which a separate fee will be charged under Scale-"B") in a factory within the meaning of the Factories Act, 1948 (LXII of 1948), to which energy is supplied by a supplier or in which energy is generated shall be as under:-	
(i)	For lighting or for the purposes other than power provided that no fees under this item shall be charged in respect of an electrical installation; appliance or apparatus in any factory where not more than 9 workers are employed.	
(a)	Up to and including 10 Kilowatts.	₹ 30.00 per Kilowatts or part thereof
(b)	Exceeding 10 Kilowatts but not exceeding 20 Kilowatts.	500-00
(c)	Exceeding 20 Kilowatts but not exceeding 50 Kilowatts.	750-00
(d)	Exceeding 50 Kilowatts but not exceeding 100 Kilowatts.	1,000-00
(e)	Exceeding 100 Kilowatts but not exceeding 250 Kilowatts.	1,250-00
(e)	Exceeding 250 Kilowatts.	1,500-00
(ii)	For Power	Fees according to the rates specified in scale 'A'
(2)	The fees shall be paid by the owner.	
SCALE - I		
(1)	Rates of fees for inspection or examination in pursuance of rules 29, 30, 31 and 92 of the rules shall be as under:-	
	For inspection or examination of a new medium or high voltage service.	25-00
	For inspection or examination of a new medium high voltage tapping as sub-service tapped from the main service cut outs.	10-00
(2)	The rates of fees for inspection or examination in pursuance of rules 29, 30, 31, 63 to 67 and 92 of the rules shall be as under:-	
	For inspection or examination of a new high voltage service	25-00
	For inspection or examination of a new high or extra high voltage switch gear connected in service or distributor not covered under Scales - "B" and "C".	50-00
(3)	The Fees shall be paid by the owner.	
SCALE - J		
(1)	Rates of fees for an inspection or examination in pursuance of rule 87 of the rules shall be as under:-	
(a)	For inspection or Examination of every new aerial line including a service line, crossing either above or below a telegraph, telephone or other aerial line at one or more spans,. places or points:-	25-00
	Provided that where more than one crossing situated within a distance of one Kilometer of each other are inspected at the same time, the fee shall be as follows:-	
	For inspection of first of crossing	25-00
	For inspection of every additional crossing.	10-00

(2)	The fee leviable under this scale shall not be charged when the inspection has been carried out in conjunction with an inspection for which a fee is levied under Scale "I" or "K".	
(3)	The fee shall be paid by the person whose line was last erected.	
SCALE-K		
(1)	(a) Rates of Fees an inspection or examination of a new high pressure aerial line, in pursuance of rule 91 of the rules.	A minimum charge of or ₹200/- for a distance up to 10 kilometers and beyond that distance ₹30-00 for every Kilometer or part thereof.
	(b) Rates of Fees an inspection or examination test of a medium or low pressure aerial distributing main, in pursuance of rule 91 of the rules.	₹20.00 per Kilometer or part thereof subject to a maximum of ₹ 450/-
(2)	The fee shall be paid by the supplier.	
SCALE-L		
(1)	Rates of fees for either inspection or issue of a certificate or for both under rule 82 (3) of the rules.	100-00
(2)	The fees shall be paid by the person who proposes either to erect a new building or structure or to make any temporary addition or alteration in or upon any building or a structure.	
SCALE-M		
(1)	Rates of fees for an inspection or examination of any electric traction system, including trolley wires and overhead equipment and test of bonding and leakage currents.	₹200.00 per day or part thereof subject to a max. of ₹ 800.00
SCALE - N		
	Rates of fees for the testing of energy meters shall be as under	
(a)	For testing in the Laboratory, a single meter of any description.	
(i)	of a capacity not exceeding 20 amperes.	50-00
(ii)	of a capacity exceeding 20 amperes but not exceeding 100 amperes	100-00
(iii)	of a capacity exceeding 100 amperes but not exceeding 500 amperes	200-00
(iv)	of a capacity exceeding 500 amperes.	400-00
Explanation- In case of meters in use or intended to be used with Current Transformers, the capacity for the purpose of levying fees is to be taken as the capacity of Current Transformers on their primary side.		
(b)	If a meter is to be tested on the Consumer's premises, the fees set out in clause (a) shall be increased by ₹ 50.00 per meter.	
(c)	The fee shall be paid by the owner of the meter.	
SCALE -O		
(1)	Rates of fees for an inspection, examination or test of any main distributing main, or service line for the existance of leakage therein which may result in electrolysis or other injury to any water,	₹75.00 for the first hour or part thereof and thereafter ₹30 per hour or part thereof

	gas or other pipe or to any- appliance connected there with	subject to a max. of ₹ 420.00
(2)	If any, leakage is discovered in any such main distributing main or service line, the fees shall be paid by the supplier or the owner of the main distributing main or service line, as the case may be. If no leakage is discovered, the fees shall be paid by the owner of the water, gas or other pipe or the appliance connected there with.	
SCALE - P		
(1)	Rates of fees for the testing of an installation for the existence of leakage to earth.	30-00
(2)	The fee shall be paid by the party making the application	
SCALE-Q		
(1)	Rates of fees for inspection and test of any installation in pursuance of rule 52 and leviable under rule 53 (3) of the rules shall be as under:-	
(a)	Low Voltage installation	30-00
(b)	Medium Voltage installation.	50-00
(c)	High or extra high voltage instillation.	75-00
(2)	The fee shall be paid by the party making the application.	
SCALE -R		
(1)	Rates of fees for the localising of leakage to earth in any installation.	₹30.00 for the first hour or part thereof and thereafter ₹20 per hour or part thereof subject to a max. of ₹ 200.00
(2)	The fee shall be paid by the party making the application.	
SCALE -S		
	For deciding any case of difference or dispute arising under section 21(4), 26(4) or 26(6) of or clause V (2) or clause VI (3) of the Schedule to the Act and under rule 82 (2) (b) of the rules, referred to the Inspector.	
(a)	Low or Medium Voltage installation.	₹ 300- 00 for each case
(b)	High or extra high voltage instillation.	₹ 1,000- 00 for each case
<p>Provided that for every visit of any premises necessary for the purpose of testing or verification of the fact, an additional fees of ₹ 500/- shall be charged for every day or part thereof.</p> <p>Provided that in the case of a difference or dispute referred to the Inspector for being decided under section 26 (6) of the Act, an additional fee for the testing of a meter as accordance with Scale "N" shall be recoverable.</p>		
	The fees shall be paid by the person who refers the dispute.	
SCALE - T		
Rates of fees for inspection and examination of all low voltage installations including sub-meters (not being low voltage installations in factory premises and in places of public entertainment including Cinema or Theatre and not covered by Scales "A" to "S" of this Schedule) shall be as under: -		

	For inspection or examination of installation	
(i)	having meters or sub-meters with capacity not exceeding 20 amperes	10-00
(ii)	having meters or sub-meters of a capacity exceeding 20 amperes but not exceeding 50 amperes.	20-00
(iii)	having meters or sub-meters of a capacity exceeding 50 amperes but not exceeding 100 amperes.	40-00
(iv)	having meters or sub-meters of a capacity exceeding 100 amperes.	50-00
Explanation:- In case of meters in use or intended to be used with current transformers, the capacity for the purpose of levying fees is to be taken as the capacity of current transformers on their primary side.		
The fee shall be paid by the consumers to whom the energy is supplied.		
SCALE - U		
	Rate of fee for an inspection of an installation provided in multi-storeyed building having the height more than 15 Mtrs. and issue of a certificate in pursuance of rule 50-A.	500-00
	The fees shall be paid by the owner or occupier of the building before the final certificate is issued.	
SCALE - V		
(1)	Rates of fees for approval to layout of any medium, high or extra high voltage installation of permanent nature shall be as under:-	
(a)	Up to 500 KVA	500-00
	Exceeding 500 KVA but not exceeding 2500 KVA	1,000-00
	Exceeding 2500 KVA but not exceeding 5000 KVA	2,500-00
	Exceeding 5000KVA	5,000-00
(2)	Rates of fees for approval to route layout of any high or extra high voltage over head line shall be ₹ 1000/- per route.	
(3)	The fee shall be paid by the supplier or owner as the case may be	

**ENERGY & PETROCHEMICALS DEPARTMENT,
NOTIFICATION**

Sachivalaya, Gandhinagar

Dated the 20th February, 1997.

(Referred to in 7, part I Schedule I of Appendix II)

BOMBAY ELECTRICITY DUTY ACT, 1958.

No. GHU/97/10/ELD/1196/9841/K: In exercise of the powers conferred by sub-section (3) of section 3 of the Bombay Electricity Duty Act, 1958 (BOM.XL of 1958), Government of Gujarat hereby remits in the whole of the state of Gujarat, the electricity duty, payable under item 7 of schedule I to the said Act in respect of the energy consumed for common 'Effluent Treatment Plant' set up for treatment of industrial effluents necessary for pollution control requirements and established by the industrial estates defined under clause (b) of Section 2 of Gujarat Industrial Development Act, 1962 or by societies registered under Section 4 of the Gujarat Co-operative Societies Act, 1961 or by the private limited or public limited companies established under Indian Companies Act, 1956 or by a Public Trust registered under the Bombay Public Trust Act, 1950, for a period of five years from the date on which this common effluent treatment plant is commissioned for the first time.

The remission of electricity duty as specified above shall be available subject to the following terms and conditions, namely:-

- 1) The common effluent treatment plant established should be a "new" plant satisfying the requirements laid down to be declared as a "new" industrial undertaking as specified under Item (ii) of Explanation-I under Section 3(2)(vii) of Gujarat Electricity Duty Act, 1958.
- 2) The eligibility certificate for remission of electricity duty under this notification shall be obtained from the Commissioner of Electricity, Gandhinagar by making an application within 180 days from the date of commissioning of effluent treatment plant or from the date of publication of this notification is official Gazette, whichever is later.
- 3) Where an application for eligibility certificate (referred to in condition No.2) above is made to the Commissioner of Electricity after expiry of the stipulated period of 180 days, the period of five years for remission of electricity duty shall be reduced by the period lapsed between the date of commissioning and date of application made to the Commissioner of Electricity.

By order and in the name of the Governor of Gujarat.

**ENERGY & PETROCHEMICALS DEPARTMENT,
NOTIFICATION**

Sachivalaya, Gandhinagar

Dated the 15th July, 1997.

**Read:- Government Notification No.GHU-87-43-ELD-1183-8171-K Dated
10th August, 1987.**

(Referred to in 7 Part-I schedule I of Appendix-II)

BOMBAY ELECTRICITY DUTY ACT, 1958.

No. GHU-57-ELD-1197-1029-K: In exercise of the powers conferred by sub-section (3) of Section-3 of the Bombay Electricity Duty Act, 1958, the Government of Gujarat is pleased to amend the rate of Electricity duty as specified in Government notification No. GHU-87-43-ELD-1183-8171-K dated 10.08.1987 from “35 percent of the consumption charges” to “20 *per cent* of the consumption charges”.

All other conditions stipulated therein remain unchanged.

By order and in the name of the Governor of Gujarat.

ENERGY & PETROCHEMICALS DEPARTMENT,
NOTIFICATION

Sachivalaya, Gandhinagar

Dated the 5th April, 1997.

(Referred to in 4(a) of Part-I Schedule-I of appendix-II)

BOMBAY ELECTRICITY DUTY ACT, 1958 (BOM XL OF 1958).

No.GHU-97-27-ELD-1196-57-K:- WHEREAS the Government of Gujarat has introduced a New Package Scheme of incentives for Tourism Projects 1995-2000, under the “New Tourism Policy 1995” vide Government resolution, Information, Broadcasting and Tourism Department No.NTP-1095-1983-C dated 20th December, 1995 (hereinafter referred to as “the said resolution”).

AND WHEREAS the Government of Gujarat considers it necessary so to do in the public interest:

Now, THEREFORE, in exercise of the powers conferred by section (3) of section 3 of the Bombay Electricity Duty Act, 1958 (BOM.XL of 1958) (hereinafter referred to as “the said Act”), the Government of Gujarat hereby remits the electricity duty payable under item 4(b) and 7 of Schedule I to the said Act in respect of electrical energy consumed by a new Tourism Unit or expansion of existing Tourism Unit which is located in the eligible areas specified in Para 4.6 and which fulfils the criteria laid in Appendix-B of the said resolution (hereinafter referred to as the eligible tourism unit) during the eligible period or up to the period of expiry of the limits of incentives, whichever is earlier, to the extent referred to in para 8.1 of the said resolution, subject to the following conditions:

1. The eligible tourism unit or existing eligible unit which is covered under para 3 of the said Resolution shall have to obtain an Eligibility Certificate from the appropriate authority within 180 days of the commencement of commercial operation.
2. The eligible tourism unit shall-
 - (a) in the case where the eligibility certificate has been obtained from the appropriate authority prior to the date of this Notification, within ninety days from the date of publication of this notification, and
 - (b) in other cases, within ninety days from the date of receipt of the eligibility certificate, apply to the Commissioner of Electricity, Gandhinagar for obtaining the certificate for remission of electricity duty.
3. An application for obtaining the certificate for remission of electricity duty shall be accompanied by the original eligibility certificate issued to the eligible tourism unit by the appropriate authority.
4. If the application of an eligible tourism unit for obtaining the certificate for remission of electricity duty is received in the office of the Commissioner of Electricity, Gandhinagar after the expiry of the time limit specified in condition No.2, the certificate of remission shall be made effective from the date on which the application is received by the Commissioner of Electricity. In such a case, the total period of remission shall be reduced by the period of delay in submission of application under condition No.2, in case where the application is received within the time limit specified in condition No.2, the certificate of remission shall be made effective from the date mentioned in the Eligibility Certificate.

Provided that the Commissioner of Electricity, on being satisfied that the application for certificate of remission could not be submitted within the

time limit specified in condition No.2 due to circumstances beyond the control of the eligible tourism unit, the Commissioner of Electricity may condone the delay.

5. Separate meters shall be provided by the eligible tourism units duly tested and sealed by the licensee for recording the consumption of electrical energy for expanded portion in case of an expansion of an existing unit becoming eligible for incentives under the said resolution.
6. The eligible tourism unit may at its option request the Commissioner of Electricity that the certificate of remission be made effective from a date subsequent to the date mentioned in the eligibility certificate. In such a case, the certificate of remission shall be issued accordingly without changing the time upto which the remission is admissible.
7. The certificate of remission shall contain details regarding the date from which the remission commences, aggregate amount of duty of remission towards sales-tax, turnover tax, Electricity duty, Luxury tax and Entertainment Tax, the time upto which the remission is admissible and the category of eligible tourism unit as shown in the Eligibility Certificate issued by the appropriate authority.
8. The eligible tourism unit has to file the returns in the prescribed form within the time limit prescribed therefore by the Commissioner of Electricity.
9. If eligible tourism unit has more than one tourism unit, it shall have to obtain a separate eligibility certificate for each such tourism unit.
10. If the eligible tourism unit contravenes any of the condition of this notification or any of the provisions of the Act or the rules made thereunder, the certificate of remission issued to it by the Commissioner of Electricity under the scheme shall be liable:-
 - (i) to be suspended for a period not exceeding six months. The eligible tourism unit shall be liable to pay electricity duty on the consumption of electricity during the period of such suspension. The period of such suspension shall be counted for the purpose of total period of remission:
 - (ii) to be cancelled, and on such cancellation, the tourism units shall be liable to pay electricity duty on the consumption of electricity.
11. (i) In the case of new tourism unit, the aggregate amount of tax exemption towards all the taxes, namely sales-tax, turnover tax, electricity duty, luxury tax and entertainment tax shall not exceed 100 *per cent* of eligible capital investment as provided in the said resolution.
 - (ii) In the case of existing eligible tourism unit the aggregate amount of tax exemption towards all the taxes namely sales-tax, turnover-tax, electricity duty, luxury and entertainment tax shall not exceed additional capital investment made during the operative period of the scheme.
 - (iii) The category and the period of remission of electricity duty shall be as under:-

Category of eligible Tourism Unit.	Number of years for remission of duty
Prestigious unit	10
Large scale unit	8
Small scale unit	6
Tiny unit	5
Expansion of existing unit	5

- 12 For the purpose of deciding quantum of remission of electricity duty, the Commissioner of Electricity shall make assessment as per the provisions of the said Act.
- 13 The eligible tourism unit shall, within thirty days from the last date of each calendar month, furnish to the Commissioner of Electricity and the Appropriate Authority, the details of electrical energy consumed and the details regarding quantum of remission of electricity duty availed of in the respective month.
- 14 Appropriate authority shall collect from the concerned tax authority the details of remission of duty availed of by the eligible tourism unit towards sales-tax, turn-over tax, electricity duty, luxury tax and entertainment tax on month to month basis and furnish to the Commissioner of Electricity, the details of aggregate amount of exemption towards all taxes availed of by the eligible tourism unit in a month.
- 15 Appropriate authority shall be responsible for maintaining the accounts, scrutiny and verification of remission of electricity duty availed of by the eligible tourism unit.
- 16 The eligible tourism unit shall be liable to pay electricity duty as soon as the quantum of exemption availed of towards sales-tax, turnover tax, electricity duty, luxury tax and entertainment tax equals the amount specified in the eligibility, certificate issued by the Appropriate Authority or on expiry of the time limit mentioned in the said certificate, whichever is earlier.
- 17 If the eligible tourism unit have availed of remission of electricity duty in excess of the quantum sanctioned under the eligibility certificate, it shall be liable to pay interest at the rate of two percent per month on such excess amount.
- 18 The remission under this notification shall be subject to all terms and conditions referred to in Government Resolution dated 20th December, 1995 and further conditions stipulated in this notification and on breach of any of these conditions, the remission of electricity duty shall be withdrawn with immediate effect and the eligible tourism unit shall be liable to pay electricity duty for which benefit of remission is availed of.
- 19 The eligible tourism unit shall install and effectively operate and maintain pollution control measures as per the standards that may be prescribed by the Appropriate Authority.
- 20 The commercial operation of eligible tourism unit shall be continuous for at least five years after it is commissioned. However, in cases where the operation is discontinued due to reasons beyond the control of such tourism unit the Appropriate Authority may examine the individual cases and condone the period of discontinuation based on the guide-lines to be issued by the Government.
- 21 The eligible tourism unit shall furnish details regarding commercial operation, employment or any other details, which the State Government may prescribe from time to time.
- 22 The eligible tourism unit shall have to follow guidelines of the employment policy of Government regarding employment of local persons.

EXPLANATION

For the purpose of this Notification, Appropriate Authority means:-

- (ii) in case of large and prestigious units, the Member-Secretary of State Level Committee i.e. the Director of Tourism, and

(ii) in case of Tiny and small Units, the Member-Secretary of District level committee, i.e. The District Manager of Tourism.

APPENDIX-II

(As referred to paragraph No. 7.3.2)

SCHEDULE-1

(See section 3 (1) (a))

(Rates of duty payable by consumers other than those referred to in section 2 (a) (i) and (ii)).

S. No.	Nature of consumption	Rates of duty
Part – 1		
(1)	For energy consumed by consumer in respect of premises, used for residential purposes or educational purposes:-	
(a)	in rural areas	20 <i>per cent</i> of consumption charges.
(b)	in urban areas	
(i)	where the total consumption per month does not exceeds 40 units	25 <i>per cent</i> of consumption charges.
(ii)	where the total consumption per month exceeds 40 units	40 <i>per cent</i> of consumption charges.
<p>Explanation- "Educational purpose" means the purpose of imparting education on the premises of an approved school as defined in clause (2) of section 2 of the Bombay Primary Education Act, 1947, a recognised school or registered school as defined in clause (q) or as the case may be, clause (s) of section 2 of the Gujarat Secondary Education Act. 1972 or a University, established by any law for the time being in force in the State or a college affiliated to or, institution recognised or approved by such University.</p>		
(2)	For energy consumed for motive power by a service undertaking.	30 <i>per cent</i> of consumption charges.
(3)	For energy consumed for the use of- (a) (i) hall or (ii) Auditorium used for commercial purpose or let out for any purpose Or (b) (i) cinema house or (ii) theatre.	45 <i>per cent</i> of consumption charges.
(4)	For energy consumed by	
(a)	an undertaking engaged in the manufacture or the production of eatables or drinks which are not intended to be and are not consumed on the premises of such undertaking.	*Deleted by Gujarat Act No. 7 of 1991 with effect from 01-04-1991
(b)	Hotels including residential hotels, restaurants, eating houses and lodging and boarding houses. A Scheme "1995-2000 Package of intensive for Tourism Project" introduced by the Government under New Tourism Policy. Correction was made in Section 3 (3) and Appendix 4(b) & 7.	45 <i>per cent</i> of consumption charges.
(5)	For energy, consumed by an industrial undertaking. Not being an undertaking to which item (2) or (4) applies. Other than energy	

	consumed in respect of any of its premises used for residential purposes:-	
(a)	where an industrial undertaking consumes high tension energy	20 <i>per cent</i> of consumption charges.
(b)	where an industrial undertaking consumes exclusively low tension energy	10 <i>per cent</i> of consumption charges.
<p>Explanation I: - Any energy consumed by the industrial undertaking for installation of additional plants, machineries and equipment of such industrial undertaking shall be construed as energy consumed by such industrial undertaking.</p> <p>Explanation II:- For the purpose of this item:-</p> <p>(a) "high tension energy" means any energy supplied the voltage of which exceeds 450 volts under normal conditions subject however to the percentage variation allowed by the Indian electricity Rules, 1956.</p> <p>(b) "low tension energy" means any energy supplied, the voltage of which does not exceed 450 volts under normal conditions subject however to the percentage variation allowed by the rules aforesaid.</p>		
(6)	for energy in respect of pumping water for agriculture irrigation purposes	5 <i>per cent</i> of consumption charges
<p>Explanation: Any energy consumed for lighting in respect of premises used as a pump house shall be construed as energy, consumed in respect of the pumping water for agricultural irrigation purposes.</p>		
(7)	for energy consumed in respect of any premise and not falling under any of the items (1) to (6) above.	45 <i>per cent</i> of consumption charges w.e.f.1.4.2002
<p>(i) as to the item in this Schedule under which any consumption of energy falls:-</p> <p>Any industrial estate or Co-operative Society or private/ public limited company or any public trust established from the day of an new common effluent treatment plant for protection of pollution control in Gujarat were exempted from the only use of electricity for five years subject to terms and conditions of Notification No. GHU/97/10/ELD/1196/9841/K dated 20.02.1997</p>		
<p>Explanation 1:- For the purposes of this Part, the expression "consumption charges" means the charges payable by a consumer to a licensee or any person who generates energy for the energy supplied by such licensee or person but shall not be deemed to include any of the following charges. namely –</p> <p>(i) Meter charges</p> <p>(ii) Interest on delayed payment</p> <p>(iii) Fuse-off call charges and reconnection charges:</p> <p>Provided that –</p> <p>(a) Where no energy has been consumed by a consumer, minimum charges payable by him shall not be deemed to be consumption charges:</p> <p>(b) Where the units of energy actually consumed by a consumer are less than the units of energy for which prescribed minimum charges are</p>		

payable, "consumption charges". Shall, in the case of such consumer means the charges for the units of energy actually consumed by him and not the prescribed minimum charges.

- (c) Where a licensee who has installed the generating set for his own use supplies surplus electrical energy to any other industrial undertaking (hereinafter referred to as "the receiving undertaking") the charges payable by any other consumer for such quantum of power to the licensee who is engaged in the business of supplying energy within the area where the receiving undertaking is located shall be deemed to be "consumption charges" for such supply of energy (Clause (c) was added by Guj.8 of 1999).

Explanation II -in Explanation 1

- (a) The expression "energy, supplied by such licensee or person" shall not include the losses of energy sustained in transmission or transformation by a licensee or person before supply to a consumer;
- (b) the term "prescribed" means prescribed by the licensee or the person supplying the energy.

Part-II

Where any dispute arises-

- (i) whether any undertaking is an industrial undertaking or a new industrial undertaking or a service undertaking..
- (ii) whether any premises are used by an industrial undertaking for residential purpose or any other purpose
- (iii) as to the item in this Schedule under which any consumption of energy falls
- (iv) where energy is consumed for different purpose as to what portion of consumption is consumed for any particular purpose,

The dispute shall be referred for decision to such authority as the State Government may by notification in the Official Gazette, specify and different authorities may be specified for different areas of the State. The authority concerned shall after such inquiry as it deems fit record its decision.

An appeal shall lie against such decision to the State Government within sixty days from the date of the decision.

Where no appeal is filed against a decision of the authority,. the State Government may, of its own motion or otherwise within one year from the date of any order passed by the authority call for and examine the record of any .proceedings of the authority, for the purpose of satisfying itself as to the legality or propriety, of any decision or order passed and as to the regularity of the proceedings of such authority and pass such order thereon as it thinks fit.

The decision recorded by such authority, subject to any appeal to or revision by the State Government and the order of the State Government in appeal or revision, shall be final and shall not be called in question in any court.

SCHEDULE 11**(See section 3 (1) (b))****(Rates of duty payable by consumers referred to in section 2(a)(i) and (ii))**

S. No.	Nature of consumption	Rates of duty
Part – 1		
(1)	For energy consumed by consumer in respect of premises, used for residential purposes or educational purposes:-	
	(a) in rural areas	10 paise per unit.
	(b) in urban areas	20 paise per unit
Explanation- "Educational purpose" means the purpose of imparting education on the premises of an approved school as defined in clause (2) of section 2 of the Bombay Primary Education Act, 1947, a recognised school or registered school as defined in clause (9) or as the case may be, clause (s) of section 2 of the Gujarat Secondary Education Act. 1972 or a University, established by any law for the time being in force in the State or a college affiliated to or, institution recognised or approved by such University.		
(2)	For energy consumed for motive power by a service undertaking.	15 paise per unit
(3)	For energy consumed for the use of- (i) hall or (ii) Auditorium used for commercial purpose or let out for any purpose Or (b) (1) cinema house or (ii) theatre.	25 paise per unit
(4)	(a) For energy consumed by – * Deleted by Gujarat Act No. 7 of 1991 with effect from 01-04-1991	
	(a) Hotels including residential hotels, restaurants, eating houses and lodging and boarding houses.	30 paise per unit
(5)	For energy, consumed by an industrial undertaking. Not being an undertaking to which item (2) or (4) or (6) applies. Other than energy consumed in respect of any of its premises used for residential purposes:-	
	(a) where an industrial undertaking consumes high tension energy	40 paise per unit (a)
	(b) where an industrial undertaking consumes exclusively low tension energy	5 paise per unit
Explanation I:- Any energy consumed by the industrial undertaking for installation of additional plants. Machineries and equipments of such industrial undertaking shall be construed as energy, consumed by such industrial undertaking.		
Explanation II:- For the purpose of this items:-		
(a) "high tension energy" means any energy supplied. The voltage of which exceeds 450 volts under normal conditions subject however to the percentage variation allowed by the Indian electricity Rules, 1956.		
(b) "low tension energy" means any energy supplied, the voltage of which does not exceed 450 volts under normal conditions subject however to the percentage variation allowed by the rules aforesaid.		

(6)	for energy generated by co-generation or back pressure turbine and consumed for any purpose.	20 paise per unit
(7)	for energy consumed in respect of any premise not falling under any of the items (1) to (6) above.	20 paise per unit (c)
<p>Explanation:- For the purpose of this Part in determining the units of energy consumed the losses of energy sustained in transmission or transformation by a licensee or any person who generate energy before supply to a consumer shall be excluded.</p> <p>(a), (b) and (c) the figures were substituted by Guj.Act 8 of 1999.</p>		
<p>Part-II Where any dispute arises-</p> <p>(i) whether any undertaking is an industrial undertaking or a new industrial undertaking or a service undertaking..</p> <p>(ii) whether any premises are used by an industrial undertaking for residential purpose or any other purpose</p> <p>(iii) as to the item in this Schedule under which any consumption of energy falls</p> <p>(iv) where energy is consumed for different purpose as to what portion of consumption is consumed for any particular purpose,</p> <p>The dispute shall be referred for decision to such authority as the State Government may by notification in the Official Gazette, specify and different authorities may be specified for different areas of the State. The authority concerned shall after such inquiry as it deems fit record its decision.</p> <p>An appeal shall lie against such decision to the State Government within sixty days from the date of the decision.</p> <p>Where no appeal is filed against a decision of the authority,. the State Government may, of its own motion or otherwise within one year from the date of any order passed by the authority call for and examine the record of any .proceedings of the authority, for the purpose of satisfying itself as to the legality or propriety, of any decision or order passed and as to the regularity of the proceedings of such authority and pass such order thereon as it thinks fit.</p> <p>The decision recorded by such authority, subject to any appeal to or revision by the State Government and the order of the State Government in appeal or revision, shall be final and shall not be called in question in any court.</p>		

APPENDIX-II

(As referred to paragraph No. 7.3.2)

SCHEDULE-1

(See section 3 (1) (a))

(Rates of duty payable by consumers other than those referred to in section 2 (a) (i) and (ii)).

(UPDATED)

S. No.	Nature of consumption	Rates of duty
Part – 1		
(1)	For energy consumed by consumer in respect of premises, used for residential purposes or educational purposes:-	
(a)	in rural areas	7.50 <i>per cent</i> of consumption charges.
(b)	in urban areas	15 <i>per cent</i> of consumption charges.
<p>Explanation- "Educational purpose" means the purpose of imparting education on the premises of an approved school as defined in clause (2) of section 2 of the Bombay Primary Education Act, 1947, a recognised school or registered school as defined in clause (q) or as the case may be, clause (s) of section 2 of the Gujarat Secondary Education Act. 1972 or a University, established by any law for the time being in force in the State or a college affiliated to or, institution recognised or approved by such University.</p>		
(2)	For energy consumed by Hostels for students	
(a)	in rural areas	7.50 <i>per cent</i> of consumption charges.
(b)	in urban areas	11.25 <i>per cent</i> of consumption charges.
(3)	For energy, consumed by an industrial undertaking other than energy consumed in respect of any of its premises used for residential purposes:-	
(a)	where an industrial undertaking consumes high tension energy	15 <i>per cent</i> of consumption charges.
(b)	where an industrial undertaking consumes exclusively low tension energy	10 <i>per cent</i> of consumption charges.
<p>Explanation I:- Any energy consumed by the industrial undertaking for installation of additional plants, machineries and equipment of such industrial undertaking shall be construed as energy consumed by such industrial undertaking.</p> <p>Explanation II:- For the purpose of this item:-</p> <p>(a) "high tension energy" means any energy supplied the voltage of which exceeds 650 volts under normal conditions subject however to the percentage variation allowed by the Indian electricity Rules, 1956.</p> <p>(b) "low tension energy" means any energy supplied, the voltage of which does not exceed 650 volts under normal conditions subject however to the percentage variation allowed by the rules aforesaid.</p>		
(4)	for energy in respect of any premises not falling under any of the items(1),(2) and (3) above	25 <i>per cent</i> of consumption charges

Explanation :- For the purposes of this Part, the expression "consumption charges" means the charges payable by a consumer to a licensee but shall not include any of the following charges, namely –

- (i) Meter charges
- (ii) Interest on delayed payment
- (iii) Fuse-off call charges and reconnection charges
- (iv) the losses of energy sustained in transmission or transformation by a licensee or person before supply to a consumer;

Provided that –

- (a) Where no energy has been consumed by a consumer, minimum charges payable by him shall not be deemed to be consumption charges:
- (b) Where the units of energy actually consumed by a consumer are less than the units of energy for which prescribed minimum charges are payable, "consumption charges" shall, in the case of such consumer means the charges for the units of energy actually consumed by him and not the prescribed minimum charges.
- (c) Where any person supplies electrical energy to any other person (hereinafter referred to as "the reviewing person"), the charges payable by the receiving person for such quantum of power to the distribution licensee under section 14, who is engaged in the business of supplying energy within the area where the receiving person is located, shall be deemed to be consumption charges for such supply of energy. .

Part-II

Where any dispute arises-

- (i) Whether any undertaking is an industrial undertaking or a new industrial undertaking or ¹⁹[additional unit of the industrial undertaking];
- (ii) whether any premises are used by an industrial undertaking for residential purpose or any other purpose
- (iii) as to the item in this Schedules under which any consumption of energy falls
- (iv) where energy is consumed for different purpose as to what portion of consumption is consumed for any particular purpose;

The dispute shall be referred for decision to such authority as the State Government may by notification in the *Official Gazette*, specify and different authorities may be specified for different areas of the State. The authority concerned shall after such inquiry as it deems fit record its decision.

An appeal shall lie against such decision to the State Government within sixty days from the date of the decision.

Where no appeal is filed against a decision of the authority, the State Government may, of its own motion or otherwise within one year from the date of any order passed by the authority call for and examine the record of any proceedings of the authority, for the purpose of satisfying itself as to the legality or propriety, of any decision or order passed and as to the regularity of the proceedings of such authority and pass such order thereon as it thinks fit.

The decision recorded by such authority, subject to any appeal to or revision by the State Government and the order of the State Government in appeal or revision, shall be final and shall not be called in question in any court].

¹⁹These words were substituted for the words "service undertaking" by Guj. 8 of 2013. S.5(2).

SCHEDULE 11**(See section 3 (1) (b))****(Rates of duty payable by consumers referred to in section 2(a)(i) and (ii))**

S. No.	Nature of consumption	Rates of duty
Part – 1		
(1)	For energy consumed by consumer in respect of premises, used for residential purposes or educational purposes:-	
	(c) in rural areas	10 paise per unit.
	(d) in urban areas	20 paise per unit
Explanation- "Educational purpose" means the purpose of imparting education on the premises of an approved school as defined in clause (2) of section 2 of the Bombay Primary Education Act, 1947, a recognised school or registered school as defined in clause (9) or as the case may be, clause (s) of section 2 of the Gujarat Secondary Education Act, 1972 or a University, established by any law for the time being in force in the State or a college affiliated to or, institution recognised or approved by such University.		
(2)	For energy consumed for the use of- (a) (i) hall or (ii) Auditorium used for commercial purpose or let out for any purpose Or (b) (1) cinema house or (ii) theatre.	25 paise per unit
(3)	For energy consumed by Hotels including residential hotels, restaurants, eating houses and lodging and boarding houses.	30 paise per unit
(4)	For energy, consumed by an industrial undertaking other than energy consumed in respect of any of its premises used for residential purposes:-	55 paise per unit
Explanation:- Any energy consumed by the industrial undertaking for installation of additional plants, machineries and equipments of such industrial undertaking shall be construed as energy, consumed by the industrial undertaking.		
(5)	for energy consumed in respect of any premise not falling under any of the items (1) to (4) above.	40 paise per unit
Explanation:- For the purpose of this Part in determining the units of energy consumed the losses of energy sustained in transmission or transformation by a licensee or any person who generate energy before supply to a consumer shall be excluded.		
Part-II Where any dispute arises-		
(i)	whether any undertaking is an industrial undertaking or a new industrial undertaking or ²⁰ [additional unit of the industrial undertaking];	

²⁰These words were substituted for the words "service undertaking" by Guj. 8 of 2013. S.5(2).

- (ii) whether any premises are used by an industrial undertaking for residential purpose or any other purpose
- (iii) as to the item in this Schedule under which any consumption of energy falls
- (iv) where energy is consumed for different purpose as to what portion of consumption is consumed for any particular purpose,

The dispute shall be referred for decision to such authority as the State Government may by notification in the Official Gazette, specify and different authorities may be specified for different areas of the State. The authority concerned shall after such inquiry as it deems fit record its decision.

An appeal shall lie against such decision to the State Government within sixty days from the date of the decision.

Where no appeal is filed against a decision of the authority, the State Government may, of its own motion or otherwise within one year from the date of any order passed by the authority call for and examine the record of any proceedings of the authority, for the purpose of satisfying itself as to the legality or propriety, of any decision or order passed and as to the regularity of the proceedings of such authority and pass such order thereon as it thinks fit.

The decision recorded by such authority, subject to any appeal to or revision by the State Government and the order of the State Government in appeal or revision, shall be final and shall not be called in question in any court.

Self-generation for self-consumption purposes:

As per the provisions of the Gujarat Electricity Charges Act, 1958 and the Mumbai Electricity Charges (Gujarat) Rules, 1986, any person or organization who wants to generate electricity through the generating set and consumes it, then it is mandatory to apply online for registration of their generating set. Electricity Duty Rate is revised from 55 paise per unit to 60 paise per unit for self-generated energy consumed for industrial purpose wef 1.8.2019.

GUJARAT GOVERNMENT GAZETTE EX., 30-03-2016

ENERGY & PETROCHEMICALS DEPARTMENT

Notification

Sachivalaya, Gandhinagar, 30th March, 2016.

Bombay Electricity Duty Act, 1958.

No. GHU/2016/(33)/ELD/12-2016/375/E.- In exercise of the power conferred by clause (b) of sub section (3) of section 3 of the Gujarat Electricity Duty Act, 1958 (Bom. XL of 1958), the Government of Gujarat hereby reduces with effect from 1st April, 2016, in the whole of the State of Gujarat, the rate of electricity duty specified in item 4 of the Schedule I from existing 25 per cent to 15 per cent of consumption charges, in respect of energy consumed by a Hospital unit having 10 or more beds.

Explanation: - A hospital unit having facility of medical store, laboratory or canteen, either all or any of them, in the-premises of the hospital itself shall be deemed to be a part of such hospital for the purpose of charging the duty.

By order and in the name of the Governor of Gujarat,

SHOBHANA DESAI,

Additional Secretary to Government.

ENERGY & PETROCHEMICALS DEPARTMENT

Notification

Sachivalaya, Gandhinagar, 1st June, 2016.

Gujarat Electricity Duty Act, 1958.

No.GHU/2016/(61)/ELD/12-2015/3001/E:- WHEREAS the Government of Gujarat has introduced the "Tourism Policy 2015-2020, vide Government Resolution, Industries and Mines Department No.TDC-102014-42226-S, Dated the 24th September, 2015 (hereinafter referred to as "the said resolution");

AND WHEREAS, the Government of Gujarat considers it necessary so to do in the public interest;

NOW, THEREFORE, in exercise of the powers conferred by clause (b) of sub section(3) of section 3 of the Gujarat Electricity Duty Act,1958 (Bom XL of 1958), the Government of Gujarat hereby remits the electricity duty specified under item 4 of the Schedule I and items 2, 3 and 5 of the Schedule II to the said Act, in respect of energy consumed by a "New Tourism Unit" as defined under 5.2 of the said resolution and eligible for remission of electricity duty under the said resolution, for a period of 5 years with effect on and from the date of issue of this notification in the *Official Gazette* or from the date of consumption of energy by a "New Tourism Unit", whichever is later subject to the following terms and conditions:-

- (1) The application for Eligibility Certificate for grant of remission of electricity duty under this notification shall be made by the eligible "New Tourism Unit", to the Collector of Electricity Duty, Gandhinagar in the form as may be prescribed by him within 90 days from the date of issue of eligibility Certificate as per the said resolution by the Commissioner of Tourism, Gandhinagar or from the date of publication of this notification in the *Official Gazette*, whichever is later.
- (2) The "New Tourism Unit" shall be registered as per the provisions of the said resolution with the Commissioner of Tourism Gandhinagar.
- (3) An application for obtaining the certificate of remission of electricity duty shall be accompanied by the eligibility certificate issued by the Commissioner of Tourism, Gandhinagar.
- (4) Where an application for Eligibility Certificate referred to above is made to the Collector of Electricity Duty, Gandhinagar after expiry of the stipulated period of 90 days, the period of five years of remission of electricity duty shall be reduced by the period so lapsed and benefit of remission of electricity duty shall be available from the date of receipt of an application by the Collector of Electricity Duty, Gandhinagar.
- (5) If eligible "New Tourism Unit" has more than one tourism units, it shall obtain separate Eligibility Certificate for each such tourism unit.
- (6) The remission under this notification shall be subject to the terms and conditions referred to in the said resolution and further conditions stipulated in this notification and on breach of any of these terms or conditions, the remission for electricity duty shall be withdrawn with immediate effect and the eligible "New Tourism unit" shall be liable to pay electricity duty for the period for which benefit for remission has been availed.

By order and in the name of the Governor of Gujarat,

SHOBHANA DESAI, Additional Secretary to Government.

ENERGY & PETROCHEMICALS DEPARTMENT,
NOTIFICATION

Sachivalaya, Gandhinagar

Dated the 15th February, 2019.

Gujarat Electricity Duty Act, 1958

No. GHU/2019/10/ELD/12/2018/1553/E:- The following draft of rules which is proposed to be issued under section 12 of the Gujarat Electricity Duty Act, 1958 (Bom. XL of 1958) is hereby published as required by sub-section (3) of the said section 12 of the information of all persons likely to be affected thereby and notice is hereby given that the said draft will be taken into consideration by the Government of Gujarat on or after the expiry of thirty days from the date of its publication in the Official Gazette.

2. Any objection or suggestion which may be received by the Joint Secretary to the Government of Gujarat, Energy and Petrochemicals Department, Block No. 5, 5 Floor, New Sachivalaya, Gandhinagar, from any person with respect to the said draft on or before the expiry of the aforesaid period will be considered by the Government.

DRAFT NOTIFICATION

No. GHU/2019/10/ELD/12/2018/1553/E: - In exercise of the powers conferred by sub-section (1) of section 12 of the Gujarat Electricity Duty Act, 1958 (Bom. XL of 1958), the Government of Gujarat hereby makes the following rules further to amend the Bombay Electricity Duty (Gujarat) Rules, 1986, namely:-

1. (1) These rules may be called the Bombay Electricity Duty (Gujarat) (Amendment) Rules, 2019.
(2) They shall come in to force on the date of their final publication in the Official Gazette.
2. In the Bombay Electricity Duty (Gujarat) Rules, 1986 (herein after referred to as “the said rules”), in the preamble for the words and figures “Bombay Electricity Duty Act, 1958” wherever they occur in the title, first and third paragraph, the words and figures “Gujarat Electricity Duty Act, 1958” shall be substituted.
3. In the said rules, in rule 2, in sub-rule (1), in clause (a), for the words and figures “Bombay Electricity Duty Act, 1958” the words and figures “Gujarat Electricity Duty Act, 1958” shall be substituted.
4. In the said rules, in rule 10, in sub-rule (1), in clause (b), in sub-clause (i), for the words, bracket and figure “electricity duty under sub-section (3)”, the word bracket and figure “electricity duty under sub-section (2)” shall be substituted.
5. In the said rules, in rule 11A,
 - (1) in sub-rule (1), after condition no. 6 the following condition no. 7 shall be inserted namely;

“7”. The benefit of exemption, granted in any manner, shall be subject to verification and review of required necessary information or documents produced while making an application or physical verification of the undertaking and the same shall, after giving an opportunity of being heard to the applicant to prove the bonafides, be liable to be withdrawn with immediate effect, if it is established at any time that any false or fictitious information and / or documents are

produced by the new industrial undertaking for the purpose of getting the benefit of exemption, the financial benefit so gained prior to the date of withdrawal of such benefit shall have be remitted back to the State Government.

Provided that if such remittance is not made within the period of thirty days, the amount of such remittance together with interest thereon at the rate of 18 per cent. per annum shall be recoverable either through a Civil Court or as an arrear of land revenue.”.

(2) in sub-rule (2), the following condition no. 4 shall be inserted at the end, namely;

“4”. The benefit of exemption, granted in any manner, shall be subject to verification and review of required necessary information or documents produced while making an application or physical verification of the undertaking and the same shall, after giving an opportunity of being heard to ‘the applicant to prove the bonafides, be liable to be withdrawn with immediate effect, if it is established at any time that any false or fictitious information and / or documents are produced by the additional industrial undertaking for the purpose of getting the benefit of exemption, the financial benefit so gained prior to the date of withdrawal of such benefit shall have be remitted back to the State Government.

Provided that if such remittance is not made within the period of thirty days, the amount of such remittance together with interest thereon at the rate of 18 per cent. per annum shall be recoverable either through a Civil Court or as an arrear of land revenue.”.

6. In the said rules, in FORM “E” prescribed under sub-rule (1) of rule 11, the following declarations shall be inserted at the end before the words “Place”, “Date” and “Signature of Applicant”, namely;

“Declaration (for new industrial undertaking)

I/We hereby declare that:-

1. This is the new industrial undertaking (manufacturing unit) established in the State of Gujarat at (Full address and name of the unit)
2. This is not formed by splitting up or the reconstruction of a business or undertaking already in the Gujarat State.
3. This is not an expansion of the existing business or undertaking in the State of Gujarat.
4. This is not formed by transfer to new business or undertaking of a building, machinery or plant previously used in India for any industrial purpose, of the value which does not exceed the value in relation to total value of the aforesaid investmentsspecified by the Government of Gujarat by notification in the Official Gazette No. GHU-2005-98/ELD/11-2005/873/K, dated 01.10.2005.

I/We hereby undertake to pay the amount of electricity duty exempted from the date of granting the exemption along with the interest thereon, for breach of aforesaid declaration and for any information or documents supplied by me/us found false or fictitious at any point of time.

Declaration (for an additional unit of an industrial undertaking)

I/We hereby declare that:-

1. This is an additional unit of the Industrial undertaking established in the State of Gujarat at different independent and identifiable premises of the existing premises of the industrial undertaking.
2. The details of the existing unit located in the State of Gujarat is as follows:

Sr. No	Address of the existing unit(s) including survey No, Block No, Plot No, Final Plot No, Village, Taluka, District etc.	Name and Address of Billing centre of the licensee	Electric connection/Service No	Total Installed generating capacity.
1.				
2.				
3.				
4.				

3. This additional unit is adjacent to the existing unit located at Sr.No._____ mentioned above.
 - (i) The separate sub-meter/s nos._____ for recording exclusive consumption of this additional unit is tested on Dt _____in the laboratory and installed at site on Dt_____ and sealed at site on Dt_____ by the licensee/by laboratory established and operating in the Gujarat State having accreditation of National Accreditation Board for testing and Calibration Laboratory, or;
 - (ii) Presently installation and sealing of meter is under process.

OR

This additional unit located at _____ is not adjacent to any of the above existing unit(s). The nearest existing unit at Sr.No._____ is _____ meters/kilometres away from this unit. The premises between these units are not owned by us/in our possession. This additional unit is supplied with electrical energy through separate Connection/Service NO.....and/or generating sets having aggregate capacity of _____KW/KVA.

4. This additional unit of the industrial undertaking is not formed by splitting up or the reconstruction of a business or undertaking already in the State.
5. The total capital investment in an additional unit of industrial undertaking in the form of building, plant and machinery, immediately before the date of commencement of manufacture or production is not less than 50% of the capital investment made in all the existing industrial undertaking in the State, as stated at Sr. No. 2 above, on the aforesaid assets immediately before the commencement of production by an additional unit of industrial undertaking.

OR

The capital investment made in additional unit of the industrial undertaking is more than rupees 100 Crores in the form of building, plant and machinery immediately before the date of commencement of manufacture or production by the additional unit.

6. This is not formed by transfer to new business or undertaking of a building, machinery or plant previously used in India for any industrial purpose, of the value which does not exceed the value in relation to total value of the aforesaid investments specified by the Government of Gujarat by notification in the *Official Gazette* No. GHU-2005-98/ELD/11-2005/873/K, dated 01.10.2005.

I/We hereby undertake to pay the amount of electricity duty exempted from the date of granting the exemption along with the interest thereon, for breach of aforesaid declaration and for any information or documents supplied by me/us found false or fictitious at any point of time.

7. In the said rules, in FORM "F" prescribed under sub-rule (2) of rule 11, after terms and condition no. 5 the following condition No.6 shall be inserted, namely;

"6. The benefit of exemption, granted in any manner, shall be subject to verification and review of required necessary information or documents produced while making an application or physical verification of the undertaking and the same shall, after giving an opportunity of being heard to the applicant to prove the bonafides, be liable to be withdrawn with immediate effect, if it is established at any time that any false or fictitious information and / or documents are produced by the new industrial undertaking for the purpose of getting the benefit of exemption, the financial benefit so gained prior to the date of withdrawal of such benefit shall have be remitted back to the State Government.

Provided that if such remittance is not made within the period of thirty days, the amount of such remittance together with interest thereon at the rate of 18 per cent. per annum shall be recoverable either through a Civil Court or as an arrear of land revenue."

8. In the said rules, in form 'G' prescribed under sub-rule (2) of rule 11, after terms and condition no. 5, the following conditions shall be inserted, namely;

"(6) The benefit of exemption, granted in any manner, shall be subject to verification and review of required necessary information or documents produced while making an application or physical verification of the undertaking and the same shall, after giving an opportunity of being heard to the applicant to prove the bonafides, be liable to be withdrawn with immediate effect, if it is established at any time that any false or fictitious information and / or documents are produced by the additional industrial undertaking for the purpose of getting the benefit of exemption, the financial benefit so gained prior to the date of withdrawal of such benefit shall have be remitted back to the State Government.

Provided that if such remittance is not made within the period of thirty days, the amount of such remittance together with interest thereon at the rate of 18 per cent. per annum shall be recoverable either through a Civil Court or as an arrear of land revenue."

By order and in the name of the Governor

MAHESH PATEL,

Joint Secretary to Government.

ENERGY & PETROCHEMICALS DEPARTMENT,
NOTIFICATION

Sachivalaya, Gandhinagar

Dated the 03th June, 2019.

Gujarat Electricity Duty Act, 1958

No. GHU- 2019-37-ELD-12-2019-510-E.- In exercise of the powers conferred by clause (b) of sub-section (3) of section 3 of the Gujarat Electricity Duty Act, 1958 (BOM XL of 1958), (hereinafter referred to as “the said Act”) the Government of Gujarat hereby remits the electricity duty in the State of Gujarat, payable under Schedule I and Schedule II of the said Act, in respect of electrical energy consumed by the desalination plant established and operating for the purpose of supplying desalinated drinking water to the Gujarat Water Supply and Sewerage Board (GWSSB) for the supply to the people of the State either directly by GWSSB or through Municipal Corporation, Municipality, local board, notified area Committee, Cantonment board or Panchayat constituted under any Law for the time being in force in the State, for a period of twenty-five years from the date of publication of this notification in the *Official Gazette* or from the actual date of commencement of the desalination plant, after agreement entered with the GWSSB whichever is later.

The remission of electricity duty as specified above shall be, subject to the following terms and conditions, namely:-

1. Eligibility certificate for remission of electricity duty under this notification shall be obtained by the owner of the plant from the Collector of Electricity Duty, Gandhinagar by making an application to him within 90 days from the date of starting of supply of desalinated water or from the date of publication of this notification in the *Official Gazette*, whichever is later.
2. Where an application for eligibility certificate referred to above is made to the Collector of Electricity Duty after expiry of the stipulated period of 90 days, the period of twenty-five years of remission of electricity duty shall be reduced by the period lapsed between the date of starting of supply of desalinated water and benefit of remission of electricity duty shall be available from the date of receipt of application by the Collector of Electricity Duty, Gandhinagar.
3. Separate meters shall be provided, duly tested and sealed by the licensee for indicating the units of energy consumed for the plant for which remission of electricity duty is sought for when electricity is used for other purposes also.
4. Where separate meters are not provided as mentioned in condition No.3 above, the period of remission of electricity duty shall be reduced by the period lapsed between the date of commencement of the desalination plant and the date of installation of separate meters:

Provided that when the consumer installs separate meters within ninety days from the date of direction so given by the Collector of Electricity Duty, Gandhinagar, the consumption for different purposes would be assessed by the Collector of Electricity Duty on the basis of average consumption of three months record through the separate meters and then the consumer would be entitled for the benefit for the remitting for the period as specified in this notification.

5. During the period of remission, if for any reason whatsoever reason agreement to supply desalinated water is terminated or supply of desalinated water is stopped continuously for more than six months the eligibility certificate shall automatically stand cancelled.

By order and in the name of the Governor of Gujarat,

M. I. PATEL,

Joint Secretary to Government.

7.8 ELECTRICITY DUTY AND FEES

7.8.1 FUNCTION AND DUTY OF STATE ELECTRICITY BOARD.

Under the provisions of the Electricity (Supply) Act, 1948 and the Gujarat Electricity Supply Rules 1966, the Board has the control over the supply of energy. Guidance to the Government in respect of issue of licensee for generation of Electricity energy and supply there of to the consumers are given by the Commissioner of Electricity through the Inspection of installation made by the consumers at their premises for various purposes viz. Residential, Industrial, Commercial, temporary, others etc.

A Electricity Duty

1. The rates of Electricity duty is prescribed under Schedule I and II to the Act. The Electricity duty is required to be levied on the consumption of Electricity and to be paid to the Government (*Section 3(1)*).
2. The Electricity duty is not leviable on the units of energy consumed by the consumers as prescribed under *Section 3(2)* of the Act.
3. The State Government may by notification in the official Gazette and subject to such terms and conditions as may be specified therein, reduce the rate of duty or remit the duty in respect of-
 - (a) electro-chemical electro-lystical or electro-metallurgical process carried on by an Industrial under taking or;
 - (b) such class of consumers or such class of premises in such area and for such period as the State Government may specify in the notification.

[Section 3(3)]
4. Every licensee is required to collect and pay to the Government at the time and in the manner prescribed, the proper Electricity duty payable under this Act in respect of energy supplied by him to consumers. The duty so payable is required to be a first charge on the amounts recoverable by the Licensee for the energy supplied by him and is the debt due by the Government.

[Section 4(2)]
5. In case, if the licensee is supplying energy to any consumers at free of cost, the consumers have to pay duty to the Government. [Section 4(2)]
6. Where any consumer fails or neglects to pay the amounts of duty due from him, such duty is required to be deducted from Deposits recovered from the consumers, after giving notice less than seven clear days to cut-off the supply of energy and action under the Act to recover the dues. [Section 4(3)]
7. In respect of any consumers, the Government may (1) extend the date of payment (2) allow to pay in installments (3) allow deferment of payment of Electricity Duty not exceeding 5 years in aggregate. [Section 4(3A)]
8. Rebate on cost of collection of Electricity duty is required to be allowed to a licensee. [Section 4(4)]

9. A person or Licensee who uses energy generated by him has to pay duty on the units of energy consumed. [Section 4(5)]
10. Returns in such forms and at such a time as may be prescribed by the Government is required to be submitted to the Government showing all the details as required in the forms. [Section 4(5)]
11. Section 6&7 deals with the appointment of Inspector and who exercises powers and performance of duty under the Acts and Rules. .
12. Interest for belated payment of duty: Any sum due on accounts of Electricity duty, if not paid at the time and in the manner prescribed is required to be deemed as in arrears and there upon such interest not exceeding 24 *per cent* per annum which the Government may by general or special order fix is required to be payable on such sums and the sums together with interest there on is required to be recovered either through a civil court or as an arrears of land revenue. (Section-8)
13. **FINES**
If the licensee fails to submit returns or keeping books of accounts or willfully obstructs the Inspector, he is liable for fine which may be extended to one thousand rupees (w.e.f.1-4-99).
(Section-8)

RULES FOR LEVY OF ELECTRICITY DUTY

1. LEVY AND COLLECTION OF ELECTRICITY DUTY.

Every licensee have to recover the duty from the consumers and credited to the Government within 40 days after the expiry of the calendar month for which duty was collected provided, extension for time limit for the said payment, the Government can grant extension not exceeding 15 days subject to 80 *per cent* payment of duty on the basis of duty paid for the previous month within a period of 40 days. (Rule-3 I.E.C.Rules 1956)

Further, if licensee pays the duty by cheque, the date of payment should be the date of credit accounted for in Government accounts.

2. MAINTENANCE OF RECORDS BY THE LICENSEE

Under Section 5, the Licensee have to maintain the books of accounts, registers etc. under Sub-Rule (v) to (II) of Rule 4.

3. SUBMISSION OF RETURNS

Under Section 5, the licensees have to submit the following monthly returns in duplicate within 40 days of the month to which it relates, to the Collector of Electricity duty or Electricity duty Inspector.

(Rule 6)

(i) In form-A details of Sub Rule (I) to (II) of Rule 6,

(ii) In form-B details of Sub Rule (1) (2) of Rule 6,

4. ASSESSMENT OF RETURNS

Records as maintained under Section 5 should be inspected minimum at least once in a month and returns to be scrutinised so far as Electricity duty is concerned and also verify the entry of exemption of Electricity duty.

5. LEVY OF HIGHER RATE OF ELECTRICITY DUTY

For different kind of purposes, the consumers have to install a separate meter, however, if no separate meter is installed, higher rate is applicable.

(Rule 10)

6. EXEMPTION FROM PAYMENT OF DUTY

Either in form 'E' or 'F' the applicant has to make application within 180 days from the date of

- (a) starting generating the Energy. (For Licensee)
- (b) first time manufacturing or (for Customer) production of goods.

Exemption is not available for delay in submission of application.

7. REFUND OF EXCESS DUTY PAID

Application along with duty paid receipt is required to be submitted within 12 months from the date of such payment and after scrutiny of the claim, satisfying the excess payment, appropriate authority may grant such refund. (Rule 12)

8. INTEREST FOR DELAY PAYMENT

Any sum due on account of Electricity duty, if not paid in time and in the manner prescribed under the rules, such amounts in arrear will carry interest at 24 per cent and the sum together with any interest there on shall be recoverable either through a civil court or as arrears of land revenue. (Section 8 of the Act)

Prevailing rates of electricity duty under the Gujarat Electricity Duty Act, 1958

S. No.	category	Rate of electricity duty
(1) Duty on consumption of electricity other than production of electricity by self (in percentage of cost of consumption)		
	Residential and educational	
	(a) Rural area	7.50 per cent
	(b)Urban area	15 per cent
	Hostel for students	
	(a) Rural area	7.50 per cent
	(b)Urban area	15per cent
	Industrial units	
	(a) High voltage	15 per cent
	(b) Low voltage	10 per cent
	Other than above(includes commercial)	25 per cent
(2)Electricity duty on electricity produced by self (Per unit)		
	Residential and educational	
	(a) Rural area	10 paisa
	(b)Urban area	20 paisa
	(a) (1) Hall (2) Auditorium	25 paisa
	(b)(1) Cinema House (2) Theater	
	Hotel and restaurant	30 paisa
	Industrial units	55 paisa
	Other than above(includes commercial)	40 paisa

7.9 DETAILS OF AUDIT PROCEDURE

It would have been seen from the earlier chapters that the audit of electricity duty and fees will be conducted in two different sets of offices, namely, the executive offices and the office of the Collector of Electricity Duty.

In the executive offices, registers are maintained showing different consumers or licensees generating/ distributing/ transforming electricity whose installations will require periodical inspection by the executive staff. The periodicity of inspection in respect of each such installation like generating unit, transformer etc. is laid down by the State Government. It should be seen in audit with reference to these registers whether the periodicity prescribed by the Government in relation to the inspection of each unit is observed and whether the fees for inspection collected by the executive are according to the scale of fees laid down by Government where certain installations have not been inspected for years together for want of adequate executive staff or for any other reasons, the point should be brought to prominence in the local audit report.

Usually, Government also prescribes the quantum of inspection that each inspector should conduct during a calendar year. It should be seen that as far as possible, inspection is carried out by each inspector according to the quantum fixed for him and inspections do not lapse into arrears on account of any short-fall in the inspection quota of one or more of the inspecting staff.

In regard to the collection of electricity duty, the returns received from the different licensees should receive attention in audit. It should be seen that energy consumed for different purposes and which are subject to payment of duty at different rates is indicated separately in the returns and charges are correctly levied on the consumption shown in the return. Where in any case, a consumer having different installations liable for payment of duty at different rates has not installed separate meters for recording the consumption separately for each of his installations, it should be seen whether duty has been levied at the highest rate at which the consumer is liable to pay duty.

Exemptions from the payment of electricity duty either wholly or partially should receive special attention. The exemptions should be examined from the point of view of the provisions in the Act and from the point of view of propriety wherever necessary.

In the course of audit, reports of inspection of different installations which are conducted by the executive officers can be obtained and studied in order to see that the nature of the installations falls within the correct duty classification in the rate schedule. Wherever a doubt is felt regarding the eligibility of a unit to pay duty at a particular rate and not a higher rate, the department should be asked to furnish complete information regarding the consumer in question so that audit can decide whether the rate of duty being charged to the consumer is correct or not.

Refunds of duty granted by the Collector of Electricity Duty will be examined in audit to see that the refunds are admissible and the payments of refunds are so noted on the records that a second claim would not be admitted.

Subject to the general audit checks indicated above, the following detailed audit procedure should be followed.

- (1) In the offices of the licensees, meter reading books should be scrutinized to see whether the units of energy consumed are correctly worked out.
- (2) The units consumed are correctly entered in the consumer's ledger from the meter reading book.
- (3) The bills are prepared correctly to include the energy consumed as entered in the ledger.
- (4) The rates of duty charged are correct according to the scale laid down.
- (5) The realisation of the amount of duty and their payment into Government account is being promptly done.
- (6) The revenue collection register maintained by the collector of electricity duty should be checked with the returns of the licensee and treasury challans. Reconciliation of the amounts received at each treasury should be independently carried out with the consolidated treasury receipts obtained from the treasury officer concerned.
- (7) Electricity duty at normal rates is charged in all cases in which energy is supplied free by the licensee.
- (8) Electricity duty has been realized from persons consuming from their own source of generation.
- (9) Meters being installed for generation and consumption of energy in the auxiliaries should also be seen. In cases where meters for generating the energy shown as consumed in the process of generation, may be compared with the percentage fixed by the Government or any authority or obtaining in other comparable identical units.
- (10) The inspections of the electrical installations have been carried out only after the payment of prescribed fees.
- (11) It should be seen in audit whether interest at prescribed rate of 24 *per cent* is levied on all sums of electricity duty not paid within prescribed time limit.

7.10 AUDIT CHECKS

The sampling technique and the audit checks to be adopted while conducting audit in respect of Inspection fee & Electricity duty has been brought out in *Statement-7(A) and Statement-7(B)* respectively.

Statement-7-A (refer parapgraph no.7.10)

Sampling Methodology to be adopted

**AUDIT IN RESPECT OF
CHIEF ELECTRICAL INSPECTOR AND COLLECTOR OF
ELECTRICITY DUTY
(HOD)**

- Scrutiny of returns filed by licensee i.e. GUVNL, Torrent Power Ahmedabad and Surat.
- Scrutiny of Self Generating units (Max. 50 cases or 25%)
- Cases of Electricity Duty exemption/reduction/remission granted during the year. (Max. of 25%)
- Cases of Electricity Duty exemption/reduction/remission granted during the previous years. (Max. of 25%)
- Expenditure Audit for the selected two months (100%)
- Scrutiny of Contracts executed during the period of Audit (100%).

**AUDIT IN RESPECT OF
DEPUTY CHIEF ELECTRICAL INSPECTOR LIFT AND
ESCALATORS
(HOD)**

- Scrutiny of permissions granted for lifts and escalators during the period of audit.(Max.25%)
- Scrutiny of Renewal granted in respect of lifts and escalators (Max 25%).
- Expenditure Audit for the selected two months (100%)
- UTCs in respect of grants received, if any

**AUDIT IN RESPECT OF
ELECTRICAL INSPECTORS/ ASSISTANT ELECTRICAL INSPECTOR**

- Scrutiny of Inspection Register/Ledger (Max. 25%)
- Expenditure Audit in respect of two months (wherever applicable)

Statement-7-B (refer parapgraph no.7.10)

Checks to be exercised during audit of Electricity duty and Inspection Fees

The audit of electricity duty and fees will be conducted in two different sets of offices, namely, the executive offices and the office of the Collector of Electricity Duty.

It is the function of the Electrical Inspectors assisted by the Assistant Electrical Inspector to carry out the provisions of the Indian Electricity Act, 1910 and the rules framed there under and the Gujarat Electricity Duty Act, 1958. Inspections of Electrical installations, testing of equipments etc, are conducted by these executive officers.

From the point of view of audit, the powers of inspection by Electrical Inspector are of much relevance because the inspections are conducted on payment of prescribed fees.

Audit Check-Questionnaire

Date of audit:-

CHECKS TO BE APPLIED DURING THE COURSE OF THE AUDIT OF EXECUTIVE OFFICES/ASSTT. ELECTRICAL INSPECTOR:

Sr. No	What to check	Y/N/NA	Comments
(i)	Whether periodicity prescribed by the Government in relation to the inspection of each unit is observed		The audit party should prepare the list of all such cases where it was not done and comment on the impact on it.
(ii)	Whether inspection is carried out by each inspector according to the quantum fixed for him and inspections do not lapse into arrears on account of any short-fall in the inspection quota of one or more of the inspecting staff		
(iii)	Whether returns furnished by subordinate office were received in time.		The audit party should scrutinize the return and delay if any may be pointed out
(iv)	Whether returns and reports submitted to Head Office, Government or departments were in time.		The audit party should scrutinize (discrepancy if any to be brought out in the report).
(v)	Whether the fees for inspection levied by the executive are according to the scale of fees laid down by Government		The audit party should verify the inspection report regarding inspection carried out by the Inspector for HT/ LT consumer and prepare the list of all such cases where it was not done and comment on the impact on revenue
(vi)	As per rule 46 Indian Electricity Rules,1956 the inspection fee is		The audit party should verify the register of

	to be paid in advance or at the time of inspection		recovery of inspection fee and Non/ short recovery if any, pointed out.
(viii)	Whether inspection fee for Lifts/ Escalators has been recovered.		The audit party should verify the registers of recovery of inspection fee for Lifts/ Escalators and Non/ Short recovery if any pointed out
(ix)	Whether inspection fee collected were credited into Government account		The audit party should verify cash book/ receipt of challans and list out the cases where any discrepancies found and comment on it.
(x)	Whether the cases where whole or part of fees of any consumer has been remitted, this has been done by an order of the Department/Government		The existence of an order of the Department/ State Government may be checked. Else the financial impact of the irregular remission may be commented upon.
<p>Note:- The department vide their letter No.CEI-11-2011-3796-K dtd.5 December 2013 to Chief Electrical Inspector directed not to levy any inspection Fees, till a suitable amendment made by the Govt. of India in section 162 of Electricity Act, 2003 enabling the Central Electricity Authority to make a provision about the collection of fees in the regulation.</p> <p>Based on the above direction it was decided in the meeting held on 18.12.2013 that no inspection fees shall be charged w.e.f 1st January 2014 till the next directives are issued by this office. Inspection fees shall be recovered in respect of the installation already inspected and to be inspected up to the 31st December 2013. All outstanding dues in respect of inspection fees shall positively recovered by 31st March 2014.</p>			
(xi)	Whether outstanding fees were recovered by 31 st March 2014		The audit party should prepare a list of cases where it was not done and comment on short/non recovery of inspection fees.
(xii)	Whether a notice of demand has been served on the consumer for payment of inspection fees.		The audit party should prepare a list of cases where it was not done and comment on the impact on revenue.
(xii)	Any other point(s) specify	--	
	Checked by		
		Signature	
		Name:	
		Designation	Audit Officer AAO

In addition to the Electrical Inspectors, who are the executive officers of the department, a Collector of Electricity Duty has been appointed by the State Government to ensure the prompt collection of electricity duty from the different licensees. In the city of Ahmedabad, the Ahmedabad Electricity Company (now torrent powers Ltd) is an important private licensee, licensed by the State Government under the Indian Electricity Act. In the districts, generation and supply of power are mainly undertaken by the different divisions of the Gujarat Electricity Board (now Gujarat Vij company Ltd and its five subsidiary companies). These divisions and also the Torrent powers Ltd submit their monthly returns to the Collector of Electricity Duty along with challans indicating payment of electricity duty made by them into the treasury. With reference to these returns and the maintenance of suitable registers for watching the receipt of these returns from the licensees, the Collector of Electricity duty exercises control over the collection of Electrical Duty.

CHECKS TO BE APPLIED DURING THE COURSE OF THE AUDIT OF COLLECTOR OF ELECTRICITY DUTY:

Sr. No	What to check	Y/N/NA	Comments
(i)	Whether monthly returns (in Form-A and in Form-B) in duplicate to be submitted under section 5 by licensee were received in time and checked		The audit party should prepare the list of all such cases where it was not done and comment on the impact on it.
(ii)	Whether copy of return under sub rule (I) was forwarded to the Collector of Electricity Duty and to the Electricity Duty Inspector within 40 days of the expiry of the calendar month to which the return pertains.		
(iii)	Whether energy consumed for different purposes and which are subject to payment of duty at different rates is indicated separately in the returns and charges are correctly levied on the consumption shown in the return		The audit party should make a list of such cases and work out the revenue impact on it.
(iv)	Where in any case, a consumer having different installations liable for payment of duty at different rates has not installed separate meters for recording the consumption separately for each of his installations, it should be seen whether duty has been levied at the highest rate at which the consumer is liable to pay duty.		The audit party should make a list of such cases where it was not done and work out the revenue impact on it
(v)	Assessment of the returns had been completed or not, If completed, Duty has been properly recovered or not, If not completed, reason for delay ascertained.		The audit party should prepare the list of all such cases where it was not done and comment on the impact on it
(vi)	Whether licensee had paid the duty collected by him within 40 days after the expiry of the calendar month for which the duty was collected.		The audit party should make a list of all the licensee in whose case this has not happened and work out the revenue due including interest/penalty scrutinized case wise.
(vii)	Whether the Government extend the period of payment by a period not exceeding 15 days where the meter reading continues beyond 25 th of a		The audit party should make a list of all the licensee in whose case this has not done

	calendar month subject to the condition that 80 <i>per cent</i> of payment on the basis of duty paid in the previous month is paid by the licensee within a period of 40 days.		and work out revenue impact.
(viii)	Whether an application of person who intends to generate energy for his own use and person not being a licensee who generates and supplies it to another person free of charge to the Collector of electricity Duty for registration in form "C" were received.		The audit party should make a list of all such case in which the application were not received.
(ix)	Whether person not being a licensee, who generated energy and supplies it to another person free of charge shall collect and pay to the state government electricity duty within 10 days after the expiry of the month for which duty is collected.		The audit party should make a list of all the licensee in whose case this has not happened and work out the revenue due including interest/penalty scrutinized case wise.
(x)	Whether any sum due on account of electricity duty if not paid in time and in the manner prescribed under the rules has been recovered along with interest at the rate of 24 <i>per cent</i> .		
(xi)	Whether the case where whole or part of the tax, interest payable by the consumer or class of consumer has been exempted, this has been done by an order of Collector of Electricity duty.		The exemptions should be examined from the point of view of the provisions in the Act and from the point of view of propriety wherever necessary. Else the financial impact of the irregular exemption may be commented upon.
(xii)	Whether the rate of duty being charged to the consumer is correct or not. Report of inspection of different installations which are conducted by the executive officers can be obtained and studied in order to see that the nature of the installation falls within the correct duty classification in the rate schedule. Wherever a doubt is felt regarding the eligibility of a unit to pay duty at particular rate not a higher rate, the department should be		The audit party should make a list of such cases where it was not done and work out the short levy of duty/tax.

	asked to furnish complete information regarding the consumer in question.		
(xiii)	Whether the consumer entitled to refund of any electricity duty paid by him in excess of the duty leviable under the Act had made an application for the refund supported by the original energy bill and receipt of payment granted by the licensee within a period of 12 months from the date of payment of such excess duty to the Collector of Electricity Duty		The audit party should prepare a list of all such cases where the application received after the period 12 months and commented upon it.
(xiv)	Whether refunds of duty granted by the Collector of Electricity Duty were proper and payment of refunds are so noted on the records that a second claim would not be admitted.		The audit party should prepare the list of all such cases where it was not done and comment on the impact on it
(xv)	Subject to the general audit checks indicated above, the following detailed audit procedure should be followed (If units were visited by the audit party).		
(xvi)	Whether the units of energy consumed are correctly worked out. In the offices of the licensees (if visited by the audit party), meter reading books should be scrutinized.		
(xvii)	Whether the units consumed are correctly entered in the consumer's ledger from the meter reading book.		
(xviii)	Whether the bills are prepared correctly to include the energy consumed as entered in the ledger.		
(xix)	Whether the rates of duty charged are correct according to the scale laid down.		
(xx)	Whether the realisation of the amount of duty and their payment into Government account is being promptly done		
(xxi)	Whether reconciliation of the amounts received at each treasury should be independently carried out with the consolidated treasury receipts obtained from the treasury officer concerned.		The revenue collection register maintained by the collector of electricity duty should be checked with the returns of the licensee and treasury challans. The audit party should

			prepare a list where reconciliation was not done and commented upon.
(xxii)	Whether electricity duty at normal rates is charged in all cases in which energy is supplied free by the licensee.		
(xxiii)	Whether electricity duty has been realized from persons consuming from their own source of generation.		
(xxiv)	Meters being installed for generation and consumption of energy in the auxiliaries should also be seen. In cases where meters for generating the energy shown as consumed in the process of generation, may be compared with the percentage fixed by the Government or any authority or obtaining in other comparable identical units.		