

CHAPTER-IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Goa during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	Revenue raised by the State Government					
	Tax revenue	1358.91	1693.55	1762.34	2139.57	2551.02
	Non-tax revenue	1042.82	1236.16	1731.20	2268.60	2313.54
	Total	2401.73	2929.71	3493.54	4408.17	4864.56
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	393.72	415.44	427.42	584.21	680.59
	Grants-in-aid	148.45	183.12	179.31	449.56	235.58
	Total	542.17	598.56	606.73	1033.77	916.17
3	Total revenue receipts of the State Government (1 and 2)	2943.90	3528.27	4100.27	5441.94	5780.73¹
4	Percentage of 1 to 3	82	83	85	81	84

The above table indicates that during the year 2011-12 the revenue raised by the State Government (₹ 4,864.56 crore) was 84 *per cent* of the total revenue receipts against 81 *per cent* in the preceding year. The balance 16 *per cent* of receipts during 2011-12 was from the Government of India.

¹ For details see Statement No. 11-Detailed accounts of revenue by minor heads in the Finance Accounts of Goa for the year 2011-12. Figures under the major heads 0020-Corporation tax, 0021-Taxes on income other than corporation tax, 0028-Other taxes on income and expenditure, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Other taxes and duties on commodities and services-Share of net proceeds assigned to states booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement

4.1.2 The following table presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1	Sales Tax/VAT / Central Sales Tax	879.28	1131.64	1142.13	1380.05	1652.92	(+) 19.77
2	State Excise	75.94	88.70	104.46	139.16	182.03	(+) 30.80
3	Stamp duty and registration fees						
	Stamps - Judicial	1.29	1.18	1.28	1.60	2.75	(+) 71.88
	Stamps - Non-Judicial	65.90	67.11	67.66	89.13	105.22	(+) 18.05
	Registration fees	50.40	47.08	42.31	61.07	75.82	(+) 24.15
	Total	117.59	115.37	111.25	151.80	183.79	(+) 21.07
4	Luxury Tax	66.94	66.32	65.33	88.30	97.02	(+) 9.88
5	Taxes on vehicles	81.96	90.15	105.12	130.40	140.45	(+) 7.71
6	Entertainment Tax	11.17	19.65	33.56	43.70	60.18	(+) 37.71
7	Land revenue	7.19	9.39	10.61	8.32	8.38	(+) 0.72
8	Taxes on goods and passengers	8.50	9.80	10.37	10.94	12.76	(+) 16.64
9	Entry Tax	104.22	147.65	150.36	161.03	197.33	(+) 22.54
10	Other taxes and duties on commodities and services	6.12	14.88	29.15	25.87	16.16	(-) 37.53
	Total	1358.91	1693.55	1762.34	2139.57	2551.02	

The following reasons for variation were reported by the concerned departments:

- Sales Tax/Central Sales Tax/VAT increased by 19.77 *per cent* mainly due to more tax collection under ‘Central Sales Tax Act’ and Value Added Tax.
- State Excise increased by 30.80 *per cent* mainly due to more receipts under Malt liquor, Foreign liquor and spirits, Medicinal and toilet preparation containing alcohol, opium *etc*, Indian Made Foreign liquor, Spirits *etc*.
- Registration fees increased by 24.15 *per cent* due to growth in collection of stamps duty and registration fees.
- Other taxes and duties on commodities and services decreased by 37.53 *per cent* mainly due to less receipts from cess under other acts.

4.1.3 The following table presents the details of the major non-tax revenue raised during the period 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1	Power	796.26	986.70	941.30	969.06	1000.49	(+) 3.24
2	Non-ferrous mining and metallurgical industries	36.40	36.35	292.25	983.73	953.29	(-) 3.09
3	Water Supply and Sanitation	61.23	65.76	70.38	69.60	86.11	(+) 23.72
4	Interest receipts	16.70	20.45	13.64	17.88	26.36	(+) 47.42
5	Major and Medium Irrigation	3.56	8.51	10.57	23.67	14.70	(-) 37.89
6	Minor Irrigation	0.58	7.54	6.69	9.95	10.79	(+) 8.44
7	Medical and Public Health	8.33	8.30	5.98	8.31	11.00	(+) 32.37
8	Ports and Light houses	14.39	16.04	20.13	33.17	40.06	(+) 20.77
9	Miscellaneous General Services	40.38	--	259.88	19.45	27.46	(+) 41.18
10	Other Administrative Services	22.16	37.46	40.50	40.63	42.09	(+) 3.59
11	Education, Sports, Art and Culture	9.40	9.24	10.96	12.75	16.18	(+) 26.90
12	Others	33.43	39.81	58.92	80.40	85.01	(+) 5.73
Total		1042.82	1236.16	1731.20	2268.80	2313.54	

The following were the reasons reported by the concerned departments for the variations:

- Receipts under non-ferrous mining and metallurgical industries decreased by 3.09 *per cent* mainly due to less receipts from mineral concession fees and royalties.
- Receipts from Major and Medium Irrigation decreased by 37.89 *per cent* mainly due to less receipts under ‘Salauli’ and ‘Anjunem’ projects.
- Receipts from Miscellaneous and General Services increased by 41.18 *per cent* mainly due to more sale proceeds of State Lotteries.

- Receipts from Interest Receipts increased by 47.42 *per cent* due to more receipts on interest receipts on investment of cash balances and deposit towards Land Acquisition.
- Receipts from Medical and Public Health increased by 32.37 *per cent* due to more receipts of fees under ‘Medical Education, Training and Research’.

4.1.4 Variation between budget estimates and actual receipts

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2011-12 is given in the following table:

(₹ in crore)

Sl. No.	Revenue head	Budget estimates	Actual receipts	Variations increase(+) shortfall (-)	Percentage
Tax revenue					
1	Sales Tax/VAT	1705.00	1652.92	(-) 52.08	(-) 3.05
2	State Excise	159.99	182.03	(+) 22.04	(+) 13.77
3	Stamp duty and registration fees	151.11	183.79	(+) 32.68	(+) 21.62
4	Taxes on vehicles	147.75	140.45	(-) 7.30	(-) 4.94
5	Entertainment Tax	50.00	60.18	(+) 10.18	(+) 20.36
6	Land revenue	10.96	8.38	(-) 2.58	(-) 23.54
7	Luxury Tax	110.00	97.02	(-) 12.98	(-) 11.80
8	Taxes on goods and passengers	12.00	12.76	(+) 0.76	(+) 6.33
9	Entry Tax	165.00	197.33	(+) 32.33	(+) 19.59
Non-tax revenue					
1	Non-ferrous mining and metallurgical industries	886.88	953.29	(+) 66.41	(+) 7.48
2	Power	1060.77	1000.49	(-) 60.28	(-) 5.68
3	Water Supply and Sanitation	75.64	86.11	(+) 10.47	(+) 13.84

The reasons for variations wherever significant though called for (February 2013) have not been received (March 2013).

4.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2009-10 to 2011-12 along with the relevant All-India average

percentage of expenditure on collection to gross collections are given in the following table:

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year
1	Sales Tax/VAT	2009-10	1142.13	7.15	0.63	0.88
		2010-11	1380.05	7.99	0.58	0.96
		2011-12	1652.92	9.17	0.55	0.75
2	State Excise	2009-10	104.46	8.17	7.82	3.66
		2010-11	139.16	7.75	5.57	3.64
		2011-12	182.03	8.85	4.86	3.05
3	Stamp duty and registration fees	2009-10	111.25	4.45	4.00	2.77
		2010-11	151.79	5.17	3.41	2.47
		2011-12	183.79	4.53	2.46	1.60
4	Taxes on vehicles	2009-10	105.12	2.21	2.10	2.93
		2010-11	130.40	2.48	1.90	3.07
		2011-12	140.45	2.49	1.77	3.71

During the last three years, the percentage of cost of collection to gross collection was below the All India average in respect of Sales Tax/VAT and Taxes on vehicles. However, the percentage of cost of collection in respect of State Excise and Stamp duty was higher than the All India average.

The Government may explore possibilities for reduction in the collection charges particularly in respect of State Excise.

4.1.6 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General, Goa (AG) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

A review of IRs issued up to December 2011 disclosed that 177 paragraphs involving ₹ 230.05 crore relating to 76 IRs remained outstanding at the end

of June 2012 as mentioned below along with the corresponding figures for the preceding two years.

	June 2010	June 2011	June 2012
Number of outstanding IRs	73	66	76
Number of outstanding audit observations	154	163	177
Amount involved (<i>₹ in crore</i>)	13.98	5.82	230.05

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned below.

(₹ in crore)

Sl. No.	Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (<i>₹ in crore</i>)
1	Finance	Sales Tax/VAT	9	26	50.60
		Entry Tax	11	21	1.02
		Luxury Tax	3	5	0.15
		Entertainment Tax	6	7	0.02
2	Excise	State Excise	14	30	0.56
3	Revenue	Land revenue	9	20	0.89
4	Transport	Taxes on motor vehicles	7	20	174.39
5	Stamps and Registration	Stamp Duty & Registration fee	17	48	2.42
Total			76	177	230.05

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 10 IRs issued up to December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who did not send replies to the IRs/paragraphs as per the prescribed time schedules and also did not take action to recover loss/outstanding demand in a time-bound manner.

4.1.7 Departmental audit committee meetings

Year	Department	No. of Audit Committee Meetings held	No. of paras discussed	No. of paras dropped/ finalised
2011-12	Transport	1	9	3
	Stamps and Registration	1	46	10
	State Excise	1	24	5
	Total	3	79	18

4.1.8 Response of the departments to the draft audit paragraphs

The draft paragraphs/Performance Audit Reports proposed for inclusion in the Audit Report are forwarded by the AG to Secretaries of the concerned Departments through demi-official letters. All Departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Four paragraphs and one Performance Audit Report proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2012 were forwarded to the concerned Secretaries during April-October 2012.

As no replies were furnished by the Government, the draft paragraphs were included in this Report without their replies.

4.1.9 Follow up on Audit Reports – summarised position

According to the instruction issued by the Goa Legislature Secretariat in July 2004, administrative Departments are required to furnish explanatory memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. EMs was not received as of September 2012 in respect of 12 paragraphs ranging from the 4 to 27 months from the administrative departments, as detailed below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay* (months)
Finance	2008-09	March 2010	June 2010	3	27
Transport	2008-09	March 2010	June 2010	1	27
Revenue	2008-09	March 2010	June 2010	1	27
Finance	2009-10	March 2011	June 2011	3	15
Revenue	2009-10	March 2011	June 2011	1	15
Finance	2010-11	February 2012	May 2012	2	4
Revenue	2010-11	February 2012	May 2012	1	4

* Excluding the months in which these were due

4.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2006-07 to 2010-11, 1,345 cases of non-assessments, non/short levy of taxes *etc.*, were included involving an amount of ₹ 158.35 crore. Of these, as of June 2012, the Departments concerned have accepted 248 cases involving ₹ 22.70 crore and recovered ₹ 24.56 lakh in 242 cases. Audit Report-wise details of cases accepted and amounts recovered are as under:

(₹ in lakh)

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	8	3391.63	3	37.69	-	-
2007-08	184	2509.11	1	2134.00	-	-
2008-09	1098	9291.83	236	7.42	236	7.42
2009-10	10	96.58	6	76.77	4	2.69
2010-11	45	546.13	2	14.45	2	14.45
Total	1345	15835.28	248	2270.33	242	24.56

Action to recover the amounts involved in the remaining cases accepted by the Departments needs to be expedited.

4.1.11 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Department/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last five years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 4.1.12 to 4.1.13 discuss the performance of the Transport Department to deal with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

4.1.12 Position of Inspection Reports

The summarised position of inspection reports issued during the last five years, paragraphs included in these reports and their status as on 31 March 2012 are tabulated below:

(₹ in lakh)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2007-08	9	12	113.74	5	25	27.28	6	8	29.58	8	29	111.44
2008-09	8	29	111.44	0	0	0	0	0	0	8	29	111.44
2009-10	8	29	111.44	7	16	38.28	6	28	109.95	9	17	39.77
2010-11	9	17	39.77	7	23	17429.06	5	9	11.79	11	31	17457.04
2011-12	11	31	17457.04	6	36	76.76	8	27	41.45	9	40	17492.35

4.1.13 Assurance given by the Department/Government on the issues highlighted in the Audit Report

4.1.13.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in the following table:

(₹ in lakh)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered	Cumulative position of recovery of accepted cases
2001-02	1	122.00	1	122.00	122.00	122.00
2002-03	-	-	-	-	-	122.00
2003-04	-	-	-	-	-	122.00
2004-05	-	-	-	-	-	122.00
2005-06	-	-	-	-	-	122.00
2006-07	-	-	-	-	-	122.00
2007-08	1	43.50	-	-	-	122.00
2008-09	1*	9215.67	2	25.69	7.42	129.42
2009-10	-	-	-	-	-	129.42
2010-11	-	-	-	-	-	129.42

*this includes six sub-paras of a Performance Audit report.

Periodical reminders were issued to the Secretary (Legislature/Finance) for the compliance of paragraphs featured in the Audit Reports and for Action Taken Reports wherein there are Public Accounts Committee recommendations.

4.1.13.2 Action taken on the recommendations accepted by the Department/Government

The draft performance reviews conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference

and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following table depicts the issues highlighted in the reviews on the Transport department featured in the Audit Reports including the number of recommendations made and the recommendations accepted by the Department as well as the Government.

Year of Audit Report	Name of the review	Number of recommendations made	Details of the recommendations accepted
2007-08	Working of e-RTA and e-Transport software in Transport Department	Six	Replies awaited
2008-09	Receipts of Transport Department	Four	Replies awaited

4.1.14 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.* Budget speech, White Paper on state finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years *etc.*

During the year 2011-12, the audit universe comprised of 173 auditable units, of which 32 units were planned and audited during the year 2011-12 which is 18.50 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, a Performance Audit of "Computerisation in Motor Vehicles Department" was conducted to examine the efficacy of the system in the Transport Department.

4.1.15 Arrears in assessments

There were no arrears in VAT assessments at the end of 2011-12 as informed by the Commercial Taxes Department.

4.1.16 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2011-12, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2012 are as follows:

Opening balance	No. of appeals filed during 2011-12	Total	No. of appeals disposed of during the year	Balance as on 31 March 2012	Percentage of cases disposed of to total number of cases
1206	186	1392	201	1191	14

The Department needs to take proactive steps to reduce the pendency in appeals.

4.1.17 Frauds and evasion

The Commissionerate of Commercial Taxes and Director of Transport reported that there were no cases of frauds and evasion detected during the year.

The number of cases booked for the year 2011-12, cases finalised during the year as reported by the Commissionerate of Excise are as follows:

(₹ in lakh)

	Number of cases
A. (i) Cases pending as on 01 April 2011	62
(ii) Cases detected during the year 2011-12	509
B. Cases in which investigations/assessments were completed during the year	282
C. Cases pending as on 31 March 2012	289

4.1.18 Internal audit

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives and the financial and administrative systems and control procedures are functioning effectively. Internal audit of all the departments and offices in the State is the responsibility of the internal inspection cell (IIC) under the administrative control of the Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit and number of offices audited during the year 2011-12 are as follows:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 offices and 4 check posts	10	1	Due to inadequate staff
Registration	13	Nil	13	Accountant post vacant
Excise	Nil	2	Nil	-

The Commissionerate of Commercial Taxes stated that no internal audits were conducted by the Department.

No observations were pending in the above mentioned departments pertaining to the year 2011-12.

4.1.19 Results of local audit conducted during the year

Test-check of records of Sales Tax/VAT, Land Revenue, State Excise, Motor Vehicles Tax and Stamp Duty and Registration Fees conducted during 2011-12 revealed under assessment/short levy/loss of revenue amounting to ₹ 64.80 crore in 152 cases. The Department accepted under assessment in 21 cases pointed out in earlier years and recovered ₹ 32.23 lakh and short assessment of ₹ 6.16 lakh in one case pointed out during the year and recovered ₹ 38.39 lakh as of June 2012 in 22 cases. No replies have been received in respect of the remaining cases.

4.1.20 This chapter

This chapter contains one performance audit of 'Computerisation in Motor Vehicles Department' of Government of Goa and four paragraphs (selected from the audit detections made during the local audit referred to above) involving financial effect of ₹ 1.32 crore.

4.2 PERFORMANCE AUDIT OF COMPUTERISATION IN MOTOR VEHICLES DEPARTMENT

The Department of Transport, Government of Goa, adopted two softwares viz., Vahan and Sarathi, developed by National Informatics Centre for computerisation of activities of the Department. Performance Audit of implementation of these two applications was conducted to ascertain whether the overall objectives of computerisation had been achieved. Major observations are highlighted as below.

Highlights

- There were delays in the implementation of *Vahan* and *Sarathi* application systems. Out of eight modules, the registration and taxation modules were being partially utilised and fitness and enforcement modules were not being utilised.

(Paragraphs 4.2.7.2, 4.2.7.3 and 4.2.13.1)

- Check posts were working with the legacy system which was not integrated with *Vahan* and therefore they could not access the National and State registers to enhance the efficiency of checking of forged documents etc.

(Paragraph 4.2.8.2)

- Due to absence of the permit module and the refund module, the Department had to utilise the legacy system for issue of permits and calculate refund manually.

(Paragraphs 4.2.8.3 and 4.2.8.5)

- Digitisation of manual database and porting of electronic legacy database was incomplete, which affected the correctness of the National and State Registers.

(Paragraph 4.2.9)

- Website did not provide real time information due to non-integration with the *Vahan* server and static contents of the same were not updated.

(Paragraph 4.2.12)

4.2.1 Introduction

Road Transportation is a concurrent subject under the Indian Constitution. While the legislation and co-ordination in respect of road transportation among States is done by the Central Government, the implementation of the various provisions of the Motor Vehicles Act is done by the States. The Goa Motor Vehicles Department (GMVD) is governed by Section 213 of the Motor Vehicles (MV) Act, 1988. The Directorate of Transport (DoT) is the authority for implementing the provisions of the Act and rules made there

under which *inter alia* includes the collection of taxes and fees, issue of driving licenses, certificate of fitness to transport vehicles, registration of motor vehicles and grant of regular and temporary permits to the vehicles.

The Department started the work of computerisation in 2003 and developed two web based systems called e-RTA and e-Transport in 2006. e-RTA provided the facility of registration and taxation while e-Transport provided the facility of cash collection, challan generation (also called HO module), prosecution and issue of permits by State Transport Authority (STA) and Regional Transport Authority (RTA).

However, the Department in 2010 felt that the systems could not be ported to the higher configuration server and therefore chose to adopt two softwares viz., *Vahan* and *Sarathi* developed by National Informatics Centre (NIC)². NIC had developed these softwares on the request of Ministry of Road Transport and Highways (MoRTH). They were developed in order to have standardised software across all the states, a uniform format for issue of Registration Certificates (RC) and in order to have a national registry of motor vehicles and Driving Licenses (DL).

Vahan: The system provided for registration, levy and collection of taxes on vehicles, issue of certificates relating to fitness of vehicles *etc.*

Sarathi: The system provided for issue of learners licenses, permanent driving licenses, conductor's licenses, driving school licenses *etc.*

These softwares also provided for issue of RCs and DLs in electronic form *i.e.* smart cards. Besides, a Data Transformation Service (DTS) was developed by NIC for transferring database of *Vahan* and *Sarathi* from the State database to Central database and ensuring data security.

Implementation of *Vahan* and *Sarathi* commenced in February 2010 to replace e-RTA and e-Transport. NIC provided two data base servers, nine application servers, 70 desktops, 21 printers and other accessories for implementation of systems. *Vahan* and *Sarathi* had a three-tier application architecture involving database, client and application servers. Necessary modifications and customisations were made to the application software depending on the requests made by DoT.

4.2.2 Organisational set up

The Secretary, Transport is the administrative head of the Department. The Director of Transport is responsible for implementation of statutory provisions and is assisted by two Deputy Directors and nine Assistant Directors of Transport (ADT)³. There were two enforcement wings in two

² National Informatics Center (NIC) is an organisation of Government of India for developing and maintaining e-governance softwares and other IT assets

³ Panaji, Margao, Mapusa, Bicholim, Ponda, Vasco, Pernem, Cancona and Quepem

districts, each headed by an ADT. Four border check posts⁴ were functioning under Enforcement Wings (EW).

4.2.3 Audit objectives

The review was conducted to ascertain whether:

- The computerised systems implemented were complete (module wise);
- the overall objectives of the computerisation through the NIC developed computer applications of *Vahan* and *Sarathi* were achieved and;
- reliable general and security controls were in place to ensure data security.

4.2.4 Audit criteria

The criteria for this Performance Audit were derived from the provisions and rules of Central and State laws as follows:

Central Laws:

- The Central Motor Vehicles Act, 1988
- The Central Motor Vehicles Rules, 1989

State Laws:

- The Goa Motor Vehicles Rules, 1991
- The Goa, Daman and Diu Motor Vehicles Tax Act, 1974
- The Goa, Daman and Diu Motor Vehicles (Taxation on Passenger and Goods) Act, 1974.

In addition, criteria were derived from the notifications/orders issued from time to time by the Government.

4.2.5 Scope of audit, reasons for selection of topic and methodology

The records relating to implementation of *Vahan* and *Sarathi* for the years 2010-11 and 2011-12 were scrutinised in the office of the Director of Transport. Four offices⁵ of ADT, out of nine, were visited to scrutinise the records, check for general controls and application controls. Out of four offices, two offices were selected from North Goa and two from South Goa. The database generated was analysed using Computer Assisted Audit

⁴ Pollem, Mollem, Dhargal and Dodamarg

⁵ Mapusa, Bicholim, Margao and Quepem

Techniques (CAAT)⁶ to evaluate the effectiveness of computerised activities of the Department with reference to the stated objectives.

The objectives, scope and methodology were explained to the Department in an entry conference (July 2011) and the findings were discussed in the exit conference held in March 2013.

The replies received in the exit conference and at other points of time have been incorporated in the relevant paragraphs.

4.2.6 Acknowledgement

Audit acknowledges the co-operation extended by Department of Transport and National Informatics Center, in conduct of the audit by providing timely information, records and compliance of the audit observations.

Audit findings

4.2.7 Vahan application system

4.2.7.1 Implementation of application systems

A committee comprising members drawn from DoT, Goa Electronics Limited (GEL)⁷ and NIC was formed for the implementation of *Vahan* and *Sarathi* in February 2010. The Department held regular monthly meetings for the year 2010-11. However, during the period 2011-12, only four meetings were held. The Department in its reply stated that the applications *Vahan* and *Sarathi* were successfully implemented in all the sub offices (Offices of ADT's) and it had directed the ADT's, that in case of any doubt, the matter should be referred to NIC directly, for clarification.

Audit, however noticed a number of deficiencies like non-utilisation and under utilisation of modules of *Vahan* and *Sarathi* and other problems like slow progress in integration of enforcement functions with *Vahan*, commencement of online services and digitisation and porting of legacy data. These deficiencies had not been addressed in the monthly meetings also. A few of these are discussed in the following paragraphs.

4.2.7.2 Delay in implementation of the Vahan application system

The erstwhile e-RTA, e-Transport system were developed by GEL. GEL was also involved in the implementation of *Vahan* and *Sarathi*. The proposals for implementation were approved by the Government in February 2010. NIC in its project report had stated that duration of six months would be required for implementation of these systems.

⁶ Interactive Data Extraction and Analysis (IDEA) and Microsoft Excel

⁷ GEL – Goa Electronics Limited is a company owned and run by Government of Goa, specialised in computer system development and maintenance

Audit found that the implementation of *Vahan* had been delayed by one to two months in six offices. The Department agreed that there were delays in implementation (December 2011) and attributed the same to customisation of requirements of the Department, data cleansing, data porting and training.

4.2.7.3 Status of implementation

Vahan consisted of eight modules. The Status of implementation of the modules, as intimated by the Department, was as follows (as on February 2013):

Sr. No.	Name of module	Function	Status of utilisation
1	Administration	Configuration and regulation of passwords of users, management of sessions and configuration of roles assigned by the administrator.	The module has been customised and is in operation.
2	Fee	Fee leviable on new registration, temporary registration, fitness test, conversion of vehicles from one class to another class and compounding fee.	The module has been customised and is in operation.
3	Fitness	Entry and updation of fitness status of vehicles, generation, cancellation, suspension and restoration of fitness certificates.	The module has not been customised and the fitness certificates are being issued manually.
4	Registration	Registration of vehicles including temporary registration, entries of hypothecation, issue, modification, surrender, cancellation and updating registration certificates, transfer of vehicles, issue of no objection certificate, maintaining pollution, theft and insurance data.	Partially implemented. Smart card based RCs were not being issued through the system.
Remarks: After this was pointed out, the Department intimated that the agency for issuing smart card based RCs is being finalised by inviting tenders (February 2013). Since it is an important function of the Transport Department, immediate steps needs to be taken for issue of Smart card based RCs.			
5	Taxation	Determination of taxes and installments of recurring taxes.	Partially implemented i.e. recurring taxes for transport vehicles were not being collected and business rules like differential tax on conversion and onetime tax were not made applicable. The demand and collection register was not maintained, and therefore the arrears of taxes could not be ascertained.

Remarks: After this was pointed out, the Department stated (February 2013) that the data which is in manual form needs to be digitised and that the digitisation of taxation had commenced.			
6	Enforcement	Vehicle check reports and disposal of challans.	Not been customised and not in operation.
Remarks: On Audit point, the Department replied in December 2011 that the Enforcement module in Vahan would be operationalised by March 2012. However, it was seen (February 2013) that the module had not been made operational.			
7	Pending transaction module (Verify/Approve)	A facility relating to verification and approval of pending transactions.	The module has been customised and is in operation.
8	Reports	Generation of reports like registration, tax, fees, specific vehicle report and miscellaneous reports.	Partially used.

4.2.8 Deficiencies

4.2.8.1 Gaps in the allotment of the registration mark

Section 41(6) of the Motor Vehicle Act, 1988 provides that every vehicle should have a unique registration mark. Allotment of registration mark is done in a sequential order unless applicants demand a specific registration mark (choice number), which can be allotted against payment of additional fees. Government of Goa (GoG) has notified the types of choice numbers to be allotted against additional fees. However, unreleased choice numbers were required to be allotted without payment of additional fees after the series to which these belonged had been completely exhausted.

Audit noticed that *Vahan* was not programmed to allot registration numbers of vehicles in a sequential order. Audit found that in four⁸ offices during the period 2010 to 2012, out of a total of 79,992 numbers available in eight series 22,369 numbers were found to be unallotted. The non-allotment of numbers was due to non-allotment of the choice numbers, data entry mistakes, absence of applicants on the day of registration *etc.* Besides, it was seen that a fresh series had been opened before exhausting all numbers of a particular series, including choice numbers, as was stipulated in the Notification.

After this being pointed out, the Department stated (February 2013) that the instructions had been given to ADTs for allotment of unclaimed choice number free of cost. The Department further stated that the gaps pointed out by audit would be verified and corrective action taken.

4.2.8.2 Computerisation of check posts

It was mentioned in the NIC's project report for *Vahan*, that connectivity to the State Register (SR) and National Register (NR) at the check posts would help enforcement agencies to verify documents such as RC, DL, permit to

⁸ Panaji, Mapusa, Vasco and Margao

enter the state or the national permit, pollution under control certificate, insurance documents and delivery documents *etc.*

Audit observed (September 2011) that *Vahan* software had not been adopted for utilisation in the computerised system available with the check posts. The check posts were still working with the e-Transport system. The e-Transport system was neither integrated with *Vahan* or with any other centralised database. As such, no consolidated data base was available with the Department so as to act as a check against false/forged documents.

After this was pointed out, the Department replied (February 2013) that the check posts were being connected by Goa Broad Band Network (GBBN) and the proposed software for implementation was being customised by NIC at the request of the Department.

4.2.8.3 Absence of “Permit Module” in Vahan

Section 66 of the Motor Vehicles Act, 1988 stipulates the requirement of obtaining a permit to ply transport vehicles. The Director of Transport, who is the State Transport Authority, issues Goa tourist permits, inter-state permits, special permits, passenger permits, goods permits and rent-a bike permits. Further, two Regional Transport Authorities issue contract carriage permits, goods’ permits, stage carriage permits and temporary permits for utilisation within the State.

Audit noticed that the permit module was not developed in *Vahan*, though transport departments of the neighbouring states like Maharashtra have such a module in their respective systems. It was found that the permit module of e-Transport system was being used for processing of various permits. All the particulars of the permit application were filled manually in the system and the permits were generated and approved. The receipts for the permit fees were also prepared manually. In addition to these, the permits for stage carriage and temporary permits were also being issued manually and not through e-Transport module.

After being pointed out, the Department admitted in December 2011, that *Vahan* system did not have a permit module and that the permit module of e-Transport software would be integrated with *Vahan*. It was noticed that though the Department had stated that the old module would be integrated with *Vahan*, no integration had taken place till date (February 2013).

4.2.8.4 Calculation of differential tax and onetime tax

The rate of road tax of non-transport vehicles for individuals was 5 *per cent* in respect of vehicles with a sale value of less than six lakh and 6 *per cent* in respect of others. However, for commercial use of vehicles, the rate of tax ranged between 8 and 12 *per cent* depending upon the sale value. Further, with effect from August 2012, the GoG introduced a onetime tax in lieu of annual tax for goods vehicles.

Audit observed that the *Vahan* system did not have a provision to calculate and record the receipt of differential tax at the time of change in the ownership from individual to other categories (company/firm *etc.*). The calculation and receipt of the differential tax was done manually. Besides, onetime tax for goods vehicles introduced in lieu of recurring tax was not mapped in *Vahan* and the calculations had to be done manually.

The Department admitted that this deficiency existed in the application of *Vahan* (March 2013).

4.2.8.5 Absence of refund module

Audit noticed that the system did not have a refund module though the refunds are to be issued as provided in Part⁹ C, D, E and F of the schedule appended to the Goa, Daman, Diu Motor Vehicles Tax Act, 1974.

4.2.8.6 Absence of fields of Form No. 20 in the system

Rule 47 of the Central Motor Vehicle Rules provide that an application for registration of motor vehicles shall be made in Form 20 to the registering authority within a period of seven days from the date of taking delivery of such vehicle. The form contains 34 fields. A comparison of the fields of the Form 20 posted into the *Vahan*, revealed that the following fields were not mapped in the system.

Sr. No.	Column no. of Form 20	Particulars of the field
1	2	Age of the person to be registered as owner
2	5	Duration of stay at present address
3	6	Annual income
4	7	Place of birth
5	8	Date of migration to India, if place of birth is outside India
6	9	Declaration of citizenship status

The Department may investigate the non-mapping of these fields into *Vahan* and issue necessary directions in this regard.

⁹ Parts of schedule annexed to the Act which described system of refunds

4.2.9 Digitisation of legacy data

The date prior to the date of implementation of *Vahan* i.e. the legacy data falls in two categories - data prior to computerisation in the year 2003 and data of the pre-existing systems i.e. e-RTA and e-Transport

- The work of data entry of 3.20 lakh vehicles, whose records were not available in the legacy database (i.e. data prior to the year 2003), was awarded to GEL at an amount of ₹ 11.68 lakh. The work was completed during the period December 2005 to September 2010. Though, the work of digitisation was completed, the data entries were neither taken to the legacy system nor to *Vahan*, rendering the expenditure unfruitful.
- The data generated after computerisation i.e. after 2003, was migrated onto *Vahan*, however the tables imported were not integrated with *Vahan*. These were kept as back log tables. The Department stated in December 2011 that the data was not reliable, as such, its integration would affect the correctness of the SR and NR.

Thus, the work of digitisation of the manual legacy data and porting of the electronic legacy data did not yield the desired results.

After this being pointed out, the Department replied in December 2011 that due to non-verification of data by Departmental officers, data digitised could not be utilised. Further, the Department agreed to take time bound measures including inviting public to verify data. It was however observed in February 2013, that no measures had been taken to verify and authenticate the data that had been digitised till now.

4.2.10 National register and state register

According to the provision of Section 63 of Motor Vehicles Act, 1988, each State Government should maintain a register of Motor Vehicles, containing particulars *inter alia*, registration mark and year of manufacture. As per the project documents, the SR was to be created in the *Vahan* database as per the data structure and standards provided by the MoRTH. Further, application servers and the database servers were to be accessed by the concerned clients i.e. ADT offices and data entries made by them were to be captured and replicated in the server. The data from SR was to be converted/aggregated and transferred to the NR. Data transfer to different registers was an automatic and scheduled activity. Tables in NR database were automatically populated as the structure of the database was similar. Lateral connectivity to a sub-office to the database of other ADT offices was made available by developing a facility called e-*Vahan*.

The information furnished by the Department in February 2013, revealed that out of 9,26,537 vehicles, only 1,92,771 vehicles were taken to *Vahan* database. The balance of 7,33,766 vehicles remained out of access through

NR to other stakeholders¹⁰. Non-availability of information was mainly due to non-porting of data by the implementing agency. The data not ported was generated in the previous system during the period 2006 to 2010. Thus, the NR was incomplete defeating the very purpose of computerisation.

4.2.11 Rectification of errors

In a computerised environment it is imperative that errors are rectified through a proper system of hierarchical approvals.

Audit found that the errors noticed during day to day data entries were being rectified by making entries in the backend database¹¹. The approach of rectifying the errors in the database by backend corrections/changes is incorrect and is fraught with the risk of data integrity. Test check revealed that the backend entries were made for exempting tax in cases of re-registration, deletion of registered vehicles, transfer of ownership, cancellation of hypothecation, cancellation of receipts generated and entered, confirmation of NOC for transfer of Vehicles/NOC details and changing of Class of Vehicles (COV) *etc.*

After this being pointed out, the Department admitted the lapse (December 2011) and modified menu e-*Vahan*. Options for cancellation of receipts, modification of details in registration *etc.* were included and operationalised. The powers of modification were given to the respective ADTs.

4.2.12 Deficiencies noticed in the website

The Department has developed a website “goatransport.gov.in”. Audit noticed that the website had not been updated since June 2011. It was not linked to *Vahan/Sarathi* for providing necessary information to the public. The static contents of the website also did not offer current information.

After this was pointed out, the Department stated in December 2011 that they would take measures to keep the website up-to-date and web server would be integrated with *Vahan* server to provide real time information to citizens. It was seen in February 2013 that the website was not fully modified and was still sourcing its data from a separate server.

¹⁰ Law enforcement agencies like Police, members of public *etc.*

¹¹ Backend database stores data but does not include end user applications elements like stored queries, forms, macros and reports

4.2.13 Sarathi application system

4.2.13.1 Delay in implementation

The Department estimated that the implementation of the *Sarathi* system would be completed within six months from the date of approval of the project. Proposals for implementation of the systems were approved in January 2010.

There were delays in implementation of *Sarathi* at seven locations ranging from one month to eight months.

On this being pointed out in Audit, the Department admitted the delay in December 2011, but stated that implementation was delayed since it commenced after the completion of the implementation of *Vahan*.

4.2.14 Other implementation issues

4.2.14.1 Language options in Sarathi

The application software *Sarathi* facilitated testing of candidates through a module called 'Screen Test Aid for Learner's License'. This tested the applicant's minimum knowledge of the Act and Rules that govern driving. To make it user friendly the possibility of converting its examination menus in prevalent state languages like Konkani and Marathi was not explored.

On this being brought out, the Department agreed in December 2011 to take remedial measures in consultation with NIC. Further, the Department admitted in February 2013 that the menu continued to be only in English.

4.2.14.2 Regulation of driving schools

Section 12 of Motor Vehicles Act contains provisions for making rules in respect of Licensing and regulation of schools or establishments for imparting instruction in driving of motor vehicles. The rules may provide for matters like licensing of such schools, supervision of such schools, fee to be paid *etc.*

From the scrutiny of the database it was observed that data in respect of driving schools was not contained in the tables provided for the purpose. The administration and regulation of driving schools has remained outside the purview of computerisation.

After this being pointed out, the Department admitted in December 2011 that the master entries were not created and agreed to take corrective measures.

4.2.15 Conclusion

The main objective of the implementation of *Vahan* and *Sarathi*, to create computerised State and National register, was not achieved fully. Modules of *Vahan* were not being fully utilised and the data was found disbursed on different servers, which were not integrated with *Vahan*. The website neither provided updated information on real time basis nor provided e-services effectively.

4.2.16 Recommendations

The Department may:

- take immediate steps to issue Smart card based Registration Certificates through *Vahan* module;
- customise the module of *Vahan* so that allocation of registration numbers is system driven and is in a sequential order. The allotment of left over registration numbers and gaps may be exhausted before opening the new series;
- link the Enforcement Wing of the Department directly with the *Vahan* server so that the checking report/challans made by the Enforcement Wing are automatically uploaded onto the *Vahan* server;
- develop modules for issue of permits in *Vahan* and ensure that the permits and reports relating thereto are generated through the system;
- populate National and State registers fully after porting the legacy data;
- update the website and link the *Vahan* server for providing real time information.

FINANCE DEPARTMENT

4.3 Irregular exemption of tax

Luxury tax amounting to ₹ 12.93 lakh was irregularly exempted to a hotelier.

Goa Tax on Luxuries Act 1988, (GTLA) stipulated that tax at the rate of 10 *per cent* be levied on turnover of receipts of accommodation of a hotel having swimming pool and classified as 'A' or 'B' grade issued under the Goa, Daman and Diu Registration of Tourist Trade Act 1982. The Government vide notification issued in March, 2004 exempted luxury tax in excess of three paise in a rupee during March to November with effect from 1.4.2004 subject to fulfillment of the conditions that –

- (i) The hotelier providing these luxuries should hold registration/renewed registration certificate under the said Act;
- (ii) The hotelier should pay the tax in time and should clear all the undisputed arrears and other dues.

Audit scrutiny of the assessment records of Hotel Fidalgo, Panaji for the year 2006-07 revealed that exemption to the extent of ₹ 12.93 lakh was allowed on taxable turnover of ₹ 184.69 lakh for the period from April to September, 2006. Audit observed that the assessee did not comply with the conditions of the exemption notification as given below:

- The assessee did not remit the renewal of registration fees within the stipulated period of September/October 2006 (remitted only in November 2006);
- There was undue delay in payment of undisputed dues amounting to ₹ 0.45 lakh pertaining to the year 2000-01 (paid together with interest only in March 2008); and
- There was delay in payment of taxes for April and May, 2006 (paid only in July 2006 instead of May and June 2006, *i.e.* within one month).

Thus, despite non-fulfillment of the conditions, the assessing authority allowed exemption of tax for the period from April 2006 to September 2006 to the tune of ₹ 12.93 lakh to the above assessee, resulting in irregular exemption of tax and non-levy of tax to the tune of ₹ 12.93 lakh.

After being pointed out, the Assessing Authority reviewed its earlier assessment and issued a Review order (June 2012) and a Demand notice for ₹ 12.93 lakh.

The matter was referred to the Government in June 2012; their reply was awaited as of February 2013.

4.4 Short recovery of Central Sales Tax

Short levy of tax under Central Sales Tax (CST) on invalid declaration forms resulted in loss of revenue to the tune of ₹ 66.15 lakh.

Section 8 (i) of the Central Sales Tax Act, 1956 provides that if the selling dealer in the course of Interstate trade or commerce furnishes to the prescribed authority in the prescribed manner a declaration duly filled in and signed by the registered dealer to whom the goods are sold, tax is leviable at the reduced rate of 4% for the year 2005-06 and 3% for the year 2007-08 failing which tax will be applicable at full rate of 10% for the year 2005-06 and 4% for the year 2007-08.

M/s Teracom Ltd., Ponda, Goa a manufacturer of optical fibre cables and other IT products was levied tax at reduced rates on the sale of goods worth ₹ 6.59 crore and ₹ 6.85 lakh to Bharat Sanchar Nigam Ltd., Jammu and Kashmir during the years 2005-06 and 2007-08 respectively on the production of 'C' forms which were issued in the name of M/s Teracom Ltd. Noida. As the 'C' forms were issued in the name of M/s Teracom Ltd. Noida and not in the name of M/s Teracom Ltd. Goa, the levy of tax at reduced rates was irregular. Tax should have been levied at the applicable rate of 10% for the year 2005-06 and @ 4% for the year 2007-08. This resulted in short realisation of tax of ₹ 66.15 lakh.

The Department stated in November 2011 that Interstate sales made against 'C' form referred in the audit observation were made by M/s Teracom Ltd., Goa only and that the mistake was with the records of the purchasing dealer. The reply is not tenable as the benefit of reduced rates of tax should have been granted only if the 'C' forms were issued in the name of the dealer claiming the benefit. The failure of the Assessing Authority to verify the correctness of the claim made on 'C' forms submitted by the dealer resulted in non-realisation of revenue of ₹ 66.15 lakh.

The matter was referred to the Government in July 2012; their reply was awaited as of February 2013.

4.5 Short levy of Entry Tax

Short levy of Entry Tax to the tune of ₹ 21.86 lakh.

Section 3(1) of the Goa Tax on Entry of Goods Act, 2000, stipulates that, tax should be levied and collected on the entry of any goods into the local area for consumption, use or sale as per the rate specified in Schedule I. Section 25 of the Act also empowers the State Government to exempt or reduce any specified class of persons/dealers from payment of tax in respect of any goods or class of goods.

Audit scrutiny (January 2011) of the assessment records of the Commercial Tax Office, Vasco, revealed that, the Assessing Authority failed to levy Entry Tax on two dealers as per specified rates for goods brought/delivered into the local area in respect of the following cases:

- i) M/s Hindustan Lever Ltd., manufacturer of Soaps and Detergents was assessed under the Goa Tax on Entry of Goods Act for purchase of Machinery spares costing ₹ 4.16 crore during the year 2005-06 and paid Entry tax at the rate one *per cent* instead of two *per cent* as specified in the Schedule to the Act resulting in short levy of tax to the tune of ₹ 4.17 lakh for the year 2005-06.

In reply to the audit query the Assessing Authority stated that one *per cent* tax was levied on the dealer M/s Hindustan Lever Ltd., as per Notification dated 19 May 2003. The reply is not tenable as levy of tax at the rate of one *per cent* is subject to the condition that the goods brought or caused to be brought into the local area should be for being consumed or used as a raw material in the manufacturing process whereas the machinery spares purchased by M/s Hindustan Lever Ltd., were spares for machinery and not used as a raw material for manufacturing of soaps and detergents.

- ii) M/s Gemini Distilleries (Goa) Pvt. Ltd., manufactures IMFL for sale. The Dealer purchased raw material valued at ₹ 1.63 crore and ₹ 1.91 crore from outside the local area and was liable to pay Entry tax at the rate of five *per cent* for the years 2005-06 and 2006-07 respectively. However, no tax was levied for the years 2005-06 and 2006-07. This resulted in non-levy of tax to the tune of ₹ 8.16 lakh and ₹ 9.53 lakh for the years 2005-06 and 2006-07 respectively.

In the case of M/s Gemini Distilleries (Goa) Pvt. Ltd. the Assessing Authority re-assessed the case at the instance of Audit and raised an additional demand of ₹ 17.69 lakh in April 2011. The realisation particulars were awaited.

The matter was referred to the Government in July 2012; their reply was awaited as of February 2013.

4.6 Short levy of Tax

Incorrect allowance of concession on turnover of Interstate sales and inadmissible allowance of Input Tax Credit on exempted sales resulted in short levy of tax under the Central Sales Tax Act, 1956 and the Goa Value Added Tax Act, 2005.

Notification, dated 30 March 2007, issued under Section 8 (5) of the Central Sales Tax Act, 1956, by the Government stipulated that no tax under the Act would be payable by any dealer in the State of Goa in respect of Sales effected by him in the course of Interstate trade or Commerce on Information Technology products as notified by the Government under entry 54 of Schedule B of the Goa Value Added Tax Act, 2005 subject to the production

of declaration form. Further, vide Notification dated 13 December 2007, such goods were taxable at the rate of 0.25 *per cent* of the turnover subject to the production of declaration in Form 'C'. Section 9(2) of the Goa Value Added Tax Act, 2005 also provides that Input Tax Credit (ITC) is not admissible on exempted goods sold in the course of Interstate trade and Commerce.

During verification of the Assessment records of the dealers in Mapusa ward, audit noticed (October 2011) that M/s Bhagyanager India Ltd., a manufacturing dealer of JFT cables and CDMA phones was allowed excess exemption of ₹ 11.44 crore from the levy of tax under the Central Sales Tax Act, 1956 on the Interstate sale of goods not supported by declaration in Form 'C' as also on sales after the crucial date of the notification *i.e.* 13 December 2007 which was liable for 0.25 *per cent* levy of tax by the Mapusa Ward Assessing Authority. The Company had made sales worth ₹ 12.14 crore during the period 14 December 2007 to 31 March 2008 and was liable to pay tax of ₹ 3.04 lakh. As against this, only ₹ 2.74 lakh was paid. For sales worth ₹ 4.94 crore not supported by 'C' forms tax of ₹ 19.76 lakh was recoverable. Further, under Section 9(2) of the Goa Value Added Tax Act 2005, Input Tax Credit was not admissible on goods exempted from payment of tax by special notification issued under the Central Sales Tax Act, 1956 where such goods are sold in the course of Interstate trade and commerce. As against ₹ 3.40 lakh ITC allowable, the ITC allowed was ₹ 10.51 lakh.

After this being pointed out, the Assessing Authority re-assessed the dealer in July 2012 and an additional tax of ₹ 16.70 lakh under the Central Sales Tax Act, 1956 and of ₹ 14.56 lakh under the Goa Value Added Tax, 2005 was levied. Demand notice was sent to the dealer in July 2012.

The matter was referred to the Government in July 2012; their reply was awaited as of February 2013.