

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2023-26)**

**FORTY SIXTH REPORT  
(Presented on 1<sup>st</sup> February, 2024)**



**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2024**

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
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**FORTY SIXTH REPORT**

**on**

**Action Taken by Government on the Recommendations contained in the Ninth  
Report of the Committee on Public Accounts (2011-2014)**

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**COMMITTEE ON PUBLIC ACCOUNTS**

**(2023-2026)**

**COMPOSITION**

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Shri Sunny Joseph

**Members:**

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Shri. Shaji C. Baby, Secretary-in-charge

Shri. P. S. Selvarajan, Joint Secretary

Shri. Jomy K. Joseph, Deputy Secretary

Smt. Beena O. M. , Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Forty Sixth Report on Action Taken by Government on the Recommendations contained in the Ninth Report of the Committee on Public Accounts (2011-2014).

The Committee considered and finalised this Report at the meeting held on 10<sup>th</sup> January, 2024.

Thiruvananthapuram

1<sup>st</sup> February, 2024.

**SUNNY JOSEPH,**

*Chairman,*

*Committee on Public Accounts.*

## **REPORT**

**This Report deals with the action taken by the Government on the recommendations contained in the 9<sup>th</sup> Report of the Committee on Public Accounts (2011-14).**

The 9<sup>th</sup> Report of the Committee on Public Accounts (2011-14) was presented to the House on 26<sup>th</sup> June 2012. The report contained nine recommendations related to Taxes and Power departments. The Government was addressed on 9.7.2012, to furnish the statements of action taken on the recommendations contained in the report and final reply was received on 13.4.2022.

The Committee examined the statements of action taken on the recommendations contained in the 9<sup>th</sup> Report of the Public Accounts Committee [2011-14] at its meetings held on 27.8.2013, 26.11.2014, 6.1.2016, 31.10.2018, 8.9.2021 and 19.04.2023. The Committee was not satisfied with the action taken by the department on the recommendations contained in paragraphs 18, 23 and 30. These recommendations / replies furnished thereon and further recommendations of the Committee is included in Chapter I of this report. The Committee decided not to pursue action on the remaining recommendations in the light of the replies furnished by Government. Such recommendations and their replies are incorporated in Chapter II of this report.

### **CHAPTER I**

#### **RECOMMENDATIONS OF THE COMMITTEE IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION**

**Taxes Department****Recommendation**

(Sl.No : 1, Para No: 18)

1.1 The Committee criticises the irresponsible approach of the Commercial Taxes Department in the proper maintenance of T.P. Registers at the check posts. Knowing that the details regarding surrender of 2813 transit passes covering goods at Rs. 100.60 crore issued during the period from August 2003 to March 2008 were not kept at the exit check posts, the Committee recommends to issue strict directions for compliance of departmental orders regarding monitoring of movement of goods on transit pass through the State and Targets may also be fixed for the intelligence officers for carrying out cross verification of records of the entry and exit check posts. Pointing out the impropriety of maintaining the check post at Kunjippally which was 4km farther from Mahe border, the Committee recommends to expand the check post at the entrance of Mahe, urgently with adequate staff for minimising the loss of revenue and space constraint has to be solved by acquiring sufficient land.

**Action Taken**

1.2 The issue relates to transit pass in 8 check posts viz. CTCP Amaravila, Aryankavu, Gopalapuram, Nadupunni, Walayar, Bengra Manjeswar, Muthanga & Facilitation Centre at Wellington Island. As per Circular No. 9/1995/TX dated 07.04.1995, the Commissionerate of Commercial Tax after considering the importance of this item of work, has authorized selected officers in different districts for assessing the transition covered by Section 30 B for which Transit Pass is issued by the check post officials.

1.3 With respect to the PAC recommendation, it may be noted that, as per Circular No. 13/05 dated 26.03.2005, the CCT has already issued strict directions to the check post officials against the misuse of transit pass issued under Section 48 of KVAT Act & Section 30 B of the KGST Act. In this Circular, certain guidelines were issued for guarding against the revenue loss on account of non follow-up/collusion of check posts

officials with the tax evaders. It was insisted therein that the CTI at the entry check post who issued the TP shall report information of non moving of goods to outside state through the exit check post to the C.I. Wing of the Department within one week. The C.I. Wing shall conduct necessary investigations and hand over the details to the IB Wing for necessary follow-up. The progress of action taken in this regard is subjected to review by the supervisory officers of the Intelligence Wing.

1.4 The Commercial Tax Check Post Mahe was located at the exact border near the present Azhiyoor Panchayat Office (Azhiyoor Chungam) till May 1998. In order to arrest of the movement of goods through a bye-route ie., Kunhipally-Monthal Road, the check post was shifted to the present place; ie, Kunipally. If location of the Check Post has continued at the exact border to Mahe, the Kunhipally Monthal Road would have become open for smuggling. Kunhipalli- Monthal Road is a main road reaching the place called Mekkunnu in Mahe. The distance between Mahe border and the existing check post at Kunhipally is about 2 Km. So, the observation that there would not be no bye-routes if the check post had been operating at Azhiyoor Chungum is not found correct. Functioning of the Check post at Azhiyoor Chungum would have been ineffective since the Kunhipally-Monthal road would be kept open.

#### Further Recommendation

**1.5 The Committee recommends that department should take necessary steps to relocate the existing check posts closer to state borders and to ensure that all the alternative routes are closed.**

#### Recommendation

(Sl.No : 6, Para No: 23)

1.6 The Committee seeks a detailed report regarding the acceptance of defective Form C by the Assessing Authorities resulting in a short levy of tax of Rs. 27.63 crore. Knowing that permission was granted to re-open the assessment relating to M/s. Begreecha Enterprises, Kanjikode, Palakkad, the Committee directs the department to



furnish the details regarding the date of declaration form by the dealer, the date of finalisation of the assessment and its latest position.

### Action Taken

1.7 The original CST assessment in respect of M/s Begreecha Enterprises Kanjikode Palakad for the year 2004-05 was first completed by the fast track team constituted under section 17 (D) of the KGST Act.

#### 1. Details of C. Form Declarations

1. TCK 2692824/04-12-2005
2. AA 494805/20-08-2005
3. TCK 1896889/21-07-2005
4. TCK 2398620/14-06-2005

#### 2. Date of Original Assessment – 09.07.2007

#### 3. Finalisation of the assessment and its latest position

1.8 The Commissioner has accorded sanction as per Order No: R1/13498/10 dated: 21.04.2010 (Copy enclosed) (Annexure I) to re-open the assessment. The re-opened assessment was completed as per Order No: 31129303/204-05 dated: 25.03.2017 (Copy enclosed) (Annexure II) of the Assistant Commissioner (Assessment), Special Circle, Palakkad by creating demand as follows.

Total and taxable interstate sales : Rs. 4,45,55,013.00

CST due @ 12% : Rs. 53,46,612.00

AST due @ 15% : Rs. 8,01,992.00

Total : Rs. 61,48,604.00

Less tax paid @ 4% : Rs. 17,82,211.00

balance CST due : Rs. 43,66,393.00

Interest @ 144% : Rs. 6287606.00

1.9 The error regarding data 'C' Form mentioned in the aforesaid Order dated: 25.03.2017 was rectified by the Order No: 31129303/2004-05 dated: 11.08.2017 of Assistant Commissioner (Assessment), Special Circle, Palakkad. (Copy enclosed) (Annexure III)

### Further Recommendation

1.10 2009-ൽ അവസാനിച്ച സാമ്പത്തിക വർഷത്തെ സി&എ.ജി. റിപ്പോർട്ടിലെ 2.2.10.3 ഖണ്ഡികയിലെ ആഡിറ്റ് പരാമർശിച്ചിരിക്കുന്ന ഏഴ് ഡീലർമാരിൽ 'Begreecha Enterprises, Kanchikode, Palakkad ഒഴികെയുള്ള ബാക്കി ആറ് ഡീലർമാരിൽ നിന്നും തുക ഈടാക്കിയത് സംബന്ധിച്ച വിശദവിവരം ഉൾക്കൊള്ളിച്ച മറുപടി രണ്ടാഴ്ചയ്ക്കകം ലഭ്യമാക്കാൻ സമിതി നിർദ്ദേശിച്ചു

### Action Taken

1.11 Among the 6 dealers the details regarding 5 dealers are furnished below.

1) M/s. Kudilungal Timbers

1.12 The audit team pointed out that three C forms filed by the dealer for the year 2004-05 were bogus due to the reason that they do not contain the CST registration number of the purchasing dealer and the columns of the C forms were not properly filled up. Hence the assessment completed on 26.12.2006 led to a short levy of Rs. 1.62 Lacs due to the acceptance of these C Forms.

1.13 Subsequently the assessment in respect of Sri. K. M. Abdul Rhiman. Proprietor of M/s. Kudilungal Timber Industries, Pulluvazhy for the year 2004-05 was revised under Rule 6(9) of the CST rules on 25.06.2009 by rejecting the above C forms which resulted in the demand of Rs. 2,41,055/- including interest. The assessee had opted Amnesty scheme and remitted the dues in four equal installments as follows.

Sl.	No. of Instalment	Amount	Chalan No. & date	Name of the treasury
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No.				
1.	First Instalment	41,946/-	4860/22.08.09	Subtreasury, Kunnathunadu
2.	Second Instalment	41,946/-	2580/14.10.09	"
3.	Third Instalment	41,946/-	4940/22.10.09	"
4.	Fourth Instalment	41,946/-	3216/5.11.09	"
Total		Rs. 1,67,784/-		

2) M/s. Binani Zinc Ltd.

1.14 The defect pointed out by the audit team is that due to the acceptance of defective/ invalid 'C' forms, the assessment completed in respect of M/s. Binani Zinc Ltd. for the years 2002-03 to 2004-05 on 20.11.2007 led to short levy of tax of Rs. 177.13 lacs, 241.84 lacs and 62.01 lacs respectively for these years.

1.15 After verification of the assessment records, the assessments were completed by the Fast Track Team under section 17 (D) of KGST Act. The goods purchased were entered similar to that in the invoice. The improper affixing of office seal or date is not a cause for rejecting 'C' forms. The value and nature of goods entered in the 'C' Forms were correct. Hence fast track Team accepted these 'C' forms and no revenue loss occurred in this case.

3) M/s. Adetch Systems Ltd.

1.16 The original assessment in respect of M/s. Adtech System (P) Ltd. Kowdiar for the year 2003-04 and 2004-05 was completed on 04.08.2009 creating an additional demand of Rs. 9,49,766/- and Rs. 9,15,598/- respectively. Aggrieved by the above order the assessee preferred appeal before the Deputy Commissioner (Appeal), Thiruvananthapuram. The Deputy Commissioner (Appeal), TVPM modified the assessment as per order No. STA 61/2009 and 62/2009 dated 15.12.2009 and directed to accept the rectified 'C' forms as rejection of the same is illegal. Accordingly the assessing authority accepted 'C' forms after verification and modified assessments in question. After effecting the appellate order there is no outstanding

balance against the dealer during the relevant years. In the result no outstanding balance is due against M/s. Adtech System for the years 2003-04 and 2004-05 under CST.

4) M/s. Indsil Electro Smelters

1.17 The defect pointed out in the report of Accountant General is that certain irregularities are noticed in the 'C' form filed by the dealer in connection with the assessment for the year 2003-04. With reference to the 'C' form issued from M/s. Ambika Steels Limited, Delhi, the destination of the consignee is entered as Coimbatore instead of Palakkad. This was communicated to the assessee and the assessee addressed the dealer to clear the error apparent on the face of documents. The dealer filed clarification to M/s. Indsil Electro Smelters with copy of purchase order, statement of 'C' form etc. The issue involved in the above para was only certain technical defects in filling the 'C' form and the same has stated to be cleared by the issuing dealer. The assessing authority verified the documents and found that there is no irregularities and no revenue loss involved in this case.

5) M/s. Kannan Handicraft (2004-05)

1.18 The assessment in respect of M/s. Kannan Handicraft (2004-05) was completed vide order No. 31116974/2004-05 dated 20.08.2009 of the Commercial Tax Officer, First Circle, Palakkad. The assessee opted amnesty scheme and remitted the demand the demand in full for Rs. 35,212/- in four installments as given below.

Sl. No.	Challan no and date	Amount
1.	909520/31.10.2010	8803.00
2.	909557/21.11.2010	8803.00
3.	909608/22.12.2010	8803.00
4.	909654/03.01.2011	8803.00
Total		35212.00

6) M/s. PAC Petro Products, Kochi

1.19 Details will be submitted at the earliest.

**Further Recommendation**

1.20 As the recommendation of the Committee is of obtaining details of 6 assesseees connected with short levy of tax, reply contained details except M/s PAC Petro Products, Kochi, the Committee directs the department to furnish a detailed report regarding M/s PAC Petro Products, Kochi.

**Power Department**

**Recommendation**

(Sl.No : 8, Para No: 30)

1.21 The Committee recommends that the quantum of transmission loss of electricity allowable to licensees should be ascertained by the department by a fresh study and that the limit should be revised accordingly. The Committee also recommends to deduct the outstanding amount with interest from Government grant extended to these licensees.

**Action Taken**

1.22 In compliance with the recommendation of the Committee in the present report, Government issued G.O. (Rt.) No. 13/14/PD dated 15.01.2014 constituting a Technical Committee for the purpose of ascertaining the quantum of transmission loss of electricity allowable to the distribution licensees in the State, other than KSEB Limited; with the following composition.

1. Additional Chief Electrical Inspector Team Leader.
2. One Electrical Inspector/Deputy Electrical Inspector who possess accreditation in Energy Audit.

3. A technical officer from Energy Management Centre.
4. Resident Engineer of the licensee concerned.

1.23 It was also ordered that the Chairman & Managing Director, KSEB Limited would examine the proposal of the Chief Electrical Inspector for appointing a consultant for conducting preliminary optimization study on the distribution system, with a view to reduce the losses vis-a-vis the recommendation of the Committee and the achievements/outcome of the work being carried out as part of Re-structured Accelerated Power Development Reforms Programme (R-APDRP) in the areas of establishment of base line data system, reduction of Aggregate Technical and Commercial (AT & C) loss etc.

1.24 Accordingly, the study was conducted and the Chief Electrical Inspector as per letter dated 24.10.2014 submitted the technical study report, a copy of which is appended herewith as **Annexure-IV**. The report revealed that three licensees have transmission loss value above 5%, one between 2% and 5% and all the rest of the licensees have below 2%.

1.25 The Transmission losses for the various Licensees were as follows:-

Name of Licensee	Total Losses (0%)
Techno Park, Technopark Campus, Thiruvananthapuram	6.17
Kannan Devan Hill Plantations (P) Ltd., Munnar, Idukki	13.11
Thrurur Corporation, Thrissur	8.75
Rubber Park India (P) Ltd, Ernakulam	1.47
Cochin Port Trust Willington Island, Cochin	1.55
KINESCO Power Utilities, Kakkanad, Cochin	2.97
Cochin Special Economic Zone Authority (CSEZA), Kakkanad, Kochi	0.045

1.26 As no proposal for revision of the quantum of transmission loss as suggested by the Committee was seen included in the report, as per letter dated 21.11.2014, Government directed the Chief Electrical Inspector to furnish specific proposal for

revising the limit of transmission loss allowable to the licensees.

1.27 On the basis of the study conducted, the Chief Electrical Inspector proposed the maximum percentage of line loss that can be allowed to the licensees as follows:-

Name of licensee	Maximum percentage
Techno Park	6
KDHP (P) Ltd.	13
Thrissur Corporation	8
Rubber Park	15
Cochin Port Trust	2
KINESCO	15
CSEZA	2
Infopark	2

1.28 In the case of Kannan Devan Hill Plantations Pvt Limited (KDHP (P) Ltd.), it was informed that the Hon'ble High Court had allowed 13.75% as maximum percentage of line loss and the final judgment in OP No. 34019/2002 filed by M/s Tata Tea Ltd., Munnar was yet to be received. It was also suggested that, the objections/opinion of the licensees concerned might be invited before finalizing the percentage.

1.29 Accordingly, a copy of the study report was forwarded to the distribution licensees and they were requested to offer specific remarks thereon and on the proposed maximum allowable transmission loss. On receipt of the remarks of the licensees, a meeting of the representatives of the licensees was convened by the Secretary, Power department on 06.08.2015 to afford them an opportunity to present their views.

1.30 In view of the practical difficulties explained in the meeting, the Secretary (Power) informed the licensees that Government would take a realistic approach and a final decision regarding allowable transmission loss limit would be taken only after conducting a detailed study. However, the line loss limit as specified in the report would be applicable to the licensees concerned, for the time being till a final decision is arrived at.

1.31 Government have examined the matter in detail on the basis of the findings of the study report and the decisions taken in the meeting and G.O.(Rt.) No. 87/2016/PD dated 30.04.2016 has been issued specifying the maximum allowable transmission loss limit in respect of the Distribution Licensees, except KSEB Limited, on provisional basis, till a final decision is taken by Government on the basis of the detailed study to be conducted by the Chief electrical Inspector.

1.32 As regards the T&D loss of KSEB Limited, it may be noted that Considering the recommendations of the Committee and the directions contained in the Government Order dated 15.01.2014, KSEB Ltd. as per B.O. dated 31.01.2014 accorded sanction to the following:-

1. To appoint an external consultant for conducting preliminary optimization study on the distribution system for reducing the losses, as recommended by the PAC.
2. To request M/s WAPCOS for submitting a preliminary report on the optimization of distribution system in the State based on their study in the RAPDRP project, and
3. To seek co-operation from reputed Engineering Colleges like NIT- Kozhikkode, CUSAT- Kochi, CET- Thiruvananthapuram etc.

1.33 K.S.E. Board Ltd. has been undertaken earnest efforts to reduce Technical and Commercial Losses in its network, due to which the losses was reduced to 16.15% in 2014-15 from 30.34% in 2002-03 over a span of 12 years.

1.34 Further, KSEBL is targeting for a trajectory reduction of AT & C loss to 10.38% by the year 2021-22, as per the guideline of central government.

1.35 The reduction of loss to the current level of about 16% was achieved by KSEBL by undertaking various voltage improvement and System Improvement works. Projects for further reduction in loss can be undertaken based on the optimization study in the distribution network, for which preliminary discussion was already conducted with WAPCOS. On completion of study and submission of report action will be initiated for



implementation of the same.

1.36 Government of India sanctioned Restructured Accelerated Power Development and Reforms Programme Scheme (R-APDRP) during 11<sup>th</sup> Five Year Plan with revised terms and conditions for implementation. The project focuses on actual demonstrable performance in terms of sustained loss reduction. The scheme includes collection of accurate base line data and adoption of Information Technology in the areas of energy accounting. This will enable objective evaluation of performance of utilities before and after implementation of the program, and will enforce internal accountability leading to better performance.

1.37 Various system improvement works are now being undertaken in 43 towns under R-APDRP. In non R-APDRP areas, KSEB is undertaking own funded projects for enhancement of 11 kV system which includes addition of new 11 kV lines, installation of Distribution transformers etc. to maintain system voltage, thereby reducing loss to the minimum extent possible. However, assessment of quantum of loss due to capacity addition has not been done so far.

1.38 The major achievements/outcomes of the work being carried out as a part of Restructured Accelerated Power Development and Reforms Programme Scheme are narrated here under:-

1.39 **Under Part A**

- Data Centre and Customer Care Centre has been set up and both of them are functional.
- Hardware and software installation, test and inspection for Disaster Recovery Centre completed and Commissioning is in progress.
- Consumer Services Applications Live in more than 667 Section offices (including Non- RAPDRP).
- Network installation in all 228 Section offices under RAPDRP has been

completed.

- BSNL has completed all 228 Section office MPLS links and Airtel completed 205 links under RAPDRP. Under Non - RAPDRP, BSNL completed 431 Section Office MPLS links and Airtel completed 302 links.
- Spot Billing Machine (SBM) rolled out in 37 towns. Roll out for the remaining towns are progressing.
- Installation of Non IT equipments in the offices of KSEB Ltd. Is nearing completion in all 43 towns.
- Entire Network asset survey data submitted for 43 towns. Network data has been approved for 43 towns. GIS Delta updates for already gone line towns is in progress.
- Modem installation is in progress in 38 towns (for 13,647 modems) and almost completed in 23 towns (for 8,108 modems). Around 3000 modems had been fully configured and started communicating with DC.
- Phase-2 Phase-3 software applications are at various stages of implementation.
- GIS network delta update has been completed in 4 towns and progressing in 7 towns.
- As part of stabilization activities, the verification of border meters has been completed for 31 towns. The verification for all remaining towns will be completed shortly.

#### 1.40 Under Part- B

1375 KM HT OH line has been constructed.

755 Kms, HT UG Cable laid

480 Kms HT reconductoring was done.

2037 Nos. distribution transformers were installed.

1.41 208 Kms of LT new line was done and 10,17,195 Nos single/three phase faulty/mechanical meters were replaced with electrostatic meters.

1.42 It may be noted that in the Report of the C&AG, two transmission licensees viz. Thrissur Corporation and Techno Park were found to have been availed transmission loss in excess of the allowable limit of 8% consequently, the Committee recommended to deduct the outstanding amount of electricity duty from the Government grant extended to the said licensees. In the case of Thrissur Corporation, the CEI has reported that the excess line loss availed by them was treated as their self consumption and duty demanded accordingly. However, the duty was not remitted by the Corporation.

1.43 In view of the findings of the Audit that Thrissur Corporation had not remitted an amount of Rs. 10.47 Crore payable on account of electricity duty and surcharge for the period 1974-75 to 2009-2010 and was in arrears as on March 2010, the Chief Electrical Inspector in 2013 initiated Revenue Recovery proceedings against the Corporation, under intimation from Government.

1.44 Challenging the demand which was issued by the District Collector, Thrissur as part of the Revenue Recovery proceedings, the Thrissur Corporation filed WP(C) No. 30260/2013 before the Hon'ble High Court and as per the interim order dated 09.12.2013 in the W/P, the Court granted interim stay of all proceedings pursuant to the notice. Subsequently, the stay was extended until further orders. Action is being taken by Government to vacate the .stay order and to dispose of the case at the earliest.

1.45 In the case of Techno Park, the CEI has reported as follows:-

1.46 "The excess line loss was a technical one and not due to actual purchase by Techno Park. Even though Techno Park was a 110 kV consumer, KSEB supply was through 11 kV This caused transformer loss to KSEB. Even though this was a laxity from the part of KSEB, KSEB added an imaginary 3% excess purchase of power

along with the actual purchase of Techno Park which led to excess percentage of undistributed units and forced to treat as line loss in records. The excess percentage of line loss was only imaginary to compensate the transformer losses of KSEB, which was occurred outside the premises of Techno Park and there was no actual line loss occurred from the side of Techno Park. Hence no revenue loss was occurred. This has been reported to C&AG.

### **Further Recommendation**

1.47 **The Committee desires to know whether the department can attain the trajectory reduction of AT&C loss to 10.38% by the year 2021-22 as per central govt. guidelines.**

## **CHAPTER II**

### **RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE FURTHER IN THE LIGHT OF THE REPLIES FURNISHED BY THE GOVERNMENT**

#### **Taxes Department**

#### **Recommendation**

(Sl.No : 2, Para No: 19)

2.1 The Committee understands that all the vehicles from Kerala were filling fuel from Mahe resulting a huge loss of revenue to the State exchequer and recommends to formulate strategies to plug evasion of tax of various commodities through check posts. The Committee urges the department to take up the matter with Government of India for ensuring uniform floor rate of tax between Kerala and Mahe to safeguard the revenue of the State.

#### **Action Taken**

2.2 The uniform floor rate for petrol and diesel is a recommendation of Empowered Committee when VAT was implemented. But, none of the States have implemented the same. Fixing the tax rates is entirely in the realm of State's powers. If any uniform

rate is implemented, Kerala will also be bound by the same, and it will have adverse revenue impact for the State. Also, we may have issue with Karnataka and Tamil Nadu or vice versa on this kind of tax laws.

### **Recommendation**

(Sl.No : 3, Para No: 20)

2.3 The Committee surprisingly infers that huge amount of money was lost by way of commercial tax for the items of IMFL, Chicken, Ghee and Tiles. So the Committee recommends to take up adequate measures to curtail the illicit transportation of IMFL through check posts. As such, it recommends for a full-fledged check post of Sales Tax Department at Mahe along with the existing check post of the Excise Department. The Committee emphasises the need for strengthening the facilitation centre at Willingdon Island.

### **Action Taken**

2.4 The roads from Mahe to Kerala are innumerable. Although there is smuggling of goods from Mahe to Kerala, it is impracticable to erect checkpost to arrest this transport. It was to tackle this movements the two special mobile squads were earmarked exclusively for Mahe. Another Mobile Squad situated at Vatakara is also there to arrest the clandestine movement of goods from Mahe. As per G.O. (MS) 59/10 dated 11.03.2012 of Taxes (D) department (copy enclosed), (Annexure V) 100 posts of UDC in the department were upgraded as Commercial Tax Inspectors. The upgradation is aimed at improving the function of checkposts and Intelligence Wing. These posts were attached to various offices and the Deputy Commissioners were directed to utilize the service of Commercial Tax Inspectors attached to their office in various check posts including temporary checkpost according to necessity. The only permanent solution is rationalizing the rate of tax of goods. The smuggling is due to the rate difference in commodities in Kerala and Mahe. The rate of tax difference is more in goods like petroleum products, IMFL, consumer goods, live chicken etc. The Mahe dealers take the advantage of reduced rate of tax in Mahe and after accounting it at Mahe and showing in accounts as sold in Mahe actually smugglers the goods out of

Mahe. Regarding Petrol and diesel, all private vehicles plying between Kozhikode and Kannur are usually taking the same from the petrol pumps in Mahe area. Regarding IMFL, Excise Department is taking effective steps to arrest the movement of IMFL from Mahe to other places. Regarding items such as live chicken. Ghee and tiles, the rate of tax in Kerala is high when compared to that prevailed in Mahe. There are about 40 bye-routes in between the border areas of Mahe and Kerala. The culprits can avail this advantage also for the movement of these items in, out of the way. However clandestine movement of ghee has been drastically fallen as the present rate of tax is 5% in both States. In addition to the checkpoint functioning at Willington Island as a facilitation centre, another facilitation Centre near Vallarpadam International Transshipment Terminal has also been started by the Department so as to strengthen the facilitation functions.

#### **Recommendation**

(Sl.No : 4, Para No: 21)

2.5 The Committee strongly criticises the lethargic attitude of the Excise Department in preventing illegal movement of Commodities through check post and in taking disciplinary action against erring officials.

#### **Action Taken**

2.6 The Excise Department has given due importance in preventing illegal movement of commodities through check posts. The staff strength of check posts has been enhanced for preventing illegal movement of spirit and such alcoholic substances. As a result of Government policy, integrated check post including Excise, Sales Tax and Motor Vehicles Departments has been started at Amaravila. Moreover, when noticed, stringent action has been taken against the erring officials. In future also, necessary action will be taken against the delinquent officers, and instructions were already given to all the officers, for preventing illegal movement of commodities through check posts.

#### **Recommendation**

(Sl.No : 5, Para No: 22)

2.7 Regarding the audit enquiry about non-utilization of check post declaration, the Committee expresses its grave dissatisfaction over the contradictory replies put forward by the department during witness examination,. Criticising the callous approach of the department in this matter, the Committee observes that the internal audit wing of the department was not effective.

### Action Taken

2.8 The Department has already issued detailed instructions for proper and timely distribution of check post declaration for the utilization of assessment.

2.9 The pendency in filing check post declaration in the respective file was very huge with respect to various circle offices of several districts, especially in Special Circle I, II & III of the Ernakulam district. In order to reduce the pendency, a special drive of sorting declarations at office-wise was conducted during the period from 10/2007 to 6/2008 as per direction from Government by deploying Trainee CTOs and members of certain Kudumbasree Units in Ernakulam District. As a result, all the pending declarations left out up to 2007-08 were sorted out and filed in the respective assessment records and utilized for assessment. In other districts also, these works were completed by the concerned assessing authorities in a fool proof manner. Inspecting Officers concerned supervised this work regularly so as to ensure that there was no leakage of revenue at any stage.

2.10 Consequent as computerisation in the department, e-consignment declaration was made mandatory for interstate movement of goods with effect from 01.10.2011 vide Circular No. 16/2011 dated 26.08.2011. As per Circular No. 12/2013 dated: 25.07.2013, department decided to dispense with production of hard copy of e-consignment token and further directed that hard copy of transporting document received in the check post need not be forwarded to the assessment circles since the transaction details can be accessed by the assessing authority online. The duty Inspector shall keep the transporting document in the check post. By this modification

the issue in relation to non filing of check post declaration on the assessment files has been resolved as far as the on-line check posts are concerned.

2.11 The Internal Audit Wing of the department started functioning w.e.f. 01.06.2009. The Internal Wing has conducted 194 inspections and prepared audit reports containing 3066 observations involving short levy of 62.31 crores up to 31.03.2014 as listed below.

Year	Inspection report	Audit observation	Amount involved (Rs. in crores)
2010-11	46	919	3.30
2011-12	32	445	27.38
2012-13	56	369	14.88
2013-14	60	1333	16.75
TOTAL	194	3066	62.31

2.12 There are only 3 Assistant Commissioners and 6 Commercial Tax Officers available for conducting internal audit. The Assistant Commissioners are mainly attending the audit of special circles and works contract offices. The Commercial Tax Officers are attending audit of ordinary circles. Due to scarcity of manpower, audit of entire circles can not be completed in the same year. The Internal Audit Wing has however conducted inspections in 60 units and prepared reports these units during the year 2013-14.

### **Recommendation**

(Sl.No : 7, Para No: 24)

2.13 Regarding the observation of Accountant General on waiver of penalty, the Committee reminds that Taxes Department should be more cautious in putting forward such amnesty schemes in future.

### **Action Taken**

2.14 Para 174 of the Budget Speech 2007-08 reads as follows:

2.15 “The Cashew Industry, which is one of our most important traditional industries,



is in crisis. Almost all cashew dealers have been transacting with other States illegally for quite some time now. They have been showing interstate sales as stock transfer to their depots or agents to evade Central Sales Tax. Even though this is a criminal offence, Government have not launched prosecution against these dealers. These dealers should have been charged 10% or 12.5% tax with interest for the failure to file valid statutory forms. There have been representations not only from this industry but also from all party delegations and Trade union representatives that these heavy payments would destroy these industrial undertakings. Hence, considering the interest of the labour, I am taking a lenient view. It is because of my desire to be transparent in deals such as this that I bring this up in this House. I offer to waive the penalty and all amounts in excess of 4% and interest there on all transaction up to 31.03.2006 provided the dealers pay the amount in full before 30.06.2007. If the dealers accept the offer necessary orders will be issued subject to concurrence of the Central Government. The sacrifice of revenue involved is Rs. 25 crores.”

2.16 With a view to give effect to the above proposals Government had issued GO (MS) No. 136/08 TD dated 07.07.2008 waiving the Penalty, interest and all amount in excess of 4% of tax there on all interstate transaction made by cashew dealers in Kerala up to 31.03.2006.

2.17 In the light of the above, CCT has also issued circular instruction vide No. 35/2008 dated 24.07.2008 directing the assessing authorities to give effect to the above Government decision immediately. It may also directed that tax, if any paid shall not be refunded.

2.18 Government decision to waive penalty, interest and all amount in excess of 4% of tax thereon on all interstate transaction by Cashew dealers was public interest.

2.19 Section 8(5) of the CST Act 1956 empowers the State Government to take decision if is satisfied that it is necessary to do so in public interest by notification in the official gazette.

2.20 In the mean time department realised Rs. 13.33 crore towards tax and 1.35