

CHAPTER – II

Revenue Sector

CHAPTER-II

REVENUE SECTOR

2.1 Revenue receipts

2.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Goa during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are mentioned in the *Table 2.1*.

Table 2.1: Details of total revenue receipt of State Government

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	Revenue raised by the State Government					
	• Tax revenue	2939.66	3582.48	3895.92	3975.37	4261.16
	• Non-tax revenue	1832.90	1661.55	2325.63	2431.93	2712.00
	Total	4772.56	5244.03	6221.55	6407.30	6973.16
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	777.21	848.53	900.58	1923.76	2299.20
	• Grants-in-aid	295.66	357.21	566.56	221.18	292.61
	Total	1072.87	1205.74	1467.14	2144.94	2591.81
3	Total revenue receipts of the State Government (1 and 2)	5845.43	6449.77	7688.69	8552.24	9564.97¹
4	Percentage of 1 to 3	82	81	81	75	73

(Source: Finance Accounts of the State)

The above table indicates that there was continuous increase in collection of revenue during the last five years. The revenue raised by the State Government during the year 2016-17, was 73 per cent of the total revenue receipts. The balance 27 per cent of the receipts during 2016-17 was from the Government of India by way of share of net proceeds of divisible Union taxes and duties and grants-in-aid.

2.1.2 Tax revenue

The tax revenue raised by the Government of Goa during 2016-17 was ₹ 4,261.16 crore. The details of the tax revenue along with details of preceding four years are given in *Table 2.2*.

¹For details, please see Statement No. 14 Detailed accounts of revenue receipt by minor heads in the Finance Accounts of the Government of Goa for the year 2016-17. Figures under the head 0020-Corporation tax, 0021-Taxes on income other than corporation tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Share of net proceeds assigned to State booked in the Finance Accounts. Tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement

Table 2.2: Details of tax revenue receipt of the State Government

(₹ in crore)

Sl. No.	Head of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase (+) or decrease (-) in 2016-17 over 2015-16
1	Taxes on sales, trade etc.	BE	2081.50	2185.00	2303.85	2370.00	2624.35	
		RE	1955.00	1766.00	2303.85	2067.34	2245.50	
		Actual	1577.42	1708.05	1859.86	2115.69	2438.17	15.24
2	Stamps Duty	BE	240.20	560.04	544.39	549.35	678.49	
		RE	408.98	547.36	544.39	584.46	625.16	
		Actual	524.42	396.10	659.84	524.90	365.11	-30.44
3	State excise	BE	220.00	253.00	290.00	300.00	357.86	
		RE	211.23	246.28	290.00	300.00	357.86	
		Actual	212.90	235.76	268.00	319.52	320.90	0.43
4	Taxes on goods and passengers	BE	266.00	294.80	260.23	313.23	500.20	
		RE	283.00	285.11	260.23	434.16	437.13	
		Actual	257.50	386.41	404.19	464.40	453.44	-2.36
5	Land revenue	BE	11.29	20.77	253.19	213.37	156.01	
		RE	9.42	388.43	253.19	155.53	182.91	
		Actual	11.13	454.36	25.38	24.51	39.09	59.49
6	Other taxes	BE	416.00	503.35	423.92	540.52	599.45	
		RE	1198.19	1297.70	1350.92	492.26	597.17	
		Actual	356.29	401.80	678.64	526.35	644.45	22.44
Total		BE	3234.99	3816.96	4075.85	4286.47	4916.36	
		RE	4065.82	4530.88	5002.58	4033.75	4445.73	
		Actual	2939.66	3582.48	3895.91	3975.37	4261.16	7.18

(Source: Compiled by Audit from Budget Estimates and Finance Accounts)

There had been a continuous increase in overall tax revenue collection during last five years but the collection for each year has been less than both the budget estimates and the revised estimates.

The reasons for variation wherever found substantial though called for (December 2017) have not been furnished by the respective departments.

2.1.3 Non-tax revenue

The details of the non-tax revenue along with details of preceding four years are given in *Appendix 2.1*. The non-tax revenue raised during 2016-17 was ₹ 2,712 crore. Details of some principal departments of Government of Goa during the period 2012-13 to 2016-17 are indicated in *Table 2.3*.

Table 2.3: Details of Non-tax revenue receipt of the State Government*(₹ in crore)*

Sl. No.	Heads of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase (+) or decrease (-) in 2016-17 over 2015-16
1	Power	BE	1231.83	1331.85	1367.94	1497.17	1687.75	
		RE	1231.75	1331.85	1367.94	1497.17	1687.75	
		Actual	1139.97	1187.95	1321.66	1708.91	1765.80	3.33
2	Non-Ferrous Mining and Metallurgical Industries ²	BE	902.03	202.10	400.24	742.57	439.28	
		RE	401.00	18.54	400.24	205.11	259.34	
		Actual	339.26	46.12	530.35	216.53	347.63	60.55
3	Other Administrative Services	BE	77.67	90.52	157.54	163.27	176.47	
		RE	72.67	102.19	157.54	133.10	183.70	
		Actual	64.88	88.01	123.45	108.98	152.52	39.95
4	Water Supply and Sanitation	BE	87.55	102.08	129.89	145.75	162.62	
		RE	90.57	102.08	129.89	145.75	114.59	
		Actual	97.99	103.97	101.89	115.40	119.69	3.72

(Source: Finance Accounts of the State and Estimates of Receipts for the concerned years)

The reasons for variation wherever found substantial though called for (December 2017) have not been furnished by the respective departments.

2.1.4 Analysis of arrears of revenue

The arrears of revenue pending collections in respect of some principal departments of Government of Goa as on 31 March 2017 amounted to ₹ 1,647.19 crore of which ₹ 567.48 crore had been pending for more than five years as detailed in *Table 2.4*.

Table 2.4: Arrears of revenue*(₹ in crore)*

Sl. No.	Name of the Department	Amount outstanding as on 31 March 2017	Amount outstanding for more than five years	Action taken by the Department
1	Commercial Taxes	1223.84	441.68	The Department intimated that 752 cases involving ₹ 14.00 crore were pending in Revenue Recovery Court (RRC). Further, visits were constantly made by the officers of the Department for recovery of the remaining arrears and the dealers were persuaded to pay the dues.
2	Chief Electrical Engineer, Electricity Department	268.77	107.66	The Department had referred 7,859 cases involving ₹ 18.43 crore to RRCs. Disconnection notices were issued to consumers against whom electricity charges were outstanding. Notices were issued for payment of the arrears to the heads of the various departments against whom arrears were outstanding. A billing dispute redressal committee had been set up for settlement of disputed cases.

²Includes major minerals such as iron ore, manganese and bauxite; minor minerals such as basalt (Granite), laterite stones, ordinary sand, river pebbles, murrum and laterite boulders

Audit Report for the year ended 31 March 2017

3	Chief Engineer, Public Works Department.	95.73	12.34	Arrears of Rent ₹ 1.49 crore:- The Department stated that one case involving ₹ 22.82 lakh was pending in RRC as on 31 March 2017. In the remaining cases demand notices were being sent to the consumers. Arrears of Water Charges ₹ 94.24 crore:- The Department stated arrears involving ₹ 13.64 crore were pending before RRC as on 31 March 2017. Demand notices were served to the defaulters/consumers for recovery of the remaining arrears.
4	Chief Engineer, Water Resources Department	58.85	5.80	Water tax involving ₹ 4.31 crore was pending against the cultivators. The Department stated that notices were served to the defaulters and personal instructions are issued to the staff for speedy recovery of the arrears. Water charges involving ₹ 51.40 crore:- Department stated Executive Engineer of concerned divisions were being persuaded to settle the outstanding bills. Hire charges of machinery ₹ 0.11 crore:- The amount was outstanding for more than five years. No reply in this regard was received. Rent from shops and halls:- The Department stated that three cases involving ₹ 3.03 lakh are pending with RRC and notices have been served to the defaulters for recovery of remaining arrears.
Total		1647.19	567.48	

(Source: Information furnished by concerned departments)

It would be seen from the above that 34.45 per cent of the arrears have been pending for more than five years. With the passage of time, the chances of their recovery become low. It is recommended that the Government may instruct the concerned departments to make extra efforts for settlement of the arrears.

2.1.5 Pendency of Refund Cases

The details of refund cases pending at the beginning of the year 2016-17, claims received and refunded during the year and the cases pending at the close of the year 2016-17 in respect of Commercial Taxes Department are given in **Table 2.5**.

Table 2.5: Details of pending refund cases

Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	213	91.74	-	-
2	Claims received during the year	536	44.58	4	0.01
3	Claims rejected	15	5.23	-	-
4	Refunds made during the year	262	16.75	4	0.01
5	Balance outstanding at the end of the year	472	114.34	-	-

(Source: furnished by the respective departments)

Above table shows that 472 cases of refunds involving ₹ 114.34 crore were outstanding in Commercial Taxes Department as on 31 March 2017. Section 33 (2) of Goa Value Added Tax Act, 2005 provides for payment of interest, at the rate of eight per cent annum for the delay in refunds. It would be prudent on the part of the Department to settle the refund cases expeditiously to save the Government from the interest liability. In the case of State Excise Department no claims were pending for refund at the end of the year.

2.1.6 Response of the Government/Departments towards Audit

The Accountant General, Goa (AG) conducts periodical inspection of the Government/Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the inspection and not settled on the spot. The IRs 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/the Government are required to promptly respond to the observations contained in the IRs and rectify the defects and omissions. They have to report compliance through initial reply to the Accountant General within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Analysis of IRs issued up to December 2016 disclosed that 578 paragraphs involving ₹ 401.62 crore relating to 151 IRs remained outstanding at the end of June 2017. The figures as on June 2017 along with the corresponding figures for the preceding two years are given in the **Table 2.6**.

Table 2.6: Details of pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	130	124	151
Number of outstanding audit observations	479	427	578
Amount of revenue involved (₹ in crore)	242.98	228.85	401.62

(Source: Compiled from Audit records)

2.1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 are mentioned in the **Table 2.7**

Table 2.7: Department-wise details of pending Inspection Reports

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Sales tax/VAT	33	170	247.70
		Entry tax	24	71	8.25
		Luxury tax	18	94	14.21
		Entertainment tax	12	24	0.79
2	Excise	State excise	3	6	0.02
3	Revenue	Land revenue	14	38	0.84
4	Transport	Taxes on motor vehicles	23	78	12.29
5	Stamps and Registration	Stamp duty and registration fee	23	84	116.35
6	Mines and Geology	Non-ferrous mining and metallurgical industries	1	13	1.17
Total			151	578	401.62

(Source: Compiled from Audit records)

Audit did not receive even the first replies from the heads of offices within four weeks from the date of issue of the IRs in respect of eight IRs issued up to December 2016. There was increase in pendency of the IRs by 35 per cent as compared to previous year. This indicated that the heads of offices/departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

2.1.7 Response of the departments to the draft audit paragraphs

Six draft paragraphs including one Performance Audit (PA) (clubbed into four paragraphs) were sent to the Secretaries of the respective departments between June and October 2017. Of these, replies in respect of two draft paragraphs were furnished by the Department whereas replies to other four draft paragraphs have not been received from the Government despite reminders (December 2017).

2.1.8 Analysis of the issues raised by Audit in Commercial Taxes Department

To analyse the system of addressing the issues highlighted in Inspection Reports/Audit Reports, by the departments, the 'Commercial Taxes Department' was selected. The action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years was evaluated and included in this Audit Report.

The succeeding paragraphs 2.1.9 and 2.1.10 discuss the performance of the Commercial Taxes Department under revenue head 0040. The audit observations issued during the last five years and the cases included in the Audit Reports for the years 2006-07 to 2015-16 are discussed.

2.1.9 Position of Inspection Reports

The summarised position of the IRs and paragraphs pertaining to Commercial Taxes Department issued during the last five years and their status as on 31 March 2017 are tabulated in **Table 2.8**.

Table 2.8: Details of IRs issued to Commercial Taxes Department

(Money value ₹ in crore)

Sl. No.	Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1	2012-13	39	98	64.64	15	80	16.40	11	32	51.90	43	146	29.14
2	2013-14	43	146	29.14	21	154	111.63	4	57	12.41	60	243	128.36
3	2014-15	60	243	128.36	15	135	29.05	5	74	20.42	70	304	136.99
4	2015-16	70	304	136.98	19	129	177.65	6	96	43.63	83	337	271.00
5	2016-17	83	337	271.00	20	145	245.39	9	78	141.44	94	404	374.95

(Source: Compiled from Audit records)

The Government arranges Audit Committee meetings between the Department and AG's office to settle the old paragraphs. No Audit Committee meeting was held during the year. It is recommended that efforts may be made for holding Audit Committee meeting at regular intervals for settlement of the old outstanding paragraphs.

2.1.10 Recovery of accepted cases of Audit Reports

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 **Table 2.9**.

Table 2.9: Details of recovery on accepted cases of Audit Reports

(₹ in lakh)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Money value of accepted paragraphs
2006-07	2	150.22	97.96
2007-08	5	288.85	0.00
2008-09	3	72.07	0.00
2009-10	2	62.56	54.50
2010-11	4	513.87	0.00
2011-12	4	132.20	61.88
2012-13	2	54.22	0.00
2013-14	4	366.69	118.88
2014-15	5	168.00	92.00
2015-16	3	1324.00	11.00
Total	34	3132.68	436.22

(Source: Compiled from Audit records)

Out of 34 cases the Department accepted audit observation in 10 cases involving ₹ 4.36 crore. The Department recovered only ₹ 0.02 crore which was 0.5 per cent of the accepted cases.

The Government may consider instructing the Department to take prompt action to pursue and monitor the recovery of the dues at least in those cases which have already been accepted by the Department. The delay would hamper the recovery and with the passage of time the chances of their recovery will become less.

2.1.11 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units. The risk analysis was done considering their revenue position, past trends of the audit observations and other parameters. The annual plan is prepared on the basis of critical issues in government revenues and tax administration. We also consider budget speech, revenue during the past five years, features of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2016-17, 43 units were planned and audited for revenue sector.

2.1.12 Results of Audit and coverage of this chapter

During the year 2016-17 we test checked the records of 43 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers tax, Stamp Duty and Registration and other departmental offices. The test check showed under-assessment/short-levy/loss of revenue aggregating ₹ 390.68 crore in 231 cases. During the year, the departments concerned recovered under assessment and other deficiencies of ₹ 0.77 crore involved in 29 cases.

This Chapter contains a Performance Audit on “Assessment and Collection of Revenue from taxes on trade by Commercial Taxes Department”, and three paragraphs involving financial effect of ₹ 162.98 crore.

COMMERCIAL TAXES DEPARTMENT

2.2 Performance Audit on Assessment and Collection of Revenue from taxes on trade by Commercial Taxes Department

Executive Summary

Commercial Taxes Department is responsible for levy and collection of taxes on trade in goods in the State. Being the major part of the State's revenue the enforcement of the Acts and Rules to recover GVAT, CST and Entry Tax is of utmost importance for Government finances. A performance audit of Commercial Taxes Department was conducted to ascertain whether the levy/collection and refund of taxes on sale of goods was done to safeguard the interest of the Government; system for recovery of the arrears of revenue, resolution of appeal cases was effective; and whether the internal control mechanism was adequate. Following are the highlights of the audit findings.

- Targets were not fixed by the Department for conducting surveys for detecting unregistered dealers (URD). During the surveys the Department had detected 164 dealers during 2012-13 to 2016-17 out of whom only 93 were registered subsequently and the remaining 71 were not registered. On cross verification of the information obtained from six departments, audit found that another 26 dealers were not registered under the GVAT Act in Commercial Taxes Department.

(Paragraph 2.2.6)

- The Department had not utilised the information available in the VATSOFT application for realisation of the tax from those dealers who had defaulted in payment of the tax. It was observed that 306 dealers had not paid full amount of taxes payable as per the returns filed by them resulting in non-realisation of tax amounting to ₹ 11.38 crore.

(Paragraph 2.2.7)

- The parameters fixed by the Government for selection of cases for detailed assessment were not followed. Out of 3,185 dealers required to be selected from four selected wards for the year 2012-15 only 917 dealers (29 per cent) were selected.

(Paragraph 2.2.8)

- Errors and omissions on the part of the assessing authorities in 28 cases assessed during the period from 2012-13 to 2016-17 revealed short-realisation of revenue amounting to ₹ 38.01 crore.

(Paragraph 2.2.9.1)

- There were 2,466 appeal cases involving revenue of ₹ 1,230.50 crore pending with departmental appellate authorities which was 98.52 per cent of total amount of ₹ 1,249.02 crore involved in pending appeals. The appellate authorities took a long time ranging from 5 to 17 years, in disposal of cases test checked by Audit.

(Paragraph 2.2.10)

- The uncollected revenue recoverable by Department was ₹ 1,223.84 crore as on 31 March, 2017, of which ₹ 441.68 crore was pending recovery for more than six years.

(Paragraph 2.2.11)

2.2.1 Introduction

The Commissioner of the Commercial Taxes Department has been empowered to administer the levy and collection of taxes on intra and inter-state sales of goods under the Goa Value Added Tax Act, 2005 (GVAT Act), Central Sales Tax Act, 1956 (CST Act) respectively. Besides, it also administers the levy and collection of the entry tax leviable on the entry of specified goods into a local area under the Goa Tax on Entry of Goods Act, 2000 (GTE). No dealer is allowed to carry intra or inter-state sale or commerce unless he is registered under the relevant provisions of the Acts and possesses a valid certificate of registration. Each dealer is required to make a self-assessment of the tax payable by him, deposit the tax with the Government and file the periodical returns prescribed under the Acts. These returns are assessed by the departmental authorities and a demand notice is issued for payment of the amount specified therein within a specified date. In cases of non-payments of the tax, the recovery is made as arrears of land revenue under the Goa Land Revenue Code 1968. The dealer has the option of filing the appeal against the order passed by the assessing authorities before the departmental appellate authorities.

Revenue from taxes on trade comprises of Value Added Tax (VAT), Central Sales Tax (CST) and Entry Tax (ET) constitute 57 per cent of the total tax revenue of the State. Being a major source of the revenue to the Government, a performance audit to assess the efficacy of the Department in assessment and collection of the taxes was undertaken. As on 31 March 2017, 39,749 dealers were registered under the GVAT Act, in the State.

2.2.2 Organisational set-up

The Commercial Taxes Department is under the administrative control of the Finance Department headed by the Finance Secretary. The Department is headed by the Commissioner of Commercial Taxes, who is assisted by two Additional Commissioners, six Assistant Commissioners (AC), 19 Commercial Tax Officers (CTO), 40 Assistant Commercial Tax Officers (ACTO) and 44 Commercial Tax Inspectors (CTI), besides subordinate staff such as clerical staff. The Assessing Authorities comprise of ACTOs, CTOs and ACs.

The Additional Commissioner is the appellate authority for the assessments finalised by Assistant Commissioner or where the amount in dispute is more than ₹ 25 lakh. The Assistant Commissioner is the Appellate Authority for cases assessed by CTO/ACTO and where the demand is less than ₹ 25 lakh.

2.2.3 Audit Objectives and Criteria

Performance audit on “Assessment and Collection of Revenue from taxes on trade by Commercial Taxes Department” was conducted with a view:

- (i) to ascertain whether the existing system to levy/collect or refund of taxes were effective and safeguarding the interest of the Government;
- (ii) to ascertain whether the existing system for recovery of the arrears of revenue including the revenue involved in appeal cases was adequate and effective; and
- (iii) to examine whether the internal control mechanism was adequate and effective.

The performance audit was based on the following audit criteria:

- (i) Goa Value Added Tax Act, 2005 and Goa Value Added Tax Rules, 2005;
- (ii) Central Sales Tax Act, 1956 and Central Sales Tax (Registration and Turnover) Rules, 1957;
- (iii) Goa Tax on Entry of Goods Act, 2000 and Goa Tax on Entry of Goods Rules, 2000; and
- (iv) Periodic Notifications issued under above mentioned Acts and Rules.

2.2.4 Scope of Audit and Methodology

The performance audit was conducted between April, 2017 and September, 2017 covering the period from 2012-13 to 2016-17.

Four ward offices (Panaji, Ponda, Margao and Vasco) out of the eight³ wards were selected for detailed audit scrutiny during the performance audit. These were the highest revenue earning ward offices in the State. There were 27,647 assessment cases out of which 558 cases were selected by random sampling.

All cases relating to arrears of revenue and the cases locked in appeal with departmental appellate authorities as on 31 March 2017 and the cases settled during the period were covered under performance audit.

An entry conference was held on 28 April 2017 with Secretary (Finance) wherein audit objectives, scope and coverage of Audit were discussed. The draft audit report was sent to the Government and to the Department in October 2017. The exit conference was held on 03 January 2018 with the Secretary (Finance), Government of Goa. The replies received from the Department and the Government have been appropriately incorporated in the relevant paragraphs of the report.

2.2.5 Trend of revenue

The budgeted and actual revenue realisation under the VAT, CST and ET during the period from 2012-13 to 2016-17 is detailed in **Table 2.10**.

³Bicholim, Curchorem, Panaji, Pernem, Ponda, Mapusa, Margao and Vasco

Table 2.10: Details of budget estimates and actual receipts*(₹ in crore)*

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actual realisation	Percentage variation Excess(+)/Shortfall(-)	
				BEs	REs
2012-13	2271.50	2219.00	1816.11	(-) 20	(-) 18
2013-14	2424.00	2032.00	2074.48	(-) 14	(+) 2
2014-15	2548.84	2548.84	2241.97	(-) 12	(-) 12
2015-16	2667.80	2487.17	2557.27	(-) 4	(+)3
2016-17	3096.55	2661.15	2867.95	(-) 7	(+)8

(Source: Compiled from Finance Accounts for the years 2012-13 to 2016-17 and budget estimates of the concerned years.)

The performance audit revealed deficiencies which resulted in revenue loss to the Government as discussed in the succeeding paragraphs.

2.2.6 Registration of dealers

2.2.6.1 Survey to detect unregistered dealers

Survey of dealers is an important tool for identification of unregistered dealers and for bringing them under the tax net. As per Section 76 of GVAT Act, 2005, in order to identify dealers who are liable to pay tax under this Act, but have remained unregistered, the Commissioner shall, from time to time, cause a survey of unregistered dealers to be conducted.

As per the information furnished by four selected wards, 164 dealers were found unregistered, of these 93 dealers were registered during the period 2012-17. The details as furnished are mentioned in **Table 2.11**.

Table 2.11: Details of unregistered dealers

Year	Total number of surveys conducted	Total number of URDs detected	No. of detected URDs registered as dealer	No. of detected URDs not yet registered as dealer
2012-13	60	21	21	nil
2013-14	109	23	21	2
2014-15	234	42	22	20
2015-16	69	50	9	41
2016-17	96	28	20	8
Total	568	164	93	71

Action taken for registration of 71 URDs has not been intimated.

Audit observed that the Department had not fixed any target for conducting the surveys. However a visit register was maintained by each office regarding the visits made by the departmental authorities for various activities like tax collection, enforcement and visit to URDs *etc.* This register did not contain any information regarding the outcome of the inspection or action taken against the URDs. Further, no separate records were maintained for conducting the surveys. The Department had made 568 visits in respect of

URDs' detection and had registered 93 dealers. There was nothing on record to indicate that any cross verification with other states or central departments done for identification of dealers.

2.2.6.2 Detection of URDs on account of cross verification done by Audit

Audit obtained information from six⁴ work executing departments and cross verified the same with the registration records available in the VATSOFT (computerised system of VAT) and found that 26 dealers were not registered with the Commercial Taxes Department. These dealers were contractors with turnover of ₹ 10 lakh *i.e.*, more than the threshold limit. The departments had paid an amount of ₹ 6.77 crore during the period from 2012-13 to 2016-17. Tax at the rate of eight *per cent* leviable under entry No. 14 of 'Schedule-C' on ₹ 4.49 crore⁵ worked out to ₹ 36 lakh. The departments had deducted TDS of ₹ 18 lakh at the rate two *per cent* up to 31 May 2013 and five *per cent* thereafter. The Department did not take any action to register these dealers and collect tax of ₹ 18 lakh⁶ payable by these dealers.

2.2.7 Non-utilisation of VATSOFT for efficient revenue collection

The Department had introduced a web-based application VATSOFT for the use of departmental authorities wherein various modules were provided to facilitate collection, assessment of the tax on sale and purchase of goods and thus safeguard the revenue collection system.

Audit found that Assessing Authorities (AAs) had not utilised the system to trace out duplicate registration certificates, delayed filing of returns, non-filing of audit report, cancellation of registration certificates, non-payment of taxes *etc.* These are discussed in the following paragraphs.

2.2.7.1 More than one Registration Certificate issued to one dealer

As per Rule 45 of GVAT Act, 2005, only one registration certificate (RC) can be issued to a dealer irrespective of the places of business in the State. The VATSOFT has a registration module for registering the dealers. The module consists of a field in which PAN number allotted to dealers is filled. With the help of PAN as a primary key audit found that 166 dealers⁷ having same PAN numbers were allotted more than one RC.

Of these 166 dealers, 35 dealers having 70 RCs were live dealers while the RCs of 131 dealers previously issued were cancelled and new RCs with new TIN numbers were issued. The new TINs were allotted without ascertaining the liabilities against the old TIN numbers. Thus, the re-registration of dealers was fraught with the risk of claiming fictitious input tax credit, bill trading and issue of duplicate invoices. The details of the transactions made on cancelled RCs were not made available to audit.

⁴ PWD XVI, WRD VIII, WRD III, PWD XV, SIDCL and PWD XXII

⁵ After allowing deduction of 33 *per cent* of the total receipts of ₹ 6.77 crore under Rule 4(A) of GVAT Rules, 2005

⁶ Worked out division-wise total turnover after considering 33 *per cent* deductions applicable to work contracts and applicable tax rates for the respective years

⁷ Ponda-4, Panaji-81, Margao-57 and Vasco-24

2.2.7.2 Departmental inaction against non-filers of returns

As per GVAT Act, 2005, Section 55(2), any dealer who fails to file three consecutive returns, the RC granted to such dealer shall stand cancelled from the date of expiry of the period for filing of such third return. As per Notification No. CCT/12-22/2011-12/806 dated 04 August 2011 read with Section 29(2) of GVAT Act, the Department was required to undertake 100 per cent assessments of the dealers who failed to file returns.

Audit observed from VATSOFT data of four selected wards that there are 8,452 distinct dealers who did not file 82,708 quarterly returns for the year 2012-13 to 2014-15 as detailed in **Table 2.12**.

Table 2.12: Details of dealers who did not file returns

Ward	Return Period	Total number of dealers	No. of dealers who did not file quarterly returns	No. of returns not filed
Ponda	2012-15	4159	1554	14256
Panaji	2012-15	4582	2209	21660
Margao	2012-15	8732	3011	29948
Vasco	2012-15	4062	1678	16844
Total		21535	8452	82708

Audit further observed that 5,439 dealers out of 8,452 dealers did not file returns for the last consecutive three years, 1,347 dealers did not file returns for two years and 1,666 dealers did not file returns for one year. The Department had not utilised the information available in the software to trace out the dealers who had not filed returns for three consecutive quarters so that orders for cancellation could be processed or the tax recoverable from the dealers could be collected.

The concerned CTOs accepted the audit observations. However, reasons for not taking action for assessment/cancellation of RCs were not intimated.

It is recommended that all cases of non-filing of returns be investigated and appropriate action taken for enforcing the provisions of the GVAT Act and Rules. A case relating to non-filing of return and grant of two RCs is mentioned as follows:

Case Study I

As per Rule 16 of GVAT Rules, 2005, RC initially issued shall be valid for a period of three years. The RC can be renewed or cancelled on an application to be made by the dealer.

A RC issued to a dealer (retail-trader/works-contractor) with TIN number 30141203931 was required to be renewed on 31 March 2013. The dealer did not apply for the renewal of the RC till June 2016. He applied for new RC which was granted on the same date (03 June 2016) with a new TIN number 30471205447. The reasons for non-renewal of old RC instead of granting new RC were not found on record.

Audit found in the audit report filed by the dealer under the Income Tax Act for the year 2015-16 available in the file of the dealer that the dealer had VAT liability of ₹ 5.33 lakh for the years from 2011-12 to 2015-16. This indicated

that the dealer was doing business for the period from 01 April 2013 to 02 June 2016 without any RC.

The dealer applied and was granted RC on 03 June 2016. He claimed a refund ₹ 16.78 lakh on account of TDS deduction for unregistered period from 01 April 2013 to 02 June 2016 which was granted by the Department on the basis of new RC considering his turnover as NIL.

Audit found from the dealer's file that the dealer had executed and received contract payments amounting to ₹ 3.49 crore on account of annual maintenance contract during the unregistered period. He was liable to pay tax of ₹ 5.59⁸ lakh. The dealer had thus concealed his turnover and was liable to pay penalty of ₹ 11.18 lakh (double of the tax) under Section 59 of GVAT Act. The dealer was also not assessed for the period from 2011-12 to 2012-13.

This was pointed out by Audit to the Department in December 2016, the Department revised the assessment order in April 2017 and raised a demand of ₹ 5.58 lakh. However, no penalty was levied. It was stated that the dealer had applied for revision of assessment order on 20 January 2017 as such no penalty could be levied. The reply of the Department was not correct as the dealer had applied for refund that was assessed and allowed on 14 September 2016. Thus the dealer had concealed the facts. Besides, the dealer could apply for revision of order only up to 13 January 2017 (within 120 days from the date of passing order under rule 38(4) of GVAT Act).

The CTO, Vasco accepted (August 2017) the audit observation relating to non-assessment of the dealer and stated that the dealer would be re-assessed under the old TIN 30141203931 under Section 31 of the Act for the assessment years 2011-12 and 2012-13.

The issue of the new RC without cancelling the original RC was against the basic principles of the Act under which only one RC should be issued irrespective of nature and place of the business.

2.2.7.3 Acceptance of returns without Audit Reports

As per Section 70 of GVAT Act, 2005 read with Rule 42 of GVAT Rules, 2005, every dealer liable to pay tax shall, whose gross turnover of sales exceeds ₹ one crore in any year, or the amount of input tax credit claimed by him in any year exceeds ₹ 10 lakh, shall get his accounts in respect of such year audited by a chartered accountant and furnish the audit report within ten months from the end of the relevant year.

We scrutinised VATSOFT data and observed in four⁹ selected wards that 286 dealers were required to file the audit reports but did not file the same for the years 2012-13 and 2013-14. Returns of these dealers have been accepted by the Department without the audit reports. In the absence of audit reports, the possibility of under-reporting of turnover cannot be ruled out. Though the information was available with the assessing authorities in the VATSOFT, it had not utilised the information for tracing out non-filers of audit reports.

⁸ Tax=8% of (20% of ₹ 3.49 crore)= ₹ 5.59 lakh

⁹ Margao 203, Panaji 13, Ponda 39 and Vasco 31

When this was pointed out the CTOs Ponda, Margao and Vasco replied (July/August 2017) that in all cases penalty was levied for non-filing of audit reports. Reply of CTO Panaji is awaited.

The tax authorities have accepted returns without the audit reports. The Department should have issued notices for the submission of audit report as the returns remain incomplete without the audit reports as per Section 70 of the GVAT Act, 2005.

2.2.7.4 Scrutiny of returns

As per VAT Circular No. 17 CCT/12-19/2006 dated 02 June 2006, all returns (100 per cent) of the dealers whose annual gross turnover/estimated turnover was more than ₹ two crore and 50 per cent of the return of the dealers whose turnover ranging from ₹ one to ₹ two crore were to be scrutinised by Commercial Tax Officer/Assistant Commercial Tax Officer.

The total number of returns that required scrutiny was not worked out by the Department. As per the data available in the VATSOFT¹⁰ returns of 2,114 dealers were required to be scrutinised against which returns of 1,428 dealers were scrutinised.

In three out of the four selected wards, returns were not scrutinised to the extent prescribed in above mentioned circular issued by the Commissioner. Audit found the returns of 815 dealers were not scrutinised by the ACTOs/CTOs as detailed in **Table 2.13**.

Table 2.13: Details of shortage in scrutiny of returns

Ward	Returns for the year	Annual Turnover/Category	Total dealers in the category	Number of dealers to be scrutinised	Number of dealers scrutinised	Shortfall (-) /Excess(+) (per cent)
1	2	3	4	5	6	7
Ponda	2013-14	Exceeding ₹ two crore	228	228(100%)	152	(-) 76 (33)
		₹ one crore to ₹ two crore	131	65(50%)	110	(+) 45 (69)
Panaji	2013-14	Exceeding ₹ two crore	610	610(100%)	132	(-) 478 (78)
		₹ one crore to ₹ two crore	293	147(50%)	92	(-) 55 (37)
Margao	2013-14	Exceeding ₹ two crore	664	664(100%)	465	(-) 199 (30)
		₹ one crore to ₹ two crore	343	172(50%)	247	(+) 75 (44)
Vasco	2013-14	Exceeding ₹ two crore	184	184(100%)	177	(-) 7 (4)
		₹ one crore to ₹ two crore	87	44(50%)	53	(+) 9 (20)

It can be seen from above that scrutiny of returns of the dealers with turnover exceeding ₹ two crore was not done to the extent prescribed in three out of four wards whereas for smaller dealers with turnover between ₹ one crore to ₹ two crore was done in excess in three out of four wards.

The information about the turnover of each dealer was available with the Department. Despite this the Department had not worked out the number of dealers that required scrutiny. Thus, the VATSOFT was not utilised for monitoring the number of returns to be scrutinised. No reasons were found on record for not adhering to the instructions issued by the Department for scrutiny of returns.

¹⁰ VATSOFT is maintained and controlled by the Department of Commercial Taxes, VATSOFT allows the dealers to file the quarterly returns and pay online tax

2.2.7.5 Short-realisation of tax

We observed that 306 dealers had not paid full amount of taxes payable as per the returns filed by them resulting in non-realisation of tax amounting to ₹ 11.38 crore. The ward wise details of tax recoverable on the filed returns are detailed in **Table 2.14**.

Table 2.14: Ward wise details of tax recoverable

Ward	Period of Return	No. of dealers not scrutinised	Balance tax to be paid (₹ in crore)
Ponda	2012-13	10	0.08
	2013-14	02	0.08
Panaji	2012-13	65	2.24
	2013-14	89	2.99
Margao	2012-13	61	1.55
	2013-14	09	0.08
Vasco	2012-13	38	3.29
	2013-14	32	1.07
Total		306	11.38

Time limits of assessment/scrutiny of returns for the years 2012-13 and 2013-14 had expired on 31 March 2016 and 31 March 2017 respectively. The inaction on the part of the Department to assess and recover the balance amount as per the returns resulted in non-realisation of ₹ 11.38 crore.

CTOs of Ponda, Panaji and Margao replied (November 2017) that the cases of turnover above ₹ one crore are sometimes assessed.

Reply is not tenable since scrutiny of returns is different from the assessment/re-assessment. Returns of the dealer should have been scrutinised to the extent prescribed in circular dated 02 June 2006.

2.2.7.6 Details of cancelled RCs not published in Official Gazette

As per Rule 19 of GVAT Rules, 2005 each ward officer was required to send a list of cancelled dealers to the Commissioner by the end of July each year who would publish it in the Official Gazette.

As per the information provided by four selected wards, RCs of 1,432 dealers were cancelled by Assessing Authorities during the period from 2012-13 to 2016-17.

Year	No of cancelled RCs
2012-13	1040
2013-14	144
2014-15	79
2015-16	53
2016-17	116
Total	1432

It was found that the ward officers had prepared the list of cancelled RCs but had not sent it to the Commissioner for publication in the official gazette. The information in this regard was also not called for/monitored by the Commissioner. Thus an important tool in plugging the leakages of revenue was not made use of as this would have enabled other dealers to know about the cancellation of these RCs.

The Department accepted the facts of non-submission of the list of cancelled RCs to the Commissioner. The reasons for non-submission of the list to the Commissioner were not furnished.

2.2.8 Selection of cases for detailed assessment

Audit noticed that norms for selection of the cases for detailed assessments were not followed and cases were selected for detailed assessment after considerable time from the date of filing of the returns. The number of cases selected for detailed assessments continued to diminish during these years 2012-13 to 2014-15. This is briefly discussed as follows.

2.2.8.1 Norms for selection of cases were not followed for detailed assessment

As per Section 29(1) of GVAT Act, 2005, returns filed by the dealer shall be accepted as self-assessed. The Commissioner is required to select upto 20 per cent of such dealers for detailed assessment. The detailed assessments may be done by the officers other than the ward to which it relates.

We observed that the cases selected for detailed assessment was far below 20 per cent as detailed in the **Table 2.15**.

Table 2.15: Details of cases selected for detailed assessment

Sl. No.	Assessment Year	No. of registered dealers	No of dealers selected	Percentage of dealers selected
1	2012-13	29242	1222	4
2	2013-14	31672	707	2
3	2014-15	34000	446	1
4	2015-16	36630	Not selected (September 2017)	
5	2016-17	39749		
Total		1,71,293	2375	

(Source: furnished by the Department)

It would be seen from the above the percentage of dealers selected for detailed assessments had diminished from four per cent to one per cent of the total dealers during the period 2012-13 to 2014-15, no selection was made for the years 2015-16 and 2016-17. The Commissioner stated that the selection of the cases for detailed assessments was under process for these years. Audit observed that the number of dealers selected for detailed assessments had sharply decreased from 1,222 to 446 i.e., by 64 per cent.

2.2.8.2 Norms not followed in selection for detailed assessment

Audit noticed that norms prescribed by the Government in selection of the cases for detailed assessment were not followed. As per Notification dated 04 August 2011 for detailed assessments (i) not less than 75 per cent of the dealers whose turnover was ₹ five crore and above and (ii) not less than 50 per cent of dealers availing Goa Value Added Tax Deferment cum Net Present Value Scheme, 2005 (NPV) were required to be selected.

Audit found that the cases were not selected on the basis of the parameters fixed by the Government. As per above two parameters 3,185 dealers were required to be selected in respect of four selected wards for the year 2012-15 against which only 917 dealers (29 per cent of 3,185) were selected.

In addition to above though all the cases relating to non-filers were required to be selected for the detailed assessment, no case was selected.

Thus non-application of the norms resulted in diminishing the percentage of selection of cases as mentioned above.

The Commissioner stated that in respect of NPV cases, the cases are selected randomly and assessed by ward offices. The reply in respect of selection of cases above ₹ five crore and non-filing of returns were not furnished. It would be in the interest of the revenue if the cases are selected in accordance with norms fixed by the Government.

2.2.8.3 Absence of time schedule for selection of cases for detailed assessment

Returns for the year 2012-13, 2013-14 and 2014-15 were due by April 2013, April 2014 and April 2015 respectively. The cases would become barred for the assessment due to limitation period by March 2016, March 2017 and March 2018 under Section 29(3) of GVAT Act.

Audit found that the cases for detailed assessment were selected only four and half month to 18 months prior to their being time barred as mentioned in **Table 2.16**.

Table 2.16: Details of selection of cases for detailed assessment

Sl. No.	Assessment Year	Date of selection of cases	Expiry date of assessment	Time available for assessment
1	2012-13	17.11.2015	31.03.2016	Four and half months
2	2013-14	05.08.2016	31.03.2017	Eight months
3	2014-15	20.09.2016	31.03.2018	18 months

There was no fixed time schedule in the Department for selection of the cases for detailed assessment. The cases were selected after 31 months, 28 months, 18 months after their becoming due for assessment for the years 2012-13, 2013-14, and 2014-15 respectively. Delayed selection of cases for assessments by the Commissioner leaves less time for assessing authorities to assess the cases. This was evident in CTO Panaji where detailed assessment of five dealers were not completed within the prescribed period (one dealer for the year 2012-13 and four dealers for the year 2013-14). The dealers availed input tax credit of ₹ 4.08 crore in their returns. Commissioner replied (August 2017) that as departmental staff were busy with election related work and implementation of GST related work, they were not able to complete the assessments within prescribed time limit. The fact however remains that the Department has taken considerable period for selection of cases and their timely selection would have given sufficient time to assess the cases in time.

Thus it would be seen from the above that the Department needs to improve its control mechanism to ensure that the cases for detailed assessment are selected in accordance with the norms fixed by the Government in a planned manner so that the AA get sufficient time for their scrutiny.

2.2.9 Deficiencies noticed in the assessments finalised by assessing officers

Cases selected by the ward officers for assessment are required to be finalised within a period of three years subject to extension provided by the

Commissioner. The Commissioner under section 29 (3) of GVAT Act had notified 15 May 2016 as the date up to which assessments for the year 2012-13 could be finalised.

We observed from the VATSOFT database in four wards selected that assessments of 11 dealers involving tax dues of ₹ 3.12 crore were assessed after the notified date fixed under the Act as detailed in **Table 2.17**.

Table 2.17: Details of cases assessed after the time barred period

Ward	Period of Return	Last date to complete the assessment	Notified date to complete the assessment	No. of dealers assessed after the notified date for completing assessment	Amount of Tax involved (₹ in lakh)
Ponda	2012-13	31.03.2016	15.05.2016	2	1.04
Panaji	2012-13	31.03.2016	15.05.2016	2	0.10
Margao	2012-13	31.03.2016	15.05.2016	6	210.87
Vasco	2012-13	31.03.2016	15.05.2016	1	100.03
Total				11	312.04

Of the above, in six cases the CTO, Panaji and Margao stated (September/November 2017) that assessment orders have been passed under Section 31 of GVAT Act, 2005 as such cases have not become time barred.

The reply is not correct as the section 31 deals with the reassessment of cases and in these cases assessments were required to be done. Besides, in the assessment order of all the cases it was mentioned that the assessment had been done under section 29 of the GVAT Act and not under section 31 of the Act. As per the assessment order no issue of re-assessment was involved in these cases.

2.2.9.1 Short-realisation of revenue due to irregularities in assessments

We test checked assessment records of 558 cases in four wards and observed errors and omissions on the part of the assessing authorities in 28 cases (VAT, CST, ET) during the period from 2012-13 to 2016-17. This resulted in short recovery of ₹ 38.01 crore. The cases of VAT and CST are mentioned in the **Appendix 2.2**.

In six cases, the final reply of the Department has not been received. In the remaining cases, the Department stated that action would be taken for recovery of the amount.

2.2.9.2 Non/short-levy of entry tax and penalty

Under Section 14 of the Goa Tax on Entry of Goods Act and Rules (GTE), 2000, every dealer shall, every year, submit a return to the assessing authority. He is required to pay the tax in advance at the prescribed rates on the turnover mentioned in the return. The default in the payment of the advance tax payable by a dealer attracts penalty at the rate of two *per cent* of the tax payable for every such month under Section 18(2). In case a dealer, who does not pay the tax assessed, he shall be liable to pay penalty at the rate of 1.50 *per cent* per month for the first three months of default and thereafter at the rate of 2.50 *per cent* under Section 19(2) of the GTE Act.

Audit found short-payment of tax and non-levy of penalty of ₹ 6.70 crore as mentioned in the following paragraphs:

- (i) As per the provisions of the GTE Act, entry tax shall be levied at the rates of 0.1 *per cent* on ETP copper cathode under entry No 4 of notification dated 19 May 2003 issued under the GTE Act. Audit observed in CTO Vasco that in one case the Department had incorrectly levied tax on ETP copper cathode valued at ₹ 238.95 crore at the rate of 0.001 *per cent* instead of 0.1 *per cent*. This resulted in short-levy of tax of ₹ 23.66 lakh.

After this was pointed out the Department admitted (August 2017) the observation and stated that notice for re-assessment was issued by them.

- (ii) A test check of the records of Entry Tax assessments revealed that the assessing authority had either not levied or had short-levied penalty as required under Section 18(2) and 19(2) of the GTE Act. The non/short-levy in four cases aggregated to ₹ 6.46 crore as detailed in **Table 2.18**.

Table 2.18: Details of non/short-levy of penalty

(₹ in crore)

Sl. No.	Dealers/RC No. under entry tax	Year	Entry Tax Payable	Section under which penalty leviable.	Penalty levied by AA	Penalty leviable	Short levy of penalty
1	M/s Mormagao Steel Limited/ TEG/M/538605/M-229	2005-06	2.07	18(2)	Nil	3.19	3.19
		2006-07	1.64	18(2)	Nil	2.13	2.13
2	Rukminirama Steel Rolling Pvt. Limited/ TIN: 30321104019	2013-14	1.61	18(2)	Nil	1.03	1.03
3	Gemini Distilleries/ TIN: 30201201182	2007-08	0.14	19(2)	Nil	0.09	0.09
4	Vijay Marine/ TIN: 30451200608	2012-13	0.29	18(2)	0.004	0.03	0.02
Total							6.46

The Department accepted (November 2017) the audit observations in three cases and stated that cases are being processed for re-assessment and levy of penalty. The reply in remaining cases has not been received.

There was no system of internal audit in the Department. Had the system been put in place, these cases could have been traced by the Department itself and the irregularities would not have remained unnoticed till the date of audit. The Department may consider putting in place a system of re-examining the cases finalised by the assessing authorities (AA) so as to detect the errors and omissions made by the AA and to minimise the chances of revenue loss to the Government.

2.2.10 Admission and disposal of appeals

VATSOFT has one module for appeals. Audit found that the data on appeals is not entered in the module. No report or returns regarding receipt and disposal of appeals were submitted to higher authorities to monitor the disposal of cases and follow up actions in cases disposed of by the appellate authorities. Each appellate authority was maintaining records manually.

The Additional Commissioner, in addition to his administrative work, is the appellate authority for the assessments finalised by Assistant Commissioner or

where the amount in dispute is more than ₹ 25 lakh. The Assistant Commissioner, in addition to assessment of the cases, is the appellate authority for cases assessed by CTO/ACTO and where the amount in dispute is less than ₹ 25 lakh. No separate wing has been created for disposal of the appeals. There are eight appellate authorities in the State.

2.2.10.1 Pending appeal cases

As per the information furnished by the Commissioner of Commercial Taxes there were 2,503 cases pending on account of appeals with various authorities as on 31 March 2017 as detailed in **Table 2.19**.

Table 2.19: Pending appeal cases

(₹ in crore)		
Name of Authority	No. of cases	Amount involved
Departmental Appellate Authority	2466	1230.50
Administrative Tribunal	32	11.97
High Court	5	6.55
Total	2503	1249.02

(Source: Information furnished by the Commissioner of Commercial Taxes)

It would be seen from the above, 98.52 per cent of the pending cases involving revenue of ₹ 1,230.50 crore were pending with various departmental authorities.

The year wise details of appeals pending with departmental appellate authorities and break-up of revenue involved as on 31 March 2017 was as detailed in **Table 2.20**.

Table 2.20: Appeal cases pending with departmental appellate authorities

(₹ in crore)								
Year	Pending as on 01 April		Filed during the year		Disposed during the year		Pending at the closing of the year (31 March)	
	No. of appeals	Revenue involved	No. of appeals	Revenue involved	No. of appeals	Revenue involved	No. of appeals	Revenue involved
2012-13	1191	182.34	584	169.68	384	143.30	1391	208.72
2013-14	1391	208.72	562	156.35	303	81.56	1650	283.51
2014-15	1615* ¹¹	264.34	767	271.97	376	57.95	2006	478.36
2015-16	2006	478.36	809	365.92	317	28.43	2498	815.85
2016-17	2498	815.85	823	478.88	855	64.23	2466	1230.50

(Source:-Information furnished by the Department)

The disposal of cases has almost remained constant from 2012-13 to 2015-16 but during 2016-17, there was a steep increase in disposal of the cases as compared to 2015-16 (170 per cent).

The number of appeals filed during each year from 2012-13 to 2015-16 was more than those finalised during that year except in 2016-17. The number of pending appeals had increased by 107 per cent during the last five years. The

¹¹ The difference of 35 appeals with revenue involvement of ₹ 19.17 crore was due to rectification of duplicate figures in the data furnished by Vasco ward

revenue blocked in the appeals had also sharply increased by 575 per cent during this period.

The increasing trend of appeals and the amount involved indicate that more efforts need to be made by the Department for speedy settlement of appeal cases. When this was pointed out the Commissioner stated (November 2017) that orders have been issued for speedy disposal of appeals in September 2017. For monitoring progress on disposal of appeals, orders had been issued by the Commissioner for submission of a monthly report on disposal of appeals by the appellate authorities to the Commissioner.

Audit test-checked 167¹² appeal files (involving revenue of ₹ 43.60 crore) disposed during the period 2012-17 to ensure the recovery of undisputed revenue involved in the appeal cases, recovery of the amount not stayed by the appellate authority and efforts made in prompt disposal of the appeal cases and follow up action on disposed cases. In these cases neither the applicants had applied for grant of stay on the demand raised nor had the appellate authorities stayed their recovery. However in none of these cases, assessing authorities had made any effort to recover the amount and with the passage of time the amounts have become almost irrecoverable as would be evident from the following paragraphs.

2.2.10.2 Delay in disposal of appeals

The Acts and Rules are silent about the period within which the appeals should be finalised by the appellate authorities. No guidelines were issued in the matter.

Mention of absence of time limit in disposal of appeal cases was made in Paragraph No. 4.2.11 of the CAG's Audit report for period 2009-10. The paragraph has not been discussed by the PAC. However it was observed that no time limit was prescribed by the Department for disposal of the cases.

It was observed that there were inordinate delays in disposal of appeals in 167 test checked cases as detailed in the **Table 2.21**.

Table 2.21: Delay in disposal of appeals

(₹ in crore)

Time taken to dispose the appeals	Total cases	Dismissed	Remanded	Modified	Limitation	Revenue involved
Less than six months	34	3	25	3	3	2.73
Six months to less than one year	48	13	31	2	2	8.35
One year to less than two year	37	19	17	1	0	2.77
Two year to less than five year	38	11	27	0	0	28.95
Five year to less than ten year	08	2	6	0	0	0.63
More than Ten years	02	2	0	0	0	0.17
Total	167	50	106	6	5	43.60

(Source: compiled by Audit)

Out of 167 disposed appeal cases, the Appellate Authorities took more than two years for disposing 48 cases with revenue involvement of ₹ 29.75 crore.

¹² Panaji (51), Ponda (40), Margao (47) and Vasco (29)

This constitutes 68 per cent of the total amount involved in such disposed cases.

2.2.10.3 Dismissed/remanded cases

Out of 50 cases, 39 cases involving revenue of ₹ 4.73 crore were dismissed from April 2013 to March 2017. In 19 cases no demand notices were issued while in 20 though demand notices were issued the amounts were not paid, no action to recover the amount as arrears of revenue under land revenue code was initiated.

Further, 106 cases remanded for re-assessment were required to be re-assessed within a period of two years from the date of remand to the assessing authorities. Audit found that 40 cases were not re-assessed. Out of which 18 cases involving revenue of ₹ 5.78 crore were more than two years old and have become time barred.

Case Study II

Out of the above, Audit analysed 10 cases that were decided by the Appellate Authorities after a period ranging from five years to 17 years. The Details of cases dismissed/remanded is given in **Table 2.22**.

Table 2.22: Details of cases dismissed/remanded

Sl. No.	Date of appeal	Amount involved (₹ in lakh)	Number of hearings	Date of dismissal/remand	Number of years taken for disposal of case
1	06.07.2009	16.05	3	21.07.2014	5
2	29.08.2009	1.32	1	12.12.2016	6
3	14.05.2010	15.73	1	01.07.2015	5
4	30.03.2009	22.53	1	24.07.2015	6
5	20.08.2009	0.30	1	04.01.2017	7
6	14.08.2009	4.72	1	04.01.2017	7
7	16.06.2009	2.35	0	08.03.2017	7
8	21.05.2009	0.27	1	07.03.2017	7
9	25.05.2000	15.99	0	03.01.2017	17
10	25.05.2000	0.71	0	03.01.2017	17
Total		79.97			

(Source: compiled by Audit from Department records)

- In two cases involving revenue of ₹ 16.70 lakh, a dealer had filed an appeal in May 2000 against the assessment order of sales tax and CST for the period 1995-96. Notice for the dealer to be present for hearing before the appellate authority was issued on 23 November 2016 which could not be served as the whereabouts of the dealer were not known. The appeal was dismissed and CTO was directed to initiate the recovery proceedings.
- Two cases involving revenue of ₹ 17.37 lakh pertaining to the assessment year 2005-06 were in appeal since July 2009 and August 2009. These were dismissed in July 2014 and December 2016 after a lapse of five to six years. Of these, in one case it was specifically ordered that tax alongwith interest and penalty if any would be recovered. Demand notices in these cases have been issued. However the amount has not been recovered till date.
- The remaining six cases involving revenue of ₹ 45.95 lakh pertaining to the year 2005-06 were in appeal from March 2009 to May 2010. These

were remanded to the assessing authorities during July 2015 to January 2017 after lapse of five to seven years. The cases have not been re-assessed by the Department (September 2017).

2.2.10.4 Non-realisation of undisputed revenue of ₹1.12 crore in appeal cases

As per Sections 35(4) and 36(2) of GVAT Act 2005, in case of an appeal against assessment or any order raising demand against the person, the appellate authority shall consider it only if the person has paid the tax which is not disputed by him. Audit scrutiny revealed that in five¹³ appeal cases (filed between March 2014 and December 2015) the appellants have not paid the tax amounting to ₹ 1.04 crore which was not disputed by them. These appeals should not have been admitted and appellants should have been directed to pay the undisputed amount before admission of appeals.

Of the above, four appeal cases were dismissed (between July 2015 and November 2015) for non-payment of undisputed dues while one case was remanded (in July 2016) for fresh assessment.

The appellate authorities had delayed initiating the action for recovery of undisputed amount by a period from 10 months to 16 months resulting in undue advantage to appellants for postponing undisputed tax.

It would be seen from the above that there was absence of management information system and poor monitoring of follow up action on disposal of appeal cases. This has resulted in either delay or non-recovery of revenue. Non-finalisation of remanded cases within stipulated time period had resulted in loss of revenue.

2.2.11 Revenue arrears

The uncollected revenue recoverable by the Department as on 31 March 2017 amounted to ₹ 1,223.84 crore. Out of this ₹ 441.68 crore was pending recovery for more than six years. The year-wise break-up of the arrears was as detailed in **Table 2.23**.

Table 2.23: Year-wise break-up of the arrears

(₹ in crore)

Year	Additions during the year	Total Arrears
Up to 2011-12		441.68
2012-13	117.45	559.13
2013-14	210.83	769.96
2014-15	98.17	868.13
2015-16	131.35	999.48
2016-17	224.36	1223.84
Total	1223.84	

(Source: furnished by the Department)

It would be seen from the above that arrears pending collections have increased from year to year. It has increased by 277 per cent in 2016-17 as compared to 2011-12. The Department needs to make more efforts to collect

¹³ (Margao ward-one case, Panaji ward-four cases)

the revenue, particularly that pertaining to earlier periods as with the passage of time the chances of their recovery become less.

As per Section 64 of the GVAT Act, 2005, the tax assessed if not paid within the prescribed time may be recovered as arrears of land revenue under the Land Revenue Code, 1968.

The Government of Goa, in August 2005, delegated the powers to collect the arrears of revenue of Commercial Taxes Department to the departmental authorities not below the rank of the Assistant Commissioners under Land Revenue Code, 1968. Consequently the departmental authorities were empowered to collect the revenue as arrears of land revenue under the Land Revenue Code, 1968 which include issue of Revenue Recovery Certificates (RRCs) and taking other coercive actions.

After finalising the assessments, each assessing authorities is required to raise demands asking the dealers to pay the amount specified therein within a prescribed period not exceeding 60 days. Thereafter, no time limit has been fixed for declaring the uncollected amount as arrears of land revenue after raising of demand notice. Absence of the provision has resulted in issue of less number of RRCs. The ward-wise break-up of the uncollected revenue and the number and amount of cases referred to Revenue Recovery Court (RR Court) up to 31 March 2017 is as detailed in *Table 2.24*.

Table 2.24: Ward-wise break-up of the uncollected revenue and the number and amount of cases referred to RR Court

(₹ in crore)

Name of ward	Amount	No. of cases referred to RR Court	Amount involved
Panaji	222.96	2	4.77
Mapusa	84.88	40	0.51
Margao	538.66	380	4.15
Vasco	106.25	160	4.24
Bicholim	17.91	No RRCs were issued	
Pernem	3.17		
Ponda	232.97		
Curchorem	17.04	170	0.32
Total	1223.84	752	13.99

(Source: furnished by the Department)

The cases referred as RRC were only one *per cent* of the uncollected revenue. This indicated the need for prompt processing of the cases as RRC cases. The Department may fix a time limit directing the AAs for issue of the RRCs in a fixed time frame. It may further put in place a mechanism for timely disposal of these RRC cases and take measures for collecting the revenue.

2.2.12 Conclusion

GVAT, CST and ET comprised 57 *per cent* of the State's tax revenue receipts. Being the major part of the State's revenue, the enforcement of the Acts and Rules to levy and collect the taxes was of utmost importance to ensure smooth tax administration of the Government.

Audit observed that the enforcement of the provisions of the Acts and Notifications was ineffective in many cases. The system of registration of

dealers was not robust. The Department did not conduct adequate survey to bring the unregistered dealers into the tax net, there were duplicate registration numbers issued to the dealers and sufficient publicity was not given to the cancelled registrations. The Department failed to ensure filing of the tax returns by the dealers, 82,708 returns were not filed by 8,452 dealers in four wards test checked. Adequate number of scrutiny as per the instructions issued under the circular were not conducted by the assessing authorities and they did not take action to recover ₹ 11.38 crore declared by the dealers in their returns. The Commissioner selected only one to four *per cent* of cases for detailed assessment against upto 20 *per cent* prescribed in the Act. Further, these selections were delayed. Eleven cases involving revenue of ₹ 3.12 crore were assessed after the action was time barred making the recovery doubtful. In addition lacuna, errors and omissions in the assessments led to short-recovery of ₹ 38.01 crore.

The tax demanded by the assessing authorities amounting to ₹ 1,230.50 crore was pending in appeal cases with departmental appellate authorities. Test check of 167 appeal cases revealed that the ward officers had not initiated recovery process for ₹ 43.60 crore involved in the appeal cases where recovery was not stayed by the appellate authorities and the revenue was undisputed. The appellate authorities took unreasonable time up to 17 years in finalising the appeal cases resulting in non-recovery of tax due to the Government. Delay in re-assessment of remanded cases resulted in time barring of assessment involving revenue of ₹ 5.78 crore in 18 cases.

The Performance Audit revealed system and compliance deficiencies having financial impact of ₹ 52.86 crore. The Department need to strengthen its system by placing adequate internal control mechanism for levy and collection of the commercial Taxes.

TRANSPORT DEPARTMENT

2.3 Delay in implementation of Government notifications for revision of rates in the Transport Department

Delay in implementation of the notification issued by the Government of Goa

The Government of Goa revised the rates of road tax and infrastructure development cess levied under Goa, Daman and Diu Motor Vehicles Tax Act, 1974 with effect from 21 September 2016 by issue of notification dated 21 September 2016. However the Department collected road tax and infrastructure development cess at revised rates from 23 September 2016 resulting in short-realisation of revenue amounting to ₹ 30.99 lakh in 10¹⁴ offices.

Audit further noticed that the collections on account of taxes were required to be made through software “*e-Vahan*” in the Department. It was found that the Department had not modified the tax module by revising the rates of tax and

¹⁴Bicholim, Canacona, Dharbandora, Mapusa, Margao, Panaji, Ponda, Pernem, Quepem and Vasco

infrastructure development cess. The reasons for delay in revising the software module were not given by the Department. Further, efforts made by the Department in collection of revenue levied short were not intimated (December 2017).

Delay in implementation of the notification issued by the Government of India

Government of India, Ministry of Road Transport and Highways enhanced the rates of fee for grant of learners' license, driving license, international driving permit, renewal of driving license *etc.*, by issue of notification dated 29 December 2016 effective from the same date.

Audit observed (May 2017) that the Director of Transport, Goa had notified the enhanced rates on 11 May 2017 after a lapse of four and a half month. Reasons for the delay in notifying the rates from 29 December 2016 to 11 May 2017 though called for (02 August 2017) were not furnished. Delay in notifying the rates by the Government of Goa resulted in foregoing of revenue on account of fee amounting to ₹ 1.20 crore.

The matter was referred to the Department and the Government in June 2017 and their replies were awaited as of December 2017.

REGISTRATION DEPARTMENT

2.4 Evasion of Stamp Duty and Registration Fee

Splitting of sale deeds of immovable property resulted in evasion of Stamp Duty and Registration Fee amounting to ₹ 18 lakh.

The rates of stamp duty and registration fee are prescribed by the Government from time to time under the Indian Stamp Act, 1899 and Registration Act, 1908. The rate of stamp duty and registration fee for conveyance deeds executed by the parties was based on the slab rates as mentioned in *Table 2.25*.

Table 2.25: Slab rates for stamp duty and registration fee

Stamp Duty			Registration fee		
Period	Slab in terms of consideration	Rate (per cent)	Period	Slab in terms of consideration	Rate (per cent)
08.08.2008 to 31.05.2013	Upto ₹ 50 lakh	2	01.04.2012 to 31.05.2013	Upto ₹ 25 lakh	2
	Above ₹ 50 lakh to ₹ one crore	2.5		Above ₹ 25 lakh to ₹ 50 lakh	3
	Above ₹ One crore	3		Above ₹ 50 lakh to ₹ One crore	4
		Above ₹ one crore		5	
01.06.2013 to 31.03.2015	Upto ₹ 50 lakh	3	01.06.2013 to 31.03.2014	Upto ₹ 25 lakh	1
	Above ₹ 50 lakh to ₹ one crore	3.5		Above ₹ 25 lakh to ₹ 50 lakh	2
	Above ₹ One crore	4		Above ₹ 50 lakh to ₹ One crore	3
		Above ₹ one crore		4	

Audit Report for the year ended 31 March 2017

01.04.2015 onwards	Upto ₹ 50 lakh	3.5	01.04.2014 onwards	Upto ₹ 50 lakh	2
	Above ₹ 50 lakh to ₹ one crore	4		Above ₹ 50 lakh to ₹ 75 lakh	3
	Above ₹ one crore	4.5		Above ₹ 75 lakh to ₹ One crore	3.5
				Above ₹ one crore	4

2.4.1 Scrutiny of documents (October 2015 to October 2016) in six¹⁵ sub-registrar offices revealed that seven vendors had sold their properties to nine vendees by executing 22 sale deeds. Sale deeds of all these properties were presented on the same day by the executants within a short span of 8 to 37 minutes as detailed in **Appendix 2.3**. Audit found that splitting of a piece of land by executing two or more deeds attracted lower rate of duty and fee. Further, given the sequential presentation of the documents it was unlikely that the concerned authorities did not realise that splitting of the transactions into different parts was facilitating evasion of higher rate of stamp duty and registration fee. Had the transactions been registered as nine sale deeds instead of 22, the stamp duty and registration fee leviable would have been ₹ 36.19 lakh and ₹ 38.70 lakh instead of ₹ 30.22 lakh and ₹ 26.66 lakh respectively. Thus, splitting of transactions resulted in evasion of stamp duty and registration fee aggregating to ₹ 18 lakh.

This was pointed out to the Department and to the Government in June 2017. The State Registrar stated (July 2017) that the matter was got verified through the respective civil registrar-cum-sub-registrars and further stated that there was reason to believe that there had been instances to split the transaction in parts to facilitate alleged evasion of higher rate of stamp duty and registration fee.

It was further stated that in view of the severity of the issue and loss of revenue it is proposed to amend the provisions of law and seek legal opinion for recovery of the revenue foregone in those transactions.

2.4.2 As per Notification dated 05 February 2009, land value for area measuring more than one lakh sqm was to be fixed by a Special Committee appointed by the Government and the revenue district wise Special Committees were constituted as per Notification dated 10 January 2013.

Audit scrutiny of the documents at Sub-Registrar, Bicholim revealed (December 2015) that four sale deeds were registered on 15 October 2014 (registration Nos. 950/2014, 951/2014, 952/2014 and 953/2014). Through these four deeds a single plot of land bearing survey No. 127/1 with an area of 2,92,900 sqm was exchanged between two parties. Thus the plot measuring more than one lakh was sold by splitting it in four parts. By splitting, the sale area of each plot became less than one lakh sqm. Thus the executants avoided the valuation of the land by the Special Committee as envisaged in the Notification dated 05 February 2009. The Sub-Registrar had not brought this fact to the notice of the Collector for correct determination of the market value. The short-realisation of stamp duty and registration fee in this case could not be ruled out.

¹⁵ Canacona, Dharbandora, Mapusa, Pernem, Sanguem and Sattari

The matter was referred to the Government in June 2017; their reply was awaited as of December 2017.

MINES AND GEOLOGY DEPARTMENT

2.5 Short-levy of Stamp Duty and Registration Fee

Failure on the part of Directorate of Mining and Geology in assessing the correct amount of stamp duty resulted in short-recovery of stamp duty and registration fee amounting to ₹108.43 crore.

As per Notification dated 16 November 2012 of Law and Judiciary Department, Goa, instrument of grant or renewal of a mining lease shall be chargeable with stamp duty equivalent to 15 *per cent* of the amount of royalty that would accrue out of the annual extraction of minerals permitted under environmental clearance issued for such mining lease under the relevant law in force, multiplied by the period of lease. Further, as per explanation under the said Notification, stamp duty payable shall not exceed the amount in rupees arrived by applying a rate of ten times of annual extraction of mineral permitted under the environmental clearance issued for such mining lease under the relevant law in force, multiplied by the period of the lease. Further, as per Notification dated 18 December 2014, the above limit was revised from 10 times to 15 times. As per notification dated 19 July 2013 of the Revenue Department, stamp duty shall be paid in the Government treasury by demand draft or pay order drawn in favour of Directorate of Mines and Geology (DMG). On receipt of application for grant or renewal of mining leases the DMG had to ensure that the stamp duty applicable has been received and endorse the same on the instrument.

As per Notification dated 14 May 2015, the registration fee applicable on grant/renewal/transfer of mining leases shall be equal to five *per cent* of the stamp duty paid on such instrument.

Audit scrutiny of 76 mining lease deeds (May 2017 to June 2017) executed between DMG and with the leaseholders and registered by six¹⁶ Civil Registrar-cum-Sub-Registrars (CRSRs) revealed that the stamp duty was incorrectly worked out in respect of 13¹⁷ mining leases executed during the period from 05 January 2015 to 26 February 2016 and registered after 14 May 2015. The DMG collected ₹ 66.45 crore instead of ₹ 169.72 crore resulting in short-recovery of stamp duty amounting to ₹ 103.27 crore as detailed in **Table 2.26**.

¹⁶ Bicholim, Dharbandora, Mapusa, Quepem, Sanguem and Valpoi

¹⁷ T.C. No. 31/1953, 86/1953, 33/1957, 19/1954, 03/1957, 05/1953, 39/1956, 04/1955, 45/1954, 61/1953, 19/1952, 44/1956 and 41/1955

Table 2.26: Short-levy of Stamp Duty and Registration Fee

CRSR	Name of Lease holder (T.C. No.)	Date of execution	Period of lease	EC Limit (in Tons)	Stamp Duty collected (₹ in crore)	Stamp Duty to be collected 15xECx20 (₹ in crore)	Short recovery of Stamp Duty (₹ in crore)
Bicholim	M/s. Chowgule and Co. Pvt. Ltd. (31/1953)	05.01.2015	20	807372	23.93	24.22	0.29
	M/s. Salitho Ores Pvt. Ltd. (86/53)	26.02.2016	20	600000	1.80	18.00	16.20
Sanguem	M/s. Kunda R Gharse (33/1957, 19/1954, 03/1957)	26.02.2016	20	1350000	9.14	40.50	31.36
	Shri Aleixo Manual C.P. Da Costa (05/1953)	26.02.2016	20	500000	0.05	15.00	14.95
Valpoi	M/s. V.M. Salgaonkar (39/1956)	09.01.2015	20	153041	3.55	4.59	1.04
Dharbandora	M/s. Marzook and Cadar Pvt. Ltd. (04/1955)	26.02.2016	20	250000	0.75	7.50	6.75
	M/s. Sova (45/1954)	26.02.2016	20	750000	2.25	22.50	20.25
	M/s. Sociedade Timblo Irmaos Ltd. (61/1953)	05.01.2015	20	600000	12.00	18.00	6.00
	M/s. V.M. Salgaonkar (19/1952)	09.01.2015	20	283987	6.58	8.52	1.94
	M/s. V.M. Salgaonkar (44/1956)	09.01.2015	20	262972	6.10	7.89	1.79
Mapusa	M/s. Salgaocar Min. Inds. Pvt. Ltd. (41/1955)	26.02.2016	20	100000	0.30	3.00	2.70
Total					66.45	169.72	103.27

In addition to stamp duty the registration fee at the rate of five *per cent* of stamp duty of ₹ 103.27 crore amounting to ₹ 5.16 crore was leviable in accordance with notification issued by the Government of Goa on 12 May 2015. Thus failure on the part of DMG in assessing the correct stamp duty resulted in a short-recovery of stamp duty and registration fee amounting to ₹ 108.43 crore.

This was pointed out to the Department and to the Government in June 2017. The Director of Mines and Geology accepted the audit observation and stated that the necessary corrective measures were initiated for realisation of stamp duty, notices for deposit of stamp duty and registration fee were issued to the concerned lease holders. One lease holder deposited ₹ 10.26 lakh in August, 2017. Progress made in recovery of the remaining cases have not been intimated.