CHAPTER-IV

REVENUE RECEIPTS

4.1 Trend of Revenue Receipts

4.1.1 The Tax and Non-Tax revenue raised by the Government of Goa during the year 2013-14, the State's share of net proceeds of divisible Union Taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below in **Table 4.1.1:**

Table – 4.1.1

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	**Revenue raised by the State Government**					
	• Tax revenue	1762.34	2139.57	2551.02	2939.66	3582.48
	• Non-tax revenue	1731.20	2268.60	2313.54	1832.90	1661.55
	Total	**3493.54**	**4408.17**	**4864.56**	**4772.56**	**5244.03**
2	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties	427.42	584.21	680.59	777.21	848.53
	• Grants-in-aid	179.31	449.56	235.58	295.66	357.21
	Total	**606.73**	**1033.77**	**916.17**	**1072.87**	**1205.74**
3	**Total revenue receipts of the State Government (1 and 2)**	**4100.27**	**5441.94**	**5780.73**	**5845.43**	**6449.77**[1]
4	**Percentage of 1 to 3**	**85**	**81**	**84**	**82**	**81**

(Source: Finance Accounts of the state)

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 5,244.03 crore) was 81 *per cent* of the total revenue receipts. The balance 19 *per cent* of the receipts during 2013-14 was from the Government of India.

[1] For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Goa for the year 2013-14. 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 and 0044 - Service tax - share of net proceeds assigned to State booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement.

4.1.2 The details of the Tax revenue raised during the period from 2009-10 to 2013-14 are given in **Table 4.1.2:**

Table – 4.1.2

(₹ in crore)

Sl. No.	Head of revenue		2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase (+) or decrease (-) in 2013-14 over 2012-13
1	Taxes on Sales, trade *etc*.	BE	1236.10	1495.00	1705.00	1955.00	1766.00	(-) 9.67
		Actual	1142.13	1380.05	1652.92	1577.42	1708.05	8.28
2	Stamps Duty	BE	117.42	130.39	151.11	408.98	547.36	33.84
		Actual	111.25	151.79	183.79	524.42	396.10	(-) 24.47
3	State excise	BE	103.72	129.99	159.99	211.23	246.28	16.59
		Actual	104.46	139.16	182.03	212.90	235.76	10.74
4	Taxes on goods and passengers	BE	147.01	147.01	177.00	283.00	285.11	0.75
		Actual	160.73	171.98	210.09	257.50	386.41	50.06
5	Land Revenue	BE	10.73	9.72	10.96	9.42	388.43	4023.46
		Actual	10.61	8.33	8.38	11.13	454.36	3982.30
6	Other taxes	BE	717.88	825.57	1024.57	1198.19	1297.70	8.31
		Actual	233.16	288.26	313.81	356.29	401.80	12.77
	Total	**BE**	**2332.86**	**2737.68**	**3228.63**	**4065.82**	**4530.88**	
		Actual	**1762.34**	**2139.57**	**2551.02**	**2939.66**	**3582.48**	

It would be seen above that during the last five years there has been continuous increase in revenue collection. However, the actual receipts have always been less than the Budget Estimate (BE) framed by the Government. There has been a steep increase in revenue collection under the land revenue due to revision in infrastructure tax and conversion fees.

4.1.3 Details of the Non-Tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 4.1.3:**

Table – 4.1.3

(₹ in crore)

Sl. No.	Heads of revenue		2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase (+) or decrease (-) in 2013-14 over 2012-13
1	Power	BE	1000.58	10.72.23	1060.77	1231.75	1331.85	8.13
		Actual	941.30	969.06	1000.49	1139.97	1187.95	4.21
2	Interest Receipts	BE	2.52	2.28	5.21	24.85	9.93	(-) 60.04
		Actual	13.64	17.88	26.36	18.37	14.12	(-) 23.14
3	Forest and Wild Life	BE	2.65	2.80	2.26	2.07	2.49	20.29
		Actual	2.73	3.10	2.46	3.18	3.15	(-) 0.94

4	Public Works	BE	1.89	2.05	2.44	2.37	2.44	2.95
		Actual	1.89	2.04	2.35	1.87	3.06	63.64
5	Miscellaneous General Services	BE	0.02	19.02	28.17	32.90	35.93	9.21
		Actual	259.88	19.45	27.46	32.52	35.27	8.46
6	Other Administrative Services	BE	47.47	44.65	47.86	72.67	102.19	40.62
		Actual	40.50	40.63	42.09	64.89	88.01	35.63
7	Police	BE	1.90	1.44	1.52	6.11	6.65	8.84
		Actual	1.43	1.84	1.26	3.37	4.52	34.12
8	Medical and Public Health	BE	5.78	7.33	5.99	10.34	9.79	(-) 5.32
		Actual	5.98	8.31	11.00	7.71	11.49	49.03
9	Co-operation	BE	0.47	0.54	0.60	0.63	0.65	3.17
		Actual	1.15	0.50	0.51	0.55	0.48	(-) 12.73
10	Major and Medium Irrigation	BE	13.10	9.45	3.26	3.28	20.26	517.68
		Actual	10.57	23.67	14.70	7.04	12.11	72.02
11	Other Non-tax receipts	BE	83.82	115.62	126.78	111.69	116.37	4.19
		Actual	77.89	115.21	9.66	86.06	124.59	44.77
12	Education, Sports, Art and Culture	BE	6.82	8.02	16.17	17.74	21.40	20.63
		Actual	10.96	12.75	75.64	26.94	22.78	(-) 15.44
13	Water Supply and Sanitation	BE	70.95	71.79	86.11	90.57	102.07	12.70
		Actual	70.39	69.60	886.88	97.99	103.97	6.10
14	Non-Ferrous Mining and Metallurgical Industries[2]	BE	272.10	701.91	953.29	401.00	18.54	(-) 95.38
		Actual	292.25	983.73	1.25	339.26	46.12	(-) 86.41
15	Tourism	BE	0.45	0.60	1.51	1.25	2.00	60.00
		Actual	0.64	0.83	2258.12	3.18	3.94	23.90
Total		**BE**	**1510.52**	**2059.73**	**2258.12**	**2009.22**	**1782.56**	
		Actual	**1731.20**	**2268.60**	**2313.54**	**1832.90**	**1661.56**	

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

The total receipts during the years 2013-14 are less than those of 2012-13. This is mainly due to less receipt from Power and Non-Ferrous Mining and Metallurgical Industries.

4.1.4 Analysis of arrears of revenue

Revenue arrears

The arrears of revenue as on 31 March 2014 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹ 1,251.07 crore as indicated in **Table 4.1.4**:

[2] Includes major minerals – Iron ore, manganese and bauxite, minor minerals, basalt (Granite), laterite stones, ordinary sand, river pebbles, murrum and laterite baulders.

Table 4.1.4

(₹ in crore)

Head of Revenue	Amount of arrears as on 31 March 2014	Arrears more than three years old	Cases pending in court		Revenue arrears pending recovery	Amount of arrears as on 31 March 2010
			No.	Amount		
Commercial Taxes	850.00	378.24	1273	10.65	839.35	205.57
State excise	2.17	0.26	-	-	2.17	0.84
Taxes on vehicles	10.94	3.81	154	0.47	10.47	6.85
Chief Engineer – Water Resources Department						
i) Water Tax	4.25	2.09	-	-	4.25	1.12
ii) Water Charges	25.25	27.88	-	-	25.25	41.61
iii) Rent on shops	2.98	2.35	3	0.01	2.97	2.26
iv) Hire charges of machinery	0.34	0.34	-	-	0.34	0.35
Chief Engineer - Public Works Department						
i) Rent of Building/ Shops	0.53	0.25	-	-	0.53	0.56
ii) Water charges, meter rent and sewerage charges	33.75	12.05	3940	12.68	21.07	18.48
Chief Electrical Engineer[3] Energy charges	318.93	201.12	5893	10.24	308.69	105.99
Agriculture	0.35	0.20	-	-	0.35	3.27
Printing & Stationery[4]	-	-	-	-	-	1.42
Tourism	1.07	0.51	11	0.26	0.81	0.64
Director General of Police	0.22	0.11	1	0.03	0.19	-
Collector, South Goa						
Land Tax	0.23	0.16	-	-	0.23	-
Revenue recovery cases[5]	-	-	-	-	-	-
River Navigation Department, Barge Tax	0.06	0.06	1	0.06	-	0.56
Total	**1251.07**	**629.43**	**11276**	**34.40**	**1216.67**	**389.52**

(Source: Information furnished by concerned Departments)

During the last five years the increase in arrears has shown a steep rise. These have increased from ₹ 389.52 crore in March 2010 to ₹ 1,251.07 crore in March 2014 *i.e.* an increase of 221.19 *per cent*.

It will be in the interest of revenue if appropriate steps are taken for recovery of the arrears particularly the old ones as with the passage of time, the chances of recovery become bleak.

4.1.5 Pendency of Refund Cases

Section 33(2) of the Goa Value Added Tax (GVAT) Act, 2005 provide for payment of interest, at the rate of eight *per cent* per annum, if the excess amount is not refunded to the dealer within 90 days from the date of the order till the refund is made.

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases

[3] Excluding information pertaining to Divisions – I (Panaji), VII (Curchorem), XVI (Margao), XVII (Mapusa)
[4] Information not furnished by the Department
[5] Information not furnished by the Department

pending at the close of the year 2013-14 as reported by the Department is given in **Table 4.1.5:**

Table 4.1.5

(₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		State excise	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	148	49.51	-	-
2	Claims received during the year	329	11.32	10	0.02
3	Claims rejected	2	0.06	-	-
4	Refunds made during the year	343	6.54	10	0.02
5	Balance outstanding at the end of the year	132	54.23	-	-

Section 33 (2) GVAT Act, 2005 provide for payment of interest, at the rate of eight *per cent* per annum, if the excess amount is not refunded to the dealer within 90 days from the date of order till the refund is made. The progress to dispose of the refund cases of Sales Tax/VAT was very slow as compared to claims received.

4.1.6 Response of the Government / Departments towards audit

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

Inspection reports issued up to December 2013 disclosed that 492 paragraphs involving ₹156.34 crore relating to 152 IRs remained outstanding at the end of June 2014 as mentioned below along with the corresponding figures for the preceding two years in **Table 4.1.6:**

Table 4.1.6: Details of pending inspection Reports

(₹ in crore)

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	76	120	152
Number of outstanding audit observation	177	383	492
Amount of revenue involved	230.05	196.72	156.34

4.1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 4.1.6.1:**

Table 4.1.6.1

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade *etc*.	20	99	51.79
		Passenger & Goods Tax (PGT)	19	53	53.63
		Other Taxes & Duties on commodities and services (OTD)	12	61	3.21
		Entertainment & Luxury tax *etc*.	11	34	8.54
2.	Excise	State excise	18	39	1.82
3.	Revenue	Land Revenue	13	41	0.70
4.	Transport	Taxes on motor vehicles	19	77	8.85
5.	Stamp and Registration	Stamp and registration fees	23	68	2.70
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	-	-	-
7.	Forest and environment	Forestry and wild life	5	6	0.52
8.	Water resources (IPH)	Water rates	-	-	-
9.	Public Works (B&R)	License, fees, rent, water charges severage charges hire charges of machinery, Diesel supply *etc*.	9	11	24.29
10.	Crop husbandry	Horticulture and Agriculture	3	3	0.29
11.	Co-operation	Audit fees and other receipts	-	-	-
Total			**152**	**492**	**156.34**

The large pendency of the IRs indicated that the heads of offices and the 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 15 IRs issued during 2013-14.

4.1.7 Response of the Department to the draft audit paragraphs

The draft audit paragraphs/Performance Audit proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General to the Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs.

Four draft paragraphs including one performance audit were sent to the Secretaries of the respective Departments by name between June to October 2014. Replies to these draft paragraphs have not been received from the Government despite repeated reminders (February 2015).

4.1.8 Follow up on the Audit Reports-summarised position

The Rules of Procedure of internal working of the Public Accounts Committee (PAC), notified in December 1994, laid down that immediately after the laying of the Accounts and Audit Reports, thereon, before the House, the Government Departments shall *suo-motu* prepare and furnish to the Legislature Secretariat.

i. Within three months, detailed Explanatory Notes on Audit Paras/Reviews, excess, saving and variations which have been commented upon in the Appropriation Accounts duly vetted by Audit.

ii. Within six months corrective action taken in respect of Audit Paras/Reviews not selected by the Committee for oral evidence duly vetted by Audit.

iii. Statements of the Action Taken Note (ATN) on the recommendation made by the Committee in their previous Report within six months duly vetted by Audit.

The Reports of the Comptroller and Auditor General of India of the Government of Goa for the years ended 31 March 2008, 2009, 2010, 2011 and 2012 containing 26 paragraphs were placed before the State Legislature Assembly between 25.03.2010 to 10.10.2013. Out of these, only one Explanatory note pertaining to the Audit Report of 2009-10 has been furnished by the Collectorate, North Goa with the delay of three months. The Explanatory notes for remaining 25 Paragraphs have not been received (31 December 2014) from the concerned Departments. The PAC has not selected any Paragraph pertaining to Revenue Sector that appeared in the Audit Reports for the years ended 31 March 2008, 2009, 2010, 2011 and 2012.

4.1.9 Analysis of the mechanism for dealing with the issues raised by Audit in Commercial Taxes Department

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.5.1 to 4.5.2 discuss the performance of the Commercial Tax Department under revenue head 0040 and cases detected in the course of local audit during the last five years and also the cases included in the Audit Reports for the years 2008-09 to 2012-13.

4.1.10 Position of Inspection Reports

The summarised position of the inspection reports pertaining to Commercial Tax Department issued during the last five years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in below **Table 4.1.10:**

Table 4.1.10

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the quarter			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	2008-09	7	16	0.12	-	-	-	1	1	NMV	6	15	0.12
2	2009-10	5	5	0.72	-	-	-	-	-	-	5	5	0.72
3	2010-11	7	13	1.53	-	-	-	3	6	0.19	4	7	1.34
4	2011-12	10	39	13.34	-	-	-	-	15	1.88	10	24	11.46
5	2012-13	13	72	13.43	-	-	-	-	32	10.33	13	40	3.10

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle the old paragraphs. However, no audit committee meetings were held during the year for settlement of old outstanding paragraphs. It is recommended that efforts may be made for holding audit committee meeting at regular intervals for settlement of the old outstanding paragraphs.

4.1.11 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 4.1.11:**

Table 4.1.11

(₹ 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 31.03.2014
2003-04	-	-	-	-	-
2004-05	3	111.96	-	-	-
2005-06	1	47.94	47.94	47.94	47.94
2006-07	2	150.22	97.96	-	145.90
2007-08	5	288.85	-	-	-
2008-09	3	72.07	-	-	-
2009-10	2	62.56	54.50	2.32	200.40
2010-11	4	513.87	-	-	-
2011-12	4	132.20	61.88	-	262.28
2012-13	2	54.22	-	-	-

The above table indicated that during the last nine years the progress of recovery even in accepted cases was very slow. The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases as with the passage of time the chances of recovery become remote.

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

The Draft Performance Audit (PA) conducted by the AG is forwarded to the concerned Department/Government for their information with a request to furnish their replies. These PAs are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

During the last five years five performance audits were conducted in which 25 recommendations were made by audit for improving the system of collection of the revenue. However, none of the PAs has been discussed by the PAC. The latest action taken on these recommendations has not been received (December 2014).

4.1.13 Audit Planning

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

During the year 2013-14, out of 135 auditable units, 27 units were planned for audit (20 *per cent*). All the units planned except one were audited during the year. The unit[6] left unaudited has been proposed for the next audit cycle 2014-15.

4.1.14 Result of Audit

Test check of the records of 26 units of sales tax/Value Added Tax, State excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other Departmental offices conducted during the year 2013-14 showed under assessment/short levy/loss of revenue aggregating ₹ 109.45 crore in 160 cases. During the course of the year, the departments concerned accepted under assessment and other deficiencies of ₹ 1.14 crore involved in 20 cases.

4.1.15 Coverage of this Report

This Chapter contains one Performance audit on Levy and collection of State excise Revenue, involving financial effect of ₹ 13.22 crore and four paragraphs (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).

[6] CTO (VAT), Curchorem

EXCISE DEPARTMENT

4.2 PERFORMANCE AUDIT ON LEVY AND COLLECTION OF STATE EXCISE REVENUE

Highlights

- ***Sales declared as exports without producing Export Verification Certificate (EVC) as proof of export resulted in Excise duty concession to the extent of ₹ 5.86 crore.***

(Paragraph 4.2.6.2)

- ***There was short levy of license fee on occasional license for sale of liquor, which in one case amounted to ₹ 10.50 lakh.***

(Paragraph 4.2.6.5)

- ***There was short levy of renewal fees due to misclassification of categories of 16 hotels amounting to ₹ 0.73 crore.***

(Paragraph 4.2.6.6)

- ***There was short levy of surcharge due to adoption of wrong rates for keeping four licensed premises for consumption of liquor open beyond 11 p.m. amounting to ₹ 10.50 lakh.***

(Paragraph 4.2.6.9)

- ***The requirement of setting norms for allowance of wastages and the instructions pertaining to levy and collection of Excise duty on excess wastages were not strictly followed by the Department. The loss of revenue in case of one unit which claimed wastage on malt spirit though there was no norm set for it amounted to minimum ₹ 9.40 lakh.***

(Paragraph 4.2.7)

- ***Arrears of Establishment charges demanded on account of the departmental staff posted in the liquor manufacturing units as of June 2014 amounted to ₹ 1.27 crore. There was no provision to levy delayed payment charges.***

(Paragraph 4.2.9)

- ***Non-demanding House Rent Allowance (HRA) and Leave salary on account of personnel posted in the 57 manufacturing units resulted in loss of revenue of ₹ 1.06 crore on account of HRA and ₹ 0.58 crore on account of leave salary contribution for the period 2009-10 to 2013-14.***

(Paragraph 4.2.10)

- ***Though the concept of Small Scale Industrial units have ceased to exist since October 2006, concessions in license fee being SSI units continued to be allowed to 55 liquor manufacturing units. The undue benefit of concession allowed during the period from 2009-10 to 2013-14 amounted to ₹ 1.80 crore.***

(Paragraph 4.2.12)

- ***Testing of liquor samples required as provided in the Act was too insignificant. Out of 9,709 batches manufactured by the above units, only 452 batches (4.65 per cent) were tested by the public laboratory.***

(Paragraph 4.2.14)

4.2.1 Introduction

The levy and collection of state excise duties and fees are governed by the Goa Excise Duty Act, 1964 and the Rules framed there-under. The State excise revenue mainly comprises of License Fees charged on the manufacturing, wholesale and retail sale units, export and import permit fees and the excise duty collected on the liquor manufactured/imported and sold in the State.

The Government also levies duty in the form of an export fee for any sale of liquor out of the State, which is ₹ one per Bulk Litre (BL) for Indian Made Foreign Liquor (IMFL) and Beer, and ₹ 0.50 for Wines, as against duty applicable for sale of liquor in the State which is higher (₹ 15 to ₹ 28 per BL for Beer and ₹ 2 to ₹ 600 per BL for Wine, as per the prevailing rates, depending on the MRP).

The provision in the Excise Duty Act and Rules, 1964 stipulates levy of 'delayed payment charges' at the rate of two *per cent* per month on delay (s) in payment of the license fee. There is no provision to levy "delayed payment charges" in respect of other revenues such as excise duty, surcharge, library cess, bottling fee, label fee, transfer fee and Establishment charges.

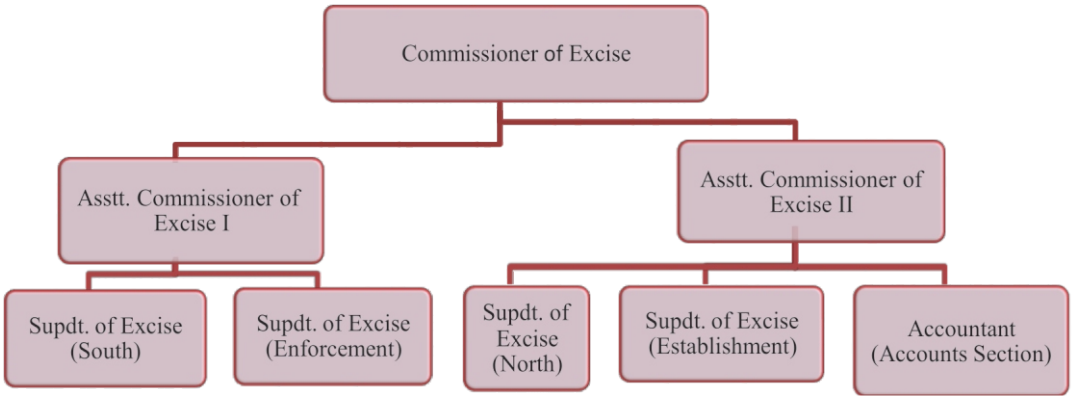
The Department regulates transactions of excisable articles including manufacturing, import, export, transportation and sales in the State besides levy and collection of the revenue of fees and duties as determined by the Government from time to time.

4.2.2 Organisational set up

At the Government level the Department is administered by the Secretary (Finance) Government of Goa. The Commissioner of Excise assisted by two Assistant Commissioners and eight Superintendents of Excise, is the head of the Department. He is further supported by the Excise Inspectors, Sub-Inspectors, guards and other Administrative staff. There are 11 Talukas, five[7] check posts, 70 manufacturing/bottling units, 222 wholesalers and 8,565 retail sellers in the State. Each Taluka office also called "Excise Station" is headed by an Excise Inspector. The Superintendent and Inspectors of Excise are also posted in the distilleries/breweries and are kept in-charge of these units.

[7]Dodamarg, Neibag, Patradevi, Molem, Polem

Organisational chart of the office of Excise Department is as under:



4.2.3 Audit Objectives

The Performance Audit (PA) on "levy and collection of excise revenue" is being conducted to ascertain whether;

- the provisions of the Act and rules framed there-under were adequate and followed in levy and collection of excise duty, license fee, fines *etc*;
- the co-ordination and financial management in the Department was adequate, efficient and effective and;
- the internal control mechanism including Internal Audit wing was effective and prevented leakage of revenue.

4.2.4 Audit criteria

The audit criteria for this Performance Audit are derived from the provisions of following Central and State laws:

State Act/Rules

- The Goa Excise Duty Act, 1964.
- The Goa, Daman and Diu (Excise Duty) Rules, 1964.

Central Act/Rules

- Medicinal and Toilet Preparations (Excise Duties) Act, 1955 and Rules 1956.
- Narcotics Drugs and psychotropic Substances Act, 1985; and Notifications and instructions and orders issued by the Government and the Department from time to time.

4.2.5 Scope and methodology of audit

The Performance Audit on "levy and collection of State excise revenue" of the Excise Department was conducted between May and September 2014 in respect of all the State excise Departmental offices[8] for the period from 2009-10 to 2013-14.

[8]Office of the Commissioner and eleven Taluka based Excise Station.

***Methodology adopted*:** Audit checked the records maintained by the Department and those maintained by 24 manufacturing units. The manufacturing units were selected on the basis of revenue and risk factors[9]. An entry conference was held (May 2014) with Secretary (Finance) to Government and with the officers of the Excise Department before taking up the (PA), in which the objectives, criteria and scope of the performance audit were discussed. The draft report was forwarded to the Government and the Department (October 2014). An exit conference was held (December 2014) wherein findings mentioned in the draft performance audit were discussed in detail.

Reasons for selection of the Performance Audit: Performance Audit of the Excise Department was not taken up after the year 2002. Since then there has been considerable growth in Excise revenue. During the last five years the revenue grew by 239 *per cent*. The excise revenue was ₹ 89 crore in 2008-09 which has risen to ₹ 213 crore in 2012-13. As such it was felt necessary to conduct the PA to evaluate the efficiency and effectiveness of the Department in collection of the revenue.

Audit acknowledges the co-operation and assistance extended by the officials of the Department in smooth conduct of the Performance Audit.

4.2.6 AUDIT FINDINGS

4.2.6.1 Trend of revenue collection of State excise receipts

The Budget Estimates and the Actual Receipts of the State excise revenue for the period from 2009-10 to 2013-14 were as mentioned in **Table 1:**

Table-1

(₹ in crore)

Year	Budget Estimates	Actual Realisation	Variation Excess (+)/ Shortfall (-)		Cost of collection		Total tax revenue of the State	Percentage of Excise revenue to total tax revenue
			Amount	Percentage	Amount	Percentage		
2009-10	103.72	104.46	0.74	0.71	8.17	7.82	1762.34	5.93
2010-11	130.00	139.16	9.16	7.05	7.75	5.57	2139.57	6.50
2011-12	159.99	182.03	22.04	13.77	8.85	4.86	2551.02	7.14
2012-13	211.23	212.90	1.67	0.79	9.54	4.48	2939.66	7.24
2013-14	246.28	235.76	10.52	4.27	11.74	4.98	3582.48	6.58

The above table reveals that the actual realisation of revenue was always more than the budget estimates and also the variations between the budget estimates and actual realisation was very low. It ranged between 0.71 *per cent* to 7.05 *per cent.*

During the last five years the contribution of the State excise revenue to the total revenue showed an increasing trend from year to year but the cost of

[9]There were a total number of 70 manufacturing units which were active during the period 2009-10 to 2013-14. The units which gave average revenue of ₹ one crore and above per annum were considered high risk, ₹ 25 lakh to ₹ one crore were considered medium risk and below ₹ 25 lakh were considered low risk units. Fifty *per cent* of the high risk units, 33 *per cent* of the medium risk units and 20 *per cent* of the low risk units were covered in Audit. The selection of units for Audit in each stratum were done on judgemental basis in view of the limited number of units, which was approved by the Nodal Statistical Officer appointed by the Comptroller and Auditor General of India.

collection has declined from eight to five *per cent.* This indicates that increase in collection of revenue was without any extra cost on its collection. This may be due to better resource and financial management. The Department may continue its efforts to maintain such qualitative management.

4.2.6.2 Non-levy of excise duty on sales not supported by Export Verification Certificates

Rule 13 of the Goa Excise duty Rules, 1964, stipulated that an exporter of liquor shall have to produce before the Excise Commissioner of the State, a copy of the permit endorsed with a certificate called as Export Verification Certificate (EVC) signed by the concerned Excise Officer of the State or Union Territory into which the import is made certifying the due arrival of the liquor at its destination within 10 days of the arrival of the consignment at the destination. The Act and Rules did not provide for levy of excise duty on export sales not supported by the EVC.

Audit scrutiny revealed that EVC in respect of 493 export permits involving 11.87 lakh BLs of IMFL, 15.64 lakh BLs of beer and 1.87 lakh BLs of wine shown to have been exported between 2009-10 and 2013-14 have not been received by the Department, as shown in the table below:

(₹ in lakh)

Year	No. of Units	IMFL (BLs)	BEER (BLs)	WINE (BLs)	No. of Permits	Total Excise Duty payable	Export fee paid	Difference
2009-10	4	20250	0	30565	15	6.01	0.29	5.72
2010-11	3	35400	0	37723	27	9.47	0.42	9.04
2011-12	6	140268	0	79700	50	47.19	1.80	45.39
2012-13	7	358894	0	36448	86	99.21	3.60	95.61
2013-14	11	632069	1563889	2700	315	452.51	21.96	430.55
Total		**1186881**	**1563889**	**187136**	**493**	**614.39**	**28.07**	**586.31**

The export fee paid on these sales was only ₹ 28 lakh, while if sold within the state, the excise duty of ₹ 6.14 crore was payable. There was nothing on record to indicate that the exports actually took place. In the absence of EVC the misrepresentation of local sales as exports in these cases cannot be ruled out.

A provision for realisation of excise duty in case of exports not supported by declaration would have prompted the concerned exporters for timely submission of the EVCs and the chances for misuse of EVCs would have been avoided. Since a considerable amount of excise duty is involved in these cases it is recommended that the Department may put in place a system for timely collection of EVCs and frame provision in the Act/Rules to treat exports without proof as local sales and levy excise duty in the interest of revenue.

4.2.6.3 Non-renewal of licenses

As per provisions of Rule 91 of the Goa Excise Duty Rules, 1964, sale of liquor other than occasional licenses shall be granted for a period not exceeding three financial years. The application for renewal shall be made to the Commissioner within 15 days before the expiry of license.

The Excise Inspector shall within eight days from the expiry of the license issue notices in the form prescribed by the Commissioner to those licensed

vendors who have not submitted their applications for renewal within the time. If the licensed vendor who has been served with a notice fails to apply for renewal within eight days of service of such a notice, the license shall automatically stand cancelled.

Audit scrutiny revealed the licenses were being issued for only one financial year and renewal was done from year to year. While the cases of non-renewal were negligible[10] till 2012-13, a large number of licensees were to renew their licenses for the years 2013-14 and 2014-15 as detailed below:

Retail/wholesale licenses:

Year	No. of Excise Stations involved	Total No. of Licenses	Total No. of Licenses not renewed	Total License fee outstanding *(₹ in lakh)*
2013-14	6	3767	58	4.77
2014-15	8	7259	387	29.72
			Total	**34.49**

Further, it was seen that renewal of licenses in case of one manufacturing unit having multiple licenses was also in arrears as shown below:

Year	Name of the Unit	No. of Licenses	License fee outstanding *(₹ in lakh)*
2012-13	Impala Distillery and Brewery Limited	12	15.48
2013-14	-do-	4	6.02
		Total	**21.50**

There was nothing on record to indicate that notices were issued by the Commissioner to the licensed vendors who have not submitted their applications for renewal so that their licenses could be treated as cancelled. This is fraught with risk of misuse and illegal sale of liquor.

It is recommended that the Department may follow its rules for renewal and cancel license in respect of those that do not come forward with renewal applications.

Non/short levy of license fee

The retail vendors of liquor for consumption in the premises were required to obtain separate licenses for sale of foreign liquor imported from outside India, and for Indian Made Foreign Liquor and Country Liquor (CL). The license fees also were levied separately, as per entry Nos. 7 and 8 of the notification dated 25 March 1976 as amended from time to time, as the licenses were separate. Cases relating to short levy of license fee and interest, additional license fee are mentioned in the paragraphs from 4.2.6.4 to 4.2.6.7.

[10] only 2 cases in 2011-12 and 6 cases in 2012-13

4.2.6.4 Short levy of additional license fee and interest thereon from hotels having Casino

The Government imposed additional license fees of ₹ one lakh for hotels having casinos, by adding a sub-clause to that effect under item No. 7 of the above notification, which pertained to retail sale of Foreign liquor for consumption on the premises. Subsequently, vide notification dated 23/4/2008, similar sub-clause was added under item No. 8 also, which pertained to retail sale of IMFL and CL. Thus, ₹ two lakh per year was to be levied and collected from each hotelier licensed to sell both Foreign Liquor and IMFL and CL having casinos.

Audit scrutiny revealed that in respect of 16 hotels having casinos registered under four Excise Stations which were licensed to sell both FL and IMFL and CL, on payment of additional fee of only ₹ one lakh per year from each hotel. This resulted in short realisation of license fee of ₹ 91 lakh during 2009-10 to 2013-14. Besides interest of ₹ 67 lakh was also leviable for non-payment of license fee.

During the exit conference the Commissioner accepted the facts and stated that fresh notification was being issued with regard to additional license fee from hotels with casino in which only one license fee shall be recovered. The reply was however silent about non-collection of the license fee during the last five years.

4.2.6.5 Short levy of license fee on occasional license for sale of liquor

The Government in August, 2013 levied the license fee for occasional retail sale of liquor for consumption on special occasions/event in clubs/open place/ enclosed premises where entry fee was charged from guests. The rate of the license fee per day from 9.00 a.m to 11.00 p.m for -

1. Functions in which number of guests between 501 to 1,000 was ₹ 0.50 lakh.
2. Functions in which the number of guests above 1,000 was ₹ one lakh.

If the retail sale of liquor for consumption continued beyond 11.00 p.m. license fee was required to be charged by treating this part of period as second day. Every additional point of sale of liquor duly approved shall be charged at the rate of 50 *per cent* of license fee.

Audit scrutiny revealed that an event named "Sunburn" was organised from 27/12/2013 to 29/12/2013 in which more than 1,000 guests visited on all days. The organisers applied for license for sale of liquor at eight bar counters at the venue for the above days *i.e.* from 27/12/2013 to 29/12/2013 midnight (up to 1.00 a.m. of 30/12/2013), and the same was allowed. The organisers were liable to pay license fee of ₹ 27 lakh as mentioned in **Table 2:**

Table 2

(₹ in lakh)

Date	Fee leviable upto 11 p.m. @ ₹ 100000	Additional fee leviable upto 11 p.m. for 7 additional points @ ₹ 50000 for each point	License fee leviable for time beyond 11.00 p.m. @ ₹ 100000	Additional fee leviable beyond 11 p.m. for 7 additional points@ ₹ 50000 for each point	Total license fee leviable for the day
27.12.2013	1	3.5	1	3.5	9
28.12.2013	1	3.5	1	3.5	9
29.12.2013	1	3.5	1	3.5	9
Total					**27**

However, the Department levied and collected only ₹ 16.50 lakh as against ₹ 27.00 lakh leviable, resulting in short levy of ₹ 10.50 lakh.

After this being pointed out the Excise Inspector stated (September 2014) that the event was stopped at 10.00 p.m. every day for crowd management, as it required at least one hour to clear the crowd due to traffic congestion. Hence, no fees were collected from the organisers of the event for late hours function for additional points.

The reply of the Excise Inspector was not correct as the organisers had taken permission for conducting the event from 27/12/2013 to 29/12/2013 and there was nothing on record to indicate that the timings of the event had been changed.

(i) In the application submitted by the organisers the timing was mentioned as 09.00 a.m to 01.00 a.m and license was granted accordingly and there was nothing on record to indicate that any request for change in the timing of the event was received.

(ii) Besides, the payment for occasional license was required to be made in advance and it should have been recovered at the time of granting the permissions. The reasons for short recovery and for not collecting the same in advance were not found on record.

4.2.6.6 Short levy of license renewal fee due to misclassification of category of hotels

The grading and classification of hotels established in Goa is notified by the Ministry of Tourism, Government of India and that of the Department of Tourism, Government of Goa from time to time. The Excise License fees for the hotels are charged as per the category, notified by the Government from time to time. The rates for sale of liquor in the hotels are prescribed by the Excise Department by issue of notifications.

The licensees are required to file the declaration indicating the status of their hotels declaration at the time of registration that forms the basis for charging the license fee. Rule 122 of the Excise Duty Rules, 1964, provides for levy interest at the rate of two *per cent* of the license fee short paid.

A cross verification of records of the Excise Department with the information obtained from the Tourism Department of Goa revealed that 16 hotels were classified at lower grades in the records of Excise Department resulting in short

realisation of license fee of ₹ 73 lakh. Besides interest leviable on the same amounting to ₹ 39.94 lakh was also payable as mentioned in **Table 3:**

Table 3

(₹ in lakh)

Total number of hotels	Category of hotel		License fee		Short realisation		Total
	Tourism Department of Goa	Excise Department	Leviable	Levied	Fee	Interest	
4	A	2-B 1-Bar 1-C	50.00	7.11	42.89	23.01	65.90
12	B	9-C 3-Restaurant	42.30	11.80	30.50	16.93	47.43
16		16	92.30	18.91	73.39	39.94	113.33

Audit noticed that the Department had not put any system in place for obtaining the information/data from the Tourism Department of Goa and cross verifying the same with the information furnished by the licensees in the declaration forms to ensure correct payment of license fee. Thus, incorrect information given by the hotels in the declaration forms remained undetected.

After being pointed out, the Excise Inspector, Bardez stated (August 2014) that notices have been sent to all the hotels pointed out by Audit calling upon them to submit the category and star rating certificates and to pay the dues. The Excise Inspector of Pernem stated that the dealer has accepted to pay the short levied amount.

Similar cross-verification of records of all hotels in the State was required to trace out such false declarations. Further, the Department should have a fool proof system to ensure that the category are truthfully intimated by the licensees at the time of registration and updating any change in the categorisation taking place subsequently.

4.2.6.7 Short levy of license fee and interest thereon due to adoption of pre-revised rates

The license fee was enhanced from ₹ one lakh to ₹ two lakh per annum with effect from April 2010 for retail sale of IMFL and CL for consumption within the premises for hotels with 5-Star having 'A' category issued by Tourism Department of Government of Goa.

Similarly, license fee for retail sale of IMFL/CL for consumption on the premises, for hotels with 3/4 star having 'A' category was increased from ₹ one lakh to ₹ 1.25 lakh and for Foreign Liquor ₹ 2.5 lakh to ₹ 2.75 lakh with effect from April 2012. The license fee for retail sale of foreign liquor for consumption on the premises for hotels with 2, 3 and 4 Star category issued by Government of India or having 'B' issued by Tourism Department of Goa was increased from ₹ 0.25 lakh to ₹ 0.40 lakh with effect from 01/04/2013.

Audit scrutiny revealed that four hotels licensed to sell IMFL/CL and FL had paid the license fee at the pre-revised rate, resulting in short levy of revenue of ₹ 3.30 lakh, as detailed below:

(₹ in lakh)

Excise Station	Name of the hotel and license Number	Category	Year	License fee Payable (IMFL+FL)	License Fee paid	Short payment of license fee
Bardez, Mapusa	Riviera de Goa Resort IMFL/ 1763	A (5 Star)	2010-11	2.00	1.00	1.00
Tiswadi, Panaji	Mandovi Hotel Pvt. Ltd. (IMFL/ 271, FL/43	A (3 Star)	2012-13	4.00	3.50	0.50
			2013-14	4.00	3.50	0.50
			2014-15	4.00	3.50	0.50
	Aswin Resort Pvt.ltd (IMFL/634)	A	2012-13	1.25	1.00	0.25
			2013-14	1.25	1.00	0.25
Pernem	Papa Jolly (FL/012)	B	2013-14	0.40	0.25	0.15
			2014-15	0.40	0.25	0.15
Total						**3.30**

In addition to the amount of ₹ 3.30 lakh short levied, additional payment at the rate of two *per cent* till the date of payment, as provided under Rule 122 of the Goa Excise Duty Rules, 1964 was also recoverable from the concerned hoteliers.

The Excise Inspectors concerned informed (August 2014) that demands have been raised with the licensees to remit the short paid amounts with interest as applicable.

4.2.6.8 Loss of revenue due to non-levy of License fee

As per rule 90(8) of the Goa Excise Duty Act and Rules, 1964 when the business is started in the course of the second semester of any year, only half of the annual license fee shall be payable. The rates of license fee for retail vendors of Foreign Liquor of hotels with 3 Star and above was ₹ 2.5 lakh for the year 2010-11.

It was observed that license for retail sale of Foreign Liquor for consumption on the premises was issued to M/s. "Mandovi Hotel Pvt. Ltd." on 31/01/2011. The hotelier was liable to pay half of the license fee. However, no license fee for sale of Foreign liquor was paid for the period from 31/01/2011 to 31/03/2011, resulting in loss of revenue to the extent of ₹ 1.25 lakh. Besides delayed payment charges at the rate of two *per cent* per month amounting to ₹ 0.93 lakh upto April 2014 was leviable. Thus, the dues recoverable as on April 2014 amounted to ₹ 2.18 lakh.

After this being pointed out the Excise Inspector, Tiswadi informed (September 2014) that an amount of ₹ 1.25 lakh alongwith interest up to August 2014 amounting ₹ 1.03 lakh has been demanded (August 2014) from the licensee.

4.2.6.9 Short levy of surcharge for additional time

Government decided (April 2012) to levy a surcharge in addition to annual license fee from retail vendors of IMFL, Country Liquor and Foreign Liquor for consumption on the premises by keeping their licensed premises open for serving their clientele beyond 11 p.m. but not exceeding 5 a.m. The surcharge, in case of hotels with 5 Star and above having 'A' Category status issued by

the Tourism Department, Government of Goa, was enhanced from ₹ 1.5 lakh to ₹ five lakh with effect from 02 April 2012. The Surcharge, for hotels with 3 star or 4 star status issued by the Government of India Tourism Department with A category status issued by Tourism Department, Government of Goa and hotels with 2, 3 and 4 stars with B category issued by Tourism Department, Government of Goa, was fixed as ₹ three lakh and ₹ two lakh respectively.

Audit scrutiny revealed that in four cases the surcharge amount levied and collected was less than the prescribed rates, resulting in short levy of revenue of ₹ 10.50 lakh as mentioned in the following **Table 4:**

Table 4

(₹ in lakh)

Excise Station	License number of the Hotel	Category	Year	Fee paid for additional time	Pay-able	Difference Payable
Bardez, Mapusa	IMFL 1869	A	2010-11	1.00	1.50	0.50
			2011-12	1.00	1.50	0.50
			2012-13	1.00	5.00	4.00
	FCL/1581	B	2013-14	1.50	2.00	0.50
	FCL 1953	A	2012-13	1.50	5.00	3.50
	IMFL/1062	B *w.e.f.* 17.08.12	2012-13	1.50	2.00	0.50
			2013-14	1.50	2.00	0.50
			2014-15	1.50	2.00	0.50
	Total					**10.50**

After this being pointed out the Excise Inspector stated (August 2014) that letters have been issued to all the licensees as pointed by Audit and one licensee has paid the amount. Reports on recovery in respect of the remaining licenses have not been received.

4.2.6.10 Non-levy of delayed payment (interest)

As per Goa Excise Duty Act and Rules 1964, the Department issues various types of licenses. The license issued is valid for one year and needs to be renewed before it expires. Further as per Rule 122 of Goa Excise Duty Rule 1964, when any annual license fee or its installment as the case may be is not paid within the period prescribed *i.e.* 31 March of each year, it shall be lawful to collect from the licensee an additional amount equivalent to two *per cent* of such license fee or installment of each month of delay.

The scrutiny of records revealed that a hotel (IMFL/1869 and FL/110) had not paid the license fees within prescribed time. However, no interest/delayed payment charges was levied. That resulted in non-levy of interest to the extent of ₹ 4.89 lakh as shown in the **Table 5:**

Table 5

(₹ in lakh)

Year	FL		IMFL		Difference Payable		Difference paid on		Delayed period		Interest @ 2 *per cent* per month
	Payable	Paid on Time	Payable	Paid on Time	FL	IMFL	FL	IMFL	FL	IMFL	
2010-11	2.50	0.25	1.00	0.40	2.25	0.60	28.03.13	25.02.13	34 months 27 days	34 months 24 days	1.99
2011-12	2.50	0.25	2.00	0.40	2.25	1.60	25.02.13	25.02.13	22 month 24 days	22 month 24 days	1.76
2012-13	2.50	0.25	3.00	0.40	2.25	2.60	25.02.13	25.03.13	11 month 24 days	11 month 24 days	1.14
Total											**4.89**

After this being pointed out, the Excise Inspector stated (August 2014) that demand has been raised (August 2014) for recovery of the interest.

4.2.6.11 Non-levy of additional fee on liquor having alcoholic strength above 42.8 per cent v/v[11]

The Government notified (October 2012) an additional fee of (₹ 100 per bulk liter for whisky, rum, gin, vodka, brandy, other than wines with or without rectified spirit/milk punch/concentrates/malt spirit and the like manufactured outside India whose strength is above 42.8 *per cent* v/v but below 60 *per cent* v/v. The additional fee was enhanced to ₹ 200 with effect from April 2013.

Audit observed that two importers imported liquor whose alcoholic strength was more than 42.8 *per cent* v/v without paying the additional fee as shown below:

(₹ in lakh)

Period of import	Names of Importers	Liquor Import Quantity (B.L.)	Alcoholic strength (in *per cent*)	Additional fee rate per B.L.	Total additional fee payable
26 Oct. 2012 to March 2013	M/s Royal Spirit, Pernem M/s Costa Spirit, Salcete	6449.40	43 to 47	100	6.45
2013-14	M/s Royal Spirit, Pernem	3621	47	200	7.24
Total					**13.69**

Thus, the non-levy of additional fee resulted in less realisation of revenue of ₹ 13.69 lakh.

After this being pointed out the Excise Inspector, Pernem stated (October 2014) that the concerned parties have been asked to pay the amount short levied.

[11] Volume/Volume (Actual percentage of alcohol in the liquor)

4.2.7 Irregular allowance of wastage

4.2.7.1 The Act and the Rules do not provide for any wastage on production or storage of malt spirit by a distillery. Audit scrutiny of three distilleries engaged in the production of malt spirit revealed that one distillery had claimed and was allowed wastage of 6,32,363 BL on production of malt during the period from 2009-10 to 2013-14. The wastage claimed was irregular and resulted in revenue loss of ₹ 9.40 lakh as detailed in the following table:

(₹ in lakh)

Period	Rate of Excise Duty per BL	Quantity (BL)	Amount of Excise Duty
01.04.09 to 23.03.11	0.50	216389	1.08
24.03.11 to 31.03.14	2.00	415974	8.32
Total		**632363**	**9.40**

4.2.7.2 A private Distillery was importing Extra Neutral Alcohol (ENA) and Rectified Spirit (RS), the wastages in transit claimed was much higher than the permissible limit of 0.25 *per cent*. It was observed that during May 2010 to December 2011 in import of 2.40 lakh BLs of ENA/RS, as against the permissible wastage of 600 BLs, a total quantity of 1,567 BLs were claimed by the unit and allowed, resulting in excess allowance of 967 BLs, *i.e.* 161 *per cent* in excess of the permissible limit. No action was taken by the Department to levy Excise duty as applicable.

After this being pointed out the Excise Inspector of the Unit stated that the Excise Duty on excess wastage will be worked out and collected.

4.2.8 Collection of arrears of revenue

Section 20 of the Goa Excise Duty Act, 1964, empowers the officer in charge to recover sums due to Government from any amounts due to the licensee. In case of non-payment of the amount specified in the demand notice these can be recovered as arrears of land revenue.

4.2.8.1 Audit noticed that either the licensees who had defaulted in payment of the Government revenue had applied for cancellation of licenses, or the Department had proposed for cancellation of their licenses but no action was taken to recover the same as arrears. A few cases are mentioned in the following paragraphs.

(i) A licensee M/s Acerock Developers Pvt. Ltd., Calangute had outstanding dues of ₹ 12.34 lakh (₹ 7 lakh license fee and ₹ 5.34 lakh interest) for the period 2010-11 to 2012-13.The licensee applied for cancellation of the Foreign Liquor license on 27/03/2014 from the year 2014-15 onwards. The same was cancelled on 16/06/2014. However, the above outstanding dues were not recovered.

After being pointed out, the Department recovered the above amount in July 2014.

(ii) Another licensee *viz*. Shri Atul Kumar Goyal (IMFL/1897, B Category Hotel) did not pay license fee for 2011-12 and 2012-13, despite the issue

of notices by the Excise Inspector. Though, the license was proposed for cancellation by the Excise Inspector no action was taken to recover the arrears pending collection.

4.2.8.2 M/s. Ashwin Resort Pvt. Ltd., a hotel registered with Tourism Department under 'A' category, had not paid fees amounting to ₹ 7.50 lakh pertaining for additional time for sale of liquor during the period 2001-02 to 2007-08. The demand was raised during 2012-13 by the Local Audit and the Excise officials issued instruction regarding payment for the same. However, it is observed that the above amount has not yet been realised and the Department has not taken any serious action for its realisation, though the license of the hotel had been regularly renewed.

4.2.9 Non-recovery of Establishment charges

There is no provision in the Excise Duty Act and Rules to levy fines or interest on establishment charges paid after due date. The lack of any punitive action on defaulters has resulted in rising trend of defaults as shown in the following paragraphs.

Scrutiny of records of Establishment charges payable by units where Excise personnel were posted revealed that an amount of ₹ 7.43 crore was demanded by the Department, from the units in which the Excise personnel were posted, for the period from 2009-10 to 2013-14. Out of the above amount, an amount of ₹ 1.27 crore (17.09 *per cent*) was outstanding as of June 2014, as shown below:

(₹ in lakh)

Year	Establishment charges Payable	Outstanding
2009-10	127.23	3.39
2010-11	137.67	3.97
2011-12	128.88	15.53
2012-13	166.81	30.73
2013-14	182.30	73.38
Total	**742.89**	**127.00**

4.2.9.1 M/s Cipla Limited paid the establishment charges for the period from August 2011 to February 2013 (19 months) totaling ₹ 2.86 lakh on 11 March 2013.

4.2.9.2 Similarly, M/s. Seabhal Mikelin Distillery Pvt. Ltd. has been in arrears for periods upto one year, but no interest/delayed payments were levied. They paid ₹ 2.34 lakh on 29 March 2011 for the period from April 2010 to March 2011 and ₹ 1.56 lakh on 30 March 2012 for the period April 2011 to March 2012.

In the above cases since there was no provision to levy the interest, it was not levied by the Department.

4.2.10 Non-demand of HRA and Leave salary contribution

As per provisions of Rule 49(2) and (3) of the Goa Excise Duty Rules, 1964, the Distillery, brewery or winery where the Excise staff are posted have to be

provided with such residential accommodation as the Commissioner may approve. If suitable accommodation cannot be made available within the premises of the unit, the same may be arranged in the neighbourhood or alternative arrangement has to be made.

It was observed that none of the units have provided residential quarters to the Excise staff posted in those units. The Department had not demanded the same from the 57 units with whom the excise staff was deployed. However, HRA was paid as per entitlement to the staff posted in M/s. Rhea Distilleries, Nuvem, Salcete since November 2012 and M/s. United Spirits Limited, Ponda since December 2013 by the concerned units.

Similarly leave salary component also was not demanded and recovered from the units, though it was recoverable in respect of all the staff members posted in the units.

As per the data of unit-wise posting of officials, periods of posting, their basic pay, grade pay *etc.* for the period from April 2009 to March 2014 obtained by Audit from the office of the Commissioner of Excise, a total amount of ₹ 1.06 crore was recoverable from 57 units on account of HRA and ₹ 0.58 crore was recoverable on account of leave salary contribution for the period 2009-10 to 2013-14.

4.2.10.1 Audit found delays in remittances of establishment charges by the concerned units where Excise staffs have been posted, the Department has not been demanding any additional amounts as delayed payment charges. Levy of interest/delayed payment charges on delayed remittances of establishment charges, would have fetched additional revenue of ₹ 10.85 lakh (calculated at the rate of two *per cent* chargeable for delayed payment of license fees) for the period from 2009-10 to 2013-14 as shown below:

(₹ in lakh)

Year	No of Units considered	Total remittance received	Remittances received within due date	Amount of remittance received after due date	Interest leviable @ two *per-cent* per month
2009-10	10	0.20	2.00	17.86	2.94
2010-11	12	0.20	0.42	18.92	2.20
2011-12	14	0.22	0.61	22.33	2.40
2012-13	11	0.30	2.88	26.52	1.68
2013-14	11	0.31	0.71	30.85	1.63
Total		**1.23**	**6.62**	**116.48**	**10.85**

4.2.11 License fee concessions to Small Scale Industrial units

4.2.11.1 The license fee leviable from the liquor manufacturing units during the years 2009-10 to 2012-13 was ₹ one lakh per annum which was enhanced to ₹ two lakh from the year 2013-14. The Small Scale Industrial units were allowed concessional rates of license fee, which was ₹ 0.50 lakh per annum till 2012-13 and ₹ 0.70 lakh with effect from 2013-14. There were 60 manufacturing units in the State which have been availing the benefit of concessional rate of Excise License fee, being Small Scale Industrial Units.

It was observed that though powers to levy and grant of concession of State excise duty vests with the State Government, no notification issued by the state Government authorising such concession to liquor business was produced to audit. The benefits were allowed under a notification issued by Government of India in 1997. This notification was also rescinded in 2009 but the Department had made no efforts to take cognizance of this fact and disallow the concessions to such units or bring the units within the purview of the new notification as discussed in the following paragraph.

4.2.12 Incorrect grant of concession

The notification issued by the Central Government under No. SO 857(E) dated 10/12/1997 specifying the criteria for classifying an industrial undertaking as a small scale or as an ancillary industrial undertaking was rescinded by it by issue of another Notification No. SO 563(E) dated 27/02/2009.

During the intervening period (between 2007 and 2009) the Government of India, Ministry of Micro, Small and Medium Enterprises, replaced the erstwhile scheme of Small Scale Industries by enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The Act came into force on 02/10/2006. With effect from 02 October 2006 the Small Scale Industry has been replaced with Micro and Small Enterprises under the above Act and the concept of SSI has been done away with.

The criteria for continuation of erstwhile SSI status were linked to investment in plant and machinery and also the turnover during the previous year, the criteria for the Micro and Small Enterprises stipulated only investment on plant and machinery/equipments, excluding land and building as under:

Type of Enterprise	Investment in Plant and Machinery	Investment in Equipment
	Manufacturing Enterprise	Service Enterprise
Micro Enterprise	Does not exceed ₹ 25 lakh	Does not exceed ₹ 10 lakh
Small Enterprise	Exceeds ₹ 25 lakh, but does not exceed ₹ 5 crore	Exceeds ₹ 10 lakh but does not exceed ₹ 2 crore
Medium Enterprise	Exceeds ₹ 5 crore but does not exceed ₹ 10 crore	Exceeds ₹ 2 crore but does not exceed ₹ 5 crore

A cross verification of records of the Department by Audit with Industries Department revealed that only five out of the sixty SSI units which have been availing the benefit of license fee concessions were under the new Act as Micro/Small Enterprise. Thus, concessions in license period from 2009-10 to 2013-14 amounting to ₹ 1.80 crore extended to the remaining 55 units on the ground of being an SSI unit was irregular.

Scrutiny of the records of Industries Department revealed that they had released only one advertisement in the month of March 2007 in the local newspapers, for implementation the MSMED Act, 2006 that did not mention about the abolition of the SSI scheme, indicating that the MSMED Act, 2006 lacked necessary publicity in the electronic and print media.

After the matter was brought to the notice by Audit (July 2014), the Director of Industries, Trade and Commerce which is the nodal Department for

implementing the Acts accepted (September 2014) the audit observation and stated that "the State Government Departments cannot rely on SSI certificate for any purposes, as it has been done away with".

The Directorate further stated that they are making efforts to give wide publicity to the provisions of the MSMED Act, 2006. A circular letter dated 23 September 2014 was issued by the Department informing all the Heads of Departments, Corporations, Semi Government and Autonomous bodies, Municipalities *etc.* about the non-existence of the SSI concept and the requirement to enroll under the MSMED Act to be eligible for any special treatment/privileges under any law after 02 October 2006.

It is recommended that the Government may give wide publicity of the MSMED Act, 2006 through electronic and print media indicating the abolition of the SSI scheme, implementation of the MSMED Act, 2006 and for enrolment of the units under the new Act.

4.2.13 Ineffective check post and dilapidated office building

The Goa Excise Rules provide for checking of the import and export of liquor for which check-posts are set up at the places as found necessary by the Commissioner.

- There are three check posts on the Goa-Maharashtra border, *viz.* Patradevi and Neibaug under the jurisdiction of Excise Inspector, Pernem and Dodamarg under the jurisdiction of Excise Inspector, Bicholim. As per procedure, the vehicles have to be stopped for checking. However, Audit found that the barrier gate at Patradevi Excise Check post was broken and as on date there was no barrier to stop the speeding vehicles, which rendered the check post ineffective.
- The building in which the Pernem Excise Station was housed had collapsed at one end. There were major cracks on the roof and in the walls of the building. For safe and healthy working environment the Government may take appropriate steps to house the office at an appropriate place.

4.2.14 Testing of samples

As provided under Goa Excise Duty Rules, 1964 the Commissioner shall draw samples of the excisable articles manufactured by the distillery, brewery or winery from time to time, and shall dispatch the samples duly sealed to the Public Health Laboratory specified by the Commissioner in this behalf for testing the contents of the excisable articles and to ensure that they conform to the specification and do not contain any noxious materials. However the Department had not specified the minimum percentage of sample to be drawn for testing purposes.

4.2.14.1 It was observed by Audit that percentage of conducting the test was very low as illustrated in the following table.

Year	No of Units	Total batches Produced	Total batches tested
2009-10	12	1705	17
2010-11	13	1835	31
2011-12	15	2007	71
2012-13	16	2079	109
2013-14	16	2083	224
	Total	**9709**	**452**

Thus, out of 9,709 batches manufactured by the above units, only 452 batches (4.65 *per cent*) were tested by the public laboratory.

Testing of the liquor in a laboratory is an important tool to know the quality and strength of the alcoholic contents declared on the labels of the bottles. It is also important from safety standards; the Department may specify the minimum percentage of samples to be drawn for testing purposes and ensure that the prescribed norms are strictly followed.

4.2.14.2 Audit found cases in which the liquor produced under the batch have been sold in the market before receipt of the test report from the laboratory. This was stated to be due to delays in receipt of the reports from the laboratory under Food and Drugs Administration (FDA) Department. Appropriate steps need to be taken to curtail the delays to ensure that liquor is sold only after the test reports are received from the Department.

4.2.15 Internal Audit

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives and the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the Departments and offices in the State is the responsibility of the Internal Inspection Cell (IIC) under the administrative control of the Director of Accounts. The Government, in August 1996, decided that major Departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

However, it was observed that out of 11 Excise stations and five check posts in the State where internal audits should have been conducted, internal audit was conducted only of three offices in the year 2009-10 and of two offices each in 2010-11 and 2011-12. This indicated considerable deficit in internal control mechanism in the Department.

4.2.16 Conclusion and Recommendations

There was no provision for realisation of excise duty in case of exports not supported by Excise verification certificates. This was fraught with the risk of illegal sale of liquor and short realisation of the Government revenue.

The Government may put in place a system for timely collection of EVCs and frame provision in the Act/Rules to treat exports without proof as local sales and levy excise duty in the interest of revenue.

As per Excise Duty Act Rules, 1964, there is no provision for levy of any additional charges/interest for delayed payments in respect of receipts other than license fee.

The Government may enact suitable provision for levy of interest on delayed payment of all Government dues for timely collection of revenue.

There was no system to obtain information and update the correct category/status of hotels (star ratings) each year for determination of the correct license fee payable by licensee.

The Government may introduce a system for correct verification of status/category of hotels by obtaining information from the concerned Departments.

Wide publicity to the provisions of the MSMED Act, 2006 was not given with the result that the concessions given to the SSI units continue though the SSI concept had been done away with.

Suitable steps may be taken to ensure eligibility of the units under the MSMED Act.

Wastages on excisable goods were either incorrectly allowed or were allowed in excess of the admissible limits.

Norms for allowance of wastages fixed should be strictly adhered to and clear guidelines with respect to levy of duty on excess wastages should be issued with instructions for strict implementation.

FINANCE DEPARTMENT

4.3 Short levy of VAT due to misclassification of goods

The Commercial Tax Officer short levied VAT to the tune of ₹ 1.11 crore due to incorrect classification of goods.

Value Added Tax is leviable on the turnover of sales at the rates specified in Section 5 (1) of the Goa Value Added Tax Act, 2005. Mosquito mats/coils are liable to be taxed at the rate of 12.5 *per cent*.

Test check of assessment records of Commercial Tax Officer, Panaji (January 2014) revealed that a dealer, (TIN- 30850104967) had made sales of mosquito mats/coils valued at ₹ 13.49 crore during the year 2007-11. The Assessing Authority treated the goods incorrectly as insecticides and levied (March 2013) tax at the rate of 4 *per cent* instead of at 12.5 *per cent* resulting in short levy of tax of ₹ 1.11 crore as detailed below.

(₹ in lakh)

Assessment year	Taxable turnover	Tax leviable	Tax levied	Short levy
2007-08	280.92	35.11	11.24	23.88
2008-09	314.73	39.34	12.59	26.75
2009-10	334.76	41.85	13.39	28.46
2010-11	418.25	52.27	20.55	31.72
Total	**1348.66**	**168.58**	**57.77**	**110.81**

The matter was referred to Government (May 2014) and their reply is awaited (January 2015).

4.4 Short levy of Tax due to application of pre-revised Rules

The Commercial Tax Officer, Vasco under assessed turnover of an assessee resulting in short levy of VAT amounting to ₹ 34.94 lakh.

Rule 4 of the Goa Value Added Tax (GVAT) Rules, 2005 was amended by issue of a notification dated 30 December 2008. Prior to the issue of this notification the value of material consumed in any work during a year was to be considered as the contractor's turnover. However after the issue of the notification the contractor's total turnover *i.e.* entire sales turnover after deducting the permissible deductions of 33 *per cent* mentioned under Rule 4A were liable to be charged to tax. Further as per notification dated 9 July 2009, tax rate of eight *per cent* was fixed in respect of taxable work contract receipts.

A building work contractor, (TIN 30091203231), registered under the GVAT Act, 2005 was assessed by the Commercial Tax Officer, Vasco Ward, for taxable turnover amounting to ₹ 4.06 crore for the year 2008-09 and ₹ 1.39 crore for the year 2009-10. VAT of ₹ 20.78 lakh and ₹ 8.54 lakh respectively was levied on the above turnover.

Audit scrutiny (December 2013) of the purchase statement submitted by the contractor revealed that the value of materials purchased by the contractor for consumption in the works, for the first three quarter of 2008-09 was ₹ 2.20 crore and works contract receipts for the fourth quarter of the year 2008-09, was ₹ 7.64 crore. For the year 2009-10 the total turnover was ₹ 3.60[12] crore (sub-let work from M/s Vishal Infrastructure Ltd.). Thus the taxable turnover of the dealer after allowing permissible deduction of 33 *per cent* for the years 2008-09 and 2009-10 was ₹ 7.32 crore[13] and ₹ 2.42 crore[14]. This resulted in understatement of taxable turnover to the extent of ₹ 3.26 crore[15] (tax effect ₹ 25.50 lakh) during the year 2008-09 and ₹ 1.03 crore[16] (tax effect ₹ 9.44 lakh) during the year 2009-10. Thus, application of the pre-revised method resulted in short realisation of tax of ₹ 34.94 lakh.

After this was pointed out in audit, the Commercial Tax Officer accepted the audit observation and stated (June 2014) that the dealer was being re-assessed. Further progress made in the case has not been received (December 2014).

The matter was referred to the Government (March 2014) and their reply is awaited (January 2015).

[12] ₹ 19.24 lakh + ₹ 341.21 lakh
[13] ₹ 2,20,15,713 + ₹ 5,12,21,533 (being 67% of ₹ 7,64,50,049)
[14] 67% of ₹ 3,60,46,030
[15] ₹ 7.32 crore - ₹ 4.06 crore
[16] ₹ 2.42 crore - ₹ 1.39 crore

4.5 Short levy of Tax due to wrong assessment to the tune of ₹ 83.94 lakh

Value Added Tax amounting to ₹ 83.94 lakh was short levied due to incorrect assessment by Commercial Tax Officer, Vasco.

Rule 23(7) of the Goa Value Added Tax (GVAT) Rules, 2005 provides that if any dealer having furnished return under section 24 discovers any omission or incorrect statement, he may file a revised return before expiry of one year following the last date prescribed for furnishing the original return or before issue of assessment notice, whichever is earlier.

Input tax credit[17] is the amount of tax paid by a dealer on purchases for which the dealer is entitled to claim a credit. Thus ITC can't be claimed for which it has not been paid.

Section 70(1) of the GVAT Act, 2005 read with rule 42 of GVAT Rules 2005, provides that every dealer, whose turnover of sales exceed ₹ one crore or the amount of Input Tax Credit (ITC) exceeds ₹ 10 lakh in any year, will get his accounts for such year audited by a Chartered Accountant and submit to the Appropriate Assessing Authority the audited statement of accounts in Form VAT -XV within ten months after the end of the relevant year.

Audit scrutiny of a dealer registered with commercial tax officer, Vasco revealed (December 2013) the following:

- The dealer had not submitted VAT audit report for the year 2010-11 despite having turnover of more than ₹ one crore and ITC exceeding ₹ 10 lakh.
- The dealer filed all the quarterly returns for 2010-11 showing 'nil' turnover and claimed 'nil' tax liability.
- The dealer filed a revised return on 27 July 2012 for the fourth quarter of the year 2010-11 declaring a 'nil' turnover though the permissible time limit for filing of revised fourth quarter's return was up to 30 April 2012 only. The dealer had claimed ITC of ₹ 26.05 lakh on the purchases valued at ₹ 3.22 crore.

A dealer (TIN: 30811203708), was assessed (31 March 2013) by the Commercial Tax Officer (CTO), Vasco under GVAT Act 2005, for a taxable turnover of ₹ 3.57 crore on the sale value of assets for the year 2010-11. The tax levied on the sale of the assets by the CTO amounted to ₹ 18.49 lakh which included ₹ 3,000 being penalty for non-filing of returns and ₹ 60,500 being penalty for non-furnishing of VAT Audit Report. The dealer was allowed ITC of ₹ 18.90 lakh and an amount of ₹ 40,713 was refunded to the dealer after disallowing a portion of ITC claimed by the dealers. Since the dealer had shown nil sales turnover in his returns, no input tax credit was admissible to him. This ITC allowed by CTO on the sale of assets was not correct and resulted in incorrect grant of ITC refund of ₹ 18.90 lakh and ₹ 0.40 lakh respectively.

Further, audit scrutiny of the Balance sheet and Profit and Loss Account for the year 2010-11 of above dealers revealed that the dealer's actual taxable turnover

[17] Input tax credit = Tax payable-tax paid.

was ₹ 5.50 crore[18] instead of ₹ 3.57 crore assessed by the CTO. The tax payable was ₹ 27.51 lakh. Thus, net payable tax including penalties worked out to ₹ 28.52 lakh as shown below:

Particulars	Amount *(₹ in lakh)*
Taxable turnover	55.02
Tax @ 5 *per cent* (Items under Schedule-B of GVAT Act, 2005)	27.51
Penalty imposed by Assessing Authority u/s 55 of the GVAT Act, 2005 for non-filing of returns	0.03
Penalty leviable u/s 70(3) of the GVAT Act, 2005 for non-submission of VAT Audit Report	0.98[19]
Total output tax leviable	**28.52**

In addition to the above, the dealer was liable to penalty amounting to ₹ 55.02 lakh in accordance with Section 59 of the Act which stipulates levy of penalty equal to double the amount of the excess tax so payable due to non-disclosure of the actual turnover by the dealer.

After this being pointed out the Commercial Tax Officer stated (June 2014) that the dealer was being re-assessed.

The matter was referred to the Government (March 2014) and their reply is awaited (January 2015).

4.6 Loss of revenue due to non-levy of penalty and interest on unpaid VAT dues of ₹ 1.37 crore

Non-recovery of penalty and interest from a dealer delayed payment of VAT resulted in loss of revenue of ₹ 1.37 crore.

As per Rule 24 of the Goa Value Added Tax (GVAT) Rules, 2005 the tax collected were to be remitted on a monthly basis within 20 days from the end of each month if the monthly tax liability exceeded ₹ one lakh and within 30 days for tax liability up to rupees one lakh. For any delay in payment after the due date, interest at the rate of 12 *per cent* per annum has to be levied as provided in Section 25(4) of the Act.

As per Section 59 of the Act, the dealers are liable for penalty equal to rupees one thousand or double the amount of the excess tax payable, whichever is higher, if he omits from a statement made to a taxation officer any matter or thing without which the statement is misleading in a material particular and the tax properly payable by the person exceeds the tax that would be payable if the person were assessed on the basis that the statement is true.

It was noticed that the Assistant Commissioner of Commercial Taxes (ACCT), Ponda determined (March 2013) the turnover of a dealer as ₹ 12.53 crore on the basis of TDS issued by the awardee instead of the turnover of ₹ 7.34 crore shown in the returns by the dealer for the year 2009-10. Thus, the dealer had

[18] Sale of barge: ₹ 3.75 crore + Barge Freight Income: ₹ 1.63 crore + Barge Repair Income: ₹ 0.12 crore

[19] For the delay of 424 days upto the date of assessment (1.2.2012 to 31.3.2013), the penalty leviable was ₹ 1,000 plus ₹ 100 per day for first sixty days and ₹ 250 per day thereafter, as per Sn. 70(3) of the GVAT Act, 2005.

not disclosed the turnover of ₹ 5.19 crore[20] in his returns. The dealer was liable to pay the penalty amounting to ₹ 1.17 crore[21] under the GVAT Act. Besides, interest[22] amounting to ₹ 20.41 lakh was leviable for short payment of the tax. However, the ACCT neither levied the penalty nor demanded interest in the demand notice[23] issued to the dealer. This resulted in short levy of Government revenue of ₹ 1.37 crore.

After this was pointed out (October 2013) the Assessing Authority stated that interest and penalty was not levied as the dealer had different interpretation about the taxation of works contract. The reply furnished by the Department is not correct as under the Act the penalty and interest is leviable and should have been demanded, interpretation of the dealer was in violation of the Act and should have been rejected.

The matter was referred to the Government in June 2014 and their reply is awaited (January 2015).

[20] ₹ 12.53 crore - ₹ 7.34 crore

[21] ₹ 58.43 lakh x 2

[22] calculated from the last due date (30 April 2010) to the date of assessment (28 March 2013)

[23] After allowing Input Tax Credit (₹ 9.61 lakh) and TDS deduction (₹ 18.70 lakh), net balance tax due arrived at ₹ 58.43 lakh.