

CHAPTER-II

REVENUE SECTOR

2.1 Revenue Receipts

2.1.1 Trend of revenue receipts

The trend of revenue receipts during the year and the corresponding figures for the preceding four years are given in *Table 2.1.1*.

Table 2.1.1: Details of total revenue receipt of State Government

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Revenue raised by the State Government					
	• Tax revenue	2551.02	2939.66	3582.48	3895.92	3975.37
	• Non-tax revenue	2313.54	1832.90	1661.55	2325.63	2431.93
	Total	4864.56	4772.56	5244.03	6221.55	6407.30
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	680.59	777.21	848.53	900.58	1923.76
	• Grants-in-aid	235.58	295.66	357.21	566.56	221.18
	Total	916.17	1072.87	1205.74	1467.14	2144.94
3	Total revenue receipts of the State Government (1 and 2)	5780.73	5845.43	6449.77	7688.69¹	8552.44
4	Percentage of 1 to 3	84	82	81	81	75

(Source: Finance Accounts of the State)

During the year 2015-16, the revenue raised by the State Government (₹ 6,407.50 crore) was 75 per cent of the total revenue receipts. The balance 25 per cent of the receipts during 2015-16 was from the Government of India.

The share of States in divisible tax revenue of the Union was increased from 32 per cent to 42 per cent in the year 2015-16. This resulted in increase in revenue during 2015-16 compared to previous years.

2.1.2 Tax revenue

The details of the Tax revenue raised during the period from 2011-12 to 2015-16 are given in *Table 2.1.2*.

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 2015-16. 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 2.1.2: Details of tax revenue receipt of the State Government

(₹ in crore)

Sl. No.	Head of revenue		2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase (+) or decrease (-) in 2015-16 over 2014-15
1	Taxes on sales, trade etc.	BE	1705.00	1955.00	1766.00	2303.85	2067.34	
		Actual	1652.92	1577.42	1708.05	1859.86	2115.69	13.76
2	Stamps Duty	BE	151.11	408.98	547.36	544.39	584.46	
		Actual	183.79	524.42	396.10	659.84	524.90	-20.45
3	State excise	BE	159.99	211.23	246.28	290.00	300.00	
		Actual	182.03	212.90	235.76	268.00	319.52	19.22
4	Taxes on goods and passengers	BE	177.00	283.00	285.11	260.23	434.16	
		Actual	210.09	257.50	386.41	404.19	464.40	14.90
5	Land Revenue	BE	10.96	9.42	388.43	253.19	155.53	
		Actual	8.38	11.13	454.36	25.38	24.51	-3.43
6	Other taxes	BE	1024.57	1198.19	1297.70	1350.92	492.26	
		Actual	313.81	356.29	401.80	678.64	526.35	-22.44
	Total	BE	3228.63	4065.82	4530.88	5002.58	4033.75	
		Actual	2551.02	2939.66	3582.48	3895.91	3975.37	2.04

(Source: compiled by audit from Budget estimates and Finance accounts)

It could be seen from above that during the last five years, there has been continuous increase in revenue collection. The actual receipt during 2015-16 was almost achieved as targeted in the Budget estimate by the Government.

During 2015-16, the decrease in revenue collection under 'Stamp Duty' was due to less realisation on non-judicial stamps. The Departments did not furnish (November 2016) any reasons for substantial increase/decrease of collection despite being asked for (October 2016).

2.1.3 Non-tax revenue

Details of the Non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in *Table 2.1.3*.

Table 2.1.3: Details of Non-tax revenue receipt of the State Government

		(₹ in crore)						
Sl. No.	Heads of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase (+) or decrease (-) in 2015-16 over 2014-15	
1	Power	BE	1060.77	1231.75	1331.85	1367.94	1497.17	
		Actual	1000.49	1139.97	1187.95	1321.66	1708.91	29.30
2	Non-Ferrous Mining and Metallurgical Industries ²	BE	886.88	401.00	18.54	400.24	205.11	
		Actual	953.29	339.26	46.12	530.35	216.53	-59.17
3	Other Non-tax receipts ³	BE	127.21	112.32	117.02	197.76	165.20	
		Actual	128.29	86.61	125.07	125.33	133.06	6.17
4	Water Supply and Sanitation	BE	75.64	90.57	102.07	129.89	145.75	
		Actual	86.11	97.99	103.97	101.91	115.40	13.24
5	Other Administrative Services	BE	47.86	72.67	102.19	157.54	133.10	
		Actual	42.09	64.89	88.01	123.45	108.98	-11.72
6	Miscellaneous General Services	BE	28.17	32.90	35.93	40.52	45.76	
		Actual	27.46	32.52	35.27	39.02	40.35	3.41
7	Education, Sports, Art and Culture	BE	9.66	17.74	21.40	16.25	19.50	
		Actual	16.17	26.94	22.78	17.17	29.96	74.49
8	Major and Medium Irrigation	BE	3.26	3.28	20.26	13.20	39.30	
		Actual	14.70	7.04	12.11	15.81	29.05	83.74
9	Interest Receipts	BE	5.21	24.85	9.93	17.65	27.53	
		Actual	26.36	18.37	14.12	17.18	17.74	3.26
10	Medical and Public Health	BE	5.99	10.34	9.79	23.21	27.11	
		Actual	11.00	7.71	11.49	11.82	14.32	21.15
11	Police	BE	1.52	6.11	6.65	8.09	10.09	
		Actual	1.26	3.37	4.52	5.89	5.70	-3.23
12	Tourism	BE	1.25	1.25	2.00	2.23	6.90	
		Actual	1.51	3.18	3.94	8.47	4.15	-51.00
13	Forest and Wild Life	BE	2.26	2.07	2.49	3.48	4.15	
		Actual	2.46	3.18	3.15	4.30	4.03	-6.28
14	Public Works	BE	2.44	2.37	2.44	2.44	2.44	
		Actual	2.35	1.87	3.06	3.27	3.75	14.68
Total		BE	2258.12	2009.22	1782.56	2380.44	2329.11	
		Actual	2313.54	1832.90	1661.56	2325.63	2431.93	4.57

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

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.

³Urban Development, Roads, Minor Irrigation, Port and Light House and Social Security and Co-operation etc.

The non-tax receipts increased from ₹ 2,326 crore in 2014-15 to ₹ 2,432 crore in 2015-16 (4.57 per cent). The Departments did not furnish (November 2016) any reasons for substantial increase/decrease of collection despite being asked for (October 2016).

2.1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 in respect of some principal heads of revenue as furnished by the Departments is given in **Table 2.1.4**.

Table 2.1.4: Arrears of revenue

(₹ in crore)				
Sl. No.	Name of the Department	Total amount outstanding as on 31 March 2016	Amount outstanding for more than five years	Replies of the Department
1	Commercial Taxes	1297.67	620.15	<p>The arrears relating to Sales tax/Value Added Tax amounted to ₹ 1,297.67 crore. The Department intimated that 755 cases involving ₹ 34.90 crore are pending in Revenue Recovery Court (RRC).</p> <p>The Department stated that the visits were made constantly by the officers of the Department for recovery of the remaining arrears. The dealers were also being persuaded to pay the dues by the Department.</p>
2	Chief Electrical Engineer, ⁴ Electricity Department	634.27	149.16	<p>The Department intimated that 6,130 cases involving ₹ 10.65 crore were pending with the RRC as on 31 March 2016. It was further stated that following efforts were being made to recover the outstanding dues (cases not before RRC).</p> <ol style="list-style-type: none"> 1. Director of Accounts was requested to pay the arrears amount through Book Adjustment. Various Government Departments were issued notices to clear the outstanding dues. 2. Disputed cases were being addressed to Dispute Redressal Committee for settlement. 3. Notices were being issued to customers for payment of outstanding dues. Wherever arrears are not cleared the installations are placed under temporary disconnection.
3	Chief Engineer, Public Works Department. arrears of rent ₹ 51.62 lakh and arrears of water charges ₹ 64.12 crore)	64.64	9.05	<p>Arrears of rent ₹ 51.62 lakh:- The Department stated that one case involving ₹ 22.82 lakh was pending in RRC as on 31 March 2016. In remaining cases demand notices are being sent to the consumers.</p> <p>Arrears of Water Charges ₹ 64.12 crore:- The Department stated arrears involving ₹ 12.40 crore were pending before RRC as on 31 March 2016. Demand notices were served to the defaulters/consumers for recovery of the remaining arrears.</p>

⁴ Excluding information pertaining to Division VI (Mapusa), Division VII (Curchorem), Division XI (Vasco) and Division XIV (Verna)

4	Chief Engineer, Water Resources Department (Water tax ₹ 3.83 crore, water charges ₹ 2683.93 crore, hire charges ₹ 0.33 crore and rent from shops and halls ₹ 3.01 crore)	2691.10	2029.50	Water tax involving ₹ 3.83 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:- Department stated Executive Engineer of concerned divisions were being persuaded to settle the outstanding bills. Hire charges of ₹ 0.33 crore:- The Department stated that the amount has been outstanding for more than five years. The beneficiaries were asked to pay the principal amount in six monthly instalments. Interest payment was waived by the Government. Despite these concessions no amount has been recovered. Rent from shops and halls:- The Department stated that eight cases involving ₹ 9.52 lakh are pending with RRC. It further stated that notices have been served to the defaulters for recovery of remaining arrears..
5	Directorate of Transport	13.64	2.08	The Department stated that 336 cases involving ₹ 68.97 lakh are pending in RRC as on 31 March 2016. It further stated that notices were being served by the respective Assistant Director of Transport for recovery of the remaining arrears.
6	Other Departments ⁵ (Police, Tourism, State, Excise)	9.18	1.11	The Director General Police stated that out of ₹ 3.63 crore, two cases involving ₹ 5.16 lakh are pending in RRC. The Tourism Department stated that seven cases involving ₹ 35.62 lakh are pending in RRC. The Agriculture, River Navigation and State Excise Departments stated that necessary steps were being taken by them for recovery of arrears.
Total		4710.50	2811.05	

(Source: Information furnished by concerned departments)

It would be seen from the above that 59.68 per cent of the arrears have been pending for more than five years. With the passage of time, the chances of recovery become bleak. 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 2015-16, claims received and refunded during the year and the cases pending at the close of the year 2015-16 is given in **Table 2.1.5**.

⁵ Agriculture ₹ 0.81 crore, Tourism ₹ 0.91 crore, Director General of Police (DGP) ₹ 3.63 crore, River Navigation Department ₹ 1.14 crore and State Excise ₹ 2.69 crore.

Table 2.1.5: Details of pending refund cases

Sl. No.	Particulars	Sales tax/VAT		State excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in lakh)
1	Claims outstanding at the beginning of the year	170	71.42	-	-
2	Claims received during the year	291	25.46	6	1.24
3	Claims rejected	13	0.29	-	-
4	Refunds made during the year	235	4.84	6	1.24
5	Balance outstanding at the end of the year	213	91.75	-	-

(Source: furnished by the Commercial Tax and State Excise Departments)

Above table shows that 213 cases of refunds in Commercial Tax Department involving ₹ 91.75 crore was outstanding as on 31 March 2016. Out of 291 claims received during the year, 248 cases⁶ involving ₹ 5.13 crore were settled during the year. In case of State Excise Department no claims were pending for refund at the end of the year. Section 33 (2) of Goa Value Added Tax Act, 2005 provide for payment of interest, at the rate of eight *per cent* per annum for the delay in refunds. The progress to dispose of the refund cases of Sales Tax/VAT was slow as compared to claims received.

2.1.6 Response of the Government/Departments towards Audit

There were 124 Inspection Reports (IRs) containing 427 observations involving ₹ 228.85 crore remained outstanding at the end of June 2016. The details along with the updated corresponding figures for the preceding two years are given in **Table 2.1.6**.

Table 2.1.6: Details of pending Inspection Reports

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	126	130	124
Number of outstanding audit observation	460	479	427
Amount of revenue involved (₹ in crore)	70.40	242.98	228.85

(Source: Compiled from Audit Records)

2.1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 are mentioned in the **Table 2.1.6.1**

⁶ Including outstanding claims of previous years

Table 2.1.6.1: 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	25	98	123.73
		Entry tax	20	57	54.18
		Luxury tax	14	81	3.21
		Entertainment tax	11	24	8.78
2	Excise	State excise	5	8	0.09
3	Revenue	Land revenue	14	42	0.84
4	Transport	Taxes on motor vehicles	15	43	10.20
5	Stamps and Registration	Stamp duty and registration fee	19	53	2.72
6	Mines and Geology	Non-ferrous mining and metallurgical industries	1	21	25.10
Total			124	427	228.85

(Source: Compiled from Audit Records)

The pendency of the IRs indicated that the heads of offices/Departments did not initiate action to rectify the defects, omission and irregularities pointed out by the AG in the IRs. Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs in respect of 13 IRs issued upto December 2015.

2.1.7 Response of the Departments to the draft audit paragraphs

Four draft paragraphs and one Performance Audit (PA) were sent to the Secretaries of the respective Departments between May and September 2016. Replies to these draft paragraphs have not been received from the Government despite reminders (November 2016).

2.1.8 Analysis of the mechanism for dealing with the issues raised by Audit in Transport Department

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

The succeeding paragraphs 2.1.9 and 2.1.10 discuss the performance of the Transport Department under revenue head 0042. The audit observations issued during the last five years and the cases included in the Audit Reports for the years 2007-08 to 2014-15 are discussed.

2.1.9 Position of Inspection Reports

The summarised position of the IRs and paragraphs pertaining to Transport Department issued during the last five years and their status as on 31 March 2016 are tabulated in **Table 2.1.9**.

Table 2.1.9: Details of IRs issued to Transport Department

(Money value ₹ in crore)

Sl. No.	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
1	2011-12	11	31	174.57	6	36	0.77	8	27	0.42	9	40	174.92
2	2012-13	9	40	174.92	4	25	1.05	-	7	0.01	13	58	175.96
3	2013-14	13	58	175.96	6	32	2.47	1	16	174.17	18	74	4.26
4	2014-15	18	74	4.26	8	49	45.09	10	48	2.82	16	75	46.53
5	2015-16	16	75	46.53	6	37	6.34	2	33	3.44	20	79	49.43

(Source: Compiled from Audit Records)

The Government arranges Audit Committee meetings between the Department and AG's office to settle the old paragraphs. One audit committee meeting was held during the year. The Department has settled 26 observations involving ₹ 2.36 crore during 2015-16. The Department did not furnish replies/action taken reports in respect of 98 paragraphs in 22 inspection reports pending since 2012-13. As the money value involved in these paragraphs are totaling ₹ 350.88 crore the delay would result in non-recovery of revenue.

2.1.10 Recovery of accepted cases of Audit Report

The position of paragraphs included in the Audit Reports of the last eight years, those accepted by the Department and the amount recovered are mentioned in **Table 2.1.10**.

Table 2.1.10: 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	Amount recovered during the year	Cumulative position recovery of accepted cases as of 31.03.2016
2007-08	2	49.74	6.24	-	-
2008-09	6	9215.67	25.69	7.42	7.42
2011-12	1 ⁷	-	-	-	-
2012-13	1	128.00	-	-	-
2014-15	3	17495.00	17495.00	5068.00	5075.42

(Source: Compiled from Audit Records)

Out of six accepted cases involving ₹ 175.27 crore, only 29 per cent of the total amount could be recovered by the Department during these years. The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases. The delay would hamper the recovery and on the passage of time the chances of recovery become remote.

⁷ Review on Computerisation in Motor Vehicle Department – No money value

2.1.11 Action taken on the recommendations accepted by the Departments/Government

During the last five years five Performance Audits (PAs) were conducted. In all 25 recommendations were made in these PAs by audit for improving the system of collection of the revenue. The report on Action Taken on these recommendations has not been received from the Government. One PA on 'Utilisation of Declaration Forms in inter-state trade and commerce' (Audit Report 2010-11) has been discussed by the PAC (November 2016).

2.1.12 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 2015-16, all the 35 units planned for audit were audited.

2.1.13 Result of Audit

During the year 2015-16 we test checked the records of 36 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Mines and Geology and other Departmental offices. The test check showed under assessment/short levy/loss of revenue aggregating ₹ 2,396.47 crore in 220 cases. During the year, the departments concerned recovered under assessment and other deficiencies of ₹ 0.30 crore involved in 11 cases.

2.1.14 Coverage of this Report

This Chapter contains a Performance Audit on "Mineral Receipts", and four paragraphs involving financial effect of ₹ 2,252.70 crore. These paragraphs are selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports.

DEPARTMENT OF MINES AND GEOLOGY

2.2 Performance Audit of Mineral Receipts

Executive Summary

The Directorate of Mines and Geology (DMG) looks after the works of mineral administration. This involves grant, renewal of reconnaissance permits, prospecting licenses and mining leases. The major minerals found are iron ore, manganese ore and bauxite. Audit test checked the records to ascertain whether royalty receipts were collected as due. Audit also analysed whether the production of minerals was done in accordance with Mining Plans and Environmental Clearances. Following are the highlights of audit findings.

- In seven cases 72.41 lakh MT of iron ore valued ₹ 1,529.64 crore was produced in excess over the quantity approved in the mining plan. In five cases 30.02 lakh MT of iron ore valued ₹ 374.99 crore was produced in excess of the Environmental Clearance Limit.

(Paragraphs 2.2.6.1 and 2.2.6.2)

- The failure to disclose 13.13 lakh MT iron ore produced by five leaseholders in their returns was unlawful. The sale value of ₹ 57.11 crore though recoverable was not recovered by the Department. Besides in another case sale value of ₹ 60.90 crore of 14.04 lakh MT was not recovered.

(Paragraph 2.2.6.3)

- Lack of system of internal control in the Department facilitated the leaseholders to dispatch mineral without payment of royalty. This resulted in short recovery of royalty amounting to ₹ 54.23 crore.

(Paragraph 2.2.6.5)

- Audit noticed short recovery of stamp duty/registration fee of ₹ 159.70 crore due to non-application of revised rates.

(Paragraph 2.2.6.6)

- Audit noticed non-levy of interest aggregating ₹ 1.08 crore for belated payment of mining dues.

(Paragraph 2.2.6.7)

2.2.1 Introduction

The mining belt of Goa covers an area of 700 sq. km. approximately and is mostly concentrated in four talukas⁸. The major minerals extracted are iron, manganese and bauxite. The grant of lease for mining of major minerals is governed by Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act)⁹ and Mineral Concession Rules 1960 (MCR). Under the MMDR Act, the State Government is empowered to make rules to regulate the grant of mining leases in respect of minor minerals. Accordingly, the Goa Minor Minerals Concession Rules (GMMCR) 1985 was framed.

⁸Bicholim, Quepem, Sanguem, and Sattari

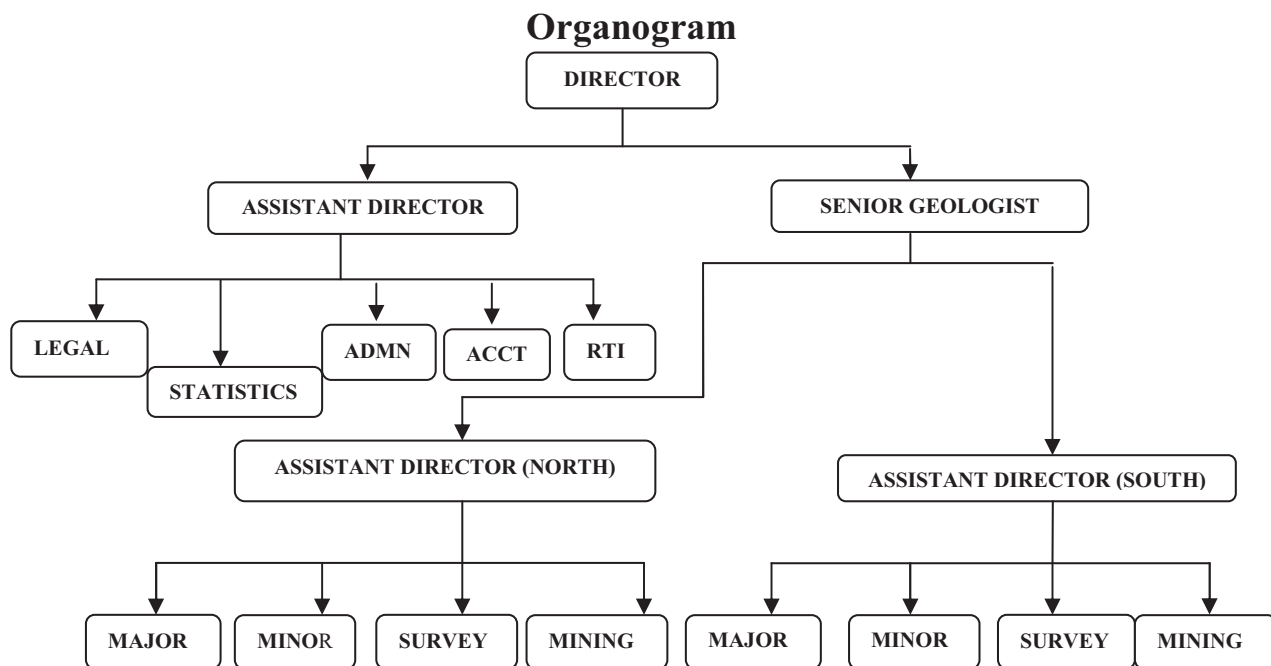
⁹Amended by MMDR Amendment Act, 2015

The Directorate of Mines and Geology (DMG) is responsible for the grant of reconnaissance permit, prospecting license or mining lease. The Indian Bureau of Mines (IBM) approves the mining plan and its modifications. The IBM also ensure that all the mining operations are carried out in accordance with the approved mining plan. The DMG and IBM are empowered to enter, search and inspect under Section 23B and 24(1) of MMDR Act, 1957. Further, Environmental Clearance (EC) is required from the Ministry of Environment and Forests (MoEF), GoI before commencement of mining. It contains EC limit for each mining leases.

2.2.2 Organisational set-up

The Secretary (Mines) is the administrative head of the Mines Department. The Department is headed by Director assisted by an Assistant Director (I) and a Senior Geologist. The Senior Geologist is assisted by Assistant Director (South) and Assistant Director (North).

There are four sections each under these Assistant Directors viz Major Mineral Section, Minor Mineral Section, Surveying Section and Mining Engineering. The Assistant Geologists are the technical authorities who ascertain the suitability of the area for granting of reconnaissance/prospecting/mining leases. They also supervise grant/renewals, enforcing acts and rules, inspecting mines, regulating transportation of ore *etc.*



2.2.3 Audit Objectives

Audit was conducted with a view to ascertain whether;

- (i) mining operations were being carried out as per the provisions of Acts and Rules thereunder;
- (ii) provisions for prevention of unauthorised extraction, storage and transportation of minerals were effectively enforced and monitored; and
- (iii) system of levy and collection of mining receipts in respect of major minerals were adequate and being implemented as per rules.

2.2.4 Audit Criteria

The Performance Audit was based on the following audit criteria:

- (i) The Mines and Minerals (Development and Regulation), Act, 1957 (MMDR Act, 1957);
- (ii) Mineral Concession Rules, 1960 (MC, Rules, 1960);
- (iii) Mineral Conservation and Development Rules, 1988 (MCD Rules, 1988);
- (iv) Indian Stamp Act, 1899 and Indian Registration Act, 1908;
- (v) Goa Rural Improvement Welfare Cess Act, 2000 (GRIW Cess Act, 2000);
- (vi) Goa Mineral Policy, 2013; and
- (vii) Relevant notifications/circulars issued by Central/State Government/Directorate of Mines and Geology.

2.2.5 Scope and Methodology

The Audit was conducted between April 2016 and August 2016 covering the transactions for the period from 2009-10 to 2015-16.

There were 90 leases in operation for the extraction of major minerals. Out of these, one lease each for bauxite and manganese was in operation while the remaining 88 leases were in operation for the extraction of iron ore. Audit selected 42 *per cent* (38 leases) of leases out of 90 working leases on the basis of simple random sampling. The various returns and reports relating to these leases were examined at the Directorate of Mines, Minerals and Geology. In addition to this, Audit sought information from other offices¹⁰.

An entry conference was held on 08 June 2016 with the Secretary (Mines) wherein audit objectives and scope of audit were discussed. Audit observations were communicated to the concerned departments and their replies sought. An exit conference to discuss the Audit findings was held on 01 December 2016 where the major findings were discussed with the Secretary, Mines. The reply furnished in the exit conference has been considered and incorporated at appropriate places.

¹⁰Directorate of Transport, Commercial Taxes Department, Goa State Infrastructure Development Corporation, Civil Registrar cum Sub-Registrar, Indian Bureau of Mines, Ministry of Environment and Forest and Mormugao Port Trust.

2.2.6 Trend of Revenue

The receipts under mines and minerals consist mainly of royalty, dead rent and surface rent. The budgeted and actual revenue realisation during the period from 2009-10 to 2015-16 is detailed in **Table 2.2.6(i)**.

Table 2.2.6(i): Details of budget estimates and actual receipts

(₹ in crore)

Year	Budget estimates		Actual realisation	Variation Excess(+)/Shortfall(-) (over Revised Estimates)	
	Original	Revised		Amount	Percentage
2010-11	274.96	700.00	983.73	283.73	40.53
2011-12	700.00	885.00	953.29	68.29	7.72
2012-13	900.00	400.00	339.26	(-)60.74	15.19
2013-14	200.00	16.45	46.12	29.67	180.36
2014-15	399.11	399.11	530.35	131.24	32.88
2015-16	741.44	203.97	216.53	12.56	6.16

(Source: Compiled from Finance Accounts and budget estimates for the years 2009-10 to 2015-16)

There was steep rise in revenue realisation during 2010-11 compared to previous year. This was due to increase in demand of iron ore and increase in the rate of royalty.

The mining receipts drastically reduced from ₹ 339 crore (2013-14) to ₹ 46 crore (2012-13), a shortfall of 180 *per cent*. This was mainly due to the suspension (September 2012) of mining activities in the State¹¹. The increase in the receipts for the year 2014-15 was due to revenue generated from e-auction of confiscated iron ore. The Department informed in the exit conference that the estimates are made based on the Environment Clearance (EC) limit on the mines. The variation in the actual revenue generated *vis-a-vis* to the budget estimates are due to fluctuations in the market rates of ore.

As per the information furnished by the Mines Department the production of major minerals and royalty collected during the year 2009-10 to 2015-16 are shown in **Table 2.2.6 (ii)**.

Table 2.2.6 (ii): Major minerals extracted and royalty collection

Year	Extraction figures in lakh tons			Royalty collected (₹ in crore)
	Iron ore	Bauxite	Manganese	
2009-10	470.20	0.823	0.0077	286.22
2010-11	511.70	1.009	0.00458	974.19
2011-12	382.50	0.847	0.034	944.57
2012-13	116.60	0.0005	1.042	328.03
2013-14	0	4.44	0	36.50
2014-15	0	2.68	0	48.35
2015-16	73.10	5.86	0	76.91
Total	1554.10	15.6595	1.08828	2694.77

(Source: Furnished by Department)

¹¹ Hon'ble Justice Shah Commission of enquiry was appointed by the Central Government to look into the illegal mining in various states including Goa. Serious illegalities and irregularities have been pointed out in the Commission's Report. Hence the State Government suspended all mining operations in Goa from 11 September 2012.

In major minerals the iron ore extraction in the State was 99 *per cent* and thus was the major contributor of revenue in the State.

MoEF prescribed maximum extractable quantity for each mining lease while issuing EC for mining operations. As per the EC limit in respect of 88 Iron ore mining leases the total quantity extractable in a year was 443.71 lakh MT. It can be seen from the above table that during the years 2009-10 and 2010-11 the actual extraction exceeded the extractable limit as per the EC. The Shah Commission appointed by Supreme Court pointed out serious irregularities regarding mining activities in the State. From September 2012 the mining activities (except bauxite) had been stopped in the State. As against the total quantity of 3,105.97 lakh MT of Iron ore permitted for extraction during the period 2009-16 the actual extraction was only 1,554.10 lakh MT. This impacted the revenue realisation by way of royalty.

During the audit we observed instances of substantial revenue loss to the Government due to weak regulation and assessment of mining receipts. These are discussed in succeeding paragraphs.

2.2.6.1 Unauthorised extraction of iron ore in excess of the quantity approved in the mining plan

Rule 13(1) of the Mineral Conservation and Development (MCD) Rules, 1988 stipulates that mining operations are to be carried out in accordance with the approved mining plan. Further under Rule 22-A of Mineral Concession (MC) Rules, 1960 and Rule 9 and 10 of MCD Rules prior approval of Indian Bureau of Mines (IBM), GoI was needed for modifications in the approved mining plan. Further, approval of the mining plan and its modifications by the IBM is subject to granting of EC by the MoEF, GoI. Under Section 21(5), MMDR Act, 1957 any person raises, without any lawful authority, any mineral from any land, the State Government may recover mineral raised or the price of the mineral. In addition the Government may also recover from such person rent, royalty or tax.

The actual extraction of iron ore as shown in the monthly/annual returns was submitted by the leaseholder to the Directorate of Mines and Geology (DMG). We test checked 38 leases and compared actual extracted quantity with the permissible quantity of iron ore, mentioned in the approved mining plan. In respect of seven leases the quantity as per the approved mining plan was 25.94 lakh MT during the period from 2009-13. Against this the quantity actually extracted during the period 2009-13 was 98.35 lakh MT. This resulted in unauthorised extraction of 72.41 lakh MT of iron ore valued at ₹ 1,529.64 crore as detailed in the **Table 2.2.6.1**.

Table 2.2.6.1: Details of Iron ore produced in excess of mining plan

T.C. No/ Name of lessee	Year	Extraction limit as per the Mining plan (in MT)	Actual extraction as per the Monthly/ Annual Returns (in MT)	Excess extraction (in MT) (4 - 3)	Average Ex-mine price as per the annual returns) (₹ per MT)	Value of ore extracted in excess of mining plan (₹ in crore) (5 X 6)
1	2	3	4	5	6	7
11/41 M/s Dempo Mining Corporation Ltd.	2009-10	500000	1881783	1381783	1992	275.25
	2010-11	812000	1285438	473438	3893	184.31
	2011-12	691000	982807	291807	3456	100.85
3/51 V.S. Dempo & Co. Pvt. Ltd.	2010-11	130158	184414	54256	3803	20.63
29/54 V.M. Salgaoncar & bro. Pvt. Ltd.	2009-10	16000	545825	529825	1287	68.19
	2010-11	Nil	601078	601078	2018	121.30
	2011-12	Nil	365290	365290	2399	87.63
83/52 V.M. Salgaoncar & bro. Pvt. Ltd.	2009-10	Nil	586444	586444	1287	75.48
	2010-11	21000	655354	634354	2018	128.01
	2011-12	Nil	575584	575584	2399	138.08
	2012-13	Nil	298777	298777	2411	72.04
5/54 M/s V.S. Dempo & Co. Pvt. Ltd.	2009-10	204000	1488352	1284352	1946	250.00
44/51 M/s Shantilal Kushaldas & bro. Pvt. Ltd.	2009-10	20000	100000	80000	353	2.82
6/49 Hiralal Khodidas	2011-12	200000	284170	84170	600	5.05
Total		2594158	9835316	7241158	-	1529.64

(Source: Compiled from the monthly/annual returns and mining plans)

In respect of TC No. 11/41 the DMG issued showcause notice to the leaseholder for initiating recovery proceedings. The DMG however, stated that the actions for the violations are dealt by the IBM. The IBM stated that during 2009-10 there was no excess extraction as this lease was a part of five leases granted to the lessee in Bicholim. He also stated there was a practice of submission of combined annual return for all the five leases granted to the leaseholder. The reply was silent about the excess extraction done during 2010-11 and 2011-12. The reply of the IBM is not correct as the mining plan was approved for individual mine and excess production in one mine cannot be adjusted against other mine.

In respect of TC No.29/54, 83/52, 44/51 and 6/49, the DMG stated (September 2016) that any deviations beyond permissible limit are monitored by the IBM and the Department has no authority to take action under MCR, Rules 1988. The reply of IBM is awaited. We further observed that in respect of T.C.No. 44/51 the IBM had suspended the mining operations of the lessee in March 2011 and a copy of the suspension order forwarded (March 2011) to DMG for necessary action. Further in respect of T.C.No.6/49 the IBM had issued showcause notice (November 2012) for violation of the approved mining plan. A copy of the showcause notice was also forwarded by the IBM to DMG for information and necessary action.

The DMG however did not take any action for recovery of penalty. It stated (August 2016) that action for violations in mining plan are dealt by the IBM and issues related to deviations in mining plan and actual production are outside its purview.

In respect of the remaining cases no reply has been received from IBM or DMG.

Thus, it would be seen from the above that there was no co-ordination between DMG office and IBM. These authorities failed to initiate action in respect of the violations in cases of unauthorised extraction of minerals. This was despite availability of details of extraction of minerals with both the authorities in monthly/annual returns submitted by lessees. The DMG was responsible for initiating action under Section 21(5) of the MMDR Act, 1957 to recover price of minerals extracted unlawfully. The DMG did not coordinate with the IBM on the cases of unauthorised extraction. The sale value of the above mineral proved unauthorised would have fetched revenue of ₹ 1,529.64 crore.

2.2.6.2 Extraction of iron ore in excess of Environment Clearance Limit

The MoEF, GoI is the authority to accord EC to the lessees for extraction of minerals on *per annum* basis. The EC order clearly specifies that no change in calendar plan including excavation, quantum of minerals and waste shall be made.

We test checked 38 cases to ascertain whether the EC limit has been observed by lessees during the period from 2009-16. We observed in five cases that, the lessees had extracted 30.02 lakh MT of iron ore valued at ₹ 374.99 crore in excess of the EC limit. No reasons for extraction of iron ore in excess on the EC limit were found. The DMG and IBM despite having the returns showing the monthly/annual extraction did not point out the excess production of minerals. Consequently these authorities had not taken action against the lease holders. The MoEF also did not conduct any post-monitoring to ensure that the conditions specified in EC are observed scrupulously. The excess extraction of iron ore is mentioned in the **Table 2.2.6.2.**

Table 2.2.6.2: Details of extraction of Iron ore in excess of EC limit

T.C. No./Name of lessee	Year	EC Limit (in MT)	Actual quantity extracted (in MT)	Excess extraction (in MT) (4-3)	Average Ex-mine price as per the annual returns) (₹ per MT)	Value of ore extracted in excess of EC limit (₹ in Crore) (5 X 6)
1	2	3	4	5	6	7
69/51,126/53,70/52 M/s Sesa Goa Ltd.	2009-10	7000000	7188784	188784	1924	36.32
9/49,10/49,3/54 M/s Sesa Goa Ltd.	2009-10	200000	441403	241403	1952	47.12
40/51,12/52 N. S. Narvekar	2010-11	750000	1529502	779502	450	35.08
55/51 M/s Geetabala Parulekar	2010-11	2000000	2630174	630174	550	34.66
45/52 M/s Sociedade Timblo Iramaos Ltd.	2010-11	500000	1661893	1161893	1909	221.81
Total		10450000	13451756	3001756		374.99

(Source: Compiled from the monthly/annual returns and ECs)

The DMG stated that the extraction limit was imposed by the MoEF and any violations thereof are to be monitored by MoEF, Regional Office, Bangalore. Further, DMG stated that the limit for extraction of mineral is also imposed in mining plan by the Office of IBM.

The reply is not tenable as DMG is empowered to enter, search and inspect for such mineral, raised in contravention of the provisions of MMDR Act or Rules. Further, DMG is responsible for initiating action under Section 21(5) of the MMDR Act, 1957 to recover the mineral or the price thereof.

Thus, failure of the authorities¹² responsible for monitoring the mining activity resulted in unauthorised extraction of 30.01 lakh MT of ore valued at ₹ 374.99 crore.

The matter was referred (July 2016) to MoEF, Regional Office, Bangalore for the violations against the EC conditions noticed during the period from 2009-16. Their reply is awaited.

We recommend that the Government may devise a system of co-ordination between the concerned departments responsible for monitoring and enforcing the mining activity. This would help State in regulating extraction of minerals effectively in accordance with the approved mining plan, EC limit, relevant Acts and Rules in force.

¹² DMG and MoEF

2.2.6.3 Non-recovery of sale value of iron ore

- **Short declaration of 13.13 lakh MT:-** Audit scrutiny of the assessment files of five leaseholders¹³ revealed that they had produced 26.13 lakh MT of iron ore during the year 2006-07. The quantity disclosed by the leaseholders in the returns submitted to the Department was only 13.00 lakh MT and royalty was paid accordingly. This shows that the leaseholders did not disclose 13.13 lakh MT iron ore. The leaseholders approached (September 2011) the DMG after 54 months for payment of royalty on undisclosed quantity (13.13 lakh MT). The DMG finalised the assessments and raised demand for payment of royalty (December 2011) which the leaseholders paid (February 2012) with interest.

The failure to disclose the real quantity produced by the leaseholders was unlawful. The sale value of iron ore (13.13 lakh MT) dispatched from the lease area without payment of royalty worked out to ₹ 57.11 crore. Under Section 21(5) of MMDR Act, 1957 the State Government could recover entire sale value of the iron ore disposed off by the lessee.

The DMG accepted the audit observation and issued (August 2016) show cause notices for recovery of the sale value of ₹ 57.11 crore.

- **Short-declaration of 14.04 lakh MT:-** We observed in one case (T. C. No. 86/53), the lessee had sold 38.50 lakh MT of iron ore during the year 2010-11. The royalty was paid however, for 24.46 lakh MT only. The lessee did not disclose in the returns submitted to DMG the balance quantity of iron ore of 14.04 lakh MT¹⁴ sold off. Royalty was also not paid for this undisclosed ore dispatched and sold by the lessee during the year 2010-11.

The lessee approached (September 2011) the DMG with a demand draft for payment of royalty of ₹ 24.28 crore after five months from the close of year (2010-11). The Department did not accept the royalty payment and returned (September 2011) the demand draft to the lessee. Further, the Department called the lessee for finalisation of the assessment and raised demand for payment of royalty amounting to ₹ 33.89 crore. The Department did not pursue the matter and the leaseholder has not paid the royalty till date (August 2016).

Dispatch and sale of 14.04 lakh MT ore valued ₹ 60.90 crore (14.04 lakh MT x ₹ 433.73¹⁵) without disclosure in returns and payment of royalty was unlawful. Under Section 21(5) of MMDR Act, 1957 the State Government could recover entire sale value of the iron ore disposed off by the lessee.

¹³ (T.C. No. 86/53, 7/58, 4/55, 45/54 and 41/55)

¹⁴ (38.50 lakh MT-24.46 lakh MT)

¹⁵ Average cost of iron ore= Sale value/quantity= ₹ 1,66,99,74,214/ ₹ 38,50,297= ₹ 433.73/ton

The DMG accepted the audit observation and issued (August 2016) show cause notice to the assessee for recovery of the sale value of the minerals not disclosed.

We recommend that the Government may devise a system of internal control to prevent unlawful dispatch of minerals.

2.2.6.4 Penalty recoverable on under invoiced sale of minerals

The penalty equal to the sale value of the ore is recoverable on the unauthorised extraction under the provisions of section 21(5) of the MMDR Act.

We observed that 29.77 lakh MT iron ore were extracted unlawfully in excess of mining plan/EC limit, without payment of royalty, short declaration of quantity extracted *etc.* In these cases we compared the sale value of the minerals declared by the lessees in returns/challans and that of IBM rates. The comparison revealed that the sale value shown in the returns were lower by 49 *per cent* to 72 *per cent* than the IBM rates for respective months. Thus there was under invoicing of sales of minerals. Under invoicing may result in short levy of penalty as mentioned in the **Table 2.2.6.4**. Similar observations relating to under invoicing of sale price¹⁶ was also brought to light by the Shah Commission in its report submitted to the State Government.

Audit found that in five cases if the IBM rates for the minimum grade of ore was considered the penalty of ₹ 305.90 crore would be recoverable. These are mentioned in the **Table 2.2.6.4**.

Table 2.2.6.4: Details of under invoicing of sale of Iron ore

Lease No/year of production	Quantity of Iron ore extracted unlawfully(MT)	Grade of Ore	Sale value as per returns/Ton (in ₹)	IBM sale value/Ton (in ₹)	Difference (5 – 4)	Amount under invoiced (₹ in Crore) (2 x 6)
1	2	3	4	5	6	7
86/53 (10-11)	1403446	45% to 55%	433.73	1523.00	1089.27	152.87
6/49 (11-12)	84170	Below 55%	600.00	1172.00	572.00	4.81
44/51 (09-10)	80000	Below 60%	353.00	761.00	408.00	3.26
40/51, 12/52 (10-11)	779502	Below 55%	450.00	1523.00	1073.00	83.64
55/51 (10-11)	630174	Below 55%	550.00	1523.00	973.00	61.32
Total	2977292		2386.73	6502.00	4115.27	305.90*

(Sources: Compiled by Audit from monthly/annual returns and IBM rates)

*estimated

The amount of penalty recoverable under the provisions of Section 21(5) of MMDR Act would have major effect due to under invoicing. During exit conference the DMG accepted the fact.

¹⁶ With an estimated amount of ₹ 694.27 crore in respect of 240 export consignments

We recommend that the Government should take suitable measures to plug the leakage of revenue in cases of under invoicing of the sales.

2.2.6.5 Lack of system of internal control resulting in short recovery of Royalty

As per Section 9(2) of MMDR Act, the leaseholder shall pay royalty at the rate specified in the Second Schedule. Further, Section 23B and 24(1) of MMDR Act empowers the DMG to inspect such mineral/area/document for the enforcement of the provisions of the Act or Rules made thereunder.

There was neither any record available for inspections carried out, nor for independent assessment of grades of ore conducted by the DMG. There were no check gates to ascertain the quantity of minerals dispatched. There is no internal audit of the Department though Mines Department is a major contributor of revenue.

Further as per rule 45(5) and 52 of MCDR, 1988, copies of monthly returns and annual returns in respect of mining leases were submitted to the DMG.

We sought information for the assessment of royalty carried out by the Mines Department during the period from 2009-10 to 2015-16. The DMG stated that (July 2016) the work of assessment of dues for the period from 2000 to 2010 was voluminous. Due to shortage of staff and lack of computerisation of the Department, the assessment could not be completed. DMG further stated that the Government had engaged Chartered Accountants (CA) to carry out assessment of the working leases (2000 to 2010). The reply was silent about the cases from 2011 to 2016.

Thus, lack of system of internal control in the Department facilitated the leaseholders to dispatch minerals without payment of royalty. This also enabled the leaseholders to downgrade the mineral content of ore for payment of royalty. A few cases of such instances noticed by the audit have been brought in the following paragraphs.

i) Under-recovery of royalty due to non-application of revised IBM rates

Section 9 (2) of MMDR Act stipulates that the leaseholder shall pay royalty in respect of iron ore removed or consumed from the lease area. The rate of royalty prescribed was 10 *per cent* of sale price up to August 2014. The rate was revised to 15 *per cent* from September 2014. State wise sale price¹⁷ published by IBM shall be the basis for levy of royalty.

We test checked records of 38 cases to ascertain the correctness of royalty recovered. We observed that in nine cases, the sale price considered was not as per the rates/revised rates notified by the IBM in the respective months. This resulted in short recovery of ₹ 17.98 crore as detailed in **Table 2.2.6.5 (i)**.

¹⁷During the period from 13 August 2009 to 09 December 2009, 20 *per cent* over and above the value published by IBM had to be taken as sale price of the mineral.

Table 2.2.6.5 (i): Details of short recovery of Royalty*(₹ in crore)*

T.C.No/ Name of Lessee	Quantity (MT)	Royalty recovered	Royalty to be recovered	Short recovery of royalty
10/ 51 M/s Minescape and Kedar Ores Pvt. Ltd.	105000	1.07	1.58	0.51
10/49 M/s Sesa Goa Ltd.	88006	1.98	2.64	0.66
55/51 Smt. Geetabala Parulekar	5118483	78.10	84.56	6.46
5/54 M/s V.S. Dempo and Co. Pvt. Ltd.	310985	5.25	5.55	0.30
45/54 M/s Sova	205200	2.62	3.49	0.87
143/53 M/s Sociedade Timblo Irmaos Limited	1882190	27.22	28.75	1.53
63/51 Shri Rajesh P Timblo	233525	3.05	3.13	0.08
45/52 M/s Sociedade Timblo Irmaos Limited	2804227	59.99	67.05	7.06
4/NSD/Baux/68 Shri Pravin S. Gosalia	475650	5.44	5.95	0.51
Total	11223266	184.72	202.70	17.98

(Source: Royalty challans and IBM rates)

As the assessment of the returns was pending since year 2000 the short recovered amount remained to be recovered. The DMG accepted the audit observation in three cases and issued notices for recovery of royalty as pointed out by Audit. In respect two cases DMG stated that the action will be taken as per finding of the CAs after their assessment. The reply in remaining four cases has not been received (November 2016).

Detailed assessment of royalty dues from the year 2000 onwards in respect of all the leases may be carried out by the DMG and royalty dues recovered as promptly as possible.

ii) Under-recovery of royalty due to suppression of the closing stock of ore

Royalty was paid by the mining leaseholders either on the basis of production of minerals or on the basis of dispatch of the minerals.

We test checked 38 cases to ascertain the arithmetical accuracy of the monthly/annual returns. We found in six cases that, the closing stock at the end of the month/year was not carried forward as opening stock for the subsequent month/year. This resulted in suppression of stock of ore to the extent of 110.35 lakh MT valued at ₹ 35.53 crore as detailed in **Table 2.2.6.5 (ii)**.

Table 2.2.6.5 (ii): Details of suppression of closing stock of ore

T.C. No./Name of lessee	Quantity of ore short accounted (in MT)	Royalty amount (₹ in crore)	Remarks
4/55, M/s Marzook and Cadar Pvt. Ltd.	10313000	23.20	The lessee had not carried forward the closing stock of 1,03,13,000 MTs dump working for the year 2011-12 as opening stock for the year 2012-13
5/49, M/s Chowgule and Co. Pvt. Ltd.	19361	0.38	The lessee had short accounted of 19,361 MTs of iron ore in the month of March 2011.
5/54, M/s V.S.Dempo & Co. Pvt. Ltd.	92246	2.04	The lessee had not carried forward the closing stock of 92,246 MTs of iron ore for the month of June 2010 to November 2010 as opening stock for subsequent month.
11/41, M/s Dempo Mining Corporation Pvt. Ltd.	144664	2.99	The lessee had not carried forward the closing stock of 1,44,664 MTs of iron ore for the month of June 2010 to December 2010 as opening stock for subsequent month.
4/NSD/Baux/68, Shri Pravin S. Gosalia	261021	3.07	The lessee had not carried forward the closing stock of 2,61,021 MTs of bauxite ore for the month of March 2014 as opening balance for the month of April 2014.
3/51, M/s Sesa Resource Ltd.	204790	3.85	The lessee had dispatched 1,12,960 MTs and 91,830 MTs of iron ore from the closing balance of the year 2009-10 during the year 2010-11 and 2011-12 respectively for which royalty was not paid.
Total	11035082	35.53	

(Source: Monthly and annual returns of lease holders)

The DMG accepted the audit observation in three cases and issued show cause notice for recovery of royalty. The reply in the remaining cases is awaited (November 2016).

iii) Under recovery of Royalty due to downgrading of the ore

There was no mechanism for checking ore grade and quantity of ore declared by the lessee for recovery of royalty. We observed that assay reports or third party test reports of the samples were neither insisted by the DMG nor furnished by the producer of the iron ore. Royalty paid on the quantity and iron content declared by the leaseholder was not verifiable from the records maintained by DMG. No supporting documents in this regard were available either in royalty challans or in any other documents available with the DMG. Hence, the quantity and iron content declared by the leaseholders, which is the basis of levy of royalty was not independently verified by the DMG.

We test checked records of royalty paid by 38 leaseholders for the period from 2009-16. We observed that a lessee¹⁸ paid (March 2011) ₹ 57.43 lakh¹⁹ royalty for 29,022 MT of fines extracted for the month of February 2011. As the IBM had not published sale price for the month of February 2011 the lessee adopted the rate of the month of January 2011. The royalty of ₹ 197.90/Ton was paid by the lessee categorising the grade of ore < 62 per cent. Subsequently IBM published the rate for month of February as ₹ 336.60/Ton for this grade. Thus, the actual amount payable for 29,022 MT was ₹ 97.69 lakh²⁰. The lessee paid (September 2011) the differential amount of royalty ₹ 10.07 lakh by downgrading ore. He adopted a slab of 55-58 per cent instead of < 62 per cent. The total

¹⁸T. C No. 3/51 (M/s Sesa Resource Ltd.)

¹⁹(29,022MT X ₹ 197.90 = ₹ 57,43,453)

²⁰(29,022MT X ₹ 336.60 = ₹ 97,68,805)

amount paid by the lessee was ₹ 67.50 lakh²¹ against ₹ 97.68 lakh payable for < 62 per cent grade. Thus, absence of independent assessments of grades by the DMG enabled the lessees to downgrade the ore from 62 to 55-58 per cent. This resulted in short recovery of royalty by ₹ 30.18 lakh.²²

The matter was referred to the DMG (May 2016) and their reply is awaited (November 2016).

We recommend that Government may ensure independent verification of quality/grade of Iron ore for levy of royalty at the appropriate rates.

iv) Short recovery of royalty

We observed from the monthly/annual returns that a lessee²³ had produced and dispatched 3.77 lakh MT of iron ore during the year 2010-11. The DMG however, collected royalty for 3.52 lakh MT only. The royalty rate to be levied for the balance (0.25 lakh MT) quantity was ₹ 168.70 per MT. Short recovery of royalty worked out to ₹ 41.55 lakh (24,629 MT x ₹ 168.70).

The matter was referred to the DMG (May 2016) and their reply is awaited (November 2016).

2.2.6.6 Short recovery of stamp duty and registration fee due to non-application of revised rates

The DMG renewed²⁴ 88 mining leases between the period from 06 November 2014 to 12 January 2015 under section 8(3) of MMDR Act. As per the Indian Stamp Act, 1899 the stamp duty shall be levied for registration of renewal of leases at the rates notified by the Government. The stamp duty shall be paid in the Government treasury by demand draft or pay order drawn in favour of DMG²⁵. The DMG issues challans and its subsequent verification to the effect that duty has been paid in cash was to be endorsed by the DMG. We observed that the DMG failed to work out the correct stamp duty applicable thereby short recovering ₹ 152.10 crore. The incorrect stamp duty amount consequently resulted in short recovery of registration fee of ₹ 7.60 crore by the Registration department. These cases are discussed in the following paragraph.

i) Iron ore leases

The notification prescribing the rate of stamp duty and the method of calculation was issued by the Government of Goa on 16 November 2012. According to the notification the stamp duty chargeable on the instrument of grant or renewal of a mining lease was at the rate of 15 per cent. This rate was to be adopted on the amount of royalty that would accrue out of the annual extraction of minerals permitted under EC, multiplied by the period of lease. As per explanation given under Section 3A of Indian Stamp Act, 1899 stamp duty payable shall not exceed the amount in rupees

²¹ (₹ 57.43 lakh + ₹ 10.07 lakh = ₹ 67.50 lakh)

²² (₹ 97.68 lakh – ₹ 67.50 lakh = ₹ 30.18 lakh)

²³ T.C. No. 45/54 (M/s Sova)

²⁴ A Public Interest Litigation WP 711 of 2015 challenging the process followed for renewal is pending before the Hon'ble Supreme Court of India. In the para, audit is commenting only on recovery of SD/RF levied and collected by the department.

²⁵ Vide Notification dated 19 July 2013 issued by State Government.

arrived at, by applying a rate of ten times of annual extraction of mineral permitted under the EC issued for such mining lease, 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 with effect from the date of notification. As per notification dated 14 May 2015, Registration fee @ five per cent of stamp duty paid shall be paid for registration of mining leases.

We observed that out of 37 lease deeds executed and registered by the DMG, the stamp duty was worked out erroneously in respect of 14²⁶ leases. These leases were executed during the period from 26 December 2014 to 22 February 2016. The DMG applied pre-revised rates in these cases and collected ₹ 313.98 crore instead of ₹ 463.28 crore. This resulted in short recovery of stamp duty amounting to ₹ 149.30 crore as detailed in **Table 2.2.6.6 (i)**.

Table 2.2.6.6 (i): Details of short recovery of Stamp Duty

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)
M/s Sesa Mining corporation 11/41, 12/41, 13/41, 14/41, 15/41	16.03.2015	20	2000000	40.00	60.00	20.00
M/s Cosme Costa and Sons 110/53	04.03.2015	20	3000000	60.00	90.00	30.00
M/s Bandekar Brothers Pvt. Ltd. 84/52	07.01.2015	20	800000	16.00	24.00	8.00
M/s Chougule & Co. Pvt. Ltd. 41/56	26.12.2014	20	642628	13.04	19.28	6.24
M/s Chougule & Co. Pvt. Ltd. 05/49, 13/49	26.12.2014	20	800000	16.00	24.00	8.00
M/s Sesa Goa Ltd. 70/52, 69/51, 126/53	06.01.2015	20	7000000	159.69	210.00	50.31
M/s R.S. Shetye and Bros,70/51	22.02.2016	20	1200000	9.25	36.00	26.75
Total				313.98	463.28	149.30

(Sources: Worked out by audit from lease deeds, challans and notification)

Short recovery of stamp duty of ₹ 149.30 crore consequently resulted in short recovery of registration fee of ₹ 7.46 crore by Civil Registrar-cum-Sub-Registrars.

Thus, total short recovery of stamp duty/registration fee in respect of 14 mining leases was ₹ 156.76 crore (₹ 149.30 crore + ₹ 7.46 crore).

The DMG replied (July/August/September 2016) that the issue of collection of stamp duty/registration fee was outside its purview. This office has directed the lessee to register the lease deed and pay the duty as per Indian Stamp Act and Indian Registration Act for registration.

²⁶T.C.No. 70/52, 69/51, 126/53, 70/51, 11/41,12/41,13/41,14/41,15/41, 110/53, 84/52, 41/56, 05/49 and 13/49

As per the notification dated 19 July 2013 DMG is required to issue the challans and also had to verify that the duty was paid in cash. Thus it was the responsibility of the DMG to ensure the correctness of the stamp duty paid.

The matter was also brought to the notice of Civil Registrar cum Sub Registrars (CRSRs). They stated that the matter would be referred to the Collector under Section 47-A of Indian Stamp Act, 1899 for decision.

ii) Bauxite ore

As per notification dated 22 May 2013, stamp duty chargeable shall be equivalent to 15 per cent of the royalty. This royalty amount was, that would accrue out of the annual extraction of minerals permitted under EC issued for such mining lease, multiplied by the period of lease. As per explanation given under the section 3A, stamp duty payable shall not exceed the amount arrived by applying a rate of 0.1 times annual extraction of mineral permitted under the EC, multiplied by the period of the lease. Further, as per notification dated 18 December 2014, stamp duty payable was revised from 0.1 times to 1.5 times. As per notification dated 14 May 2015, Registration fee @ five per cent of stamp duty paid shall be paid for registration of mining leases.

Audit scrutiny revealed that in respect of one bauxite mine lease registered by the DMG, stamp duty collected was ₹ 20 lakh instead of ₹ three crore.

Thus, due to non-application of the revised rate the DMG collected ₹ 20 lakh instead of ₹ three crore. This resulted in short recovery of stamp duty amounting to ₹ 2.80 crore. Consequently there was a short recovery of registration fee of ₹ 14 lakh (five per cent of 2.80 crore) as well. The details are given in **Table 2.2.6.6 (ii)**.

Table 2.2.6.6 (ii): Details of short recovery of Stamp Duty

Lease No and name of lease holder	Date of execution	Period of lease	EC Limit (in lakh tons)	Stamp Duty collected 0.1XECX20 (₹ in lakh)	Stamp Duty to be collected 1.5XECX20 (₹ in crore)	Short recovery of Stamp Duty (₹ in crore)
4/NSD/Baux/68, Shri Pravin S. Gosalia	21.07.2015	20 years	10.00	20.00	3.00	2.80

(Source: Worked out by audit from lease deeds, challans and notification)

Total short recovery of stamp duty/registration fee amounting to ₹ 2.94 crore (₹ 2.80 crore + ₹ 0.14 crore) is recoverable from the above lessee.

The DMG replied (August 2016) that the issue of collection of stamp duty/registration fee was outside the purview of this Department. They have directed the lessee to register the lease deed and pay the duty as per Indian Stamp Act and Indian Registration Act for registration.

As per the notification dated 19 July 2013 DMG is required to issue challans and also has to verify that the duty has been paid in cash. Thus in future the DMG should ensure the correctness of the stamp duty paid.

The matter was also brought to the notice of Civil Registrar cum Sub Registrars (CRSRs) and their reply is awaited (November 2016).

2.2.6.7 Non-levy of interest for belated payment of Royalty

Rule 64-A of Mineral Concession Rules, 1960 stipulates levy of interest for late payment of royalty. The interest recoverable was at the rate of 24 per cent per annum on dues unpaid from the 60th day after due date of payment of dues.

We observed that a leaseholder had paid royalty of ₹ 16.54 crore with a delay ranging from 29 days to 352 days during the period 2009-16. The DMG, however, did not levy interest amounting to ₹ 1.08 crore on such delayed payment of dues as detailed in **Table 2.2.6.7**.

Table 2.2.6.7: Details of non-levy of interest

T.C. No./Name of lessee	Period	Royalty paid (₹ in crore)	Delay	Interest to be levied (₹ in crore)
143/53, M/s Sociedade Timblo Ltd.	2009-10 to 2015-16	16.54	29 days to 352 days	1.08

DMG replied (August 2016) that the Government had not stipulated the last date for payment of royalty under rule 64-A of MCR, 1960 by a gazette notification. Therefore question of levy of interest on late payment of differential amount of royalty does not arise.

Reply is not tenable as under Section 9 (2) of MMDR Act the royalty becomes payable on removal of the mineral from the lease area. As such there was no need for issue of separate notification by the Government. It is recommended that the State Government may direct the DMG to collect the interest short levied.

2.2.6.8 Short recovery of GRIW Cess on undisclosed quantity of dispatched ore

The Government of Goa notified the Goa Rural Improvement Welfare Cess (GRIW) Act, 2000 in October 2000. The Act intended to provide additional resources for improvements in rural areas affected by the use of plastic, dumping of garbage and spillage of material. This Act came into force on 01 February 2006 by issue of the GRIW Rules which was notified in January 2006. Schedule I, appended to Section 3 of the Act inter-alia provided for levy of GRIW cess on iron ore. The rate of cess was ₹ two per Metric Tonne (MT) of ore. This was further enhanced to ₹ 20 per M T *w.e.f* 13.05.2008.

The audit cross verified the information provided by the DMG with the Directorate of Transport. This revealed that five leaseholders²⁷ of iron ore mines had not disclosed 13.13 lakh MT of ore in their returns submitted to DMG during the year 2006-07. As a result the Transport Department did

²⁷ T.C. No. 86/53, 7/58, 4/55, 45/54 and 41/55

not collect cess of ₹ 26.26 lakh on iron ore. In one case²⁸ of bauxite, GRIW cess of ₹ 64.08 lakh was not paid by the leaseholder during the period 2009-13.

Thus, GRIW cess totaling ₹ 90.34 lakh in respect of six cases is to be recovered from the leaseholders as detailed in **Table 2.2.6.8**.

Table 2.2.6.8: Details of short recovery of GRIW cess

T.C. No. and name of lease holder	Year	Quantity of ore produced/ Dispatched without paying Cess (in MT)	Cess to be paid (₹ in lakh)	Remarks
4/NSD/Baux/68, Shri Pravin Kumar Gosalia	2009-10 to 2012-13	320397	64.08	Lessee produced 3,62,397 MT bauxite ore during 2009-10 to 2012-13, however he paid cess for 42,000 MTs only.
86/53, Salitho Ores Pvt. Ltd.	2006-07 ²⁹	100752	2.01	Lessee dispatched 1,00,752 MT iron ore during 2006-07 without paying the cess.
7/58, M/s Ralf De Souza	2006-07	328325	6.57	Lessee dispatched 3,28,325 MT iron ore during 2006-07 without paying the cess.
41/55, M/s Salgaonkar Mining Industries	2006-07	263247	5.26	Lessee dispatched 2,63,247 MT iron ore during 2006-07 without paying the cess.
45/54, M/s Sova	2006-07	301843	6.04	Lessee dispatched 3,01,843 MT iron ore during 2006-07 without paying the cess.
4/55, Marzook and Cadar Pvt. Ltd.	2006-07	318870	6.38	Lessee dispatched 3,18,870 MT iron ore during 2006-07 without paying the cess.
Total		1633434	90.34	

(Source: Compiled from monthly/annual returns of lease holders)

The matter had been referred to the Transport Department (July 2016) and their reply is awaited (November 2016).

2.2.6.9 Non-recovery of District Mineral Foundation Fund

The District Mineral Foundation (DMF) was formed to work for the interest and benefits of persons and areas affected by mining operations. Government is still in the process of framing DMF Fund Committee, hence, no benefit has been extended to the beneficiaries.

Under Section 9B (5) of MMDR Amendment Act, 2015 (w.e.f. 12 January 2015), the leaseholder shall contribute to the DMF. The rate of contribution was 30 per cent of the royalty paid in respect of mining leases granted before 12 January 2015.

The test check of 38 cases revealed that, a lessee³⁰ paid royalty totalling ₹ 2.53 crore during the period from 29 January 2015 to 07 December 2015. The royalty was paid for the months of January 2015 to November 2015. In these cases the Department did not collect the amount due under DMF.

²⁸ T.C.No 4/NSD/Baux/68

²⁹ Lessees of T.C. No. 86/53, 7/58, 41/55, 45/54 and 4/55 did not pay the royalty for the quantity mentioned in the table during the year 2006-07, however Department recovered the royalty during the year 2012 while doing the assessment. Lessees did not pay any cess for the quantity mentioned above.

³⁰ (T.C. No. 4/NSD/Baux/68, Shri Pravin Kumar Gosalia)

This resulted in non-recovery of contribution of ₹ 76 lakh (30% of ₹ 2.53 crore) towards DMF.

DMG replied (August 2016) that the show cause notice for recovery of DMF amounting to ₹ 76 lakh has been issued to the lessee.

2.2.6.10 Non-recovery of National Mineral Exploration Trust Fund

The National Mineral Exploration Trust (NMET) was created for the purpose of regional and detailed exploration of the minerals in the country.

Section 9C(4) of MMDR Amendment Act, 2015 stipulates that the leaseholder shall pay two *per cent* of the royalty to the NMET. The collections are transferred to GoI for deposit in the NMET Fund.

We verified the monthly reports sent to the GoI, and royalty challans pertaining to NMET. The scrutiny revealed that a lessee³¹ paid a royalty totaling ₹ 2.53 crore during the period from 29 January 2015 to 07 December 2015. The royalty was paid for the months of January 2015 to November 2015. In these cases the department did not collect the amount due under NMET. This resulted in non-recovery of contribution of ₹ 5.06 lakh (two *per cent* of ₹ 2.53 crore) towards NMET.

DMG replied (August 2016) that the show cause notice for recovery of NMET Fund amounting to ₹ 5.06 lakh has been issued to the lessee.

2.2.7 Conclusion

The Performance Audit on systems and controls in collection of mineral receipts revealed a number of system and compliance deficiencies.

We observed violation of the provisions of the Acts and Rules made for regulation of mining operations in the State. Violating the provisions of the MCD Rules and MC Rules the lessees had extracted minerals valued ₹ 1,529.64 crore in excess of the Mining Plan. The lessees had also extracted minerals valued ₹ 374.99 crore in excess of quantity allowed under Environmental Clearances. The DMG has not taken action to recover the penalties under MMDR Act, 1957 for the excess extraction over the limits.

The DMG failed to monitor unauthorised extraction, transportation and storage of minerals effectively. Due to poor monitoring the short declaration of 27.17 lakh MT iron ore valued ₹ 118.01 crore extracted by lease holders was not detected by the DMG. The DMG also failed to detect the suppression of closing stock of iron ore which resulted in short collection of royalty of ₹ 35.53 crore.

There was lack of internal control within the Department to ascertain the lawful dispatch of minerals, independent assessment of grades of ore, internal audit of Department and timely assessment of royalty dues, These resulted in short recovery of royalty to the tune of ₹ 19.78 crore.

Short collection of stamp duty by the DMG and consequent short collection of registration fee by registration authorities totalling ₹ 159.70 crore was also noticed.

³¹ (T.C. No. 4/NSD/Baux/68, Shri Pravin Kumar Gosalia)

There was lack of coordination between the DMG, IBM and MoEF in regulating the mining operations in the State. Coupled with inadequate system of monitoring and poor internal control mechanism the regulation of mining in the State was hampered. It would be in the interest of the State's revenue, if the corrective steps are taken timely to rectify the defects pointed out by Audit.

FINANCE DEPARTMENT

2.3 Short levy of Value Added Tax ₹ 83.73 lakh due to understatement of Turnover

The Commercial Tax Officer, Mapusa accepted the turnover without verification of actual receipts by the dealer as per TDS certificates. He further allowed inadmissible deductions and wrongly applied the tax rates and rates of deductions for assessment of VAT on works contract.

Rule 4(A) of Goa Value Added Tax (GVAT) Rules, 2005 provides for determination of sale price in cases of work contracts. The GVAT Rules also provided for allowing deductions to the extent as specified in the Rules. In respect of irrigation and water resources projects, the deduction allowed was 35 per cent of the gross receipts. The rate of Value Added Tax (VAT) for works contracts was eight per cent of the taxable turnover.

In the case of a works contractor³² the Commercial Tax Officer (CTO), Mapusa assessed (April 2013) tax payable on gross receipts of ₹ 22.16 crore during the year 2010-11. The turnover of the contractor was mainly accounted for irrigation and water resources projects carried out under a Government Undertaking.³³

Scrutiny of assessment records revealed that the CTO allowed (April 2013) deductions on account of royalty ₹ 0.37 crore. He further deducted ₹ 7.98 crore from gross receipts on account earthwork component. On the balance of ₹ 13.81 crore a further deduction of 30 per cent (₹ 4.14 crore) was also allowed to work out the Taxable Turnover of ₹ 9.67 crore. Against the tax amount of ₹ 53.43 lakh he further allowed deduction of ₹ 13.12 lakh on account of Input Tax Credit and ₹ 31.34 lakh as TDS and Tax of ₹ 9.90 lakh was paid by the dealer.

We observed that the assessment was incorrect and arbitrary on account of the following;

- The deductions towards royalty and earthwork component from gross receipts were not admissible under VAT Rules.
- The vendor being engaged in irrigation and water resources projects was eligible for a deduction of 35 per cent instead of 30 per cent.
- The total work contract receipts for the year as per TDS certificates was ₹ 26.01 crore instead of ₹ 22.16 crore considered by the CTO.

³² TIN-30190401665

³³ Goa Tillari Irrigation Development Corporation

- The dealer produced TDS certificates for only ₹ 23.46 lakh against the deduction allowed ₹ 31.34 lakh.

The details of tax payable as per assessment order and as worked out by audit are given in **Table 2.3.1**.

Table 2.3.1 Tax payable as per Assessment order

(₹ in lakh)

Particulars	As per Assessment order dated 15.04.2013	As worked out by Audit
Gross Turnover	2215.76	2601.01
Less Royalty	36.79	0
Less Earthwork	798.23	0
Net Receipts	1380.74	2601.01
Less Deduction	(30%) 414.22	(35%) 910.36
Taxable Turnover	966.52	1690.66
Tax at the rate of 5 %	39.84 (5% on 796.86)	39.84 (5% on 796.86)
Tax at the rate of 8 %	13.57 (8% on 169.66)	71.50 (8% on 893.80)
Total Tax (A)	53.42	111.35
Less ITC (B)	13.22	13.22
Less TDS (C)	31.34	23.46
Net tax payable (D) = (A-B-C)	8.86	74.67
Add interest u/s 25(4)(a) (E)	Nil	17.92 ³⁴
Add penalty for non-filing of returns (F)	0.04	0.04
Add penalty for non-filing of VAT Audit Report (G)	1.00	1.00
Total tax payable (D+E+F+G)	9.90	93.63

(Source: Assessment order and workings of audit)

The understatement of turnover resulted in short levy of tax including interest ₹ 83.73 lakh (₹ 93.63 lakh - ₹ 9.90 lakh).

The CTO stated (January 2016) that the books of accounts of the dealer was audited by the Chartered Accountant. Hence the income received during the year was finalised as per books of account instead of TDS certificates.

Reply of CTO is not tenable as the dealer had submitted the TDS certificates along with the returns. These certificates pertained to the year 2011-12 for assessment was done by the CTO. These TDS certificate should have been taken in to account for finalising the assessment of the dealer. The Commissioner of Commercial Taxes stated (June 2016) that the dealer was being re-assessed.

The matter was referred to the Government (May 2016) and their reply is awaited (November 2016).

³⁴ ₹ 74,66,941 X 12 per cent pa X 24 months (April 2011 to March 2013) = ₹17,92,066

2.4 Short levy of VAT due to ineligible NPV Scheme³⁵ exemption

Under NPV Scheme of year 2005, 75 per cent of VAT was exempted for industries that commenced manufacturing prior to March 2002. The scheme was extended for additional two years in April 2010. The high polluting industries for which scheme benefits were given earlier under special order were not eligible for extension. The Department allowed tax exemptions beyond March 2010 for a cement manufacturing unit which was declared by the Central Government as high polluting unit.

Large/medium/small scale industries which commenced manufacturing prior to 31 March 2002, were eligible for State and Central sale tax exemption for periods ranging from five to 15 years. Upon introduction of Goa Value Added Tax Act 2005, the scheme was refurbished. The new scheme (NPV Scheme) extend the benefit for unexpired period of exemption granted prior to introduction of VAT Act. Under the NPV Scheme, the entitled industry was to pay only 25 per cent of its tax liability under VAT during exempted period.

In April 2010 the Government extended the scheme for additional two years beyond its normal entitlement and further extended it (December 2012) for one more year. These extensions were granted subject to certain conditions. One such condition was that extensions are not applicable to industrial units that had been declared by the Central Government, as highly polluting nature and to whom the tax exemptions had been extended by the Government under special order.

The manufacturing unit of cement was declared as a high polluting industry³⁶ by the Central Government. We observed (February 2016) from the records of Commercial Tax Officer, Panaji that a dealer³⁷ manufacturing cement was given (19 October 1997) exemption under NPV Scheme. The exemption was given by a special order of the State Government for a period of 12 years from December 1998 to December 2010. The dealer being a highly polluting unit and to which initial exemption was granted by special order was not eligible for exemption beyond December 2010. But the Commissioner of Commercial Taxes allowed³⁸ exemptions for the additional period up to March 2013. The total tax exempted during the period from January 2011 to March 2013 was ₹ 12.29 crore³⁹ (75 per cent of the tax payable by the dealer). The extension of benefit to the dealer from January 2010 onwards was incorrect and resulted in under recovery of ₹ 12.29 crore.

The Commissioner of Commercial Taxes replied (June 2016) that the extension of NPV benefit given is being reviewed and a show cause notice has been issued to the dealer.

³⁵ Goa Value Added Tax deferment-cum-Net Present Value compulsory payment scheme 2005 (NPV Scheme)

³⁶ At serial No XVII of the Annexure appended to entry No 85 of Schedule 2 of the Goa Sale Tax Act 1964

³⁷ (TIN: 30300101923),

³⁸ (September 2010 and November 2015)

³⁹ ₹ 1.49 crore for the period from January 2011 to March 2011, ₹ 5.47 crore for the year 2011-12 and ₹ 5.33 crore for the year 2012-13.

The matter was reported to the Government (June 2016) and their reply is awaited (November 2016).

2.5 Short recovery of interest

The Commercial Tax Officers of Margao and Mapusa short recovered interest on delayed payment of Luxury Tax totaling ₹ 10.57 lakh due to incorrect assessment.

Section 20(1) (ii) (a) & (b) of Goa Tax on Luxuries Act, 1988, provided for simple interest for delay in remittance of luxury tax by hoteliers. The monthly interest rates leviable were 1.5 per cent for first three months and two per cent thereafter.

During test check of records of two Commercial Tax Officers⁴⁰ (CTOs), we noticed six hoteliers had paid luxury tax with delays ranging from two months to 47 months. The CTOs however had not worked out the interest correctly resulting in short levy of ₹ 10.57 lakh as detailed below:

CTO Office	R.C. No.	A.Y.	Delay (in months)	Interest to be levied (in ₹)	Interest levied (in ₹)	Short levied (in ₹)
Margao	MRG/GTL/12	2010-11	15 to 21	205380	21611	183769
	MRG/GTL/128	2010-11	6 to 12	318176	73183	244993
	MRG/GTL/218	2010-11	2 to 22	237596	28818	208778
	MRG/GTL/18	2010-11	47	311625	151602	160023
Mapusa	BRD/GTL/437	2010-11	8 to 17	576832	371621	205211
	BRD/GTL/272	2009-10	3 to 5	57421	3244	54177
Total				1707030	650079	1056951

(Source: Assessment records and challans)

The Commissioner of Commercial Taxes accepted (June 2016) the audit observations. He stated that all the hoteliers have been issued show cause notices for payment of balance interest. Necessary review orders will be passed accordingly for payment of interest as per the provisions of the Act.

The matter was referred to the Government (July 2016) and their reply is awaited (November 2016).

⁴⁰ CTO, Margao and Mapusa

TRANSPORT DEPARTMENT

2.6 Grant of incorrect exemption of road tax on luxury motor cars

The Government has not notified the names of charitable institutions entitled for exemption from payment of road tax as required under Rule 22 Motor Vehicles Tax Rules 1974. The Director of Transport however exempted road tax on luxury vehicles purchased by the three trust/societies.

The Motor Vehicles Tax Rules⁴¹ provides for exemption from payment of tax for some charitable, cultural, welfare or philanthropic institutions. Under Rule 22(1)(xii) the motor vehicles owned by such institutions as notified by the Government are exempted from the payment of road tax. The Government however, has not issued any notification under the Rule listing eligible charitable institutions for allowing such exemption under the Rules. It also has not specified categories of vehicles exempted for such institutions⁴².

In the absence of such notification, the Director of Transport (DoT) has been issuing notifications on case to case basis by granting exemptions to various charitable institutions.

We observed that the DoT in exercise of powers conferred by Rule 22 of Motor Vehicle Rules issued notification to two institutions. The total road tax exempted to these institutions for purchase of new luxury motor cars was ₹ 9.87 lakh as detailed below:

Sl. No	Reg. No Reg. Date	Vehicle Type/ Maker Model	Name of Trust/Society	Sale Amount (₹ in lakh)	Road Tax (₹)
1	GA03Y 2020 20/10/2014	Mercedes Benz B 180 CDI	Dominic and Joan Ministries	30.18	482847 (16%)
2	GA05 D 9099 11/02/2015	Mercedes Benz CLA 200 CDI	Padmanabh Shishya Sampradaya Trust	31.50	504000 (16%)
Total					986847

(Source: Records of Director of Transport)

The above institutions had paid ₹ 30,000 and ₹ 10,000 respectively for obtaining the choice registration number for their vehicle.

The exemption granted by DoT to the trusts/societies which could afford to purchase luxury vehicles and pay for choice registration numbers, defeated the intention of the Rules. Further, the society “Dominic and Joan Ministries” had stated that the vehicle was for conveyance of its members. By allowing exemptions of road tax on luxury vehicles of trust/societies which are not intended to be used for charities, the Government had forgone the tax amounting to ₹ 9.87 lakh.

⁴¹ Goa, Daman and Diu Motor Vehicles Tax Rules, 1974.

⁴²It has been specified in the Rules for schools, where only recognised schools get exemptions for vehicles used for conveying students.

After this was pointed out (February 2015) by audit, the DoT referred (May 2015) the matter to the Law Department. The Law Department concluded that, in absence of notification issued to the charitable trusts, the exemption granted on case to case basis without fixing any norms was not in consonance with Rule 22 of the said Rules, 1974. Hence it advised (November 2015) the DoT to apprise the Government for the withdrawal of exemption and thereafter amend the Rule 22. This will ensure that the exemption is granted for deserving charitable institutions. The DoT directed the Assistant Director of Transport (April 2016) to process the matter and communicate the progress to Audit.

The matter was referred to the Department (April 2016) and their reply is awaited (November 2016).