

CHAPTER III

REVENUE RECEIPTS

CHAPTER-III

REVENUE RECEIPTS

3.1 Trend of revenue receipts

3.1.1 The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India (GoI) during the year 2018-19 and the corresponding figures for the preceding four years are mentioned in **Table 3.1**.

Table 3.1: Trend of revenue receipts

(₹ in crore)						
Sl. No.	Category	2014-15	2015-16	2016-17	2017-18	2018-19
I	Revenue raised by the Government					
	(a) Tax revenue	1,992.74	2,260.34	2,401.21	2,805.55	3,188.75
	(b) Non-tax revenue	1,300.36	1,137.75	1,245.37	1,373.73	1,583.89
	Total (I)	3,293.10	3,398.09	3,646.58	4,179.28	4,772.64
II	Receipts from GoI – Grants-in-aid	1,464.80	1,689.86	1,736.37	1,823.39	1,627.77
III	Total receipts of the Government (I + II)	4,757.90	5,087.95	5,382.95	6,002.67	6,400.41
IV	Percentage of I to III	69	67	68	70	75

(Source: Finance Accounts of the respective years)

During the year 2018-19, the revenue raised (₹ 4,772.64 crore) by the Union Territory Government was *75 per cent* of the total revenue receipts (₹ 6,400.41 crore), as against *70 per cent* in the preceding year. The balance (₹ 1,627.77 crore) *25 per cent* of the receipts during 2018-19 were obtained from the GoI as grants-in-aid and contributions.

3.1.2 The details of tax revenue raised during the period from 2014-15 to 2018-19 are given in **Table 3.2**.

Table 3.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Percentage of increase (+)/decrease (-) in 2018-19 over 2017-18
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Goods and Services Tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	851.31	925.00	1,499.04	(+) 76.09
2	Taxes on Sales, Trade, etc.	1,380.00	1,313.13	1,510.00	1,438.89	1,600.00	1,576.48	1,725.00	1,008.45	1,100.00	632.01	(-) 37.33
3	State Excise	560.00	544.67	630.00	673.75	775.00	671.27	700.00	769.92	800.00	850.81	(+) 10.51
4	Stamp Duty and Registration Fees	96.00	74.96	115.00	76.37	100.00	65.50	80.00	70.50	100.00	91.89	(+) 30.34
5	Taxes on Vehicles	63.00	58.46	83.00	69.34	83.00	86.94	92.00	104.29	115.00	114.17	(+) 9.47
6	Land Revenue	0.80	1.30	1.75	1.93	1.75	1.02	2.62	1.08	2.62	0.83	(-) 23.15
7	Others	0.20	0.22	0.25	0.06	0.25	Nil	0.38	Nil	0.38 ¹	Nil	--
Total		2,100.00	1,992.74	2,340.00	2,260.34	2,560.00	2,401.21	2,600.00	2,805.55	3,043.00	3,188.75	

(Source: Finance Accounts of the respective years)

The tax revenue increased from ₹ 2,806 crore in 2017-18 to ₹ 3,188 crore in 2018-19 by ₹ 382 crore (13.61 *per cent*) over the previous year. It was mainly due to increase in collection under Goods and Services Tax (₹ 647 crore), State Excise (₹ 80 crore), Taxes on Vehicles (₹ 10 crore). However, taxes on Sales, Trade decreased by ₹ 376 crore (37.33 *per cent*) in 2018-19.

3.1.3 The details of Non-tax revenue raised during the period from 2014-15 to 2018-19 are given in **Table 3.3**.

Table 3.3: Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Percentage of increase (+) / decrease (-) in 2018-19 over 2017-18
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	1,220.00	1,159.92	1,300.00	990.60	1,200.00	1,116.21	1,253.00	1,197.17	1,310.00	1,352.96	(+) 13.01
2	Interest Receipts, Dividends and Profits	81.62	93.28	93.28	91.88	97.10	66.45	72.10	98.90	92.58	95.05	(-) 3.89
3	Medical and Public Health	10.97	9.15	12.54	16.58	19.01	13.51	14.01	16.64	22.63	26.48	(+) 59.13
4	Education, Sports, Art and Culture	1.00	0.99	1.14	2.22	2.44	1.07	2.44	1.25	2.44	6.72	(+) 437.60
5	Crop Husbandry	0.41	0.43	0.47	0.66	0.72	1.23	1.32	1.13	1.32	0.93	(-) 17.70
6	Other receipts ²	46.00	36.59	52.57	35.81	50.73	46.90	57.13	58.64	98.03	101.75	(+) 73.52
Total		1,360.00	1,300.36	1,460.00	1,137.75	1,370.00	1,245.37	1,400.00	1,373.73	1,527.00	1,583.89	

(Source: Finance Accounts of the respective years)

¹ Under the head “Other Taxes and Duties on Commodities and Services”.

² Other receipts includes receipts under head “Other Administrative Services”, “Water Supply & Sanitation”, “Ports & Light Houses”, “Housing” and “Miscellaneous General Services” etc.

The non-tax revenue receipts increased from ₹ 1,374 crore in 2017-18 to ₹ 1,584 crore in 2018-19. The increase was mainly on account of increase of receipts under Education, Sports, Art and Culture and in other non-tax receipts.

3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 under the principal heads of revenue amounted to ₹ 929.26 crore, of which, ₹ 433.84 crore were outstanding for more than five years as detailed in **Table 3.4**.

Table 3.4: Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
1	Accounts and Treasury	2.86	0.05	Arrears related to audit fee from Religious Institutions.
2	Agriculture	0.27	0.27	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services.
3	Commercial Taxes	289.00	195.60	Arrears related to collection of tax under PGST/ CST and VAT Acts, major portion is sub-judice.
4	Co-operative	0.30	0.07	Arrears being Audit fees due from societies under dormant or liquidation conditions.
5	Electricity	541.33	198.73	Arrears were due to non-payment of electricity charges.
6	Excise	60.00	27.35	Arrears were mainly due to non-payment of kist by the lessees of arrack and toddy shops.
7	Fisheries and Fishermen Welfare	0.03	0.03	Arrears of lease amount on fish farm at Coringa river at Yanam.
8	Government Automobile Workshop	1.14	0.78	Arrears were due from Government Departments towards sale of petrol, oil, lubricants and work bills.
9	Hindu Religious Institutions and Wakf Board	0.81	0.48	Arrears were due to shortfall in collection of dues from temples.
10	Industries and Commerce	0.10	0.10	Arrears related to rent due from defunct industrial units.
11	Information and Publicity	0.12	0.12	Rent due from Government Guest House and Guest House Canteen rent. Concerned Department has been requested to send write-off proposal to the Government.
12	Judicial	0.06	0.04	Arrears in payment of fines and also forfeitures were due to accused undergoing imprisonment in some cases and pendency of appeal in Courts.
13	Public Works	32.39	9.98	Details not furnished by the Department.

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
14	Stationery and Printing	0.67	0.17	Pendency related to non-recovery of dues from Government Departments for stationery and printing, sale of Gazettes, press receipts etc.
15	Tourism	0.17	0.06	Arrears being rent due from Guests / Government officials towards room rent. Proposal for waiver of ₹ 0.68 lakh being rent due from expired individuals is under progress.
16	Town and Country Planning	0.01	0.01	Arrears related to final cost of plots due from the allottees of LAD housing scheme. Action initiated by Department for recovery of dues.
Total		929.26	433.84	

(Source: Details furnished by respective Departments)

Adi-Dravidar Welfare Department, District Rural Development Agency, Local Administration Department, Revenue and Disaster Management Department and Transport Department did not furnish (April 2020) the details of arrears of revenue.

The table further indicates that the amount of uncollected revenue as on 31 March 2019 was about 29 *per cent* of the total revenue raised by the Government during the year 2018-19. Necessary arrangements are required to be taken to collect the arrears in a time bound manner.

3.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commercial Taxes Department (CTD), in respect of Value Added Tax (VAT), are shown in **Table 3.5**.

Table 3.5: Arrears in assessments

Head of revenue	Opening balance	New cases selected during 2018-19	Total assessments due	Cases disposed off during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4) = (2)+(3)	(5)	(6) = (4)-(5)	(7)
VAT Scrutiny Assessment	24,025	Nil	24,025	1,965	22,060	8.18

(Source: Details furnished by Commercial Taxes Department)

As the percentage of disposal was very low, the Department should take adequate steps for speedy finalisation of cases, which were selected for detailed scrutiny.

3.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 3.6**.

Table 3.6: Evasion of Tax

(₹ in lakh)

Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2019
				Number of cases	Amount of demand	
Sales Tax/VAT	285	Nil	285	13	46.97	272

(Source: Details furnished by respective Department)

It would be seen from the above table that finalisation of cases is very low when compared to the total pendency. The Department may institute appropriate measures for finalisation of pending cases, so as to ensure early realisation of revenue.

3.5 Pendency of refund cases relating to Commercial Taxes Department (Goods and Services Tax (GST) and VAT)

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2018-19 relating to Commercial Taxes Department (Goods and Services Tax and Value Added Tax) is given in **Table 3.7**.

Table 3.7: Details of pendency of refund cases

Sl. No.	Particulars	Goods and Services Tax		Value Added Tax	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in lakh)
1.	Claims outstanding at the beginning of the year (as on 1 April 2018)	13	0.10	Nil	Nil
2.	Claims received during the year 2018-19	208	28.55	1	0.50
3.	Total	221	28.65	1	0.50
4.	Refunds made during the year 2018-19	196	26.33	1	0.50
5.	Balance outstanding at the end of the year (as on 31 March 2019)	25	2.32	Nil	Nil

(Source: Replies of concerned Departments)

The PGST Act provides for payment of interest, at the rate of half *per cent* per month, if the excess amount is not refunded to the dealer within 60 days from the date of receipt of refund applications. In case of delay in disposal of refund cases, Government may have to bear liability for payment of interest.

3.6 Response of the Departments/Government towards audit

3.6.1 Inspection Reports

Accountant General (Economic and Revenue Sector Audit), Tamil Nadu (Now Accountant General (Audit-II), Tamil Nadu & Puducherry) arranges periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are, issued to the Heads of offices inspected with copies to the next higher authorities, for taking corrective action. The Heads of offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report compliance to the office of the Accountant General within one month from the dates of issue of the IRs. Serious financial irregularities are also brought to the notice of the Heads of Departments and the Government by the office of the Accountant General.

Inspection Reports issued up to 31 December 2018 disclosed that 807 paragraphs involving ₹ 259.13 crore relating to 217 IRs remained outstanding at the end of June 2019, along with the corresponding figures for the preceding two years, as mentioned in **Table 3.8**.

Table 3.8: Details of pending IRs

Inspection reports	June 2017	June 2018	June 2019
Number of outstanding IRs	214	204	217
Number of outstanding audit observations	940	772	807
Amount involved (₹ in crore)	307.86	253.76	259.13

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

Department-wise details of IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in **Table 3.9**.

Table 3.9: Department-wise details of IRs

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	48	292	109.03
2	Stamp Duty and Registration Fee	76	221	6.24
3	Taxes on Vehicles	51	201	4.43
4	State Excise	42	93	139.43
Total		217	807	259.13

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

The large pendency of the IRs due to non-receipt of the replies is indicative of the failure by Heads of Offices and Department to initiate action to rectify defects, omissions and irregularities pointed out by the AG through the IRs.

3.6.2 Response of the departments to draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by AG 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 replies from the Departments is indicated at the end of each such paragraph included in the Audit Report.

Two draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2019 was forwarded to the Secretaries of Revenue and Transport Departments in August 2019 and March 2020 through demi-official letters. Specific reply had not been received from the Government in respect of one case and the same has been included in the Report without the response of the Secretary of the Departments concerned.

3.7 Response of the Registration Department to the issues raised by Audit

To analyse the system of addressing the issues highlighted in IRs/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 has been evaluated and included in this Audit Report.

The succeeding paragraphs 3.7.1 to 3.7.3 discuss the performance of the Registration Department under revenue head '0030' and cases detected in the course of local audit and also the cases included in the Audit Reports during the last 10 years.

3.7.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 are tabulated in **Table 3.10**.

Table 3.10: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Total			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2009-10	57	150	1.73	7	16	0.21	64	166	1.94	2	8	0.02	62	158	1.92
2010-11	62	158	1.92	8	38	1.14	70	196	3.06	3	9	0.03	67	187	3.03
2011-12	67	187	3.03	1	5	0.04	68	192	3.07	9	36	0.36	59	156	2.71
2012-13	59	156	2.71	5	15	0.09	64	171	2.80	0	7	0.29	64	164	2.51
2013-14	64	164	2.51	7	14	0.06	71	178	2.57	4	13	0.03	67	165	2.54
2014-15	67	165	2.54	5	28	1.92	72	193	4.46	2	5	0.01	70	188	4.45
2015-16	70	188	4.45	5	18	0.26	75	206	4.71	4	8	0.34	71	198	4.37
2016-17	71	198	4.37	5	21	0.74	76	219	5.11	4	8	0.02	72	211	5.09
2017-18	72	211	5.09	3	11	0.97	75	222	6.06	0	2	0.03	75	220	6.03
2018-19	75	220	6.03	3	19	3.03	78	239	9.06	0	0	0.00	78	239	9.06

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

As against 57 IRs involving 150 paragraphs, which were pending at the beginning of 2009-10, the number at the end of 2018-19 had increased to 78 IRs involving 239 paragraphs. This indicates that response to the local audit reports was poor and adequate steps needed to be taken by the Department to clear the outstanding IRs and paragraphs.

3.7.2 Recovery of accepted cases

During the last 10 years, nine draft paragraphs and one Performance Audit involving ₹ 10.88 crore were included in the Revenue Receipts Chapter of the Report of the Comptroller and Auditor General of India, Government of the Union Territory of Puducherry. Department accepted audit observations involving ₹ 2.16 crore and recovered ₹ seven lakh.

3.7.3 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audit was forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in Exit Conference. The Department's/Government's views are considered while finalising the Performance Audit for the Audit Reports.

One Performance Audit on Stamp Duty and Registration Fees was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011. The recommendations contained therein, *viz.*, (i) maintaining a consolidated data of revenue earned and revenue foregone for effective control; (ii) introducing internal control system/internal audit wing for effective monitoring of the functions of the Department through periodical inspections; and (iii) issuing instructions to other Departments concerned for ensuring registration of documents requiring compulsory registration were accepted by the Government. These issues were discussed in the meeting of the Public Accounts Committee held in February 2020. Further action taken by the Government in this regard is awaited (August 2020).

3.8 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 audit observations, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2018-19, the audit universe comprised 33 auditable units; out of which, four units were planned and audited during the year 2018-19, *i.e.*, 12.12 *per cent* of the total auditable units.

3.9 Results of audit

Test check of the records of Stamp Duty and Registration Fee and Taxes on Vehicles conducted during the year 2018-19 revealed under-assessment / short levy amounting to ₹ 3.63 crore in 37 cases. During the course of the year, the Department accepted under-assessments and other deficiencies involving money value of ₹ 0.48 crore in 13 cases and recovered a sum of ₹ 0.40 crore. Out of this, two cases involving ₹ 0.11 crore were pointed out in 2018-19 and the rest in earlier years.

3.10 Coverage of this Chapter

This Chapter contains two draft paragraphs one each in Registration and Transport departments involving money value of ₹ 2.29 crore. The Department accepted audit observations involving ₹ 0.11 crore and collected an amount of ₹ 0.03 crore.

TRANSPORT DEPARTMENT

3.11 Compliance Audit of 'Collection of Tax, Fees and Delivery of Citizen Services by Transport Department, Puducherry'

3.11.1 Introduction

Transport Department, Puducherry renders various statutory services to the motor vehicle owners and general public as per the provisions of the various State and Central Acts and Rules³ made thereunder. These activities include registration of vehicles, conduct of tests for issue of driving licenses and conductor's licences, grant of permits to vehicles, conduct of tests for issue of fitness certificates to vehicles, enforcement of traffic rules and regulations, collection of motor vehicle taxes, road tax and collection of fees for various services etc. Delivery of these services is automated through VAHAN-4.0 and SARATHI-4.0 portal. In addition, issues relating to road safety and control of pollution caused by vehicles also come under the purview of the Transport Department.

3.11.2 Organisational Setup

Puducherry Transport Department is headed by the Transport Commissioner-cum-Additional Secretary to Government (Transport). He is assisted by a Deputy Transport Commissioner. There are three⁴ Regional Transport Offices (RTOs), four⁵ Regional Transport Unit Offices (RTUOs) and a branch office⁶ for implementation of Acts and Rules within the State. Eight⁷ check posts are situated at various borders to check inter-state movement of vehicles. The monitoring and control at the Government level is exercised by the Secretary to Government (Transport).

3.11.3 Audit Objectives

The Audit was undertaken to derive an assurance that:

- the system established for registration of motor vehicles and issue of licences is robust;

³ Motor Vehicles Act, 1988; Central Motor Vehicles Rules, 1989; Pondicherry Motor Vehicles Rules, 1989; Pondicherry Motor Vehicles Taxation Act, 1967; and Pondicherry Motor Vehicles Taxation Rules, 1967.

⁴ Puducherry, Oulgaret and Karaikal.

⁵ Villianur, Bahour, Mahe and Yanam.

⁶ Branch office of the Regional Transport offices Puducherry and Oulgaret is functioning at Mettupalayam.

⁷ Gorimedu, Kanagachettikulam, Madagadipet, Kannaiakoil, Thirukanoor, Vanjore, Ambagarathur and Nandalar.

- the system in place for levy and collection of appropriate taxes and fees is adequate;
- the system of enforcement and internal control mechanisms were in place;
- the delivery of citizen services is efficient and effective.

3.11.4 Audit Criteria

The audit objectives were benchmarked against the criteria drawn from the following sources.

- Motor Vehicles Act, 1988
- Central Motor Vehicles Rules, 1989
- Pondicherry Motor Vehicles Rules, 1989
- Pondicherry Motor Vehicles Taxation Act, 1967
- Pondicherry Motor Vehicles Taxation Rules, 1967
- Notifications / Circulars issued by the Transport Department.

3.11.5 Scope and Methodology

Transactions during the period from 01 April 2016 to 31 March 2019 was covered in the audit. The Data dump of VAHAN and SARATHI provided by the department was analysed and the exception reports generated were physically cross verified in the office of the Transport Commissioner, Puducherry, three RTOs, four RTUOs and a branch office. Apart from the above offices, records relating to eight check posts, Directorate of Accounts and Treasuries and Government Automobile Workshop were also scrutinised.

3.11.6 Acknowledgement

An entry meeting with the officers of the Transport Department was held on 08 October 2019, in which audit objectives, criteria, scope and methodology were explained. Audit acknowledges the co-operation extended by the Transport Department in providing documents / files and dump data available with them for the period up to 31 March 2019. An Exit Conference with the Secretary, Transport Department, Puducherry was held on 08 June 2020. The views expressed by the Government and Department during the Exit Conference have been taken into account and suitably incorporated in the report.

3.11.7 Trend of Vehicle Registration/Revenue

The number of vehicles registered and the revenue realised for the period of audit is summarised in **Table 3.11**:

Table 3.11: Details of vehicles registered and the revenue realised

Year	No. of vehicles registered	Revenue realised (₹ in crore)	Percentage of revenue increase over the previous year
2016-17	67,574	86.94	--
2017-18	67,496	104.29	(+) 19.96
2018-19	64,644	114.17	(+) 9.47

As seen, the registration of total number of new vehicles showed a decreasing trend through the period covered by audit. However, the revenue increased by 19.96 *per cent* during 2017-18 and 9.47 *per cent* during 2018-19, due to increased collection of tax and revision in rates of tax.

Audit Findings

3.11.8 Issues relating to registration and licences

3.11.8.1 Issues related to proof of address

As per Rule 47 of Central Motor Vehicles Rules, an application for the registration of vehicle in 'Form 20' shall be made by the owner of the vehicle to the registering authority within a period of seven days from the date of taking delivery of the vehicle along with original sale certificate, valid insurance and proof of address by way of documents prescribed. As per Rule 48 of Central Motor Vehicles Rules, the registering authority, on receipt of the said application and after verification of the documents furnished therewith, shall issue the registration certificate for the vehicle within the period of thirty days from the receipt of such application.

Audit analysis of data by the department revealed that vehicles were registered at Puducherry by persons from other States and the department accepted affidavits indicating current address in Puducherry as documentary evidences for registering vehicles. Audit queried and selected records of vehicles registered with identical addresses. Analysis showed that 11,454 vehicles were registered during the period from 2016-17 to 2018-19 by individuals who had permanent address in other States. Further data analysis of the pattern of registration indicated that different owners had furnished, by declaration through affidavits, the same current addresses in Form 20 for the purpose of registration. Similar current addresses were repeated in respect of eight to 44 vehicle owners, as the data revealed. During the three-year period, Audit noticed that 117 registrations involved only five current addresses. These registrations presumably were aimed at paying lower Motor Vehicle Tax rates, which were higher in the registrants' native States. The owners of 117 vehicles took advantage of lower tax levied in Puducherry using the provisions of Rules to quote a temporary/current address and paid a tax of ₹ 0.40 crore in Puducherry as against ₹ 2.48 crore payable in their native States on a total value of vehicles of ₹ 20.49 crore, as detailed in **Appendix 3.1**.

During the Exit Conference, the department accepted the observation and stated (June 2020) that the details given in Form 20 are to be compared with the details

of vehicles as per Section 44 of Motor Vehicle Act and this does not cover the verification of genuineness of address. It was further stated that the rate of tax has since been increased in 2018 and the issue of multiple vehicles using same address would be looked into by the department.

3.11.8.2 *Non-renewal of registration of non-transport vehicles*

According to Rule 52(3) of Central Motor Vehicles (CMV) Rules, 1989, a motor vehicle other than a transport vehicle shall not be deemed to be validly registered for the purposes of Section 39, after the expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public place until its certificate of registration is renewed under sub-rule (2). Prescribed fee is chargeable for such renewal of registration of non-transport vehicles. Rule 33 of the Pondicherry Motor Vehicles Rules, 1989 also prescribes a penalty of ₹ 10 per calendar month for every month of non-renewal of registration, subject to maximum of ₹ 100.

Audit analysis of the data furnished by the department revealed that the registration of 1,93,264 vehicles as on 31 March 2019 had expired, but were not renewed. Out of the above, renewal of 45,095 vehicles related to the period from 2016-17 to 2018-19 as detailed in **Table 3.12**:

Table 3.12: Details of vehicles whose registration expired but were not renewed

Year of Registration	Due for renewal	Number of Vehicles
2001-02	2016-17	6,916
2002-03	2017-18	16,609
2003-04	2018-19	21,570
Total		45,095

As seen, the number of vehicles plying without renewal of registration had tripled in three years, which indicates that the department did not utilise the data to devise a methodology to mandate renewal of registration of vehicles after 15 years from the date of registration and feeble enforcement of laws.

During the Exit Conference, the Secretary replied (June 2020) that the onus of renewal of registration lay with the owner of vehicle and owners plying without proper registration documents are liable under the Act. The Government's stand needs reconsideration as driving vehicles without a valid registration is prohibited under the law as unfit vehicles could be plying on the roads posing a potential risk to road safety. Vehicle insurance cannot be availed without a valid registration and in any unfortunate event involving the vehicles, no accident claims could be availed. Further, non-renewal of registration has led to a potential revenue loss due to non-collection of renewal fee of ₹ 46.54 lakh.

It is recommended that the department should devise a system to enforce regular validity check of registrations.

3.11.8.3 *Non-regulation of driving schools*

Rule 24 of CMV Rules, 1989, provides that no person shall establish or maintain any driving school or establishment for imparting instructions for hire or reward in driving motor vehicles without a licence granted by the Regional Transport Officer, subject to conditions prescribed. The licence is valid for five years. The fee for grant/renewal of licence was ₹ 2,500 till 28 December 2016 and increased to ₹ 10,000 thereafter. The vehicles used for imparting training are registered as private vehicles and validity of registration is 15 years from date of first registration and thereafter it shall be renewed for every five years. According to Rule 24 (3), the application shall be considered by the RTO based on the ownership of the premises, availability of parking area, maintenance of vehicles etc., of the applicants.

A scrutiny of the records of 82 driving schools, maintained in the office of the Transport Commissioner, Puducherry revealed that:

- Registrations of 23 driving schools registered under Regional Transport Officer, Puducherry and Oulgaret, were renewed without proper documents (*viz.*, rental agreement, parking place agreement).
- The registration of 11 driving schools were not yet renewed. The renewal is due from 2010. The non-renewal had resulted in loss of revenue of ₹ 0.70 lakh.

The RTO had neither conducted any enquiry and renewed the driving school licences nor ordered for the closure of driving schools after the expiry of licence. Training of students by driving schools without valid licence is illegal and not permissible under the law. In the event of any untoward incidence involving the driving school vehicle, claims of insurance would be invalid and it may be termed as a criminal offence as well. During the Exit Conference, the Transport Commissioner replied (June 2020) that notices were issued to erring driving schools.

3.11.8.4 *Non availability of complete permit data in VAHAN-4.0 portal*

Permit data is essential for the inspecting authorities who issue various certifications for a transport vehicle. The data is also essential for enforcement wing and check posts to check and ensure that vehicles have permit to ply and corresponding taxes have been paid.

As per the statistics furnished by the department, 4,384 fresh permits and 2,602 renewal permits were issued during the period 01 April 2016 to 31 March 2019. However, scrutiny of VAHAN data furnished by the Department revealed that only 2,436 fresh permits and 575 renewal permits were issued. Upon checking the permit data available in VAHAN-4.0 portal, it was seen that the permit data for the years 2016 and 2017 was not uploaded. In the absence of legacy data, the inspectors would have to rely on the information

provided by the vehicle owners. Due to non-linkage of data, MIS reports relating to permits could not be generated and there would be a possibility of violation of the Act and consequent loss of revenue since the RTOs will not be able to identify cases of non-renewal of permits, cases of vehicles running without permits, etc.

When this system deficiency was pointed out, the department accepted the observation and replied that it had maintained the permit details in manual register, due to delay in migration of permit data in the VAHAN-1 due to technical issues and the same were being attended to. It is recommended to expedite the linkages in order to plug revenue leakages.

3.11.9 System for levy and collection of taxes and fees

3.11.9.1 Non-collection of tax on motor vehicles

Section 3 of the Pondicherry Motor Vehicles Taxation Act, 1967 (PMVT Act) stipulates that every owner of a motor vehicle is liable to pay tax at rate specified by the Government from time to time. Section 4 of the Act specifies the tax shall be paid in advance either quarterly, half yearly or annually.

On a detailed scrutiny of electronically furnished data relating to Goods Vehicles (Light Goods Vehicles, Medium Goods Vehicles and Heavy Goods Vehicles), Contract Carriages and Tourist Permit Vehicles, it was noticed that in respect of 32 vehicles, an amount of ₹ 14.30 lakh for the period from 2016-17 to 2018-19 remained uncollected. The penalty on the unpaid tax at 100 *per cent* works out to ₹ 14.30 lakh which was also to be collected (**Appendix 3.2**). It was replied (June 2020) that efforts are being taken to update the huge data available in the system and actual demand would be computed after the updation.

It was also observed that there was no validation check in the IT System in the date field and sale amount columns. Due to this, the system incorrectly accepted future dates and null values in key fields *viz.*, date of payment, sale value etc. Since for a certain class of vehicles, tax is calculated based on the invoice value, wrong / absence of the value may result in short collection of tax.

During Exit Conference (June 2020), Department agreed to take up these issues with National Informatics Centre (NIC) and to furnish detailed reply indicating the latest position. The reply is still awaited. The department needs to update data on priority as incomplete data would entail risk of short collection of taxes and penalty leading to revenue loss.

3.11.10 Effectiveness of enforcement, internal control and delivery of citizen services

3.11.10.1 Ineffective enforcement of Motor Vehicles Act and Rules through check posts

Check posts are established to exercise control over the movement of interstate vehicles. The essential function of the check post is to check the outgoing and incoming vehicles for possession of vehicle records, payment of taxes, validity of permits, etc. Besides, temporary permits for other state vehicles on entry into the State are also issued. There are eight check posts in the UT of Puducherry. A check post is normally headed by a Motor Vehicle Inspector (MVI) who administers the entire activities of the office. Check posts function throughout the day and night and staff are deployed on shift basis.

During the audit, the following deficiencies in the operation of check posts were noticed:

Absence of Motor Vehicle Inspectors in the check posts

As per Rule 104 of PMV Rules, 1989, any MVI or Assistant Motor Vehicle Inspector (AMVI) of the Motor vehicles department in uniform may alone can inspect any vehicle.

As per the norms prescribed, a Junior Engineer with three years experience in Government Automobile Workshop or AMVI with five years experience alone can be promoted as MVI. Audit noticed that none of the eight check posts have dedicated Motor Vehicle Inspectors' cadre to control and supervise the functions. These check posts are run by the staff other than Junior Engineers transferred from Government Automobile Workshop which stood merged with the Transport Department. In the absence of the MVI, vehicles move freely in and out of the UT without being checked for violations. This resulted in lapses in control of interstate movement of vehicles besides potential revenue loss due to escapement of taxes, levies and penalties envisaged in the Act and Rules.

An observation regarding absence of enforcement activities in the check posts was mentioned in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2014 vide Paragraph 4.10.3.4 (Report No.1 of 2015). Further, it was mentioned that the check posts were functioning only as a counter for issue of temporary / special permits and the department replied that this was due to shortage of manpower. However, it is noticed that Department had not taken any action to strengthen the check posts in the last five years.

Lack of infrastructure in check posts

Audit noticed that the check post at Thirukanoor was functioning only in a day shift due to lack of power supply. There was a possibility of revenue loss, as vehicles would prefer to cross the check post during the hours of shutdown. Further, there were no check posts at inter-State borders in Mahe and Yanam to

monitor the movement of vehicles, which also resulted in loss of revenue to Government.

Audit also observed that Weigh bridges / Card Reader / Scanner were not installed in any of the check posts due to which overloading of vehicles could not be checked. Overloading causes damage to roads and overloaded vehicles are a hazard to road safety and has to be strictly monitored. In spite of the strict view of the Hon'ble Supreme Court Committee on Road Safety, goods carriages plying overload, the check posts in Puducherry could not check the overloading in goods vehicles due to non-installation of weigh bridge by the Government at the check posts.

Absence of mechanism for reconciliation of receipts

In the check posts, revenue is being collected through three modes. a) online mode through VAHAN-1 software where the data is stored in the server of Transport Department of Puducherry; b) offline mode where the data is stored in the computer used in the check post (at times when internet connection is not established) and c) Manual Receipt where receipts are issued using receipt books (in case if power fails).

In the offline mode, all the enforcement assistants generate receipts for collection of revenue through their individual user ID, but no check post specific ID is available. Therefore, only user ID based data can be generated for revenues collected through offline mode. The Office of the Commissioner, which is responsible for remitting the collection into the Treasury, has no means to verify and reconcile the collection of amount for every check post and therefore remittance into Government account is taking place without reconciliation as to the correctness of the amount. As a result of this, the department has no mechanism to verify whether all the collection made through offline mode was credited to the Government. Since the data relating to check post- wise offline receipts was not furnished, audit could not identify discrepancies, if any, in this regard.

There are no safe vaults in the check posts to preserve the cash collected, the Assistants safeguard the cash collected at their own risk before depositing it into the Treasury the next day through the RTO or Office of the Transport Commissioner. As per Rule 6 of the Central Government Account (Receipts and Payments) Rules, 1983, all moneys received by Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank/treasury for inclusion in Government Account. The Government money shall not be kept under personal custody, as there is a risk of loss or misappropriation. In view of the above, it is recommended to evolve a system to minimise cash handling or ensure that a safe vault is kept at check posts which are located at a distance from the Treasury/Bank.

Non-Monitoring of check posts

VAHAN-4.0, which is the web-based software to link the RTOs, unit offices and the check posts has not been fully operationalised and the check posts are not connected to the main database. As a result, the activities of the check posts could not be monitored by the RTOs and the Transport Commissioner, and they continue as standalone offices, using VAHAN-1.0.

During the Exit Conference, the Secretary replied (June 2020) that there was manpower shortage and, in future, the system of check posts is being abolished under One-India-One-Tax programme. The department replied (June 2020) that based on the observation made by Audit, collection of fees / entry tax at check post through off-line mode has been discontinued. The receipts are being issued through VAHAN Software. It is also replied that the department is in the process of filling up the posts of MVI/AMVI in the enforcement wing and instructions have been issued to reconcile the cash collected with the details entered in the cash book. Further, the department has initiated the process of customising the VAHAN-4.0 integrated software for issue of special / temporary permit for which the module is not available in the said software.

Audit recommends that cashless system of levy may be introduced in the check posts.

3.11.10.2 Transport vehicles without Speed Limiting Device

To check over speeding and accidents, The Ministry of Road Transport and Highways (MoRTH) issued guidelines, based on amendments made to the Motor Vehicles Act, 1988. As per the Rule 118 of CMV Rules, 1989, every transport vehicle manufactured on or after 01 October 2015 shall be equipped or fitted by the vehicle manufacturer, either at the manufacturing stage or at the dealership stage, with a Speed Governor/ Speed Limiting Devices (SLD) having maximum pre-set speed of not more than 60 Km per Hour for respective vehicles. The vehicles which are manufactured before 01 October 2015 and which are not fitted with SLD shall be fitted by the owners of transport vehicles on or before 31 August 2016. NIC developed a web-based system for Speed Governor Manufacturers to upload the inventory of the product and further integration of SLD/Speed Governor with the VAHAN of the vehicle based on instructions issued by MoRTH in 2017.

The UT Government of Puducherry ordered⁸ for the installing of SLD / Speed Governors in respect of all transport vehicles listed with effect from 01 October 2015 and for vehicles registered prior to 01 October 2015, SLD was to be fixed before 01 April 2016. However, during examination of VAHAN data, audit noticed that 1,684 out of 3,883 vehicles registered from April 2016

⁸ G.O Ms.20/sect/dated 7 October 2015 (published in Gazette vide number 87 dated 09 October 2015).

to March 2019 were not fitted with SLD at the time of registration and were plying on road without speed governors.

On this being pointed out, the department stated (June 2020) that fixation of SLD was ensured for all newly registered vehicles since February 2017. However, the reason for non-fitting of SLD in 1,684 newly registered vehicles was not furnished by the Department. Further report from the Department is awaited.

3.11.10.3 Non-affixing of High Security Registration Plate

To avoid theft of vehicles, ensure public safety and to identify usage of vehicles in any criminal activities, Government of India amended Rule 50 of CMV Rules in 2001 making it mandatory to fix High Security Registration Number Plates (HSRP) in the front and rear side of all motor vehicles. The scheme was to cover all types of vehicles being registered/already registered as per the guidelines from the MoRTH, New Delhi. The Hon'ble Supreme Court of India directed⁹ all states to strictly implement the scheme of fixation of HSRP by 30 April 2012 for new vehicles and by 15 June 2012 for old vehicles.

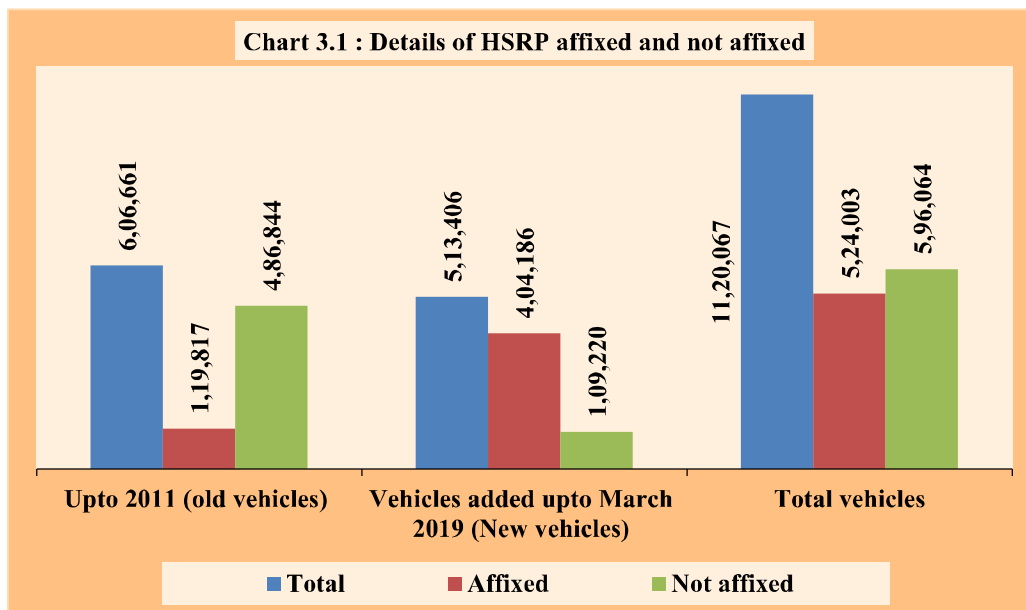
M/s. Promuk Hoffman International Pvt. Ltd., Hyderabad was awarded, the work of affixing of HSRP for all vehicles (old and new) in all the regions of UT of Puducherry on 01 March 2012. Agreement was entered on 02 April 2012 for a period of five years (up to 01 April 2017) and it was extended for further two years at the same rate.

Audit observed that though affixing of HSRP started in Puducherry on 11 April 2012, it was initiated in Mahe (11 July 2013), Karaikal (11 November 2013), and Yanam (29 October 2013) after a delay ranging from 15 to 19 months. As per the terms of contract, the contractor was liable for forfeiture of the security deposit, imposition of liquidated charges and even termination of contract for delay in schedule of performance. However, the department did not invoke the penal clause for non-compliance of the terms of bid documents /agreements and for the delay in performance of the bidder. Further, Audit also observed the following:

- The department did not appoint independent auditors as per clause 3.11.3 of the agreement to examine the books, premises and operations of the contractor.
- As per Rule 50(i) of CMV Rules as amended the registration plate shall be guaranteed for imperishable nature for minimum period of five years. However, the above provision was not included in the agreement entered with the bidder. As a result, the defective HSRPs originally provided to 35,645 vehicles (as

⁹ Order dated 07 February 2012 in W.P (Civil) Nos.510 of 2005 and 162 of 2010.

on 31 March 2019) were replaced to the vehicle owner only after collection of the proportionate cost.



- As of March 2019, out of 11,20,067 vehicles, HSRP were affixed only for 5,24,003¹⁰ vehicles (**Chart 3.1**) which constitutes only 46.78 *per cent* of the total number of vehicles registered in UT of Puducherry and in respect of remaining 5,96,064 vehicles (53.22 *per cent*), HSRP are yet to be affixed. No measures were announced to mandate affixation of HSRP for vehicles registered before 2011.

During the Exit Conference (June 2020), it is stated that presently fixing of HSRP is being done at the manufacturing stage itself for the new vehicles and the onus of the installation of HSRPs in respect of old vehicles lay with the owners of the vehicles.

The reply did not cover the status and reason for non-fixing of HSRPs in the remaining 53.22 *per cent* of vehicles registered in Union Territory of Puducherry. It was also incumbent on the department to ensure compliance from the Contractor. The Contractor may be suitably penalised for delayed action and responsibility be fixed on the Departmental officials for not ensuring timely execution of the contract and its provisions.

3.11.10.4 Non-functioning of Internal Audit Wing

A reference regarding non-constitution of Internal Audit Wing (IAW) was made in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2014 vide Paragraph 4.10.3.6 (Report No. 1 of 2015). It was

¹⁰ 19.75 *per cent* of old vehicles (1,19,817 out of 6,06,661) and 78.73 *per cent* of new vehicles (4,04,186 out of 5,13,406).

replied that an internal audit wing was constituted in September 2013 and one audit was conducted in March 2014.

However, it was noticed that the IAW was not functioning and no internal audit was conducted from 2016-17 to 2018-19.

On this being pointed out, Department replied (June 2020) that though there was an internal audit wing it was not functioning properly due to inadequate manpower. The internal audit wing was reconstituted with the available manpower in September 2019.

The Government may consider making the IAW functional so as to safeguard the interest of the revenue and strengthen internal controls.

3.11.11 Delivery of Citizen Services

Citizen charter of the UT of Puducherry aims to formulate and implement policies for integrated road transport so as to make Puducherry a well-managed, clean and dynamic city serving its citizens as a model Union Territory and to provide safe, eco-friendly, cost effective and efficient mode of transportation through well integrated, multi-modal transport system reducing road fatalities and dependence of private transport. Audit has already discussed issues such as risk of poor road-worthiness of vehicles plying with expired registrations, functioning of driving schools without valid registration, non-fixation of speed limiting devices and non-installation of HSRP that have a bearing on the citizens traveling on the roads. Projects relating to educating and training of drivers and fitness of vehicles and pollution control are being discussed below:

3.11.11.1 Delay in setting up of the Institute of Driver Training and Research and Regional Driver Training Centre

In order to set standards and monitor driver training and for issue of driving license based on an objective scientific process of testing skills, the Government of India, MoRTH intended to set up model Institutes of Driver Training and Research. The Government had announced during 2017 that an Institute of Driving Training and Research (IDTR) at Puducherry and a Regional Driver Training Centre (RDTC) at Karaikal would be established in the UT.

The IDTR and RDTC were to impart driving training, both theoretical and practical to the existing and aspiring drivers. Government identified land measuring 10 acres for setting up of IDTR in Puducherry and three acres for setting up of RDTC in Karaikal. The Detailed Project Report was prepared by the Central Institute of Road Transport, Pune (CIRT). The Transport Department paid 50 *per cent* of the consultancy fee of ₹ 5.32 lakh (including service tax) to CIRT in May 2017.

As the land identified for the purpose of setting up of IDTR in Puducherry was low lying, it was proposed to fill up the low lying area through PWD by utilising the sand obtained after dredging by the Port department. The Chief Engineer, PWD was addressed to speed up the work of filling with disposable earth

dredged by the Port Department on 13 December 2017 and 30 May 2018. The Director of Ports was also addressed to grant permission to PWD for removing the dredged sand from the new port area.

The CIRT did not commence the preliminary activities relating to the setting up of IDTR in Puducherry and RDTC in Karaikal even after preparation of Detailed Project Report. As a result, the work relating to “setting up of one IDTR in Puducherry and one RDTC in Karaikal” was delayed for more than three years and the objective of the Government with regard to “setting standards and monitoring driver training and issue of Driving licence based on an objective scientific process of testing skills” could not be achieved.

During Exit Conference, the Secretary stated (June 2020) that the filling up of earth work in Puducherry is under progress. Further report is awaited.

3.11.11.2 Delay in setting up of Inspection and Certification Centre

As per Rule 62 of CMV Rules, all transport vehicles are required to undergo fitness test every year after two years of initial registration and as per Rule 115(7) of the CMV Rules, all vehicles are required to undergo mandatory idle emission test or free acceleration smoke test, as applicable every six months or after one year of initial registration.

To meet the safety and emission requirements for safe and environmental friendly situation, the MoRTH encouraged setting up of Inspection and Certification Centres (I & C Centre). The proposal to set up I & C Centre was mooted by the UT Government of Puducherry in November 2016. MoRTH, Government of India gave approval in May 2017, for ₹ 15.75 crore with ₹ 14.40 crore as Central share and ₹ 1.35 crore as UT's share. The UT Government identified 3.58 acres of land and handed over the same to Automotive Research Association of India (ARAI) for execution as per scheme guidelines.

However, as the identified land was found low-lying, the construction could not be commenced. The UT Government decided to fill up the low-lying area by utilising the sand obtained after dredging by the Port department and entrusted the work to PWD at an additional estimated cost of ₹ 42 lakh. Though the Directorate of Ports was addressed in February 2018 to grant permission to PWD for removing the dredged sand from the new port area, the process of land filling has not commenced till date due to administrative delays. The inordinate delay, defeated the objective of setting up of I & C Centre, thereby depriving the public from utilisation of such facility.

The Department replied (June 2020) that the work for construction of I & C Centre has been accorded to a contractor finalised by the Automotive Research Association of India and that the work had been commenced. Further report is awaited.

3.11.11.3 *Non-implementation of Nirbhaya Fund Scheme*

Ministry of Women and Child Development, GoI communicated the framework/guidelines for Nirbhaya Fund Scheme during February 2018 and has set up a dedicated corpus fund of ₹ 1,000 crore meant for all States/UTs. The Nirbhaya Fund has to be utilised for projects specifically designed to improve the safety and security of women.

Audit scrutiny of Nirbhaya fund activities revealed that no scheme proposals were submitted till date by the Transport Department under Nirbhaya Scheme.

On this being pointed out, Department replied (June 2020) that a detailed scheme titled as “Vehicle Tracking System, passenger information system and introduction of PINK buses” has been prepared on an estimate of ₹ 29.87 crore and sent to the Union Ministry. Report on further progress is awaited.

3.11.12 *Best practices of other States - Augmentation of revenue by imposition of Green tax*

Government of Tamil Nadu introduced Section 3A under the Tamil Nadu Motor Vehicle Taxation Act, 1974 for the levy of green tax. The tax is levied on vehicles plying for more than 15 years after the date of registration. The levy is meant to discourage old vehicles, which generate more pollution, from plying on the road. Similar tax has also been imposed in Andhra Pradesh, Maharashtra and Gujarat.

Scrutiny of VAHAN data revealed that there are 58,577 non-transport vehicles plying in Puducherry which were registered 15 or more years ago. These vehicles create more pollution and levy of green tax would discourage plying of these vehicles. During the Exit Conference (June 2020), the Secretary agreed to consider proposal suggested by audit for levy of green tax.

3.11.13 *Conclusion*

Audit noticed a number of system and compliance deficiencies in enforcement of the provisions of the MV Act and Rules which affected the collection of revenue adversely. The department could have utilised the VAHAN-4.0 data effectively for the collection of taxes and implementation of Act and Rules. The department did not develop a robust system to identify and penalise vehicles plying without certificate of renewal of registration. Absence of post of MVI and lack of adequate infrastructure at the check posts had resulted in not only loss of revenue to the UT Government but also ineffective enforcement of Motor Vehicles Act and Rules.

The internal control mechanism of the department was abysmally weak as is evidenced by the non-functioning of an Internal Audit Wing, which is an important management tool for plugging leakages of revenue. Delay in implementation of citizen-oriented projects were noticed.

3.11.14 Recommendations

The Government may:

- Utilise VAHAN-4.0 data for retrieval of information on issue of non-compliance of provisions of Act and Rules, to collect taxes and fees and scale up enforcement.
- Strengthen enforcement activities at check posts and appoint MVI/AVMI at all check posts to ensure effective checking of inter-State movement of vehicles to detect violation of Act and Rules and prevent leakage of revenue due to such violations.
- Implement road safety projects such as fitting of SLD and fixing of HSRP to achieve the intended road safety goals.
- Expedite projects such as I & C Centre, RDTC etc., so that there is timely benefit to the drivers and the travelling public.

REGISTRATION AND REVENUE AND DISASTER MANAGEMENT DEPARTMENTS

3.12 Non-withdrawal of remission of stamp duty and transfer duty surcharge

Failure of Registering Officers of the Registration Department of Puducherry in implementing the orders of UT Government of Puducherry has resulted in non-withdrawal of concession of stamp duty and transfer duty surcharge amounting to ₹ 1.52 crore granted to women property purchasers.

As per the provisions of Article 23 of the Schedule-I to the Indian Stamp Act, 1899, applicable to Puducherry, in the case of conveyance of immovable property, stamp duty including surcharge is leviable at the rate of 10 *per cent* on the market value of the property. Government of Puducherry granted¹¹ remission of 50 *per cent* of stamp duty and transfer duty surcharge to the women member(s) acquiring property through conveyance, exchange or gift. The remission was subject to the condition¹² that the beneficiary shall not, within five years of registration of the instrument through which the concession was obtained, create / execute any instrument, including power of attorney, in favour of any male member except mortgage to Government / Nationalised

¹¹ Notification No.8834/Rev-C3/2004 dated 17.12.2004 of the Revenue Department, Puducherry and G.O. Ms. No. 59/LAS/2004 dated 28.12.2004 of Local Administration Secretariat, Puducherry.

¹² Order No.8834/Rev-C3/2004 dated 17.12.2004 of the Chief Controlling Revenue Authority-cum-Inspector General of Registration, Puducherry.

banks / Registered Co-operative Societies. However, the women beneficiaries would be permitted to alienate such property only after remitting back the amount of concession availed by them.

Scrutiny of 925 instruments registered in the District Registry, Puducherry and Sub Registry, Oulgaret¹³ during the period 2013-14 to 2017-18 revealed that, in 71 cases, the women purchasers who availed the concession of 50 *per cent* of stamp duty and transfer duty surcharge on purchase of properties had subsequently executed deeds of alienation within five years of such purchase, as detailed below:

- In 65 cases, instruments of simple / equitable mortgage were executed in favour of banks / entities other than Nationalised Banks and Registered Co-operative Societies (**Appendix 3.3**).
- In six cases, instruments of power of attorney / conveyance were executed in favour of male members (**Appendix 3.4**).

Since the conditions subject to which the concession of stamp duty and transfer duty surcharge granted were not adhered, the women beneficiaries were required to remit the amount of concession availed by them. The registering officers, while registering the subsequent instruments, however, failed to ensure the same. This resulted in non-withdrawal of remission of stamp duty and transfer duty surcharge amounting to ₹ 1.52 crore.

The District Registrar, Puducherry, replied (October and November 2019) that notices were issued in 36 cases and a sum of ₹ 2.89 lakh was collected in two cases. It was also replied that a legal opinion of the Puducherry Law Department was obtained wherein it was opined that memorandum of deposit of title deeds pointed out in 65 cases cannot be construed as an ‘alienation’ of property; however, the Power of Attorney / Conveyance which were executed in favour of male members within a period of five years in respect of six cases are clear cases of violation.

The reply of the Department in respect of 65 cases is not convincing since the Order dated 17 December 2004 bars not only an instrument of alienation but also the mortgages created / executed other than those to Government / Nationalised Banks / Registered Co-operative Societies.

The matter was referred to the Government in August 2019 and reminded in November 2019 and their reply is awaited (October 2020).

Recommendation: Government may instruct the Department to adhere the instructions issued by the competent authority and collect the duty and fees accordingly without any omission.

¹³ There is one District Registry and nine Sub Registries in Puducherry, but one District Registry and one Sub Registry was selected for audit in 2018-19.

