

**REPORT OF THE  
COMPTROLLER AND AUDITOR  
GENERAL OF INDIA**

**FOR THE YEAR ENDED MARCH 2000**

**No.1**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF HIMACHAL PRADESH**



<b>CONTENTS</b>
-----------------

<i>Particulars</i>	<i>Paragraph</i>	<i>Page</i>
<i>Prefatory Remarks</i>		v
<i>Overview</i>		vii
<b>GENERAL</b>		
Trend of revenue receipts	1.1.	1
Variations between Budget estimates and actuals	1.2.	3
Analysis of collections	1.3.	5
Cost of collection	1.4.	6
Arrears of revenue	1.5.	6
Arrears in appeals	1.6.	8
Frauds and evasion of tax/duty	1.7.	9
Results of audit	1.8.	9
Outstanding inspection reports and audit observations	1.9.	10
Arrears in assessment	1.10.	11
<b>SALES TAX</b>		
Results of audit	2.1.	12
Arrears in collection of sales tax	2.2.	13
Non-levy of tax	2.3.	19
Incorrect exemption of sales tax	2.4.	19
Non-levy of tax due to non-registration of dealers	2.5.	21
Inadmissible concessional rate of tax	2.6.	23
Short levy due to application of incorrect rate of tax	2.7.	23
Short levy of tax due to incorrect deductions from turnover	2.8.	24
Under-assessment of sales tax	2.9.	25
Non-levy of interest	2.10.	26

<i>Particulars</i>	<i>Paragraph</i>	<i>Page</i>
<b>STATE EXCISE</b>		
Results of audit	3.1.	27
Short levy of excise duty	3.2.	27
Re-distillation losses	3.3.	29
Non-recovery of enhanced excise duty	3.4.	29
Non-realisation of additional licence fee	3.5.	30
<b>TAXES ON VEHICLES, GOODS AND PASSENGERS</b>		
Results of audit	4.1.	31
Non-realisation of token tax	4.2.	32
Short realisation of composite fee	4.3.	32
Non-recovery of authorisation fee	4.4.	33
Vehicles not registered with the Excise and Taxation Department	4.5.	33
Short realisation of interest	4.6.	34
Short realisation of goods tax	4.7.	35
Short realisation of passengers tax	4.8.	36
<b>FOREST RECEIPTS</b>		
Results of audit	5.1.	37
Loss of revenue due non-levy of extension fee	5.2.	37
Non/short recovery of royalty	5.3.	38
Short recovery of royalty due to application of incorrect volume factor	5.4.	39
Short recovery of royalty	5.5.	39
Short recovery of royalty due to incorrect determination of intensity of trees	5.6.	40
Short recovery of royalty due to incorrect determination of volume of trees	5.7.	41
Short recovery of royalty on deodar oil	5.8.	42
Non -recovery of royalty on green trees coming in road alignment	5.9.	42



<i>Particulars</i>	<i>Paragraph</i>	<i>Page</i>
Blocking of revenue due to non-disposal of trees	5.10.	43
Loss of revenue due to administrative delays/lapses	5.11.	43
Non recovery of sales tax	5.12.	46
Non recovery of departmental charges	5.13.	47
Non-levy of interest and penalty	5.14.	47
Non-levy of interest on belated payment of damage money	5.15.	48
<b>OTHER TAX AND NON-TAX RECEIPTS</b>		
<b>REVENUE DEPARTMENT</b>		
<b>A-STAMP DUTY AND REGISTRATION FEE</b>		
Results of audit	6.1.	49
Short determination of stamp duty and registration fee	6.2.	49
<b>B-MULTIPURPOSE PROJECTS AND POWER DEPARTMENT</b>		
Non -recovery of Government dues	6.3.	50
<b>C-CO-OPERATION DEPARTMENT</b>		
Results of audit	6.4.	51
Non-redemption of Government money	6.5.	52
<b>D-INDUSTRIES DEPARTMENT (MINERAL RECEIPTS)</b>		
Results of audit	6.6.	52
Non-implementation of the provisions of the Himachal Pradesh Minerals (Vesting of Rights) Act, 1983	6.7.	53
Non/Short recovery of royalty/interest	6.8.	54



**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 sales tax, state excise, motor vehicles tax, passengers and goods tax, forest receipts, other tax and non-tax receipts of the State.

The cases mentioned in the 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 years' Reports.





## OVERVIEW

This report contains 39 paragraphs including one review relating to non-levy, short levy of tax, penalty, interest etc. involving Rs. 145.32 crore, which is 8.6 *per cent* of the revenue receipts of 1999-2000. The departments/Government have accepted audit observations involving Rs.3.82 crore of which Rs.0.80 crore had been recovered upto August 2000. Some of the major findings are mentioned below:-

### 1. General

(i) The total receipts of the Government for the year 1999-2000 at Rs. 3715.28 crore were 61 *per cent* higher than the previous year. The revenue receipts of Rs.1676.50 crore consisted of Rs.620.26 crore from taxes and Rs.1056.24 crore from non-tax revenue. The State received Rs.920.98 crore as its share of divisible Union Taxes and Rs.1117.80 crore as grants-in-aid from the Government of India. Receipts under state excise (Rs.198.70 crore), sales tax (Rs.233.07 crore) and taxes on goods and passengers (Rs.104.83 crore) accounted for a major portion of tax receipts. Under non-tax revenue, the main receipts were from forestry and wild life (Rs.669.37 crore).

(Paragraph 1.1.)

(ii) The arrears of revenue under principal heads of revenue as on 31 March 2000 amounted to Rs.188.61 crore, of which Rs. 64.23 crore pertained to Forestry and Wild Life.

(Paragraph 1.5.)

(iii) Test check of records of the Excise and Taxation, Transport, Forest and other departmental offices conducted during 1999-2000, revealed under-assessment/ short levy of revenue amounting to Rs. 58.04 crore in 843 cases. The concerned departments accepted under-assessments etc. of Rs. 8.94 crore.

(Paragraph 1.8.)

(iv) 2908 audit and inspection reports containing 8036 objections with money value of Rs.222.21 crore issued upto 31 December 1999 were not settled upto 30 June 2000.

(Paragraph 1.9.)

### 2. Sales Tax

A review on 'Arrears in collection of sales tax' revealed the following:

(i) Accumulation of arrears registered an increase of 189.8 *per cent* during the five years, from Rs. 2971.76 lakh in 1994-95 to Rs. 8612.39 lakh in 1998-99.

(Paragraph 2.2.5.)



(ii) Short depiction of arrears in the departmental records resulted in undue benefit of Rs. 48.42 lakh to seven dealers.

(Paragraph 2.2.6.)

(iii) Amounts aggregating Rs.363.29 lakh were pending for recovery from the dealers whose whereabouts were not known.

[Paragraph 2.2.7(i).]

(iv) Delay in finalising the assessments resulted in accumulation of arrears amounting to Rs. 586.13 lakh.

[Paragraph 2.2.7(ii).]

(v) Incorrect exemption in respect of sales of chicks allowed by the assessing authority, resulted in non-recovery of sales tax of Rs. 100.46 lakh.

[Paragraph 2.4(a).]

(vi) Non-registration of 13 dealers resulted in non-levy of tax of Rs. 47.28 lakh.

(Paragraph 2.5.)

(vii) Inadmissible concessional rate of tax resulted in short levy of tax, surcharge and interest amounting to Rs. 22.37 lakh.

(Paragraph 2.6.)

### **3. State Excise**

(i) Under valuation of medicinal preparation resulted in short levy of excise duty amounting to Rs. 14.21 lakh.

(Paragraph 3.2.)

(ii) In a brewery and bottling plant, excise duty amounting to Rs. 8.07 lakh leviable on spirit lost in the process of re-distillation during the year 1998-99 was not levied.

(Paragraph 3.3.)

### **4. Taxes on Vehicles, Goods and Passengers**

Goods tax amounting to Rs. 23.11 lakh recoverable in 455 cases was not realised.

(Paragraph 4.5.)



**5. Forest Receipts**

(a) In eighteen forest divisions extension fee amounting to Rs. 112.26 lakh was not demanded by the department from Himachal Pradesh State Forest Corporation.

*(Paragraph 5.2.)*

(b) In three forest divisions, royalty and sales tax amounting to Rs.126.86 lakh was either not charged or charged short.

*(Paragraph 5.3.)*

(c) In one forest division, Rs. 14.33 lakh on account of royalty and sales tax were recovered short due to application of incorrect volume factor.

*(Paragraph 5.4.)*

(d) Incorrect determination of intensity of trees resulted in short recovery of royalty and sales tax amounting to Rs. 15.04 lakh in two divisions.

*[Paragraph 5.6 (a) & (b).]*

(e) In two forest divisions, royalty and sales tax amounting to Rs. 19.22 lakh in respect of green trees coming in road alignment was not demanded.

*(Paragraph 5.9.)*

(f) In five forest divisions, non-disposal of 3715 salvage trees resulted in blockage of revenue of Rs. 65.94 lakh.

*(Paragraph 5.10.)*

(g) In nine forest divisions, 1,85,213 resin blazes could not be tapped during tapping seasons of 1995-1999 due to deletion of blazes from the marking lists, non enumeration of blazes and refusal of the Corporation to tap the blazes depriving the Government of revenue of Rs. 57.28 lakh.

*[Paragraph 5.11(c).]*

(h) In ten forest divisions the department failed to seize forest produce valuing Rs. 26.92 lakh from the offenders.

*[Paragraph 5.11 (d)(i).]*

(i) In twelve forest divisions, interest and penalty amounting to Rs. 59.38 lakh for delays in payments of royalty and sales tax, had not been demanded by the department.

*(Paragraph 5.14.)*



(j) In six forest divisions, interest amounting to Rs. 23.61 lakh had not been demanded for delayed payments of damages.

(Paragraph 5.15.)

## **6. Other Tax and Non-Tax Receipts**

(i) Under valuation of property in 46 cases resulted in short levy of stamp duty and registration fee amounting to Rs. 10.23 lakh.

(Paragraph 6.2.)

(ii) Charges for electricity drawn as State's share of power by the Himachal Pradesh State Electricity Board (value Rs. 11756.62 lakh) and sold to consumers had neither been deposited with the Government nor liabilities provided in the Board's accounts.

(Paragraph 6.3.)

(iii) Non-redemption of Government's contribution of share capital resulted in non-recovery of Rs. 72.05 lakh.

(Paragraph 6.5.)

(iv) Delay in acquiring the mines under the provisions of the Himachal Pradesh Minerals (Vesting of Rights) Act, 1983 deprived the Government of additional revenue of Rs. 128.40 lakh.

(Paragraph 6.7.)

(v) Royalty, sales tax and interest amounting to Rs. 98.10 lakh was either not charged or short charged.

[Paragraph 6.8(i).]

(vi) In 10 cases of mining leases, royalty amounting to Rs. 13.40 lakh had not been realised.

[Paragraph 6.8 (ii).]



## CHAPTER 1 : GENERAL

### 1.1. Trend of revenue receipts

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

(In crore of rupees)

		1997-98	1998-99	1999-2000
I.	Revenue raised by the State Government			
	(a) Tax revenue	476.16	572.03	620.26
	(b) Non-tax revenue	222.04 (221.95)*	205.42	1056.24
	<b>Total</b>	<b>(698.11)*</b>	<b>777.45</b>	<b>1676.50</b>
II.	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	651.23	727.33	920.98 <sup>@</sup>
	(b) Grants-in-aid	821.02	807.08	1117.80
	<b>Total</b>	<b>1472.25</b>	<b>1534.41</b>	<b>2038.78</b>
III	Total receipts of the State Government (I and II)	2170.45 (2170.36)*	2311.86	3715.28
IV	Percentage of I to III	32	34	45

\* Lottery receipts have been accounted for net of expenditure on prize winning tickets. To make the figures comparable for the three years, receipts from prize winning tickets have been deducted from non tax revenue for the preceding year 1997-98 and shown in the brackets. Its effect on other figures is also exhibited within brackets.

@ For details, please see "Statement No.10-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Himachal Pradesh 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.

Report No. 1 of 2000 (Revenue Receipts)

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

(In crore of rupees)

Sr. No.	Head of revenue	1997-98	1998-99	1999-2000	Percentage of increase(+) or decrease (-) in 1999-2000 over 1998-99
1.	State Excise	159.54	185.55	198.70	(+) 7
2.	Taxes on Sales, Trade etc.	171.18	196.57	233.07	(+) 19
3.	Taxes on Goods and Passengers	96.80	115.11	104.83	(-) 9
4.	Taxes on Vehicles	15.83	17.48	28.37	(+) 62
5.	Stamps and Registration fees	18.77	21.61	24.68	(+) 14
6.	Taxes and Duties on Commodities of Electricity	7.05	28.03	0.21	(-) 99
7.	Land Revenue	1.67	1.04	6.48	(+) 523
8.	Others	5.32	6.64	23.92	(+) 260
	<b>Total</b>	<b>476.16</b>	<b>572.03</b>	<b>620.26</b>	<b>(+) 8</b>

(ii) The details of non-tax revenue realised during the years 1997-98 to 1999-2000, are given below:

(In crore of rupees)

Sr. No.	Head of revenue	1997-98	1998-99	1999-2000	Percentage of increase(+) or decrease (-) in 1999-2000 over 1998-99
1.	Forestry and Wild Life	41.15	9.98	669.37	(+) 6607
2.	Interest Receipts	13.01	9.40	159.51	(+) 1596
3.	Non-ferrous Mining and Metallurgical Industries	30.93	37.97	30.36	(-) 20
4.	Education, Sports, Art and Culture	6.13	9.74	10.48	(+) 8
5.	Crop Husbandry (including Horticulture)	4.09	2.97	3.12	(+) 5
6.	Others	126.64	135.36	183.40	(+)35
	<b>Total</b>	<b>221.95</b>	<b>205.42</b>	<b>1056.24</b>	<b>(+)414</b>

There was significant variation in receipts under the following heads and the reasons therefor as given by the concerned departments were as under:

“Taxes on Vehicles”- The increase was due to revision of fees leviable under the Himachal Pradesh Motor Vehicles Taxation Rules and more receipts from special road tax.



“Taxes and Duties on Commodities of Electricity”- The decrease was due to non-deposit of electricity duty due during the year 1999-2000 by the Himachal Pradesh State Electricity Board.

“Non-tax receipts”- the increase of Rs. 851 crore in non-tax receipts during 1999-2000 as compared to receipts of the preceding year consists of 2 abnormal items:

- (a) Receipts of Rs. 669.37 crore from Forestry and Wild Life which is 66 times the receipts of the preceding year and
- (b) Interest receipts of Rs. 159.51 crore which are 16 times receipts in the preceding year.

Audit scrutiny revealed that these consisted of 2 transfer adjustments from a public account head namely 8448 -Deposits of Local Fund (i) Rs. 152.28 crore on 29<sup>th</sup> March, 2000 to 0049 -Interest receipt, and (ii) Rs. 656.04 crore on 31<sup>st</sup> March, 2000 to 0406 -Forestry and Wild Life. These amounts were deposited in earlier years by the State Electricity Board and the Forest Corporation respectively under 8448, raising the amounts from the public through SLR Bonds. The repayment of the principal and the interest on these Bonds was guaranteed by the State Government and financed through budgetary support. There being no surplus cash balances of this magnitude available in the accounts of the State Government with RBI at the beginning of 1999-2000, these amounts had already been utilized in earlier years towards improving ways and means position. As such these transfer adjustments do not amount to revenue receipts of 1999-2000 and do not reflect the actual resource mobilization of the State Government to that extent.

## 1.2. Variations between Budget estimates and actuals

The variations between budget estimates and actual receipts for the year 1999-2000 under the principal heads of revenue are given below:

(In crore of rupees)

Sr.No.	Head of revenue	Budget estimates	Actual receipts	Variations increase(+) shortfall(-)	Percentage of variation
1.	State Excise	185.00	198.70	(+) 13.70	7
2.	Taxes on Sales, Trade etc.	210.00	233.07	(+) 23.07	11
3.	Taxes on Goods and Passengers	56.00	104.83	(+)48.83	87
4.	Taxes on Vehicles	18.00	28.37	(+) 10.37	58
5.	Other Taxes and Duties on Commodities and Services	50.00	23.93	(-) 26.07	52
6.	Stamps and Registration Fees	21.09	24.68	(+) 3.59	17
7.	Taxes and Duties on Commodities of Electricity	18.70	0.21	(-) 18.49	99
8.	Land revenue	1.01	6.48	(+) 5.47	542
9.	Industries	10.91	48.91	(+) 38.00	349
10.	Villages and Small Industries	0.18	0.26	(+) 0.08	44
11.	Forestry and Wild Life	50.00	669.37	(+) 619.37	1239
12.	Interest Receipts	10.00	159.51	(+)149.51	1495
13.	Education, Sports, Art and Culture	3.35	10.48	(+) 7.13	213



Report No. 1 of 2000 (Revenue Receipts)

Sr.No.	Head of revenue	Budget estimates	Actual receipts	Variations increase(+) shortfall(-)	Percentage of variation
14.	Crop Husbandry (including Horticulture)	2.57	3.12	(+) 0.55	21
15.	Non-ferrous Mining and Metallurgical Industries	20.00	30.36	(+) 10.36	52
16.	Housing	0.54	1.11	(+) 0.57	106
17.	Fisheries	0.66	0.99	(+)0.33	50
18.	Water supply and Sanitation	4.32	5.94	(+) 1.62	37
19.	Police	8.42	6.67	(-) 1.75	21
20.	Power	0.95	53.28	(+) 52.33	5508

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

- (a) Under "Taxes on Sales, Trade etc.," the increase (11 per cent) was due to levy of Central Sales Tax at the rate of 1 per cent on all the industrial units except brewery/distilleries, LPG Cylinder (empty) with effect from 27 July 1999, levy of General Sales Tax from the same date on the sale of goods manufactured by the dealers running new village industrial units.
- (b) Under "Taxes on Goods and Passengers", the increase (87 per cent) was mainly due to enhancement in the rate of fare and freight, receipt on account of additional goods tax, increase in the number of goods vehicles during the year.
- (c) Under "Other Taxes and Duties on Commodities and Services", the decrease (52 per cent) was mainly due to raising of exemption limit of luxury tax under the Himachal Pradesh Tax on Luxuries (in Hotels and Lodging Houses) Act, 1979 and belated enforcement of Himachal Pradesh Taxation (On Certain Goods Carried by Road) Act, 1999.
- (d) Under "Stamp and Registration Fee", the increase (17 per cent) was mainly due to registration of more documents.
- (e) Under "Industries", increase (349 per cent) was mainly due to reimbursement of central freight grant from the Government of India and more realisations from the industrial estates.
- (f) Under "Villages and Small Industries", increase (44 per cent) was mainly due to realisation of rent of Government residences, more sale of sericulture seeds and plants, recovery of overpayments, receipts from auction of condemned store and recovery of guarantee fee in respect of Himachal Pradesh Handicrafts and Handloom Corporation.
- (g) Under "Non-Ferrous Mining and Metallurgical Industries", the increase (52 per cent) was mainly due to advance receipt of royalty from the cement factories of Barmana and Ambuja.



- (h) Under "Crop Husbandry" the increase was mainly due to sale of horticulture equipments, sale of produce from Government orchards/nursery plants, receipts on account of handling charges on pesticides, sale proceeds of auctioned condemned stores.
- (i) Under "Fisheries" the increase (50 per cent) was mainly due to increase in the production of fisheries and consequently more sale of fish and fish seeds.
- (j) Under "Police", the decrease (21 per cent) was mainly due to non-recovery of cost of police guards supplied to Bhakra Beas Management Board, Civil Aviation Authority and other institutions.

### 1.3. Analysis of collections

The break-up of the total collections (at pre-assessment stage and after regular assessment) of state excise, sales tax, passengers and goods tax and other taxes and duties on commodities and services during the year 1999-2000 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(In lakh of rupees)

Name of tax head	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment		Interest	Other Penalties	Amount refunded	Net collection of taxes/duties	Percentage of column 3 to 9
			Additional demand	Penalties for delay in payment of taxes & duties					
1	2	3	4	5	6	7	8	9	10
State Excise	1997-98	15831.85	--	10.08	117.56	4.55	9.99	15954.05	99
	1998-99	18449.26	--	7.10	90.90	12.83	4.82	18555.27	99
	1999-2000	19782.26	--	11.18	76.90	7.02	6.97	19870.39	99
Taxes on Sales, Trade etc.	1997-98	16394.18	430.35	95.52	163.11	34.78	0.10	17117.84	96
	1998-99	19018.26	411.01	73.74	110.61	44.19	1.29	19656.52	97
	1999-2000	23069.05	446.50	87.01	134.51	71.26	501.58	23306.75	99
Taxes on Goods and Passengers	1997-98	9471.27	150.39	15.08	--	43.23	--	9679.97	98
	1998-99	11149.99	305.28	40.64	--	14.82	--	11510.73	97
	1999-2000	9999.88	423.49	35.95	6.52	17.16	--	10483.00	95
Other Taxes and Duties on Commodities and Services	1997-98	473.66	57.33	1.35	0.09	0.07	0.01	532.49	89
	1998-99	628.99	33.09	1.23	2.35	0.54	2.04	664.16	95
	1999-2000	2336.99	44.15	2.62	9.52	0.19	0.43	2393.04	98

The position of revenue collected by the Excise and Taxation department as detailed above shows that the collection of revenue at the pre-assessment stage ranged between 95 and 99 per cent and the percentage of additional demand raised after regular assessments ranged between 1 and 5 during the year ending March 2000.



**1.4. 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, 1999-2000 along with the relevant all India average percentage of expenditure on collections to gross collections for 1998-99 are given below:

(In lakh of rupees)

Sr.No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 1998-99
1.	State Excise	1997-98	15954.05	280.62	1.76	3.25
		1998-99	18555.27	363.25	1.96	
		1999-2000	19870.39	370.64	1.87	
2.	Taxes on Sales, Trade etc.	1997-98	17117.84	301.08	1.76	1.40
		1998-99	19656.52	384.81	1.96	
		1999-2000	23306.75	434.74	1.87	
3.	Taxes on Vehicles, Goods and Passengers	1997-98	11262.65	218.83	1.94	3.22 (MVT)
		1998-99	13258.46	292.48	2.20	
		1999-2000	13319.89	262.81	1.97	
4.	Stamp and Registration Fees	1997-98	1876.63	52.92	3	5.45
		1998-99	2161.51	49.02	2	
		1999-2000	2468.15	191.46	8	

**1.5. Arrears of revenue**

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

(In lakh of rupees)

Sr. No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
1.	Forestry and Wild Life	6423.33	NA	Period to which the arrears pertain and specific action taken to effect the recoveries by the department had not been intimated (August 2000).
2.	Taxes on Sales, Trade etc.	5224.04	1494.06	Out of Rs.5224.04 lakh, demands for Rs.661.71 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.324.61 lakh and Rs.0.68 lakh had been stayed by the courts/judicial authorities and Government respectively. Demands for Rs.550.12 lakh were likely to be written off. Specific action taken in respect of arrears of Rs.3686.92 lakh called for (April 2000) had not been intimated (August 2000).

Sr. No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
3.	Taxes on Goods and Passengers	1640.59	57.13	Out of arrears of Rs.1640.59 lakh, demands for Rs.53.87 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.0.40 lakh had been stayed by the courts. Demands for Rs.40.24 lakh were likely to be written off. Specific action taken in respect of arrears of Rs.1546.08 lakh called for (April 2000) had not been intimated (August 2000) by the department.
4.	Taxes and Duties on Commodities of Electricity	2651.90	--	The amount is recoverable from the Himachal Pradesh State Electricity Board in respect electricity duty for the year 1999-2000.
5.	State Excise	159.64	14.90	Out of Rs.159.64 lakh, demands amounting to Rs.76.43 lakh had been certified for recovery as arrears of land revenue. Recoveries of Rs.37.91 lakh had been stayed by the courts/ judicial authorities. Demands of Rs.1.84 lakh were likely to be written off. Specific action taken in respect of the remaining arrears of Rs.43.46 lakh called for (April 2000) had not been intimated (August 2000) by the department.
6.	Other Taxes and Duties on Commodities and Services	97.48	2.15	Out of Rs.97.48 lakh, demands amounting to Rs. 2.53 lakh had been certified for recovery as arrears of land revenue. Specific action taken in respect of the arrears of Rs.94.95 lakh called for (April 2000) had not been intimated (August 2000) by the department.
7.	Water Supply, Sanitation and Minor Irrigation	1113.58	Not received	Period to which this arrear pertains and specific action to effect the recovery by the department had not been intimated (August 2000).
8.	Industries (including village and small scale industries)	163.46	58.91	Efforts were reportedly being made to recover the outstanding dues. The specific action taken by the department to recover these arrears had not been intimated (August 2000).
9.	Police	909.61	138.74	Out of total arrears of Rs.909.61 lakh, the bulk of the outstanding amount relates to Bhakra and Beas Management Board (Rs.290.74 lakh), Nathpa Jhakhri Power Corporation (Rs.170.65 lakh), National Hydro Power Corporation (Rs.42.24 lakh), Civil Aviation Authority (Rs.193.00 lakh) Railway Authority (Rs.111.54 lakh) and Yamuna Hydel Project, Khodri Majri (Rs.64.57 lakh). The balance amount (Rs.36.87 lakh) related to other departments/ institutions.
10.	Land Revenue	69.99	Not received	Specific action to effect the recovery by the department had not been intimated (August 2000).
11.	Stationery and Printing	47.05	Not received	Arrears of Rs. 47.05 lakh pertains to the period from 1997-98 to 1999-2000 and the amount is recoverable from Director, Public Relations Shimla.



Report No. 1 of 2000 (Revenue Receipts)

Sr. No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
12	Local Audit Department	115.27	--	Out of the total arrears of Rs. 115.27 lakh, the bulk of the outstanding amount relates to Himachal Pradesh Board of School Education (Rs. 46.05 lakh), Himachal Pradesh University (Rs. 20.97 lakh), Himachal Pradesh Krishi Vishwa Vidyalaya (Rs. 20.77 lakh) and Dr. Y.S. Parmar University of Horticulture and Forestry, Solan (Rs. 19.23 lakh). The balance amount (Rs. 8.25 lakh) relates to other institutions. Efforts were reportedly being made to liquidate the arrears.
13.	Non-ferrous, Mining and Metallurgical Industries	226.94	20.74	The amounts of Rs. 11.90 lakh, Rs. 4.52 lakh and Rs. 1.90 lakh were under recovery certificate process, recovery stays by the courts and write off respectively. Efforts were reportedly being made to recover the remaining arrears of Rs. 208.62 lakh (August 2000).
14.	Public Works	18.22	Not received	Period to which this arrears pertains and specific action taken to effect the recovery by the department had not been intimated (August 2000).
	Total	18861.10		

**1.6. Arrears in appeals**

According to the information furnished by the Excise and Taxation Department the number of appeals filed under the sales tax, passengers and goods taxation act, etc., the number of appeals disposed of and the number of cases pending with the appellate authorities at the end of each year during last five years ending March 2000 were as under:

Year	Opening balance	Number of appeals filed/Transferred by other appellate authorities during the year	Total	Number of appeals disposed of during the year	Balance at the close of the year	Percentage of cases disposed of to total number of cases
1995-96	223	324	547	290	257	53
1996-97	257	460	717	314	403	44
1997-98	403	431	834	339	495	41
1998-99	495	530	1025	673	352	66
1999-2000	352	557	909	651	258	72

Out of 258 cases outstanding at the end of March 2000, the oldest case relates to August 1995. There is a need to take effective steps for disposal of these cases.



**1.7. Frauds and evasion of tax/ duty**

The details of cases of frauds and evasion of taxes and duties pending at the beginning of the year, the number of cases detected by the departmental authorities, the number of cases in which assessments/investigations were completed and additional demands (including penalties etc.) of taxes/duties were raised against dealers during the year and the number of cases pending finalisation at the end of March 2000, as supplied (August 2000) by the Excise and Taxation Department are given as under:

(In lakh of rupees)

Sr. No.	Name of tax/ duty	Cases pending as on 31 March 1999	Cases detected during 1999-2000	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31st March 2000
				Number of cases	Amount of demand	
1.	Sales Tax	815	5644	5975	385.28	484
2.	State Excise	--	100	97	2.19	3
3.	Passengers and Goods Tax	2621	9037	8121	59.80	3537
4.	Other Taxes and Duties on Commodities and Services	18	861	867	22.51	12
<b>Total</b>		<b>3454</b>	<b>15642</b>	<b>15060</b>	<b>469.78</b>	<b>4036</b>

**1.8. Results of audit**

Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non-tax receipts conducted during the year 1999-2000 revealed under-assessments/short levy/loss of revenue amounting to Rs. 5803.51 lakh in 843 cases. During the course of the year 1999-2000, the concerned departments accepted under-assessments etc., of Rs. 893.64 lakh involved in 803 cases of which 30 cases involving Rs. 30.57 lakh had been pointed out in audit during 1999-2000 and the rest in earlier years.

This Report contains 39 paragraphs including one review relating to non-levy, short levy of tax, duty, interest, penalty etc., involving Rs. 145.32 crore. The department/ Government have accepted audit observations involving Rs. 3.82 crore of which Rs. 0.80 crore had been recovered up to August 2000. No replies have been received in the other cases.



**1.9. Outstanding inspection reports and audit observations**

- (i) Audit observations on incorrect assessments, short levy of taxes, duties, fees, etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the Head of Offices and other departmental authorities through Inspection Reports. Serious financial irregularities are reported to the concerned Heads of Departments and the Government. The 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 during the last three years up to 31st December 1999 which were pending settlement by the departments as on 30th June 1998, 30th June 1999 and 30th June 2000 is given below:

	At the end of June		
	1998	1999	2000
Number of inspection reports pending settlement	2568	2714	2908
Number of outstanding audit observations	7368	7710	8036
Amount of revenue involved (in crore of rupees)	140.37	169.27	222.21

- (iii) Department-wise break-up of the inspection reports and audit observations outstanding as on 30th June 2000 is given below:

Sr. No.	Department	Number of outstanding		Amount of receipts involved (in crore of rupees)	Year to which observations relate	Number of inspection reports to which even first replies had not been received
		Inspection reports	Audit observations			
1.	Revenue	575	1303	8.72	1974-75 to 1998-99	62
2.	Forest Farming and Conservation	559	1915	135.81	1970-71 to 1998-99	7
3.	Excise and Taxation	733	2312	41.84	1972-73 to 1998-99	3
4.	Transport	462	1323	4.12	1972-73 to 1998-99	1
5.	Other Departments (Public Works, Irrigation and Public Health, Agriculture and Soil Conservation, Horticulture, Co-operation, Food and Supplies, Industries and State Lotteries)	579	1183	31.72	1976-77 to 1997-98	15
	<b>Total</b>	<b>2908</b>	<b>8036</b>	<b>222.21</b>		<b>88</b>



The matter was last brought to the notice of the Chief Secretary to Government in July 2000; intimation regarding steps taken by the Government to clear the outstanding inspection reports and audit observations has not been received.

### 1.10. Arrears in assessment

The details of sales tax and passengers and goods tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation 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 finalized during the year	Balance at the close of the year	Percentage of cases finalised during the year to total number of cases
1	2	3	4	5	6	7
1995-96	51,124	35,667	86,791	35,909	50,882	41
1996-97	50,882	42,861	93,743	33,091	60,652	35
1997-98	60,652	45,441	1,06,093	34,279	71,814	32
1998-99	71,814	46,869	1,18,683	41,255	77,428	35
1999-2000	77,428	48,972	1,26,400	48,162	78,238	38

The above table shows that the number of cases pending at the beginning of 1995-96 was 51,124 which increased to 78,238 at the end of 1999-2000 registering an increase of 53 per cent. The percentage of finalisation of assessment cases, which had gone up to 41 per cent during 1995-96 declined to 38 per cent in 1999-2000.



**CHAPTER 2 : SALES TAX**

**2.1. Results of audit**

Test check of sales tax assessments and other records conducted in audit during 1999-2000, revealed short assessment of tax amounting to Rs. 383.83 lakh in 169 cases, which broadly fall under the following categories.

(Rupees in lakh)

		Number of cases	Amount
1	Evasion of tax as a result of suppression of purchase/sales	61	72.60
2	Non-levy/short levy of interest/penalty	10	16.63
3	Under-assessment of tax	81	187.53
4	Other irregularities	17	107.07
	<b>Total</b>	<b>169</b>	<b>383.83</b>

During 1999-2000, the department accepted under-assessments etc., of Rs.276.15 lakh involved in 252 cases, of which 22 cases involving Rs. 2.98 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.1789.23 lakh are given in the following paragraphs.

## **2.2. Arrears in collection of sales tax**

### **2.2.1. Introduction**

Under the Sales Tax laws in Himachal Pradesh every registered dealer is required to file the monthly/quarterly returns with the department alongwith the proof of payment of tax within 30 days of the expiry of the period to which the return relates. After final assessment a demand notice is served on the dealer for the balance tax, if any, which is payable within the prescribed date specified in the demand notice.

For delayed payment of tax, simple interest at the rate of one percent for a period of one month and at the rate of one and half percent per month thereafter till the default continues is payable by the dealer. Penalty not exceeding the amount of tax is also leviable for not depositing the tax within the specified time. Tax, interest and penalty which remain unpaid, constitute arrears of sales tax and are recoverable as arrears of land revenue under the Land Revenue Act, 1954. The recoveries are watched through a Demand and Collection Register maintained in the district offices.

### **2.2.2. Organisational set up**

Sales tax laws and rules are administered by the Excise and Taxation Department. At the apex level, the department is headed by the Excise and Taxation Commissioner. He is assisted by an Additional Excise and Taxation Commissioner (South Zone) and a Deputy Excise and Taxation Commissioner (North Zone). At the district level, there are Assistant Excise and Taxation Commissioners/Excise and Taxation Officers, Taxation Inspectors and other staff for administering the relevant tax laws and rules.

### **2.2.3. Scope of Audit**

Of the Rs. 8612.39 lakh pending collection as on 31 March 1999 in 7963 cases in 11 sales tax district offices, 2199 cases involving arrears of Rs. 6276.22 lakh were reviewed in audit (September 1999 and March 2000) to ascertain the correctness of the tax demands raised and the effectiveness of the follow up action of the department to recover the arrears.



#### **2.2.4. Highlights**

(i) The arrears of Rs. 2971.76 lakh of sales tax pending collection as on 31 March 1994 increased to Rs. 8612.39 lakh at the end of 31 March 1999, registering an increase of 189.8 per cent.

(Para 2.2.5)

(ii) Amounts aggregating Rs. 363.29 lakh were recoverable from the dealers whose whereabouts were not known.

[Para 2.2.7(i)]

(iii) Delay in finalising assessments resulted in accumulation of arrears of Rs. 586.13 lakh.

[Para 2.2.7(ii)]

(iv) Although the power of Collectors/Assistant Collectors to recover the arrears under the Land Revenue Act 1954, had been delegated to the officers of the Excise and Taxation department, the department failed to recover arrears of Rs.98.33 lakh in eight districts.

(Para 2.2.9)

(v) Against the arrears of Rs. 176.93 lakh pertaining to three districts for the period 1981-82 to 1994-95 which were declared as recoverable under the Land Revenue Act by the Collectors of other States, only Rs. 0.33 lakh could be recovered by adjustment.

(Para 2.2.10)

#### **2.2.5. Position of arrears**

Mention was made in para 2.2 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year ended 31 March 1990 regarding arrears of sales tax amounting to Rs. 903.07 lakh. While making recommendations on this para, the Public Accounts Committee in its 101st Report (Eighth Vidhan Sabha 1995-96) expressed concern over non recovery of arrears and stressed upon timely assessment of tax to avoid accumulation of arrears.

However, the total arrears pending collection increased almost tenfold to Rs.8612.39 lakh by 31 March 1999. The various stages at which these were



pending and their proportion to the total sales tax receipts are given below:

(Rupees in lakh)

Year	Recovery certified under land revenue Act	Recovery stayed by Government	Recovery stayed by Courts/ judicial authorities	Recovery held up due to rectification/review of applications	Demand likely to be written off	Others	Total	Total sales tax receipts	Percentage of arrears to total sales tax receipts
1994-95	430.51	48.24	66.13	241.90	466.29	1718.69	2971.76	10717.87	28
1995-96	542.58	124.75	59.53	--	476.29	2185.79	3388.94	12283.24	28
1996-97	577.36	48.24	144.94	2.07	786.68	2630.55	4189.84	14626.16	29
1997-98	642.57	69.07	174.85	--	811.72	3274.97	4983.18	17117.84	29
1998-99	590.90	68.00	222.32	6.65	816.15	6908.37	8612.39	19656.52	44

It would be seen from the above that accumulation of arrears has increased by 189.8 per cent from Rs. 2971.76 lakh in 1994-95 to Rs. 8612.39 lakh in 1998-99. The arrears registered an increase of 73.18 per cent during 1998-99 over the previous year.

### 2.2.6. Correctness of arrears

Under the Himachal Pradesh General Sales Tax Rules 1970, every assessing authority is required to maintain a Demand and Collection Register in the prescribed form in which the details of payment made by the dealer at the time of filing returns and demands raised as a result of assessments made are recorded. The recovery of amount due is watched through this register. Rules further provide that when a dealer furnishes a challan showing deposit of tax, the assessing authority shall make an entry in the personal file of the dealer.

Sample scrutiny of records in the district offices revealed that arrears amounting to Rs. 48.42 lakh were not entered correctly in the records as tabulated below. This resulted in short depiction of arrears as detailed below:

Name of the District	Name of the dealer	Assessment year(s)	Month of assessment	Demand assessed (Rupees in lakh)	Demand recorded (Rupees in lakh)	Demand short recorded (Rupees in lakh)
Solan	M/s Himachal Steel Rolling Mills Nalagarh	1992-93	July 1994	39.05	3.05	36.00
Solan	M/S Shell Paper Pvt. Ltd. Barotiwala	1986-87 to 1993-94	Between September 1994 and March 1998	47.97	42.16	5.81



Name of the District	Name of the dealer	Assessment year(s)	Month of assessment	Demand assessed (Rupees in lakh)	Demand recorded (Rupees in lakh)	Demand short recorded (Rupees in lakh)
Kangra	M/S Jag Avtar Company	1991-92 to 1992-1993	January 1994 and March 1995	17.92	15.51	2.41
Mandi	M/S Gopal Enterprises Mandi	1983-84 to 1989-90	March 1990 and June 1998	4.67	2.35	2.32
Solan	M/S Himachal Tube & Wires Ltd. Baddi	1993-94 to 1995-96	October 1996	4.79	3.49	1.30
-do-	M/S Vishnu Paper Industry Baddi	1990-91	February 1994	0.22	--	0.22
-do-	M/S Dhangal Steel Pvt.Ltd. Baddi	1989-90	November 1995	0.36	-	0.36
		Total		114.98	66.56	48.42

In view of the above, the correctness of the arrears could not be certified in audit.

### 2.2.7. Delay/failure to initiate follow up action for recovery of arrears

In eight\* districts, *ex parte* assessments in 228 cases of 64 dealers who had closed down their business were finalised between March 1987 and January 1999 by raising demands for Rs. 993.97 lakh. Of this, an amount of Rs. 3.01 lakh only in 10 cases was recovered between February 1993 and March 1999. For the remaining arrears, the department did not take adequate and appropriate action for recovery of the dues from sureties or by initiating proceedings under the Land Revenue Act as illustrated below:-

(i) Demands of Rs. 154.46 lakh created between April 1994 and January 1999 for the assessment years falling between 1985-86 to 1995-96 in 21 cases of 2 districts (Kangra: 7, Solan: 14) remained unrecovered. Notices of demand could not be served to sureties as their whereabouts were not known. Demand notices pertaining to 6 dealers in 16 cases (Kangra: 9, Shimla: 4 and Solan: 3) involving an amount of Rs. 194.61 lakh pertaining to the period between 1986-87 and 1993-94 (assessed between March 1991 and March 1998) could not be issued to the dealers as the dealers had already discontinued their business. In 6 cases of Solan district involving arrears of Rs. 14.22 lakh for the period between 1988-89 and 1993-94, (assessed in March 1995) no action was taken by department to enforce recovery from the sureties. In the case of 3 dealers of Shimla district, the security as laid down under Rules was not insisted upon at the time of registration of dealers.

(ii) In 8\* districts *ex parte* assessments of 47 dealers (166 cases) for the years 1980-81 to 1996-97 were finalised (between March 1987 and November 1998) after delay ranging from 1 year to 14 years and demands of Rs. 588.10

\* Bilaspur, Hamirpur, Kangra, Mandi, Shimla, Sirmaur, Solan and Una.



lakh were raised. Of this only Rs. 1.97 lakh could be recovered between December 1997 and March 1999. Out of 166 cases, the delay in finalisation of assessments in 131 cases involving demand of Rs. 499.10 lakh ranged from 3 years to 14 years (58 cases between 3 years and 5 years and 73 cases above 5 years). The dealers in the meantime had closed down their business and disappeared.

### **2.2.8. Non-recovery from legal heirs**

Under the Himachal Pradesh General Sales Tax Act 1968, if the business of a dealer is discontinued after his death, his legal heir shall be liable to pay out of the estate of the deceased, the outstanding dues under the Act whether assessed earlier, before or after his death.

A dealer of Shimla district had filed the returns for the years 1985-86 to 1989-90, without depositing any tax. The dealer expired in March 1990 and his widow requested in the same month for cancellation of the registration certificate. No action was however taken to cancel the registration and finalise assessments. The assessments for the years 1985-86 to 1989-90 were finalised only in January 1996 and demand notice for Rs. 7.55 lakh issued. No follow up action was taken thereafter to recover the amount either from the sureties or from the legal heirs of the dealer and consequently the amount remained unrecovered (October 1999).

### **2.2.9. Delay in initiating proceedings under Land Revenue Act**

If a dealer fails to pay tax, interest or penalty within the specified period and the department is not able to recover the same under Sales Tax Laws, such dues are certified for recovery as arrears of Land Revenue. The officer who has been delegated the powers can initiate recovery proceedings under the Himachal Pradesh Land Revenue Act, 1954 by adopting processes such as servicing a writ of demand on the defaulter, selling immovable property, attachment of estate etc. Powers of the Collector and Assistant Collectors were delegated to the departmental officers of the Excise and Taxation department with effect from December 1990 and January 1993 respectively.

At the time of discussion of para 2.6 relating to recovery of sales tax arrears as arrears of land revenue included in the Audit Report (Revenue Receipts) 1994-95, the Public Accounts Committee in their 306<sup>th</sup> Report (8 Vidhan Sabha) had observed that the progress of recovery was not satisfactory and stressed upon review of the cases from time to time.

Audit scrutiny revealed that arrears of Rs. 98.33 lakh pertaining to the period 1971-72 to 1994-95 in 80\* cases were declared for recovery under the Land

\* Bilaspur: 1, Kinnaur: 12, Kullu: 18, Mandi: 2, Shimla: 3, Sirmour: 18, Solan: 15, and Una: 11



Revenue Act. Of these, in 69\*\* cases, the demand of Rs. 79.55 lakh pertaining to the years 1971-72 to 1993-94 was raised (between August 1981 and April 1998) and declared recoverable under Land Revenue Act but notice of demand in all these cases was not issued. Out of 69 cases, in two cases of Solan district, demands of Rs. 9.27 lakh created during March 1987 were subsequently enhanced by Rs. 13.06 lakh during May 1994, but the enhanced arrears of Rs. 13.06 lakh were not declared as recoverable under Land Revenue Act. In the case of one dealer of Solan district assessment for the year 1990-91 was framed during February 1994 and demand of Rs. 0.22 lakh was created which was declared as recoverable under Land Revenue Act. However, demands of Rs. 25.09 lakh created between March 1996 and January 1999 for the assessment years 1991-92 to 1994-95 in respect of the same dealer was not declared as recoverable under Land Revenue Act. In the remaining 11 cases demands of Rs. 18.78 lakh (Kinnaur: Rs. 1.26 lakh and Solan: Rs. 17.52 lakh) were raised, between March 1991 and March 1998 and writ of demand issued (between March 1993 and March 1998) but amounts have not been recovered (August 2000).

#### **2.2.10. Recovery cases sent to Collectors of other States**

In the case of 11 dealers involving 62 assessment cases (Sirmour: 14, Solan: 19 and Una: 29) arrears amounting to Rs. 176.93 lakh were declared (between August 1987 and February 1999) as recoverable under the Land Revenue Act. As the dealers had already closed down their business and left the State the recovery cases were taken up with the Collectors of other States/Union Territories where the dealers were residing. Of these, 3 cases were referred to the Collector, Delhi who informed that the dealers were not traceable there. While in 2 cases the action had been completed by encashing fixed deposit receipts/proposing write off of unrecoverable amount. In the case of remaining 8 dealers (Sirmour: 4, Solan: 3 and Una: 1) involving arrears of Rs. 134.41 lakh no response was received from the Collectors of other States though the cases were referred between March 1991 and September 1999. The cases were not pursued thereafter by Assistant Excise and Taxation Commissioners Sirmour and Una.

#### **2.2.11. Appeals pending with the Appellate Authorities**

In the State level meeting held in April, 1998 under the Chairmanship of the Excise Minister, it was desired that all out efforts may be made to decide all pending appeals. It was stressed that no appeal should remain pending for more than six months. While reviewing the return for the period ending September 1998, the Excise and Taxation Commissioner observed that a large number of cases was pending with both the Appellate Authorities for more than 6 months. It was, therefore, again stressed upon (November 1998) that all cases pending for more than six months be disposed off by 31 March 1999.

\*\* Bilaspur: 1, Kinnaur: 6, Kullu: 18, Mandi: 2, Shimla: 3, Sirmour: 18, Solan: 10 and Una: 11



During test check of records it was noticed that 239 appeals (1996-97: 11, 1997-98: 51 and 1998-99: 177) involving an amount of Rs. 284.56 lakh (1996-97: Rs.2.66 lakh, 1997-98: Rs. 149.57 lakh and 1998-99: Rs. 132.33 lakh) were pending on 31 March 1999.

The above findings were reported to the department and Government in April 2000; their replies have not been received (August 2000).

### **2.3. Non-levy of tax**

As per departmental instructions (April 1978) under the Himachal Pradesh General Sales Tax Act, 1968, at the time of finalising the assessment, the assessing authority is required to cross check data collected from the Government offices such as Income Tax, Civil Supplies, Public Works and Industries etc. to satisfy himself that all purchases and sales made by the dealer have been properly accounted for. If the dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay, by way of penalty (in addition to the tax to which he is assessed), an amount which shall not be less than 25 *per cent*, but not more than one and a half times of the amount of tax to which he is assessed or liable to be assessed. Besides, if a dealer fails to pay tax due by the prescribed date, he is liable to pay interest on tax due at the rate of one *per cent* for a period of one month and at one and half *per cent* per month thereafter, so long as the default continues.

From the information collected (May and August 1998) by audit from the Directorate, Health Services, it was noticed that a registered dealer (Himachal Pradesh State Civil Supplies Corporation) had supplied medicines and allopathic drug kits valued at Rs. 322.03 lakh to the various hospitals of the State during the year 1993-94. The dealer was assessed for the year 1993-94 in March 1998. A cross verification of the information with the assessment records of the Assistant Excise and Taxation Commissioner, Shimla revealed (August 1998) that the dealer had neither disclosed the above sales in his quarterly returns submitted to Sales tax department for the year 1993-94 nor included in the annual turnover resulting in suppression of sales of Rs. 322.03 lakh on which tax of Rs. 12.88 lakh was leviable. Besides, penalty of Rs. 3.22 lakh and interest of Rs. 9.79 lakh was also leviable.

The matter was reported to the department/Government in September 1998; their replies have not been received (August 2000).

### **2.4. Incorrect exemption of sales tax**

(a) Under the Himachal Pradesh General Sales Tax Act, 1968, sales of 'live stock' were exempted from levy of sales tax. It was clarified (April 1988) by the department that 'live stock' includes all type of animals including the 'poultry'. Consequent upon citation by audit of the decision of High



Court\* of Andhra Pradesh that 'Chicks' are not 'live stock' and therefore, taxable as general goods, the department advised (July 1993) the assessing authorities to examine the cases of poultry farms and levy tax on the sales of chicks. Subsequently the matter was referred (August 1999) to the Government for clarification. The Government, in consultation with Law department also opined that 'Chicks' were not covered under the expression of 'live stock' and were thus liable for sales tax under the Act. This was intimated (October 1999) by the department to all assessing authorities in the State.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (January 2000) that assessments of a dealer, engaged in the production and sales of 'Chicks', for the years 1993-94 to 1996-97 were finalised (between July 1997 and December 1998) by treating entire sales of chicks worth Rs. 1014.41 lakh as tax free under 'live stock'. This resulted in incorrect exemption of sales tax amounting to Rs.100.46 lakh.

The matter was pointed out (January 2000) to the department and reported to Government in February 2000; their replies have not been received (August 2000).

(b) As per notification issued in December 1994 sale of goods manufactured by the tiny industrial units which came into commercial production between 1 May 1992 and 31 March 1995 was exempted from the payment of sales tax. The exemption was however, withdrawn vide notification of March 1995 and sales tax levied at the rate of one *per cent*. Besides, if a dealer failed to deposit tax due by the prescribed date, he was liable to pay interest on the tax due at the rate of one *per cent* per month for a period of one month and one and a half *per cent* thereafter for the period of default.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (January 2000) that sales of manufactured goods amounting to Rs.291.65 lakh made during the years 1995-96 and 1996-97 were exempted by the assessing authority at the time of finalisation of assessment of a dealer registered as tiny industrial unit. The incorrect exemption resulted in non-levy of tax of Rs.2.92 lakh. Besides, interest of Rs.1.58 lakh was also leviable.

The matter was reported to the department/ Government in February 2000; their replies have not been received (August 2000).

(c) Under the Act, sale of electronic goods manufactured by the electronic industrial units situated in the State (which came into production after 1 April 1985 and before 31 March 1990 (excluding electronic assembling units and computer software units) and declared eligible by the Director of Industries, were exempted from payment of sales tax for ten years from the date of their production.

---

\* In the case of M/s Venkataramana Hatcheries Pvt. Ltd. V/s Commercial Tax Officer of Andhra Pradesh.



During audit of the Assistant Excise and Taxation Commissioner, Mandi, it was noticed (December 1998) that sales amounting to Rs. 23.88 lakh made during the period from 1991-92 to 1994-95 were exempted by the Assessing Authority at the time of finalisation of assessments of a dealer (registered as small scale industrial unit) dealing in assembling and trading (not manufacturing) of audio cassettes. The incorrect exemption resulted in non-levy of tax of Rs. 3.60 lakh (including interest).

On this being pointed out (December 1998) in audit, the department stated (March 2000) that on re-assessment additional demand of Rs. 4.20 lakh was raised against which appeal had been preferred by the dealer. Further report had not been received (August 2000).

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

(d) Under the Act, read with Rule 31 of the Himachal Pradesh General Sales Tax Rules, 1970, the sale of subsidised wheat through public distribution system in the remote areas, declared as subsidised areas from time to time by the Government is exempted from Sales tax. However, *atta* (wheat flour) is not exempted and is taxable at the rate of 3.5 per cent.

During audit of the Assistant Excise and Taxation Commissioner, Shimla, it was noticed (July 1999) that sales of *atta* (wheat flour) worth Rs. 34.11 lakh made during the year 1997-98 were allowed as tax free by the Assessing Authority at the time of finalisation of assessment of a dealer who was engaged in the trading in remote areas of the State under the Public Distribution System. The incorrect exemption resulted in under assessment of tax by Rs. 1.19 lakh. Besides, interest of Rs. 0.26 lakh (upto July 1999) was also leviable.

The matter was pointed out (July 1999) to the department and reported to Government in September 1999; their replies have not been received (August 2000).

## **2.5. Non levy of tax due to non-registration of dealers**

Under the Act, dealer includes any department, or its subordinate office of a Government which whether or not in the course of business buys, sells, supplies or distributes goods for commission, remuneration or other valuable consideration. Under the Act a dealer liable to pay tax can carry on business only after he has been registered and possesses a valid registration certificate and the tax liability arises as soon as his turnover exceeds the 'taxable quantum'. In the case of a dealer engaged in inter State trade, registration is compulsory irrespective of the quantum.

Supreme Court of India has held\* that if Public Works Department undertook to supply such materials and stores as required by the contractors from time to

\* *Rashtriya Ispat Nigam Ltd. V/s State of Andhra Pradesh.*



time to be used for the purpose of performing the contract only and the value of such quantity of materials and stores so supplied was specified at a rate and got set off or deducted from any sum due or to become due thereafter to the contractor then such a transaction was a sale liable to tax.

According to the information collected in audit from <sup>J.P.P.S.D. An. S/Nagar.</sup> [nine divisions of Himachal Pradesh Public Works Department, Central Public Works Department, Shimla Development Authority and 2 divisions of Himachal Pradesh Housing Board,] it was noticed (between July 1998 and March 2000) that material worth Rs. [1167.92 lakh] had been [imported by them from outside the State and] issued to the contractors during the period falling between [1995-96 and November 1999] for execution of works. A correlation of the information with the records of the district offices concerned of the Excise and Taxation revealed that no action was taken by the department to register these divisions as dealers under Sales Tax Act. This resulted in non levy of tax amounting to Rs. [47.28] lakh [as detailed below:]

9.87 lakh

(Rupees in lakh)

Sr. No.	Importer	Material imported	Quantity (in metric tonnes) issued to the contractor	Value	Tax not levied
1.	Kangra Division	Tor Steel	638.356	109.72	4.39
2.	Dharamsala Division	-do-	382.205	64.88	2.60
3.	Palampur Division	-do	223.783	38.46	1.54
4.	Dehra Division	-do	179.918	32.69	1.31
5.	Mandi Division-I	-do	622.519	103.49	4.14
6.	National highway Division Jogindernagar	-do	403.412	68.58	2.74
7.	Mandi Division II	-do	827.36	13.51	0.54
8.	Bilaspur Division I	-do	302.53	47.18	1.89
9.	Bilaspur Divisions II	-do	90.53	14.12	0.56
10.	Central Public work Division Shimla	-do	1626.06	270.74	10.83
11.	Shimla Development Authority Shimla	Tor Steel, CGI sheets, Bitumen	1462.419	225.75	9.58
12.	H.P. Housing Board Division No. 1	Tor Steel	453.33	74.42	2.98
13.	H.P. Housing Board Divisions No. II	-do-	613.08	104.38	4.18
<b>Total</b>				<b>1167.92</b>	<b>47.28</b>



These cases were reported to the department/Government between February 1999 and April 2000; their replies have not been received (August 2000).

### **2.6. Inadmissible concessional rate of tax**

Through a notification of July 1978, issued under the Himachal Pradesh General Sales Tax Act, 1968, small scale industrial units manufacturing goods taxable at the rate of 7 *per cent* were allowed to pay tax at the rate of 2 *per cent* for the first year and 4 *per cent* for the next five years from the date of commencement of production subject to certain conditions. One of the conditions stipulated that the unit must continue to function for a further period equal to the period for which the concession had already been availed of, failing which tax was payable equal to the amount which would have been paid during the said period but for such concession. The concessional rate of tax was revised to 2.5 *per cent* for the first five years and 4.5 *per cent* for the next five years with effect from 1 April 1991.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (February 2000) that a small scale industrial unit which went into production in January 1987 sold Sarson oil amounting to Rs.161.89 lakh during the period from 1986-87 to 1992-93 and was taxed at the concessional rate applicable from time to time. A scrutiny in audit of the assessment records revealed that the unit stopped production during 1992-93 as assessments for the subsequent years 1993-94 to 1997-98 were finalised with 'nil' turnover. The assessing authority, however did not take any action to withdraw the concession already allowed during the years 1986-87 to 1992-93. This resulted in short levy of tax and surcharge of Rs.8.84 lakh. Besides, interest of Rs.13.53 lakh was also leviable.

The matter was pointed out (February 2000) in audit to the department and reported to Government in March 2000; their replies have not been received (August 2000).

### **2.7. Short levy due to application of incorrect rate of tax**

According to a notification issued (July 1978) under the Central Sales Tax Act, 1956, on inter-State sales made by the small scale industrial units, tax is leviable at the rate of one *per cent* on the taxable turnover for the first five years and 2 *per cent* for next span of five years from the date of production subject to declaration being furnished in prescribed forms. Thereafter, inter-State sales are taxable at the rate of 4 *per cent*. Besides, if any dealer fails to pay tax due by the prescribed date, he shall pay interest at the rate of one *per cent* per month for a period of one month and at the rate of one and a half *per cent* per month thereafter as long as the default continues.

(a) During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (January 2000) that assessments of a dealer for the years 1993-94 and 1994-95 were finalised (February and March 1999) after taxing his sales made during the second span of five years worth Rs. 458.11 lakh at the rate of one *per cent*, instead of correct rate of 2 *per cent*. This resulted in



short levy of tax of Rs. 4.58 lakh on which interest of Rs. 4.31 lakh (upto January 2000) was also leviable.

The matter was pointed out (January 2000) in audit to the department and reported to the Government in February 2000; their replies have not been received (August 2000).

(b) During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (January 2000) that a small scale industrial unit engaged in the manufacture and re-sale of LPG Hot Plates and LPG Stoves made inter-State sales (after completion of second span of five years) amounting to Rs. 50.52 lakh during the years 1991-92 to 1994-95 on which tax was erroneously levied at the rate of one *per cent* instead of correct rate of 4 *per cent*. This resulted in tax being levied short by Rs. 1.50 lakh.

On this being pointed out (January 2000) the department intimated (July 2000) that on re-assessment an additional demand of Rs. 1.50 lakh had been raised and necessary instruction to recover the demand were being issued to the district authority. Further report has not been received (August 2000).

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

(c) According to the notification of May 1974 the rate of tax on the sale of any goods made to Government of India or any State Government shall be four *per cent*, provided a certificate in the prescribed form in respect of such sale is furnished by the dealer to the Assessing Authority. Otherwise tax at the rate of 8 *per cent* is chargeable.

During audit of the Assistant Excise and Taxation Commissioner, Una, it was noticed (February 1999) that a contractor utilised material worth Rs. 42.57 lakh in the execution of works contract of the State Government during the years 1992-93 to 1996-97 and did not produce certificates in form D at the time of assessment. The Assessing Authority while finalising assessments (September 1996 and October 1998) levied tax at the rate of 4 *per cent* instead of 8 *per cent*. This resulted in short levy of tax amounting to Rs. 2.63 lakh (including interest : Rs. 0.92 lakh).

The matter was pointed out (February 1999) in audit to the department and reported to Government in April 1999; their replies have not been received (August 2000).

## **2.8. Short levy of tax due to incorrect deductions from turnover**

Under the Himachal Pradesh General Sales Tax Act 1968, and Rules made thereunder, every person in a department of any Government, a Corporation, Government undertaking, a Co-operative Society, a local body, a Trust or a Private or Public Limited Company or any other concern responsible for making any payment or discharge of any liabilities on account of valuable consideration payable for the transfer of property in goods whether as goods or in some other form, involved in the execution of works contract or for carrying



out any works, shall at the time of making payment deduct an amount equal to two per cent of such sum towards the tax and deposit the same in Government treasury. These payments are finally adjusted against the tax demand on final assessment.

During audit of the Assistant Excise and Taxation Commissioner, Una, it was noticed (February 1999) that assessments of a dealer for the years 1993-94 and 1994-95 were finalised (October and November 1998) after allowing deductions of Rs. 13.01 lakh and Rs. 11.54 lakh respectively from the gross turnovers. Audit scrutiny of the assessment records revealed that the deductions allowed by the Assessing Authority represented the amounts of payments made to the contractor on which tax at the rate of 2 per cent had been deducted at source whereas on these amounts appropriate rate of tax was to be applied and tax deducted to be adjusted accordingly. These incorrect deductions resulted in tax being levied short by Rs. 1.47 lakh. Interest of Rs 1.15 lakh (upto February 1999) for short payment of tax was also leviable.

This was pointed out (February 1999) in audit to the department and reported to Government in April 1999; their replies have not been received (August 2000).

### **2.9. Under-assessment of sales tax**

Under the Himachal Pradesh General Sales Tax Act 1968 read with rule 38 of the Himachal Pradesh General Sales Tax Rules 1970, in case of a works contract, tax shall be assessed on the 'taxable turnover' of the works contractor after deducting all sums towards labour charges other than any sum on account of labour charges includible in the 'turnover' of a dealer which are directly correlated with the goods, property in which has passed in the execution of works contract, whether as goods or in some other form. The Apex Court\* held that the value of the goods involved in the execution of a works contract will have to be determined by taking into account the value of entire works contract after deducting therefrom the charges towards labour and certain specified services.

During audit of the Assistant Excise and Taxation Commissioner, Shimla, it was noticed (July 1999) that assessment of a dealer for the years 1995-96 and 1996-97 were finalised (June 1998) after allowing deductions on inadmissible items like vehicle, salary, bank charges, interest etc. Rs. 21.85 lakh. This resulted in under assessment of sales tax of Rs. 1.75 lakh.

On this being pointed out (July 1999) in audit, the department intimated (August 2000) that on re-assessment additional demand had been raised. Further report of recovery has not been received (August 2000).

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

\* *Ganon Dunkerley Co. V/S State of Rajasthan[1993]88STC204(SC)*



**2.10. Non-levy of interest**

Under the Act, if a dealer fails to pay the amount of additional tax assessed or penalty imposed by the assessing authority, within the period specified in the notice of demand or where no period is stipulated therein, within a period of thirty days from the service of such notice, interest is chargeable at the rate of one *per cent* per month for a period of one month from the date immediately following the last date specified in the notice of demand or where no period is specified from the date following the 30<sup>th</sup> day of the notice and thereafter at the rate of one and a half *per cent* per month so long as the default continues.

During audit of the Assistant Excise and Taxation Commissioner, Kangra, it was noticed (February 2000) that assessment of a dealer for the year 1989-90 was finalised (March 1995) and an additional demand of Rs.1.63 lakh was raised which was required to be deposited by the end of April 1995. The same was, however, deposited between May 1998 and November 1999 after a delay of 1 to 19 months. Interest amounting to Rs.1.08 lakh for delayed payments of additional demand, was not levied by the department.

The matter was pointed out (February 2000) in audit to the department and reported to Government in March 2000; their replies have not been received (August 2000).

## CHAPTER 3 : STATE EXCISE

### 3.1. Results of audit

Test check of records relating to State Excise, conducted in audit during the year 1999-2000, revealed non-levy of excise duty/fee and other irregularities involving revenue amounting to Rs. 155.34 lakh in 24 cases which broadly fall under the following categories.

(Rupees In lakh )

	Number of cases	Amount
1. Non-levy of import fee	1	14.82
2. Non-recovery of enhanced excise duty	4	8.73
3. Non-realisation of additional licence fee	6	6.95
4. Non-levy of duty on spirit lost in redistillation	2	8.07
5. Other irregularities	11	116.77
<b>Total</b>	<b>24</b>	<b>155.34</b>

During 1999-2000, the department accepted under assessments etc. of Rs. 20.84 lakh in 11 cases, of which 2 cases involving Rs. 15.94 lakh had been pointed out in audit during the year 1999-2000 and rest in earlier years, the earliest year being 1972-73. A few illustrative cases highlighting important observations involving financial effect of Rs. 31.95 lakh are given in the following paragraphs.

### 3.2. Short levy of excise duty

Section 3 of the Medicinal and Toilet Preparations (Excise Duties) Act 1955 provides that duties of excise shall be levied at twenty *per cent advalorem* on all dutiable goods manufactured in India. The value shall be deemed to be the value as determined in accordance with the provisions of Section 4 of the Central Excise and Salt Act, 1944 which lays down that the normal price means the price at which such goods are ordinarily sold by an assessee to a buyer in the course of wholesale trade. Under Rule 7 of Medicinal and Toilet

\* *Wholesale trade means sales to dealers, industrial consumers, Government, local authorities and other buyers who or which purchase their requirements otherwise than in retail.*



Report No. 1 of 2000 (Revenue Receipts)

Preparations (Excise Duties Rules) 1956, no duty is leviable on medicinal preparations supplied to hospitals subsidised by the Central Government or State Government.

During audit of the State Excise records maintained by a dealer engaged in manufacture and trading of medicinal preparations, it was noticed (February 1999 and March 2000) that 48,418 intaxel injections had been transferred by the dealer to his branch at Sahibabad (Uttar Pradesh ) during the years 1997-98 and 1998-99. Scrutiny of records revealed that the rate for valuation per injection involved in branch transfer was lower than the rate at which similar injections were supplied to a hospital during the period January 1997 and February 1998. This resulted in short recovery of excise duty amounting to Rs.14.21 lakh as under:-

Period of Supply	Number of injections involved in branch Transfer	Rate charged for valuation (without excise duty and sales tax) for branch transfer		Rate charged for valuation (without excise duty and sales tax) for sale to the hospital		Difference in rates		Total amount of difference (Rupees in lakh)	Short payment of excise duty at the rate of 20 percent advalorem (Rupees in lakh)
		Rs.	P.	Rs.	P.	Rs.	P.		
Between April 1997 and February 1998	29,338(5ML)	1470	43	1638	00	167	57	49.16	9.83
Between April 1998 and October 1998	17,234 (5ML)	1471	12	1570	00	98	88	17.04	3.41
Between April 1998 and October 1998	1,846 (17ML)	4787	14	5049	09	261	95	4.84	0.97
<b>Total</b>	<b>48,418</b>								<b>14.21</b>

On this being pointed out in audit, the department raised (June 2000) demand of Rs.14.23 lakh (including penalty of Rs.2,000). Report of recovery has not been received (August 2000).

The matter was reported to Government (March 1999 and April 2000); their reply has not been received (August 2000).



### **3.3. Re-distillation losses**

The Punjab Distillery Rules 1932, as applicable to Himachal Pradesh do not provide for wastage of spirit during the process of re-distillation. In an appeal case\*, the Excise and Taxation Commissioner-cum-financial Commissioner (Excise) had held (October 1995) that excise duty would be levied on the spirit lost in the process of re-distillation.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (March 2000) that in a brewery and a bottling plant, 4,24.73 lakh proof litres of country spirit was shown to have been lost in the process of re-distillation during the year 1998-99. As no wastage was permissible under the Rules excise duty was leviable on this quantity also. This resulted in non-levy of excise duty amounting to Rs. 8.07 lakh.

This was pointed out to the department (March 2000) and to the Government (March 2000); their replies have not been received (August 2000).

### **3.4. Non-recovery of enhanced excise duty**

Under the Himachal Pradesh Liquor Licence Rules, 1986, as amended from time to time, if any L-I licensee (for wholesale vend of foreign liquor) had in his possession any stock which he was not in a position to dispose of till 31 March he shall surrender the same to the Collector, who shall makeover the surrendered stock to the incoming licensee. The Rules further provide that in case of increase of excise duty, the difference of excise duty shall be recovered in the nature of fee from the incoming licensee in respect of stocks tendered by the outgoing licensee. The rate of excise duty on Indian made foreign spirit was raised from Rs. 30 per proof litre to Rs. 36.50 and Rs. 39 per proof litre with effect from 1 April 1997 and 1 April 1998 respectively. Similarly, the rate of excise duty on beer was enhanced from Rs. 6 per bottle to Rs. 7 per bottle with effect from 1 April 1998.

During audit of the Assistant Excise and Taxation Commissioners, Bilaspur, Mandi and Solan districts, it was noticed (between June 1999 and October 1999) that 60557.636 and 1,00,357.425 proof litres of Indian made foreign liquor were tendered by the outgoing licensees on 31 March 1997 and 31 March 1998 respectively on which excise fee at the rates of Rs. 6.50 per proof litre and Rs. 2.50 per proof litre was to be levied. In addition, there were 56,142 bottles of beer (1998-99) on which rate of fee at the rate of Rupee 1 per bottle was to be levied. Thus amount recoverable from the incoming licensees of 1997-98 and 1998-99 worked out to Rs. 7.01 lakh which was not recovered.

---

\* M/S Himachal Pradesh General industrial Corporation, Country Liquor bottling plant, Mehatpur, District Una V/S Collector (Excise) -cum-Deputy Excise and Taxation Commissioner (North Zone) Palampur, District Kangra.



On this being pointed out (between June 1999 and October 1999) in audit, the department intimated (September 1999) that out of Rs. 7.01 lakh recoverable from 8 licensees, Rs. 42,705 had been deposited by two licensees of Solan district. Further report on recovery and reply in respect of Bilaspur and Mandi districts had not been received (August 2000).

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

### **3.5. Non-realisation of additional licence fee**

According to item no. 33(b)(ii) of the Excise announcement for the year 1998-99, an additional licence fee at the rate of Rs. 2 per quart bottle shall be charged, on the foreign liquor including Indian-made foreign spirit meant for sale on L-2 licenses.

During audit of the Assistant Excise and Taxation Commissioner, Sirmour at Nahan, it was noticed (October 1999) that 1,32,920 bottles of Indian-made foreign spirit were sold by L-2 licensees of Sirmour district during 1998-99 on which additional licence fee amounting to Rs. 2.66 lakh has not been charged by the department.

The matter was pointed out (October 1999) to the department and reported (November 1999) to Government; their replies have not been received (August 2000).

**CHAPTER 4**  
**TAXES ON VEHICLES, GOODS AND PASSENGERS**

**4.1. Results of audit**

Test check of the records of the departmental offices, conducted in audit during the year 1999-2000, revealed non realisation or short realisation of tax and other irregularities amounting to Rs.489.95 lakh in 272 cases, which broadly fall under the following categories.

(Rupees in lakh)

	Number of cases	Amount
1. Non or short realisation of		
(i) Token tax and composite fee	125	84.37
(ii) Passengers and Goods Tax	73	338.76
2. Evasion of		
(i) Token Tax	26	35.36
(ii) Passengers Tax	9	1.75
3. Other irregularities		
(i) Vehicles Tax	33	11.81
(ii) Passengers and Goods Tax	6	17.90
<b>Total</b>	<b>272</b>	<b>489.95</b>

During the course of the year 1999-2000, the concerned department accepted under assessments of Rs.245.11 lakh in 394 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.81.40 lakh are given in the following paragraphs.



#### **4.2. Non-realisation of token tax**

Under the Himachal Pradesh Motor Vehicles Taxation Rules, 1974, the tax levied under the Himachal Pradesh Motor Vehicles Taxation Act, 1972, is payable in advance and is collected in the prescribed manner. If a registered owner of the vehicle or any person who has possession or control of any motor vehicle used or kept for use in the State defaults in making payment of token tax, the taxation authority may direct him to deposit the arrears of token tax alongwith penalty as may be imposed under Section 11 of the Act.

(a) During audit of the records of the Registering and Licensing Authority, Una, it was noticed (January 2000) that token tax in respect of stage carriage buses amounting to Rs. 4.70 lakh for the period falling between 1995-96 and 1998-99 was neither deposited by eight vehicle owners nor the department had taken any action to recover from them. This resulted in non-realisation of tax of Rs.4.70 lakh. Besides, for non payment of tax, maximum penalty amounting to Rs.9.40 lakh was also leviable.

On this being pointed out (January 2000) in audit, the Registering and Licensing Authority stated that proceedings would be initiated to recover the outstanding dues as arrears of land revenue. Further report had not been received (August 2000).

The matter was reported (February 2000) to the department/Government; their replies have not been received (August 2000).

(b) During audit of the State Transport Authority, Shimla, it was noticed (September 1999) that 33 vehicle owners having All India Contract Carriage permits, had neither deposited token tax amounting to Rs. 3.69 lakh for the period falling between 1995-96 and 1998-99 nor the authority concerned taken any action to recover the same from the defaulters with the result that the tax amounting to Rs. 3.69 lakh remained unrealised on which maximum penalty of Rs.7.38 lakh was also leviable.

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

#### **4.3. Short realisation of composite fee**

Under the National Permit Scheme, the permit holders for the carriage of goods throughout the territory of India or in such contiguous States not less than four in number including the home State, are required to pay composite fee to the States in which permission to operate is granted. The composite fee is required to be paid in advance through cross bank draft in one instalment on or before 15 March every year or in two equal instalments on or before 15



March and 15 September every year. The composite fee is received by the home State and is remitted to the concerned States.

The Transport Development Council (an apex body under the Motor Vehicles Act, 1988) fixed (January 1993) the rate of composite fee as Rs. 3000 per annum per vehicle for each State and Rs. 1500 per annum per vehicle for each Union Territory.

During audit of the records of the State Transport Authority, Shimla, it was noticed (September 1999) that in 227 cases composite fee pertaining to the period falling between April 1998 and March 2000 payable to Himachal Pradesh State had not been correctly charged by the concerned authorities of the States of Haryana, Punjab and Union Territory, Chandigarh and whatever amounts of bank drafts were tendered by the operators, they were accepted and remitted. As a result, composite fee of Rs. 1.66 lakh was received short. The State Transport Authority, Shimla had not taken any action to recover the differential amount through the sponsoring authorities.

This was reported to the department/Government (October 1999); their reply has not been received (August 2000).

#### **4.4. Non recovery of authorisation fee**

Rule 83 of the Central Motor Vehicles Rules, 1989 stipulates that an application for the grant of authorisation for a tourist permit shall be made in prescribed Form 46 accompanied by a fee of Rs. five hundred per annum in the form of a bank draft and that the validity of an authorisation (to be issued in the prescribed form) shall not exceed one year at a time subject to payment of taxes or fees, if any.

During audit of the State Transport Authority, Shimla, it was noticed (September 1999) that although 165 tourist permit holders had been paying token tax regularly, they had neither applied for and deposited annual authorisation fee amounting to Rs. 1.24 lakh for the period falling between August 1994 and March 1999 nor the authority concerned had taken any action to recover the fee. This resulted in non-recovery of Government dues of Rs.1.24 lakh.

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

#### **4.5. Vehicles not registered with the Excise and Taxation Department**

Under the Motor Vehicles Act, 1988, read with the Himachal Pradesh Motor Vehicles Taxation Act, 1972, the owners of all motor vehicles are required to register their vehicles with the concerned Registering and Licensing Authority



and pay motor vehicles tax. owners of stage/contract carriages and goods carriers are also required to register their vehicles with the concerned Excise and Taxation Officers as per the Himachal Pradesh Passengers and Goods Taxation Act, 1955, and pay passengers and goods tax and surcharge at the prescribed rates. For failure to apply for registration, penalty not exceeding five times the amount of tax or surcharge so assessed, subject to a minimum of five hundred rupees is also leviable.

While the motor vehicles tax is administered by the Transport Department, the passengers and goods tax is administered by the Excise and Taxation Department. According to departmental instructions (December 1984) Excise and Taxation Officers are required to ensure registration of all vehicles liable to pay passengers and goods tax under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, in close co-ordination with the Registering and Licensing Authority in the Transport Department.

During test check of the records of the 5<sup>@</sup> Assistant Excise and Taxation Commissioners, it was noticed (between August 1999 and January 2000) that in the case of 455 goods vehicles registered with the Registering and Licensing Authorities concerned were not registered with the Excise and Taxation Department as required under the Himachal Pradesh Passengers and Goods Taxation Act, 1955. Goods tax amounting to Rs. 20.84 lakh calculated at *lump sum* rates applicable for different periods falling between 1996-97 and 1998-99 had not been paid by the owners of the vehicles to the concerned taxation authorities as these vehicles were not registered with the Excise and Taxation Department. For failure to apply for registration under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, a minimum penalty of Rs. 2.27 lakh was also leviable.

On this being pointed out in audit (between August 1999 and January 2000) the department recovered Rs. 6,42,745 (Solan: Rs. 5,26,460; 65 cases, Hamirpur: Rs. 37,725; 18 cases and Una: Rs. 78,560; number of cases not available) and instructions to the District Officers for early action in remaining cases were stated to be under issue. Reports of recoveries and replies from Sirmour and Kinnaur had not been received (August 2000).

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

#### **4.6. Short realisation of interest**

Under the Himachal Pradesh Passengers and Goods Taxation Rules, 1957, the passengers tax and surcharge collected shall be deposited by the owner of the vehicles with the treasury within seven days of the close of the month during which the tax and surcharge has been collected. According to the notification dated 8 January 1999, if an owner fails to pay the tax due by the prescribed

<sup>@</sup> Solan, Sirmour at Nahan, Hamirpur, Una and Kinnaur.

date, he becomes liable to pay interest at the rate of one *per cent* per month for a period of one month and at one and a half *per cent* thereafter so long as the default continues.

During audit of the Assistant Excise and Taxation Commissioner, Solan it was noticed (October 1999) that passenger tax and surcharge amounting to Rs. 45.01 lakh collected by the Himachal Road Transport Corporation, Solan unit, during the month from August 1998 to January 1999 (part of January 1999) had been deposited late and the delay ranged from 2 to 3 months and collections of passenger tax and surcharge amounting to Rs. 19.99 lakh made during January 1999 to March 1999 were not deposited at all (3 August 1999). The interest on late deposit/non deposit of passenger tax and surcharge worked out to Rs. 2.99 lakh whereas the Assessing Authority had assessed the same as Rs. 1.27 lakh and raised a demand (3 August 1999). This resulted in short assessment and short raising of demand of Rs. 1.72 lakh.

On this being pointed out in audit, the department stated (July 2000) that passengers tax and surcharge amounting to Rs.19.99 lakh had since been recovered and that demand on account of interest was raised (January 2000) but against the demand, the Himachal Road Transport corporation preferred an appeal, the decision of which has not been received (August 2000).

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

#### **4.7. Short realisation of goods tax**

Under the provisions of the Himachal Pradesh Passengers and Goods Taxation (Amendment) Rules, 1997, for the carriage of goods by the owner of a transport vehicle or a private carrier who delivers goods to his customers without charging freight separately may pay lump sum at the rate of Rs. 7,000 per annum per vehicle having loading capacity of more than 30 quintals with effect from 1 October 1996. This rate was reduced to Rs. 4000 per annum with effect from 1 April 1997.

During the course of audit of 4\* Assistant Excise and Taxation Commissioners, it was noticed (between May 1999 to October 1999) that goods tax in 371 cases was realised at lower rates during the period between October 1996 and March 1998 which resulted in short realisation of Rs.6.93

---

\* Chamba, Kangra at Dharamsala, Solan and Shimla.



lakh, as per details given below:-

(Rupees in lakh)

Sr. No.	Name of Assistant Excise and Taxation Commissioner	No. of cases	Goods tax realisable	Goods tax realised	Goods tax short realised
1.	Chamba	80	2.78	1.27	1.51
2.	Kangra at Dharamsala	69	2.41	1.10	1.31
3.	Solan	161	5.44	2.50	2.94
4.	Shimla	61	2.14	0.97	1.17
	<b>Total</b>	<b>371</b>	<b>12.77</b>	<b>5.84</b>	<b>6.93</b>

On this being pointed out (between May 1999 and October 1999) in audit, the department stated (between November 1999 and February 2000) that recoveries amounting to Rs. 1.06 lakh in 51 cases had since been made. Further report on recovery and reply in respect of the remaining cases had not been received (August 2000).

The matter was reported to the Government (between June 1999 and November 1999); their reply has not been received (August 2000).

#### **4.8. Short realisation of passengers tax**

Under the Himachal Pradesh Passengers and Goods Taxation Rules, 1957, as amended from time to time, the owners of taxi, car or jeep having seats up to six (excluding driver) and taxi/station wagon/maxi cab having seats not exceeding 15 were liable to pay passengers tax at the rate of Rs. 600 per annum and Rs. 4600 per annum respectively. Through an amendment of 1997, the rate was revised to Rs.2400 per annum for taxi/car and Rs.6000 per annum for maxi cab having seats between 9-12 and Rs. 4,000 per annum having seats between 7-8 with effect from 1 October 1996.

During audit of the records of the Assistant Excise and Taxation Commissioners, Solan and Una districts, it was noticed (October 1999 and January 2000) that 177 vehicle owners deposited passengers tax for the period from 1 October 1996 to 31 March 1997 at pre revised rates instead of enhanced rates which resulted in short recovery of passengers tax amounting to Rs.1.58 lakh.

On this being pointed out (October 1999 and January 2000) in audit, the department intimated (June 2000) that Rs.2500 had been recovered in 3 cases pertaining to Una district and for recovery of remaining amounts, directions were being issued to the district incharge whereas reply relating to cases of Solan district has not been received (August 2000).

The matter was reported to the Government in November 1999 and February 2000; their replies have not been received (August 2000).

## CHAPTER 5 : FOREST RECEIPTS

### 5.1. Results of audit

Test check of the records of forest receipts, conducted in audit during the year 1999-2000, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs. 2743.05 lakh in 147 cases, which broadly fall under the following categories.

(Rupees in lakh)

		Number of cases	Amount
1.	Non-recovery of royalty	8	141.61
2.	Short recovery of royalty	10	165.30
3.	Non-levy of extension fee	15	190.46
4.	Non-levy of interest	17	179.94
5.	Other irregularities	97	2065.74
	<b>Total</b>	<b>147</b>	<b>2743.05</b>

During 1999-2000, the department accepted under-assessments etc. of Rs. 164.43 lakh involved in 53 cases which had been pointed out in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.551.00 lakh are given in the following paragraphs.

### 5.2. Loss of revenue due to non-levy of extension fee

Clause 3 of the standard agreement deed provides that if a lessee fails to fell, convert and carry trees outside the leased area within the contract period, he may seek extension in the working period, failing which he shall have no right on the standing/ felled trees and scattered/ stacked timber lying in the leased forest. If extension is applied for and granted, the lessee is required to pay extension fee at the prescribed rates on the amount of royalty of the lot concerned.



During audit of records of 18\* Divisional Forest Officers, it was noticed (between June 1997 and December 1999) that 144 lots with lease periods between 31 March 1995 and 30 June 1999 were handed over to the Corporation for exploitation. As the exploitation work of these lots could not be completed within the lease periods the Corporation sought extension of the working period of 108 lots only. Although the Corporation continued to work all the 144 lots after the expiry of the lease periods, the department neither asked them to seek extension in the remaining 36 lots nor granted extension of the working periods in respect of 89 lots. Besides, no action was taken to forfeit the forest produce (125 lots) and demand/ recover extension fee amounting to Rs. 112.26 lakh as detailed in Appendix 'A'.

These cases were reported to Government between July 1997 and January 2000; their replies have not been received (August 2000).

### 5.3. Non/short recovery of royalty

The Himachal Pradesh State Forest Corporation is responsible for exploitation of all forest lots and is required to pay royalty on trees at the rates fixed by the State Government. As per the departmental instructions issued in June 1985, demand on account of royalty is to be raised by the department immediately after the lots are handed over to the Corporation for exploitation.

During audit of records of three Divisional Forest Officers, it was noticed (between August 1998 and August 1999) that 8 salvage forest lots of 3,043 trees containing 5,483.18 cubic metres of standing volume of timber were handed over to the Corporation for exploitation during the years 1996-97 and 1998-99. Scrutiny of records revealed that royalty amounting to Rs. 126.86 lakh (including sales tax) had either not been charged or charged short on these trees as per details given below:-

(Rupees in lakh)

Sl. No.	Name of division	No. of lots	Year of working	Standing volume (in cubic metres)	Amount of royalty (including sales tax)		
					Charge-able	Charged	Not/ short charged
1	Kullu	2	1998-99	3214.89	118.11	-	118.11
2.	Rohroo	1	1996-97	188.52	2.42	1.02	1.40
3.	Suket	5	1998-99	2079.77	37.91	30.56	7.35
	<b>Total</b>	<b>8</b>		<b>5483.18</b>	<b>158.44</b>	<b>31.58</b>	<b>126.86</b>

\* Bharmour, Chamba, Chopal, Dalhousie, Jubbal, Kullu, Nurpur, Pangi, Paonta Sahib, Rajgarh, Rampur, Renukaji, Rohroo, Seraj, Shimla, Suket, Theog and Una.



On this being pointed out (between September 1998 and August 1999) the Divisional Forest Officer, Kullu, stated (June 1999) that demand of Rs. 118.11 lakh had been raised against the Corporation. Reply in respect of Rohroo division had not been received (August 2000).

The cases were reported to Government between September 1998 and August 1999; their replies had not been received (August 2000).

#### **5.4. Short recovery of royalty due to application of incorrect volume factor**

The Himachal Pradesh State Forest Corporation, entrusted with the responsibility of forest exploitation work, is required to pay royalty on the standing volume of trees which is worked out according to the volume factor for each specie prescribed in the relevant working plan of the division. However, if volume factor of any specie is not prescribed in the relevant working plan of the division concerned, the same is to be adopted as per working plan of the adjoining division.

During audit of the records of the Divisional Forest Officer, Una, it was noticed (February 2000) that *shisham* trees marked and included in 21 lots were handed over to the corporation for exploitation during the year 1998-99. Due to non prescription of volume factor for *shisham* trees in the working plan of the division, the Conservator of Forests, Dharamsala advised (January 1999) the Divisional Forest Officer to adopt the volume factor as prescribed in the working plan of 'Kutlehar forests' (Una district). Scrutiny of the records, however, revealed that while working out the volume of trees, volume factor of Nahan division was adopted and volume worked out as 1,040.853 cubic metres of standing volume instead of 1,470.370 cubic metres. This resulted in short determination of volume by 429.517 cubic metres and short recovery of royalty of Rs. 14.33 lakh (including sales tax).

The case was pointed out (February 2000) in audit to the department and reported (March 2000) to Government; their replies have not been received (August 2000).

#### **5.5. Short recovery of royalty**

- Fuel wood sold by the Himachal Pradesh State Forest Corporation from depots to domestic consumers was chargeable at royalty rates and in respect of sale to commercial organisations/ Government departments at market rates. Unable to earmark the lots separately for both these categories because fuel wood was sold from the same depot the department decided (February 1990) to raise the demands initially at royalty rates fixed for domestic consumers and prefer revised demands at market rates on receipt of the details of quantities of fuel wood supplied to commercial organisations/ Government departments.



During audit of the records of the Divisional Forest Officers, Nichar, Pangi and Pooch, it was noticed (between November 1998 and September 1999) that 11,804.38 quintals of fuel wood was sold from depots between 1994-95 and 1998-99 to Government departments/ commercial organisations. Scrutiny of records revealed that revised demands at market rates on the aforesaid quantity had not been raised against the Corporation which resulted in short recovery of Rs. 8.82 lakh (including sales tax).

On this being pointed out (between November 1998 and September 1999), the Divisional Forest Officers stated that the demands would be raised against the Corporation. Further reports have not been received (August 2000).

The cases were reported (between December 1998 and October 1999) to Government; their replies have not been received (August 2000).

#### **5.6. Short recovery of royalty due to incorrect determination of intensity of trees**

According to a decision (April 1983) of the State Government, royalty for coniferous trees marked and handed over to the Corporation for exploitation in salvage lots is chargeable at 60 per cent, 50 per cent and 30 per cent of the rates of royalty fixed for standing green trees, if the intensity of the trees so marked is 15 cubic metres and above, 5 cubic metres to below 15 cubic metres and below 5 cubic metres respectively per hectare of the total area of the forest or compartment thereof.

Further, as per State Government's decision of May 1989, the intensity of marking of a lot is to be worked out by taking into account the total volume of the trees marked in all markings including original, additional or supplementary on all accounts.

(a) During audit of records of Divisional Forest Officer, Pangi, it was noticed (September 1999) that 2 lots involving 863 salvage trees containing 1,396.18 cubic metres standing volume of timber were marked and handed over to the Corporation for exploitation during the years 1995-98. Scrutiny of records revealed that the department had incorrectly worked out intensity of trees as 0.82 cubic metres and 3.88 cubic metres per hectare based on whole forest against 8.87 cubic metres and 9.56 cubic metres per hectare for the compartments over which trees were actually marked. Consequently, royalty was charged at 30 per cent instead of 50 per cent of the full rates fixed for standing green trees which resulted in short recovery of royalty amounting to Rs. 8.29 lakh (including sales tax).

On this being pointed out (September 1999), the Divisional Forest Officer stated (September 1999) that matter was being taken up with the Corporation for making the payment. Further progress and report of recovery have not been received (August 2000).



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

(b) During audit of the records of the Divisional Forest Officer, Jubbal, it was noticed (November 1999) that two salvage forest lots involving 1,263 trees containing 4,672.84 cubic metres of standing volume of timber in an area of 135.57 hectares were marked and handed over to the Corporation for exploitation during the year 1998-99. Scrutiny of records, however, revealed that by forming a separate lot of 522 trees (standing volume: 1449.51 cubic metres), intensity of marking of these trees per hectare was determined as 10.69 cubic metres whereas 741 trees (volume 3223.33 cubic metres) marked in another lot in the same compartment and during the same working period should have been clubbed for determining the intensity. Had this been done, the intensity per hectare would have been 34.47 cubic metres and royalty chargeable at the rate of 60 *per cent* of the rates of royalty fixed for standing green trees instead of 50 *per cent* charged. Thus formation of separate lots by the department during the same working period instead of one lot resulted in royalty being charged short by Rs. 6.75 lakh (including sales tax).

On this being pointed out (November 1999) in audit, the Divisional Forest Officer stated that action would be taken in the matter. Further report had not been received (August 2000).

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

#### **5.7. Short recovery of royalty due to incorrect determination of volume of trees**

The Corporation entrusted with the responsibility of forest exploitation work is required to pay royalty at the rates fixed by the State Government on the recommendations of the Pricing Committee on the standing volume of trees calculated on the basis of the volume table prescribed in the relevant working plan.

During audit of the records of the Divisional Forest Officer Paonta Sahib, it was noticed (January 2000) that 8 salvage lots were handed over to the Corporation for exploitation during the years 1997-98 and 1998-99. Scrutiny of records revealed that due to incorrect application of volume tables, the standing volume of 596 trees marked and included in these lots, was worked out as 767.906 cubic metres as against the correct volume of 871.016 cubic metres. This resulted in short recovery of royalty amounting to Rs. 1.07 lakh (including sales tax).

The case was pointed out (January 2000) in audit to the department and reported to Government (February 2000); their replies have not been received (August 2000).



### **5.8. Short recovery of royalty on deodar oil**

*Deodar* oil is extracted from the stumps of *deodar* trees and for regulating the extraction of *deodar* oil and its sale in Chopal Forest Division certain guidelines were issued (December 1994) by the department according to which stumps of *deodar* trees were to be marked and handed over to the right holders after completion of prescribed procedure. Guidelines also provide that *deodar* oil so extracted will be sold to the traders registered with the forest division and royalty at the rate of 10 per cent of the annual market rate of oil, as decided by the department, will be chargeable on the quantity exported out of the division.

During audit of the records of the Divisional Forest Officer, Chopal, it was noticed (July 1999) that royalty on 610.9 quintals of *deodar* oil extracted and sold to the dealers by the right holders and exported during 1995-96 (352.4 quintals) and 1998-99 (258.5 quintals) by the dealers was incorrectly charged as Rs.0.63 lakh instead of Rs.1.66 lakh chargeable at the rates of Rs.250 per quintal and Rs.300 per quintal during 1995-96 and 1998-99 respectively. This resulted in short recovery of royalty amounting to Rs.1.03 lakh.

On this being pointed out (July 1999) in audit, the Divisional Forest Officer stated (July 1999) that the matter was being looked into. Further report had not been received (August 2000).

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

### **5.9. Non-recovery of royalty on green trees coming in road alignment**

The terms of the standard agreement deed, applicable to the Corporation, provide that the price of trees coming in the alignment of roads, which are authorised for removal by the Forest Department, would be charged from the Corporation at the royalty rates. As per the departmental instructions demand on account of royalty is to be raised by the department immediately after the lots are handed over to the Corporation for exploitation.

During audit of the records of the Divisional Forest Officers, Theog and Parbati it was noticed (June 1999 and August 1999) that 202 green trees containing 212.09 cubic metres standing volume of timber, which were coming in the alignment of 'Bhunter-Manikaran' and 'Sarium-Basa Mahog' roads, were handed over (May 1998 and March 1999) to the Corporation for exploitation during 1998-99. Scrutiny of the divisional records revealed that royalty amounting to Rs. 19.22 lakh (including sales tax) in respect of the standing volume of the green trees recoverable from the Corporation was not demanded by the department.



These cases were pointed out (June 1999 and August 1999) in audit and reported (July 1999 and September 1999) to department/ Government; their replies have not been received (August 2000).

#### **5.10. Blocking of revenue due to non-disposal of trees**

Consequent upon the nationalisation of forest exploitation work, the State Government decided (October 1980) that all trees listed in lots would be handed over to the Corporation and the Corporation would work all such lots and would not pick and choose them. The Corporation was required to pay royalty on trees handed over for exploitation as per the rates approved by the State Government.

During audit of the records of 5\* Divisional Forest Officers, it was noticed (between December 1998 and July 1999) that failure of the department in handing over to the Corporation trees marked in 8 lots for exploitation during 1997-98 and 1998-99 resulted in non-disposal of 3715 salvage trees containing 3448.11 cubic metres of standing volume of timber and consequent blockage of revenue amounting to Rs. 65.94 lakh as detailed in Appendix 'B'.

The cases were reported to Government between January 1999 and August 1999; their replies have not been received (August 2000).

#### **5.11. Loss of revenue due to administrative delays/lapses**

##### **(a) Non-disposal of bamboo crop**

Bamboo forests are required to be handed over to the Corporation for exploitation as per the felling programme prescribed in the relevant working plans of the respective forest divisions. The crop is prone to rapid deterioration/ decay if not exploited when due and also prevents the fresh growth of coppice shoots/ clumps which eventually form the future bamboo crop. Any deviation from the prescriptions of the working plan is required to be got approved by the Inspector General of Forests, Working Plan Cell of the Government of India.

During audit of records of the Divisional Forest Officer, Solan, it was noticed (October 1997 and December 1999) that 281.20 hectares of bamboo forests were due for exploitation during 1995-96 (192 hectares) and 1998-99 (89.20 hectares) as per approved working plans applicable to the division. Scrutiny of divisional records revealed that 192 hectares of bamboo crop could not be handed over to the Corporation for exploitation during 1995-96 as approval therefor was not received from the Conservator of Forests at Nahan, whereas

\* Chamba, Dalhousie, Nachan, Rohroo and Shimla.



bamboo forests involving 89.20 hectares were not handed over to the Corporation for exploitation during 1998-99 although approval of the competent authority in this case had been received in the division well in time. This resulted not only in non-exploitation of bamboo forests measuring 281.20 hectares and blocking of revenue amounting to Rs. 4.32 lakh but also hampered renewed growth of bamboos.

On this being pointed out (October 1997 and December 1999) in audit, the Divisional Forest Officer stated (October 1997) that approval of the competent authority to handover 192 hectares of bamboo forests was not received despite requests (July and September 1995) whereas in respect of 89.20 hectares of bamboo forests it was stated (December 1999) that there was no bamboo crop in the said areas. Reply relating to 89.20 hectares of bamboo forests was not tenable as the approval had been granted by the competent authority on the basis of prescriptions of the working plan and the proposal sent by the Divisional Forest Officer pertaining to the forests which were reported under bamboo crop.

These cases were reported to the department/Government in December 1997 and January 2000; their replies had not been received (August 2000).

***(b) Non disposal of bhabbar grass***

The disposal of bhabbar grass available in the departmental protected forests (DPF) and Shamlat\* areas is done through annual auction.

During audit of the records of the Divisional Forest Officer, Nalagarh, it was noticed (March 2000) that for the year 1998-99, bhabbar grass available in D.P.F. and Shamlat areas under Nalagarh forest division, was auctioned in September 1998 for exploitation with working period up to 31 March 1999. The highest bids offered and accepted were communicated to Government (through Principal Chief Conservator of Forest) in December 1998 for approval. Scrutiny of records revealed that approval thereof was issued by the Government on 19 February 1999 and the orders were received in the division on 18 March 1999. Delayed approval/ receipt of the sanction led to refusal by the bidders as they feared that exploitation of grass would now be uneconomical which resulted in loss of revenue of Rs. 3.65 lakh (including sales tax).

The case was reported to the department/ Government in March 2000; their replies have not been received (August 2000).

---

\* *Village common lands under the possession of the State Government.*



**(c) Loss of revenue due to non-tapping of resin blazes**

According to the "Resin tapping Instructions and Rules" regulating the work of handing over resin blazes to the Corporation for tapping in each tapping season, enumeration work is to be taken up by the department in the month of November and lists of blazes are to be supplied to the Corporation by the end of January each year. Setting up of the crop is to be done by the Corporation during the period from 15 February to 15 March each year. Royalty on resin blazes handed over to the Corporation for tapping during each tapping season is to be charged by the department at the rate fixed by the State Government for the respective tapping season.

During audit of records of 9\* Divisional Forest Officers, it was noticed (between December 1998 and February 2000) that 1,85,213 resin blazes were not handed over to the Corporation for tapping between the tapping seasons of 1995 and 1999 due to deletion of blazes from the marking lists/ non-enumeration of blazes and refusal of the Corporation to tap the blazes from eligible trees which resulted in depriving the Government of revenue amounting to Rs. 57.28 lakh on account of royalty as given in Appendix 'C'.

These cases were reported to the department/Government between January 1999 and March 2000; their replies have not been received (August 2000).

**(d) Loss of revenue due to administrative lapses**

The forest offence cases are required to be either compounded or challaned in the Court of Law within one year as no Court can take cognizance of such cases after the expiry of one year under the provisions of the Criminal Procedure Code. The department directed (February 1985) all the Divisional Forest Officers to ensure that no case become time-barred for challaning and prompt action is taken for their disposal. The delay in taking action results not only in acquittals in Courts but also making compounding of offences difficult and offenders get scot free because of delay. Besides, as per State Government's guidelines (December 1986), the Divisional Forest Officers are not empowered to compound the forest offence cases involving illicit felling of more than one tree of higher class (Class IIA and above) and more than two trees of lower class (Class III and below). Such cases are to be registered with the police.

(i) During audit of the records of 10 Divisional Forest Offices, it was noticed (between December 1996 and November 1999) that 436 trees were illicitly felled and 2700 cubic metres of stone were illicitly extracted by the offenders (noticed between December 1995 and March 1999). Scrutiny of the records revealed that the department could not take timely cognizance of these offences and had failed to seize the timber and stones from the offenders. This

---

\* Bilaspur, Chamba, Chopal, Dalhousie, Dharamsala, Jogindernagar, Mandi, Solan and Nachan.



resulted in loss of revenue of Rs. 26.92 lakh (being the value of timber and stone) as detailed in Appendix "D".

(ii) During audit of Suket and Nachan Divisional Forest Offices, it was noticed (September 1997 and June 1999) that 14.580 cubic metres converted timber seized between March 1982 and November 1995 was kept with the various spurdars\*\* after seizure from the offenders, of which 59 nags\*\*\* containing 3.914 cubic metres timber of Suket division were reportedly handed over by the Spurdar to the then Block Officer, Jhungi for which no proper receipt was given to the spurdar as alleged by him. The results of departmental inquiries initiated in February 1995 and subsequently in April 1997 had not been received. Scrutiny of the records of Nachan division revealed that 10.666 cubic metres timber pertaining to the period 1994-95 and 1995-96 was reported by the Spurdars as stolen while in their custody. Though cases had been registered with the Police but progress thereof were not known to the department. This resulted in loss of revenue amounting to Rs. 3.26 lakh (including sales tax).

On this being pointed out (September 1997 and June 1999) in audit the Divisional Forest Officer, Nachan stated (June 1999) that the matter was being enquired. Further progress and reply in respect of Suket division have not been received (August 2000).

The cases were reported (October 1997 and July 1999) to Government; their replies have not been received (August 2000).

#### **5.12. Non-recovery of sales tax**

The Himachal Pradesh State Forest Corporation Limited, which is entrusted with the lease rights for working forest lots, is required to pay sales tax on the sale value of the lots in addition to royalty as per clause 18 (G) of the standard agreement deed for lease of forests. Besides, the Divisional Forest Officers, who are the registered dealer with the Excise and Taxation Department, are also required to charge sales tax under sales tax law on the sale value of timber and medicinal herbs etc. sold by them and to deposit the tax into the Government treasury.

During audit of the records of three\* Divisional Forest Officers, it was noticed (between March 1999 and December 1999) that the sales amounting to Rs. 26.78 lakh on account of medicinal herbs (Rs. 16.56 lakh), bamboo lots (Rs. 6.38 lakh) and seized timber (Rs. 3.84 lakh) were made between the years 1992-93 and 1998-99 but sales tax at the rate of 10 per cent, 30 per cent and 4 per cent respectively chargeable from the parties concerned was not charged

\*\* *Lambardar or any other reliable person of the place.*

\*\*\* *Different items of sawn timber.*

\* *Karsog, Nalagarh and Pooh.*

by the department, which resulted in non-recovery of sales tax amounting to Rs. 3.72 lakh.

On this being pointed out (between March 1999 and December 1999), the department in respect of Nalagarh division, stated (February 2000) that sales tax had been claimed from the Corporation. Report on recovery and replies in respect of the remaining two divisions had not been received (August 2000).

The cases were reported to Government (between April 1999 and January 2000); their replies have not been received (August 2000).

### **5.13. Non recovery of departmental charges**

The Himachal Pradesh State Forest Corporation, entrusted with the responsibility of forest exploitation work, supplies the timber and fuel wood for sale to all depots in the State. As per departmental instructions (March 1992) depots, established to meet the bonafide domestic and agricultural requirement of the people residing in tribal areas would be managed by the department on behalf of the Corporation. For this purpose, departmental charges at the rate of 4 *per cent* of the total sale value are chargeable from the Corporation.

During audit of records of the Divisional Forest Officers, Lahaul at Keylong and Pangi, it was noticed (September 1999) that the department had sold timber and fuel wood worth Rs. 107.21 lakh through its various depots in the tribal areas of Keylong and Pangi between 1994-95 and 1998-99 but departmental charges for managing the sales were not recovered from the Corporation. This resulted in non-recovery of Rs.4.29 lakh.

On this being pointed out (September 1999) in audit, the Divisional Forest Officers stated that matter would be taken up with the Corporation. Further reports have not been received (August 2000).

The cases were reported (October 1999) to Government; their replies had not been received (August 2000).

### **5.14. Non-levy of interest and penalty**

The Himachal Pradesh State Forest Corporation entrusted with the responsibility of exploitation of forest lots is required to deposit instalments of royalty in respect of different forest lots by due dates as fixed by the State Government. In case the royalty is not paid within 90 days after the due date, the interest at the rate of 15 *per cent* which was enhanced to 16.5 *per cent* per annum from 1991-92 was chargeable.

Further, as per clause 18 (G) of the standard agreement deed, sales tax as leviable on the sale value of the lot would be payable along with royalty



instalment. Failure to do so, the Corporation would have to pay penalty at the rate of 18 *per cent* per annum for the belated payment of sales tax.

During audit of records of 12 Divisional Forest Officers, it was noticed (between May 1999 and February 2000) that in respect of forest lots, handed over to the Corporation for exploitation during the years 1995-2000, either the instalments of royalty were not paid within 90 days or the amount of sales tax leviable on royalty instalments had been paid after the due dates. For delays in payments of royalty and sales tax, interest and penalty at the above rates amounting to Rs. 59.38 lakh (interest: Rs. 11.19 lakh and penalty: Rs. 48.19 lakh) was leviable but was not demanded by the department as per details given in Appendix "E".

These cases were pointed out (between May 1999 and February 2000) to the department and reported to Government between July 1999 and March 2000; their replies have not been received (August 2000).

#### **5.15. Non-levy of interest on belated payment of damage money**

As per clause 16 (c) of the agreement, the lessee (now the Himachal Pradesh State Forest Corporation) who has been entrusted with the responsibility of exploitation of forest lots was required to pay price/ penalty for illicit felling or damages caused to unsold/ unmarked trees within 30 days of the communication issued by the Forest Officer which can be extended up to one year by the Conservator of Forests on receipt of request from the lessee on payment of interest at the rate of 10 *per cent* per annum, failing which he would be liable to pay interest at the rate of 15 *per cent* per annum. The rate was enhanced (September 1991) to 16.5 *per cent* per annum from 1991-92.

During audit of the records of six Divisional Forest Offices, it was noticed (between February 1998 and February 2000) that in respect of forest lots exploited between the years 1983-84 and 1998-99, damage bills amounting to Rs. 38.05 lakh were paid by the Corporation after the delay ranging between 42 days and 4,114 days. For delayed payments of damages, interest amounting to Rs. 23.61 lakh had not been demanded by the department as per details given in Appendix 'F'.

These cases were reported to Government between March 1998 and March 2000; their replies have not been received (August 2000).

**CHAPTER 6 : OTHER TAX AND NON-TAX RECEIPTS****REVENUE DEPARTMENT****A- STAMP DUTY AND REGISTRATION FEE****6.1. Results of audit**

Test check of records relating to stamp duty and registration fee, conducted in audit during the year 1999-2000, revealed non-levy/short determination of stamp duty and registration fee and other irregularities amounting to Rs. 58.20 lakh in 179 cases, which broadly fall under the following categories.

(Rupees in lakh)

	Number of cases	Amount
1. Non-levy/Short determination of stamp duty and registration fee	176	57.85
2. Other irregularities	3	0.35
<b>Total</b>	<b>179</b>	<b>58.20</b>

During the course of the year 1999-2000, the concerned departments accepted under assessments of Rs.10.75 lakh in 45 cases, of which 4 cases involving Rs.0.29 lakh had been pointed out in audit during 1999-2000 and the rest in earlier years. An illustrative case highlighting important observations involving financial effect of Rs.10.23 lakh is given in the following paragraph.

**6.2. Short determination of stamp duty and registration fee**

Under the Indian Stamp Act, 1899, as amended (vide Himachal Pradesh Act No.7 of 1989) in its application to the Himachal Pradesh, with effect from 31 March 1989, the consideration, if any, the market value of the property and all other facts and circumstances, affecting the chargeability of any instrument with duty shall be fully and truly set forth in the instrument. The "market value" of the property is defined as the price which such property would have fetched, if sold in the open market on the date of execution of the instrument relating to the transfer of such property. If the registering officer, while registering any instrument has reason to believe that the market value of the



property or the consideration, as the case may be, has not been truly set forth in the instrument, he may, after registering such instrument refer the same to the Collector for determination of the market value or consideration and the proper duty payable thereon.

During audit of the records of three\* sub registrars it was noticed (between September 1999 and January 2000) that in 46 cases registered during 1998, the consideration of the properties set forth in the instruments, was much below the average price certified by the concerned Patwaris of the locality. In some cases there were calculation mistakes in the average/ market price worked out by the Patwaris. In spite of wide variation between the market value of the land and the consideration set forth in these instruments, the Registering Officers, after registering these instruments did not refer the same to the Collector for determination of the market value. Calculated on the basis of market prices of land in that vicinity during 1997 as indicated by the Patwaris of the Halka concerned, stamp duty and registration fee short determined worked out to Rs.10.23 lakh.

The cases were reported to the department/ Government (between September 1999 and February 2000); their replies had not been received (August 2000).

## **B-MULTIPURPOSE PROJECTS AND POWER DEPARTMENT**

### **6.3. Non-recovery of Government dues**

(a) Under Punjab Reorganisation Act, 1966, Himachal Pradesh Government is entitled to draw 2.5 per cent share of electricity from Bhakra Power plants and 15 MW of power from Dehar on adhoc basis. For shares received from Bhakra and Dehar, Himachal Pradesh State Electricity Board (Board) is required to pay operation and maintenance charges to the Bhakra Beas Management Board and the value of electricity sold to consumers, to the Government.

It was noticed (April 2000) in audit that during 1995-96 to 1998-99, the Board received 6711.67 lakh units of energy from Dehar and Bhakra as State's share of power and sold it to consumers but the value thereof amounting to Rs.11460.96 lakh had neither been remitted to the Government nor liabilities thereof provided for in the Board's annual accounts.

(b) Government of India, Ministry of Energy (Department of Power) approved (November 1990) formula for sharing of power and benefits from all

\* *Solan, Palampur and Hamirpur.*

Central Sector Hydro Electric Projects commissioned after 7 September 1990, which provides for the supply of 12 *per cent* of power generated by the power stations free of cost to those States of the Region (including the States where the Hydro electric project is located) where distress is caused by setting up the Project at the specified site like submergence, dislocation of population etc.

Based on this formula, Himachal Pradesh State is entitled to 12 *per cent* share of power from Shanau Power House and the Board is authorised to receive and sell the share of Government directly.

It was noticed (April 2000) in audit that 183.97 lakh units as the State's share of free power were drawn by the Board from Shanau Power House (under the Punjab State Electricity Board) during 1992-93 to 1998-99 and sold to consumers. However, the value of electricity amounting to Rs.295.66 lakh as worked out tentatively by the Board had neither been remitted to Government nor liabilities thereof provided in the Board's annual accounts on the plea that the rate at which amount was payable to Government was still to be arrived at.

The matter was reported to the Government in April 2000 but reply has not been received (August 2000).

## C-CO-OPERATION DEPARTMENT

### 6.4. Results of audit

Test check of records relating to Co-operation Department, conducted in audit during the year 1999-2000, revealed irregularities involving revenue amounting to Rs. 143.53 lakh in 9 cases which broadly fall under the following categories.

<b>(Rupees in lakh)</b>		
	<b>Number of cases</b>	<b>Amount</b>
1. Non-redemption of Government money	4	76.86
2. Other irregularities	5	66.67
<b>Total</b>	<b>9</b>	<b>143.53</b>

During 1999-2000, the department accepted under assessments of Rs. 119.21 lakh involved in 9 cases, which had been pointed out in audit in earlier years.



An illustrative case highlighting important observations involving financial effect of Rs. 72.05 lakh is given in the following paragraph.

### **6.5. Non-redemption of Government money**

The State Government contributes towards the share capital of Co-operative societies registered with the Co-operative societies-operation department. The share capital so contributed by the Government is required to be redeemed in accordance with the instructions issued by the department in January 1996 which envisage an optimum level of Government share capital contribution for different kinds of Co-operative societies. The annual retirement of Government share shall commence after the total contributed share capital of the society reached an optimum level at the specified rate of percentage of the capital.

During audit of 4\* Assistant Registrars, Co-operative societies, it was noticed (between January 1999 and September 1999) that Government's contribution of share capital in 27 Co-operative societies (Shimla: 4, Jubbal:14, Nurpur:5 and Mandi:4) became redeemable during the years 1996-97 to 1998-99 but the department failed to make any recovery. Total amount recoverable from these societies up to 31 March 1999 amounted to Rs. 72.05 lakh.

The matter was pointed out (between January 1999 and September 1999) to the department and reported (between February 1999 and November 1999) to Government; their reply has not been received (August 2000).

## **D-INDUSTRIES DEPARTMENT (MINERAL RECEIPTS)**

### **6.6. Results of audit**

Test check of the records relating to Industries Department conducted in audit during the year 1999-2000, revealed non recovery/ short recovery of royalty and other irregularities involving revenue amounting to Rs. 437.28 lakh in 30

---

\* Shimla, Jubbal, Nurpur and Mandi

Cases which broadly fall under the following categories.

(Rupees in lakh)		
	Number of cases	Amount
1. Non recovery /short recovery of royalty	7	136.27
2. Other irregularities	23	301.01
<b>Total</b>	<b>30</b>	<b>437.28</b>

During 1999-2000, the department accepted under-assessments of Rs. 40.52 lakh involved in 15 cases, which had been pointed out in audit in the earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 239.90 lakh are given in the following paragraphs.

#### **6.7. Non-implementation of the provisions of the Himachal Pradesh Minerals (Vesting of Rights) Act, 1983**

The Himachal Pradesh Minerals (Vesting of Rights) Act, 1983 (Act ) provides that the State Government may, from time to time, by notification acquire the rights to minerals. Accordingly, rights to minerals in private land in respect of Khanyara mines of Kangra district and others were to be acquired.

Mention was made in paragraph 7.2.8 of the Report of the Comptroller and Auditor General of India for the year 1993-94 (Revenue Receipts) Government of Himachal Pradesh regarding non-implementation of the provisions of the Act which deprived the Government of additional revenue of Rs.128.40 lakh for the period 1987-88 to 1992-93.

The Government informed (November 1997) the Public Accounts Committee that notification for acquiring the Khanyara mines of Kangra district had been issued (May 1997) and for the acquisition of other mining areas effective steps were being taken. As such the Public Accounts Committee decided not to pursue the matter.

During test check of records of the department, it was noticed (November 1999) that although notification for acquiring the rights to minerals in private land (Khasra-wise) in Kangra district was issued in May 1997, neither the possession of Khanyara mines had been taken over by the State Government



(May 2000) nor notification for the acquisition of other mining areas was issued. Thus, delay in acquiring the mines deprived the Government of additional revenue of Rs.128.40 lakh (worked out at the rate of Rs.21.40 lakh per annum after deducting the amount of compensation and cost of additional staff required for the purpose) for the period 1993-94 to 1998-99.

On this being pointed out (November 1999) in audit, the department stated (November 1999) that the notification issued (May 1997) had envisaged acquisition of the areas on the basis of khasra numbers in different mohals\* which was not found feasible due to administrative reasons. Therefore, a proposal to acquire the land as per maujas\*\* was sent to the Government (July 1999) for approval which had not been received (November 1999). The reply of the department was not tenable as the aspect of acquiring the land Mauja-wise should have been kept in view at the time of issue of notification.

The Government stated (June 2000) that notification for acquisition of mineral rights on mauja basis in Khanyara area of district Kangra had been issued (January 2000). Further report had not been received (August 2000).

#### **6.8. Non/Short recovery of royalty/ interest**

(i) According to the conditions of the mining lease prescribed under the Mineral Concession Rules, 1960, the holder of a mining lease is required to pay royalty at the rates specified in the Second Schedule to the Mines and Mineral (Regulation & Development ) Act, 1957. Further, Rule 31 lays down that if rent, royalty or other sums due to State Government are not paid by the lessee within the prescribed time, the same may be recovered together with simple interest at the rate of twenty four percent per annum.

During test check of the records of the District Mining Officer, Sirmaur (August 1999) it was noticed that royalty amounting to Rs. 76.00 lakh recoverable in respect of 2,37,501.7 metric tonnes of limestone removed by a Cement Company during the period May 1998 to June 1999 was not recovered by the department. Sales tax amounting to Rs. 15.15 lakh recoverable on the royalty had not been recovered by the department. Besides, interest of Rs. 6.95 lakh was also leviable but was not levied.

Government to whom the case was reported in April 2000, stated (June 2000) that out of Rs. 76 lakh and Rs. 15.15 lakh, Rs. 41.38 lakh and Rs. 9.51 lakh

---

\* *Estates*

\*\* *Villages*

respectively had since been recovered. Report of recovery of balance amount had not been received (August 2000).

(ii) Under the Himachal Pradesh Minor Mineral (Concession) Revised Rules, 1971, a lessee to whom a mining lease is granted shall pay royalty in advance in respect of the mineral to be removed from the leased area at the specified rates or dead rent whichever is higher. The rules also stipulate that before the commencement of work in the leased area, the lessee shall execute a lease deed.

During test check of records of the Mining Offices, Chamba, Mandi and Solan (June-November 1999) it was noticed that in 10 cases (Chamba:8, Mandi:1, Solan: 1) mining leases for the extraction of slate, sand, stone and bazri were granted during September 1995 and February 1998 but amounts of royalty fixed per annum as per lease deeds had not been charged which resulted in non realisation of revenue amounting to Rs. 13.40 lakh.

On this being pointed out (June-November 1999) in audit, the Government stated (June 2000) that out of Rs. 13.40 lakh, Rs. 1.42 lakh had been recovered in three cases. The report regarding recovery of the remaining amounts had not been received (August 2000).

Shimla  
The

22 JAN 2001

*Revathi Bedi*  
**(REVATHI BEDI)**  
Accountant General (Audit)  
Himachal Pradesh

Countersigned

New Delhi  
The

30 JAN 2001

*V. K. Shunglu*  
**(V.K. SHUNGLU)**  
Comptroller and Auditor General of India





**APPENDIX 'A'**  
(Reference: Paragraph 5.2)

(In lakh of rupees)

Sl. No	Name of Division	No of Forest lots	Year of Working	Lease period upto		Whether extension		Amount of extension fee not charged	Month in which the case was pointed out	Replies of the Department
				31 March	30 June	Sought	Granted			
1.	Bharmour	2	1995-96	1996	-	Yes	No	19.66	September 1998	The department stated (July 1999) that extension for 1995-96 had been granted in November 1998 and extension fee demanded (November 1998) from the Corporation. Report of recovery has not been received (August 2000).
		6	1997-98	1998	-					
2.	Chamba	1	1996-97	1997	-	Yes	No	11.96	December 1998	The department stated (May 1999) that the extension fee had been demanded (March 1999) from the Corporation. Report of recovery has not been received (August 2000).
		2	1997-98	-	1998					
		3	1997-98	1998	-					
3.	Chopal	2	1994-95	1995	-	Yes	No	12.64	July 1991	Reply has not been received (August 2000).
		1	1994-96	1996	-					
		9	1995-96	-	-					
		4	1995-97	1997	-					
		6	1996-97	-	-					
		23	1997-99	1999	-			13.87		
4.	Dalhousie	1	1996-97	1997	-	Yes	No	2.30	September 1998	The department stated (September 1999) that extension fee was being demanded from the Corporation. Further report on recovery had not been received (August 2000).
		5	1997-98	1998	-					
5.	Jubbal	1	1996-98	1998	-	Yes	No	3.25	November 1999	The Divisional Forest Officer stated (November 1999) that action would be taken in this regard.
		1	1998-99	1999	-					
6.	Kullu	2	1997-99	1999	-	No	No	7.18	June 1999	The Divisional Forest Officer stated (June 1999) that demand had been raised.
7.	Nurpur	1	1995-96	-	1996	Yes	Yes	1.28	February 1999	The Department stated (August 1999) that extension fee had been claimed (July 1999) from the Corporation.
		6	1997-98	-	1998					
8.	Pangi	2	1993-96	1996	-	Yes (1)	No	0.56	August 1998	Reply has not been received (August 2000).
		4	1995-98	1998	-	No (1)	No	3.27	September 1999	The Divisional Forest Officer stated (September 1999) that matter was being taken up with the Corporation.



Report No. 1 of 2000 (Revenue Receipts)

Sl. No	Name of Division	No of Forest lots	Year of Working	Lease period upto		Whether extension		Amount of extension fee not charged	Month in which the case was pointed out	Replies of the Department
				31 March	30 June	Sought	Granted			
9.	Paonta Sahib	1	1997-98	1998	Not	No	No	5.62	January 1999	The Department stated (September 1999) that demand of extension fee had been raised (May 1999) against the Corporation. Report on recovery had not been received (August 2000).
		1	1997-98	1998	Yes					
10.	Rajgarh	7	1997-98		1998	No	No	7.73	February 1999	The department stated (August 1999) that the Divisional Forest Officer was being asked to pursue the case vigorously to realise the extension fee. Further report on recovery had not been received (August 2000).
		2.	1997-98	-	1998	Yes	No			
11	Rampur	1	1996-98	1998	-	Yes	No	3.88	November 1998	Reply has not been received (August 2000).
		3	1997-98	1998	-					
12.	Renukaji	1	1996-97	1997	-	Yes	Yes	1.04	December 1999	Reply has not been received (August 2000).
		1	1998-99	1999	-					
		1	1998-99	-	1999					
13	Rohroo	2	1997-98	1998	-	Yes	No	1.42	August 1998	The department stated (March 1999) that bill of extension fee was being raised. Further report on recovery had not been received (August 2000).
14	Seraj	2	1997-99	1999	-	Yes	Yes	1.67	December 1999	The Divisional Forest Officer stated (December 1999) that demand would be raised.
15	Shimla	1	1997-98	1999	-	Yes(7) No(9)	Yes(3) No(13)	1.10	July 1999	Reply has not been received (August 2000).
		11	1997-98	-	1998					
		4	1998-99	1999	-					
16	Suket	3	1998-99	1999	-	No	No	0.24	August 1999	The Divisional Forest Officer stated (August 1999) that demand would be raised against the Corporation.
17	Theog	1	1995-96	1996	-	Yes(8) No(9)	No	2.55 9.73	June 1997 June 1999	The reply has not been received (August 2000).
		7	1996-97	1997	-					
		9	1998-99	1999	-					
18.	Una	4	1997-98	-	1998	Yes	Yes	1.31	March 1999	The department stated (September 1999) that demand of extension fee had been raised (May 1999) against the Corporation. Report on recovery had not been received (August 2000).
<b>Total</b>		<b>144</b>				<b>No:36 Yes:108</b>	<b>No 125 Yes 19</b>	<b>112.26</b>		

## APPENDIX 'B'

(Reference : Paragaraph 5.10)

(In lakh of rupees)

Name of division	Month in which trees were marked or lists sent to the Corporation	Year in which required to be exploited	No. of trees/ lots	Standing volume (In cubic metres)	Amount of royalty	Replies of the department
1.Chamba	January 1997	1997-98	259 One	827.90	4.35	The Department intimated (May 1999) that the lot was treated for the year 1997-98 and a tentative bill had been sent (March 1999 ) to the Corporation.
2.Dalhousie	October- November 1998	1998-99	973 Two	1203.41	24.83	Reply has not been received (August 2000).
3.Nachan	June 1998  January 1999	1998-99	1490 One	101.70	1.04	The Divisional Forest Officer stated (June 1999) that lot would be handed over to the Corporation during 1999-2000 working period. Further report has not been received (August 2000).
4.Rohroo	June 1998	1998-99	437 Three	754.57	13.69	The Divisional Forest Officer stated (May 1999) that the Corporation had requested to re-designate the lot for the next year. Further report has not been received (August 2000).
5.Shimla	November 1997	1998-99	556 One	560.53	22.03.	Reply has not been received (August 2000).
<b>Total</b>			<b>3715 8 lots</b>	<b>3448.11</b>	<b>65.94</b>	



**APPENDIX 'C'**  
[Reference: Paragraph 5.11(c)]

(In lakh of rupees)

Name of division	Tapping season	No. of blazes not handed over/ enumerated/ accepted by the Corporation	Amount of royalty involved	Replies of the department
Bilaspur	1997	40,427	13.03	Comments of the department have not been received (August 2000).
Chamba	1995 1996	3,457 6,914	3.08	Reply has not been received (August 2000).  The Divisional Forest Officer stated (February 2000) that enumeration could not be done as the trees were required for timber distribution to the right holders during 1997. Reply was not tenable as the same blazes were tapped during 1998 season.
	1997	3,348	1.07	
Chopal	1998	6,415	1.73	The Divisional Forest Officer stated (July 1999) that necessary action was being taken. Further report has not been received (August 2000).
	1999	1,500	0.45	
Dalhousie	1996	1,273	1.75	Reply has not been received (August 2000).
	1997	1,923		
	1998	2,743		
Dharamsala	1997	19,373	6.20	Comments of the department have not been received (August 2000).
Jogindernagar	1996	66,867	24.89	The Divisional Forest Officer stated (November 1999) that blazes were not enumerated and deleted as there was no space for putting a rill. In the absence of any joint inspection with the Corporation this reply was not tenable.
	1997	12,994		
Mandi	1998	3,793	1.02	The Divisional Forest Officer stated (February 2000) that there being no space, blazes were deleted from the list. In the absence of any joint inspection by the representatives of Corporation/department such deletion was not tenable.
Nachan	1998	3,855	2.08	Reply of the department has not been received (August 2000).
	1999	3,855		

Name of division	Tapping season	No. of blazes not handed over/ enumerated/ accepted by the Corporation	Amount of royalty involved	Replies of the department
Solan	1997	6,176	1.98	The Divisional Forest Officer stated (December 1999) that the Range Officer had recommended these blazes to put on rest. This reply was not tenable as no such rest was prescribed in the working plan applicable to the division. The deviation was not got approved from the competent authority.
<b>Total</b>		<b>1,85,213</b>	<b>57.28</b>	



**APPENDIX 'D'**  
[Reference: Paragraph 5.11 (d) (i)]

(In lakh of rupees)

Sr. No	Name of Division	Month in which the			Data of illicit felling/extraction				Remarks
		Offence was noticed	Damage report issued	Case sent to the Police	No. of trees	Standing volume of trees felled or shown as extracted (in cubic metres)	Standing volume of timber short seized (in cubic metres)	Price of timber not seized	
1..	Chopal	3 March 1999	3 March 1999	12 March 1999	72	240.736	110.002	11.27	The department failed to take timely action to stop such huge illicit felling and to inform the police immediately.
Reply: The Divisional Forest Officer stated (July 1999) that the matter was reported to the police for investigation. Further report has not been received (August 2000).									
		N.A.	Between 5 March and 15 March 1999	N.A.	18	33.371	12.838	1.32	Out of 18 trees, cases pertaining to 17 trees were required to be registered with the police/ challaned in the court of law but department failed to do so.
Reply: Reply has not been received (August 2000)									
2.	Joginder Nagar	October 1996	Not issued	Not registered	55 13	15.275 N.A.	15.275 N.A.	0.83	The department failed either to trace the offenders or to seize timber. Damage reports were also not issued.
Reply : On this being pointed out (February 1998) in audit the Divisional Forest Officer stated (November 1999) that the matter was under investigation. Further progress has not been received (August 2000).									
3.	Kullu	31 December	Not issued	Not sent	12	35.510	35.510	3.00	Neither damage report was issued nor the case registered with the Police. The department failed to take follow up action to trace timber or the offenders.
Reply: The department stated (April 1998) that action in the matter was under process. Further report has not been received (August 2000).									

(In lakh of rupees)

Sr. No	Name of Division	Month in which the			Data of illicit felling/extraction				Remarks
		Offence was noticed	Damage report issued	Case sent to the Police	No. of trees	Standing volume of trees felled or shown as extracted (in cubic metres)	Standing volume of timber short seized (in cubic metres)	Price of timber not seized	
4.	Kunihar	December 1995 and January 1996	December 1995 and January 1996	Not registered	--	2700 cubic metres of stones	--	2.16	The cases could not be compounded/ challaned in the court of law despite lapse of more than three years and had become time barred.
Reply has not been received (August 2000).									
5..	Mandi (i)	Between March 1991 and September 1995	Between March 1991 and September 1995	Not registered	52	N.A.	N.A.	1.39	The department failed to seize timber and to challan cases in the court of law. The cases had become time barred.
	(ii)	Between April 1995 and April 1996	Between April 1995 and April 1996		7	7.825	7.825	0.68	
Reply: On this being pointed out (February 1997) the department stated (November 1997) that matter was under correspondence with the Range Officers concerned. Further reports have not been received (August 2000).									
6.	Nachan	4 April 1997	4 April 1997	Not sent	6	21.615	13.805	1.34	The department could not trace the timber. The cases also cannot be challaned in the Court of Law as these had become time barred.
Reply: Reply has not been received (August 2000).									
7.	Nichar	1997	Not issued	15 March 1997	2	6.80	5.295	0.54	The department failed to seize 3.44 cubic metres converted timber from the offenders.
Reply: On this being pointed out (October 1997) in audit, the department stated (July 1998) that further action would depend on the report of police investigation. Further progress has not been received (August 2000).									



(In lakh of rupees)

Sr. No	Name of Division	Month in which the			Data of illicit felling/extraction				Audit Observations
		Offence was noticed	Damage report issued	Case sent to the Police	No. of trees	Standing volume of trees felled or shown extracted (in cubic metres)	Standing volume of timber short seized (in cubic metres)	Price of timber shown not seized	
8.	Palam-pur	Between September 1991 and July 1994	Between September 1991 and July 1994	Not registered	3 174	8.20 N.A.	8.20 N.A.	0.87	The department failed to seize timber and compound the offences/ challan the cases in the court of law. These cases had become time barred.
Reply: On this being pointed out (December 1996) the department stated (December 1997) that findings of the Police and reports of recoveries had been called for from the Range Officers concerned. Further progress has not been received (August 2000).									
9.	Pooh	August 1996	Not issued	Not registered	15	61.31	26.58	2.73	The field staff failed to seize 17.281 cubic metres converted timber/ issue damage report and cases remained undisposed off.
Reply had not been received (August 2000).									
10.	Rohroo	6 and 10 March 1999	20 March 1999	11 March 1999	7	12.560	8.705	0.79	Late detection of offence and lack of follow up action on the part of the department led to the non-seizure of timber.
Reply : Reply has not been received (August 2000).									
<b>Total</b>					197 <u>239</u> <u>436</u>	443.20 N.A. + 2700 cum stones	244.015 N.A. + 2700 cum stones	26.92	

**APPENDIX "E"**  
(Reference: Paragraph 5.14)

(In lakh of Rupees)

Sl. No	Name of division	No. of lots	Years of exploitation between	Delay (in days) in payment of royalty and sales tax ranging between	Interest leviable	Penalty leviable	Total
1	Bharmour	29	1993-94 and 1997-98	27 and 1660	1.84	1.19	3.03
2	Chopal	69	1996-97 and 1997-98	31 and 2097	-	14.07	14.07
3	Churah	16	1995-96 and 1997-98	27 and 59	-	1.13	1.13
4	Hamirpur	148	1994-95 and 1998-99	14 and 1236	-	9.48	9.48
5	Kunihar	33	1985-86 and 1998-99	14 and 5014	-	5.11	5.11
6	Nahan	44	1996-97 and 1998-99	31 and 105	-	1.56	1.56
7	Parbati	NA	-do-	35 and 426	-	6.19	6.19
8	Pangi	9	1993-94 and 1997-2000	4 and 1575	-	2.46	2.46
9	Rajgarh	23	1995-96 and 1998-99	31 and 365	1.48	1.33	2.81
10	Seraj	7	1993-94 and 1998-99	31 and 518	5.17	2.56	7.73
11	Theog	24	1995-96 and 1998-99	31 and 61	-	3.11	3.11
12	Una	2	1995-96 and 1996-97	169 and 534	2.70	-	2.70
	<b>Total</b>				<b>11.19</b>	<b>48.19</b>	<b>59.38</b>



**APPENDIX 'F'**  
(Reference: Paragraph No. 5.15)

(In lakh of rupees)

Name of forest division	Year to which damages pertain between	Amount of damage bill(s)	Delay (in days) in payment of damage money ranging between	Amount of interest not charged	Remarks
Hamirpur	1983-84 and 1998-99	13.29	142 and 4034	6.86	The matter was pointed out (February 2000) in audit but the reply has not been received (August 2000).
Nahan	1988 and 1997	2.22	89 and 1672	0.35	The matter was pointed out (January 2000) in audit but reply has not been received (August 2000).
Nalagarh	1987 and 1996	5.05	261 and 3479	2.21	On this being pointed out (February 1998) in audit the department stated (June 1998) that demand on account of interest has been raised (April 1998). Report on recovery has not been received.
Rajgarh	1987 and 1998	6.08	66 and 3549	2.99	On this being pointed out (February 1999), the department stated (August 1999) that the Corporation had been asked (February 1999) to pay the interest. Report on recovery has not been received (August 2000).
Solan	1987 and 1998	2.03	128 and 4114	1.66	The matter was pointed out (December 1999) to the department but their reply has not been received (August 2000).
Una	1985 and 1993	6.97	1436 and 2826	8.01	On this being pointed out (March 1999) in audit, the department stated (September 1999) that the Divisional Forest Officer had been asked to pursue the recovery case. Report on recovery has not been received (August 2000).
	1991 and 1997	2.41	377 and 2674	1.53	The matter was pointed out (February 2000) to the department but reply has not been received (August 2000).
<b>Total</b>		<b>38.05</b>		<b>23.61</b>	