

**CHAPTER – V**  
**REVENUE RECEIPTS**

**ALL DEPARTMENTS**

**5.1 Trend of Revenue receipts**

5.1.1 The tax and non-tax revenue raised by the Government of Goa during the year 2001-2002, State's share of divisible union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

**TABLE 5.1**

	1999-2000	2000-2001	2001-2002
(Rupees in crore)			
<b>I Revenue raised by the State Government</b>			
(a) Tax Revenue	458.48	514.80	569.34
(b) Non Tax Revenue	633.48	796.14	1136.08
<b>TOTAL</b>	1091.86	1310.94	1705.42
<b>II Receipts from the Government of India</b>			
(a) State's share of divisible Union Tax	95.52	105.34	107.82
(b) Grants-in-aid	40.12	66.95	59.29
<b>TOTAL</b>	136.04	172.29	167.11
<b>III Total receipts of the State Government (I and II)</b>	1227.90	1483.23	1872.53
<b>IV Percentage of I to III</b>	88	88	91

5.1.2 The details of the tax revenue raised under major heads of revenue during the year 2001-2002 along with corresponding figures for the preceding two years are given below:

Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+)/ decrease (-) in 2001-02 over 2000-01
(Rupees in crore)					
1.	Sales Tax	348.18	387.82	401.47	(+) 3.52
2.	State Excise	36.06	38.98	46.13	(+) 18
3.	Taxes on Vehicles	28.32	29.92	32.83	(+) 10
4.	Taxes on goods and passengers	3.95	13.07	36.19	(+) 177
5.	Other taxes and duties on commodities and services	18.61	20.10	18.80	(-) 6
6.	Stamp duty and Registration fees	18.13	21.91	26.38	(+) 20
7.	Land Revenue	5.23	3.00	7.54	(+) 151
	<b>TOTAL</b>	<b>458.48</b>	<b>514.80</b>	<b>569.34</b>	

- (a) The increase in taxes on goods and passengers was mainly due to increase in receipts under “Tax on entry of goods into local areas”.
- (b) The increase in “Stamp Duty and Registration Fee” was due to sale of more stamps.
- (c) The increase in Land Revenue was due to more receipts on account of survey and settlement operations and “other receipts”.

5.1.3 The details of non-tax revenue raised under major heads of revenue during 2001-2002 along with the corresponding figures for the preceding years are given below:

Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+)/ decrease (-) in 2001-02 over 2000-01
(Rupees in core)					
1.	Miscellaneous General Services	257.49	380.58	612.43	(+) 61
2.	Power	291.23	330.66	418.40	(+) 26
3.	Water Supply and Sanitation	40.20	43.59	53.14	(+) 22
4.	Non-Ferrous mining and Metallurgical Industries	12.59	15.97	13.14	(-) 18

5.	Roads and bridges	4.89	3.81	3.31	(-) 13
6.	Medical and Public Health	3.74	4.77	4.67	(-) 2
7.	Ports and lighthouses	2.43	3.35	3.30	(-) 2
8.	Inland water transport	1.69	3.17	0.89	(-) 72
9.	Others	19.12	10.24	26.80	(+) 162
	<b>TOTAL</b>	<b>633.38</b>	<b>796.14</b>	<b>1136.08</b>	

5.1.4 The reasons for variation in receipts during 2001-2002 as compared to those in 2000-2001 are given below:

### **Miscellaneous General Services**

Increase was due to more receipts under “State Lotteries”; whereas the decrease during 1999-2000 was due to discontinuation of sale of lottery tickets with effect from November 1999.

### **Power**

Increase was due to revision of electricity tariff.

### **Non-ferrous mining and metallurgical industries**

Decrease was due to less receipt of mineral concession fees, rent and royalties.

### **Water Supply and sanitation**

Increase was mainly due to more receipts from Urban Water Supply Scheme.

### **Inland Water Transport**

Decrease was mainly due to less receipts on account of government policy not to charge the fares to commuters.

## **5.2 Variations between budget estimates and actual**

5.2.1 The variations between budget estimates of revenue and actual receipts under some of the principal heads are given below:

Sr. No.	Head of Revenue	Budget estimate	Actual	Variation Increase (+) Shortfall (-)	Percentage of variation
(Rupees in crore)					
	<b>Tax Revenue</b>				
1.	Taxes on goods and passengers	21.30	36.19	(+)14.89	(+) 70
	<b>Non-Tax Revenue</b>				
2.	Interest receipts	5.05	2.17	(-) 2.88	(-) 57
3.	Dividend and profit	3.23	0.44	(-) 2.79	(-) 86
4.	Public Works	2.27	1.21	(-) 1.06	(-) 47
5.	Miscellaneous General services	658.25	612.43	(-) 45.82	(-) 7
6.	Water supply and sanitation	55.00	52.47	(-) 2.53	(-) 5
7.	Power	350.00	418.40	(+) 68.40	(+) 20
8.	Non ferrous mining and metallurgical industries	15.10	13.14	(-) 1.96	(-) 13

5.2.2 Increase in taxes on goods and passengers, was due to more receipts under "Tax on entry of goods in local areas".

5.2.3 Decrease in non ferrous mining and metallurgical industries is due to decrease in mineral concessions fees, rent and royalties.

The reasons for variations in the other head of accounts are awaited.

### 5.3 Cost of collection

5.3.1 The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 1999-2000, 2000-2001 and 2001-2002 along with the relevant All India Average percentage of expenditure for 2000-2001 are given below:

Sr. No.	Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2000-2001
(Rupees in crore)						
1.	Sales Tax	1999-2000	348.18	2.18	0.70	1.31
		2000-2001	387.82	2.22	0.57	
		2001-2002	401.47	3.83	0.95	
2.	State Excise	1999-2000	36.06	1.86	5.15	3.10
		2000-2001	38.98	2.13	5.46	
		2001-2002	46.13	2.04	4.42	
3.	Taxes on vehicles	1999-2000	28.32	0.71	2.50	3.48
		2000-2001	29.92	0.76	2.54	
		2001-2002	32.83	0.76	2.31	
4.	Stamp duty and Registration Fees	1999-2000	18.13	1.22	7.00	4.39
		2000-2001	21.91	1.27	5.80	
		2001-2002	26.38	1.27	4.81	

5.3.2 The reasons for higher percentage of expenditure to gross collection of State Excise, Stamp Duty and Registration Fees as compared to All India average percentage are awaited.

#### 5.4 Arrears of Revenue

As on 31 March 2002 arrears of revenue as reported by the heads of departments were as follows:

Head of Revenue	Amount of Arrears as on 31 <sup>st</sup> March 2002	Arrears more than three years old	Remarks
(Rupees in lakh)			
<b>Finance Department</b>			
Sales Tax	8900.01	3810.07	Out of total demands of Rs. 8900.01 lakh, demands of Rs. 2434.20 lakh were covered under recovery certificates in 3429 cases. In respect of balance cases department has entrusted the work of monitoring recovery to the respective ACST of the district.
Excise	20.28	0.05	Only two cases involving an amount of Rs.0.03 lakh have been referred to RRC. No other action has been taken by the department to recover the revenue in other cases.

<b>Transport</b>			
Taxes on Vehicles	534.80	204.60	Recovery is proposed to be affected by issuing show cause notice.
<b>P.W.D</b>			
Chief Engineer PWD Water charges meter rent and sewage change	2559.67	109.27	1510 cases involving amount of Rs. 292.06 lakh have been referred to Revenue Recovery court. Out of Rs. 292.06 lakh, Rs.94.52 lakh pertain to amount recoverable from Sports complex, Mapusa, Quepem & Curchorem Municipal Councils and Rs.1.19 lakh from one individual
Rent of Government Buildings	11.72	3.06	
<b>Water Resources</b>			
Water Tax	412.26	49.06	Out of Rs. 412.26 lakh, 160 cases involving an amount of Rs. 2.66 lakh have been referred to RRC. No other action has been taken in other cases other than sending notices
Rent on building	90.19	8.74	
Hire charges	35.50	4.38	
<b>Industries &amp; Mines</b>			
Royalty, Surface rent	136.10	63.30	Out of Rs. 136.10 lakh, 287 cases involving an amount of Rs. 48.59 lakh has been referred to RRC. As regards others reminders have been issued by the Director of Industries to the concerned parties to settle the bill amount.
<b>Power Department</b>			
Energy Charges	14978.57	Not furnished	Out of Rs. 14978.57 lakh, 3821 cases involving an amount of Rs. 6890.63 lakh have been referred to RRC
<b>TOTAL</b>	<b>27679.10</b>	<b>4252.53</b>	

## **5.5 Outstanding inspection reports and audit observations**

5.5.1 Audit observations on incorrect assessment, short levy of taxes, fees, etc. as also defects in initial records noticed in audit and not settled on the spot are communicated to the head of offices and to the departmental authorities through inspection reports. Important and serious irregularities are reported to the heads of departments and government also. In addition, statement indicating number of observations outstanding over six months are sent to government for expediting their settlement. Government had prescribed a time limit of one month for furnishing replies to audit observations.

5.5.2 93 inspection reports issued upto the end of December 2001 containing 151 audit observations involving Rs.2.37 crore were to be settled at the end of June 2002 as indicated below along with the corresponding figures for the two preceding years.

As at end of			
	June 2000	June 2001	June 2002
Number of outstanding inspection report	84	86	93
Number of outstanding audit observations	166	151	151

5.5.3 Out of 93 outstanding reports pending settlement even first replies have not been received (June 2002) for 10 inspection reports containing 20 audit observations. The receipt-wise details of inspection reports and audit observations outstanding as on 30<sup>th</sup> June 2002 and the amount involved is indicated below:

Department	Receipt	Number of outstanding inspection reports	Number of outstanding audit observations	Amount (Rupees in crore)
Finance	Sales Tax, Luxury Tax, Excise and Entertainment Tax, Land Tax	77	129	0.81
Revenue	Stamp and Registration Fee	10	11	1.52
Transport	Transport	6	11	0.04
<b>TOTAL</b>		<b>93</b>	<b>151</b>	<b>2.37</b>

5.5.4 The matter was also brought to the notice of Government (August 2002). Information regarding steps taken by the government to clear the outstanding inspection reports and audit observations has not been received.

**SECTION-A - REVIEWS**

**FINANCE DEPARTMENT**

**5.6 Review on Levy and Collection of State Excise Duty**

**Highlights**

- *Non-fixation of allowance of wastage in manufacture of beer resulted in loss of revenue of Rs.1.08 crore.*  
(Paragraph 5.6.6)
- *Despite non-receipt of certificate regarding arrival of liquor consignments at the destination outside the State, excise duty of Rs.21.28 crore involved could not be levied in the absence of specific provisions in the Act/Rules.*  
(Paragraph 5.6.8)
- *Non-renewal of licences for sale of Indian Made Foreign Liquor (IMFL) resulted in non-realisation of revenue of Rs.14.90 lakh.*  
(Paragraph 5.6.10)
- *Non-disposal of cashew zones resulted in loss of revenue of Rs.12.66 lakh.*  
(Paragraph 5.6.17)
- *Incorrect levy of excise duty on IMFL resulted in loss of revenue of Rs.11.45 lakh.*  
(Paragraph 5.6.21)
- *Non-levy of additional licence fee for keeping the licenced premises open beyond prescribed timings resulted in short levy of Rs.4.44 lakh.*  
(Paragraph 5.6.23)
- *Failure in ascertaining the category of hotels resulted in short levy of licence fee of Rs.3.34 lakh*  
(Paragraph 5.6.27)
- *Non-levy of revised rates of duty on beer resulted in short levy of Rs.1.40 lakh.*  
(Paragraph 5.6.31)



- *Failure to raise demand of establishment expenses from the Distilleries resulted in non-depositing of Rs.7.31 lakh.*

*(Paragraph 5.6.36)*

### **Introduction**

5.6.1 The levy and collection of State Excise Duty on manufacture, import, export, transport and sale of liquor are governed by the Goa Excise Duty Act, 1964 and the Rules framed thereunder. The Excise Department is responsible for enforcing the provisions of the Act and Rules. The excise revenue is collected through the Taluka Excise Stations and excise personnel are posted at Distilleries, Breweries and Wineries.

### **Organisational set up**

5.6.2 The Excise Department is under the administrative control of the Finance Secretary and is headed by the Commissioner of Excise, who is assisted by two Assistant Commissioners and three Superintendents of Excise. There are 11 Taluka Excise Stations headed by Excise Inspectors. Besides, there are 61 distilleries, breweries and wineries, manufacturing Indian Made Foreign Liquor (IMFL), wherein Excise Inspectors are posted to supervise these Units and to levy and collect excise duty and allied levies.

### **Scope of Audit**

5.6.3 With a view to ascertaining the adequacy and effectiveness of the system and procedure for levy and collection of excise duties, by the department, the records for the period from 1997-1998 to 2001-2002, maintained by the Commissioner of Excise, Excise Inspectors in-charge of four Excise Stations and thirteen distilleries (bottling units), breweries, wineries out of 11 Excise Stations and 61 distilleries (bottling units), breweries, wineries were test checked between April 2002 and June 2002. The findings in audit are discussed in the succeeding paragraphs.

### **Trend of revenue**

5.6.4 The budget estimates and actuals for the year 1997-1998 to 2001-02 were as under:

Year	Budget estimates	Actual collection	Percentage of increase of revenue over previous year	Percentage of variation of Budget Estimate over actual
(Rupees in crores)				
1997-1998	31.60	31.99	-	(+) 1.30
1998-1999	34.50	35.17	9.94	(+) 1.94
1999-2000	36.51	36.06	2.53	(-) 1.22
2000-2001	39.00	38.98	8.10	(-) 0.06
2001-2002	46.00	46.13	18.34	(+) 0.27

5.6.5 The increase of revenue by 18.34 *per cent* in the year 2001-2002 over 2000-2001 was mainly due to increase in excise duty on various types of liquor and increase in fee for manufacture of liquor, wholesale and increase on retail licences.

#### **Non-realisation of excise duty on wastage**

5.6.6 In the manufacture of beer, during the process of filtration and transportation from Bright Beer Tank (BBT) to the bottling unit, no wastage is admissible for the purpose of excise duty under the excise Act, or rules made thereunder.

5.6.7 In a brewery at Arlem, out of 290.02 lakh Bulk Litre of beer transferred from BBT to bottling unit, only 278.04 lakh BL of beer was bottled and 11.98 lakh BL of beer was allowed as manufacturing wastage during 1997-1998 to 2001-2002. The excise duty of Rs.1.08 crore leviable on wastage was neither levied nor paid by the brewery resulting in non-realisation of Rs.1.08 crore.

#### **Non-receipt of export verification certificates**

5.6.8 The Goa Excise Duty Act 1964 and the Rules made thereunder provide for export of excisable articles manufactured in the state to other states on the authority of a permit issued by the Commissioner on payment of fees imposed under the Act and subject to the conditions that the exporter shall produce a certificate from the appropriate Excise Officer of the State into which the export was made, certifying the due arrival or otherwise of the liquor at its destination. Such certificate was to be produced within 10 days of the arrival of the consignment at the destination. There is no provision in the Act or Rules to impose and recover any duty in case of non-receipt of the liquor at the destination or non-production of such certificates, within the specified period.

5.6.9 54.02 lakh proof litres of IMFL, 15.74 lakh bulk litre of beer, 5.97 lakh bulk litres of wine and 2.11 lakh proof litres of country liquor (cashew fenny) under 1679 permits were permitted to be exported to other states/Union Territories from 40 distilleries, breweries and wineries between 1997-1998 and 2001-2002. However, verification reports for the consignments had not been received from the appropriate Excise Officer of the Importing States, even after a lapse of 3 to 63 months. In absence of any provision, no action could be taken to levy excise duty. The minimum excise duty involved amounted to Rs.21.28 crore.

### **Non-renewal of licences for sale of Indian Made Foreign Liquor**

5.6.10 The Goa Excise Duty Act, 1964 and the Rules made thereunder, provides for issue of licences for wholesale/retail sale of Indian Made Foreign Liquor (IMFL), Foreign Liquors and Country Liquors etc. on payment of licence fees prescribed. The licence shall be granted for a period not exceeding three financial years. These licences were required to be renewed within 15 days before expiry of validity of the licences.

5.6.11 It was noticed from the records of 3\* Excise Stations, that 256 licences of wholesale and retail vendors of IMFL and Country Liquor were not renewed for the year 1999-2000 to 2002-2003. However, the retailers and whole salers were allowed to continue their business. The non-renewal of these licences resulted in non-realisation of licence fee of Rs.14.90 lakh.

5.6.12 The Excise Inspectors stated that notices were being issued for renewal of these licences.

### **Short levy of licence fee for manufacture of Indian Made Foreign Liquor (IMFL)**

5.6.13 As per the provisions of Goa Excise Duty Act 1964, the manufacturing licence fee in respect of Distillery units manufacturing Indian Made Foreign Liquors (IMFL) is based on the capital investment in the units. The annual licence fee leviable for distillery units with a capital investment below Rs. 25 lakh was Rs.30,000 and above Rs. 25 lakh was Rs.60,000, for the year 2001-2002.

5.6.14 A scrutiny of records of issue of licences and its renewal, for manufacture of IMFL, revealed that in respect of 5\* distilleries manufacturing IMFL, though the capital investment was more than Rs.25 lakh, the department levied licence fee at the lower rate of Rs.30,000 in 4 cases and Rs.40,000 in one case, against Rs.60,000 each, resulting in short levy of Rs.1.40 lakh.

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\* Mapusa, Ponda and Salcete

\* Tonia Liquor Industries, Millennium Wineries and Distilleries, Spirit de Goa, Swangai Distilleries, Shaktis Tukuha Industries

5.6.15 On this being pointed out, the Department stated (June 2002) that these cases would be examined and licence fee short levied would be recovered.

5.6.16 In another 6<sup>^</sup> cases, it was noticed that while renewing the licences for the year 2001-2002, the licence fees was collected at the minimum rate of Rs.30,000 without ascertaining the capital investment in these units. In the absence of any system of obtaining the capital investment and its verification, at the time of renewal of licences, the correctness of the licence fee levied could not be ascertained.

#### Loss of revenue due to unauctioned cashew zones

5.6.17 As per the provisions of the Excise Duty Rules 1964, the licence fee for manufacture of liquor from cashew juice shall be granted on the basis of auction of cashew groves (zones) held every year. The highest bidder of the zones who undertake to manufacture the maximum quantity of liquor from that zone shall be granted the licence. If no bidder appears for the first auction, or the offer is not accepted, auction shall be held for a second time and thereafter, if the cashew zones still remain unbidded, they shall be disposed of by tender or otherwise at the discretion of the Commissioner.

5.6.18 The position of number of cashew zones auctioned, number of zones disposed of and number of zones remaining unbidded for the last 3 years are indicated below:

Year	No. of cashew zones put to auction	No. of zones auctioned/ disposed of	Revenue collected (Rupees in lakh)	No. of zones not disposed of	Upset price of zones not disposed of (Rupees in lakh)
1999-2000	1546	1482	47.64	64	3.90
2000-2001	1599	1483	33.46	116	4.64
2001-2002	1485	1401	30.77	84	4.12
<b>Total</b>					<b>12.66</b>

5.6.19 The non-disposal of these zones resulted in foregoing revenue of at least Rs.12.66 lakh based on the upset price fixed for these zones, for the period from 1999-2000 to 2001-2002.

<sup>^</sup> Penguin Distilleries, Naveen Distilleries, Crag Martin Distilleries, Monte de Silva, Coral Distilleries, South Goa Distilleries

5.6.20 The department stated (July 2002) that the decrease in revenue was on account of bad weather, developmental works in cashew zones and bifurcation of cashew zones. The contention of the department is not tenable as inaction on the part of the department has resulted in loss to the Government.

#### **Short realization of excise duty due to application of incorrect rates**

5.6.21 As per the provisions of the excise Duty Act, 1964 and the notifications issued thereunder, excise duty shall be leviable in accordance with the rates notified from time to time.

5.6.22 During the course of audit it was noticed that 64324 BL of IMFL were removed from three distilleries at Zuarinagar, Tivim and Curtorim during the years 2000-01 and 2001-02 on payment of excise duty at lower rates than prescribed. As against excise duty of Rs.19.15 lakh payable, excise duty of Rs.7.70 lakh was paid by the licencees, resulting in short realization of excise duty of Rs.11.45 lakh.

#### **Non-levy/short levy of additional licence fee**

5.6.23 According to the provisions of the Goa Excise Duty Rules 1964, the licenced premises, for retail sale of Indian Made Foreign Liquor (IMFL) or country liquors for consumption in the premises, can be kept open from 9.00 a.m. to 1.00 a.m. in case of 3 star and 5 star hotels and from 9.00 a.m. to 11.00 p.m. in all other cases. Further, the Goa Excise Duty Act 1964, provides for levy of Rs.1.50 lakh per annum in addition to the annual licence fee at the prescribed rates, in respect of the above vendors, for keeping their licenced premises open for serving their clientele beyond 11.00 p.m. with effect from April 2000.

5.6.24 In respect of a vendor at Bogmalo, holding licence for retail sale of IMFL and country liquor for consumption at their premises, though the licencee was allowed to keep his premises open beyond 11.00 p.m., the Excise Inspector levied Rs.6,000 only as additional fee, against Rs.1.50 lakh leviable during the year 2001-2002 resulting in short levy of Rs.1.44 lakh.

5.6.25 In another case of a 5 star hotel at Benaulim, holding licence for retail sale of IMFL and country liquor, for consumption in their premises, additional amount at the rate of Rs.1.50 lakh each during 2000-2001 and 2001-2002 was not levied, though the timing allowed for keeping their premises open was 9.00 a.m. to 1.00 a.m. This has resulted in loss of revenue of Rs.3 lakh to the Government.

5.6.26 On this being pointed out (June 2002) the Excise Inspector raised a demand of Rs.1.44 lakh, against the vendor at Bogmalo. Final reply in other cases has not been received (December 2002).

### **Short recovery of licence fee from hotels**

5.6.27 As per the Goa Excise Duty Act 1964, the licence fee for retail sale of Indian Made Foreign Liquor (IMFL) and country liquor in respect of hotels was based on the Category 'A' or 'B' of the hotel, as certified by the Tourism Department.

5.6.28 It was noticed that in respect of 8 hotels at Mapusa, Ponda, Vasco and Margao, holding licence for retail sale of IMFL and country liquor in their premises for consumption, the licence fee during 1996-1997 to 2001-2002 was levied at the rate applicable to 'B' category hotels instead of 'A' category (in 2 cases) and at other rates applicable to bar and restaurants etc. instead of 'B' category hotel (in 6 cases).

5.6.29 The failure of the Excise Inspector to ascertain the category of the hotel as certified by the Tourism Department resulting in short-recovery of licence fee of Rs.3.34 lakh.

5.6.30 The licence fee for retail sale of foreign liquor for consumption on the premises for 'A' category hotel was revised from Rs.0.55 lakh to Rs.2 lakh from April 2001. A category 'A' hotel at Vasco, holding licence for retail sale of foreign liquor for consumption in the premises, was levied fee of Rs.0.55 lakh for the year 2001-2002 against Rs. 2 lakh resulting in short levy of Rs.1.45 lakh.

### **Short levy of excise duty on beer**

5.6.31 As notified by the Government on 30 August 2000, the excise duty on beer manufactured and sold in the State of Goa, the strength of which does not exceed 5 per cent volume/volume was revised from Rs.8 per bulk litre to Rs.9 per bulk litre.

5.6.32 In two breweries at Arlem and Ponda, 1.40 lakh bulk litres of beer with strength not exceeding 5 per cent volume/volume was removed from the warehouses, between 30 August 2000 and 6 September 2000 on payment of duty @ Rs.8 per bulk litre against Rs.9 per bulk litre leviable, resulting in short levy of Rs.1.40 lakh.

5.6.33 On this being pointed out, the department raised a demand of Rs.0.14 lakh in respect of one unit. In respect of other unit, action taken is awaited (July 2002).

### **Delay in collection of bottling fee**

5.6.34 The Goa Excise Duty Act, 1964 provides for levy of licence fee for bottling of liquor. The bottling fee leviable on beer was 20 paise per bottle, subject to a minimum of Rs.500 with effect from 1 April 2000. The minimum bottling fee was to be collected at the time of issue/renewal of bottling licence.

The Rules also provide for collecting an additional amount @ 2 per cent of licence fee per month for delayed payments.

5.6.35 During the course of audit it was noted that in a brewery at Arlem, bottling fee of Rs.6.65 lakh was paid in the Government account after a delay of 1 month to 11 months. However, penalty amounting to Rs.1 lakh was not levied resulting in non-realisation of Government revenue to that extent.

#### **Non-recovery of establishment expenses**

5.6.36 Under the provision of Goa Excise Duty Rules 1964, the Commissioner of Excise shall assign one or more members of the excise staff to supervise and assist in the working of a distillery, brewery or winery and in lieu of the services rendered by the excise staff, a fee corresponding to the pay and allowances, contribution towards pension or leave salary or any such benefit the excise staff as intimated by the Commissioner shall be payable by the distillery, brewery or winery by deposit of the said amount at the end of every month.

5.6.37 Scrutiny of the relevant records in the office of the Commissioner of Excise, Panaji revealed that, in respect of Excise staff posted to 24 distilleries, pay and allowances and pension contribution amounting to Rs.7.31 lakh for the period from August 2000 to March 2002 were yet to be deposited by these units.

5.6.38 Further while raising the demand against the units, the contribution towards pension was wrongly calculated by the department resulting in non raising of demand and consequent short recovery amounting to Rs.1.25 lakh during the period from 1997-1998 to 2001-2002 in respect of 21 units.

5.6.39 The department stated (June 2002) that the units had been directed to pay the dues.

#### **Lack of internal control**

Though the Goa Excise Duty Rules 1964, provides that the manufacture of Indian Made Foreign Liquor shall maintain regular accounts, registers, etc. as prescribed by the Commissioner, these were not maintained. Moreover, incomplete warehouse registers and absence of internal audit rendered the entire system susceptible to loss/leakage of revenue. This indicates the existence of poor and inefficient internal control systems.

## SECTION-B - PARAGRAPHS

### SALES TAX DEPARTMENT

#### **5.7 Short levy of luxury tax of Rs.8.50 lakh due to turnover escaping assessment**

Section 5 of Goa Tax on Luxuries (Hotel and Lodging Houses) Act, 1988 provides that tax shall be levied on the turnover of receipts of a hotelier at the prescribed rate depending upon the charges per day. As per Section 2(p) turnover of receipts means aggregate of the amounts of monetary considerations received by a hotelier or his agent in respect of luxuries provided in a hotel. As per Section 2 (f), luxuries provided in a hotel means accommodation and other services provided, in a hotel, the rate of charges for which include the charges for air conditioning, telephone, television, music entertainment, extra beds and the like.

Scrutiny of assessment records of Sales Tax Officer, Margao ward revealed that in assessing (March 2001) a hotelier viz. Ramada Renaissance, Fatrade Varca for the years 1996-97, 1997-98 and 1998-99, the Assessing Authority did not include the sight seeing charges of Rs.53.45 lakh (Rs.15.60 lakh + Rs.18.80 lakh + Rs.19.05 lakh) in the turnover of receipts, though the amount received was in respect of part of luxuries provided in the hotel. This has resulted in short levy of luxury tax of Rs.8.01 lakh at the rate of 15 *per cent*.

During the course of audit of assessment records of Sales Tax Officer, Mapusa ward in February 2002, it was noticed that in assessing (March 2001) a hotelier Taj Holiday Village for the year 1996-97, the receipts of Rs.3.25 lakh towards boat club income were not considered for turnover of receipts on the ground that the boat club was operated by their sister concern Taj Trade and Transport Co. This assumption is not acceptable to audit in view of the fact that these receipts were finally incorporated in the accounts of the Taj Holiday Village and as such these receipt should have been included in the turnover of receipts. Non-inclusion of these receipts in the turnover of receipts for the purpose of levying luxury tax has resulted in short levy of luxury tax of Rs.0.49 lakh at the rate of 15 *per cent*.

The department replied in May 2002 that sightseeing charges and boat club income do not relate to any item of luxury provided in a hotel. The reply of the department is not tenable in view of judgement delivered by Goa Bench of Mumbai High Court in writ petition No. 213/94 dated 13.10.1998 (Mandovi Hotel P. Ltd. Vs Government of Goa), wherein, *inter alia*, it was clearly indicated that the charges for local tours, boat cruising facilities etc. form part of the receipt of the hotelier. Further it was also noticed that in a similar case, short recovery of Rs.2.82 lakh towards sightseeing charges along with penalty in respect of hotelier



M/s Heritage Village Club for the assessment period 15.09.1997 to 31.03.1998 were recovered by the Assessing Officer in July 2000.

### **5.8 Incorrect allowance/exemption of tax**

Under the Central Sales Tax Act, 1956 and rules made thereunder, a dealer claiming exemption from his turnover on account of transfer of goods outside the state otherwise than by sale, is liable to furnish a declaration in prescribed Form 'F' duly filled in and signed by the Principal Officer of the other place of business or his agent, as proof of such transfer along with evidence of despatch. Otherwise the tax is payable at the rate of 10 per cent or the rate of tax applicable under the State Act, whichever is higher.

During the course of audit of assessment records of Sales Tax Officer, Margao Ward in March 2002, it was noticed (February 2001) that a dealer "Goa Bottling Co. Pvt. Ltd." manufacturing soft drinks (for the year 1997-98) was allowed stock transfer of goods worth Rs.8.12 crore out of total sale of Rs.20.07 crore and was assessed for Rs.11.95 crore. Of these, stock transfer worth Rs.4.48 crore only was supported with 'F' forms and transfer of goods worth Rs.3.64 crore was not supported by 'F' forms. However the Assessing Authority allowed the same as stock transfer exempting payment of tax. Thus the incorrect allowance of stock transfer for which no declaration in prescribed forms was available resulted in short levy of tax of Rs.36.36 lakh.

The Government stated (Sept' 2002) that 'F' forms are not mandatory and the transaction could otherwise be proved by some other evidence such as transport receipts etc. However, neither such documentary evidence was available on records nor was it made available to audit after being pointed out in March 2002.

## **TRANSPORT DEPARTMENT**

### **5.9 Loss of revenue due to delay in levy of revised rates of fees**

The Government of India vide Notification No. GSR-221(E) enhanced various fees prescribed in Rule 32 and 81 of the Central Motor Vehicle Rules 1989, for grant or renewal of licences, trade certificates, issue of duplicate certificate of registration, transfer of ownership etc. with effect from 28 March 2001.

Audit scrutiny (March 2002) of the records of the Assistant Director of Transport (ADT) North, Panaji revealed that the ADT continued to collect the fees at the old rates upto 6 May 2001 and the revised rates were levied only from 7 May 2001.

The delay in implementation of the revised rates resulted in a loss of revenue of Rs.1.39 lakh to the Government for the period from 28 March 2001 to 6 May 2001. The Department stated that copy of Government of India Notification was received only on 24.4.2001. However, the fact remains that the revised rates

notified in G.O.I. Gazette effective from 28.3.2001 were implemented only from 7<sup>th</sup> May 2001 and there was loss of revenue of Rs. 1.39 lakh.

#### **5.10 Non-recovery of passenger tax from Kadamba Transport Corporation Limited (KTCL)**

As per Goa, Daman and Diu Motor Vehicles (Taxation on Passengers and Goods) Act, 1994 as amended in 1997 vide Goa Act No. 8 of 1997, passenger tax is levied @ Rs.30/-, Rs.50/- and Rs.70/- per seat per month for stage carriages, contract carriages and All India Carriages respectively. However it was seen that KTCL had not paid passenger tax for its vehicles plying in the state since May 1996. No exemption from payment of passenger tax was granted to KTCL and Law Department, Government of Goa stated that there was no provision under the act to exempt KTCL from payment of passenger tax.

The KTCL had during the period May 1996 to March 2002, 289 buses with different capacities registered with it. The total passenger tax recoverable from KTCL for its vehicles for the period from May 1996 to March 2002 worked out to Rs.1.22 crore.

On this being pointed out (October 2000), the department stated that demand notice to KTCL for payment of passenger tax had been issued (April 2000) and reply was awaited (May 2002).