



Report of the  
Comptroller and Auditor General  
of India

for the year ended 31 March 2000

No.1  
(Revenue Receipts)

Government of Haryana



## TABLE OF CONTENTS

|   | Reference to |         |
|---|--------------|---------|
|   | Paragraph    | Page(s) |
| Prefatory Remarks                                     |              | v       |
| <b>OVERVIEW</b>                                       |              | vii-x   |
| <b>Chapter-I</b>                                      |              |         |
| <b>GENERAL</b>  |              |         |
| Trend of revenue receipts                             | 1.1          | 1-3     |
| Variations between Budget estimates and actuals       | 1.2          | 4-5     |
| Cost of collection                                    | 1.3          | 5-6     |
| Arrears in revenue                                    | 1.4          | 6-7     |
| Arrears in assessment                                 | 1.5          | 8       |
| Frauds and evasions of taxes/duties                   | 1.6          | 8-9     |
| Results of Audit                                      | 1.7          | 9       |
| Outstanding inspection reports and audit observations | 1.8          | 9-10    |
| Follow up on Audit Reports Summarised Position        | 1.9          | 10-11   |
| Response of the departments to Draft Audit Paragraphs | 1.10         | 11      |
| <b>Chapter-II</b>                                     |              |         |
| <b>TAXES ON SALES, TRADE ETC.</b>                     |              |         |
| Results of Audit                                      | 2.1          | 12      |
| Evasion in Sales Tax                                  | 2.2          | 13-22   |



|  | Reference to |         |
|--|--------------|---------|
|  | Paragraph    | Page(s) |
| Application of incorrect rate of tax   | 2.3          | 22-24   |
| Under-assessment of 'notional' sales tax liability due to application of incorrect rate of tax | 2.4          | 24-25   |
| Inadmissible adjustment of tax towards 'notional' sales tax liability                          | 2.5          | 25      |
| Under-assessment of 'notional' sales tax liability computed on taxable turnover                | 2.6          | 26-27   |
| Short/non-levy of tax on incidental charges  | 2.7          | 27      |
| Non-levy of purchase tax   | 2.8          | 28      |
| Non-recovery of tax  | 2.9          | 28-30   |
| Non-levy of interest   | 2.10         | 30-31   |
| Under-assessment due to excess rebate  | 2.11         | 31-33   |
| Short levy of purchase tax and under-assessment due to excess rebate                           | 2.12         | 33-34   |
| <b>Chapter-III</b>   |              |         |
| <b>STAMP DUTY AND REGISTRATION FEE</b>   |              |         |
| Results of Audit   | 3.1          | 35      |
| Short levy of stamp duty on exchange of property   | 3.2          | 36      |
| Evasion of stamp duty due to under-valuation of immovable property                             | 3.3          | 36-37   |
| Evasion of stamp duty  | 3.4          | 37      |
| Short levy of stamp duty   | 3.5          | 38      |
| <b>Chapter-IV</b>  |              |         |
| <b>OTHER TAX RECEIPTS</b>  |              |         |
| Results of Audit   | 4.1          | 39      |
| <b>A-Transport Department</b>  |              |         |
| Taxes on Motor Vehicles  | 4.2          | 40-48   |



|   | Reference to |         |
|---|--------------|---------|
|   | Paragraph    | Page(s) |
| <b>B-Passengers and Goods Tax</b>                                       |              |         |
| Short realisation of passengers tax                                     | 4.3          | 48-49   |
| <b>C-State Excise Duty</b>  |              |         |
| Non-recovery of licence fee   | 4.4          | 49-50   |
| <b>D-Agriculture</b>  |              |         |
| Non-recovery of purchase tax and interest                               | 4.5          | 50-51   |
| Non-realisation of lease money and interest                             | 4.6          | 51      |
| <b>Chapter-V</b>  |              |         |
| <b>NON-TAX RECEIPTS</b>   |              |         |
| Results of Audit  | 5.1          | 52      |
| <b>A-Finance Department</b>   |              |         |
| Printing of lottery tickets-Non-realisation of penalty from printer     | 5.2          | 53      |
| Loss of interest due to delayed transfer of money to Government account | 5.3          | 54      |
| Non-charging of interest and penal interest                             | 5.4          | 55      |
| <b>B-Forest Department</b>  |              |         |
| Loss due to delay in harvesting of poplar trees                         | 5.5          | 56      |
| Non-realisation of sales tax  | 5.6          | 56-57   |
| Absence of physical verification of timber                              | 5.7          | 57      |
| Non-recovery of loss on reauction of lots                               | 5.8          | 58      |
| Application of incorrect rate of royalty                                | 5.9          | 58-59   |
| Loss due to excess unit cost  | 5.10         | 59      |

|  | Reference to |         |
|--|--------------|---------|
|  | Paragraph    | Page(s) |
| <b>C-Home Department (Police)</b>                                      |              |         |
| Non/short recovery of cost of police                                   | 5.11         | 59-60   |
| <b>D-Public Works Department<br/>(Irrigation, Buildings and Roads)</b> |              |         |
| Short recovery of water charges  | 5.12         | 60      |
| Utilisation of departmental receipts towards expenditure               | 5.13         | 61      |
| <b>E-Co-operation</b>  |              |         |
| Short recovery of audit fee  | 5.14         | 61-62   |
| Non-deposit of dividend on share capital of State Government           | 5.15         | 62-63   |



## *Prefatory Remarks*

This Report for the year ended 31 March 2000 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade etc., stamp duty and registration fee, taxes on motor vehicles, passengers and goods tax, purchase tax (agriculture), excise duty and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 1999-2000 as well as those noticed in earlier years but could not be included in previous Reports.



THE HISTORY OF THE  
CITY OF BOSTON  
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## OVERVIEW

This Report includes 34 Paragraphs including 2 Reviews, relating to non/short levy of taxes, duties, interest, penalties etc. involving Rs.56.95 crore. Some of the major findings are mentioned below:

### I. General

- The total receipts of State Government for the year 1999-2000 were Rs.5766.75 crore. Revenue raised by the State Government during the year was Rs.4776.67 crore comprising tax revenue of Rs.3517.61 crore and non-tax revenue Rs.1259.06 crore. The State also received Rs.525.27 crore as its share of net proceeds of divisible union taxes and Rs.464.81 crore as grants-in-aid from Government of India. Receipts under taxes on Sales, Trade etc. (Rs.1967.38 crore) and State Excise (Rs.765.36 crore) constituted a major portion of receipts of tax revenue. Under non-tax revenue, major receipts were from road transport (Rs.336.40 crore) and lotteries (Rs.255.10 crore).

*(Paragraph 1.1)*

- Arrear of revenue at the end of March 2000 as reported by some of the departments were Rs.312.14 crore.

*(Paragraph 1.4)*

- Test check of records of taxes on sales, trade etc., stamp duty and registration fee, passengers and goods tax, taxes on motor vehicles, agriculture, excise duty, co-operation, State lotteries, public works (irrigation, buildings and roads), home (police) and forest departments conducted during 1999-2000 revealed under assessment of taxes and duties/loss of revenue etc. amounting to Rs.109.21 crore in 9276 cases. The concerned departments accepted under-assessments etc. of Rs.5.24 crore of which Rs.4.38 crore pertain to the year 1999-2000 and the rest to earlier years. An amount of Rs.0.79 crore in 160 cases had already been recovered.

*(Paragraph 1.7)*



- 2517 Inspection reports containing 6176 audit observations with money value of Rs.650.03 crore (issued upto December 1999) were outstanding for want of final replies from the departments.

*(Paragraph 1.8)*

## **2. Taxes on Sales, Trade etc.**

- Notwithstanding the departmental instructions of conducting regular surveys to detect unregistered dealers, no survey was conducted in 8 out of 9 divisions test checked. 367 dealers remained outside the tax net resulting an evasion of Rs.5.95 crore during 1996-97 to 1998-99.

*(Paragraph 2.2.6 (i) & (ii))*

- In 139 cases cross verification of 2232 transactions having sale value of Rs.92.79 crore involving tax effect of Rs.7.41 crore was not done and assessments were finalised without cross verification of sales/purchases.

*(Paragraph 2.2.11)*

- Tax of Rs.151.33 lakh was short levied due to application of incorrect rate of tax.

*(Paragraph 2.3)*

- Non-cancellation/retrospective cancellation of exemption certificates resulted in non-recovery of tax of Rs.9.96 crore and interest of Rs.5.86 crore.

*(Paragraph 2.9)*



### **3. Stamp Duty and Registration Fee**

- Short levy of stamp duty on compromise decrees of property resulted in non-realisation of Rs.58.51 lakh.

*(Paragraph 3.2)*

### **4. Other Tax Receipts**

- Incorrect registration of non-transport vehicles and charging lower rates of road tax resulted in short realisation of Rs.70.95 lakh in respect of 1214 vehicles during 1996-97 to 1998-99.

*(Paragraph 4.2.5)*

- Token tax and registration fees amounting to Rs.25.38 lakh in respect of 1576 vehicles was embezzled by an official of Registering Authority, Faridabad by preparation of fraudulent carbon copies of receipts.

*(Paragraph 4.2.6)*

- Token tax amounting to Rs.247.85 lakh in respect of 589 stage carriage buses owned by Co-operative Transport Societies was neither recovered nor demanded by the department.

*(Paragraph 4.2.10)*

- Passengers tax of Rs.101.34 lakh was short realised from 155 Co-operative Societies.

*(Paragraph 4.3)*

- Reauction of IMFL Vend resulted in loss of Rs.125.95 lakh.

*(Paragraph 4.4)*

- Purchase tax of Rs.211.49 lakh and interest of Rs.52.29 lakh was short deposited by three sugar mills.

*(Paragraph 4.5)*



**5. Non-Tax Receipts**

**(A) Finance Department**

- Interest and penal interest amounting to Rs.184.42 lakh recoverable on loans and advances was neither assessed nor charged.

*(Paragraph 5.4)*

**(B) Forest**

- Delayed felling of poplar trees resulted in loss of Rs.71.06 lakh.

*(Paragraph 5.5)*

- HFDC paid royalty at lesser rate. This resulted in loss of Rs.57.29 lakh.

*(Paragraph 5.9)*

**(C) Home Department (Police)**

- Non/short raising of bills resulted in short recovery of police charges amounting to Rs.286.09 lakh.

*(Paragraph 5.11)*

**(E) Co-operation**

- Audit fee of Rs.44.54 lakh was short recovered.

*(Paragraph 5.14)*

- Dividend of Rs.64.79 lakh payable to Government was neither deposited by the Co-operative Societies nor demanded by the department.

*(Paragraph 5.15)*



## CHAPTER - I

## GENERAL

## 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1999-2000, State's share of net proceeds of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

| Sl.No             | Particulars  | 1997-98                            | 1998-99                            | 1999-2000                          |
|-------------------|--|------------------------------------|------------------------------------|------------------------------------|
| (Rupees in crore) |  |                                    |                                    |                                    |
| <b>I.</b>         | <b>Revenue raised by the State Government</b>          |                                    |                                    |                                    |
| (a)               | Tax revenue  | 2368.62                            | 3119.62                            | 3517.61                            |
| (b)               | Non-tax revenue  | 2631.11<br>(958.07)                | 1518.02<br>(944.95)                | 1259.06<br>(988.97)                |
|                   | <b>Total (I)</b>                                       | <b>4999.73</b><br><b>(3326.69)</b> | <b>4637.64</b><br><b>(4064.57)</b> | <b>4776.67</b><br><b>(4506.58)</b> |
| <b>II</b>         | <b>Receipts from Government of India</b>               |                                    |                                    |                                    |
| (a)               | State's share of net proceeds of divisible Union taxes | 539.31                             | 480.04                             | 525.27**                           |
| (b)               | Grants-in-aid  | 358.73                             | 361.01                             | 464.81                             |
|                   | <b>Total (II)</b>                                      | <b>898.04</b>                      | <b>841.05</b>                      | <b>990.08</b>                      |
| <b>III</b>        | <b>Total receipts of the State (I + II)</b>            | <b>5897.77</b><br><b>(4224.73)</b> | <b>5478.69</b><br><b>(4905.62)</b> | <b>5766.75</b><br><b>(5496.66)</b> |
| <b>IV</b>         | <b>Percentage of I to III</b>                          | <b>85</b><br><b>(79)</b>           | <b>85</b><br><b>(83)</b>           | <b>83</b><br><b>(82)</b>           |

\* The non-tax revenue for 1997-98, 1998-99 and 1999-2000 includes gross receipts from State Lotteries amounting to Rs.1697.80 crore, Rs.573.07 crore and Rs.255.10 crore out of which Rs.1673.04 crore, Rs.573.07 crore and Rs.270.09 crore respectively pertain to sale of lottery tickets against prize winning tickets. The net receipts from State Lotteries in fact, declined from Rs.24.76 crore in 1997-98 to Nil in 1998-99 and (-) 14.99 crore in 1999-2000. To make the figures comparable for three years, receipts from prize winning tickets have been accounted for net of expenditure on prize winning tickets and shown in brackets.

\*\* For details please see "Statement No. 11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 1999-2000. Figures under the head "0021-Taxes on income other than corporation tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union taxes in this Statement.



(i) The details of the tax revenue raised during the year 1999-2000, alongwith figures for the preceding two years, are shown below:

| Sl. No            | Particulars  | 1997-98        | 1998-99        | 1999-2000      | Percentage of increase(+) or decrease (-) in 1999-2000 over 1998-99 |
|-------------------|--|----------------|----------------|----------------|---|
| (Rupees in crore) |  |                |                |                |   |
| 1.                | Taxes on Sales, Trade etc.                         | 1552.69        | 1599.38        | 1967.38        | (+) 23  |
| 2.                | State Excise                                       | 49.62          | 774.63         | 765.36         | (-) 1   |
| 3.                | Taxes on Goods and Passengers                      | 331.21         | 315.81         | 323.85         | (+) 3   |
| 4.                | Stamp Duty and Registration Fee                    | 301.67         | 294.55         | 309.92         | (+) 5   |
| 5.                | Taxes on Vehicles                                  | 67.11          | 71.37          | 84.77          | (+) 19  |
| 6.                | Taxes and Duties on Electricity                    | 40.53          | 44.53          | 46.08          | (+) 3   |
| 7.                | Land Revenue                                       | 3.93           | 3.88           | 4.29           | (+) 11  |
| 8.                | Other Taxes and Duties on Commodities and Services | 21.86          | 15.47          | 15.96          | (+) 3   |
|                   | <b>TOTAL</b>                                       | <b>2368.62</b> | <b>3119.62</b> | <b>3517.61</b> |   |

Reasons for variations in receipts during the year 1999-2000 as compared to those of 1998-99 as intimated by the respective departments are as under:

- (a) **Taxes on Sales, Trade etc.:** The increase of 23 per cent was due to introduction of uniform rates of sales tax by all the States in India.
- (b) **Taxes on Vehicles:** The increase of 19 per cent was due to opening of 4 new Regional Transport Authorities in the State during 1999-2000.
- (c) **Land Revenue:** The increase of 11 per cent was due to more recovery of copying fee, mutation fee and revenue talbana.



(ii) The details of major non-tax revenue received during the year 1999-2000, alongwith the figures for the preceding two years are given below:

| Sl. No.           | Particulars                                     | 1997-98                           | 1998-99                           | 1999-2000                         | Percentage of increase (+) or decrease(-) in 1999-2000 over 1998-99 |
|-------------------|---|-----------------------------------|-----------------------------------|-----------------------------------|---|
| (Rupees in crore) |   |                                   |                                   |                                   |   |
| 1.                | Miscellaneous General Services                  |                                   |                                   |                                   |   |
|                   | (i) State Lotteries                             | 1697.80<br>(24.76)                | 573.07<br>(Nil)                   | 255.10<br>(-14.99)                | (-)56   |
|                   | (ii) Other than Lotteries                       | 0.03                              | (-) 2.52                          | (-)1.31                           |   |
| 2.                | Road Transport                                  | 319.60                            | 330.03                            | 336.40*                           | (+)2  |
| 3.                | Interest Receipts                               | 237.07                            | 183.72                            | 202.23                            | (+) 10  |
| 4.                | Non-ferrous Mining and Metallurgical Industries | 53.86                             | 65.94                             | 84.80                             | (+)29   |
| 5.                | Medical and Public Health                       | 20.67                             | 17.19                             | 23.39                             | (+)36   |
| 6.                | Others  | 302.08                            | 350.59                            | 358.45                            | (+)2  |
|                   | <b>TOTAL</b>                                    | <b>2631.11</b><br><b>(958.07)</b> | <b>1518.02</b><br><b>(944.95)</b> | <b>1259.06</b><br><b>(988.97)</b> |   |

\* Receipts from Road Transport are gross receipts of Haryana Roadways.

Reasons for variations in receipts during the year 1999-2000 as compared to those of 1998-99 as intimated by the departments are as under:

- (a) **Miscellaneous general services:** The decrease was due to stay by the court on sale of tickets of single digit lottery schemes.
- (b) **Interest receipts:** The increase was due to higher receipt from Departmental Commercial Undertakings.
- (c) **Non-ferrous Mining and Metallurgical Industries:** The increase was due to enhancement (16 September 1999) of rate of royalty on minerals, effective realisation of revenue and high bids.
- (d) **Medical and Public Health:** The increase was due to grant donated by Sultan of Oman for construction of 50 bedded Alafia Hospital at Mandi Khera (Gurgaon) in Mewat area, more receipts from X-Ray, ECG, dental and medical examination, drug manufacturers etc..



## 1.2 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1999-2000 and actual receipts in respect of principal heads of tax and non-tax revenue and the reasons thereof as intimated by the respective departments are given below:

| Sl. No.           | Heads of Revenue                                | Budget estimates | Actual receipts | Variations Increase (+) / Decrease (-) | Percentage of variation |
|-------------------|---|------------------|-----------------|--|-------------------------|
| (Rupees in crore) |   |                  |                 |  |                         |
| 1.                | Taxes on Sales, Trade etc.                      | 1900.00          | 1967.38         | (+)67.38                               | (+)4                    |
| 2.                | State Excise                                    | 894.70           | 765.36          | (-)129.34                              | (-)14                   |
| 3.                | Taxes on Goods and Passengers                   | 327.00           | 323.85          | (-)3.15                                | (-)1                    |
| 4.                | Stamp duty and Registration fee                 | 360.00           | 309.92          | (-)50.08                               | (-)14                   |
| 5.                | Taxes on vehicles                               | 85.00            | 84.77           | (-)0.23                                | Negligible              |
| 6.                | Taxes and Duties on Electricity                 | 45.64            | 46.08           | (+)0.44                                | (+)1                    |
| 7.                | Land Revenue                                    | 6.32             | 4.29            | (-)2.03                                | (-)32                   |
| 8.                | Other taxes and duties on commodities           | 19.00            | 15.96           | (-)3.04                                | (-)16                   |
| 9.                | Miscellaneous General Services                  | 198.79           | 253.79          | (+)55.00                               | (+)28                   |
| 10.               | Road Transport                                  | 332.66           | 336.40          | (+)3.74                                | (+)1                    |
| 11.               | Interest Receipts                               | 229.06           | 202.23          | (-)26.83                               | (-)12                   |
| 12.               | Non-ferrous mining and metallurgical industries | 72.40            | 84.80           | (+)12.40                               | (+)17                   |
| 13.               | Medical and Public Health                       | 28.56            | 23.39           | (-)5.17                                | (-)18                   |

The reasons for variations between the Budget estimates and the actuals as furnished by the concerned departments were as under:

- (a) **State Excise:** The shortfall of 14 per cent was due to reduction in security deposits from 16<sup>2/3</sup> per cent to 8<sup>2/3</sup> per cent in March 2000, loss in re-auction of vends in one district (Fatehabad) and less sale of liquor.
- (b) **Stamp Duty and Registration Fee:** The shortfall of 14 per cent was due to change of HUDA policy in respect of transfer of plots resulting in less registration of immovable properties in the State.
- (c) **Land Revenue:** The shortfall of 32 per cent was due to less recovery of mutation fee, copying fee and revenue talbana.



- (d) **Other taxes and duties on commodities:** The shortfall of 16 *per cent* was due to spread of cable TV network and non-deposit of purchase tax by two sugar mills (Rohtak and Panipat).
- (e) **Miscellaneous General Services:** The increase of 28 *per cent* was due to some favourable market trends for sale of lottery tickets.
- (f) **Interest receipts:** The shortfall of 12 *per cent* was due to lesser receipts from Departmental Commercial Undertakings, Public Sector and other Undertakings.
- (g) **Non-ferrous mining and metallurgical industries:** The increase of 17 *per cent* was due to enhancement (16 September 1999) of rate of royalty on minerals, effective realisation of revenue and high bids.
- (h) **Medical and Public Health:** The shortfall of 18 *per cent* was due to non-release of final instalment by the Employees State Insurance Corporation.

### 1.3 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1997-98, 1998-99 and 1999-2000 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 1998-99 are given below:

| Sl. No. | Heads of Revenue           | Year      | Gross collection  | Expenditure | Percentage of expenditure to gross collection | All India percentage of cost of collection for the year 1998-99 |
|---------|----------------------------|-----------|-------------------|-------------|---|---|
|         |                            |           | (Rupees in crore) |             |   |   |
| 1.      | Taxes on Sales, Trade etc. | 1997-98   | 1552.69           | 21.97       | 1.41  |   |
|         |                            | 1998-99   | 1599.38           | 30.07       | 1.88  | 1.40  |
|         |                            | 1999-2000 | 1967.38           | 30.37       | 1.54  |   |
| 2.      | State Excise               | 1997-98   | 49.62             | 5.02        | 10.11   |   |
|         |                            | 1998-99   | 774.63            | 5.81        | 0.75  | 3.25  |
|         |                            | 1999-2000 | 765.36            | 12.47       | 1.63  |   |



| Sl. No. | Heads of Revenue                | Year      | Gross collection  | Expenditure | Percentage of expenditure to gross collection | All India percentage of cost of collection for the year 1998-99 |
|---------|---------------------------------|-----------|-------------------|-------------|---|---|
|         |                                 |           | (Rupees in crore) |             |   |   |
| 3       | Stamp Duty and Registration Fee | 1997-98   | 301.37            | 0.97        | 0.32  |   |
|         |                                 | 1998-99   | 294.55            | 2.50        | 0.85  | 5.45  |
|         |                                 | 1999-2000 | 309.92            | 3.85        | 1.24  |   |
| 4.      | Taxes on Vehicles               | 1997-98   | 67.11             | 1.42        | 2.12  |   |
|         |                                 | 1998-99   | 71.37             | 2.37        | 3.32  | 3.22  |
|         |                                 | 1999-2000 | 84.77             | 2.72        | 3.21  |   |

#### 1.4 Arrears in revenue

As on 31 March 2000, arrears of revenue under the principal heads of revenue, as reported by the departments, were as under:

| Sr. No. | Heads of revenue                | Total arrears    | Arrears more than 5 years old | Remarks   |
|---------|---------------------------------|------------------|-------------------------------|---|
|         |                                 | (Rupees in lakh) |                               |   |
| 1.      | Taxes on sales, trade etc.      | 21558.79         | 8231.80                       | Demand for Rs.1906.71 lakh certified for recovery as arrears of land revenue, Rs.7573.30 lakh stayed by Courts and other Appellate Authorities, Rs.890.56 lakh held up due to dealers becoming insolvent, demand for Rs.1,023.47 lakh proposed to be written off, Rs.1.93 lakh held up due to rectification/review applications. Specific action taken to recover the remaining amount of Rs.10162.82 lakh not intimated. |
| 2.      | Taxes and Duties on Electricity | 4660.36          | 2354.42                       | Rs.38.34 lakh recoverable from M/s Rama Fiber Bhiwani, Rs.30 lakh from M/s Dadri Cement Factory, Charkhi Dadri, Rs.100 lakh from M/s Haryana Concast Hisar, Rs.16 lakh from M/s Competent Alloys, Ballabhgarh and a sum of Rs.4476.02 lakh from consumers by Haryana Vidut Prasaran Nigam.  |



| Sr. No. | Heads of revenue  | Total arrears    | Arrears more than 5 years old | Remarks  |
|---------|---|------------------|-------------------------------|--|
|         |   | (Rupees in lakh) |                               |  |
| 3.      | State Excise  | 2027.36          | 765.84                        | Rs.1083.39 lakh covered by recovery certificates, Rs.296.91 lakh stayed by High Court and other Judicial Authorities, Rs.0.35 lakh held up due to dealers becoming insolvent, Rs.32.84 lakh proposed to be written off. Action regarding remaining amount of Rs.613.87 lakh not intimated by the department.   |
| 4.      | Taxes on Goods and Passengers   | 1463.69          | 448.83                        | Rs.12.60 lakh stayed by the courts and Rs.0.37 lakh proposed to be written off. Specific action taken to recover the remaining amount of Rs.1450.72 lakh not intimated by the department.  |
| 5.      | Non-ferrous mining and metallurgical industries   | 874.85           | 228.98                        | Rs.212.63 lakh covered under recovery certificates, Rs.84.46 lakh stayed by High Court and other Judicial Authorities, Rs.41.60 lakh held up due to rectification/review applications, Rs.1.13 lakh proposed to be written off and Rs.281.34 lakh recoverable from individuals. Detailed break up of remaining amount of Rs.253.69 lakh was not available with the department. |
| 6.      | Animal Husbandry  | 36.07            | 29.75                         | Rs.2.60 lakh due from Chief Superintendent, Live Stock Farm, Hisar, Rs.28.95 lakh due from Project Director, State Cattle Breeding Project, Hisar and Rs.4.52 lakh due from Director, Haryana Veterinary Vaccine Institute, Hisar.   |
| 7.      | Police  | 119.94           | 81.83                         | The amount was due from 6 States.  |
| 8.      | Other taxes and duties on commodities and services: Receipts under the Sugarcane (Regulation of Purchase and Supply) Act. | 472.78           | 234.86                        | The arrears were due to non-deposit of purchase tax by two sugar mills (Panipat: Rs.281.45 lakh and Rohtak: Rs.191.33 lakh).   |
|         | <b>Total</b>  | <b>31213.84</b>  | <b>12376.31</b>               |  |

The arrears outstanding for more than 5 years constituted 40 per cent of total arrears.

\* Assam, Chandigarh (U.T.), Jammu & Kashmir, Rajasthan, Uttar Pradesh and West Bengal.



**1.5 Arrears in assessment**

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending at the end of each year during 1995-96 to 1999-2000 as furnished by the department are given below:

| Year      |       | Opening balance | Cases due for assessment during the year | Total  | Cases finalised during the year | Balance at the close of the year | Percentage of col 5 to col 4 |
|-----------|-------|-----------------|--|--------|---------------------------------|----------------------------------|------------------------------|
| 1         |       | 2               | 3  | 4      | 5                               | 6                                | 7                            |
| 1995-96   | ST*   | 99615           | 217349                                   | 316964 | 158443                          | 158521                           | 50                           |
|           | PGT** | 117             | 509                                      | 626    | 391                             | 235                              | 62                           |
| 1996-97   | ST    | 158521          | 171538                                   | 330059 | 169535                          | 160524                           | 51                           |
|           | PGT   | 235             | 1213                                     | 1448   | 691                             | 757                              | 48                           |
| 1997-98   | ST    | 160524          | 147059                                   | 307583 | 194116                          | 113467                           | 63                           |
|           | PGT   | 757             | 628                                      | 1385   | 688                             | 697                              | 50                           |
| 1998-99   | ST    | 113467          | 96544                                    | 210011 | 123595                          | 86416                            | 59                           |
|           | PGT   | 697             | 775                                      | 1472   | 576                             | 896                              | 39                           |
| 1999-2000 | ST    | 86416           | 199560                                   | 285976 | 127082                          | 158894                           | 44                           |
|           | PGT   | 896             | 651                                      | 1547   | 567                             | 980                              | 37                           |

The above table shows that number of pending cases in respect of taxes on sales, trade etc. at the beginning of 1995-96 was 99615 which went up to 158894 at the end of 1999-2000 registering an increase of 60 per cent while the percentage of finalisation of assessment cases decreased from 59 per cent during 1998-99 to 44 per cent in 1999-2000. During 1999-2000, 41 per cent and 61 per cent assessment cases have been finalised out of old and current cases respectively. The position of finalisation of assessment cases in respect of taxes on passengers and goods tax decreased from 39 per cent during 1998-99 to 37 per cent in 1999-2000.

**1.6 Frauds and evasions of taxes/duties**

The cases of frauds and evasions of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 2000, as supplied ( July 2000) by the respective departments, are given as under:

\* Sales tax.

\*\* Passengers and goods tax.



| Sl. No. | Name of tax/duty                | Cases pending as on 31 March 1999 | Cases detected during the year 1999-2000 | Number of cases in which assessments/ investigations completed and additional demand including penalty raised | Amount of demand (Rupees in lakh) | Number of cases pending finalisation as on 31 March 2000 |
|---------|---------------------------------|-----------------------------------|--|---|-----------------------------------|--|
| 1.      | Taxes on Sales, Trade etc.      | 142                               | 1205                                     | 1189  | 1910.69                           | 158  |
| 2.      | Passengers and Goods Tax        | 82                                | 2697                                     | 2705  | 131.38                            | 74   |
| 3.      | Entertainment Duty and Show tax | 25                                | 14                                       | 26  | 0.72                              | 13   |
| 4.      | Animal Husbandry                | 1                                 | -  | -   | 0.65<br>(stayed by court)         | 1  |

### 1.7 Results of Audit

Test check of records of the departmental offices relating to revenues of Taxes on Sales, Trade etc, Stamp Duty and Registration Fee, Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty, Agriculture, State Lotteries, Forest, Home (Police), Public Works (Irrigation, Buildings and Roads) and Co-operation conducted during the year 1999-2000 revealed under assessments, non/short levy of taxes and duties and losses of revenue amounting to Rs.109.21 crore in 9276 cases. During the course of the year 1999-2000, the concerned departments accepted under-assessment etc. of Rs 5.24 crore involved in 1464 cases of which 1352 cases involving Rs.4.38 crore had been pointed out in audit during 1999-2000 and the rest in earlier years. An amount of Rs.0.79 crore was recovered in 160 cases during 1999-2000 of which Rs.0.40 crore recovered in 165 cases related to earlier years.

The Report contains 34 paragraphs including 2 reviews relating to "Evasion in Sales Tax" and "Taxes on Motor Vehicles" involving Rs.56.95 crore. The department accepted audit observations involving Rs.39.29 crore out of which Rs.0.93 crore had been recovered up to October 2000. No replies have been received in other cases.

### 1.8 Outstanding inspection reports and audit observations

(i) Audit observations on incorrect assessments, short levy of taxes, duties, fees etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the Heads of Offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the Heads of Departments and Government. The



Report No.1 (Revenue Receipts)

Heads of Offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 1999 and which were pending settlement by the departments as on 30 June 1998, 1999 and 2000 are given below:

| Particulars                                     | At the end of June |        |        |
|---|--------------------|--------|--------|
|   | 1998               | 1999   | 2000   |
| Number of inspection reports pending settlement | 2229               | 2301   | 2517   |
| Number of outstanding audit observations        | 5718               | 6092   | 6176   |
| Amount of revenue involved (Rupees in crore)    | 721.67             | 279.93 | 650.03 |

(iii) Department-wise break-up of the inspection reports and audit observations upto December 1999 and outstanding as on 30 June 2000 is as follows:

| Department          | Number of outstanding |                    | Amount of receipts involved (Rupees in crore) | Number of inspection reports to which even first replies had not been received |
|---------------------|-----------------------|--------------------|---|--|
|                     | Inspection reports    | Audit observations |   |  |
| Revenue Department* | 700                   | 1182               | 15.66   | 11   |
| Excise and Taxation | 544                   | 2796               | 182.64  | 41   |
| Transport           | 285                   | 409                | 3.88  | 8  |
| Forest              | 62                    | 115                | 8.18  | 19   |
| Others              | 926                   | 1674               | 439.67  | 75   |
| <b>Total</b>        | <b>2517</b>           | <b>6176</b>        | <b>650.03</b>                                 | <b>154</b>   |

The matter was brought to the notice of Government in June/July 2000; replies regarding steps taken to settle the outstanding inspection reports and audit observations have not been received (October 2000).

### 1.9 Follow up on Audit Reports Summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt within various Audit Reports, the PAC recommended in 1982 that departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained therein within the prescribed period.

\* This includes "Stamp Duty and Registration Fee" and "Land Revenue".

\*\* This includes "Sales Tax", "Passengers and Goods Tax", "Entertainment Duty and Show Tax" and Prohibition and Excise".



PAC took a serious view of the inordinate delays and persistent failures on the part of large number of departments in furnishing the ATNs within the prescribed frame work and recommended on 30 May 1995 that pending ATNs pertaining to Audit Reports should be submitted within three months from the laying of the Reports in the State Legislature.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) as on 31 March 2000 disclosed that departments had not submitted remedial ATNs on 56 paragraphs (March 2000).

Departments failed to submit ATNs within three months in respect of 74 paragraphs included in the Audit Reports upto and for the year ended March 1997. Of these, ATNs in respect of 19 paragraphs have not been received at all (March 2000). Though the Audit Report for the year ended March 1998 was laid on the table of legislature in February 1999 and time limit for furnishing the ATNs had elapsed in May 1999, the departments did not submit (March 2000) ATNs on 40 paragraphs.

#### **1.10 Response of the departments to Draft Audit Paragraphs**

Department of Finance issued directions to all departments on 5 January 1982 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded to the secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each paragraphs included in the Audit Report.

34 Draft Paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended March 2000 were forwarded to the secretaries of the concerned departments during March to June 2000 through demi-official letters. The secretaries of the departments did not send replies to any of the Draft Paragraphs in compliance to above instructions of the Finance Department.



**CHAPTER-II**  
**TAXES ON SALES, TRADE ETC.**

**2.1 Results of Audit**

Test check of sales tax assessments, refund cases and other connected records conducted during the year 1999-2000, revealed under-assessments etc. of sales tax amounting to Rs.6802.63 lakh in 1124 cases, which broadly fall under the following categories:

| Sl. No. | Particulars                                      | Number of cases | Amount (Rupees in lakh) |
|---------|--|-----------------|-------------------------|
| 1.      | Incorrect computation of turnover                | 328             | 821.78                  |
| 2.      | Application of incorrect rate of tax             | 203             | 809.12                  |
| 3.      | Non-levy of interest                             | 52              | 258.81                  |
| 4.      | Non/short levy of penalty                        | 5               | 126.04                  |
| 5.      | Under-assessment under the Central Sales Tax Act | 150             | 511.33                  |
| 6.      | Other irregularities                             | 385             | 2509.67                 |
| 7.      | Review on 'Evasion in Sales Tax'                 | 1               | 1765.88                 |
|         | <b>Total</b>                                     | <b>1124</b>     | <b>6802.63</b>          |

During the course of the year 1999-2000, the department accepted under-assessment of tax of Rs.122.14 lakh involved in 131 cases of which 42 cases involving Rs.52.59 lakh were pointed out during the year 1999-2000 and the rest in earlier years. An amount of Rs.53.05 lakh had been recovered in 81 cases during the year 1999-2000, of which Rs.14.57 lakh recovered in 51 cases related to the earlier years.

A few illustrative cases involving Rs.1927.85 lakh and a review on 'Evasion in Sales Tax' involving Rs.1765.88 lakh are mentioned in the following paragraphs.



## **2.2 Evasion in sales tax**

### **2.2.1 Introductory**

An efficient tax collection machinery provides an elaborate system of controls to prevent, detect and penalise any wilful avoidance of taxes. Operation of these controls by scrupulous adherence to the rules and procedures by departmental officers is necessary for plugging leakages of revenue through evasion.

### **2.2.2 Organisational set up**

The overall control and superintendence of the sales tax organization vests with the Prohibition, Excise and Taxation Commissioner (PETC) who is assisted by the Deputy Excise and Taxation Commissioners (DETCs), Excise and Taxation officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Taxation Inspectors and other allied staff in the administration of the Acts.

### **2.2.3 Scope of audit**

Out of 21 Deputy Excise and Taxation Commissioner offices, records in respect of 15\* offices for the years 1996-97 to 1998-99 were test checked (between August 1999 and March 2000) to ascertain the extent of compliance of rules and executive instructions to check the incidence of evasion in sales tax and purchase tax. In addition, points of similar nature noticed in audit during the earlier years have also been included.

### **2.2.4 Highlights**

**Notwithstanding the departmental instructions of conducting regular surveys to detect unregistered dealers, no survey was conducted in 8 out of the 9 divisions test checked. 367 dealers remained outside the tax net resulting an evasion of Rs.5.95 crore during 1996-97 to 1998-99.**

*(Paragraph 2.2.6 (i)& (ii))*

**In 418 cases, deduction of Rs.469.66 crore involving tax effect of Rs.40.62 crore was allowed against declaration forms (ST-14 and H/15 A) which did not contain complete particulars of deposit of tax as well as number and date of purchase orders.**

*(Paragraph 2.2.9 (a) & (b))*

\* DETCs, Ambala, Faridabad (East), Faridabad (West), Fatehabad, Gurgaon(East), Gurgaon(West), Hisar, Jagadhari, Jhajjar (Bhadurgarh), Jind, Karnal, Panchkula, Rewari, Sirsa and Sonipat.



In 139 cases cross verification of 2232 transactions having sale value of Rs.92.79 crore involving tax effect of Rs.7.41 crore was not done and assessments were finalised without cross verification of sales/purchases.

(Paragraph 2.2.11)

**2.2.5 Absence of norms to detect/control evasion of tax**

Under the H.G.S.T. Act, 1973, the Commissioner or any person not below the rank of Assistant Excise and Taxation Officer may inspect business premises or goods carrier of a dealer and may examine or make such enquiries from a dealer as he may consider necessary. However, no norms have been prescribed for conducting such inspection to detect/prevent the evasion of tax and no separate staff has been sanctioned for this work.

The cases of inspection of business premises/roadside checking and cases pending finalisation as on 1 April 1996, cases detected, finalised during the years 1996-97 to 1998-99 and pending finalisation at the close of the year 1998-99 in the State as reported (March 2000) by the department were as under:

**(a) Inspection of business premises**

| Year    | Number of cases pending at the beginning of the year | Number of cases detected/ investigated during the year | Number of cases decided during the year |        | Average money value of detection | Number of cases pending at the close of the year |
|---------|--|--|---|--------|----------------------------------|--|
|         |  |  | (Rupees in lakh)                        |        |                                  |  |
| 1996-97 | 219  | 394  | 413                                     | 284.66 | 0.69                             | 200  |
| 1997-98 | 200  | 373  | 388                                     | 558.38 | 1.44                             | 185  |
| 1998-99 | 185  | 436  | 428                                     | 352.69 | 0.82                             | 193  |

**(b) Roadside checking**

| Year    | Number of cases pending at the beginning of the year | Number of cases detected/ investigated during the year | Number of cases decided during the year |        | Average money value of detection | Number of cases pending at the close of the year |
|---------|--|--|---|--------|----------------------------------|--|
|         |  |  | (Rupees in lakh)                        |        |                                  |  |
| 1996-97 | 135  | 16833  | 16863                                   | 556.42 | 0.03                             | 105  |
| 1997-98 | 105  | 17058  | 17025                                   | 585.45 | 0.03                             | 138  |
| 1998-99 | 138  | 12976  | 13112                                   | 530.44 | 0.04                             | 2  |

In the absence of norms for detection of evasion of tax, the total number of checks required to be conducted could not be verified in audit. It would also



be seen from the above that average detection per dealer ranged between 0.69 lakh and 1.44 lakh in the case of inspection of business premises and it ranged between 0.03 lakh and 0.04 lakh in the case of roadside checking. It is evident that only small dealers were being inspected/checked while no cases of evasion by big dealers were being detected. Thus the checking system for detection of evasion of tax needs to be streamlined and better focussed.

**(c) Non-ascertaining of particulars of importing dealers**

Under the HGST Act, 1973, if an officer empowered to detain the goods has reasons to suspect that the goods are not covered by proper and genuine documents, he may detain the goods. PETC, Haryana issued (August 1978) instructions that officers, before releasing the goods, should ascertain the complete particulars of the owners of the goods and pass on the same to the concerned district officers who should ensure that follow up action regarding accountal and disposal of goods is taken promptly and the defaulting dealers proceeded against.

A test check of records in 10\* offices for the years 1997-98 and 1998-99 revealed that in 440 cases of goods carriages, vehicles carrying goods valued at Rs.238.24 lakh from outside the State without genuine documents were detected by the department and penalty of Rs.61.63 lakh was imposed upon the drivers/consignors of the goods. But the names, addresses of the owners of goods were not ascertained before releasing the goods because of which follow up action regarding their accountal or disposal could not be verified in audit.

**2.2.6 Evasion by unregistered dealers**

***Non-conducting of survey for registration***

Systematic survey under the Act is one of the important tools in the hands of the department to prevent the evasion of tax by unregistered dealers. For conducting regular survey to detect un-registered dealers, the department emphasized (September 1993) that AETOs incharge of the circle should conduct survey in their respective circles every year in the months of April and May.

During test check of records of 9\*\* DETCs, it was noticed (between August 1999 and March 2000) that no survey was conducted in any of the offices during the years 1996-97 to 1998-99 except that of DETC, Rewari

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\* DETCs Ambala, Faridabad (East), Faridabad (West), Gurgaon, Hisar, Jagadhari, Jind, Karnal, Panchkula and Sonipat.

\*\* DETCs Ambala, Faridabad (East), Faridabad (West), Gurgaon (East), Gurgaon (West), Jagadhari, Jind, Rewari, and Sonipat.



where the survey was conducted in 1996-97 but no evaluation report was prepared. As a result of this a number of dealers remained out of the tax net. A few illustrations involving tax and penalty of Rs.6.22 crore (Tax: Rs.1.36 crore; Penalty:Rs.4.86 crore) are given below:

**(i) Non-levy of tax on contractees**

Under the HGST Act, 1973, 'sales' means any transfer of property in goods for cash or deferred payments or other valuable consideration and includes transfer of property in goods (whether as goods or in some other form). PETC, Haryana clarified (December 1996) that material supplied by the contractees constitute an independent sale for which they are required to be registered under the Act. Under the HGST Act, 1973, where a dealer liable to pay tax under the Act, wilfully failed to apply for registration, he shall be liable to pay penalty, in addition to the amount of tax, a sum equal to twice the amount of tax.

During cross check of records of 6\* offices with those of the records of the offices of Haryana Urban Development Authority (HUDA), Haryana Housing Board (HHB) and Haryana State Agriculture and Marketing Board (HSAMB), it was noticed (between August 1999 and March 2000) that 12 divisions supplied material (Cement, Steel, Bitumen and SW Pipes) valued at Rs.11.50 crore to 362 contractors for their use in the execution of works during the years 1996-97 to 1998-99 against payments to be recovered from their bills. It was noticed in audit that contractees were neither registered nor paid sales tax. Due to non-registration of contractees, the department could not monitor the levy and recovery of sales tax on the material supplied to the contractors. This resulted in evasion of tax of Rs.1.27 crore besides penalty of Rs.2.54 crore leviable for failure to apply for registration.

**(ii) Non-levy of penalty on unregistered dealers**

During test check of records of DETCs, Hisar, Faridabad (West) and Sirsa, it was noticed (between July 1997 and January 2000) that 5 un-registered dealers (3 of Hisar and 1 each of Faridabad (West) and Sirsa) were liable to pay tax of Rs.107.09 lakh during the years 1989-90 to 1997-98 but they neither applied for registration nor paid the tax. The assessing authorities, while finalising (between March 1995 and January 1999) assessments, levied tax of Rs.107.09 lakh and stated in the assessment orders that penalty will be levied separately. The penalty required to be levied simultaneously at the time of assessment was neither levied nor any record maintained to watch its levy. This resulted in non-levy of penalty of Rs.214.18 lakh.

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\* DETCs Ambala, Faridabad (East), Gurgaon (East), Hisar, Jind and Panchkula.



**(iii) Non recovery of tax due to non grant of registration**

Under the HGST Act, 1973, a dealer who has applied for grant of registration certificate and no final decision in that behalf has been taken, shall furnish such correct returns and pay tax by such dates as may be prescribed.

A dealer of Panchkula engaged in lottery business, applied for registration in June 1996. He was not granted registration certificate as he did not furnish surety bonds/bank guarantees required under the rules and the department considered it as an act of wilful intention to evade tax. It was noticed (October 1999) that the department did not prescribe the dates for filing returns and pay tax pending his registration. By the time his assessment for the period from June to September 1996 was finalised (February 1997) as un-registered dealer, the dealer had absconded and demand of Rs.27 lakh (Tax Rs.9 lakh and Penalty Rs.18 lakh) could not be recovered (October 2000).

The department stated (April 2000) that recovery proceedings are in process. Further report on action taken has not been received (October 2000).

**2.2.7 Lack of provision regarding transfer of by-products**

Under the HGST Act, 1973, purchase tax is leviable on the raw material purchased against declaration without payment of tax and used in the manufacture of goods transferred outside the State otherwise than by way of sale. However, no provision exists in the Act for levy of purchase tax on transfer of by-products obtained in the process of manufacture.

During test check of records of DETCs, Hisar and Fatehabad, it was noticed (between October 1999 and March 2000) that 5 dealers (4 of Hisar and one of Fatehabad) obtained cotton seeds and cotton seed oil as by-products in the process of ginning of cotton (kapas) during 1995-96 to 1997-98. By-products (cotton seed/cotton seed oil) valued at Rs.315.23 lakh were transferred outside the State otherwise than by way of sale and no tax was paid/levied as these goods were by-products obtained during process of ginning of cotton. Thus the Government suffered a loss of Rs.12.61 lakh.

**2.2.8 Suppression of sales/purchases/stock**

Under the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts or documents with a view to suppressing his sales or purchases or stock of goods or has concealed any of his sales or purchases or has furnished or produced before any authority any account, return, document or information which is false or incorrect in any material particular, he shall be liable to pay, minimum penalty, equal to twice the amount of tax



which would have been levied on such dealer had his turnover been accepted as correct. A few illustrations involving tax and penalty of Rs.95.76 lakh are given below:

(i) During test check of records of 6\* offices, it was noticed (between November 1999 and March 2000) that 17 dealers in 17 cases did not include inward expenses i.e. freight, cartage, loading and unloading etc. in the purchases made during the years from 1993-94 to 1997-98 and/or did not disclose the closing balance remained unsold at the end of the year and thus suppressed their sales/purchases and stock valued at Rs.358.89 lakh. While finalising (between July 1995 and March 1999) the assessments, the assessing authorities omitted to detect the suppression. This resulted in evasion of tax of Rs.31.44 lakh besides minimum penalty of Rs.62.88 lakh leviable thereon.

(ii) During test check of records of Deputy Excise and Taxation Commissioner, Jagadhari, it was noticed (October 1998) that a dealer purchased goods valued at Rs.142.49 lakh from within and outside the State during the year 1995-96 but accounted for purchases valued at Rs.130.17 lakh only in his trading account which led to suppression of purchases valued at Rs.12.32 lakh involving tax of Rs.0.48 lakh and penalty of Rs.0.96 lakh. This remained undetected by the assessing authority while finalising assessment for the year 1995-96. This resulted in short levy of tax and penalty of Rs.1.44 lakh.

On this being pointed out (October 1998) in audit, the department raised (November 1998) an additional demand of Rs.1.45 lakh which has been recovered (April 1999 to September 2000) in full.

### **2.2.9 Acceptance of incomplete/invalid declaration forms**

(a) Under the HGST Act, 1973, no sales of tax paid goods at a subsequent stage shall be exempt from tax unless the dealer effecting the sale at such subsequent stage, furnishes to the assessing authority in the prescribed form (ST 14) and manner, a certificate duly filled in and signed by the registered dealer from whom the goods were purchased to the effect that the tax on such goods has been paid at the first stage of sale. Further the department issued instructions in September 1985 that the assessing authority should not accept incomplete or wrongly or vaguely filled declaration forms in ST 14 as such forms besides being invalid give a considerable scope of evasion of tax.

\* DETCs, Ambala Cantt, Faridabad (West), Gurgaon (East), Panchkula, Rewari, and Sonapat.



During test check of records in 15\* offices, it was noticed (between August 1999 and March 2000) that in 388 cases relating to 365 dealers, deductions amounting to Rs.445.79 crore involving tax of Rs.38.71 crore were allowed during the years 1992-93 to 1997-98 against incomplete declaration forms in ST 14. In the absence of complete particulars in the declaration forms, tax paid at the first point of sale on such goods could not be checked in audit.

(b) Under the CST Act, 1956 read with the HGST Act, 1973 no tax is leviable on sales made in the course of export outside the territory of India. The last sale and purchase of any goods preceding the sale or purchase occasioning the export of these goods out of the territory of India is also deemed to be sale or purchase in the course of such export, if such sale or purchase took place after and was for the purpose of complying with the agreement or order for or in relation to such export. Exemption in such cases is available only when the sales are supported by valid certificates i.e. Form H/15 A alongwith proof of export.

During test check of records of 11\*\* offices, it was noticed (between August 1999 and March 2000) that 30 dealers were allowed deductions of Rs.23.87 crore involving tax of Rs.1.91 crore on account of export out of India against declaration in Form H/15 A during the years 1993-94 to 1997-98. The scrutiny of Form H/15 A revealed that these forms did not contain particulars of number and dates of purchase orders/agreements of the foreign buyers with the exporters and thus were incomplete/invalid.

### **2.2.10 Misuse of declarations forms**

Under the HGST Act, 1973, where goods taxable at first point of sale are sold by one registered dealer to another registered dealer, tax is leviable at a lower rate, if the purchasing dealer furnishes a declaration in Form STD-4 certifying that the goods are meant for use in manufacturing of goods for sale.

During test check of records of 5\*\*\* offices, it was noticed (between August 1999 and March 2000) that 9 dealers in 12 cases, purchased goods after payment of tax at lower rates against declaration in STD 4 during the years 1993-94 to 1997-98. However, the goods manufactured were transferred otherwise than by way of sale but the assessing authorities, while finalising (between January 1997 and March 1999) assessments did not notice

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\* DETCs Ambala, Faridabad (East and West), Fatehabad, Gurgaon (East and West), Hisar, Jagadhari, Jhajjar (Bahadurgarh), Jind, Karnal, Panchkula, Rewari, Sonipat, and Sirsa.

\*\* DETCs, Ambala, Faridabad (East), Gurgaon(East and West), Hisar, Jagadhari, Jind, Panchkula, Rewari, Sirsa and Sonipat.

\*\*\* DETCs, Faridabad (East), Faridabad (West), Hisar, Rewari, and Sonipat.



the irregularity. This resulted in evasion of tax of Rs.30.21 lakh besides penalty leviable thereon.

On being pointed out (between August 1999 and March 2000), the department in the cases of 6 dealers of Faridabad (East and West) stated that the goods ultimately had been sold and therefore, the dealer complied with the conditions. Reply is not tenable as consignment /stock transfer is not a sale under the HGST Act, 1973.

***2.2.11 Non compliance of departmental instructions regarding cross verification***

In order to ensure the genuineness of the transactions and to detect evasion of tax by the dealers, the department revised (August 1988) instructions issued to assessing authorities to cross verify all transactions exceeding Rs.10,000 in the case of ETO and Rs.5,000 in the case of AETO and send its report in the prescribed proforma to the Excise and Taxation Commissioner by 10th of each month.

During test check of records in 8\* offices, it was noticed that neither any record in support of cross verification done was maintained by any assessing authority nor any prescribed return sent by any field offices to the PETC, Haryana during the years 1996-97 to 1998-99. In 139 cases test checked, 2232 transactions each exceeding Rs.50,000 aggregating to sale value of Rs.92.79 crore involving tax of Rs.7.41 crore, made to registered dealers, were not referred to other offices for cross verification and assessments were finalised without cross verifications. Besides no monthly report relating to verification was found in assessment record. However, cross verification by audit revealed that in 8 cases, the dealers were allowed deduction of Rs.58.55 lakh on account of sales made to registered dealers against declarations in Form ST 15 but the purchases were not accounted for by the purchasing dealers. Failure on the part of assessing authority to cross verify the transactions resulted in evasion/under-assessment of tax of Rs.3.99 lakh besides minimum penalty of Rs.7.98 lakh. Evasion in remaining cases can not be ruled out.

***2.2.12 Non levy of tax on contractor***

As per HGST Act, 1973, the material supplied by the contractor to the contractee constitute an independent sale and the value of such material is exigible to tax.

During test check of records of DETC, Gurgaon (East), it was noticed (November 1999) that material valued at Rs.126.21 lakh (Cement: Rs.60.67 lakh

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\* DETCs Ambala, Faridabad (East), Faridabad (West), Gurgaon (West), Jagadhari, Jind, Rewari, and Sonipat.



and steel Rs.65.54 lakh) was received by a contractor from the contractees for use in the execution of work during the year 1993-94. The cost of the material was recovered by the contractees from the bills of the contractor. The assessing authority, while finalising (October 1996) assessment of the contractor omitted to include the value of the goods in the gross turnover which resulted in under-assessment of tax of Rs.10.63 lakh.

### **2.2.13 Evasion of Central Sales Tax**

(i) Under the CST Act, 1956, a dealer shall be liable to pay tax on sale of any goods effected by him in the course of inter-State trade or commerce notwithstanding that no tax would have been leviable under the sales tax law of appropriate State if that sale had taken place inside the State.

During test check of records of DETCs, Sonipat, Panchkula and Ambala, it was noticed (between August 1999 and January 2000) that 6 dealers in 7 cases sold goods valued at Rs.433.12 lakh purchased from industrial units which were granted exemption from payment of tax under the Haryana General Sales Tax, Rules, 1975 during the years 1994-95 to 1997-98 and sold the same in the course of inter-State trade or commerce. The assessing authorities, while finalising (between May 1998 and March 1999) assessments of 6 dealers did not levy tax on the subsequent sale of such goods. This resulted in evasion of tax of Rs.41.46 lakh.

On this being pointed out (between August 1999 and January 2000), the department created (October 1999) demand for Rs.24,187 in two cases of two dealers of Panchkula and in two cases of a dealer of Sonipat, stated that the goods manufactured by an eligible industrial unit availing exemption under Rule 28 A of HGST Rules, 1975 shall be exempt from levy of tax at all the successive stage(s) of sale. Reply of the department is not tenable as sale of such goods is not exempt under the CST Act, 1956. Reply in respect of the remaining three cases of three dealers of Ambala have not been received (October 2000).

(ii) Under the CST Act, 1956, tax on inter-State sales of declared goods shall be calculated at twice the rate applicable to the sale or purchase of such goods inside the State, when such sales are not supported by Form C. Gram dal which is declared goods is taxable at the rate of 1 *per cent* if sold within the State.

During test check of records of DETC Hisar, it was noticed (between May and October 1999) that 5 dealers in 7 cases made inter-State sale of Gram dal valued at Rs.984.28 lakh without Form C during the years 1996-97 and 1997-98. While finalising (between September 1997 and November 1998) assessments, the assessing authorities levied tax at lower rate of 1 *per cent*



instead of correct rate of 2 *per cent*. This resulted in evasion of tax of Rs.9.84 lakh.

On this being pointed out (May and October 1999) in audit, the department stated (July 1999) in one case that rate of tax without 'C' forms is 1 *per cent* but as per notification (March 1990) gram dal is taxable @ 1 *per cent* only when supported by Form "C".

#### **2.2.14 Incorrect exemption**

Under the HGST Rules, 1975, exemption certificate granted to an eligible industrial unit shall be liable to be cancelled in the event of contravention of any of the conditions of the eligibility certificate or the exemption certificate.

During test check of records of DETC, Jind, it was noticed (December 1999) that fourth expanded unit of a company was granted exemption certificate for a period from October 1995 to October 2004 on the basis of eligibility certificate issued by the Industries Department. The eligibility certificate issued to the unit was subject to the condition that the production from the existing units in terms of quantity may not be allowed to fall. In audit, it was noticed that during the year 1996-97 the production of the existing three units availing exemption of the company fell short in quantity by 12,52,405 Kilograms of goods (Yarn). The assessing authority, while finalising (December 1998) assessment, transferred quantities/values of finished goods from 4th unit to the existing three units so that the production from these units does not fall below the production in earlier years. He also allowed exemption of tax of Rs.12.18 lakh to the 4th exempted unit. In addition purchase tax of Rs.16.96 lakh was also leviable on the last purchase of cotton. This resulted in incorrect exemption of tax of Rs.29.14 lakh.

The cases were reported to Government in May 2000; their reply has not been received (October 2000).

### **2.3 Application of incorrect rate of tax**

As per notification issued on 19 January 1996 under the Central Sales Tax Act, 1956, sales made in the course of inter-State Trade or Commerce of mobile cranes, cranes mounted on mobile vehicles, rubber type loaders, vibratory road rollers and other construction, earthmoving and material handling equipment including forklift trucks, aerial platforms and dumpers shall be taxable at the rate of four *per cent* provided no consignment/transfer of these equipment and machinery manufactured/assembled in Haryana is made out of the State during the year.



(i) During test check of records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (December 1998) that a dealer of Faridabad made branch transfer of cranes/loaders for Rs.19.21 crore besides inter-State sales thereof for Rs.15.59 crore without production of 'C' forms (after 19 January 1996) during the year 1995-96. The assessing authority, while finalising (November 1997) assessment, incorrectly levied tax at the concessional rate of four *per cent* instead of correct rate of ten *per cent*, on the above inter-State sales of crane/loaders valued at Rs.15.59 crore without keeping in view the condition of the notification. This resulted in short assessment of tax of Rs.93.54 lakh.

On this being pointed out (December 1998) in audit, the assessing authority referred (December 1999) the case to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 2000).

The case was reported to Government in January 2000; their reply has not been received (October 2000).

(ii) The rate of tax on different commodities are prescribed and notified by Government from time to time under the Haryana General Sales Tax Act, 1973. Super enamelled copper wire which falls in the general category of goods is taxable at the rate of eight *per cent* plus surcharge.

During test check of records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (February 2000) that a dealer sold super enamelled copper wire valued at Rs.6.16 crore during the year 1995-96. The assessing authority, while finalising (March 1999) assessment, levied tax at the rate of two *per cent* plus surcharge instead of at the correct rate of eight *per cent* plus surcharge. This resulted in short levy of tax of Rs.40.68 lakh.

On this being pointed out (February 2000) in audit, the assessing authority referred (May 2000) the case to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 2000).

The case was reported (March 2000) to the Government; their reply has not been received (October 2000).

(iii) Under the CST Act, 1956, inter-State sale of aluminium foils not supported by C forms are taxable at ten *per cent*.

During test check of records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (August 1999) that a dealer of Faridabad made (after 4 July 1996) local and inter-State sale of aluminium foils valued at Rs.213.83 lakh without 'C' forms during the year 1996-97. The assessing authority, while finalising (May 1998) the assessment, levied tax at the lower



rate of two *per cent* instead of at correct rate of ten *per cent*. This resulted in under-assessment of tax of Rs.17.11 lakh.

On this being pointed out (August 1999) in audit, the assessing authority intimated (September 1999) that the case has been sent to the revisional authority for taking *suo motu* action. Further report on action taken is awaited (October 2000).

The case was reported to Government in January 2000; their reply has not been received (October 2000).

#### **2.4 Under-assessment of 'notional' sales tax liability due to application of incorrect rate of tax**

As per Government notifications issued in March and July 1996 under the Haryana General Sales Tax Act, 1973, computer hardware, software and computer peripherals are liable to sales tax at the rate of nine *per cent* from 1 April 1996 to 4 July 1996 and two *per cent* from 5 July 1996 onwards. In the case of a dealer availing exemption from payment of tax, tax payable under the Central Sales Tax Act, 1956 on the sale of finished products shall be computed at the rate of tax applicable to such sales as if these were made against certificate in Form 'C'. Sale of goods other than declared goods made in the course of inter-State trade or commerce are taxable at the rate of ten *per cent*, or at the rate applicable to the sale or purchase of such goods inside the appropriate State, whichever is higher when such sales are not supported by Form 'C'.

(i) During test check of records of Deputy Excise and Taxation Commissioner, Gurgaon (East), it was noticed (October 1999) that a dealer availing exemption from payment of tax made inter-State sales of micro computers and data entry systems valued at Rs.7.62 crore during the period from 1.4.1996 to 30.6.1996. While finalising assessment (November 1998) for the year 1996-97, the assessing authority incorrectly levied tax at the rate of two *per cent* instead of correct rate of four *per cent*. The mistake resulted in under-assessment of 'notional' sales tax liability of Rs.15.24 lakh.

On this being pointed out (October 1999) in audit, the assessing authority rectified (October 1999) the assessment order.

(ii) Under the HGST Act, 1973 industrial gloves being unclassified item are taxable at the general rate of 10 *per cent* w.e.f. 5 July 1996.

During test check of records of Deputy Excise and Taxation Commissioner, Gurgaon (East), it was noticed (August 1999) that an industrial unit availing exemption from payment of tax made sale of industrial gloves valued at



Rs.105.60 lakh during the period from November 1996 to March 1998. While finalising (July and December 1998) assessments, the assessing authority incorrectly levied tax at the rate of four *per cent* instead of correct rate of ten *per cent*. The mistake resulted in under-assessment of 'notional' sales tax liability of Rs.6.33 lakh.

On this being pointed out (August 1999) in audit, the assessing authority rectified (September 1999) the orders.

The case was reported (January 2000) to Government; their reply has not been received (October 2000).

## **2.5 Inadmissible adjustment of tax towards 'notional' sales tax liability**

Under Haryana General Sales Tax Rules, 1975, the Deputy Excise and Taxation Commissioner of the district shall, after satisfying himself that the applicant unit is holding a genuine and valid eligibility certificate, issue him the exemption/entitlement certificate, as the case may be and thereafter the benefit of tax exemption or deferment shall be given to the unit from the date of commercial production or from the date of issue of entitlement/exemption certificate as the case may be.

During test check of records of Deputy Excise and Taxation Commissioner, Rewari, it was noticed (November 1999) that a dealer was granted exemption from payment of cumulative tax of Rs.757.50 lakh for the period from 1 June 1995 to 31 May 2004. The assessing authority while finalising (March 1997) the assessment for the year 1994-95, incorrectly adjusted recoverable tax of Rs.22.77 lakh towards 'notional' sales tax liability although the exemption certificate was valid from 1 June 1995 onwards. The omission resulted in non-recovery of tax of Rs.22.77 lakh and interest of Rs.20.72 lakh besides penalty thereon.

The omission was pointed out (November 1999) in audit but no reply has been received from the department (October 2000).

The case was reported (January 2000) to Government; their reply has not been received (October 2000).



## **2.6 Under-assessment of 'notional' sales tax liability computed on taxable turnover**

Under the provisions of Haryana General Sales Tax Rules, 1975, as amended from time to time and clarification issued (March 1997) by the Commercial Taxation Commissioner, Haryana, 'notional' sales tax liability means the amount of tax payable on the sales of finished products of the eligible industrial unit under the local sales tax law but for an exemption computed at the maximum rates specified therein. In the case of exemption, the benefit shall extend to tax on gross turnover and in case of deferment, it shall extend to tax on the taxable turnover of finished goods manufactured by the unit.

(i) During test check of records of Deputy Excise and Taxation Commissioner, Hisar, it was noticed (May 1999) that the assessing authority, while finalising the assessments of two dealers availing exemption from payment of tax, allowed deduction of Rs.228.04 lakh as sales of finished products (buttons) liable to be taxed at last purchase to registered dealers against declarations in ST 15 during the year 1997-98 and calculated notional sales tax liability on taxable turnover instead of on gross turnover. This resulted in under-assessments of Rs.22.80 lakh.

On this being pointed out (May 1999), the department referred (July 1999) the cases to the revisional authority for taking *suo motu* action who remanded (March 2000) the cases with the directions to recalculate the notional sales tax liability on gross turnover of manufactured goods. Further report on action taken is awaited (October 2000).

The cases were reported (October 1999) to Government; their reply has not been received (October 2000).

(ii) During test check of records of DETCs, Karnal and Ambala Cantt, it was noticed (February 1999 and January 2000) that assessing authorities, while finalising assessments of two registered dealers who were availing the facility of exemption of tax, allowed (November 1997 and December 1999) deduction of Rs.119.73 lakh on account of sales to other exempted units against STD-4 during the years 1996-97 and 1997-98 and assessed notional sales tax liability on taxable turnover instead of on gross turnover. This resulted in under-assessment of notional sales tax liability of Rs.6.57 lakh.

On this being pointed out (September 1999 and January 2000) in audit, DETC Karnal stated (September 1999) that in the case of exempted units, though notional liability is calculated on gross turnover but there will be no tax on sales against STD-4. Reply of the department was not tenable as notional sales tax liability is to be calculated on gross turnover. The reply in respect of the dealer of Ambala was awaited (October 2000).



(iii) Under the provisions of Haryana General Sales Tax Rules, 1975, branch transfers or consignment sales outside the State of Haryana shall be deemed to be the sale in the course of inter-State trade or commerce for the purpose of calculation of 'notional' sales tax liability of an exempted unit.

During test check of records of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (June 1998) that a dealer availing exemption from payment of tax, made consignment sale of Rs.85.95 lakh during the year 1994-95 but assessing authority, while finalising (June 1997) the assessment for the year 1994-95, did not work out 'notional' sales tax liability on goods in stock valued at Rs.48.22 lakh out of the consignment sale. The omission resulted in under-assessment of 'notional' sales tax liability of Rs.1.93 lakh.

On this being pointed out (June 1998) in audit, assessing authority intimated (February 2000) that the case has been sent (October 1998) to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 2000).

The case was reported to Government in September 1998; their reply has not been received (October 2000).

## **2.7 Short/non- levy of tax on incidental charges**

Under the Haryana General Sales Tax Act, 1973, gross turnover means the aggregate of the amounts of sales and purchases including any sum charged for any thing done by the dealer in respect of goods at the time of or before delivery thereof. Incidental charges like dami, dalali and labour being pre-delivery charges are assessable to tax. Excise and Taxation Commissioner also clarified (August 1995) that incidental charges are assessable to tax.

During test check of records of 4\* offices, it was noticed (August and September 1999) that while finalising (between September 1996 and June 1999) assessments of four dealers (one each of Faridabad (East), Panchkula, Panipat and Rewari) for the years 1993-94 to 1995-96, the assessing authorities did not include incidental charges of Rs.185.18 lakh in the gross turnover and escaped assessment. This resulted in non-levy of tax of Rs.7.41 lakh.

On being pointed out (September 1999), demand of Rs.2.32 lakh in two cases (dealers of Panchkula and Panipat) was created (October and September 1999) by the department of which Rs.1.73 lakh in one case have been recovered by DETC Panipat.\* Reply in remaining cases has not been received (October 2000).

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\* DETCs, Faridabad (East), Panchkula, Panipat and Rewari.



### **2.8 Non-levy of purchase tax**

Under the HGST Act, 1973, a dealer is liable to pay purchase tax on oil seeds when purchased within the State without payment of tax and used in the manufacturing of taxable and tax free goods at the stage of last purchase.

During test check of records of Deputy Excise and Taxation Commissioner, Panipat, it was noticed (January 2000) that a dealer purchased oil seeds (mustard and sunflower seeds) valued at Rs.139.30 lakh from within the State without payment of tax on the strength of his registration certificate during the year 1995-96 and used the same in manufacturing of taxable and tax free goods. While finalising (February 1999) the assessment, the assessing authority failed to levy purchase tax on the oil seeds valued at Rs.139.30 lakh. The mistake resulted in under-assessment of tax of Rs.5.57 lakh.

The omission was pointed out (January 2000) to the department but no reply has been received from the department (October 2000).

The case was reported to Government in March 2000; their reply has not been received (October 2000).

### **2.9 Non-recovery of tax**

Under the provisions of Haryana General Sales Tax Rules, 1975, the exemption/entitlement certificate granted to an eligible industrial unit shall be liable to be cancelled either in case of discontinuance of its business by the unit at any time for a period exceeding six months or its closing down during the period of exemption/deferment. Further, on cancellation of eligibility certificate or exemption/entitlement certificate before it is due for expiry, the entire amount of tax exempted shall become payable immediately in lumpsum and the provision relating to recovery of tax, interest and imposition of penalty shall be applicable in such cases. The arrears of tax may be recovered as arrears of land revenue under the Land Recovery Act.

During test check of records of 5 offices<sup>\*</sup>, it was noticed (between June 1998 and March 2000) that out of 17 units who were allowed exemption from payment of tax, 16 units discontinued their business within the currency of exemption period and one unit discontinued its business before expiry of 5 years period after availing full exemption. For contravention of the provisions of Act/Rules by the dealers, the department was required to cancel their exemption certificates and recover the entire amount of exemption availed by the units alongwith interest and penalty in lumpsum but no such

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\* DETCs Ambala Cantt, Hisar, Jind, Panipat and Sirsa.



action was taken. This resulted in non-recovery of tax of Rs.1581.69 lakh (Tax: Rs.996.12 lakh; Interest: Rs.585.57 lakh) as tabulated below:

| Name of office      | Number of dealers | Period of exemption availed | Nature of observations  | Amount of exemption availed |               | Surcharge not levied | Interest to be recovered | Total amount recoverable |
|---------------------|-------------------|-----------------------------|---|-----------------------------|---------------|----------------------|--------------------------|--------------------------|
|                     |                   |                             |   | Under HGST                  | Under CST     |                      |                          |                          |
| (Rupees in lakh)    |                   |                             |   |                             |               |                      |                          |                          |
| DETC, Jind          | 1                 | 1992-93 and 1993-94         | Exempted unit remained closed for more than six months during the currency of exemption period  | 1.79                        | 0.63          | -                    | 0.56                     | 2.98                     |
| DETC, Ambala Cantt. | 1                 | 1992-93 to 1996-97          | Exempted unit remained closed for more than six months during the currency of exemption period  | 314.34                      | 97.29         | 8.62                 | 163.58                   | 583.83                   |
| DETC, Ambala Cantt. | 6                 | 1990-91 to 1996-97          | Exemption certificates were cancelled retrospectively on discontinuance of their business.  | 33.25                       | 1.72          | -                    | 25.99                    | 60.96                    |
| DETC, Panipat       | 3                 | 1993-94 to 1996-97          | Exemption certificates were cancelled retrospectively on discontinuance of their business.  | 12.36                       | 3.29          | -                    | 9.64                     | 25.29                    |
| DETC, Sirsa         | 1                 | 1992-93 to 1997-98          | Exemption certificates were cancelled retrospectively on discontinuance of their business.  | 37.24                       | -             | -                    | 13.86                    | 51.10                    |
| DETC, Hisar         | 1                 | 1988-89 to 1996-97          | Exempted unit was allowed excess exemption by Rs.0.64 crore. Further, he discontinued his business before expiry of five years after the period of exemption. | 197.96                      | -             | -                    | 252.12                   | 450.08                   |
|                     | 4                 | 1992-93 to 1998-99          | Exempted units discontinued their business within the currency of exemption period  | 143.07                      | 144.56        | -                    | 119.82                   | 407.45                   |
|                     |                   |                             | <b>Total</b>  | <b>740.01</b>               | <b>247.49</b> | <b>8.62</b>          | <b>585.57</b>            | <b>1581.69</b>           |



On being pointed out DETC, Jind stated that the amount is being recovered as arrears of land revenue in one case, DETC, Ambala, stated that the firm was auctioned by HSIDC, with whom claim for recovery of the amount has been lodged. No final reply has been received from other offices.

### **2.10 Non levy of interest**

Under the provisions of the Haryana General Sales Tax Act, 1973, if the amount specified in any notice of demand, whether as tax or penalty, is not paid within the period specified in such notice, or in the absence of such specification, within 30 days from the date of service of such notice, the dealer shall be liable to pay from the date commencing after the end of the said period for a period of one month simple interest on such amount at one *per cent* per month and if the default continues thereafter at one and a half *per cent* per month for the whole of the period he continues to make default in the payment or a sum of ten rupees, whichever is greater. As per department's instructions issued in September 1983, tax demand notice and challan alongwith copy of the assessment order should invariably be issued immediately after the pronouncement of the assessment and in all circumstances within 15 days of the order positively. Further, for failure of payment of demand within the period specified in a notice, the assessing authority may after affording the dealer a reasonable opportunity of being heard, impose a penalty not exceeding twenty five *per cent* of the amount due from him.

During test check of records of Deputy Excise and Taxation Commissioners, Ambala, Panchkula, Panipat, and Sirsa, it was noticed (October 1999, February and March 2000) that assessing authorities, while finalising (between November 1993 and December 1998) assessments of 21 dealers in 34 cases for the years 1989-90 to 1997-98, created (between November 1993 and September 1998) additional demands of Rs.68.11 lakh under HGST Act. In 21 cases of 16 dealers involving demand of Rs.44.11 lakh, the dealers failed to deposit the amounts within the prescribed period of 30 days of service of demand notices and also delayed payments of instalments. For delayed payments of demands, interest of Rs.2.96 lakh besides penalty was chargeable but was not demanded. In the remaining 13 cases of 5 dealers involving demands of Rs.24.00 lakh, demand notices were served upon the dealers late by one to four months. The dealer further deposited the amount late by 1 to 40 months but the department neither levied nor recovered the interest on late deposits. This resulted in non levy of interest amounting to Rs.2.95 lakh.

On this being pointed out (October 1999, February and March 2000), the department stated (March 2000) in one case of Panchkula that the notice could



not be issued/served (September 1998) due to closure of business of dealer and service was effected upon his counsel on 28 January 2000. However, the fact remains that delay in issuing demands notices resulted in non recovery. Deputy Excise and Taxation Commissioner, Ambala, stated (September 2000) that in 4 cases of 4 dealers, an additional demand of Rs.0.51 lakh has been raised. Reply in respect of remaining 29 cases of 16 dealers has not been received (October 2000).

The cases were reported (March 2000) to Government; their reply has not been received (October 2000).

### **2.11 Under-assessment due to excess rebate**

Under the Haryana General Sales Tax Act, 1973 and the Rules framed thereunder, an industrial unit (registered dealer) holding exemption certificate under the provisions of Rule 28 A is exempt from payment of tax on the sale of finished products of the unit. Tax levied on the sale of atta, maida and suji by a dealer, manufactured by him, shall be reduced by the amount of tax paid in the State on the purchase of wheat at the first point and used in their manufacture and when no tax is payable on atta, maida and suji, full amount of tax already paid on wheat used in manufacture of these goods is refundable. However, rebate is not admissible on tax paid goods used in the manufacture of tax free goods.

(i) During test check of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (January 1997 and March 1998) that in four cases, three dealers who were granted exemption from payment of tax on the sale of manufactured goods (atta, maida and suji) made tax paid purchases of wheat weighing 8,64,103.14 quintals during the years 1994-95 and 1995-96 and used the same in the manufacturing of atta, maida and suji. The Government procurement price of wheat for the years 1994-95 and 1995-96 was Rs.350 and Rs.360 per quintal respectively and purchase tax paid on entire quantity of wheat works out to Rs.122.83 lakh. Assessing authority, while finalising (May 1995 and May 1996) the assessments, however, allowed rebate of Rs.133.67 lakh instead of Rs.122.83 lakh on tax paid wheat used in the manufacturing. This mistake resulted in excess rebate of Rs.10.83 lakh.

On this being pointed out in audit (January/February 1997 and March 1998), the department stated (February 2000) that revisional authority has created (December 1999) additional demands of Rs.1.94 lakh in two cases. Remaining two cases were remanded (December 1999 and January 2000) by the revisional authority for recalculation of rebate. Further report on action taken has not been received (October 2000).



The cases were reported to Government between June 1997 and August 1998; their reply has not been received (October 2000).

(ii) During test check of records of five\* offices, it was noticed that 8 dealers (2 each of Ambala Cantt, Ambala City and Bahadurgarh and one each of Jagadhari and Kaithal) in eleven cases consumed tax paid wheat valued at Rs.19.43 crore during the years 1994-95 to 1997-98 in the manufacture of taxable goods (atta, maida, suji) and tax free goods (chokkar). Assessing authorities, while finalising (between May 1997 and March 1999) assessments, allowed rebate of Rs.77.39 lakh on whole of the tax paid wheat consumed in the manufacture of taxable and tax free goods instead of rebate of Rs.66.51 lakh on wheat consumed in the manufacture of taxable goods (atta, maida and suji). The omission resulted in excess rebate of Rs.10.88 lakh.

On this being pointed out (between September 1999 and February 2000), assessing authorities Jagadhari, Ambala Cantt. and Kaithal stated (October, December 1999 and February 2000) that 3 cases (one of Jagadhari and two of Ambala Cantt.) have been referred to the revisional authorities, 4 cases (2 each of ETOs Bahadurgarh and Ambala City) were referred (August and September 2000) to revisional authority for taking *suo motu* action. Replies in remaining three cases have not been received (October 2000).

The cases were reported (between January and March 2000) to Government; their replies have not been received (October 2000).

(iii) During test check of records of six\*\* offices, it was noticed (between June 1997 and December 1999) that 14 dealers ( 1 each of Ambala City, Jagadhari and Sirsa, 2 each of Hisar and Narwana and 7 of Kaithal) in 23 cases used tax paid cotton seeds valued at Rs.23.57 crore in the manufacturing of taxable cotton seed oil and tax free cotton seed deoiled cakes during the years 1993-94 to 1997-98. Assessing authorities, while finalising (between January 1996 and March 1999) assessments, allowed rebate of Rs.82.36 lakh on full value of cotton seeds used in the manufacturing instead of allowing rebate on cotton seeds used in the manufacturing of taxable cotton seed oil. This mistake resulted in excess rebate of Rs.48.25 lakh.

On this being pointed out (between June 1997 and December 1999) in audit, assessing authority, Hisar intimated (January 2000) that a demand of Rs.1.73 lakh has been created (January and May 1998) in two cases; assessing authorities, Narwana, Kaithal and Jagadhari referred (December 1999 and

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\* DETCs Ambala Cantt, Jagadhari, Kaithal, ETOs Ambala City and Bahadurgarh.

\*\* DETCs Hisar, Jagadhari, Kaithal Sirsa, ETOs Ambala City and Narwana.



September 2000) 17 cases (8 cases of six dealers of Kaithal, 5 cases of two dealers of Narwana and 4 cases of one dealer of Jagadhari) to revisional authorities for taking *suo motu* action; assessing authorities, Sirsa and Kaithal stated (October 1996 and 1999) that 10 cases of 7 dealers (2 cases of one dealer of Sirsa and 8 cases of six dealers of Kaithal) were being sent for *suo motu* action. No reply was received (June 2000) in respect of remaining 2 cases of two dealers (one each of Ambala City and Kaithal).

The cases were reported to Government between February 1997 and March 2000; their replies have not been received (October 2000).

## **2.12 Short levy of purchase tax and under-assessment due to excess rebate**

Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the purchase of goods (other than those specified in Schedule B) which are purchased from within the State without payment of tax and used in the manufacture of tax free goods or in taxable goods which are disposed of otherwise than by way of sale. Further, a registered dealer may reduce the amount of tax paid under the Act, at the first stage of sale of goods purchased by him from the amount of tax payable by him on the sale of such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce or in the course of export outside the territory of India. For non/short payment of tax alongwith the returns, interest is chargeable on the amount of tax due at one *per cent* per month for the first month and at one and a half *per cent* per month thereafter so long as the default continues.

During test check of records of Deputy Excise and Taxation Commissioner, Sonapat, it was noticed (March 1999) that a dealer purchased goods valued at Rs.2.58 crore from within the State without payment of tax during the years 1993-94 and 1994-95 and used in the manufacturing of tax free and taxable goods sold within the State, in the inter-State trade or commerce and through stock/branch transfer. While finalising (October 1997 and March 1998) assessments, the assessing authority levied purchase tax of Rs.3.80 lakh instead of Rs.7.16 lakh in respect of goods purchased and used in tax free and stock transfer. The mistake resulted in short levy of purchase tax of Rs.3.36 lakh. Further, rebate of tax of Rs.5.65 lakh was allowed instead of Rs.3.22 lakh on tax paid goods used in the manufacture of goods sold within the State, inter-State sales and export of goods outside the territory of India. The mistake resulted in excess rebate of Rs.2.43 lakh besides interest of Rs.3.83 lakh on both the omissions.



Report No.1 (Revenue Receipts)

On this being pointed out (March 1999) in audit, the cases were sent for taking *suo motu* action to revisional authority who created (February 2000) additional demands of Rs.6.56 lakh for 1993-94 and Rs.4.60 lakh for 1994-95.

The cases were reported to Government in June 1999; their reply has not been received (October 2000).



**CHAPTER-III**  
**STAMP DUTY AND REGISTRATION FEE**

**3.1 Results of Audit**

Test check of records of various registration offices conducted in audit during the year 1999-2000 revealed non/short levy of stamp duty and registration fee amounting to Rs.348.84 lakh in 1661 cases which broadly fall under the following categories:

| Sl. No. | Nature of irregularities                                | Number of cases | Amount           |
|---------|---|-----------------|------------------|
|         |   |                 | (Rupees in lakh) |
| 1.      | Loss of stamp duty due to under-valuation of properties | 341             | 83.08            |
| 2.      | Evasion of stamp duty and registration fee              | 207             | 60.57            |
| 3.      | Irregular exemption of stamp duty and registration fee  | 680             | 62.79            |
| 4.      | Non/short levy of stamp duty and registration fee       | 350             | 118.19           |
| 5.      | Loss of stamp duty due to misclassification of deeds    | 47              | 16.46            |
| 6.      | Other irregularities                                    | 36              | 7.75             |
|         | <b>Total</b>  | <b>1661</b>     | <b>348.84</b>    |

The department accepted under-assessments of Rs.16.57 lakh in 23 cases pointed out during the year 1999-2000 against which no recovery was effected. The department, however, recovered Rs.2.90 lakh in 40 cases related to earlier years.

A few illustrative cases involving Rs.85.49 lakh are mentioned in the following paragraphs.



### **3.2 Short levy of stamp duty on exchange of property**

As per Indian Stamp Act, 1899, as applicable to Haryana, (hereinafter referred to as the Act), stamp duty on exchange of property is chargeable as a conveyance deed. Government of Haryana further clarified (September 1996) that the compromise decrees which create for the first time right, title or interest in the said immovable property in favour of any party to the suit, the compromise decree or order would require registration and is chargeable with stamp duty as an instrument or conveyance deed for a consideration equal to the value of the property or the value set forth in such instrument, whichever is higher.

During test check of records in 12\* offices of Sub-Registrars, it was noticed (between July and September 1999) that 63 compromise decrees of the property valued at Rs.468.34 lakh were registered for the exchange of property levying stamp duty of Rs.0.03 lakh instead of Rs.58.54 lakh. This resulted in short realisation of stamp duty amounting to Rs.58.51 lakh.

On this being pointed out (between July and September 1999) in audit, the Government directed the concerned Registrars to recover the amount of stamp duty. Report on recovery has not been received (October 2000).

### **3.3 Evasion of stamp duty due to under-valuation of immovable property**

The Act provides that the consideration, if any, and all other facts and circumstances affecting the chargeability of an instrument with duty, or the amount of duty with which it is chargeable, should be fully and truly set forth therein. The Act further provides that any person who, with intent to defraud the Government, executes any instrument in which all the facts and circumstances are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees.

During test check of records of 9\*\* registering offices, it was noticed (between April and December 1999) that 24 conveyance deeds were registered (between May 1998 and July 1999) on account of sale of immovable properties. The total value of properties set forth in all the conveyance deeds was Rs.78.01 lakh whereas as per agreements executed between the affected parties during the period from November 1997 to March 1999 and found

\* Sub-Registrars Adampur, Barwala, Bhattu Kalan, Dabwali, Ellenabad, Fatehabad, Hisar, Narnaul, Rania, Ratia, Sirsa and Tohana.

\*\* Sub-Registrars Bhadra, Chhachhrauli Fatehabad, Kaithal, Nangal Choudhry, Naraingarh, Narnaul and Tosham.  
Joint Sub-Registrar Pundri.



recorded with the various document writers, the total sale value as per agreements worked out to Rs.184.97 lakh. The conveyance deeds were thus got executed and registered at a consideration less than that agreed upon between the parties. Under-valuation of properties in conveyance deeds resulted in evasion of stamp duty of Rs.13.37 lakh. Besides, penalty not exceeding Rs.1.20 lakh for under-valuation done with intent to defraud the Government was also leviable in these 24 cases.

On this being pointed out (between April and December 1999) in audit, the Government directed (between July and March 2000) the concerned Registrars/Deputy Commissioner, Kaithal to recover the amount. Report on recovery has not been received (October 2000).

### **3.4 Evasion of stamp duty**

As per the Act, separate rate of duty have been prescribed for different types of instruments. The classification of an instrument depends upon the nature of the transaction therein recorded. In case the possession of the property is handed over after receipt of full amount of consideration, the instrument becomes a conveyance deed and stamp duty becomes leviable under Article 23 of Schedule 1 A of the Act.

During test check of records of Sub-Registrar, Bahadurgarh (Jhajjar), it was noticed (May 1999) that two partners of M/s A.K. Industries, Delhi made (13 November 1998) an agreement to sell a factory alongwith part of the land measuring 4624 square yards situated at Bahadurgarh (Haryana) in favour of Shri Satish Chhabra S/o Shri Nuthan Chhabra and Shri Vinod Kumar Khettar S/o Shri Ganpat Ram Khettar, both directors of M/s V.K. Syntex Private Limited, Delhi for a consideration of Rs.39 lakh and it was registered (13 November 1998) with Sub-Registrar, Bahadurgarh without payment of any stamp duty treating the deed as an agreement to sell. The possession of the land was handed over (12 November 1998) to the purchasers after receiving (between 5 January and 5 November 1998) full consideration of Rs.39 lakh. Thus the deed being a conveyance deed was chargeable with a stamp duty of Rs.6.05 lakh which was neither levied nor demanded by the department. This resulted in evasion of stamp duty of Rs.6.05 lakh.

On this being pointed out (May 1999) in audit, the Government instructed (August 1999) the department to recover the amount of stamp duty and registration fee. Further report on recovery has not been received (October 2000).



### 3.5 Short levy of stamp duty

As per the Act, conveyance includes conveyance on sale and every instrument by which property, whether movable or immovable, is transferred. Further, the Indian Registration Act, 1908 provides that immovable property includes land, building and things attached to the earth. Government clarified (July 1994) that plant and machinery installed in the factory for permanent use when sold alongwith the factory land and building would constitute a part of immovable property.

During test check of records of Sub-Registrar, Faridabad, it was noticed (November and December 1999) that a vendor purchased a factory for a consideration of Rs.76 lakh (Rs.35 lakh for land and building and Rs.41 lakh for plant and machinery) in auction conducted by the official liquidator attached to Delhi High Court. While executing (April 1998) the sale deed, stamp duty was paid on the cost of land and building valued at Rs.35 lakh only. The registering authority did not levy stamp duty on the cost of plant and machinery valued at Rs.41 lakh. The omission resulted in short levy of stamp duty of Rs.6.36 lakh on the cost of plant and machinery.

On this being pointed out (December 1999) in audit, Government directed (March 2000) the concerned Registrar to recover the amount of stamp duty. Further report on recovery has not been received (October 2000).



**CHAPTER-IV**  
**OTHER TAX RECEIPTS**

**4.1 Results of Audit**

Test check of records in departmental offices relating to revenues of Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty and Agriculture revealed under-assessments of taxes and duties and loss of revenue amounting to Rs.1490.47 lakh in 3962 cases as depicted below:

|   | Heads of revenue                        | Number of cases | Amount           |
|---|---|-----------------|------------------|
|   |   |                 | (Rupees in lakh) |
| A | Transport Department                    |                 |                  |
|   | (i) Review on 'Taxes on Motor Vehicles' | 1               | 549.19           |
|   | (ii) Other irregularities               | 2655            | 70.71            |
| B | Passengers and Goods Tax                | 1043            | 239.64           |
| C | State Excise Duty                       | 116             | 319.07           |
| D | Agriculture                             | 147             | 311.86           |
|   | <b>Total</b>                            | <b>3962</b>     | <b>1490.47</b>   |

In the cases of Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty and Agriculture, the departments accepted under-assessments etc. of Rs.170.06 lakh involved in 1046 cases which were pointed out during the year 1999-2000. An amount of Rs.5.61 lakh had been recovered in 31 cases during the year 1999-2000 of which Rs.5.52 lakh recovered in 29 cases related to earlier years.

A few illustrative cases involving Rs.505.53 lakh and a review on "Taxes on Motor Vehicles" involving Rs.549.19 lakh highlighting important cases are mentioned in the following paragraphs:



## A-TRANSPORT DEPARTMENT

### 4.2 Taxes on Motor Vehicles

#### 4.2.1. *Introductory*

Registration of motor vehicles, collection of fees on account of issue of permits and countersignatures of permits are regulated under Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989, Punjab Motor Vehicles Act, 1924 and Punjab Motor Vehicles Rules, 1940, as applicable to Haryana. All the Motor Vehicles with certain exceptions are required to be registered in the State in which the owner of the vehicle has residence or place of business where the vehicle is normally kept.

The levy and collection of road tax is governed by the Punjab Motor Vehicles Taxation Act, 1924 and the Rules framed thereunder. The tax is leviable on every motor vehicle except certain vehicles or class of vehicles specially exempted under the Act/Rules and is recoverable in equal instalments for the quarterly periods commencing on the 1st day of April, July, October and January of each year at such rates, as the State Government may by notification prescribe from time to time.

A rebate of five *per cent* is admissible if the vehicle owner pays all the four quarterly instalments in advance. A token in acknowledgment of tax paid or exemption granted is required to be issued by the department and displayed on the motor vehicle by the owner.

#### 4.2.2 *Organisational set up*

The overall charge of the Transport Department vests with the State Transport Commissioner. Six Regional Transport Authorities (10 with effect from 24 March 1999) have been set up in the State for regulating use of transport vehicles and collection of fees. Regional Transport Authority maintains the records of registration of transport motor vehicles and also ensures observance of rules regarding payment of taxes/fees of transport motor vehicles.

The Sub-Divisional Officer (Civil) who functions under administrative control of the Revenue Department is the Registering Authority for 'non-transport' and 'personal vehicles' and ensures that the classification is done as per instructions of Transport Commissioner.

The Deputy Excise and Taxation Commissioner (DETC) is to assess and collect the passengers tax in respect of transport vehicles. The Regional



Transport Authorities are to ensure the registration and payment of passengers tax with the DETC before issue of permits to transport vehicles.

Enforcement of the regulatory provisions of the Acts/Rules and checking of the tax is carried out by the Transport and Police Departments of the State.

#### **4.2.3 Scope of audit**

A test check of records for the years 1996-97 to 1998-99 was conducted in audit between July 1999 and March 2000 in 23 (out of 46) offices of Registering Authorities and 6 Regional Transport Authorities, with a view to see the compliance of various provisions of the Acts/Rules, orders on the subject and maintenance of records.

#### **4.2.4 Highlights**

**Incorrect registration of non-transport vehicles and charging lower rates of road tax resulted in short realisation of Rs.70.95 lakh in respect of 1214 vehicles during 1996-97 to 1998-99.**

*(Paragraph 4.2.5)*

**Token tax and registration fees amounting to Rs.25.38 lakh in respect of 1576 vehicles was embezzled by an official of Registering Authority, Faridabad by preparation of fraudulent carbon copies of receipts.**

*(Paragraph 4.2.6)*

**While allowing permits to 507 maxi cab owners, the Regional Transport Authority, Rohtak did not ensure the payment of passengers tax with the Deputy Excise and Taxation Commissioner offices, Rohtak and Sonipat and tax amounting to Rs.58.38 lakh was evaded due to lack of coordination between the two departments.**

*(Paragraph 4.2.9)*

**Token tax amounting to Rs.247.85 lakh in respect of 589 stage carriage buses owned by Co-operative Transport Societies was neither demanded nor recovered by the department.**

*(Paragraph 4.2.10)*

#### **4.2.5 Incorrect registration of non-transport motor vehicles**

Road tax is to be collected by the Registering Authorities/Regional Transport Authorities in accordance with the classification/purpose of the vehicle prescribed under the Act.

During the course of audit of Sub-Divisional Officers i.e. Registering



Authorities, it was noticed that non-transport vehicles had been misclassified and charged lower rates of road tax as detailed below:

**(a) Private Service Vehicles**

As per Section 2 (33) of Motor Vehicles Act, 1988, motor vehicles having seating capacity from six to twelve (excluding driver) registered in the name of firms/companies are to be treated as "Private Service Vehicles" and token tax at the rate of Rs.400 per seat per annum is chargeable.

During test check of records of 22\* Registering Authorities (out of 46) it was noticed (between April 1997 and March 2000) that even in respect of private service vehicles registered in the names of firms/companies, only one time token tax instead of Rs.400 per seat per annum was charged. This resulted in short realisation of token tax amounting to Rs.26.65 lakh in 1046 cases (calculated upto June 1999) registered between April 1996 and March 1999. Since vehicles are registered for fifteen years as per Motor Vehicles Act, charging of one time token tax has further deprived the Government of annual revenue of Rs.34.49 lakh.

The matter was brought to the notice of Transport Commissioner/concerned Registering Authorities. The Registering Authority, Sonipat intimated (March 2000) that notices for recovery in 60 cases have been issued while the other Registering Authorities stated (between July 1999 and March 2000) that notices were being issued for recovery.

Report on further action taken has not been received (October 2000).

**(b) Taxis**

Under the scheme of Haryana Harijan Kalyan Nigam for financing scheduled castes for purchase of Maruti Van (Taxi), the Transport Commissioner, Haryana issued (June 1997) instructions for registration of such vehicles as taxis instead of personal vehicles. Road tax and permit fees were chargeable at the rate of Rs.200 per seat per annum and Rs.1770 per vehicle respectively. Further passengers tax was also chargeable at the rate of Rs.150 per seat per annum upto September 1998 and Rs.100 per seat per annum thereafter.

During test check of records of 15\*\* Registering Authorities, it was noticed (July 1999 to March 2000) that 40 Maruti Vans were financed by Haryana

\* Ambala, Ballabgarh, Faridabad, Gaur, Gohana, Hisar, Hodel, Kaithal, Karnal, Kurukshetra, Meham, Mohindergarh, Naraingarh, Narnaul, Palwal, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonipat, and Yamunanagar.

\*\* Ambala, Bhiwani, Charkhi Dadri, Faridabad, Fatehabad, Gohana, Hisar, Jhajjar, Karnal, Kurukshetra, Panchkula, Panipat, Rewari, Rohtak and Sonipat.



Harijan Kalyan Nigam for its use as taxis by the persons belonging to scheduled castes during the years 1996-97 to 1998-99 but these were registered as personal vehicles after charging one time token tax instead of charging road tax, passengers tax and permit fee leviable on taxis. The omission resulted in short levy of tax of Rs.7.43 lakh up to June 1999.

The mistake was pointed out (between November 1999 and March 2000) to the department. Three Registering Authorities, Kurukshetra, Hisar and Sonipat intimated (April/May 2000) that notices for recovery in six cases have been issued. Report on action taken in the remaining cases has not been received (October 2000).

**(c) Unclassified vehicles**

Under Motor Vehicles Act, 1988 and Motor Vehicles Rules, 1989, registration fee on tractor-trolley (trailer) being unclassified vehicle, is chargeable at the rate of Rs.150 per trailer.

During test check of records of 5\* Registering Authorities (MV), it was noticed (November 1999) from the Administrative Reports for the years 1996-97 to 1998-99 sent to Deputy Commissioners that 4 authorities charged registration fee at various lower rates ranging between Rs.25 and Rs.75 per trailer instead of Rs.150 per trailer and remaining one registering authority of Kurukshetra did not charge any registration fee on 128 trailers shown as insured as per insurance documents of tractors. This resulted in short recovery of registration fee of Rs.2.38 lakh.

The omission was pointed out (November 1999) in audit but no reply has been received (October 2000) from the department.

**4.2.6 Embezzlement of token tax and registration fees**

Punjab Financial Rules, as applicable to Haryana, require that Revenue Collecting Authorities are to see that the dues of the government are properly collected and paid into the treasury and reconciliation of deposits is done with the treasury every month. Further, Haryana Transport Commissioner issued (April 1994) instructions that a receipt under the head "0041-Taxes on Motor Vehicles" was to be issued to the applicant and daily cash collection was to be deposited in the Bank/Treasury through a single challan. Receipt books for the purpose were to be obtained from the Transport Commissioner.

During test check of records of Sub-Divisional Officer (Civil)

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\* Meham, Mohindergarh, Pehowa, Thanesar (Kurukshetra) and Yamunanagar.



(Registering Authority (MV)), Faridabad for the period from January 1997 to March 1999, it was noticed (between February and April 2000) on cross check of entries of token tax/fees in the registration register and original receipts kept in the registration files with cash book that carbon copies of the original receipts of token tax/registration fees of 1576 vehicles were prepared fraudulently for lesser amounts than received from the vehicle owners and the cash book was maintained accordingly. The fraud committed by the official escaped notice of the internal audit of the department also. This was a system failure of the department and resulted in embezzlement of token tax and registration fees of Rs.25.38 lakh.

On this being pointed out (11 February and 27 April 2000) in audit, the department recovered and deposited a sum of Rs.22.89 lakh in February and May 2000. Report on recovery of remaining amount of Rs.2.49 lakh has not been received (October 2000). It was intimated (May 2000) by the department that four increments of the official involved have been stopped.

#### **4.2.7 Lack of co-ordination between Regional Transport Authorities and Registering Authorities (SDOs)**

The Regional Transport Authority is required to maintain a record of challans (detection register) enforced as a result of roadside checking of vehicles and the fines etc. levied by him or his representative. The Acts and Rules, as applicable in Haryana, do not provide any system to convey the shortcomings noticed as a result of checking of vehicles to the concerned Registering Authorities (i.e. Sub-Divisional Officer) who is liable to assess the arrears of tax payable by the defaulters. Irregularities of Rs.49.59 lakh as stated below were noticed in audit:

##### **(a) Unauthorised use of 'personal vehicles'**

Under Rule 226 of the Haryana Motor Vehicles Rules, 1993 the Regional Transport Authorities have been empowered to impound the vehicles and to release them after levying composition fee as prescribed under the Motor Vehicles Act, 1988 but no system to refer the challaned vehicles to the concerned Registering Authorities/Deputy Excise and Taxation Commissioners for recovery of due token tax/passengers tax respectively has been evolved.

During test check of records of Regional Transport Authorities, Karnal and Hisar for the period 1996-97 to 1998-99, it was noticed (between June and November 1999) that 129 vehicles registered as personal vehicles were challaned for carrying passengers on hire/reward without obtaining any permit from Registering Authority/Regional Transport Authority but these were neither referred to concerned Registering Authorities/Deputy Excise and Taxation Commissioners for levying token tax and passengers tax nor any



action was taken for cancellation of their registration certificates under section 53 (1) of Motor Vehicles Act, 1988. Thus lack of coordination among the departments resulted in evasion of tax of Rs.46.38 lakh (Road tax Rs.5.47 lakh and passengers tax Rs.40.91 lakh).

The mistake was pointed out (between November 1999 and April 2000) in audit but no reply has been received (October 2000).

**(b) *Plying of vehicles with fictitious/fraudulent documents***

Motor Vehicles Act, 1988 provides that every owner of vehicle shall get his vehicle registered with jurisdictional registering authority who shall keep the record of owners and vehicles in his registration register as well as in registration certificate issued to owners.

A cross checking of records of challaned vehicles (personal) by Regional Transport Authority, Karnal with the records of concerned registering authorities for the period 1998-99 revealed that challaned Jeeps, Tata Sumos etc. were actually registered as Scooters, Motor Cycles, Mopeds etc. The documents were thus either not seen by Regional Transport Authority or were fictitious. No reference to registering authority either for cancellation of registration certificate or raising of demand of tax arrears was made by Regional Transport Authority, Karnal which resulted in plying of vehicles with fraudulent documents besides loss of revenue to the tune of Rs.3.21 lakh (Rs.0.34 lakh: Road Tax and Rs.2.87 lakh: passengers tax) in 9 cases for the period 1996-97 to 1998-99.

The matter was brought to the notice of Transport Commissioner in April 2000; his reply has not been received (October 2000).

**4.2.8 *Short realisation of permit/countersignature fee***

**(a)** The Regional Transport Authorities are to issue permits under various Sections of Motor Vehicles Act, 1988 for the region under their jurisdiction and countersign for each additional region of the State only after charging countersignature fee at rates prescribed under the Punjab Motor Vehicle Rules, 1940 and the Regional Transport Authorities are supposed to collect the revised rates under the provisions of the Act/Rules.

During the course of test-check (between July 1999 and March 2000) of 6 Regional Transport Authorities, it was noticed that after creation (24 March 1999) of four more Regional Transport Authorities, the permit/countersignature fee for a block of five years was recoverable at Rs.4125 and Rs.2750 per heavy and light transport vehicle respectively but the same was charged (during 24 March to 30 June 1999) at Rs.2625 and Rs.1750. The failure on the part of department to collect the fee at the prescribed rates resulted in short realisation of fees amounting to



Rs.108.09 lakh in 7660 cases.

The omission was pointed out (between July 1999 and March 2000) in audit but no reply has been received (October 2000).

**(b) Non/short realisation of penalty on late renewal of permits**

Under Section 81 (2) of Motor Vehicles Act, 1988 and the instructions issued (June 1997) by State Transport Authority, an application for renewal of permits must be made not less than fifteen days before the expiry of permits failing which a lumpsum penalty of Rs.1,000 was leviable. In addition, Rule 62 (b) (2) of Haryana Motor Vehicle Rules, 1993 provides that if the application for renewal of permit is received after expiry of the permit, a composition fee at the rate of Rs.200 for the first week and Rs.150 per week thereafter shall be charged.

During test check of records of 6\* Regional Transport Authorities, it was noticed (between July 1997 and March 2000) that in 586 cases, applications for renewal of permits had not been received within the prescribed period but the permits were renewed without/short recovery of penalty/composition fee. This resulted in non/short recovery of penalty/composition fee of Rs.9.21 lakh.

The omission was pointed out (between July 1999 and March 2000) in audit but no reply has been received (October 2000).

**4.2.9 Lack of co-ordination between Transport and Excise and Taxation Departments**

Under the Punjab Motor Vehicles Act, 1924, Regional Transport Authority is required to ensure before issue of maxi cab permits that the vehicle has been got registered with the Excise and Taxation Department and passengers and goods tax at the prescribed rates has been paid by the owner.

During test check of records of Regional Transport Authority, Rohtak it was noticed (between December 1999 and February 2000) during cross verification with records of Deputy Excise and Taxation Commissioners, Rohtak and Sonipat that 446 vehicles were not registered (between October 1996 and March 1999) with Deputy Excise and Taxation Commissioners as maxi-cab and no passengers tax was paid by the operators. Further, 61 vehicles were registered with Excise and Taxation Department as maxi cab on payment of passengers tax but were not issued maxi-cab permits by the Regional Transport Authority.

Non-observance of codal provisions and instructions of the Transport Commissioner, Haryana as well as lack of co-ordination between the two

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\* Ambala, Faridabad, Hisar, Karnal, Rewari and Rohtak.



departments of Government resulted in evasion of tax amounting to Rs.58.38 lakh (Passengers and Goods Tax: Rs.55.97 lakh plus Road Tax: Rs.2.41 lakh).

The matter was brought (between December 1999 and February 2000) to the notice of Regional Transport Authority, Rohtak and Transport Commissioner, Haryana. One Registering Authority, Sonipat intimated (March 2000) that notices for recovery in 48 cases have been issued. Report on action taken in the remaining cases has not been received (October 2000). However, possibility of loss of revenue in other Regional Transport Authorities due to lack of co-ordination cannot be ruled out and calls for a department wide action.

#### **4.2.10 Non-recovery of token tax in respect of Stage Carriage buses**

Under the Motor Vehicle Act, 1988, Regional Transport Authorities register the Stage Carriage Co-operative buses, issue route permits and collect road tax.

The tax on stage carriage buses plying for hire and used for transport of passengers excluding the driver and conductor is leviable at the rate of Rs.550 per seat per annum subject to maximum of Rs.35000 payable in equal instalments for the quarter commencing from first day of April, July, October and January for which token tax registers are to be maintained.

During test check (between May 1997 and March 2000) of token tax registers of 6\* Regional Transport Authorities and 6\*\* Registering Authority-cum Regional Transport Authorities, it was noticed that token tax for the period 1996-97 to 1998-99 in respect of 589 buses plied as stage carriages by the Co-operative Transport Societies was neither demanded nor recovered from the owners of the vehicles. This resulted in non-realisation of token tax to the tune of Rs.247.85 lakh.

The omission was pointed out (between May 1997 and March 2000) but no reply has been received (October 2000).

#### **4.2.11 Short/non-levy of penalty on overloading of vehicles**

Motor Vehicles Act, 1988 provides that whosoever drives a motor vehicle carrying goods in excess of permissible weight is liable to pay a minimum penalty of Rs.2000 in addition to Rs.1,000 per tonne excess load. The Regional Transport Authority has no discretion to reduce/short charge the penalties on this account.

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\* Ambala, Faridabad, Hisar, Karnal, Rewari and Rohtak.

\*\* Ballabgarh, Faridabad, Gohana, Panchkula, Panipat and Sonipat.



During test check of offences and challan registers of 6\* Regional Transport Authorities, it was noticed (between August 1998 and March 2000) that against the minimum leviable penalty of Rs.20.12 lakh (fine of Rs.7.16 lakh and additional amount of Rs.12.96 lakh for excess load), penalty of Rs.5.89 lakh only was levied on account of overloading of 1296 tonnes of weight in 358 vehicles during the period from August 1998 to December 1999. Omission resulted in short levy of penalty of Rs.14.23 lakh. The omission was pointed out (July 1999 to March 2000) in audit but no reply has been received (October 2000).

#### **Conclusion and recommendations**

Results of audit stated above indicate that in several cases Registering Authorities have misclassified vehicles as 'personal' when they were intended for commercial use. Cases of undercharge of permit and countersignature fee from transport vehicles were also noticed. In several instances, annual token tax due from Stage Carriage buses was neither demanded nor recovered. These cases indicate the need for a more stringent internal audit mechanism.

It is also evident that better co-ordination among Transport Authorities, Registering Authorities, Deputy Excise and Taxation Commissioners and Police Department who conduct the roadside checks would ensure the collection of Passengers and Goods Tax due.

The case of embezzlement by the official in S.D.O's (Civil), Faridabad office, is indicative of weakness in internal controls in the system of accountal of receipts and their deposit into treasury which need to be strengthened.

## **B-PASSENGERS AND GOODS TAX**

### **4.3 Short realisation of passengers tax**

As per notification issued (July 1996) under the Punjab Passengers and Goods Taxation Act, 1952, as applicable to Haryana, permit holders for plying buses on link routes of the State under the scheme of privatisation of Passengers Road Transport are required to pay lump sum passengers tax based on the seating capacity of the bus on monthly basis at the rates of Rs.16,000 for 52/54 seater and Rs.10,000 for 30 seater buses. Failure to pay the tax renders the owner liable to pay penalty of a sum not exceeding five times the amount of tax so assessed by the prescribed authority.

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\* Ambala, Faridabad, Hisar, Karnal, Rewari and Rohtak.



During test check of records of 13\* Deputy Excise and Taxation Commissioners for the years 1997-98 and 1998-99, it was noticed (between May 1998 and October 1999) that 155 Transport Co-operative Societies, which were granted permits for plying buses on link routes, did not pay the passengers tax in full during the years 1997-98 and 1998-99. The department neither recovered nor demanded the balance amount of Rs.101.34 lakh from the defaulting transport co-operative societies This resulted in short realisation of passengers tax of Rs.101.34 lakh besides penalty leviable thereon.

On this being pointed out (between May 1998 and October 1999) in audit, the department made part recovery of Rs.14.62 lakh in 51 cases between December 1998 and December 1999. Further report on recovery has not been received (October 2000).

The cases were reported to Government between July 1998 and November 1999; their reply has not been received (October 2000).

## C-STATE EXCISE DUTY

### 4.4 Non recovery of licence fee

Under the Haryana Liquor Licence Rules, 1970, read with clause 6 (i) and (ii) of Excise Policy 1999-2000, licences for Country Liquor and Indian Made Foreign Liquor Vends are granted by auction. The successful bidder is required to deposit, by way of security, an amount equivalent to 16<sup>2/3</sup> per cent of annual licence fee of which 5 per cent is payable at the fall of hammer and the remaining 11<sup>2/3</sup> per cent within a period of ten days of the date of auction. For non-payment of security, the licence is liable to be cancelled and the vend reaucted at the risk and cost of the original licensee.

In Karnal, licence for an Indian Made Foreign Liquor Vend was auctioned (March 1999) for the year 1999-2000 for Rs.5.01 crore. The successful bidder paid an amount of Rs.25.05 lakh i.e. five per cent of the bid, at the fall of hammer on 4 March 1999 but failed to deposit the balance amount of 11<sup>2/3</sup> per cent of security within the stipulated period. The licence was cancelled and vend reaucted (April 1999) at the risk and cost of the original licensee for Rs.3.50 crore. The department could not recover the loss as addresses of two of three partners of the firm were found to be fictitious and the third partner was avoiding service of notice. The failure of the department in verification of genuineness of the firm at the time of action

\* Bhiwani, Faridabad (West), Fatchabad, Gurgaon, Hisar, Jagadhari, Jind, Jhajjar, Kurukshetra, Narnaul, Rohtak, Sirsa and Sonipat.



resulted in non-recovery of Rs.125.95 lakh. Besides, expenses incurred on resale of vend were also recoverable.

On this being pointed out (May 1999) in audit, the department intimated (September 1999) that the notice was served upon one of the partners and notices to remaining partners will be served on ascertaining their correct addresses. Further report has not been received (October 2000).

The matter was reported to Government in August 1999; their reply has not been received (October 2000).

## D-AGRICULTURE

### 4.5 Non recovery of purchase tax and interest

As per notification issued (October 1977) under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 and the rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax at the rate of Rs.1.50 per quintal on purchase of cane latest by the 14th of the following month. In the event of default, interest at the rate of fifteen *per cent* per annum shall be charged for the period of default. The Act further provides that all sums payable to Government but not paid by the due date, shall be recoverable as arrears of land revenue.

During test check of records of Assistant Cane Development Officer, Karnal, Rohtak and Panipat, it was noticed (September 1999) that three assessees (one each of Karnal, Panipat and Rohtak) purchased 19542375.12 quintals of sugarcane between February 1996 and April 1999 on which purchase tax amounting to Rs.293.14 lakh was recoverable which was payable by the 14th of the month following the month of purchase. Out of above tax, a sum of Rs.81.65 lakh was deposited by them and the remaining tax of Rs.211.49 lakh was not deposited at all. Neither effective steps were taken to recover the dues nor the department initiated any action to recover the amount as arrears of land revenue as required under the Act. This resulted in non/short recovery of purchase tax of Rs.211.49 lakh besides interest (upto December 1999) of Rs.52.29 lakh.

On this being pointed out (September 1999) in audit, Assistant Cane Development Officers, Karnal and Panipat stated (September 1999) that the Cane Commissioner, Haryana was being approached to get the outstanding dues declared as arrears of land revenue. Assistant Cane Development Officer, Rohtak intimated (November 1999) that the amount would be



deposited by the mill in 1999-2000 as their financial position was stated to be not sound. Further report on recovery has not been received (October 2000).

The case was reported to Government in October 1999; their reply has not been received (October 2000).

#### **4.6 Non-realisation of lease money and interest**

Haryana Government decided (April 1998) to charge lease money at the rate of Rs.1000 per acre per year on transfer of government farms to Haryana Land Reclamation and Development Corporation Ltd. (HLRDC). In case of non payment of lease money, interest at the rate of 15 *per cent* per annum was chargeable.

During test check of records of Director of Agriculture, Haryana, Panchkula, it was noticed (October 1999) that 24 Government Seed Farms measuring 1142 acres 7 kanals 16 marlas were transferred to the HLRDC in April/May 1998. Yearly lease money was recoverable on 1 July 1998 and 1 July 1999 but the department neither recovered the lease money nor the same was paid by the HLRDC. This resulted in non realisation of lease money amounting to Rs.12.94 lakh besides interest of Rs.1.52 lakh leviable (upto February 2000) thereon.

On this being pointed out (October 1999) in audit, the department intimated (January 2000) that Memorandum of understanding (MOU) has not been signed due to non-reconciliation of area with the Revenue Department. Thus, non signing of MOU has not only resulted in non-realisation of revenue of Rs.12.94 lakh but has also deprived the Government the revenue of Rs.1.52 lakh on account of interest payable for the period 1 July 1998 to 29 February 2000 on delayed payment of lease money.

The case was reported to Government in October 1999; their reply has not been received (October 2000).



## CHAPTER-V

## NON-TAX RECEIPTS

## 5.1 Results of Audit

Test check of records in departmental offices relating to revenues of State Lotteries, Forest, Home (Police), Public Works (Irrigation, Buildings and Roads) and Co-operation, conducted in audit during the year 1999-2000 revealed under-assessments and losses of revenue amounting to Rs.2279.22 lakh in 2529 cases as depicted below:

| Sl. No. | Heads of revenue                               | Number of cases | Amount           |
|---------|--|-----------------|------------------|
|         |  |                 | (Rupees in lakh) |
| A       | (i) Finance (State Lotteries)                  | 256             | 265.64           |
| B.      | Forest   | 443             | 330.81           |
| C.      | Home (Police)                                  | 51              | 580.80           |
| D.      | Public Works (Irrigation, Buildings and Roads) | 1401            | 146.02           |
| E.      | Co-operation                                   | 378             | 955.95           |
|         | <b>Total</b>                                   | <b>2529</b>     | <b>2279.22</b>   |

The departments accepted under-assessments/loss of revenue etc. of Rs.215.33 lakh in 264 cases which were pointed out during the year 1999-2000. An amount of Rs.19.90 lakh had been recovered in 48 cases during the year 1999-2000 of which Rs.16.51 lakh recovered in 45 cases related to earlier years.

A few illustrative cases involving Rs.861.41 lakh highlighting important observations are mentioned in the following paragraphs.



**A-FINANCE DEPARTMENT**

**5.2 Printing of lottery tickets-Non-realisation of penalty from printer**

Printing of lottery tickets is arranged by the department through open tenders. The terms and conditions are determined through an agreement. For printing of lottery tickets for the period from 1 April 1996 to 31 March 1999, agreements were executed between Director, Haryana State Lotteries and M/S Capital Business System Private Limited, New Delhi on year to year basis. As per clause 15 of the agreement the printer was responsible for shortage, misprinting, duplicate printing of tickets, short supply of tickets etc. In case of non/short supply of tickets of any particular draw, the penalty equal to the face value of the tickets was to be imposed and recovered from the printer.

(i) During test check of records of lottery schemes for the years 1996-97 to 1998-99, it was noticed that tickets of the face value of Rs.5.95 lakh were supplied short for which penalty of Rs.5.95 lakh was leviable but the same was neither levied nor recovered by the department from the pending bills of the printer.

On this being pointed out (April 2000) in audit, the department recovered (20 April 2000) an amount of Rs.2.04 lakh. Report on recovery of balance amount of Rs.3.91 lakh has not been received (October 2000).

(ii) Two crore tickets were got printed for the schemes of Jai Durge and Mahalaxmi International game scheme and the draws were to be held on 21 July 1997 and 1 September 1997 respectively. Out of 2 crore tickets, 86,979 tickets for the face value of Rs.7,17,290 were shown as wastage by the Sales Officer incharge posted at godown at Faridabad. Amount of Rs.7.17 lakh was recovered neither from the printer nor from the Sales Officer at fault.

Non-adherence to the terms and conditions of the agreements resulted in non-recovery of Rs.13.12 lakh (Rs. 5.95 lakh + Rs. 7.17 lakh).



### **5.3 Loss of interest due to delayed transfer of money to Government account**

The Sales Officer incharge of a camp located outside the State is required to deposit the sale proceeds of lottery tickets in a local bank account opened in the name of the Director, Haryana State Lotteries on the same day or at the latest on the next working day for its subsequent transfer to Headquarters office at Chandigarh and thereafter, money is transferred by the department to Government account in the State Bank of India (Treasury Branch) through cheques. Any delay in remittances results in loss of interest to the State Government .

(i) During test check of master scheme register and cash book maintained by 4 Sales Officers (two each of Faridabad and Panchkula) for the years 1996-97 to 1997-98, it was noticed (April 2000) that the money collected on account of sale of lottery tickets by the Sales Officers was not being remitted into bank or treasury as heavy balances of sale proceeds accumulated from Rs.48 lakh to Rs.2.50 crore were lying unremitted with the Sales Officers and the delay in remittances ranged from 1 to 60 days. Delay in remittances of sale proceeds resulted in loss of interest of Rs.17.86 lakh calculated at the rate of 14 *per cent* per annum.

The omission was pointed out (April 2000) to the department; their reply has not been received (October 2000).

(ii) During test check of records of the Director, Haryana State Lotteries, Chandigarh for the period 1997-98 to 1998-99, it was noticed that cash collected by the Sales Officers, Faridabad and Panchkula on account of sale proceeds of lottery tickets and transmitted through a bank to Chandigarh had not been transferred to Government account within prescribed period and delay ranged from 1 to 188 days.

Had there been close monitoring by Director, on transfer by Chandigarh Bank to Government account in time, the department could have saved interest of Rs.16.18 lakh calculated at the rate of 14 *per cent* per annum.

On this being pointed out (June 1998, October 1999 and April 2000), the department stated (October 1999) that the matter was under correspondence with the bank. Further report on action taken has not been received (October 2000).



#### 5.4 Non charging of interest and penal interest

Interest on loans and advances is chargeable from the date of disbursement of loans to the loanees at the rates and on the terms and conditions mentioned in the sanctions. Further, on all overdue instalments of principal and interest, penal interest as stipulated in the sanctions/orders is also leviable over and above the normal rates of interest. Penal interest where not provided would be charged at the rate of two *per cent* as per instructions issued by the Government in March 1999. In case of non-payment of instalment on due dates, compound interest is leviable on loans and advances to Local Government Department.

(i) A test check of records of loans and advances in Local Government Department revealed (October 1999) that due dates for repayment of instalments of loans amounting to Rs.3.90 crore granted to 50\* Municipal Councils/Committees during 1996-97 and 1997-98 were not adhered to by the loanees. Compound interest leviable at the rate of 12 *per cent* per annum on overdue instalments worked out to Rs.108.36 lakh for the period from 1996-97 to 1999-2000 which was neither assessed nor charged.

On this being pointed out (October 1999) in audit, the department intimated (February 2000) that due to weak financial positions of Municipal Committees, they were not in a position to pay the amount of instalments of loans. Report on recovery has not been received (October 2000).

The matter was reported to the Government in October 1999; their reply has not been received (October 2000).

(ii) A test check of records of loans and advances in Cooperation Department revealed (October 1999) that interest of Rs.76.06 lakh (Interest: Rs.67.12 lakh and penal interest: Rs.8.94 lakh) on the outstanding amount of loan of Rs.1.42 crore advanced between 1994-95 and 1996-97 to various Labour and Construction Societies and Sugar Mills was neither assessed nor charged for the period April 1995 to March 2000.

On this being pointed out (September 1999) in audit, the department stated (February 2000) that the report would be submitted after its receipt from the concerned units. No report has been received (October 2000).

The matter was reported to Government in October 1999; their reply has not been received (October 2000).

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\* Ambala Cantt., Ambala City, Assandh, Bahadurgarh, Barwala, Bhiwani, Dadri, Ellenabad, Fatehabad, Ganaur, Gharaunda, Gohana, Gurgaon, Hansi, Hisar, Hodel, Indri, Jagadhari, Jhajjar, Jind, Jullana, Kaithal, Kalayat, Kalka, Karnal, Ladwa, Lohana, Meham, Mohindergarh, Narnaul, Narwana, Naraingarh, Nilokheri, Palwal, Panipat, Pehowa, Rania, Rewari, Rohtak, Safidon, Samalkha, Shahbad, Sirsa, Siwani, Sonipat, Thanesar, Tohana, Tosham, Uklana and Yamunanagar.



**B-Forest Department**

**5.5 Loss due to delay in harvesting of poplar trees**

Poplar trees are matured for felling between the age of 8 and 10 years. The delay in cutting of poplar trees causes deterioration in quality of the timber as it becomes hard and hollow and creates difficulty in veneering. In case of poplar trees, the royalty is paid by the Haryana Forest Development Corporation (HFDC) at the purchase price of trees. The Deputy Conservator of Forest (Territorial Division), Yamunanagar fixed the rate of royalty at the rate of Rs.3,000 per cum on the basis of trees sold in open auction in February 1996.

During test check of records of Divisional Forest Officer (DFO-T) Yamunanagar, it was noticed (August 1999) that the standing volume of 4,145.851 cubic metre of poplar trees (aged between 11 and 20 years) was handed over to HFDC during the years 1995-96 to 1998-99 on payment of royalty of Rs.53.32 lakh at purchase price. The trees if sold well in time in open auction would have at least fetched a price of Rs.124.38 lakh. The corporation stated (January 1997) that the low price received on account of auction of logs of poplar trees was due to its over maturity which created hollowness, hardness and knots in the timber. Thus delay caused in cutting the trees resulted in loss of Rs.71.06 lakh to the Government.

The case was reported to Government in May 2000; their reply has not been received (October 2000).

**5.6 Non-realisation of sales tax**

Under Haryana General Sales Tax Act, 1973, sales tax is leviable on the sale of trees as per rates prescribed from time to time.

During test check of records of 11 forest divisions\* it was noticed (between June 1997 and March 2000) that trees valued at Rs. 577.94 lakh were sold to HFDC during the years 1995-96 to 1998-99 on which sales tax amounting to Rs. 37.49 lakh was not realised. This resulted in non-recovery of Rs.37.49 lakh to the Government.

\* Territorial Divisions Ambala, Faridabad, Hisar, Jind, Kaithal, Karnal, Kurukshetra, Mohindergarh, Morni division at Pinjore, Sonipat and Yamunanagar.



On being pointed out (between June 1997 and March 2000), Divisional Forest Officer, Yamunanagar stated (December 1999) that out of sales of timber valued at Rs.32.43 lakh made during 1997-98 and 1998-99, declaration forms (ST 15) for Rs.19.39 lakh in respect of sales made to registered dealers have been obtained and action for recovery of tax on the remaining sales of Rs.13.04 lakh was being taken. The reply of the department was not tenable as sales of trees (timber) were taxable at first stage of sale from 18 July 1997. No reply from the remaining 10 divisions has been received (October 2000).

The case was reported to Government in May 2000; their reply has not been received (October 2000).

### **5.7 Absence of physical verification of timber**

Rules provide that the stock (forest produce) should be physically verified by the Divisional Forest officer once in a year to ensure the accuracy of the stock in hand and to ensure safety from any pilferage/shortage.

In 5\* Production Divisions, it was noticed (between August 1999 and February 2000) that no physical verification was conducted by the Divisional Forest Officers despite heavy balances of timber lying in sale depots. Out of these, a test-check of records of DFOs (Production) Fatehabad, Gurgaon and Kurukshetra revealed (July 1997, November 1999 and February 2000) that timber valued at Rs 38.72 lakh was found short in stock registers of timber (Form 7) against 33 officials (DFO(P) Fatehabad: 7, Gurgaon: 17 and Kurukshetra: 9) during July 1997, November 1999 and February 2000. Neither any reasons for this shortage nor any action to fix the responsibility for the same was found on record.

On being pointed out (March 2000), the DFO (Production), Fatehabad intimated (May 2000) that the action was being initiated against the officials. Reply from DFO (Production), Gurgaon and Kurukshetra was awaited (July 2000). The Chief Conservator of Forests (Production) directed (March 2000) the DFOs to conduct the physical verification every year in the month of April.

The case was reported to Government in May 2000; their reply has not been received (October 2000).

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\* DFOs (Production) Fatehabad, Gurgaon, Karnal, Kurukshetra and Yamunanagar.



### 5.8 Non-recovery of loss on reauction of lots

Conditions for auction of timber stipulate that in case the timber is not lifted by the bidder within 60 days from the stipulated date of lifting of material, the timber lying in the sale depot and the earnest money shall be forfeited. In case there was any loss to the Government on reauction of the timber, it will be recovered from the earlier bidder as arrears of land revenue in terms of Indian Forest Act, 1927.

In 3 Production Divisions (Yamunanagar, Fatehabad and Kurukshetra), timber was sold (between November 1997 and February 1999) through open auction for Rs. 8.01 lakh. After depositing the earnest money of Rs.1.76 lakh, 4 bidders failed to deposit the balance amount Rs. 6.25 lakh within the prescribed period of 60 days. The bids were, therefore, cancelled and the timber was reauctioned (between July 1998 and May 1999) for Rs.4.66 lakh resulting in loss of Rs.1.59 lakh. This amount was to be recovered from the defaulted bidders which was not done.

On this being pointed out (between October 1999 and March 2000), it was stated that notices to the bidders were issued (November 1998 and June 1999) by the DFO(P) Kurukshetra and Fatehabad. No action was initiated by the DFO(P) Yamunanagar (April 2000).

The case was reported to Government in May 2000; their reply has not been received (October 2000).

### 5.9 Application of incorrect rate of royalty

Royalty/purchase price is fixed by a committee consisting of representatives from Forest Department and the Forest Development Corporation on the basis of prevailing market rates. The Committee fixed (February 1998) the rate of Rs.1500, Rs.800, Rs.850 and Rs.550 per cum for shisham, kikar, eucalyptus and miscellaneous species respectively for the year 1997-98.

Scrutiny of records revealed (between August 1999 and March 2000) that 43,217.377 cum standing volume of trees of various species were sold by 7\* Territorial Divisions to the HFDC during 1997-98. The HFDC paid royalty of Rs.217.35 lakh at lesser rates to the territorial divisions instead of Rs.274.64 lakh at the rates fixed by the Government or HFDC. This resulted in less receipt of royalty of Rs 57.29 lakh.

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\* Territorial Divisions Ambala, Hisar, Kaithal, Karnal, Kurukshetra, Mohindergarh and Rohtak.



On this being pointed out (March 2000), the department advised (3 April 2000) the Corporation to make payment of royalty at full rates. Report on recovery was awaited (October 2000).

The case was reported to Government in May 2000; their reply has not been received (October 2000).

#### **5.10 Loss due to excess unit\* cost**

Rules provide that Divisional Forest Officer (Production) will prepare profit and loss account for every year and submit the same to the concerned Conservator in order to work out the average cost per cubic metre for timber and fuel wood separately. The department fixed (February 1999) the rate of unit cost as Rs 425 per cum.

Test check of records revealed (September, November 1999 and January 2000) that 3 Production Divisions (Yamunanagar, Karnal and Gurgaon) incurred expenditure of Rs. 200.50 lakh on the conversion of standing volume into round timber, fuel wood, its carriage and stacking in sale depots during 1998-99 against the admissible expenditure of Rs. 176.06 lakh. The excess expenditure incurred on conversion of timber and its transportation to sale depots resulted in loss of Rs.24.44 lakh to the Government.

The case was reported to Government in May 2000; their reply has not been received (October 2000).

#### **C-HOME DEPARTMENT (POLICE)**

#### **5.11 Non/short recovery of cost of police**

Under the provisions of Punjab Police Rules, 1934, as applicable to Haryana, Superintendent(s) of Police or any other head of office is required to raise bills on account of cost incurred on deployment of police (Guards) against parties and corporate bodies every month in advance. Cost includes pay and allowances, other expenses, leave salary and pension contribution of the force so deployed etc. If the period is less than a month, cost for the actual period for which police is deployed shall be recovered. Additional police shall not be supplied until the advance payment required under the rules has been received.

\* Unit cost-cost incurred per cum.



During test check of records of 13\* offices (four of Commandants of Haryana Armed Police Battalions and nine of Superintendents of Police), it was noticed (between April 1998 and October 1999) that police guards were deployed with various institutions/corporate bodies during the period between July 1983 and May 1999 but bills on this account were either raised short or were not raised at all. This resulted in non/short recovery of cost of police charges amounting to Rs.286.09 lakh.

The cases were reported to the Government (between October 1998 and November 1999); their reply has not been received (October 2000).

**D-PUBLIC WORKS DEPARTMENT  
(IRRIGATION, BUILDINGS AND ROADS)**

**5.12 Short recovery of water charges**

Haryana Canal and Drainage Act, 1974 provides the chargeability of water rates for the canal water supplied for various purposes. Under the Haryana Canal and Drainage Rules, 1976, charges for canal water supplied in bulk to Industries and Power Plants were recoverable at the rate of Rs.50 per 2500 cubic feet upto 7 May 1996 and the rates were revised as Rs.55 per 2500 cubic feet with effect from 8 May 1996.

During test check of records of the Executive Engineer, Bhiwani Water Services Division, Bhiwani, it was noticed (December 1998) that the divisional office raised water charges bills for canal water supplied in bulk to Railway Tank, Bhiwani at the rate of Rs.11 and Rs.13.50 per 2500 cubic feet for the period from April to October 1996 and November 1996 to August 1997 instead of correct rate of Rs.50 and Rs.55 per 2500 cubic feet of water respectively treating the supply as other bulk supplies. This resulted in short recovery of water charges amounting to Rs.1.61 lakh.

On this being pointed out (December 1998) in audit, the department intimated (December 1998) that the revised bills have been raised against the Railway authorities. Report on recovery has not been received (October 2000).

The case was reported to Government in January 1999; their reply has not been received (October 2000).

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Superintendents of Police-Ambala, Faridabad, Gurgaon, Hisar, Kurukshetra, Karnal, Sirsa, Rohtak and Yamunanagar.  
Commandants-1st Battalion Ambala, 2nd, 4th and 5th Battalions Madhuban.



### **5.13 Utilisation of departmental receipts towards expenditure**

Under the State Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited. All moneys received by or tendered to a Government servant on account of the revenue of the State Government shall be paid fully into treasury or bank on the same day or on the next day at the latest.

During test check of records of Executive Engineer, Provincial Division, Fatehabad, it was noticed (December 1998) that departmental receipts amounting to Rs.2.21 lakh collected during 1996-97 and 1997-98 were not deposited into the treasury/bank but were utilised to meet the departmental expenditure.

On this being pointed out (December 1998) in audit, the department intimated (August 2000) that outstanding revenue has been deposited.

The case was reported to Government in December 1998; their reply has not been received (October 2000).

## **E-CO-OPERATION**

### **5.14 Short recovery of audit fee**

Under the Haryana Co-operative Societies Rules, 1989, every Co-operative society is liable to pay audit fee for audit of its annual accounts by the auditors of Co-operative department for each Co-operative year in accordance with the scales and rates fixed by the Registrar. The Central Co-operative Banks, Co-operative House Building Societies and Sugar mills are liable to pay audit fee at the rate of 5 *per cent* of the net profit arrived at before appropriation for income tax.

(i) During test check of records of Assistant Registrars, Co-operative Societies, Faridabad Gurgaon, and Rewari, it was noticed (November and December 1999) that audit fee amounting to Rs.1.20 lakh was recovered from three Central Co-operative Banks and one House Building Society on the basis of net profits reflected in their unaudited accounts for the Co-operative years from 1995-96 to 1998-99. Later, on completion of audit of accounts of these societies, additional audit fee amounting to Rs.33.67 lakh became recoverable on the basis of audited figures of profit which was neither paid by the societies nor demanded by the department.

On this being pointed out (November and December 1999) in audit, Assistant Registrars, Co-operative Societies, Gurgaon and Faridabad stated in respect of three banks that notices for recovery would be issued. In respect of remaining



one case, no reply from Assistant Registrar, Co-operative Societies, Rewari has been received (October 2000).

The cases were reported to the Government in December 1999 and January 2000; their reply has not been received (October 2000).

(ii) During test check of records of the Assistant Registrar, Co-operative Societies, Karnal, it was noticed (December 1999) that in the case of a Sugar mill of Karnal, the audit fee for the year 1997-98 was charged on the net profits calculated after adjusting the provisions for income tax amounting to Rs.217.46 lakh. This resulted in short recovery of audit fee amounting to Rs.10.87 lakh.

On this being pointed out (December 1999) in audit, the department stated that action would be taken to recover the audit fee.

The case was reported to Government in January 2000; their reply has not been received (October 2000).

#### **5.15 Non-deposit of dividend on share capital of State Government**

As per terms and conditions laid down in the sanction orders issued by the Registrar, Co-operative Societies, Haryana, Chandigarh from time to time, every Co-operative Society shall give a suitable return in the form of dividend on contribution of Haryana Government's share capital on the basis of resolutions passed by the Board of Directors. Under the provisions of Haryana Co-operative Societies Rules, 1989, the dividend shall not exceed 10 per cent per annum of the paid up share capital of a Co-operative Society.

During test check of records of Registrar, Co-operative Societies, Haryana and four Assistant Registrars Co-operative Societies, it was noticed (September, November and December 1999) that five societies (Banks) had been running in profit and their Board of Directors had passed (between April 1997 and August 1999) resolutions for payment of dividends ranging between one per cent and five per cent for the years 1993-94 to 1997-98. A dividend of Rs.64.79 lakh was payable to Government for this period but the same was neither deposited by any of the societies in Government account nor demanded by the department.

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\* Assistant Registrars Faridabad, Gurgaon, Karnal and Rewari.



On this being pointed out (September, November and December 1999), Registrar, Co-operative Societies, Haryana directed (December 1999) one bank to deposit the amount of dividend in Government account and in respect of remaining four societies, the Assistant Registrars stated (November and December 1999) that the notices for recovery would be issued. Further report on action taken has not been received (October 2000).

The cases were reported (between October 1999 and January 2000) to Government; their reply has not been received (October 2000).



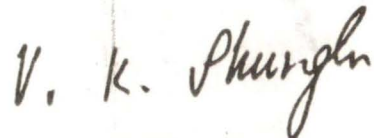
(BALVINDER SINGH)

Accountant General (Audit) Haryana

Chandigarh

Dated:

Countersigned



(V.K. SHUNGLU)

Comptroller and Auditor General of India

New Delhi

Dated:



