CAG blasts Gujarat govt. on sales tax
The Times of India News Service
The Times of India (1861-2010); Jul 13, 1994; ProQuest Historical Newspapers: The Times of India
pg. 19

CAG blasts Gujarat govt. on sales tax

The Times of India News Service

GANDHINAGAR, July 12.

THE Comptroller and Auditor General of India (CAG) has strongly castigated the Gujarat government for giving sales tax concessions to prestigious private units, with capital investment of Rs 300 crores, The CAG has described the decision as "ultra vires: in violation of the provisions in sections 49 (2) and 49 (3) of the Gujarat Sales Tax Act, 1969.

In its report for the year ending March, 1993 on revenue receipt, the CAG noted that the state government had failed to table the notification, making drastic changes in granting sales tax concessions to big industrial units, in the assembly.

The report referred to four industrial projects, sponsored by Relience, the Essar Gujarat and the Ambuja Cements, with fixed capital investment of Rs. 4,843.79 crores during 1992-93, involving sales tax concessions of Rs. 4,359.41 crores which were accorded provisional registration. Moreover, registration was reported to be in process for six industrial units having fixed capital investment of Rs.1,989.92 crores under the new scheme.

The CAG referred to the government's original scheme (October 1990) under which incentives to new industrial units with fixed capital investment of Rs. 100 crores and more were provided under the scheme of special incentive to prestigious units (GR-7) for five years up to August 1995 and said that this was done with the intention of encourging balanced development of the state and to generate employment in the rural and less developed areas.

The exemption of sales tax under this scheme was notified on March 5, 1992 and was laid on the table of the state assembly on March 16, 1992. However, the scheme was significantly modified in respect of new industrial units with fixed capital investment of Rs.300 crores and above and a new plan known as "scheme for special incentives to prestigious units 1990-95 (modified)" was introduced

Under the revised scheme, the period of sales tax concession was extended from 10 to 14 years and a flat concession rate was fixed at 90 per cent of the capital investment in any area outside the banned urban centres of Ahmedabad, Baroda, Surat, Rajkot, Bhavnagar and Jamnagar. The sales tax in earlier scheme was 100 per cent, 75 per cent and 25 per cent depending upon the area and only one industrial unit in one taluka was to be given prestigious status.

Moreover, in the revised scheme, capital investment in different industrial projects at the same location, by the sale of industrial undertaking was allowed, thus forming an industrial complex. Investment in such projects was clubbed for eligibility. The technical know-how fee of Rs 5 lakhs which was considered to be a part of the fixed capital was replaced by a minimum of Rs. 6 crores. One more significant change was made in the original scheme under which diesel generating sets with capacity not exceeding 25 per cent of contract demand and up to a capacity of 25 mw was admissible. In the revised scheme, equipment installed for captive power generation were included in fixed capital investment. The CAG observed in its report that neither was any monetary limit fixed nor any restrictions imposed on the nature of equipment and capacity.

Referring to the state government's clarification in December 1993 that the GR-7A, being a modification of the earlier scheme, is not required to be placed before the state legislature, the CAG report observed that this was not tenable as significant concessions in the new scheme had been given over the above those in the earlier scheme.