



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

(REVENUE RECEIPTS)

GOVERNMENT OF HIMACHAL PRADESH

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PREFACE

This Report for the year ended 31 March 2004 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 and other 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 2003-2004 as well as those noticed in earlier years but could not be included in previous years' Reports.

OVERVIEW

This report contains 33 paragraphs including one review relating to non-levy/short levy of taxes, duties, fees, interest and penalty etc., involving Rs. 107.31 crore. Some of the major findings are mentioned below:-

1. General

(i) The total receipts of the Government for the year 2003-2004 were Rs. 3980.92 crore. The revenue receipts of Rs. 1276.09 crore consisted of Rs. 984.33 crore from taxes and Rs. 291.76 crore from non-tax revenue. The state received Rs. 449.54 crore as its share of divisible Union taxes and Rs. 2255.29 crore as grants in aid from Government of India. Receipts under sales tax (Rs. 436.75 crore), state excise (Rs. 280.12 crore), taxes on vehicles (Rs. 78.37 crore), taxes on goods and passengers (Rs. 33.96 crore) and stamps and registration fee (Rs. 52.37 crore) accounted for major portion of tax receipts. Under non-tax revenue, the main receipts were from forestry and wild life (Rs. 76.93 crore) and non-ferrous, mining and metallurgical industries (Rs. 36.84 crore).

(Paragraph 1.1.)

(ii) The arrears of revenue under principal heads of revenue as on 31 March 2004 amounted to Rs. 405.26 crore, of which Rs. 136.08 crore pertained to Taxes on Sales, Trade etc.

(Paragraph 1.6.)

(iii) Test check of records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts and other tax and non tax receipts conducted during the year 2003-2004, revealed under-assessments/ short levy/ loss of revenue amounting to Rs. 124.24 crore, in 690 cases. During the course of the year 2003-2004, the concerned Departments accepted under-assessments etc., of Rs. 65.48 crore in 424 cases which had been pointed out in audit in earlier years.

(Paragraph 1.10.)

2. Sales Tax

(i) Incorrect exemption to three dealers of Solan, Kangra and Hamirpur District resulted in non-levy of tax of Rs. 1.59 crore.

(Paragraph 2.2.1., 2.2.2. & 2.2.3.)

(ii) The annual turnover of six dealers had exceeded the taxable quantum, but the dealers were not registered and brought under tax net. The revenue recoverable amounted to Rs. 18.40 lakh.

(Paragraph 2.3.)

(iii) Under assessment of taxable turnover in respect of eight dealers resulted in evasion of tax of Rs. 7.69 crore.

(Paragraph 2.6.1. & 2.6.2.)

3. State Excise

(i) A licensee of Sarkaghat unit did not pay monthly license fee at the prescribed instalments during 2002-03 resulting in short realisation of Rs. 41.46 lakh including interest of Rs. 15.50 lakh.

(Paragraph 3.2.1.)

(ii) Three licensees paid license fee of Rs. 2.25 lakh against license fee of Rs. 1.02 crore resulting in short realisation of Rs. 99.89 lakh.

(Paragraph 3.3.)

4. Taxes on Vehicles, Goods and Passengers

A review on 'Levy and collection of Motor Vehicles Tax' revealed the following:-

(i) The position of arrears pending collection as on 31 March 2003 was not available with the Department. However, token tax and penalty of Rs. 5.33 crore was found uncollected in 19 Registering and Licensing Authorities.

(Paragraph 4.2.6.)

(ii) Special road tax of Rs. 5.55 crore in 427 cases for the period from January 2000 to March 2003 was neither paid by the owners of the vehicles nor was it demanded by the Assessing Authorities. Besides, penalty of Rs. 3.28 crore remained unrecovered.

(Paragraph 4.2.10.)

(iii) Application of incorrect rates of special road tax and incorrect classification of roads resulted in short/non-realisation of government revenue of Rs. 47.23 lakh.

(Paragraph 4.2.11. & 4.2.12.)

(iv) Penalty of Rs. 8.72 crore for delayed payments of special road tax, was either not levied or was levied short in 1552 cases. This resulted in short realisation of government revenue to that extent.

(Paragraph 4.2.15.)

(v) Registration Certificates in respect of 3,885 motor vehicles though due for renewal were not renewed resulting in non-realisation of Rs. 10.80 lakh on account of renewal fee and penalty leviable thereon.

(Paragraph 4.2.17.)

5. Forest Receipts

(i) In seven forest divisions, export permit fee of Rs. 1.77 crore had not been levied on intra-State transport of 88,876.791 quintals of khair wood.

(Paragraph 5.2.)

(ii) In Chamba forest division, failure of the department to take timely cognizance of offences relating to illicitly felled trees, resulted in loss of revenue of Rs. 1.33 crore.

(Paragraph 5.3.)

(iii) Non-charging of compensation for the loss of environmental values in four forest divisions had resulted in loss of revenue of Rs. 8.38 crore.

(Paragraph 5.7.)

(iv) In 20 forest divisions, 5,29,528 blazes had not been tapped between the tapping seasons of the years 2000 and 2003 due to non enumeration of blazes/deletion of blazes which deprived the government of revenue of Rs. 1.36 crore.

(Paragraph 5.8.)

6. Other-Tax Receipts

Electricity duty amounting to Rs. 64.11 lakh raised on NHPC, by the Chief Electrical Inspector Shimla for the energy consumed during 1991-92 to 1994-95, had not been paid.

(Paragraph 6.5.)

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 2003-2004, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)						
Sr. No.	Particulars	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
I.	Revenue raised by the State Government					
	(a) Tax revenue	620.26	728.41	916.50	889.57	984.33
	(b) Non-tax revenue	1,056.24*	176.96	198.33	175.49	291.76
	Total	1,676.50	905.37	1,114.83	1,065.06	1,276.09
II.	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	920.98	330.34	324.13	345.60	449.54@
	(b) Grants-in-aid	1,117.80	1,809.86	2,276.84	2,248.09	2,255.29
	Total	2,038.78	2,140.20	2,600.97	2,593.69	2,704.83
III.	Total receipts of the State	3,715.28	3,045.57	3,715.80	3,658.75	3,980.92
IV.	Percentage of I to III	45	30	30	29	32

* Increase in non tax revenue mainly consisted of two transfer adjustments from a public account head namely 8448 -Deposits of Local Fund (i) Rs.152.28 crore on 29th March, 2000 to 0049 -Interest receipts, and (ii) Rs.656.04 crore on 31st 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-Deposit of Local Fund, raising the amounts from the public through SLR Bonds.

@ For details, please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Himachal Pradesh for the year 2003-2004. Figures under the major head "0020-Corporation Tax"; "0021-Taxes on Income other than Corporation Tax"; "0028-Other Taxes on Income and Expenditure"; "0032-Taxes on Wealth"; "0037-Customs"; "0038-Union Excise Duties"; "0044-Service Tax" and "045-Other Taxes and Duties on Commodities and Services- 901 Share of net proceeds assigned to State" booked in the Finance Accounts under A-Tax Revenue have been excluded from the Revenue raised by the State Government and included in State's share of divisible Union Taxes.

1.1.1. The details of tax revenue raised during the year 2003-2004 alongwith the figures for the preceding four years are given below:-

(Rupees in crore)							
Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1.	Taxes on Sales, Trade etc.	233.07	302.05	355.08	383.34	436.75	(+) 14
2.	State Excise	198.70	209.17	236.28	273.42	280.12	(+) 2
3.	Stamps and Registration Fees	24.68	29.22	34.27	37.40	52.37	(+) 40
4.	Taxes and Duties on Electricity	0.21	27.39	8.32	0.25	16.67	(+) 6568
5.	Taxes on Vehicles	28.37	61.04	132.70	81.98	78.37	(-) 4
6.	Taxes on Goods and Passengers	104.83	43.05	34.27	31.45	33.96	(+) 8
7.	Other Taxes and Duties on Commodities and Services	23.92	52.60	63.73	77.13	86.98	(+) 13
8.	Land Revenue	6.48	3.89	51.85	4.60	0.84	(-) 82
	Total	620.26	728.41	916.50	889.57	986.06	11

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

Under "Taxes and Duties on Electricity", the increase was due to deposit of electricity duty pertaining to the year 2002-2003 in 2003-2004.

Under "Stamps and Registration Fees", the increase was due to rise in market value of land, sale of land property and also more sale of stamps.

Under "Taxes on Sales, Trade etc.", the increase was due to enhancement in sale tax rate of diesel/petrol, more sale of motor vehicles and recovery of arrears.

Under "Other Taxes and Duties on Commodities and Services", the increase was due to imposition of entertainment tax on cinema house, increase in the rate of tax on certain goods carried by road and influx of more tourists.

Under "Land Revenue", the decrease was due to less receipt from sale of Government estate and also sale proceeds of waste land.

The reasons for variations, though called for from other departments, were not furnished (October 2004).

1.1.2. The details of the major non-tax revenue raised during the year 2003-2004 alongwith the figures for the preceding four years are given below: -

(Rupees in crore)							
Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1.	Interest Receipts	159.51	15.00	7.67	9.97	11.35	(+) 14
2.	Forestry and Wild Life	669.37	16.54	28.98	31.52	76.93	(+) 144
3.	Non-ferrous Mining and Metallurgical Industries	30.36	12.50	32.97	35.46	36.84	(+) 4
4.	Miscellaneous General Services (including lottery receipts)	7.25	3.54	1.80	2.81	1.81	(-) 36
5.	Power	53.28	9.00	7.13	(-)0.08	35.01	(+) 35
6.	Major and Medium Irrigation	0.03	0.02	11.06	0.06	0.06	--
7.	Medical and Public Health	4.29	5.04	3.31	3.10	3.36	(+) 8
8.	Co-operation	2.16	2.09	1.26	1.68	1.44	(-) 14
9.	Public Works	2.52	2.16	3.10	6.82	7.54	(+) 11
10.	Police	6.67	8.26	7.57	7.87	8.08	(+) 3
11.	Other Administrative Services	28.89	9.33	6.97	10.07	7.83	(-) 22

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

Under "Forestry and Wild Life", the increase was due to more purchase of trees by Himachal Pradesh Forest Corporation, more receipts on account of compensatory plantation, export of khair wood, sale of condemned stores etc.

Under "Public Works", the increase was due to crediting of departmental charges of building works and deposit works under this head, instead of "3054- Road and Bridges".

The reasons for variations, though called for from other departments, were not furnished (October 2004).

1.2. Variations between Budget estimates and actuals

The variation between the Budget estimates and actuals of revenue receipts for the year 2003-2004 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sr. No.	Head of Revenue	Budget estimates	Actual receipts	Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on Sales, Trade etc.	448.00	436.75	(-) 11.25	(-) 3
2.	State Excise	291.00	280.12	(-) 10.88	(-) 4
3.	Taxes on Goods and Passengers	32.43	33.96	(+) 1.53	(+) 5
4.	Taxes on Vehicles	82.80	78.37	(-) 4.43	(-) 5
5.	Other Taxes and Duties on Commodities and Services	80.15	86.98	(+) 6.83	(+) 9
6.	Stamps and Registration Fees	37.40	52.37	(+) 14.97	(+) 40
7.	Taxes and Duties on Electricity	32.16	16.67	(-) 15.49	(-) 48
8.	Land Revenue	3.81	0.84	(-) 2.97	(-) 78
9.	Industries	13.03	17.55	(+) 4.52	(+) 35
10.	Villages and Small Industries	0.39	0.84	(+) 0.45	(+) 115
11.	Forestry and Wild Life	43.93	76.93	(+) 33	(+) 75
12.	Interest Receipts	10.50	11.35	(+) 0.85	(+) 8
13.	Education, Sports, Art and Culture	17.90	41.85	(+) 23.95	(+) 134
14.	Crop Husbandry (including Horticulture)	4.04	3.53	(-) 0.51	(-) 13
15.	Non-ferrous, Mining and Metallurgical Industries	30.04	36.84	(+) 6.80	(+) 23
16.	Housing	1.96	1.64	(-) 0.32	(-) 16
17.	Fisheries	0.86	0.71	(-) 0.15	(-) 17
18.	Water supply and Sanitation	9.72	11.04	(+) 1.32	(+) 14
19.	Police	8.64	8.08	(-) 0.56	(-) 6
20.	Medical and Public Health	2.60	3.36	(+) 0.76	(+) 29
21.	Stationery & Printing	2.97	3.24	(+) 0.27	(+) 9
22.	Social Security and Welfare	1.87	1.51	(-) 0.36	(-) 19
23.	Animal Husbandry	1.03	0.44	(-) 0.59	(-) 57
24.	Power	71.32	35.01	(-) 36.31	(-) 51

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

Under "Education, Sports, Art and Culture", the increase was due to receipt of surplus funds from Himachal Pradesh Board of School Education, Director Education, Mission (Primary) Sarv Shiksha Abhiyan and Miscellaneous receipts.

Under "Village and Small Industries", the increase was due to more receipt of guarantee fee on loan raised by the Himachal Pradesh Handloom and Handicraft Corporation, receipt of rent from industrial sheds and Government accommodation etc.

Under "Forestry and Wild Life", the increase was due to purchase of trees by Hydel Projects at market rate; more receipts on account of compensatory plantation and other miscellaneous receipts.

Under "Industries", the increase was due to more reimbursement of Central Transport Subsidy from the Government of India, receipt from the industrial areas and other miscellaneous receipts.

Under "Non- Ferrous, Mining and Metallurgical Industries", the increase was due to more receipt of royalty from Hydel Projects, contractors and royalty arrears from the stone crusher's.

Under "Water supply and Sanitation", the increase was due to release of more sewerage connections and receipt of old arrears from Municipal Corporation Solan.

Under "Animal Husbandry", the decrease was due to the reason that income of five departmental cattle breeding farms and fee for artificial insemination were deposited with the Himachal Pradesh Livestock Development Board.

Under "Taxes and Duties on Electricity", the decrease was due to non-payment of electricity duty by the Himachal Pradesh State Electricity Board on due dates.

Under "Fisheries", the decrease was due to less receipt of license fee, shortfall in fish production in Gobindsagar and Pong Dam reservoir and less sale of fish and fish seed.

The reasons for variations, though called for from other departments, were not furnished (October 2004).

1.3. Analysis of collection

The break-up of the total collections at pre-assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2003-2004 and the corresponding figures for the preceding two years, as

furnished by the Excise and Taxation Department is given below:

(Rupees in crore)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
State Excise	2001-2002	235.34	--	1.10	0.16	236.28	99
	2002-2003	220.31	52.10	1.65	0.64	273.42	81
	2003-2004	222.35	57.19	1.50	0.92	280.12	79
Taxes on Sales, Trade etc.	2001-2002	344.11	7.53	3.57	0.13	355.08	97
	2002-2003	364.97	12.60	6.02	0.25	383.34	95
	2003-2004	419.57	13.12	5.86	1.80	436.75	96
Taxes on Goods and Passengers	2001-2002	30.46	2.99	0.82	--	34.27	89
	2002-2003	29.58	1.23	0.69	0.05	31.45	94
	2003-2004	31.96	0.85	1.19	0.04	33.96	94
Other Taxes and Duties on Commodities and Services	2001-2002	61.80	0.83	0.17	--	62.80 [*]	98
	2002-2003	70.27	6.21	0.65	--	77.13 [§]	91
	2003-2004	81.41	5.53	0.05	0.01	86.98 ^ψ	94

It would be seen from the above that amount collected at pre-assessment stage ranged between 79 per cent to 96 per cent during 2003-04.

1.4. Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2001-2002, 2002-2003 and 2003-2004 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2002-2003 were as follows-

(Rupees in crore)

Sr. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2002-2003
1.	Taxes on Sales, Trade etc.	2001-2002	355.08	6.13	1.72	1.18
		2002-2003	383.34	6.21	1.62	
		2003-2004	436.75	6.60	1.51	
2.	State Excise	2001-2002	236.28	4.07	1.72	2.92
		2002-2003	273.42	4.43	1.62	
		2003-2004	280.12	4.23	1.51	
3.	Taxes on Vehicles, Goods and Passengers	2001-2002	166.97	1.25	0.75	2.86
		2002-2003	113.43	1.22	1.07	
		2003-2004	112.33	1.25	1.11	
4.	Stamps and Registration Fee	2001-2002	34.27	0.56	2.00	3.46
		2002-2003	37.40	1.04	2.78	
		2003-2004	52.37	2.05	3.91	

* Excludes Rs. 0.94 crore received on account of share of net proceeds assigned to the State

§ Includes Rs. 2.03 crore on account of share of net proceeds assigned to State

ψ Includes Rs. 1.73 crore on account of share of net proceeds assigned to State

It would be seen from the above that the cost of collection under taxes on sales trade etc. and stamps and registration fee was higher than the all India average.

1.5. Collection of sales tax per assessee

The collection of sales tax per assessee during the period 1999-2000 to 2003-04 is mentioned as under:-

(Rupees in lakh)			
Year	No. of assesseees	Sales tax revenue [@]	Revenue/assessee
1999-2000	24,005	23,307	0.97
2000-2001	24,161	30,205	1.25
2001-2002	27,323	35,508	1.30
2002-2003	30,903	38,334	1.24
2003-2004	33,840	43,675	1.29

It would be seen that the revenue per assessee increased by 4 per cent during 2003-04.

1.6. Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs. 405.26 crore of which Rs.34.94 crore were outstanding for more than five years, as detailed in the following table:-

(Rupees in crore)				
Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
1.	Taxes on Sales, Trade etc.	136.08	28.33	Out of arrears of Rs.136.08 crore, demands for Rs.50.53 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.2.58 crore were stayed by High Court and other Judicial Authorities. Demands for Rs.2.19 crore were likely to be written off. Specific action taken in respect of arrears of Rs.80.78 crore though called for in May 2004 had not been intimated (September 2004).
2.	Forestry and Wild Life	106.02	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2004 had not been intimated (September 2004).
3.	Taxes and Duties on Electricity	57.18	NA	Arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on Vehicles	52.17	Awaited	Major amount of arrears was on account of recovery of special road tax from Himachal Road Transport Corporation. Figures of arrears of token tax, composite fee and special road tax were not intimated separately (September 2004).
5.	Taxes on Goods and Passengers	17.03	1.86	Out of arrears of Rs.17.03 crore, demands for Rs.2.98 crore had been certified as recovery of land revenue. Recoveries amounting to Rs. 0.04 crore were stayed by High Court and Judicial Authorities. Specific action taken in respect of arrears of Rs. 14.01 crore though called for in May 2004 had not been intimated (September 2004).

[@] Information as furnished by the Department

Audit Report (Revenue Receipts) for the year ended 31 March 2004

(Rupees in crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
6.	Police	11.08	3.56	Out of total arrears of Rs. 11.08 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs. 5.34 crore; Nathpa Jhakri Power Corporation: Rs. 1.21 crore; Railway Authorities: Rs. 1.19 crore; Civil Aviation Authority: Rs. 0.93 crore; Yamuna Hydel Project Khodri Majri: Rs. 0.74 crore and National Hydro Electric Power Corporation: Rs. 0.71 crore. The remaining Rs. 0.96 crore related to other departments/institutions. For the recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report has not been received (September 2004).
7.	Water Supply, Sanitation and Minor Irrigation	10.54	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2004 had not been intimated (September 2004).
8.	State Excise	4.67	0.86	Out of arrears of Rs.4.67 crore, demands for Rs.4.05 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.28 crore were stayed by High Court and other Judicial Authorities. Demands for Rs.0.05 crore were likely to be written off. Specific action taken in respect of arrears of Rs.0.29 crore though called for in May 2004 had not been intimated (September 2004).
9.	Other Taxes and Duties on Commodities and Services	3.52	0.07	Out of arrears of Rs. 3.52 crore, demands for Rs. 1.67 crore had been certified as recovery of land revenue. Specific action taken in respect of arrears of Rs.1.85 crore though called for in May 2004 had not been intimated (September 2004).
10.	Industries (including village and small scale industries).	2.93	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2004 had not been intimated (September 2004).
11.	Non-ferrous, Mining and Metallurgical Industries	2.34	0.12	Arrears pertained to the year 1970-71 to 2003-04 and are recoverable as royalty arrears in 215 cases from different mining offices in Himachal Pradesh.
12.	Land Revenue	0.83	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2004 had not been intimated (September 2004).
13.	Printing and Stationery	0.62	0.14	Arrears pertained to the years 1997-98 to 2002-03 and are recoverable from the Director, Public Relations, Himachal Pradesh, Shimla.
14.	Public Works (Housing)	0.25	Awaited	Arrears were on account of rent of residential buildings. Department intimated in September 2004 that efforts were being made to recover the amount.
	Total	405.26	34.94	

1.7. Arrears in assessments

The details of 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 the year as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on

* All India Radio, Intelligence Bureau, United Commercial Bank Shimla and Rohru, Punjab National Bank Shimla and Mandi, Cement Corporation of India Rajban, Punjab State Electricity Board, Patiala

works contracts was as follows: -

Head of Revenue	Opening balance	New cases due for assessment during 2003-2004	Total assessments due	Cases disposed of during 2003-2004	Balance at the end of the year	Percentage of Column 5 to 4.
1.	2.	3.	4.	5.	6.	7.
Taxes on Sales, Trade etc.	97,271	58,390	1,55,661	49,492	1,06,169	32
Luxury Tax	1,526	1,845	3,371	1,571	1,800	47
Tax on Works Contracts	3,216	589	3,805	418	3,387	11
Motor Spirit Tax	34	--	34	21	13	62

1.8. Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the department are given below: -

Sr. No.	Head of Revenue	Cases pending as on 31 March 2003	Cases detected during 2003-2004	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2004
					Number of cases	Amount of demand (In lakh of rupees)	
1.	Taxes on Sales, Trade etc.	211	7,018	7,229	7,143	925.87	86
2.	State Excise	11	90	101	92	5.50	9
3.	Passengers and Goods Tax	1,370	5,031	6,401	5,255	66.86	1,146
4.	Other Taxes and Duties on Commodities and Services	60	2,393	2,453	2,221	117.41	232
	Total	1,652	14,532	16,184	14,711	1,115.64	1,473

1.9. Refunds

The number of refund cases pending at the beginning of the year 2003-2004, claims received during the year, refunds allowed during the year and the cases

pending at the close of the year 2003-2004 as reported by the Departments is given below: -

Sr. No.	Particulars	(Rupees in crore)			
		Sales Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	15	0.82	Nil	Nil
2.	Claims received during the year	17	1.92	3	0.94
3.	Refunds made during the year	13	1.80	3	0.94
4.	Balance outstanding at the end of year	19	0.94	Nil	Nil

1.10. 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 2003-2004 revealed under-assessments/short levy/loss of revenue amounting to Rs. 124.24 crore in 690 cases. During the course of the year 2003-2004 the concerned departments accepted under-assessments etc., of Rs. 65.48 crore involved in 424 cases, which had been pointed out in audit in earlier years.

This report contains 33 paragraphs including one review relating to non-levy, short levy of tax, fees, interest and penalty etc. involving Rs. 107.31 crore. Departments/ Government have accepted audit observations involving Rs. 38.20 crore of which Rs. 0.06 crore had been recovered upto August 2004. No replies have been received in the other cases.

1.11. Failure of senior officials to enforce accountability and protect the interests of Government

(i) Accountant General (Audit) (AG) arranges to conduct periodical inspection of the government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc. detected during inspection are not settled on the spot, these IRs are issued to the Heads of offices inspected with a copy to the next higher authorities. The Financial

rules/orders of Government provide for prompt response by the executive to the IRs issued by the A.G. to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during his inspection. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the A.G. Serious irregularities are also brought to the notice of the Head of the Department by the office of the Accountant General. A half yearly report of pending reports is sent to the Financial Commissioner-cum-Secretary (Finance) in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued during the last three years up to 31 December 2003, which were pending settlement by the Departments as on 30 June 2002, 30 June 2003 and 30 June 2004 is given below:

Particulars	At the end of June		
	2002	2003	2004
Number of inspection reports pending settlement	3,180	2,995	2,933
Number of outstanding audit observations	8,778	7,714	7,343
Amount of revenue involved (in crore of rupees)	436.44	356.83	341.52

(iii) Department-wise break-up of the inspection reports and audit observations outstanding as on 30 June 2004 is given below:

Sr. No.	Department	Number of outstanding		Amount of audit observations raised (Rupees in crore)	Year to which observations relate	Number of inspection reports to which even first replies not received
		Inspection reports	Audit observations			
1.	Revenue	714	1,444	8.79	1977-78 to 2002-2003	66
2.	Forest Farming and Conservation	509	1,635	229.45	1970-71 to 2002-2003	8
3.	Excise and Taxation	683	1,783	68.32	1973-74 to 2002-2003	10
4.	Transport	463	1,346	7.19	1972-73 to 2002-2003	22
5.	Other Departments (Public Works, Irrigation and Public Health, Agriculture, Soil Conservation, Horticulture, Co-operation, Food and Civil Supplies and Mining)	564	1,135	27.77	1976-77 to 2002-2003	25
	Total	2,933	7,343	341.52		131

The issue of outstanding inspection reports was brought to the notice of the Chief Secretary to Government in October 2004.

It is recommended that Government should look into the matter and ensure that procedure exists for

- action against the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule,
- action to recover loss in a time bound manner; and
- revamp the system to ensure proper response to the audit observations in the Department.

1.12. Departmental Audit Committees Meetings

In order to expedite the settlement of outstanding audit observations contained in the IRs on Revenue Receipts of the Government of Himachal Pradesh, Departmental Audit Committees were to be constituted by the Government, on the recommendations of the Finance Department. These Committees were to be chaired by Special Secretary/Additional/Joint Secretary of the concerned Administrative Department and attended by the Head of the Department/other concerned officer and the Deputy Accountant General from the office of the Accountant General (Audit), Himachal Pradesh.

For expeditious clearance of the outstanding audit observations, it is necessary that the Audit Committee meets annually and ensure that final action is taken on all outstanding audit observations. For the year 2003-04, only three (Excise and Taxation, Revenue and Public Works Department) out of 10 Government Departments relating to revenue receipts, convened meetings of the Audit Committee, and constitution of committees were not notified by five administrative departments. The matter relating to annual meeting in respect of Forest and Transport Departments was under correspondence. Thus the majority of departments had not taken any steps in this regard inspite of clear directions from the Finance Department, which indicated their lack of interest in bringing down the pendency of old objections.

1.13. Response of the State Government to Draft Audit Paragraphs

The Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Audit Office to the Principal Secretaries/Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within eight weeks. The fact of non-receipt of replies from departments are invariably indicated at the end of each such paragraph included in the Audit Report.

Thirty three draft paragraphs included in the Report for the year ended 31 March 2004 were sent to the Principal Secretaries/Secretaries of the respective departments by name between January and July 2004. The Principal Secretaries/Secretaries of the Departments did not send replies to the draft paragraphs despite issue of reminders (August 2004). These paragraphs have been included in this Report without the response of the Principal Secretaries/Secretaries of the Departments.

1.14. Follow up on Audit Reports- Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the Department shall initiate action on the audit observations and the action taken explanatory notes thereon should be submitted by Government within three months of tabling the Report, for the consideration of the Committee. In spite of these provisions, the explanatory notes on Audit paragraphs of the Report(s) were being delayed inordinately. Out of 154 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 1999, 2000, 2001 and 2002, action taken explanatory notes had not been received in respect of 42 paragraphs from three[@] departments.

[@] 1998-99: Multipurpose Projects and Power
1999-2000: Multipurpose Projects and Power
2000-2001: Forest Farming and Soil Conservation, Revenue
2001-2002: Forest Farming and Soil Conservation

CHAPTER-II : SALES TAX

2.1. Results of audit

Test check of records relating to sales tax assessments and other records, conducted during the year 2003-04, revealed short assessment of tax amounting to Rs. 22.69 crore in 219 cases, which broadly fall under the following categories:-

(Rupees in crore)

		Number of cases	Amount
1.	Evasion of tax due to suppression of sales/purchases	53	0.66
2.	Non-levy of tax due to non registration of dealers	4	0.38
3.	Non-levy/short levy of penalty/interest	16	0.27
4.	Under assessment of tax	133	20.10
5.	Other irregularities	13	1.28
	Total	219	22.69

During 2003-04, the Department accepted under assessments etc., of Rs. 5.42 crore involved in 152 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 9.78 crore are given in the following paragraphs.

2.2. Incorrect allowance of exemption of sales tax

As per notification dated 4 November 1997, issued under the Himachal Pradesh General Sales Tax (HPGST) Act, 1968, existing new mini cement plants were exempted from the payment of sales tax on the sale of cement manufactured by them, for a period from 1 October 1996 to 31 March 2000. Cement plant for the purpose of this exemption means a cement plant having an installed capacity upto 100 tonnes per day. Interest at the prescribed rates was also leviable for non/short payment of the tax.

2.2.1. During audit of Assistant Excise and Taxation Commissioner (AETC), Solan, it was noticed that the installed capacity of a registered cement plant had increased from 50 TPD to 170 TPD with effect from 21 March 1995. However, while finalising the assessments for the period 1996-97 to 1999-2000 in April 2002, the Assessing Authority exempted the sales valued at Rs. 5.68 crore from the levy of tax, treating it as a mini-cement plant. This incorrect exemption resulted in non levy of tax of Rs. 1.06 crore, including interest of Rs. 51.77 lakh.

The matter was reported to the Department in November 2003 and to the Government in April 2004; their replies had not been received (September 2004).

2.2.2. Under HPGST Act, sale of food products manufactured by new industrial units are exempted from the payment of tax for a period of 10 years from the date of commencement of commercial production. The exemption would not be available to an industrial unit located in 'C' category development block.

Audit scrutiny of AETC, Kangra at Dharamsala, revealed that a unit situated at Damtal fell in the 'C' category* development block and hence was not eligible for exemption of sales tax. However, the Assessing Authority, while finalising the assessment between 31 May 2000 and 15 November 2002, incorrectly exempted the sales valued at Rs. 32.13 crore from the levy of tax for the period 1998-99 to 2000-01. This resulted in short realisation of Rs.51.15 lakh, including interest.

After this was pointed out to the Department in October 2003, the Assessing Authority confirmed the fact. Further development/report of recovery was awaited (September 2004).

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

2.2.3. Under the HPGST Act, all Co-operative Societies and persons, in whose favour certificates of genuineness[&] had been issued by the Commissioner, constituted under the Khadi and Village Industries Commission Act, 1956 or the Board constituted under the Khadi and Village Industries Board Act, 1966, were exempted from the levy of sales tax. The exemption was, however, withdrawn with effect from 10 March 1999.

During audit of AETC, Hamirpur, it was noticed that a unit engaged in the manufacture of furniture, sale of hardware, furniture and fixtures etc. constituted under the Khadi and Village Industries Board, had made sales valued at Rs. 13.75 lakh during 1999-2000. The Assessing Authority while finalising the assessment in April 2001, incorrectly exempted sale valued at Rs. 13.16 lakh from payment of tax. Besides, sale valued at Rs.0.59 lakh made to non Government body was also exempted incorrectly, treating it as a sale to Government department. This resulted in incorrect exemption of tax of Rs.1.51 lakh, including interest.

After this was pointed out in August 2002, the Assessing Authority stated in June 2003 that additional demand of Rs. 2.65 lakh was raised in November 2002. Further development/report of recovery had not been received (September 2004).

* For the purpose of exemption, the State has been divided in to three blocks i.e. A , B and C.
C category falls in negative list

& A certificate issued to the manufacturing unit for sales tax exemption, subject to the condition of obtaining an exemption certificate from the Assessing Authority of the district concerned

The matter was reported to the Government in March 2004; reply had not been received (September 2004).

2.3. Non-levy of tax due to non-registration of dealers

Under the HPGST Act, no dealer shall carry on business as a dealer unless he has been registered and possesses a registration certificate. Under the HPGST Act, read with departmental instructions issued in April 1978, a Circle Inspector is required to carry out survey of dealers whether registered, registrable or non-registrable falling under his jurisdiction and submit a report to the Assessing Authority of the circle.

Cross verification of the records of AETC, Solan, with the information collected from Forest Department revealed that six dealers whose taxable turnover exceeded the taxable quantum were not registered during the period 1998-99 to 2001-02. The dealers had supplied khair wood valued at Rs. 95.40 lakh to a factory during this period. These dealers remained undetected thus resulting in non levy of tax of Rs. 18.40 lakh, including interest of Rs. 6.95 lakh.

The matter was reported to the Department in November 2003 and to the Government in March 2004; their replies had not been received (September 2004).

2.4. Under assessment due to incorrect application of rate

2.4.1. Under HPGST Act, tax is payable at the rates prescribed from time to time. Further, if a dealer fails to pay the tax due by the prescribed date, he is liable to pay interest at the prescribed rates.

During audit of AETC, Kangra, it was noticed in October 2003 that a dealer dealing in nails and wires was liable to pay tax of Rs. 8.08 lakh on the sales valued at Rs. 1.01 crore for the period 1998-99 to 2000-01. However, while finalising the assessments between August 2002 and May 2003, the Assessing Authority levied a tax of Rs. 1.01 lakh only due to the application of incorrect rate of tax. This resulted in short assessment of sales tax of Rs. 11.62 lakh, including interest of Rs. 4.55 lakh.

After this was pointed out in October 2003, the Department raised a demand of Rs. 13.64 lakh against which the dealer had filed an appeal before the Appellate Authority. Further development/report of recovery was awaited (September 2004).

The matter was reported to the Government in April 2004; their reply had not been received (September 2004).

2.4.2. In another case Assessing Authority, Una, while finalising the assessment in October 2003 for the year 2000-01 incorrectly taxed the sale of converted timber valued at Rs.21.55 lakh at eight *per cent* instead of 12 *per cent*. This resulted in short realisation of revenue of Rs. 1.27 lakh, including interest.

The matter was reported to the Department in January 2004 and to the Government in April 2004; their replies had not been received (September 2004).

2.5. Non levy of tax due to allowance of wrong deduction

Under the HPGST Act, taxable turnover of a registered dealer is arrived at after deducting the amount of tax free/tax paid sales to registered dealers from the gross turnover, provided declarations in the prescribed forms are furnished. The dealer is supposed to file the correct return. For suppression of sales/purchases he is liable to pay interest and penalty at the prescribed rates. The Assessing Authorities are also required to verify the correctness of returns with reference to the declaration forms, trading account and other records submitted with the returns.

During audit of AETC, Shimla, it was noticed that assessment of a dealer dealing in steel, hardware and cement etc. for the year 1999-2000 and 2000-01 was finalised between January 2001 and November 2002, after allowing deduction of tax paid sales of Rs. 1.67 crore.

The dealer purchased tax paid goods valued at Rs. 1.16 crore during the year. After adding eight *per cent* gross profit as disclosed in the trading account, the dealer was entitled to a deduction of Rs. 1.25 crore on account of tax paid goods. Against this, he was allowed deduction of Rs. 1.67 crore from the gross turnover of the dealer as shown by him in the return. The Assessing Authority failed to verify the correctness of the returns with reference to the trading account/ other accounts. This resulted in short realisation of tax of Rs.3.37 lakh. Besides, penalty for suppression of sales and interest was also leviable. This resulted in non realisation of Government revenue of Rs. 5.53 lakh, including interest and penalty of Rs. 2.16 lakh.

After this was pointed out in June 2003, the Department stated in November 2003 that a demand of Rs. 3.02 lakh for the year 2000-01 had been raised against the dealer. Report of recovery had not been received. Information regarding levy of tax for the year 1999-2000 though called for in March 2004, had not been received (September 2004).

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

2.6. Evasion of tax

Under the HPGST Act, there is no provision for verification of the correctness of returns by cross checking of the records with other departments.

2.6.1. Cross verification of records of Excise and Taxation Officer, Kinnaur, with the records of Mining Officer, Kinnaur, revealed that the Mining Officer had received royalty of Rs.45.68 lakh from various contractors for the period between April 1997 to March 2000. However, the Assessing Authority finalised the assessments of these years on Rs. 14.29 lakh, in April 2002, based on the returns filed by the assessee. Thus an amount of Rs.31.39 lakh escaped taxation and resulted in non-levy of tax of Rs.4.79 lakh, including penalty and interest.

The matter was pointed out in audit to the Department in October 2003 and reported to the Government in April 2004; their replies had not been received (September 2004).

2.6.2. Cross verification of the records of seven dealers[#] of AETC, Shimla and Solan with the records viz. trading accounts, declaration form etc. of their respective forest working division revealed that the taxable turnover of the dealers was Rs. 40.37 crore. However, the Assessing Authority determined between 1998-2001 the turnover at Rs. 5.78 crore only. This resulted in understatement of taxable turnover by Rs. 34.59 crore on which tax of Rs. 4.13 crore and interest and penalty of Rs. 3.51 crore was leviable.

The matter was reported to the Department between August 2003 and November 2003 and to the Government in July 2004; their replies had not been received.

2.7. Non levy of penalty for misuse of 'C' form

Under the Central Sales Tax (CST) Act, 1956, a registered dealer can on the authority of his registration certificate, purchase goods of the class or classes specified therein, at concessional rate of tax by furnishing a declaration in the prescribed form. In the event of mis-declaration made by him, the dealer becomes liable to pay penalty, in lieu of prosecution, upto one and a half times the amount of tax which would have been leviable on such inter-state purchase.

The Superintending Engineer, Andhra Hydel Project, Himachal Pradesh State Electricity Board, Rohru, was registered as a dealer in May 1986 under the CST Act, for making inter-state purchase of goods used in the generation or distribution of electrical energy against declaration in form 'C'. A scrutiny of the records of the AETC, Shimla, revealed that the dealer had issued 'C' form

[#] Four D.M. Forest Working Division (Shimla, Sarswatinagar, Solan and Rampur), three Divisional Forest Officer (MC Shimla, Shimla and Nalagarh)

for the purchase of one Bailey Bridge[#] valued at Rs. 37.23 lakh during 1998-99 which was not covered by the registration certificate. For misuse of 'C' form, penalty upto Rs. 3.49 lakh though leviable was not levied by the Assessing Authority, resulting in non-realisation of Government revenue.

The matter was reported to the Department in August 2003 and to the Government in February 2004; their replies had not been received (September 2004).

2.8. Embezzlement of Government money

The Himachal Pradesh Financial Rules, 1971, stipulate that departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of the Government should maintain a cash book in the prescribed form. All monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the office or the officer authorised in this behalf, in token of check. The cash book should be closed daily and completely checked on the same day.

During audit of the records of Excise and Taxation Officer (ETO), Parwanoo, under the control of AETC, Solan, it was noticed that the office had not maintained Demand and Collection Register. The amounts received were not entered in the records. Neither ETO Parwanoo nor AETC Solan were aware of the number of Penalty Receipt Books issued for use in that office. Stock consumption records of penalty receipts were also not available. A perusal of the counter foils of receipt books issued by the ETO Parwanoo for collection of sales tax/penalty revealed that Rs. 9.05 lakh had been collected against 993 receipts, between May 2001 and March 2003. Out of this, Rs. 4.86 lakh only were credited into the treasury. The balance amount of Rs. 4.19 lakh was not deposited into the Government account and was embezzled by an official of that office. Besides, for Rs. 3.80 lakh stated to have been deposited, no documentary evidence i.e. treasury challans were produced to audit. Thus, the credit of this amount could not be confirmed.

After this was pointed out in November 2003, the Department recovered an amount of Rs. 4.90 lakh in November 2003. Further action had not been intimated.

The matter was reported to the Government in May 2004; reply had not been received (September 2004).

2.9. Non levy of penalty

HPGST Act provides that where any goods purchased by a registered dealer at concessional rates for use by him in the manufacture of any goods in Himachal Pradesh, other than goods declared tax free for sales in state of Himachal Pradesh or for sale in the course of inter-state trade, are utilised by

[#] It is a bridge made up of the components of steel assembled at the site

him for any purpose other than those specified, such dealer shall be liable to pay as penalty, such amount not less than the difference between the amount of tax on the sale of such goods at the full rate applicable thereto, but not exceeding one and a half times the amount of tax payable at such full rate.

During audit of AETC, Nahan, it was noticed that a dealer assessed for 1995-96 in October 2000 had purchased raw material at concessional rate for use in the manufacture of goods valued at Rs. 2.03 crore. Out of these, material valued at Rs. 46.78 lakh were transferred out of the state on consignment basis. As such the dealer was liable to pay minimum penalty of Rs. 1.87 lakh, which was, however, not levied by the Assessing Authority.

After this was pointed out in February 2001, the Department stated in April 2004 that an additional demand of Rs. 1.87 lakh was raised in December 2002, out of which Rs. 0.75 lakh had been recovered. Further report of recovery was awaited (September 2004).

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

CHAPTER-III : STATE EXCISE

3.1. Results of audit

Test check of records relating to State Excise, conducted during the year 2003-04, revealed non-realisation of license fee/excise duty and other irregularities involving revenue amounting to Rs. 4.03 crore in 35 cases, which broadly fall under the following categories:-

(Rupees in crore)

		Number of cases	Amount
1.	Non-realisation of license fee	7	2.06
2.	Non-realisation of excise duty/ interest	17	1.08
3.	Other irregularities	11	0.89
	Total	35	4.03

During 2003-04, the Department accepted under assessments etc., of Rs. 2.64 crore involved in 42 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 1.49 crore are given in the following paragraphs.

3.2. Non recovery of license fee, interest and penalty

The Excise Auction announcements for the year 2002-03, provide for payment of license fee in 10 equal instalments by the licensee holding license for vending country made liquor or Indian Made Foreign Liquor. The licensee shall pay the instalments by the 25th of each month. Failure to do so renders him liable to pay interest at the rate of 15 *per cent* per annum for a delay of upto one month from the date of default on the unpaid amount. If the default in payment of license fee exceeds one month, such licensee shall pay interest at the rate of 20 *per cent* per annum on the unpaid amount from the date of expiry of one month's period from the due date. Besides, if the licensee fails to deposit the instalment or instalments plus interest upto the 24th of the next month or the last instalment by 10th February, the Assistant Excise and Taxation Commissioner (AETC)/Excise and Taxation Officer (ETO), the incharge of the District, or any other officer authorised or directed by him would ordinarily seal the vend on 25th day of the following month or 11th February as the case may be. In addition, penalty was also leviable under the Punjab Excise Act, 1914, as applicable to Himachal Pradesh.

3.2.1. During audit of the AETC, Mandi, it was noticed in September 2003 that a licensee of Sarkaghat unit had failed to pay the monthly instalments of license fee of Rs. 25.96 lakh by the prescribed dates, during April 2002 to March 2003. The Department did not take any action to seal or re-auction the vend at the cost of the licensee but allowed him to carry on the business till

31 March 2003. This resulted in non-realisation of Government revenue of Rs. 41.46 lakh, including interest and penalty of Rs. 15.50 lakh.

After this was pointed out, the Department intimated in February 2004 that the case had been referred to the Collector for recovery as arrears of land revenue. Further development/report of recovery was awaited (September 2004).

3.2.2. During audit, it was noticed that a licensee of Jogindernagar failed to pay monthly instalments of license fee on time, during 2002-03. As a result, the AETC levied interest and penalty amounting to Rs. 2.97 lakh in September 2003 which was not recovered even after the close of the financial year i.e. 31 March 2003. The Department had made no efforts to recover the amount from the licensee as arrears of land revenue.

After this was pointed out in audit, the Department stated in February 2004 that out of Rs. 2.97 lakh, Rs. 0.60 lakh had been recovered and efforts were being made to recover the balance amount. Further report of recovery had not been received (September 2004).

The matter was reported to the Government in March 2004; reply had not been received (September 2004).

3.3. Non recovery of fee in respect of D-2A License

The Punjab Distillery Rules (PDR), 1932, as applicable to Himachal Pradesh, provides that license fee for a license in form D-2A* shall be payable on country liquor at the rate of Rs.0.70 paise per unit of 750 mls., subject to a minimum of Rs. 75,000 per annum, recoverable at the time of grant/renewal of license.

During audit of AETC, Solan, it was noticed in June 2003 that three firms having D-2A license, were liable to pay license fee of Rs. 1.02 crore on production of country liquor of 1.46 lakh units passed on to the Bottled Spirit Store Room. Against this the licensees, paid only Rs. 2.25 lakh resulting in short realisation of Rs. 99.89 lakh.

After this was pointed out in audit, the Department stated in October 2003 that no license fee was recoverable. The reply of the Department was not tenable as license fee was recoverable under the distillery rules.

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

* Bottling plant of country liquor

3.4. Non realisation of duty on excess wastage

The PDR provides for prescribing the scale of wastage of spirit allowable in the maturation room of a distillery. Through a notification dated 20 September 1965 issued under the PDR, the Excise and Taxation Commissioner, Himachal Pradesh prescribed the norms for wastage in the spirit maturation warehouse/warehouses during the period of storage in Kasauli distillery/spirit bottling section in Solan Brewery.

During test check of records of Kasauli distillery in Solan district, it was noticed in April-June 2003, that against admissible maturation wastage of 39,785 proof litres of spirit, the actual wastage allowed was 58,212.9 proof litres. This resulted in excess wastage of 18,427.9 proof litres of spirit during 2002-03, on which excise duty of Rs. 4.24 lakh was payable by the licensee. The Department, neither raised the demand nor was it paid by the licensee resulting in non realisation of Government revenue to that extent.

This was pointed out to the Department in June 2003 which stated in March 2004, that the matter was under consideration of the Collector (Excise). Further progress made has not been received.

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

CHAPTER-IV

TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1. Results of audit

Test check of records of the Departmental offices, conducted during the year 2003-2004, revealed non/short realisation of tax and other irregularities amounting to Rs. 34.38 crore in 109 cases, which broadly fall under the following categories:-

(Rupees in crore)

		Number of cases	Amount
1.	Non/ short realisation of		
	(i) Token tax	35	0.13
	(ii) Passengers and Goods Tax	22	0.73
2.	Evasion of		
	(i) Token Tax	8	0.13
	(ii) Passengers and Goods Tax	12	0.20
3.	Other irregularities		
	(i) Vehicles Tax	27	0.10
	(ii) Passengers and Goods Tax	4	0.23
4.	Review on Levy and collection of Motor Vehicles Tax	1	32.86
	Total	109	34.38

During 2003-04, the Department accepted under assessments etc., of Rs. 0.95 crore involved in 71 cases which had been pointed out in audit in earlier years. A few illustrative cases and findings of a review, **Levy and Collection of Motor Vehicles Tax** highlighting important observations involving financial effect of Rs. 32.86 crore are given in the following paragraphs.

4.2. Review on Levy and collection of Motor Vehicles Tax

Highlights

(i) The position of arrears pending collection as on 31 March 2003 was not available with the Department. However, token tax and penalty of Rs. 5.33 crore was found uncollected in 19 Registering and Licensing Authorities.

(Paragraph 4.2.6.)

(ii) Special road tax of Rs. 5.55 crore in 427 cases for the period from January 2000 to March 2003 was neither paid by the owners of the vehicles nor was it demanded by the Assessing Authorities. Besides, penalty of Rs. 3.28 crore remained unrecovered.

(Paragraph 4.2.10.)

(iii) Application of incorrect rates of special road tax and incorrect classification of roads resulted in short/non-realisation of government revenue of Rs. 47.23 lakh.

(Paragraph 4.2.11. & 4.2.12.)

(iv) Penalty of Rs. 8.72 crore for delayed payments of special road tax, was either not levied or was levied short in 1,552 cases. This resulted in short realisation of government revenue to that extent.

(Paragraph 4.2.15.)

(v) Registration Certificate in respect of 3,885 motor vehicles though due for renewal were not renewed resulting in non-realisation of Rs. 10.80 lakh on account of renewal fee and penalty leviable thereon.

(Paragraph 4.2.17.)

Introductory

4.2.1. Receipts from motor vehicles comprise fees for registration, token tax, special road tax, issue/countersignatures of permits, composite fee and licenses issued to drivers and conductors, etc.

Levy and collection of receipts from Motor Vehicles are regulated under the Motor Vehicles Act, 1988 as applicable to the State of Himachal Pradesh, Central Motor Vehicle Rules, 1989 and Himachal Pradesh Motor Vehicles Rules (HPMVR), 1999 framed thereunder.

The levy and collection of token tax and special road tax is governed by the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972 as amended from time to time and rules framed thereunder.

Organisational set-up

4.2.2. The administration of Motor Vehicles tax and fees in the State has been entrusted to the Director Transport, Himachal Pradesh, who discharges his functions through Secretary, State Transport Authority (STA) at Shimla, seven* Regional Transport Authorities (RTA) and 52 Registering and Licensing Authorities (RLA) in the 12 districts. Responsibilities of STA include registration and licensing of tourist taxis, omni buses, issue of national permits, collection of different fees etc. All other kind of permits authorising the use of vehicles in the State are issued by the respective Regional Transport Authorities. Besides, the work of registration of vehicles (other than those to be registered by the STA) and collection of token tax, special road tax and other fees etc. has been entrusted to RTAs and Registering and Licensing Authorities.

Audit objectives

4.2.3. The review was conducted with a view to ascertain

- efficiency and effectiveness of the system in framing the budget estimates and in realisation of taxes, fees and penalty at the prescribed rates;
- extent and correctness of the revenue pending collection;
- extent of compliance with prescribed provisions of the Act/Rules and non/short realisation of government revenue in the event of deviation therefrom;
- whether a suitable mechanism of internal control existed in the Department for proper function/monitoring.

* Bilaspur, Dharamsala, Hamirpur, Kullu, Mandi, Shimla and Solan

Scope of Audit

4.2.4. A review of 23 RLAs out of 52, seven RTAs and one STA for the period between 1998-99 to 2002-03 was conducted between May 2003 and March 2004.

Trend of revenue

4.2.5. As per instructions contained in the Himachal Pradesh Budget Manual, special attention should be paid to the new sources of revenue of which account has not been taken in previous years. The reasons which have led to the adoption of the figures for the Budget estimates should be briefly and clearly explained.

A comparison of budget estimates and the revenue realised on account of Motor Vehicles Tax during 1998-99 to 2002-03 is as under:-

(Rupees in crore)

Year	Budget estimates	Actual Receipts	Percentage of variation
1998-1999	23.45	17.48	(-) 25.46
1999-2000	18.00	28.37	(+) 57.61
2000-2001	100.15	61.04	(-) 39.05
2001-2002	73.00	132.70	(+) 81.78
2002-2003	77.61	81.98	(+) 5.63

It would be seen from the above that there was a wide variation ranging between (-) 39 percent to 82 percent in budget estimates and the actuals in four out of five years. This indicates that budget estimates were not prepared on realistic basis.

After this was pointed out in audit, the Department stated that these are based on the previous years receipts and increase in vehicle population. However, perusal of the records revealed that neither any return regarding the vehicle population nor its increase was received by the Director nor was it called for from the field offices.

Monitoring of returns/registers

4.2.6. According to the provisions contained in HPMV Rules, all the RLAs in the state shall submit quarterly returns indicating therein number of vehicles taxed, vehicles exempted from payment of tax and total amount of tax collected during the quarter, to the Secretary, Transport Authority, within one month of the expiry of each quarter. Besides, information in a consolidated form for the financial year was also required to be submitted within one month of the close of the financial year.

Scrutiny of the records of the Director Transport Himachal Pradesh, Shimla, revealed that the requisite returns were not received by him from the RLAs. The total arrears pending for collection was not available with the Directorate

Office. No internal control system to watch the receipt of these returns existed, consequently, the total amount outstanding for collection could not be watched at the higher level. The information regarding number of cases referred to the Collector for collection as arrears of land revenue was also not available with the Department. Test check of records of 19* RLAs and seven** RTAs, revealed, that in respect of 10,436 vehicles, arrears on account of token tax for the period 1998-99 to 2002-03 amounting to Rs. 5.33 crore including penalty, was outstanding, as detailed below:-

Year	No. of vehicles	Token tax	Penalty	No. of cases in which notices were issued
		(Rs. in lakh)		
1998-1999	847	21.97	43.94	1
1999-2000	1,226	33.29	66.53	9
2000-2001	2,065	66.13	***	15
2001-2002	2,745	92.10	***	159
2002-2003	3,553	136.38	72.96	459
Total	10,436	349.87	183.43	643

It would be seen from the above table that the Department had issued notices only in 643 cases out of 10,436 during 1998-99 to 2002-03, which was six percent of the total cases. Only one case involving Rs. 1.33 lakh was referred to the Collector for recovery as arrears of land revenue.

No return relating to the arrears of token tax has been prescribed for the RLAs by the apex authorities. The Department had also not evolved any internal control system to enable the Head of the Department to monitor and exercise effective control over the clearance of arrears. The Head of the Department was also not aware of the number of defaulters and the amount in arrears. Thus, no management information system for monitoring recovery of arrears was available at the level of Head of the Department.

Short realisation/Non realisation of token tax

4.2.7. Under the HPMVT Act, different rates of token tax have been prescribed for each class of vehicle with reference to the seating capacity, cost or its weight. Rules framed under the Act *ibid*, provide that when a motor vehicle is registered, the registering authority should after verifying the particulars furnished in the application for registration, determine the rate at which the vehicle owner is liable to pay tax. The Director Transport, Himachal Pradesh, Shimla, instructed all the RLAs in February 1988 that while assessing levy of tax, relevant documents produced at the time of registration should be thoroughly scrutinised and the concerned taxation authority would be personally responsible for the under assessment of tax noticed subsequently.

* Bilaspur, Banjar, Dehra, Dharamsala, Ghumarwin, Hamirpur, Jaisinghpur, Kandaghat, Kangra, Kullu, Mandi, Manali, Nalagarh, Palampur, Paonta Sahib, Parwanoo, Rajgarh, Shimla (Urban) and Sundernagar

** Bilaspur, Dharamsala, Hamirpur, Mandi, Kullu, Shimla and Solan

*** Penalty clause under Section 11 of the HPMVT Act, 1972 was omitted in the Amendment Act, 1999 and reinserted as clause 4A vide notification dated 31 July 2002

A test check of records of 18** RLAs revealed that while assessing/realising token tax for the period 1 April 1998 to 31 March 2003 in respect of 983 motor vehicles[#], the concerned taxation authorities had not taken into consideration the particulars filled in the application form for registration viz. the weight, the seating capacity, the cost of vehicle etc. This resulted in short realisation of tax of Rs. 18.46 lakh. No internal control existed at the apex level to verify the correctness of assessment made/realised.

After this was pointed out, the concerned taxation authorities stated between May 2003 and March 2004 that notices would be issued to the owners of vehicles and the amount recoverable would be made good.

Non realisation of token tax due to inadmissible rebate

4.2.8. Under the HPMVT Act, and rules made thereunder, token tax levied is payable in advance and is collected annually or quarterly in the prescribed manner at the rates prescribed by the State Government. As per provision of the Act, a person who keeps more than 25 motor vehicles for use solely in the course of trade and industry was entitled for a deduction of 10 percent. This rebate was withdrawn with effect from 18 October 2001.

During audit of the records of six RLAs*, it was noticed between May 2003 and March 2004 that RLAs continued to grant rebate even after its withdrawal in the case of 1,854 vehicles pertaining to six depots of Himachal Road Transport Corporation. This resulted in grant of inadmissible rebate of Rs. 8.81 lakh between October 2001 and March 2003 as detailed below:-

(Rupees in lakh)

Sr. No.	Name of unit	Number of buses	Token Tax		
			Due	Realised	Inadmissible rebate
1.	Bilaspur	380	28.05	27.29	0.76
2.	Hamirpur	497	35.15	32.61	2.54
3.	Mandi	397	26.34	24.68	1.66
4.	Sundernagar	248	17.10	15.54	1.56
5.	Palampur	266	17.94	16.88	1.06
6.	Sarkaghat	66	4.90	3.67	1.23
	Total	1,854	129.48	120.67	8.81

It was further seen that though the notification was received in time by RLAs, yet they failed to implement the same. Besides, there was no monitoring at the apex level to watch this lapse.

** Bilaspur, Banjar, Dharamsala, Ghumarwin, Hamirpur, Jaisinghpur, Kangra, Kullu, Mandi, Manali, Nalagarh, Palampur, Poanta Sahib, Parwanno, Rajgarh, Shimla(Rural), Shimla (Urban) and Sundernagar

[#] Buses: 213; LMV: 614; MG: 18 and HGV: 138

* Bilaspur, Hamirpur, Mandi, Palampur, Sarkaghat and Sundernagar

After this was pointed out, the RLAs stated between June 2003 and March 2004 that the matter would be taken up with the concerned authorities for the recovery of inadmissible rebate allowed to them.

Incorrect exemption of token tax

4.2.9. Under the HPMVT (Amendment) Act, 1992, a token tax at the rate of Rs. 200 per seat per annum subject to maximum of Rs. 8,000 is to be charged on the buses belonging to educational institutions and autonomous bodies.

Test check of the records of four RLAs, Dharamsala, Kangra, Kullu and Paonta Sahib revealed that 16 vehicles owned by educational institutions and three vehicles owned by autonomous bodies were irregularly exempted from payment of token tax during the period April 1998 to March 2003, resulting in non-realisation of tax of Rs. 3.72 lakh.

After this was pointed out, the concerned taxation authorities stated between May 2003 and February 2004 that the notices would be issued to the concerned schools/institutions asking them to deposit the tax.

Evasion of special road tax

4.2.10. HPMVT Act, as amended in 1999, provides for deposit of special road tax in advance, on 15th of every month, at specified rates, for stage carriage transport vehicles plying on the roads of Himachal Pradesh. A register named Special Road Tax (SRT) Register is maintained by each RTA. Every vehicle is given a separate folio in the register where details of tax receipts are entered. This register acts as a monitoring register for the authorities in tax collection.

A test check of SRT register in seven RTAs^{***} revealed that in 427 cases[#] special road tax of Rs. 5.55 crore^{##} was not deposited by the vehicle owners for the period from January 2000 to March 2003. No action was taken by the Department to recover the same. Besides, a penalty of Rs. 3.28 crore^{###} was also not levied for non payment of the tax due. As a result, revenue amounting to Rs. 8.83 crore remained unrealised.

After this was pointed out, the RTAs stated between May 2003 and March 2004, that the matter would be taken up with the HRTC Authorities for deposit of tax and efforts would be made to recover the same from the concerned stage carriage operators. Further development is awaited.

Under assessment of special road tax

4.2.11. The rates of special road tax are prescribed under notifications issued from time to time under HPMVT Act. The rates of special road tax for

^{***} Bilaspur, Dharamsala, Hamirpur, Mandi, Kullu, Shimla and Solan

[#] HRTC: 13 Regional Managers and Private: 414 stage carriages

^{##} HRTC: Rs. 2.20 crore and Stage Carriages: Rs. 3.35 crore

^{###} HRTC: Rs. 2.20 crore and Private Operators: Rs. 1.08 crore

vehicles plying on National Highways is more than for those plying on State Highways.

During test check of the records of five RTAs,** it was noticed between May 2003 and March 2004, that Gagret-Mandi and Nahan-Paonta Sahib sections of road in Himachal Pradesh had been declared National Highways 70 and 72 respectively. However, the special road tax for the period between January 2000 and March 2003 was realised from the stage carriage transport vehicles at the rates applicable to State Highways. This resulted in short realisation of special road tax of Rs. 20.77 lakh in 76 cases.

After this was pointed out, the RTAs stated that efforts would be made to realise the amount under assessed.

Short realisation of special road tax

4.2.12. Route permits may include national highways, state highways and rural roads and special road tax is payable according to this classification.

During audit of six RTAs*, it was noticed that in 39 cases[§], special road tax for the period from January 2000 to March 2003 was levied short due to wrong application of rates, incorrect mileage and misclassification of routes etc. This resulted in short realisation of revenue amounting to Rs. 26.46 lakh.

After this was pointed out in audit, the RTAs stated between May 2003 and December 2003 that notices would be issued to recover the amount. Further report of recovery has not been received.

Incorrect rebate on special road tax

4.2.13. As per notification dated September 2000 issued under HPMVT Act, exemption from payment of tax was admissible to a stage carriage operator on the production of a certificate either from the local tehsildar/sub divisional magistrate/public works authorities of the area in which the route permit is valid stating that the road is blocked/closed/damaged due to natural calamity. There is no provision for exemption from payment of special road tax for the period involved in repair and maintenance of the buses.

During audit of the RTA, Kullu it was noticed in September 2003 that Kullu Transport Company, had claimed rebate of Rs. 21.11 lakh between January 2000 and June 2003 for permits of 13 buses deposited with the RTA for the period ranging from one month to 12 months on various grounds. Though no orders for grant of the rebate were issued by the RTA, yet the company deposited the tax short by Rs. 21.11 lakh. The rebate was claimed on account of blockade/closure of roads due to natural calamity, repair and maintenance

** Bilaspur, Dharamsala, Hamirpur, Mandi and Solan

Private: 46 HRTC: 22 and Other State Transport Vehicles: 8

* Bilaspur, Dharamsala, Hamirpur, Kullu, Shimla and Solan

§ Private: 35 and HRTC: 4

of buses. Records, however, revealed that no certificate regarding damage of the road due to natural calamity was produced before the RTA by the company. Besides the exemption was also not admissible for the period of repair and maintenance. The RTA did not take any action to get the tax amount deposited thus resulting in non realisation of revenue to that extent.

RTA Kullu stated in September 2003 that cases of grant of rebate would be scrutinised and wherever found irregular would be recovered. Further report of recovery has not been received (September 2004).

4.2.14. As per clarification dated 2 January 2002, issued by the Government of Himachal Pradesh in consultation with law department under the HPMVT Act, the owner of a vehicle is liable to pay the special road tax for the period of seizure and detention. The vehicle shall be deemed to have been plied during the period of seizure and detention.

During audit of RTA Mandi and Dharamsala between August 2003 and March 2004, it was noticed that eight vehicles were seized/detained for non payment of special road tax between June 2001 and March 2003 for a period ranging from five months to 18 months. The taxation authority, however, incorrectly exempted the special road tax of Rs. 5.94 lakh leviable for the period of detention/seizure.

After this was pointed out, the RTA, Mandi and Dharamsala stated in August 2003 and March 2004 that notices would be issued to the defaulters to deposit the tax. Further report of recovery has not been received (September 2004).

Non/Short levy of penalty for late payment of special road tax

4.2.15. For failure to pay the special road tax within the prescribed period, the taxation authority, after giving opportunity of being heard if so desired by the owner, may direct, that such owner shall pay the penalty as per Government notification dated 31 July 2002, at the following rates, subject to maximum of tax due.

1.	Delay upto 15 days	Rs. 50 per day
2.	Delay from 16 th day upto 30 th day	Rs. 150 per day
3.	Delay from 31 st day onwards	Rs. 300 per day

During test check of records of the seven RTAs*, it was noticed that special road tax was not paid by 1,552 permit holder within the prescribed period. However, penalty of Rs. 8.72[#] crore was either not levied at all or short levied in these cases. This resulted in short/non realisation of government revenue to that extent for the period 1.8.2002 to 31.3.2003.

* Bilaspur, Dharamsala, Hamirpur, Mandi, Kullu, Shimla and Solan

[#] HRTC: Rs.8.44 crore and Private Operators: Rs.0.28 crore

After this was pointed out in audit, the RTAs stated between May 2003 and March 2004, that matter would be taken up with the concerned authorities and notices would be issued. Further development was awaited (September 2004).

Non obtaining of security from operators

4.2.16. According to the provisions contained in section 7(A) of the HPMVT (Amendment) Act, where an owner of the motor vehicle makes a default in payment of tax for a continuous period of two months or more, the taxation authority may require the owner of the motor vehicle to deposit security amount not exceeding Rs. 50,000. The Act further provides that the taxation authority may by an order in writing forfeit the whole or part of the security amount so deposited for realising any amount of tax, interest or penalty due from him under the Act. The amendment was applicable from January 2000.

During audit of six RTAs[⊕], it was noticed that though the power vested in the taxation authorities was discretionary, yet the same was not exercised even in a single case in respect of 159 vehicles which had defaulted in payment of tax for a period of six months to 46 months between January 2000 and March 2003. The taxation authorities, had thus made no efforts to obtain the security of Rs. 29.57 lakh from these vehicles owners who continue to evade tax amounting to Rs. 2.83 crore. Thus non enforcement of these provisions resulted in non realisation of tax to that extent.

After this was pointed out in audit, the RTAs stated that efforts would be made to obtain the security amount from the owners of the vehicles. Further report of recovery has not been received (September 2004).

Non renewal of certificate of registration

4.2.17. The Motor Vehicles Act, 1988, provides that a certificate of registration of Motor Vehicle other than a transport vehicle shall be valid for a period of 15 years from the date of issue of such certificate. It is renewable on payment of prescribed fee for a further period of five years, after obtaining certificate of fitness from the competent authority. An application for renewal shall be accompanied by such fee as may be prescribed by the Government. In case of default, a penalty of Rs. 100 was also leviable in each case.

Test check of records of 13 RLAs^{**} revealed that certificates of registration in respect of 3,885 motor vehicles (other than transport vehicles) registered between 1 April 1983 and March 1988 had become due for renewal on different dates between April 1998 and March 2003. There was nothing on record to show that these vehicles had been transferred to other regions/states. Consequently, revenue of Rs. 6.91 lakh on account of renewal of certificate of registration could not be realised. Besides, penalty of Rs. 3.89 lakh was also leviable.

[⊕] Bilaspur, Dharamsala, Kullu, Mandi, Shimla and Solan

^{**} Bilaspur, Dharamsala, Ghumarwin, Hamirpur, Kangra, Kullu, Mandi, Nalagarh, Palampur, Paonta Sahib, Rajgarh, Shimla (urban) and Sunder Nagar

After this was pointed out in audit, the concerned taxation authorities stated that notices would now be issued to defaulters. Further reply was awaited.

Loss of revenue due to non-assignment of new registration mark to vehicles originally registered in other states

4.2.18. The Motor Vehicles Act, 1988, provides that in case a motor vehicle registered in one state has been kept in another state for a period exceeding 12 months, the owner of the vehicle shall apply to the Registering Authority, within whose jurisdiction the vehicle is, for assignment of a new registration mark. If the owner fails to make an application within the prescribed period, the registering authority may require the owner to pay penalty amount not exceeding Rs. 100. A register namely Transfer of Ownership Register is maintained by each RLA for this purpose.

A perusal of this register in 10 RLAs[&] revealed that 1,152 vehicles bearing registration mark of other States were brought to Himachal Pradesh during the period between April 1998 to March 2002. Though the ownership of these vehicles had changed, the owner had not applied for the assignment of new registration mark. However, no action was taken by the RLAs to get the vehicles registered. The inaction by the Department resulted in loss of revenue of Rs. 3.26 lakh including penalty of Rs. 1.15 lakh on account of fee for assignment of new registration mark.

After this was pointed out between May 2003 and March 2004 in audit, the RLA's stated that notices would be issued. Further reply was awaited (September 2004).

Non/short levy of special registration fee

4.2.19. Under HPMVT (Amendment) Rules, 2001, special registration fee for the allotment of registration mark of choice was leviable with effect from 10 August 2001, at the prescribed rates. These rates were further revised vide State Government notification dated 10 June 2002. The Department had, however, not evolved a system to monitor the realisation of special registration fee for choice numbers.

During audit of nine RLAs,** it was noticed that special registration fee of Rs. 2.67 lakh leviable on 135 vehicles during September 2001 to March 2003 was either not levied at all or was levied short resulting in short realization of government revenue to that extent.

After this was pointed out between November 2003 and February 2004 in audit, the concerned taxation authorities stated between November 2003 and February 2004, that necessary action would be taken for realisation of the amount. Further reply was awaited (September 2004).

[&] Dharamsala, Ghumarwin, Kangra, Kullu, Nalagarh, Palampur, Poanta Sahib, Rajgarh, Shimla(U) and Sundernagar

^{**} Ghumarwin, Hamirpur, Manali, Mandi, Paonta Sahib, Parwanoo, Shimla (Rural), Solan and Una

Embezzlement of Government money

4.2.20. The Himachal Pradesh Financial Rules, 1971, stipulate that the Departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of the Government should maintain a cash book in the prescribed form. All monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the Office or the officer authorised in this behalf, in token of check. The cash book should be closed daily and completely checked on the same day. The figures appearing in the cash book are also required to be reconciled with those appearing in the treasury books.

Test check of cash books of 12 RLAs* and six RTAs^ revealed that reconciliation of deposits with the treasury was not done by 10 RLAs and five RTAs for the last 12 to 96 months ending March 2003. In the absence of reconciliation of receipts credited into the Government account, the authenticity of the deposits made through challans could not be verified.

In case of RLA, Bharmour, it was noticed in April-May 2003 that in 485 cases, amounts shown in Treasury Receipts (TR), Daily collection register, cash book, challan register etc. for the period falling between April 1997 and March 2001, did not tally with the records of the Treasury Officer. Receipts of Rs. 2.92 lakh collected on account of token tax and other receipts were not deposited into the treasury resulting in embezzlement of Government money to that extent. Besides, counterfoils of 1,190 TRs-5 were not produced to audit in the absence of which receipts realised through these TRs could not be ascertained.

Further, in case of RLA Manali, it was noticed in September 2003, that an amount of Rs. 0.16 lakh realised between April and June 2002 through 51 Treasury Receipts, was neither reflected in the Cash book nor deposited into the treasury and thus embezzled.

Failure on the part of the RLAs to exercise the internal checks prescribed and to ensure that the Government receipts collected were promptly deposited into the treasury led to embezzlements.

The matter was reported to the Department/Government in June and September 2003 respectively; their replies have not been received (September 2004).

Internal Audit Mechanism

4.2.21. Under the existing system of internal audit in the Department, the audit of field offices was to be conducted at least once a year through the Section Officers (F&A)/Assistant Controller (F&A) posted at Directorate Level and in

* Bilaspur, Banjar, Ghumarwin, Hamirpur, Kullu, Mandi, Manali, Paonta Sahib, Parwanoo, Rajgarh, Shimla and Sundernagar

^ Bilaspur, Hamirpur, Mandi, Kullu, Shimla and Solan

the offices of RTAs. For this purpose, one Assistant Controller, three Section Officers and three Clerks have been posted in the Department.

During test check of 24 field offices, it was noticed that only two offices (RTA Kullu and Solan) were audited by internal audit during the years 1998-99 to 2002-03. The audit in the remaining 22 units was not conducted.

Recommendations

4.2.22. The State Government may consider taking following steps to improve the effectiveness of the system.

- An effective and efficient system need to be devised and implemented for timely assessment, collection and credit of the government dues to their proper head of account.
- A system for prompt raising of demands against the defaulters and in case of non-payment, initiation of recovery proceeding under Land Revenue Act, needs to be introduced.
- To put in place an appropriate control mechanism to ensure the proper monitoring at apex levels and proper maintenance of relevant registers/records.
- Strict action may be initiated against officials involved in embezzlement cases pointed above and strong controls may be instituted to reconcile receipts credited into the Government account.

4.3. Non recovery of passengers tax and goods tax

Under the provisions of the Himachal Pradesh Passengers and Goods Taxation Act, 1955 and rules made thereunder, owners of the vehicles are required to pay passengers tax, surcharge and goods tax, monthly and quarterly, at the prescribed rates, on all fares and freights in respect of passengers carried and goods transported by motor vehicles. If a registered owner of the vehicle fails to pay the tax, the taxation authority may direct the owner to deposit the arrear of tax alongwith penalty/penal interest, as per provision of the Act/Rules. Section 12 of the Act, further, provides that any arrears of tax and surcharge due and not paid or penalty imposed under the Act shall be recovered as arrears of land revenue.

During test check of the records of seven* AETCs, it was noticed that passengers tax and goods tax worth Rs. 8.54 crore for the period 1998-99 to 2002-03 in respect of 6,557 vehicles remained unrealised as on 31 March 2003, as per details given below:-

* Bilaspur, Dharamsala, Hamirpur, Kullu, Nahan, Solan and Una

Sl. No.	Nature of vehicle	Number of vehicle	(Rupees in crore)
			Amount recoverable
1.	Bus	276	6.58
2.	Taxi	2,703	0.44
3.	Truck	3,578	1.52
	Total	6,557	8.54

Age wise analysis of taxies and trucks is given below:-

Period	No. of Taxies	Amount	No. of Trucks	(Rupees in crore)
				Amount
More than 3 years	905	0.11	982	0.39
1 to 3 years	1,798	0.33	2,596	1.13
Total	2,703	0.44	3,578	1.52

Year wise details of Rs. 6.58 crore in respect of 276 buses was not available.

A perusal of the records further revealed that out of 6,557 cases, 856, 1,031, 1,205, 1,443 and 1,746 cases pertained to the years 1998-99, 1999-2000, 2000-01 and 2001-02 respectively. The Department had initiated action in 20 cases (Buses) for recovery of the tax as arrears of land revenue and no action was taken in the remaining cases. The inaction on the part of the Department resulted in non-realisation of tax amounting to Rs.8.54 crore.

After this was pointed out in audit, the Department stated between September 2003 and March 2004, that notices would be issued to the owners of the vehicles to deposit the amount. However, steps taken to recover the same as arrears of land revenue were not intimated (September 2004).

The matter was reported to the Government in May 2004; their reply had not been received (September 2004).

4.4. Vehicles not registered with the Excise and Taxation Department

Motor Vehicles tax and Passengers and Goods tax are administered by the Transport Department and Excise and Taxation Department respectively. Under the Motor Vehicles Act, 1988, read with the HPMVT Act, the owners of all motor vehicles are required to register their vehicles with the concerned RLA and pay motor vehicle tax. Owners of public and private carriers are also required to register their vehicles with the concerned Excise and Taxation officer, as per Himachal Pradesh Passengers and Goods Taxation Act, 1955, and pay goods tax 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 Rs. 500, is also leviable.

During test check of records of eight^s AETCs, it was noticed that 783 goods vehicles registered with the concerned RLAs were not registered with the Excise and Taxation Department. There existed no system for cross verification of number of vehicles registered with the RLAs and those with the AETCs. As a result, goods tax of Rs. 14.94 lakh for the period falling between April 2002 and March 2003 was not paid by the owners of the vehicles. A minimum penalty of Rs. 3.92 lakh was also leviable.

After this was pointed out in audit, the Department stated between September 2003 and March 2004, that notices would be issued to the owners to register the vehicles. Further report was awaited (September 2004).

The matter was reported to the Government in May 2004; their reply had not been received (September 2004).

^s Bilaspur, Dharamsala, Hamirpur Kullu, Mandi, Nahan, Solan and Una

CHAPTER-V : FOREST RECEIPTS

5.1. Results of audit

Test check of records of forest receipts, conducted during the year 2003-04, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs. 60.91 crore in 124 cases, which broadly fall under the following categories:-

(Rupees in crore)

		Number of cases	Amount
1.	Non-recovery of royalty	2	1.37
2.	Short recovery of royalty	1	0.01
3.	Non levy of extension fee	6	0.82
4.	Non-levy of interest	2	0.03
5.	Other irregularities	113	58.68
	Total	124	60.91

During 2003-04, the Department accepted under assessments etc., of Rs. 50.85 crore involved in 74 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 62.37 crore are given in the following paragraphs.

5.2. Non levy of permit fee

As per notification dated 20 August 2001 issued under the Indian Forest Act, 1927, as applicable to Himachal Pradesh and published in Rajpatra, Himachal Pradesh (Extra-ordinary), on 3 September 2001 Khair heart wood/chips and khair billets with bark, having medicinal values were liable to pay export fee of Rs. 250 per quintal and Rs. 175 per quintal respectively.

During the course of audit, it was noticed that the State Government issued instructions on 20 August 2001 that export permit^s fee shall not be levied on intra state transport of khair wood. Though no such amendment was made to the notification, seven^{*} Divisional Forest Officers (DFOs), issued passes for export of 88,876.791[♥] quintals of khair wood within the State between April 2002 and March 2003. However, no export permit fee was charged by the DFOs. This resulted in non realisation of Government revenue of Rs. 1.77 crore.

The Department stated in February 2004, that the case was referred in February 2003 to the Government for carrying out an amendment to the Act/rules retrospectively for exempting Khair wood from levy of permit fee on

^s Export permit: It is a pass from an officer duly authorised to issue the same to regulate import or export or moving of timber or other forest produce

^{*} Kunihar, Hamirpur, Dehra, Palampur, Dharamsala, Rajgarh and Una

[♥] Khair heart wood/chips: 29215.704 quintals (ii) Khair billets (with bark): 59661.087 quintals

its export within the State. However, no such amendment was issued. Hence in the absence of any amendment to the rules, the permit fee should have been recovered.

These cases were reported to the Government in March 2004; reply had not been received (September 2004).

5.3. Loss of revenue due to administrative failure

Any act causing damage by negligence or act of deliberate felling of a tree or clearing of land for cultivation or for any other purpose in any protected forest etc., is an offence under the Indian Forest Act, 1927 and is punishable with imprisonment for a term of upto six months or with fine of upto five hundred rupees. It is the duty of every Beat Forest Guard to immediately take cognizance of a forest offence, to issue the damage report for the offence committed, get the damage accepted by the offender and also to seize the forest produce and the implements used in committing the offence. In case, offender escapes arrest on the spot, an immediate report is required to be made and got signed by the nearest influential person (*Lambardar*). The forest offence cases can be either compounded by the Forest Officer himself and in cases, where he is not competent to compound be registered with the police to be taken to court of law.

During audit of records of DFO, Chamba, it was noticed that the Department had learnt through a news paper about illicit felling of trees in Chamba Division. The Department got an inquiry conducted in July 2000 and five forests of Lower Chamba Range namely Talli, Banjal, Jungli, Lathuine and Manglasan were surveyed in July 2000. The surveys revealed that 38 trees having 78.03 cu.m. standing volume of timber valued at Rs. 8 lakh had been cut from these forests between four months to one year before.

Later on, in December 2000, the inquiry of the above five forests was again conducted which revealed that 481 trees having 1,260.252 cu.m. standing volume valued at Rs. 1.24 crore were cut in addition to the above 38 trees. It was also mentioned in the second survey that recovery on account of illicit felling could have been possible had checking been completed immediately.

In another case, six trees having 52.37 cu.m. standing volume valued at Rs. 2.91 lakh were also illicitly felled by the offenders in March 2001 in Upper Chamba Range. Thus, in all 525 trees containing 1,390.652 cu.m. standing volume valued at Rs.1.35 crore were felled illicitly by offenders between July 2000 and March 2001. Out of these, only 20.081 cu.m. of timber valued at Rs. 1.64 lakh could be seized and 1,370.571 cu.m. of timber valued at Rs. 1.33 crore was illegally removed by the offenders. There was nothing on record to indicate that damage reports were issued by the Department.

It would be seen from the above that non-exercising of the prescribed checks by the DFO, Range Officer, Block Officer and Beat Guard led to illicit felling which resulted in loss of revenue of Rs. 1.33 crore (including sales tax).

After this was pointed out in May 2003, the Department stated in November 2003 that the cases were under investigation with the Enforcement Department. Further development was awaited (September 2004).

The cases were reported to the Government in April 2004; reply had not been received (September 2004).

5.4. Non/Short 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 applied for is granted, the lessee is required to pay extension fee at the prescribed rates. A register named "Periodical dues register" is maintained in each division which acts as a monitoring register for grant of extension period and recovery thereof.

5.4.1. During audit of the periodical dues registers of four[@] DFOs, it was noticed that 39 lots with lease periods between 31 March 1999 and 31 March 2003 were handed over to the Himachal Pradesh State Forest Corporation for exploitation. The exploitation work of these lots could not be completed within the lease periods. The Corporation was permitted to continue exploitation in two divisions involving 22 lots, however, extension fee of Rs.20.69 lakh was not levied. In other two divisions, the exploitation work was continued beyond the permissible period, without any permission. There was nothing on record as to whether the Corporation had sought extension in these cases, in the absence of which the Corporation should not have been allowed to continue the exploitation work. As a result, extension fee of Rs.19.73 lakh could also not be levied. Thus, inaction on the part of the Department, resulted in non realisation of revenue of Rs.40.42 lakh.

The cases were reported to the Department between July 2003 and December 2003 and to the Government in March 2004; their replies had not been received (September 2004).

5.4.2. During audit of the records of three[#] DFOs, it was noticed between May 2003 and October 2003, that extension fee in respect of 15 lots for the periods falling between 1997-99 to 2000-01 was levied at lesser rates. This resulted in short levy of extension fee of Rs. 33.01 lakh.

The cases were reported to the Department between June 2003 and November 2003 and to the Government in March 2004; their replies (except Bharmour) had not been received (September 2004).

[@] Nachan, Rohru, Ani and Parbati

[#] Bharmour: Rs. 19.49 lakh, Rohru: Rs. 2.93 lakh and Seraj: Rs. 10.59 lakh

5.5. Loss of revenue due to time barred cases

As per the provisions of the Criminal Procedure Code, no court shall take cognizance of forest offence cases after the expiry of one year. As such, forest offence cases are required to be either compounded or challaned in the court of law within one year. A quarterly progress report indicating the position of forest offence cases is required to be sent by the division to the Conservator of Forests.

During audit of the records of DFO, Churah & Kotgarh, it was noticed that 281 damage reports involving damages of Rs. 11.80 lakh were issued between 1997-98 and 1999-2000, against offenders for illicit felling of trees and other offences. Scrutiny of records revealed, that the Department failed to compound these cases or to take them to the court of law within the prescribed period of one year. This indicated that there was no proper monitoring at the higher level. Thus, no action could be taken against the offenders due to the cases becoming time barred. This resulted in loss of revenue of Rs. 11.80 lakh to the Government.

The cases were reported to the Department between May and November 2003 and to the Government in March 2004; their replies had not been received (September 2004).

5.6. Loss due to less extraction of timber

The Corporation, entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on trees at rates fixed by the State Government on the recommendations of the Pricing Committee. It also exploits such lots which are marked for the supply of timber to various sales depots to meet the *bona fide* requirements of the right holders at highly subsidized rates. The out-turn percentage (including sawn timber, hakkaries, pulpwood etc.) have been fixed in February 1986 by the Department at 65 *per cent* of the standing volume for *deodar*, *kail* and *chil* trees and 50 *per cent* for *fir* and *spruce* trees.

During audit of two[⊕] DFOs, it was noticed that two salvage lots of 793 trees of *deodar*, *kail* and *fir* (spruce) species, containing 1,197.13 cu.m. standing volume were handed over to the Corporation for exploitation during the years 1999-2000 and 2001-02, for supply of converted timber to Chamba and Khaliar sale depots, to meet the *bona-fide* requirements of the right holders of Chamba and Mandi town. Of these, 19 trees of *fir/ spruce* species having standing volume of 103.33 cu.m. were stated to be rotten/hollow. 774 trees, containing 1,093.80 cu.m. of standing volume were felled and converted into timber, from which minimum quantity of 652.316[⊖] cu.m. of converted timber was required to be obtained. However, the Corporation extracted only 515.487 cu.m. Thus, less extraction of 136.829 cu.m. of timber resulted in loss of Rs.7.65 lakh including sales tax.

[⊕] Chamba and Suket at Sundernagar

[⊖] Deodar, Kail : 456.801 cu.m., fir/spruce : 195.515 cu.m.

This was pointed out to the DFO, Chamba, who stated in November 2003 that Divisional Manager of the Corporation had been asked to explain the reasons for less conversion of timber. Reply from Suket Division was, however, awaited.

The cases were reported to the Government in April 2004; reply had not been received (September 2004).

5.7. Non charging of compensation for the loss of environmental values

As per notification of 24 June 2002, Government of Himachal Pradesh levied a charge as compensation for the loss of environmental value of forest land diverted to non-forestry use, under the Forest (Conservation) Act, 1980. This compensation shall be levied as one time payment at the rate of Rs. 8 lakh per hectare for the areas having forest cover above 10 *per cent* and at the rate of Rs. 5 lakh per hectare for the remaining forest areas, before handing over the possession of the diverted forest land to the user agency. The compensation rates will also apply to the projects where approval for diversion of forest land had been accorded but the possession of forest land is yet to be handed over to the user agency.

During audit of the records of four^v DFOs, it was noticed between September 2002 and October 2003 that in four cases, the Government of India had accorded approval between March 1989 and December 2002 for the diversion of 104.7328 hectare of forest land in favour of user agencies. Audit scrutiny revealed that compensation on account of loss of environmental value of Rs. 8.38 crore^s, the maximum leviable in the above cases, had not been levied by the Department, although approval for diversion of forest land had been accorded by the Government of India. Thus, non-levy of compensation charges resulted in loss of revenue to the Government to that extent.

After this was pointed out in audit, the DFO, Jogindernagar, stated that the user agency had been requested in January 2003 to deposit the amount of compensation; whereas DFO, Dharamsala, intimated that no compensation was leviable as the approval for diversion of forest land was accorded in March 1989. The reply was not tenable as the possession of the forest land was not handed over to the user agency and in view of the notification dated 24 June 2002, the compensation was required to be levied in such cases. Reply from the Nurpur and Seraj divisions was awaited (September 2004).

The matter was reported to the Government in May 2004; reply had not been received (September 2004).

^v Nurpur, Jogindernagar, Dharamsala and Seraj

^s In the absence of information regarding forest cover, the compensation has been worked out at the rate of Rs. 8 lakh per hectare

5.8. Loss of revenue due to non-tapping of resin blazes

As per instructions dated 22 January 1997, issued by the Principal Chief Conservator of Forests, Himachal Pradesh, the diameter of *Chil* trees for resin tapping would be 30 cm. from 1997 tapping season onwards. However, the Principal Chief Conservator of Forests, in his instructions dated 24 September 2001, fixed the minimum diameter for resin tapping as 35 cm., applicable from the 2002 resin tapping season, in respect of trees to be tapped for the first time. For the old lots which were already under tapping or trees which had been tapped earlier but which were left out for enumeration and could be tapped now, the tappable diameter would continue to be 30 cm. dia breast height and above. Further, he issued instructions in May 2000, that for deletion of blazes, prior approval of the Conservator of Forests be obtained well before commencement of the tapping season.

During audit of the records of 20* DFOs, it was noticed between February 2003 and December 2003, that 5,29,528 *Chil* trees having diameter of 30 cm. to 35 cm. were not handed over to the Corporation for resin tapping between the tapping seasons of 2000 and 2003, due to non enumeration of blazes/deletion of blazes from the marking lists. This resulted in depriving the Government of revenue of Rs. 1.36 crore on account of royalty.

After this was pointed out, the Department stated between September 2003 and March 2004 that in Dharamsala division, only those trees which fell under cup and lip method were left out as these were not due for tapping. The reply was not tenable as Cup and Lip[#] method stood replaced by Rill[&] method in the year 1991 according to which these blazes were due for tapping. In Nachan division, out of 12,049 blazes, 10,300 blazes were recommended for rest by the Range Officer, Pandoh and thus were not included. There was nothing on record as to whether the recommendation was approved by the Conservator of Forests (CF). The exclusion of the blazes without approval of the CF was thus, incorrect. In Kunihar division it was stated by the DFO that 7,793 blazes could not be handed over for tapping during 2000 and 2001 due to their location in scattered area. The plea was not acceptable as the approval of the competent authority had not been obtained for deletion of blazes. No reply was received in other cases.

The cases were reported to the Government in May 2004; reply had not been received (September 2004).

* Paonta Sahib, Dharamsala, Churah, Dalhousie, Suket, Nachan, Mandi, Chopal, Kunihar, Kotgarh, Karsog, Seraj, Nurpur, Jogindernagar, Dehra, Palampur, Una, Nahan, Parbati and Ani

[#] **Cup and Lip method:-** In this method tree is tapped at an appropriate place and lip is inserted therein for collection of resin in the cup

[&] **Rill Method:-** It is an improved method in which two channels are made for collection of resin

5.9. Excess charging of overhead expenses

The Corporation is the sole forest exploiting agency in Himachal Pradesh and therefore, in the case of seized timber received from the Forest Department for sale at its sale depots, the net proceeds of revenue are required to be remitted to the Forest Department after deducting the overhead expenses. The rate of overhead expenses applicable was two *per cent* of sale proceeds.

During audit of records of DFO, Kinnaur, it was noticed that Corporation office at Rampur, had incorrectly charged overhead expenses at the rate of 15 *per cent* instead of two *per cent*, on the sale of seized timber of the division, valued at Rs. 8.84 lakh, during July/September 2000. This resulted in loss of revenue of Rs. 1.15 lakh to the Government.

The case was pointed out in December 2002 to the Department and reported to the Government in April 2004; their replies had not been received (September 2004).

5.10. Loss of revenue due to delay in handing over of lots

The Government of Himachal Pradesh, on the recommendations of the Pricing Committee, had decided in December 1999, that all the marking lists which have been taken over by the Divisional Manager of the Corporation before 15th September in case of sub-tropical areas and 15th December for the temperate areas, would be considered to have been sent for the year in question. If there is any delay, these lots would be considered for the subsequent year.

During audit of records of two[@] DFOs, it was noticed that four lots* of 311 trees containing 22,373.575 cu.m. standing volume were due for exploitation in 2000-01. These lots were required to be handed over by 15th September or 15th December of the year preceding the year of exploitation. However, the DFO's failed to hand over the lots by the scheduled dates. Consequently, these were considered for the subsequent year i.e. 2001-02 by the Corporation. This resulted in postponement of the working period of the lots which resulted in short recovery of royalty of Rs. 1.14 crore including sales tax due to reduction in royalty rates in subsequent years. Thus, delay in exploitation of lots resulted in loss of Rs. 1.14 crore.

These cases were reported to the Department between June 2003 and December 2003 and to the Government in May 2004; their replies had not been received (September 2004).

[@] Dalhousie and Parbati

* Lot wise detail of trees in respect of Parbati Division was not available

5.11. Non-recovery of price of drift and stranded timber

Under the Indian Forest Act, 1973, all timber found adrift, beached, stranded or sunk, shall be deemed to be the property of the Government until and unless any person establishes his right and title thereto. Such timber may be collected by the Forest Department or other person authorised to collect the same and bring to forest depot declared by the Forest Officer. The Corporation is the sole forest exploiting agency in Himachal Pradesh and in the case of waif logs collected by the Corporation, the net proceeds of revenue are required to be deposited into Government account, after deducting the expenditure incurred on account of extraction, collection, carriage, auction etc.

During audit of records of the DFO, Dalhousie, it was noticed that price of 775 cu.m. of fuelwood collected from the reservoir of Ranjeet Sagar Dam and Choura Dam by the Corporation and subsequently sold during February and May 2001, was neither claimed by the Department nor paid by the Corporation. This resulted in non-recovery of revenue of Rs. 2.80 lakh, including sales tax of Rs.0.21 lakh.

The case was pointed out in May 2003 to the Department and reported to the Government in May 2004; their replies had not been received (September 2004).

5.12. Non-recovery of price of trees

As and when the sanction to transfer any forest land for non forestry purposes under the Forest (Conservation) Act, 1980, is received from the Government of India, the trees standing on such land, which are required to be felled and removed are marked and handed over to the Corporation for exploitation. The price of the trees so marked is recovered from the user agency (the agency in whose favour the land is transferred) at the prevailing market rates and deposited as revenue of the forest department.

During audit of the records of DFO, Pangi at Killar, it was noticed in August 2003 that the Government of India accorded approval in August 2000 for diversion of forest land to the Border Road Organisation (BRO) for construction of Tindi- Sansari road. Accordingly, 57 green trees of deodar, kail etc. having a standing volume of 199.75 cu.m. and coming in the road alignment of Bara-Bambal, were marked and handed over to the Corporation for exploitation, in July 2001. However, the price of the trees amounting to Rs. 29.50 lakh had not been demanded by the Forest Department, from the user agency. This resulted in non-recovery of revenue of Rs. 29.50 lakh (including sales tax) from BRO.

The case was pointed out in August 2003 to the Department and reported to the Government in May 2004; their replies had not been received (September 2004).

5.13. Irregular adjustment of royalty

The Corporation entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on trees marked and included in such lots, at rates fixed by the State Government. According to the Himachal Pradesh Financial Rules, 1971, Volume I, the Departmental controlling officers should see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury. Further, the Commissioner-cum-Secretary (Forests) to the Government of Himachal Pradesh, vide letter dated 5 August 1999 ordered that amounts deposited by the Corporation in the Escrow[†] Account may be considered to have been received as royalty in the concerned financial year.

During audit of 26^{**} DFOs, it was noticed between May 2003 and January 2004, that in respect of salvage forest lots handed over to the Corporation for exploitation, the Divisions had adjusted the royalty amounting to Rs. 46.84 crore during 1998-99 to 2002-03 against the deposit of the Corporation under "Escrow Account- Designated Royalty Account" without remitting it to the correct revenue head of the Department. This resulted in irregular adjustment of royalty of Rs. 46.84 crore.

These cases were pointed out in audit to the Department and reported to the Government in June 2004; their replies had not been received (September 2004).

5.14. Short realisation due to incorrect application of rates

As per clause 28 of the agreement executed between the Government of Himachal Pradesh and National Hydro Electric Power Corporation, the Corporation, being user agency shall pay to the Government, the price of the trees coming in the submergence area, as are required to be felled or damaged in the execution of the project, at prevailing Government rates.

During audit of records of DFO, Parbati, it was noticed in June 2002 that cost of 344 trees of *deodar*, *kail* and *fir* species, having standing volume of 1391.42 cu.m., coming in road alignment of Parbati Hydro Electric Power Project Stage-II, was not correctly charged from the user agency. Against the admissible rate of Rs. 15,376 per cu.m. for *deodar*, Rs. 13,641 for *kail* and Rs. 6,558 for *fir/rai*, the Department incorrectly charged Rs. 12,624, Rs. 11,200 and Rs. 5,384 per cu.m. respectively for the above trees. Incorrect application of rates, thus, resulted in loss of revenue of Rs. 28.19 lakh to the Government.

[†] A credit enhancement measure for the bond issue for both the interest payments and principal repayments. The State Bank of Patiala was nominated as Escrow Agent to administer the escrow mechanism

^{**} Ani, Bilaspur, Bharmour, Dehra, Hamirpur, Jogindernagar, Kunihar, Kullu, Karsog, Kotgarh, Mandi, Nalagarh, Nahan, Nachan, Nurpur, Lahaul & Spiti, Paontasahib, Palampur, Pangi, Rajgarh, Renukaji, Rohroo, Shimla, Seraj, Solan and Una

After this was pointed out in audit, the Department revised the bill and raised a demand of Rs. 28.19 lakh against the Corporation. Report of recovery was awaited (September 2004).

The case was reported to the Government in May 2004; reply had not been received (September 2004).

CHAPTER-VI : OTHER TAX RECEIPTS

6.1. Results of audit

Test check of records relating to land revenue, stamp duty and registration fee etc. conducted during the year 2003-2004, revealed non-recovery/ short recovery of revenue, stamp duty and registration fee and other irregularities amounting to Rs. 2.23 crore in 203 cases which fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Non/Short recovery of land revenue	25	0.13
2.	Non/Short recovery of stamp duty and registration fee	128	1.95
3.	Other irregularities	50	0.15
	Total	203	2.23

During 2003-04, the Department accepted under assessments etc., of Rs. 5.62 crore involved in 85 cases which had been pointed out in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 0.81 crore are given in the following paragraphs.

A. Land Revenue

6.2. Short realisation of lease money due to incorrect fixation of rate

According to Himachal Pradesh Lease Rules, 1993, lease money is to be fixed at the rate of eight *per cent* of the latest highest market value of the land leased or double the average market value of five years, whichever is less.

During audit of the records of Tehsildar, Bhattiyat, it was noticed that a lease deed for 99 years was executed in July 1999 with Swami Harigiri Charitable Trust for leasing land measuring 13-9 bighas for the construction of a T.B Hospital and Research Centre at Kakira. The lease money for the period July 1999 to July 2003 was however, worked out incorrectly at the rate of Rs. 16,527^s per year instead of Rs. 1,00,541 per year, chargeable on the highest market value of Rs. 93,440 per bigha. This resulted in short realisation of lease money amounting to Rs. 3.36 lakh.

The matter was reported to the Government in March 2004; reply had not been received (September 2004).

^s taking into account lowest price of the land as Rs. 15,360 per bigha

B. Stamp Duty and Registration fee

6.3. Non levy of stamp duty and registration fee

The Himachal Pradesh Co-operative Agricultural and Rural Development Bank Act, 1979, provides that loans other than short term loans may be advanced by the banks for different agriculture purposes as mentioned in it and no fee is to be charged in respect of the registration of any instrument executed in favour of the Agricultural and Rural Development Bank. The Government also clarified in November 1997 that the stamp duty and registration fee was leviable in all cases where loans had been secured for purposes other than agricultural purposes.

During audit of two* Sub Registrars, it was noticed in June 2003 that 34 instruments were executed between March 2002 and April 2003 for obtaining loans for purposes other than those prescribed for exemption viz. purchase of truck, bus, jeep, maxi cab, opening of printing press, shops and construction of house etc. The loans secured through these documents were meant for purposes other than agricultural purposes but the Sub Registrars while registering these documents did not charge stamp duty and registration fee. This resulted in loss of revenue of Rs. 3.04 lakh.

The matter was reported to the Department in July 2003 and to the Government in March 2004; their replies had not been received (September 2004).

6.4. Under valuation of immovable property

The Indian Stamp Act, 1899, as applicable to Government of Himachal Pradesh provides that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty with which it is chargeable, shall be fully and truly set forth therein. If the registering officer has reasons to believe that value of the property or the consideration 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 value of the consideration and the proper duty payable.

During audit of two# Sub Registrars, it was noticed that in three cases registered between January 2001 and January 2002, the value of the properties set forth in the deeds of conveyance was Rs. 6.05 lakh while those shown in the agreements to sell as recorded with the document writers was Rs.31.64 lakh. The Registering Officers did not refer these cases to the Collector for

* Kotkhai and Mandi

Bangana and Una

determination of the correct value of the considerations. This resulted in evasion of stamp duty of Rs.3.07 lakh and registration fee of Rs.0.32 lakh.

The matter was reported to the Department in January 2004 and to the Government in March 2004; their replies had not been received (September 2004).

C. Multipurpose Projects and Power Department

6.5. Non recovery of Electricity Duty

According to the Himachal Pradesh Electricity (Duty) Act, 1975, electricity duty shall be collected and paid to the State Government by the Board or a person who generates energy for his own consumption or distribution, as the case may be.

Information collected (March 2004) from the records of Chief Electrical Inspector, Shimla, revealed that National Hydro Electric Power Corporation Ltd (NHPC) had filed a writ petition during 1989 in the Hon'ble High Court of Himachal Pradesh, seeking exemption from payment of electricity duty on the basis of Section 2(4)(A) of Electricity Supply Act, 1948. NHPC who had been paying electricity duty regularly till April-May 1991, filed another writ petition in 1991 for stay in depositing the electricity duty, which was granted. The writ petition accepting the plea of the petitioner was decided in October 1994 and the Department was asked to raise corrected demand. The Department failed to raise the demand from October 1994 to July 1998. The Chief Electrical Inspector, Shimla, however, raised in August 1998 demand of Rs. 64.11 lakh on NHPC on the energy consumed during the period 1991-92 to 1994-95 for the work not directly connected with generation, transmission and distribution. Neither the amount had been realised nor contempt proceedings initiated till June 2004.

The matter was reported to the Department/Government in April 2004; their replies had not been received (September 2004).

6.6. Short levy of stamp duty and registration fee on the units sold by Himachal Pradesh State Financial Corporation

Under the Indian Stamp Act, 1899, "conveyance" includes a conveyance on sale and every instrument by which property whether movable or immovable is transferred. Further, the Registration Act, 1908, provides that immovable property includes land, building and things attached to earth.

During test check of records of two* Sub Registrars, it was noticed between March 2001 and December 2003 that vendees purchased two factories in auction conducted by the Himachal Pradesh State Financial Corporation for a consideration of Rs. 46.00 lakh. While executing the sale deeds, stamp duty was paid on the cost of land instead of the cost of land, building and machinery. This resulted in short levy of stamp duty of Rs. 4.20 lakh and registration fee of Rs. 0.11 lakh.

The matter was reported to the Government in April 2004; reply had not been received (September 2004).

6.7. Short levy of tax on explosives

Under the Himachal Pradesh Taxation (on Certain Goods Carried by Road) Act, 1991, tax is payable at the prescribed rates on every kind of good specified in Schedule-I of the Act, when carried by road by any other means except railways and airways. Through notification dated 9 December 1999, prepared explosives were to be taxed at the rate of Rs. 5 per kg. or part thereof, if the distance covered within the state was 150 kms., at the rate of Rs. 10 per kg. or part thereof, if the distance covered exceeded 150 kms. but not 300 kms. and at the rate of Rs. 15 per kg. or part thereof, if the distance covered exceeded 300 kms.

During test check of records of the Multipurpose Barrier, Swarghat (District Bilaspur), it was noticed that during the period between 1999 and 2001, 54 metric ton of explosives were carried by road in five trucks beyond 300 kms. However, the Department levied tax incorrectly at the rate of Rs. 10 per kg. instead of Rs. 15 per kg. This resulted in short realisation of tax of Rs. 2.70 lakh.

This was pointed out in August 2002 to the Department which stated that necessary action would be taken. No recovery had been effected so far (September 2004).

* Nalagarh and Amb

The matter was reported to the Government in April 2004; reply had not been received (September 2004).



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