

CHAPTER-VI

REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Goa during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
I. Revenue raised by the State Government					
• Tax Revenue	514.80	569.34	602.20	710.25	856.53
• Non Tax Revenue	796.14	1136.08	1039.17	724.73	729.26
Total	1,310.94	1,705.42	1,641.37	1,434.98	1,585.79
II. Receipts from the Government of India					
• State's share of divisible Union taxes	105.34	107.82	114.62	135.59	162.07
• Grants in aid	66.95	59.29	77.02	52.55	72.16
Total	172.29	167.11	191.64	188.14	234.23
III. Total receipts of the State	1,483.23	1,872.53	1,833.01	1,623.12	1,820.02
IV. Percentage of I to III	88	91	90	89	87

6.1.1 The details of tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.	• Sales tax	346.73	365.37	398.93	463.52	502.70	(+) 8
	• Central sales tax	41.09	36.10	40.26	38.84	64.49	(+) 66
2.	State excise	38.98	46.13	46.79	53.44	55.34	(+) 4
3.	Stamps and registration fees	21.91	26.38	26.56	28.96	35.69	(+) 23
4.	Taxes on vehicles	29.92	32.83	36.78	50.76	58.78	(+) 16
5.	Taxes on goods and passengers	13.07	36.19	30.47	41.14	103.10	(+)151
6.	Luxury tax	17.35	14.95	15.93	24.73	27.01	(+) 9
7.	Entertainment tax	1.93	2.72	2.36	2.11	2.48	(+) 18
8.	Other taxes and duties on commodities and services	0.82	1.13	1.41	1.46	1.79	(+) 23
9.	Land revenue	3.00	7.54	2.71	5.29	5.15	(-) 3
	TOTAL	514.80	569.34	602.20	710.25	856.53	(+) 21

The reasons for variation in receipts during 2004-05 as compared to the year 2003-04 as intimated by the departments concerned were as under:

Taxes on goods and passengers: The increase was mainly due to more receipts under "Tax on Entry of Goods into Local Areas" Act.

Sales tax: The increase was mainly due to more receipts under Central Sales Tax Act and State Sales Tax Act.

Stamps and registration fees: The increase was mainly due to increase in sale of stamps and fees for registering documents.

Taxes on vehicles: The increase was mainly due to enforcement of State Motor Vehicle Taxation Act.

Other taxes and duties on commodities and services: The increase was mainly due to more collection under luxury tax.

State excise: The increase was mainly due to more receipts under “malt liquor” and “foreign liquor and spirits”.

6.1.2 The details of the major non tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.	Interest Receipts	3.09	2.62	2.33	2.23	3.73	(+) 67
2.	Dairy development	Nil	0.40	0.49	0.26	0.20	(-) 23
3.	Other Non Tax Receipts	55.16	63.80	87.65	90.88	88.42	(-) 3
4.	Forestry and Wild Life	1.11	1.18	0.73	1.81	2.08	(+) 15
5.	Non ferrous Mining and Metallurgical Industries	15.97	13.14	15.78	19.39	23.66	(+) 22
6.	Power	330.66	418.40	548.35	592.15	584.66	(-) 1
7.	Major and Medium Irrigation	0.22	13.69	4.26	2.94	3.49	(+) 19
8.	Medical and Public Health	4.77	4.67	6.94	7.30	8.82	(+) 21
9.	Co-operation	0.18	0.36	0.20	0.25	0.42	(+) 68
10.	Public Works	1.13	1.21	0.95	1.41	1.37	(-) 3
11.	Police	0.38	0.42	0.66	0.61	2.15	(+)252
12.	Other Administrative Services	2.89	3.76	4.68	5.50	10.26	(+) 87
	Total	796.14	1,136.08	1,039.17	724.73	729.26	(+) 1

The reasons for variation in receipts during 2004-05 as compared to the year 2003-04 as intimated by the department concerned were as under:

Police: The increase was due to more receipts under Other Receipts.

Other Administrative Services: The increase in receipts were mainly under “Election and other services like, Petroleum Act, Cinematograph Film Act, fees for issuing certified copies of documents, visa, passport etc.

Non ferrous Mining and Metallurgical Industries: The increase was due to increase in mineral concession fees, rent and royalties.

The reasons for variations in other heads though called for from the Department in November 2005 have not been received.

6.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sr. No.	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax Revenue					
1.	Sales tax	600.00	567.19	(-) 32.81	(-) 5
2.	State excise	60.50	55.34	(-) 5.16	(-) 9
3.	Land revenue	6.99	5.15	(-) 1.84	(-) 26
4.	Other taxes and duties on commodities & services	25.18	31.28	(+) 6.10	(+) 24
Non Tax Revenue					
5.	Interest receipts	6.73	3.73	(-) 3.00	(-) 45
6.	Police	2.01	2.15	(+) 0.14	(+) 7
7.	Public works	3.52	1.37	(-) 2.15	(-) 61
8.	Misc. general services	705.61	0.43	(-) 705.18	(-) 100
9.	Roads & bridges	15.54	2.45	(-) 13.09	(-) 84

The reasons for variations between the budget estimates and actuals as furnished by the departments were as under:

Miscellaneous General Services: The receipts were “Nil” due to stoppage of lottery business by Government of Goa in August 2002. Though the lottery business was stopped with effect from August 2002, receipts under the same head were estimated at Rs.705.61 crore in 2003-04 and 2004-05. The reasons for making provisions during 2003-05 were called for from the Department in December 2004 and also in November 2005. No reply has been received (December 2005).

The reasons for wide variations in other revenue heads with those of budget estimates though called for from the departments in November 2005, have not been received (December 2005).

6.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05 along with the relevant all India average percentage for 2002-03 are as follows:

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2002-03
1.	Sales tax	2002-03	439.19	2.62	0.60	1.15
		2003-04	502.36	3.09	0.62	
		2004-05	567.19	3.59	0.63	
2.	Taxes on vehicles	2002-03	36.78	0.76	2.06	2.57
		2003-04	50.76	0.79	1.56	
		2004-05	58.78	0.87	1.48	
3.	State excise	2002-03	46.79	2.18	4.65	3.81
		2003-04	53.44	2.27	4.25	
		2004-05	55.34	2.59	4.68	
4.	Stamp duty and registration fees	2002-03	26.56	1.22	4.59	3.66
		2003-04	28.96	1.53	5.28	
		2004-05	35.69	1.41	3.95	

The higher percentage of expenditure on collection to gross collection of State excise as compared to All India average percentage were stated to be due to lower excise duty structure on India made foreign liquor/country liquor in Goa as compared to the rest of India. The higher percentage of expenditure to gross collection of stamp duty and registration fees was attributed to handling of other compulsory works like registering marriages, drawing notarial wills, births and deaths etc. which are mandatory functions under the law.

6.4 Collection of sales tax per assessee

Year	No. of assesses	Sales Tax revenue (Rs. in crore)	Revenue/assessee (Rs. in lakh)
2000-2001	20,788	387.82	1.87
2001-2002	23,423	401.47	1.71
2002-2003	22,112	439.19	1.99
2003-2004	21,798	502.36	2.30
2004-2005	24,947	567.19	2.27

6.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs. 321.93 crore of which Rs.66.28 crore were outstanding for more than three years as detailed.

Head of Revenue	Amount of arrears as on 31 March 2005	Arrears more than three years old	Remarks
Finance Department			
Commercial Tax	93.90	55.19	Out of Rs. 93.90 crore only Rs. 27.99 crore were referred to Revenue Recovery Court (RRC) by the Department.
Excise	0.34	0.13	Out of Rs 0.34 crore only Rs. 3,000 was referred to RRC by the Department.
Transport			
Taxes on vehicles	4.99	2.23	Demand notices were being issued from time to time.
Public Works Department			
Chief Engineer			
i) Rent of Building / Shops	0.30	0.07	Out of Rs. 0.30 crore only Rs. 0.01 was referred to RRC.
ii) Water charges, meter rent and sewerage charges	22.75	8.66	Out of Rs. 22.75 crore only Rs. 5.59 crore have been referred to RRC.
Power			
Chief Electrical Engineer Energy charges	199.65	Not furnished	Out of Rs. 199.65 crore only Rs. 70.24 crore were referred to RRC.
Total	321.93	66.28	

6.6 Arrears in assessments

The details of year wise cases due for assessment during 2004-05, cases finalised during 2004-05 and the number of cases pending finalisation at the end of the year as furnished by the Commercial Taxes Department are as follows:

Head of revenue	No. of cases due for Assessment		Total assessments due	Cases disposed during 2004-05	Balance at the end of the year	Percentage of column 6 to 4
	Year	No.				
1	2	3	4	5	6	7
Taxes on sales, trade	2001-02	4,348	27,274	19,303	7,971	29
	2002-03	5,771				
	2003-04	7,425				
	2004-05	9,730				

6.7 Pending appeals

The details of appeals pending at the beginning of the year 2004-05, cases filed and disposed during 2004-05 and appeals pending finalisation at the end of year as furnished by the Commercial Taxes Department are as follows:

(Rupees in crore)

No. of appeals pending at the beginning		No. of appeals filed during 2004-05		Total		No. of appeals disposed of during the year 2004-05		No. of appeals pending at the close of the year March 2005	
No. of appeals	Revenue Involved	No. of appeals	Revenue Involved	No. of appeals	Revenue Involved	No. of appeals	Revenue Involved	No. of appeals	Revenue Involved
1,153	36	171	3	1,324	39	277	5	1,047	34

6.8 Refund

The number of refund cases pending at beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2005), as reported by the Commercial Taxes Department are as follows :

(Rupees in crore)

Sl No.		Sales tax including works contracts	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	207	5.10
2	Claims received during the year	24	0.74
3	Refunds made during the year	48	1.60
4	Balance outstanding at the end of the year	183	4.24

6.9 Results of Audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2004-05 revealed underassessment/short levy/loss of revenue amounting to Rs.0.26 crore in 15 cases. The Department accepted underassessment of Rs.0.14 crore in 10 cases pointed out in earlier years and short assessment of Rs. 0.06 crore in two cases pointed out during the year and recovered Rs.0.16 crore as of June 2005 in 11 cases and has taken remedial action in one case. No replies have been received in respect of the remaining cases.

This chapter contains one review on Evaluation of Internal Control in Sales Tax Department.

6.10 Failure of senior officials to enforce accountability and protect interest of Government

Accountant General, Goa arranges to conduct periodical inspection of the various offices of the Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices with a copy to next higher authorities. Government of Goa issued instructions to the executive for response within one month to the IRs issued by Accountant General, Goa after ensuring action in compliance of the prescribed Acts, rules and procedures noticed during audit inspection. A half yearly report is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of the audit observations by Government.

Inspection reports issued upto 31 December 2004 pertaining to offices under Finance, Revenue, Transport and Law departments disclosed that 217 paras relating to 74 IRs involving Rs.1.43 crore in 63 cases remained outstanding at the end of June 2005. Of these, 23 IRs containing 44 paras had not been settled for more than four years. Year wise position of outstanding IRs and paras are detailed in *Appendix-6.1*.

The heads of offices and heads of the departments (Secretaries) did not send convincing reply to a large number of IRs/paragraphs indicating their failure to initiate action to rectify the defects, omissions and irregularities pointed out in audit. The secretaries of the departments, who were informed of the position through yearly report also did not ensure prompt and timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to Government despite these having been pointed out in audit.

It is recommended that Government should look into the matter again and ensure that procedures exist for action against the officials who failed to send replies to IRs/paras within the prescribed time schedule, action to recover loss/under assessments in a time bound manner and revamping the system for ensuring proper response to the audit observations by the department.

The details of outstanding IRs were reported to Government in August 2005.

FINANCE DEPARTMENT

6.11 Review on “Internal controls in Sales Tax Department of State of Goa”

Highlights

- The Department did not conduct any market survey or use information available with other Government agencies to identify dealers for registration under the Act. The delay in renewal of registration certificates, resulted in non realisation of revenue of Rs.30.25 lakh in test checked cases.

(Paragraph 6.11.6)

- As on 31 March 2004, Rs.88.47 crore was pending for recovery as arrears of revenue. Though the Department had powers to recover the dues as arrears of land revenue, RRCS of Rs.2.69 crore were not issued.

(Paragraph 6.11.9)

- The Department was not prompt in issuing refunds as it was seen that refunds of Rs.4.67 crore in 178 cases was pending as on 31 March 2005, of which 138 cases were more than a year old.

(Paragraph 6.11.11)

- Non prescribing of time limit for disposal of appeal cases resulted in 1180 appeals involving disputed amount of Rs.11.04 crore were pending for disposal, as on 31 March 2005.

(Paragraph 6.11.12)

- Internal audit mechanism did not exist in the Department.

(Paragraph 6.11.13)

- Interest of Rs.35.50 lakh was not levied for delayed payment of tax in respect of four dealers and short levied to the tune of Rs.3.50 lakh in cases of four dealers.

(Paragraph 6.11.14)

- Failure of the assessing officers to cross verify the declarations of places of business with reference to certificates of registration resulted in short levy of central sales tax of Rs.42.71 lakh in four wards.

(Paragraph 6.11.15)

6.11.1 Introduction

The levy, assessment and collection of sales tax is governed by the Goa Sales Tax Act, (GST Act) 1964 and Rules framed thereunder and administrative instructions issued from time to time by the Department. On receipt of sales tax returns from the dealers, it is the responsibility of the Department to ensure

completion of assessments, in accordance with the provision of the law and executive instructions issued from time to time.

6.11.2 Organisational set up

The Commissioner of Sales Tax is the head of the Department and is assisted by one Additional Commissioner, three Assistant Commissioners and 10 Sales Tax Officers. The Department has seven wards in the State, in which registration of dealers, assessment and collection of tax is being done.

6.11.3 Scope of Audit

A review of the efficacy of the functioning of internal controls in the Sales Tax Department was conducted during March 2005 to June 2005 in the Commissionerate and in six^a out of seven wards in the State for the period 2000-01 to 2004-05. The results of the review are given in the succeeding paragraphs.

6.11.4 Audit Objectives:

The review was conducted with a view to :

- seek an assurance that proper procedure and checks existed for registration of dealers, filing of returns and payment of taxes;
- ascertain the efficiency of the departmental machinery in complying with the law and procedures, departmental instructions to safeguard the revenue against errors, evasion and frauds; and
- adequacy of the internal audit system of the Department.

6.11.5 Trend of revenue

The budget estimates and actuals for the period 2000-01 to 2004-05 are as under:

(Rupees in crore)

Year	Budget estimates	Actuals	Variation	Percentage variation
2000-01	390.00	387.82	(-) 2.18	0.56
2001-02	445.00	401.47	(-) 43.53	9.78
2002-03	525.00	439.19	(-) 85.81	16.34
2003-04	565.00	502.36	(-) 62.64	11.09
2004-05	600.00	567.19	(-) 32.81	5.47

The table indicates that shortfall in collection during the period from 2001 to 2005 was more than five *per cent*. The department stated that budget estimates were not realistic.

6.11.6 Registration

Under the Act no dealer shall carry on business as a dealer unless he has a valid registration certificate. An application for registration of a dealer shall be

^a Bicholim, Mapusa, Ponda, Margao, Vasco and Panaji.

made within 30 days from the date of commencement of the liability under the Act. Audit observed that adequate mechanisms were not in place to ensure timely registration of dealers who were liable to pay tax as detailed below.

- **Market survey**

There is no provision in the GST Act/Rules and neither did the Department issue any instructions to conduct time bound and effective market survey to locate and register eligible dealers. Scrutiny of records revealed that survey was not conducted in any of the four^{*} wards test checked.

As on 31 March 2005, shops and establishments registered under the Goa Shops and Establishment Act 1973(SEA) were 40,840 whereas 29,250 dealers were registered under the GST Act. As the difference between the traders registered under the SEA and those registered with the Sales Tax Department was considerable the Department should have taken adequate steps to register more dealers.

- **Pending applications for registration**

Under the provision of the Act, no dealer shall carry on business unless he has a valid registration certificate. No time limit has been prescribed for disposal of applications for registration cases either in the Act or by way of instructions.

Details of applications received for registration, disposal and balance called for in respect of the years 2000-01 to 2004-05, were not furnished by the Department. Details of receipt and disposal of applications in four^β wards as collected by audit are as under :

Year	No. of applications received for registration	Disposed off		Pending as on 31 March
		Within 3 months	After 3 months	
2002-03	983	679	225	79
2003-04	924	673	144	107
2004-05	Not furnished			

Non prescribing of time limit for disposal of applications for registration resulted in pendency of 107 applications for more than three months as on 31 March 2004. As can be seen from the table, the Department could dispose only 69.07 per cent and 72.84 per cent applications within the period of three months. The STO, Bicholim and Panaji stated that delay in disposal of applications was due to lack of response by the applicants and non furnishing of security deposits.

^{*} Margao, Ponda, Panaji and Vasco

^β Bicholim, Ponda, Mapusa and Panaji

• **Non renewal of registration certificates (RC)**

Under the provisions of the Act, with effect from April 2001, a registered dealer is required to renew his RC within 90 days from the commencement of the year in which the renewal is due on payment of charges prescribed. A fine not exceeding Rs. 50 per day was leviable during the period of continuation of the offence. Details of the RCs not renewed during 2001-02 to 2004-05 called for were not furnished by the Department.

Scrutiny of records in three[▲] wards revealed that out of 51,937 RCs to be renewed during 2001-05, 16,136 RCs were not renewed, details of which are as under:

Year	No of RCs due for renewal	No of RCs not renewed	Delay in renewal in the year (in days)	Percentage of non renewal
2001-02	12,416	2,789	275	22.46
2002-03	12,598	3,604	275	28.61
2003-04	13,178	4,206	275	31.92
2004-05	13,745	5,537	275	40.28
TOTAL	51,937	16,136		

Non renewal of RCs which ranged between nine months to 45 months as on 31 March 2005 resulted in non realisation of revenue of Rs. 30.25 lakh as on 31 March 2005.

The maximum fine leviable in the above cases worked out to Rs. 22.19 crore calculated at the rate of Rs.50 per day during the period 2001-02 to 2004-05. The Department did not enforce the penal provisions stringently with the result that non renewal of RCs increased from 22.46 *per cent* in 2001-02 to 40.28 *per cent* in 2004-05. Besides, the Department had not put in place separate registration wing for registration/renewal of RCs, as a result of which all these functions were left to the assessing officers, who were checking the renewal of RCs only at the time of assessment which could be at any time during two years or extended period available for assessment.

6.11.7 Assessment

Efficient assessment procedures have a vital bearing on the revenue of the State. It is, therefore, necessary to ensure that assessment procedures are adequate for levy of taxes due.

As provided under the Act, assessment of sales tax is done by the designated officers on the basis of returns filed by the dealers and on verification of the books of accounts and documents. With effect from April 2000 by Government notification the period for assessment was reduced from four years to two years, which could be further entered by one year by Government. The Act also provides for making deemed assessments by accepting the returns as filed without calling for the production of books of accounts, when an assessment was not concluded within the time specified for

[▲] Ponda, Margao and Vasco.

assessment of tax. The Act had also prescribed summary assessment scheme for dealers having turnover upto Rs.5 lakh and sales tax liability upto Rs.0.10 lakh.

Non assessment of cases

Test check of records maintained at three wards revealed that in respect of assessments for March 2000-01, 2,410 assessments due for completion as on 31 March 2004 were not completed though the assessment period was extended by one year as detailed below:-

Sl. No.	Name of ward	Dealers to be assessed	Dealers assessed during 2001-2004		Total	Non assessed cases	Percentage of assessment/ deemed assessed cases	Percentage of non assessed cases
			Assessed (including summarily assessed)	Deemed assessed				
1.	Vasco	2,098	1,706	123	1,829	269	87.18	12.82
2.	Ponda	2,273	1,468	186	1,654	619	72.77	27.23
3.	Margao	5,805	2,799	1,484	4,283	1,522	73.78	26.22
Total		10,176	5,973	1,793	7,766	2,410		

6.11.8 Arrears pending for recovery

The amount of tax assessed and penalty levied shall be paid by the dealer by such date as may be specified in the notice issued, not earlier than 60 days from the date of service of the notice. The amount not paid shall be recoverable as arrears of land revenue. With effect from February 1994, the authorised tax recovery officer (TRO) was to recover the amount referred to him following the procedure laid down in the Land Revenue Code, 1968. Only the revenue recovery cases (RRC) pertaining to recovery to be made from other States were continued to be referred to the Collector. Verification of records revealed that no effective mechanism existed for speedy recovery of arrears as detailed below.

- **Pending arrears**

Scrutiny of records of the Commissionerate revealed that the position of arrears as on 31 March was as under: -

(Rupees in crore)

Year ending 31 March	Outstanding at departmental level	Outstanding With RRC	Cases under appeal/ revision/ court	Total arrears
1	2	3	4	5
2001	46.39	24.50	1.56	72.45
2002	59.38	27.94	1.68	89.00
2003	76.47	29.50	1.67	107.64
2004	59.13	27.65	1.69	88.47
2005	Not available/Not furnished	27.99	Not available/Not furnished	93.90

- **RRC not issued**

When a dealer fails to pay the amount demanded within the prescribed date of payment in the notice of payment, the assessing authority shall proceed to issue a certificate of the amount due to be recovered as arrears of land revenue.

Scrutiny of records at a ward at Vasco revealed that out of 392 assessments done during 2003-04, in only five cases RRCs were issued till March 2005. Revenue involved in 387 cases in which RRCs were not issued was Rs. 2.69 crore.

6.11.9 Reconciliation

The GST Rules provide for verification of taxes collected with the treasury records. Instructions were also issued by the Assistant Commissioner of Sales Tax in August 2003 to conduct timely reconciliation of taxes collected. The amount payable by the dealer is directly paid by him to the State Bank of India accompanied by the prescribed challan in quadruplicate, one copy is retained by the treasury, one copy is sent to the assessing authority and two copies are returned to the dealers of which one copy goes to the assessing authority along with the returns.

- **Non reconciliation of detailed head wise revenue**

It was noticed that there was variation in the figures booked by the treasuries and those booked by the Commissionerate under the Sales Tax/Central Sales Tax during 2000-01 to 2003-04, whereby during 2000-01 the Commissionerate booked Rs. 3.67 lakh short whereas Rs. 22.11 lakh was booked excess during 2001-02. It was stated that a dealer pays through challan under only one minor head or sub head without giving the detailed classification. It is precisely for such reasons that reconciliation which has been prescribed, needs to be done by Department.

6.11.10 Delay in finalisation of refund orders

Under the provisions of the GST Act, the Commissioner shall refund to the dealer any amount of tax and penalty paid by such dealers in excess of the amount due from him under the Act and paid by him. As per Section 19A of the GST Act, where any amount required to be refunded by the Commissioner to any person by virtue of an order issued under the GST Act is not so refunded to him within 90 days of the date of the order, the State Government shall pay such person simple interest at the rate of 15 *per cent* per annum on the said amount from the date immediately following the expiry of the period of 90 days of the date of the refund.

Scrutiny of refund registers maintained in the Commissionerate revealed that out of 354 cases of refunds received during 2000-01 to 2004-05, only 176 cases were disposed off leaving 178 cases involving Rs.4.67 crore unrefunded as on 31 March 2005. Out of these, 138 cases were more than one year old. Reasons for delay in disposal of applications for refund were attributed by the Commissionerate to shortage of manpower. The reply is not tenable as shortage of manpower is not relevant to the issue as these cases are to be disposed by the Commissioner/Additional Commissioner themselves as per delegation of financial powers.

6.11.11 Pending appeals

Any dealer may, if he is not satisfied, with the order of assessment or reassessment passed by the appropriate assessing officer or feels himself aggrieved by it may appeal to the prescribed authority against such assessment or reassessment within 60 days from the date of communication of the order appealed against. An appeal against an order of assessment or reassessment passed by the assessing authority shall lie to the Assistant Commissioner. With effect from 4 March 2002, the Additional Commissioner is the appellate authority except against an order passed by the Assistant Sales Tax Officer involving disputed amount below Rs.25,000 in which cases the appeal shall lie to the Assistant Commissioner.

The details of the appeal cases received, disposed off and pending during 2000-01 to 2004-05 were as under:-

(Rupees in crore)

Year	Number of cases					Disputed amount of pending cases	Percentage of appeals pending
	Opening Balance	Additions	Total	Disposed off	Balance		
2000-01	408	222	630	135	495	6.99	78.57
2001-02	495	392	887	79	808	4.99	91.09
2002-03	808	281	1,089	75	1014	18.47	93.11
2003-04	1,014	148	1,162	130	1032	7.70	88.81
2004-05	1,032	168	1,200	20	1180	11.04	98.33
TOTAL		1,211		439			

Percentage of pendency of appeal cases ranged from 78.57 *per cent* to 98.33 *per cent* during 2000-01 to 2004-05. It was stated that appeal is a quasi judicial function and therefore giving direction to the appellate authority to complete the appeals within a particular time would be unfair. It was further stated that general instructions are always there to complete the appeals within minimum time keeping in view that non disposal of appeals blocks recovery of dues.

6.11.12 Non existence of internal audit

Internal audit is generally defined as control of all controls or key internal control used to assess whether various prescribed systems were functioning reasonably well in the organisation.

It was seen that though an internal audit cell was set up by the Department, scrutiny of records in four^β wards revealed that no internal audit was conducted during the period 2001-02 to 2004-05 indicating that a very vital component of internal control had not been utilised.

The Commissioner of sales tax stated that internal audit was paralysed due to shortage of manpower.

6.11.13 Non/short levy of interest

As per the provision of the GST Rules, tax is payable for every month within 15 days of expiry of each month if monthly tax liability exceeds Rs. 1 lakh and

^β Ponda, Margao, Vasco and Panaji.

in other cases, within 30 days from the date of expiry of the month. Scrutiny of assessment order of two dealers at Vasco wards revealed that interest of Rs. 30.28 lakh was not levied for delay in payment of tax during 1998-99 to 2000-01, on Rs. 16.53 crore of taxes out of which Rs.5.63 lakh relates to the year 2000-01.

Further scrutiny of assessment orders of two dealers at Vasco and Panaji wards revealed that interest to the extent of Rs. 4.97 lakh and Rs. 25000, respectively was not levied for delayed payment of sale tax and central sales tax during the period between 2001-02 and 2004-05 respectively on Rs. 3.52 crore of taxes delayed for the periods ranging from one month to 27 months. Scrutiny of assessment orders, of four dealers at Vasco and Panaji wards revealed that against interest of Rs.4.76 lakh leviable, interest levied was Rs.1.26 lakh resulting in short levy of Rs. 3.50 lakh for delayed payment of tax for the period between October 2001 to May 2002 on Rs.2.88 crore of taxes delayed for period of one month to eight months.

6.11.14 Under assessment under Central Sales Tax Act

Under provisions of the Central Sales Tax Act, 1956 and Rules made thereunder, a dealer who claims exemption from levy of tax on account of branch transfer of goods is required to declare place of business in his registration certificate. Non compliance of the provisions of Act/rules may invalidate the claim for exemption and tax will be leviable at double the rate of tax in case of declared goods and in other cases at the rate of 10 *per cent* or at the rate applicable in the State whichever is higher.

In four* wards, four dealers were allowed exemption on stock transfer on tyres, tubes, pipes, biscuits and cashew valued at Rs. 423.98 lakh during 2000-01 to 2003-04 (Bangalore, Ernakulam, Hubli, Hyderabad, Mumbai etc.) on the strength of declaration in form 'F'. Cross verification by audit of registration certificates revealed that these places were not covered by the registration certificates as the movement of goods from one state to another in these cases was not occasioned by branches/transfers. Failure of the assessing officer to cross verify declarations with reference to certificate of registration resulted in short levy of tax amounting to Rs. 42.71 lakh.

STO Mapusa stated that the Assistant Commissioner of Commercial Taxes, Bangalore had written to the STO Mapusa that the dealer had a branch in Mapusa and hence the stock transfer was valid. The reply is not tenable as no amendment was made in the registration certificate of the dealer.

6.11.15 Monitoring

The Commissionerate has been collecting monthly information from the wards relating to registration done, applications pending for registrations, progress of assessment of cases, arrears of tax and collection of taxes. The department had not put in place separate registration wing for registration for renewal of RCs.

* Bicholim, Mapusa, Ponda and Margao.

There was no evidence of monitoring of returns received/pending, cases deemed to have been assessed, summary assessment cases, reassessment cases, RRCs pending for issue, refund cases pending, appeals pending from time to time etc. Non monitoring of administration of the provisions of the Act/Rules and instructions, resulted in weak internal control mechanism in the Department having a direct impact on the assessment and collection of sales tax revenue.

6.11.16 Recommendations

- Action as per the law need to be taken to reduce the arrears of revenue.
- Monitoring mechanism of the commissioner of Sales Tax need to be made more effective for registration, assessment of dealers, reduction of refunds and appeals.
- Internal audit mechanism need to be put in place firmly.