

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2021-2023)**

EIGHTH REPORT

On

**Action Taken by Government on the Recommendations
contained in the Twentieth Report of the
Committee on Public Accounts
(2001-2004)**

COMMITTEE ON PUBLIC ACCOUNTS
(2021-2023)

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Shri S. V. Unnikrishnan Nair, Secretary

Shri Reji B., Joint Secretary

Shri R. Venugopal, Deputy Secretary

Smt. Shamy J., Under Secretary.

INTRODUCTION

I, Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Eighth Report on Action Taken by Government on the Recommendations contained in the Twentieth Report of the Committee on Public Accounts (2001-2004).

The Committee considered and finalised this Report at the meeting held on 9th February 2022.

Thiruvananthapuram,
16th March, 2022.

SUNNY JOSEPH,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the action taken by the Government on the recommendations contained in the 20th Report of the Committee on Public Accounts (2001-2004).

The 20th Report of the Committee on Public Accounts (2001-2004) was presented in the House on 13th June 2002. The Report contained thirty recommendations related to Taxes Department. The Government was addressed on 25-6-2002 to furnish the Statements of Action Taken on the recommendations contained in the Report and final reply was received on 27-7-2016.

The Committee examined the statements of Action taken in its meetings held on 28-6-2005, 13-9-2006, 10-1-2007, 31-10-2007, 10-4-2012, 15-5-2013, 17-6-2015 and 30-11-2016. The Committee was not satisfied with the Action Taken by the Departments on the recommendations contained in Paragraphs 31, 32, 36, 38 & 49 and decided to pursue further. These recommendations, reply furnished thereon and further recommendations of the Committee are 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 the Government. Such recommendations/comments and their replies are incorporated in the Chapter II of this Report.

CHAPTER I

RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION

TAXES DEPARTMENT

Recommendation

(Sl. No. 6, Para No. 31)

1.1 The Committee notice that there was delay ranging from 24 to 233 months in re-assessing 75 remanded assessments which resulted in blockage of revenue of ₹ 42.01 crore. The Committee feels that the main reason for several cases becoming time barred is the absence of a well defined procedure and
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the absence of an adequate machinery in the Department to take action when the number of cases increased largely. The Committee, therefore, recommend that the procedure of settling the remanded cases and original assessments within three months from the date of receipt of order should be laid down by the Department rather than waiting for the maximum time limit of 4 years.

Action Taken

1.2 The power vested on the appellate authorities to remand assessments as per Section 34 of KGST Act 1963 had been withdrawn by Government w.e.f 23-7-2001 [clause (a) of sub section (3) of Section 34 substituted by F.A. 2001]. Also as per Finance Act 2006 all the pending remanded cases shall be finalized before 31-3-2007.

1.3 Also in order to wipe out all assessments under KGST Act 1963, pending as on 1-4-2007 a new provision under Section 17(D), fast-track system of completing pending assessments has been introduced. As per this section, pending assessments have to be completed by special teams constituted by the CCT for each district. Hence there is no chance of any delay occurring in completion of remanded assessments.

Further Recommendation

1.4 The Committee directs the Department to apprise it of the details regarding the present status of the cases, number of cases pending in the courts, number of cases stayed by the court and the steps taken to settle the other cases.

Recommendation

(Sl. No. 7, Para No. 32)

1.5 The Committee could find no justification for the financial accommodation to the tune of ₹ 99.04 crore granted to 131 assesseees on account of failure in taking intimation of stoppage of business and delay in issue of demand notices. The Committee deplore the tendency of the Department to ignore the time limit prescribed in this regard. The Committee, therefore recommend that stringent action should be taken against the delinquent officers for their lapses.

Action Taken

Para 32 of the PAC Report includes Paras 2.2.7 (i&ii) of C&AG report for the year ended 31-3-1998

Para 2.2.7(i)

1.6 The audit objection pointed out by the AG is that in 10 offices in 52 assessments (15 cases) even though the stoppage of business were intimated to the department, delay ranging from 20 to 132 months had occurred in finalizing their assessments. Short levy worked out is ₹ 372.49 lakhs.

1.7 On the 15 cases AG has specifically mentioned only 7 major cases (28 assessments) and not listed out the details of the balance 8 cases (24 cases). After a lapse of 20 years and more and dislocation of files in connection with switch over from KGST regime to VAT regime it is practically difficult to come across with the assessment records concerned in many offices despite earnest attempt made from the side of the present officers.

1.8 The procedure followed in circle offices for distribution of files is on alphabetical basis. The allocation of alphabet order may change some times on direction from higher authorities. As per rules, the assessment under KGST was to be completed within 4 years from the year to which the assessment relates. When an assessment record was traced out now, the name of officer who has completed the assessment alone can be ascertained. But whether he is responsible for the delay in completing assessment or not, or the name of officer who ought to have completed the assessment cannot be confirmed for the reasons stated above at this juncture and in the distance of time. The action taken report on major cases pointed out by AG is submitted as under.

I. AC., Special II., Kozhikode

Santhilal K. Dev, Rajhums Spices 1981-82 to 1984-85

The observation of AG is that there is delay of 31 to 122 months in completing the assessments. Short levy of ₹ 150.23 lakhs.

The assessment were completed by the following officers as detailed below:

Year of Assessment	Date of order	Name of Officer	Date of Retirement
81-82	14-9-1998	T. M. Velayudhan	1-11-2009
82-83	10-11-1999	C. Satheendran	25-1-2000
83-84	19-2-1997	T. M. Velayudhan	1-11-2009
84-85	19-2-1997	T. M. Velayudhan	1-11-2009

II. AC., Special II., Kozhikode

Chandrabanu Gupta

M/s. Davesh Spices, Kkd 1981-82 to 1988-89

The observation of AG is that there is delay of 31 to 122 months in completing the assessment. Short levy of ₹ 77.03 lakhs.

Year of Assessment	Date of order	Name of Officer	Date of Retirement
81-82 & 82-83	10-12-1996	P A Syed Mohammed Musthafa	30-10-2007
83-84 to 88-89	11-12-1996	-Do-	-Do-

III. First Circle, Tvpm

M. Ashraf, Ashraf Stores, Kkd 1986-87 to 1993-94

The observation of AG is that there is delay of 20 to 39 months in completing the assessment. Short levy of ₹ 30.71 lakhs.

The assessment records are not traceable. The officers who worked for the period (1987 to 1995) were Sarva Shree Selvarajan Nadar, V. Surendran, P. Babu, P. Soman, R. Sreedharan Pillai, P. Parameswaran Nair, K. Krishna Pillai and Smt. P. Sudhadevi, who were retired from service before 2005.

IV. AC., Special Circle -II, Kkd**E. P. Rehman, Peeyar Traders, Kkd 1984-85**

The observation of AG is that there is delay of 31 to 122 months in completing the assessment. Short levy of ₹ 23.42 lakhs.

The assessing authority has informed that even after earnest efforts the assessment records could not be traced out. So the officer who have completed or ought to have completed the assessment cannot be established.

V. AC., Special Circle, Tvpm**M/s. East Land Combines, Trivandrum**

The observation of AG is that there is 96 months delay in completing the assessment. Short levy of ₹ 17.48 lakhs.

The assessment for the year 1984-85 to 86-87 were completed by Smt. P. Sivasudha devi who retired form service on 31-3-2010. The arrears were advised for RR collection.

VI. CTO, First Circle, Ekm**Shri Wilton Korriya, M/s. Jubilee Mosaic Floorings,****Vaduthala (1984-85 to 1986-87)**

The observation of AG is that there is 78 months delay in completing the assessment. Short levy of ₹ 10.05 lakhs.

Dealer has closed the business on 31-3-1988 and the assessment for the above year was completed on 30-11-94 by Shri P. A. Raghavan, CTO (Rtd). The date of retirement is 30-11-2004.

VII. AC., Special Circle -II, Ekm**M/s. Pearlite Wire Products**

The observation of AG is that there is 25 to 41 months delay in completing the assessment. Short levy of ₹ 7.95 lakhs.

The present assessing authority has informed the assessment of the dealer for the year 79-80 was completed by Shri V. K. Abdul Jabbar on 31-8-1996 and he already retired from the service on 30-6-2012. The assessing authority has further

reported that the company went on liquidation and property were in the custody of official liquidator and on this ground District Collector, Ernakulam returned the RRC. The officer also has reported that the Ministry of Corporate Affairs intimated that 26B of KGST is applicable only in the case of a running business. If a company is liquidated, provision of Companies Act section 529A if applicable and it has overriding effect in State Sales Tax Act.

Para 2.2.7 (ii) of the C&AG Report.

Delay in issue of Demand Notice

The audit observation of the C&AG is that in 16 offices, in 184 assessments of 116 assesses there is delay ranged from 3 to 48 months. Tax involved in the cases is ₹ 9531.69 lakhs.

On a close reading of C&AG observation it seems that the amount of ₹ 9531.69 lakhs represents for tax amount involved in the cases where there is delay in despatching demand notices. It does not mean that the State has lost the said amount due to delay in the service of demand notice. What would have lost is the interest on the tax amount. It would come to a very small amount.

On the 116 cases (184 assessments) C&AG has specifically pointed out only 15 cases (41 assessment) and not listed out the balance no. of cases and assessments. After a lapse of 20 years and more and dislocation of files in connection with switch over from KGST regime to VAT regime it is practically difficult to come across with the assessment records concerned in many offices despite earnest attempt made from the side of the present officers.

Even though the files were being distributed among officers in a circle on the basis of alphabets starting from A to Z, sometimes there were changes in the allocation of alphabets depending upon the situations and direction from higher authorities. Therefore even if the assessment records are traced out the name of officer who are responsible for delay in issuing demand notice within the period prescribed by the statute cannot be confirmed.

However the assessment records called for and verified on 31-12-2013 and 3-1-2014. Action taken report on major 15 cases (41 assessments) pointed out by the C & AG is submitted as under.

1. Special Circle-II., Ekm**Premier Cables 1988-89 to 1990-91**

AG has observed 3 months delay in issuing of demand notice in this case. Tax involved is ₹ 767.18 lakhs.

All the assessments were completed by Shri V. K. Abdul Jabbar on 31-8-1996 who already retired from service on 30-6-2012. The present AC has informed that the company went in liquidation and properties were in custody of the official liquidator and in all the cases the Dist. Collector, Ernakulam returned the RRC on the point that if a company is liquidated, provisions of Companies Act is applicable and it has overriding effect on State Sales Tax.

2. Special Circle-II., Kollam**Punalur Paper Mills**

AG has observed 3 months delay in issue of demand notice in this case. Tax involved ₹ 759.01 lakhs.

The present AC has reported that for revival of the company as per G. O. (Ms.) No. 180/10/ID dated 20-8-2010 of Industries (G) Department after giving certain relief the Govt. have fixed the arrears at ₹ 2.27 crores and this has been collected. Hence there is no short levy.

3. Special Circle II, Ekm**Premier Cables 1984-85 to 1986-87**

AG has observed 4 months delay in issue of demand notice in this case. Tax involved is ₹ 358.53 lakhs.

All the assessments were completed by Shri V. K. Adul Jabbar on 31-8-1996 who already retired from service on 30-6-2012. The present AC has informed that the company went in liquidation and properties were in the custody of the official liquidator and in all the cases the Dist. Collector, Ernakulam returned the RRC on the point that if a company is liquidated provisions of Companies Act is applicable and it has overriding effect on State Sales Tax.

**4. AC, Special Circle, -II., Ekm
Premier Cables 1987-88**

AG has observed 3 months delay in issue of demand notice in this case. Tax involved is ₹ 311.60 lakhs.

All the assessments were completed by Shri V. K. Abdul Jabbar on 31-8-1996 who already retired from service on 30-6-2012. The present AC has informed that the company went in liquidation and properties were in the custody of the official liquidator and in all the cases the Dist. Collector Ernakulam returned the RRC on the point that if a company is liquidated, provisions of Companies Act is applicable and it has overriding effect on State Sales Tax.

**5. AC, Special Circle-II., Ekm
M/s. Videocon International**

AG has observed 4 months delay in issue of demand notice in this case. Tax involved is ₹ 120.02 lakhs.

The original assessment was completed on 16-2-1997. But demand notice was issued only on 16-7-1997. Thus there was a delay of 4 months. The original assessment was remanded in appeal and the case was again completed exparte on 30-10-1999. The dealer again filed appeal and the DC (A) remanded the case for fresh disposal in his order dated 15-2-2000. The remanded assessment was completed on 30-11-2003 with excess payment adjusted to 93-94. Original assessment was completed by Shri V. K. Abdul Jabbar who already retired from service on 30-6-2012. There is no short levy of interest.

**6. Special Circle, -III, Ekm
Tamil Nadu Cement Corporation 1986-87 & 1987-88**

AG has observed 12 months delay in issue of demand notice in this case. Tax involved ₹ 93.16 lakhs.

The assessment in this case was completed on 30-12-1993. But date of issue of demand notice is 19-1-1995. The present AC has informed that the file is not traceable after earnest efforts and so the name of the officer who completed the assessment and responsible for inordinate delay in despatching the demand notice cannot be located.

7. AC, Special Circle-II, Ekm
M/s. Expo Machinery 1992-93

AG has observed 7 months delay in issue of demand notice in this case. Tax involved ₹ 49.07 lakhs.

The original assessment in this case was completed by Shri M. M. Radhakrishnan who retired from service on 30-8-2006. The assessment was modified in appeal and modified order issued on 30-11-1997. As per the modified order no balance outstanding against the dealer.

8. Special Circle-II, Ekm
Pearlite Wire Products 1985-86 to 1992-93

AG has observed 9 months delay in issue of demand notice in this case. Tax involved ₹ 31.70 lakhs.

All the assessments were completed by Shri V. K. Abdul Jabbar on 31-8-1996 who already retired from service on 30-6-2012.

The present AC has informed that the company went in liquidation and properties were in the custody of the official liquidator and in all the cases the Dist. Collector, Ernakulam returned the RRC on the point that if a company is liquidated provisions of Companies Act is applicable and it has overriding effect on State Sales Tax.

9. AC, Special Circle-II, Ekm
M/s. Crompton Greaves

AG has observed 7 months delay in issue of demand notice in this case. Tax involved ₹ 25.41 lakhs.

In this case assessment was completed by Shri M. M. Radhakrishnan who retired from service on 30-8-2006 denying sale in transit. Assessee went in appeal and Tribunal allowed exemption to all sale in transit and no amount is due from the assessee. Hence no short levy.

10. First Circle, Ernakulam
M/s. Taj Sea Foods 1980-81 to 1985-86

AG has observed 15 months delay in issue of demand notice in this case. Tax involved ₹ 18.58 lakhs.

The present AC has reported that even after earnest efforts she was unable to trace out the assessment records and so not in a position to report the name of the officer who has completed the assessment.

11. Special Circle-II, Ekm

M/s. Blue Star. 1984-85 & 1985-86

AG has observed 7 months delay in issue of demand notice in this case. Tax involved ₹ 17.96 lakhs.

The assessment for the years were originally completed on 28-2-1987. This was challenged in appeal and the DC(A) in order dated. 24-4-1990 remanded the case for fresh disposal. Accordingly the assessment was completed on 30-12-1996, but demand notice served belatedly. This was again challenged in appeal and the Addl. DC(A), Ekm in order dated. 22-1-1998 directed to allow the compounding application of the contract work filed by the assessee after verifying the facts. Accordingly the assessment were modified in which the balance dues were considerably reduced. The assessee paid the amount fully under amnesty scheme. The original assessment in these cases were completed by Shri M. M. Radhakrishna, AC, already retired from service on 30-8-2006.

12. Special Circle-II, Ekm

Pearlite Wire Products 1980-81 to 1982-83

AG has observed 9 months delay in issue of demand notice in this case. Tax involved ₹ 17.49 lakhs.

All the assessments were completed by Shri V. K. Abdul Jabbar on 31-8-1996 who already retired from service on 30-6-2012. The present AC has informed that the company went in liquidation and properties were in the custody of the official liquidator and in all the cases the Dist. Collector, Ernakulam returned the RRC on the point that if a company is liquidated, provisions of Companies Act is applicable and it has overriding effect on State Sales Tax.

13. Third Circle, Kozhikode

Chelloth Estate. 1984-85 to 1989-90

AG has observed 4 months delay in issue of demand notice in this case. Tax involved ₹ 16.15 lakhs.

The original assessment completed by Shri P. A. Jayachandran who already retired from service on 31-5-2004. The delay in fair copying the assessment order and tracing out chalan or ensuing the payment created delay in serving demand notice in this case.

14. Special Circle-I, Ekm

M. P. Kesavan & Co. 1981-82 to 1984-85

AG has observed 7 months delay in issue of demand notice in this case. Tax involved ₹ 13.68 lakhs. The date of order is 31-7-1995 and the date of issue of demand notices 22-3-1996. The present AC has informed that the assessments under question were completed by Shri C. A. Sadasivan, AC who already retired from service on 21-5-2004.

15. Special Circle-I, Ekm

Solidaire India Ltd. 1993-94

AG has observed 32 months delay in issue of demand notice in this case. Tax involved ₹ 10.88 lakhs.

The assessment in this case has been completed by Shri P. C. Joseph, is now Deputy Commissioner under suspension. In this case the tax and surcharge due were ₹ 50,48,663.62 and ₹ 5,04,865.55 respectively. On service of the order the dealer informed that he has remitted the amount in full. On further verification of the records it is seen that in addition to the credit given in the order chalan for ₹ 7,10,217 and bank statement for ₹ 3,80,105 are filed in the assessment records. But the chalan for the same is not filed. Considering this there is no dues outstanding in this case.

1.15 In this para, (Para 2.2.7(i) and 2.2.7(ii) of the C&AG report for the year ended 31-3-1998) the PAC has ordered to take disciplinary action against the officers concerned and realise the amount due to Government. In this connection it may please be seen that out of short levy of ₹ 99.04 crore reported by C&AG ₹ 95.31 crores relates to the defects pointed out on para 2.2.7(ii). On a close reading of C&AG observation it seems that the amount of ₹ 9531.69 lakhs represents for tax amount involved in the cases where there is delay in despatching demand notices. It does not mean that the state has lost the said amount due to

delay in the service of demand notice. What would have lost is the interest on the tax amount. It would come to a very small amount. On the 22 cases tabulated by C&AG, after earnest efforts the department was able to trace out the assessment records relating to 18 cases but it may kindly be noted that the details of the officers responsible for the revenue loss on whom disciplinary action has to be initiated cannot be identified.

Recommendation
(SI No. 11, Para No. 36)

1.9 The Committee do feel that the Department ought to have taken deterrent action in cases of bonafide omission to levy and collect interest amounting to ₹ 2.41 crore from the assesseees and revenue recovery cases. The Committee, therefore, recommend that responsibility should be fixed in this regard and immediate action should taken to realise the money due to Government.

Action Taken

Para 36 of the PAC Report includes para 2.2.9(i&ii) of the C&AG Report ended on 31-3-1998

Para 2.2.9(i)
Realization of interest

1.10 In this para AG has observed that in 6 offices in the case of 7 assesseees interest due on admitted tax remaining unpaid as per annual return of the preceding year as provided under section 23(3) of the KGST Act 1963 was not demanded. Short levy ₹ 197.37 lakhs.

1.11 Even though the files were being distributed among officers in a circle on the basis of alphabets starting from A to Z, sometimes there were changes in the allocation of alphabets depending upon the situations and direction from higher authorities. Therefore even if the assessment records are traced out the name of officer who are responsible for delay in issuing demand notice within the period prescribed by the statute cannot be confirmed.

1.12 However the assessment records called for and verified on 31-12-2013 and 3-1-2014. Action taken report on the cases tabulated by C&AG is submitted as under.

1. Special Circle-I, Ekm
M/s. Madhu Steel Co.
1987-88 to 1991-92

In this case AG has observed omission to levy interest of ₹ 69.28 lakhs.

Shri C. A. Sadasivan who completed the assessment already retired from service on 21-5-2002 and the amount is advised for collection under RR. The present AC has reported that the RC was already cancelled and RR is still pending before the District Collector, Jaipur.

2. Special Circle, Tvpm
M/s. Kerala State Beverages Corporation

In this case AG has observed omission to levy interest of ₹ 47.39 lakhs.

In order dated 30-11-1996 the assessment for the year 1989-90 was finalized demanding tax and surcharge of ₹ 37,47,839 and ₹ 51,735 respectively. Subsequently the assessment for 1988-89 revised on 1-8-1998 creating an excess of ₹ 29,76,211. This was adjusted for the year 1989-90 and the balance tax and surcharge due reduced to ₹ 8,23,360. The assessee paid this amount as per challan No. 660 dated 4-3-1998. Accordingly the assessee is liable to pay interest @ 23% only till 3-3-1998 i.e.; ₹ 1,89,438. The assessee has paid the entire amount on 29-9-2005. The assessment was completed by S. Ramachandran who expired on 23-8-2000. There is no short levy in this case.

3. Special Circle -I, Kollam
M/s. Travancore Plywood Industries 1983-84 to 1993-94

In this case AG has observed omission to levy interest of ₹ 31.34 lakhs.

The assessment for the years 1983-84, 1986-87 and 1987-88 were completed by Smt. K. K. Maheswari Amma, for the year 1984-85 by Shri P. Sankaran Nair and for the years 1988-89 to 1993-94 by Shri K. Jayamohan Pillai who were all retired from service on 31-8-1994, 31-5-2004 and 31-3-2010 respectively. The present AC has reported that the firm a public sector undertaking availed the benefit of amnesty scheme and settled the dues. No short levy.

4. Special Circle-I, Ekm
Madhu Trading Agencies. 1987-88 to 1991-92

In this case AG has observed omission to levy interest of ₹ 22.80 lakhs.

The assessment for the year 1987-88 has been completed by Shri N. Ananthan, AC and for the years 1988-89 to 1991-92 by Shri C. A. Sadasivan who were already retired from service. The present AC reported that the RC was already cancelled and the RR is still pending before the District Collector, Jaipur.

5. Special Circle -II, Kozhikode
Ali koya K.M. Ahammed Koya & Co. 1989-90

In this case AG has observed omission to levy interest of ₹ 22.63 lakhs.

The present AC has informed that the assessment records could not be traced after the earnest effort and so the assessing authority who is responsible for the short levy could not be ascertainable. The AC has also informed that the assessment is completed as exparte as the business has been stopped long back and whereabouts of the party is not known. The demand created for 1981-82 to 1991-92 was advised for RR and the same was returned by the RR authorities as the business was defunct and partners had no movable or immovable properties so as to realize the amount. Fresh RRC is issued in this case.

6. First Circle, Tvm
M/s. Navarang Agencies

In this case AG has observed omission to levy interest of ₹ .2.90 lakhs.

The assessment records are not traceable. The officers who worked for the period (1987 to 1995) were Sarvasree Selvarajan Nadar, V. Surendran, P. Babu, P. Soman, R. Sreedharan Pillai, P. Parameswaran Nair, K. Krishna Pillai and Smt. P. Sudhadevi who were all retired from service before 2005. In the absence of records it is not ascertainable as to whether interest was levied/demanded from the dealer subject to audit.

7. Special Circle-II, Ekm
M/s. Parry & Co.

In this case AG has observed omission to levy interest of ₹ 1.09 lakhs.

The present AC has informed that the assessment records could not be traced after earnest efforts and so the officer who is responsible for the short levy cannot be ascertained. However, present assessing authority has reported that the assessment in this case was completed within the due tenure.

Para 2.2.9 (ii)**Non-recommendation of interest at the time of advice for revenue recovery**

The audit objection pointed out by C&AG is that in 6 offices in 9 cases when the arrear dues were recommended for revenue recovery interest due up to the date of advice of revenue recovery was not being included in the requisition slip sent to the revenue authorities. Short levy worked out is ₹ 27.28 lakhs.

1. CTO, Neyattinkara**Paul Anand**

AG has observed that interest amount of ₹ 6.48 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The present CTO has informed that the assessment records could not be traced out after earnest efforts and so the officer who is responsible for the short levy cannot be ascertained.

2. Special Circle-III, Ekm**M/s. Stallion Tyres Ltd. 1986-87 to 1989-90**

AG has observed that interest amount of ₹ 5.62 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

As per the rules the assessing authorities shall advise the amount of interest in the RRC worked out up to the time of advice with a request to collect the interest due thereon till the collection of tax. The present AC has reported that the assessing authority completed the assessment exparte. The arrears are pending for collection before the District Collector, Hyderabad. The AC has further disclosed that details of officer responsible for not levying the interest cannot be identified in the absence of assessment records.

3. CTO, Changanassery**Wilson P. Antony 1985-86**

AG has observed that interest amount of ₹ 5.12 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The present AC has informed that the assessment records for the year is not traceable after earnest efforts and so the officer who is responsible is also cannot be located. But she has informed that during 2008-09 the dealer had paid the full amount in four instalment under amnesty scheme 2008-09. Therefore the audit observation does not exist now.

4. CTO, Neyattinkara
P. K. Subbaiyya Pillai

AG has observed that interest amount of ₹ 3.94 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The present CTO has informed that the assessment records could not be traced out after earnest efforts and so the officer who is responsible for the short levy cannot be ascertained.

5. CTO, Fourth Circle., Thrissur
P. K. Johnson, Pattara Industries 1990-91 to 1992-93

AG has observed that interest amount of ₹ 2.44 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The present CTO has reported that the original assessment is remanded for fresh disposal by the DC in *suo-moto* revision. The objection raised by the audit party on levy of interest is not sustainable in this case. Subsequently assessment orders for the years 1990-91 and 1992-93 were completed afresh on 11-8-2003 and the arrears were advised under RR with interest. Therefore no short levy exists now.

**6. First Circle, Tvp
 Navarang Agencies**

AG has observed that interest amount of ₹ 1.92 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The assessment records are not traceable. The officers who worked for the period (1987 to 1995) were Sarvasree Selvarajan Nadar, V. Surendran, P. Babu, P. Soman, R. Sreedharan Pillai, P. Parameswaran Nair, K. Krishnan Pillai and Smt. P. Sudhadevi who were all retired from service before 2005.

**7. First Circle, Tvp
 G. Sugathan**

AG has observed that interest amount of ₹ 0.96 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The assessment records are not traceable. The officers who worked for the period (1987 to 1995) were Sarvasree Selvarajan Nadar, V. Surendran, P. Babu, P. Soman, R. Sreedharan Pillai, P. Parameswaran Nair, K. Krishna Pillai and Smt. P. Sudhadevi who were all retired from service before 2005.

8. First Circle, Tvpm**R. Gokhila**

AG has observed that interest amount of ₹ 0.48 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The assessment records are not traceable. The officers who worked for the period (1987 to 1995) were Sarvasree Selvarajan Nadar, V. Surendran, P. Babu, P. Soman, R. Sreedharan Pillai, P. Parameswaran Nair, K. Krishna Pillai and Smt. P. Sudhadevi who were all retired from service before 2005.

9. Second Circle, Kollam**G. Venugopal, M/s. Kilikollur Wines, Kollam**

AG has observed that interest amount of ₹ 0.32 lakhs due as on the date of advice of revenue recovery was not specifically mentioned in the RRC.

The final assessment of the dealer for the year 1988-89 was modified by the STAT in its order No. TA87/04 dated: 17-12-2004. In the modified order interest was recomputed u/s 55(c) of the KGST Act and the balance demand intimated to the Tahsildar, Kollam on 19-1-2005. The interest due is ₹ 2,371 and the same was collected by the Tahsildar, Kollam. No interest dues outstanding at present against the dealer. So the audit observation does not exist.

In this para, (para 2.2.9 (i) and (ii) of the C&AG Report for the year ended 31-3-1998) the PAC has ordered to take disciplinary action against the officers concerned and realize the amount due to Government. On the 16 cases tabulated by AG [7 cases on para 2.2.9(i) and 9 cases on para 2.2.9(ii)], the short levy pointed out on 5 cases- ₹ 86.55 lakhs does not exist now out of ₹ 224.65 lakhs reported. Out of the 16 cases after earnest efforts the Department was able to trace out the assessment records relating to 7 cases only. It may kindly be noted that the details of the officers responsible for the revenue loss on whom disciplinary action has to be initiated cannot be identified.

Recommendation

(Sl. No. 13, Para No. 38)

1.13 With regard to the collection of interest of ₹ 16.03 lakh omitted to be collected in four Revenue Recovery cases [para 2.2.9(iii)] the Committee observe that even after knowing the supervisory lapse, the Department did not bother to initiate any action. The Committee, therefore recommend that disciplinary action should be initiated against the delinquent officials for the lapses in not checking the non levy of interest and for the evident inaction.

Action Taken

Para 38 of the PAC Report is para 2.2.9 (iii) of the C&AG report for the year ended 31-3-1998

1.14 The C&AG has reported that in 4 cases the assessing authority has not verified whether interest for belated remittance was also collected by RR authorities which was resulted in short levy of ₹ 16.03 lakhs.

1.15 Collection of interest was not verified. Short levy pointed out is ₹ 16.03 lakhs in 4 cases.

1.16 Even though the files were being distributed among officers in a circle on the basis of alphabets starting from A to Z, sometimes there were changes in the allocation of alphabets depending upon the situations and direction from higher authorities. Therefore even if the assessment records are traced out the name of officer who are responsible for delay in issuing demand notice within the period prescribed by the statute cannot be confirmed.

1.17 However the assessment records called for and verified on 31-12-2013 and 3-1-2014. Action taken report on the cases tabulated by C&AG is submitted as under:

1. Special Circle-III, Ernakulam

M/s. Kerala Electrical and Allied Agencies

The observation of AG is that interest of ₹ 10.19 lakhs was not recovered by the RR authorities while collecting the arrears advised for RR.

The dealer challenged the original order (on which AG has raised objection) before the 1st and 2nd appellate authorities. STAT Ekm vide order dated 31-3-2003, modified the appeal and based on this assessment completed on 2-2-2003. The balance tax dues were paid by the assessee under amnesty scheme. So the audit objection does not exist.

2. Second Circle, Tvm

K. Krishnan Nadar, S. K. Arrack & Co.

The observation of AG is that interest of ₹ 4.87 lakhs was not recovered by the RR authorities while collecting the arrears advised for RR.

The present CTO has reported that the original assessment is remanded for fresh disposal by the DC in *suo-moto* revision. The objection raised by the audit party, non-levy of interest is not sustainable in this case. Subsequently assessment orders for the years 1990-91 and 1992-93 were completed afresh on 11-8-2003 and the arrears were advised under RR with interest. Therefore no short levy exists now.

3. CTO, Thiruvalla

M/s. Mathai Cyriac & Sons

The observation of AG is that interest of ₹ 0.86 lakhs was not recovered by the RR authorities while collecting the arrears advised for RR.

The present CTO has reported that for the year 1993-94 considering the audit objection assessment revised in order dated 23-3-1999 and the assessee has made an excess remittance of ₹ 1,07,652 for 1993-94 and LAR file for 1996-97 has been closed by AG vide Lr. No. SRA (HQ)M/ST-I/16/Misc./2007-08/671 datd 26-3-2008.

4. CTO, Changanassery

Mary Mammen

The observation of AG is that interest of ₹ 0.11 lakhs was not recovered by the RR authorities while collecting the arrears advised for RR.

The present CTO has informed that assessment records for the year is not traceable after earnest efforts and so the officer who is responsible for the irregularity cannot be located.