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को प्रस्तुत की गई  
Presented to the Legislature  
on.....22 MAR 2005.....

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

**FOR THE YEAR ENDED 31 MARCH 2004**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF HARYANA**





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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 of India.

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

The cases mentioned in this Report are among those, which came to notice in the course of test audit of records during the year 2003-2004 as well as those noticed in earlier years but could not be included in previous Reports.





## OVERVIEW

This report contains 33 paragraphs including three reviews relating to non-levy/short levy of taxes, interest and penalties etc., involving Rs.315.26 crore. Some of the major findings are mentioned below :

### 1. General

- The total receipt of the State Government for the year 2003-2004 was Rs.9,843.48 crore.

Revenue raised by the State Government during the year was Rs.8,571.10 crore comprising tax revenue of Rs.6,348.05 crore and non-tax revenue of Rs.2,223.05 crore. Receipts under taxes on sales, trade etc. (Rs.3,838 crore) and state excise (Rs.923.28 crore) constituted a major portion of receipts of tax revenue. Under non-tax revenue, major receipt was from road transport (Rs.482.21 crore). The State also received Rs.600.75 crore as its share of net proceeds of divisible union taxes, which had decreased by Rs.155.84 crore over the previous year. An amount of Rs.671.63 crore was received as grants-in-aid from Government of India. The increase of Rs.128.73 crore compared to the previous year was mainly due to receipt of more grants under the Non-Plan, State Plan and Central Plan Schemes.

*(Paragraph 1.1)*

- Arrears of revenue at the end of March 2004 as reported by the major departments were Rs.851.46 crore.

*(Paragraph 1.2)*

- Test-check of records of departmental offices relating to taxes on Sales, Trade etc., Stamp Duty and Registration Fee, State Excise Duty, Passengers and Goods Tax, Taxes on Motor Vehicles, Entertainment and Show Tax, Agriculture (Purchase Tax and Crop Husbandry), Mines and Geology, Home (Police), Public Works (Building and Roads, Public Health, and Irrigation), Forest, Finance (State Lotteries), Medical, Animal Husbandry, Food and Supply, Industries, Co-operation and Tourism conducted during the year 2003-04, revealed under-assessments, non-levy and short levy of taxes, duties and losses of revenue amounting to Rs.441.80 crore in 1,03,489 cases. The Departments concerned accepted under-assessment etc. of Rs.27.63 crore of which Rs.25.30 crore pertained to the year 2003-04 and the rest to earlier years. An amount of Rs.15.22 crore in 707 cases had already been recovered.

*(Paragraph 1.13)*

- Inspection reports containing 6,975 audit observations with money value of Rs.1,208.21 crore (issued upto June 2004) were outstanding for want of final replies from the Departments.

*(Paragraph 1.14)*

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

A review on "Delay in assessments and their impact on revenue and collection of sales tax demands" inter-alia revealed the following:-

- Delay in finalising assessments resulted in non-recovery of tax of Rs.63.69 crore in 232 cases.

*(Paragraph 2.2.6)*

- Sales tax arrears amounting to Rs.440.49 crore were outstanding as on 31 March 2003.

*(Paragraph 2.2.7)*

- Non-pursuance of cases where recovery certificates were issued to collectors resulted in blockade of revenue of Rs.35.29 crore in 563 cases.

*(Paragraph 2.2.8)*

- Delay in revising assessments resulted in non raising/delay in raising of demands for Rs.1.56 crore in 78 cases.

*(Paragraph 2.2.12)*

- In 41 cases, issue of demand notices amounting to Rs.2.68 crore were delayed from 39 to 297 days.

*(Paragraph 2.2.13)*

- In 18 cases, notional sales tax liability of Rs.1.63 crore was under assessed due to inadmissible deductions from gross turnover, non-levy of purchase tax, sale proceeds of goods exported out of India and due to application of incorrect rate of tax.

*(Paragraph 2.3)*

- Tax of Rs.2.92 crore was under assessed due to incorrect deduction in seven cases.

*(Paragraph 2.4)*

- Purchase tax of Rs.1.07 crore was not levied in 19 cases.

*(Paragraph 2.6)*

- Irregular grant of exemption by the Department resulted in short levy of tax amounting to Rs.2.68 crore.

*(Paragraph 2.11)*



### 3. Stamp Duty and Registration Fee

A review on "Levy and Collection of Stamp Duty and Registration Fees" inter-alia revealed the following:-

- There was no control over monitoring of progress in recovery of arrears. As on 31 March 2003, arrears on account of levy and collection of stamp duty and registration fee amounting to Rs.19.13 crore were outstanding.

*(Paragraph 3.2.5)*

- In 5,471 registered documents involving stamp duty of Rs.6.67 crore, genuineness of the stamp papers used could not be ascertained due to non-recording of the source of their issue/purchase on the back of the true copies of the deeds available in the Registrars' offices.

*(Paragraph 3.2.7)*

- There was lack of control over the stamp vendors. Stamp vendor registers were not inspected in six test checked districts by the Tehsildars, Naib Tehsildars and Collectors.

*(Paragraph 3.2.12 & 3.2.13)*

- Mis-classification of instruments of release deeds in 1,446 cases resulted in short levy of stamp duty of Rs.9.11 crore.

*(Paragraph 3.2.14)*

- Under-valuation of property in 567 cases resulted in short levy of stamp duty and registration fees amounting to Rs.1.73 crore.

*(Paragraph 3.2.17)*

### 4. Other Tax Receipts

#### State Excise

- Department short recovered licence fee of Rs.8.49 crore and did not raise demand for interest of Rs.2.85 crore for delayed payment of licence fee.

*(Paragraph 4.2)*

#### Passengers and Goods Tax

- Passengers tax was either not deposited or was deposited short by 89 Transport Co-operative Societies plying buses on various link roads resulting in short realisation of Rs.58.84 lakh.

*(Paragraph 4.3)*

#### **Taxes on Motor Vehicles/Transport**

- Permit fee/countersignature fee of Rs.10.07 crore was not levied in 22,112 cases.

*(Paragraph 4.4)*

- Fitness fee of Rs.1.95 crore for grant of renewal of fitness certificate in respect of 1,53,492 light motor vehicles (non-transport) was not charged.

*(Paragraph 4.6)*

#### **Purchase Tax**

- Purchase tax and interest of Rs.1.73 crore was not recovered from two co-operative sugar mill.

*(Paragraph 4.7)*

### **5. Non-Tax Receipts**

#### **Mines and Minerals**

A review on Receipts from Mines and Minerals inter-alia revealed the following :-

- As on 31 March 2003 arrears of revenue under “Mines and Minerals” pending collection was Rs.6.29 crore.

*(Paragraph 5.2.6)*

- Delay in auction of mining contracts of Ambala and Faridabad Districts resulted in loss of Rs.1.09 crore and Rs.9.15 crore respectively.

*(Paragraph 5.2.7 and 5.2.8)*

- Non-forfeiture of security and advance lease money due to non-execution of agreement deeds led to a loss of Rs.3.24 crore.

*(Paragraph 5.2.9)*

- Non-payment of dead rent and royalty in case of 65 leases led to a loss of Rs.6.28 crore including interest.

*(Paragraph 5.2.10)*

- Penalty of Rs.29.98 crore due to violation of conditions of agreements was not levied.

*(Paragraph 5.2.11)*

- Lack of action on the part of department resulted in a loss of Rs.11.43 crore.

*(Paragraph 5.2.14)*

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

##### **Tourism Department**

- Rent of Rs.1.85 crore of non-commercial buildings from 1995-96 to 2001-02 was not recovered from Tourism Corporation.

*(Paragraph 6.2)*

##### **Co-operation Department**

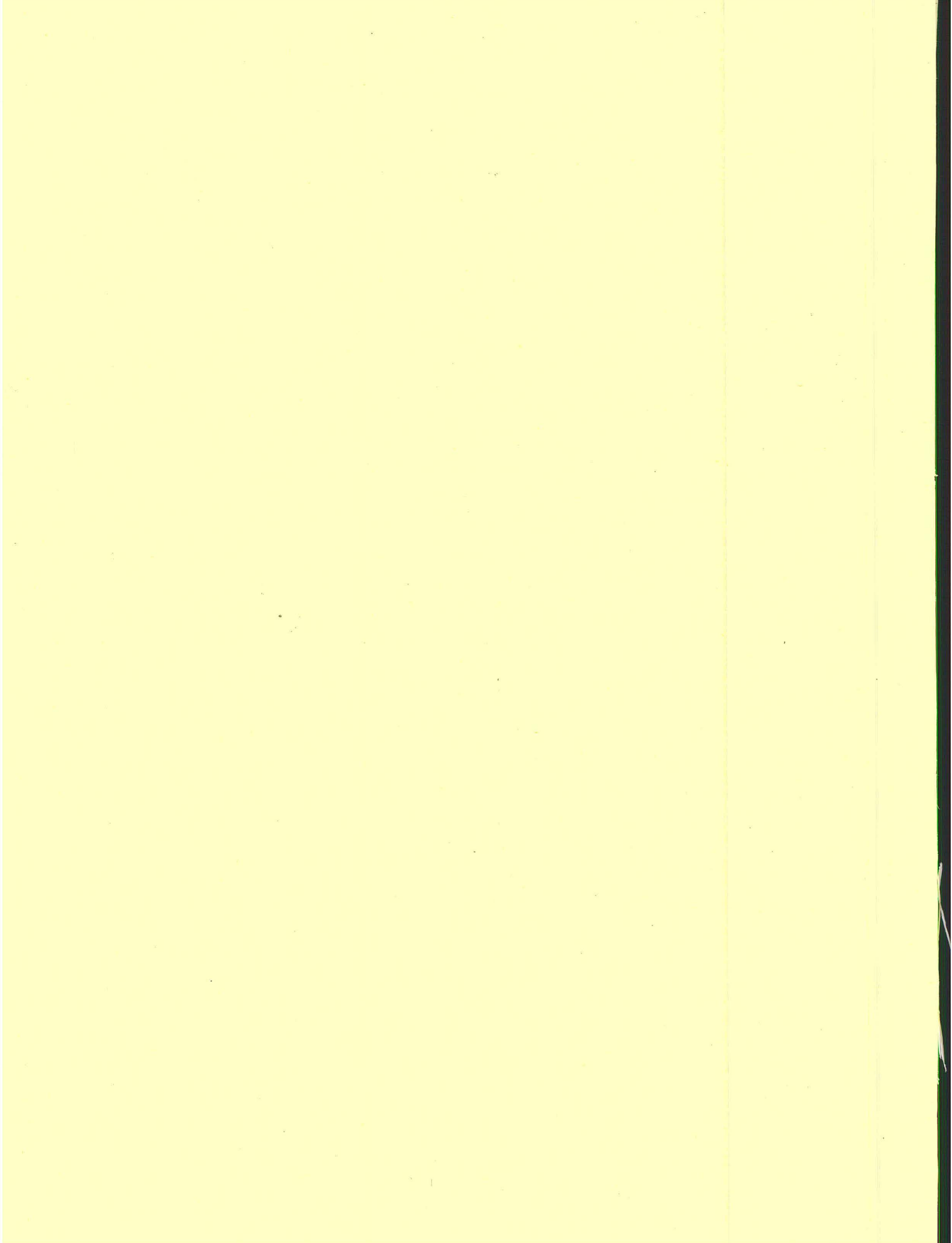
- Government share capital amounting to Rs.7.05 crore was not redeemed by Bhuna Co-operative Sugar Mill.

*(Paragraph 6.3)*

##### **Forest Department**

- Sales tax amounting to Rs.12.02 lakh was not levied/recovered on sale of timber valuing Rs.1.50 crore.

*(Paragraph 6.6)*





## CHAPTER-I: General

### 1.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Haryana during the year 2003-04, the State's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)

| Sl. No     | Particulars  | 1999-2000                            | 2000-2001                            | 2001-2002                            | 2002-2003                            | 2003-04                              |
|------------|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>I</b>   | <b>Revenue raised by the State Government</b>            |                                      |                                      |                                      |                                      |                                      |
| (a)        | Tax revenue  | 3,517.61                             | 4,310.55                             | 4,971.19                             | 5,549.68                             | 6,348.05                             |
| (b)        | Non-tax revenue*   | 1,259.06<br>(988.97)                 | 1,439.39<br>(1,128.10)               | 1,666.07<br>(1,266.56)               | 1,807.85<br>(1,374.40)               | 2,223.05<br>(1,663.73)               |
|            | <b>Total (I)</b>   | <b>4,776.67</b><br><b>(4,506.58)</b> | <b>5,749.94</b><br><b>(5,438.65)</b> | <b>6,637.26</b><br><b>(6,237.75)</b> | <b>7,357.53</b><br><b>(6,924.08)</b> | <b>8,571.10</b><br><b>(8,011.78)</b> |
| <b>II</b>  | <b>Receipts from Government of India</b>                 |                                      |                                      |                                      |                                      |                                      |
| (a)        | State's share** of net proceeds of divisible Union Taxes | 525.27                               | 345.81                               | 450.25                               | 756.59                               | 600.75                               |
| (b)        | Grants-in-aid  | 464.81                               | 478.14                               | 513.04                               | 542.90                               | 671.63                               |
|            | <b>Total (II)</b>  | <b>990.08</b>                        | <b>823.95</b>                        | <b>963.29</b>                        | <b>1,299.49</b>                      | <b>1,272.38</b>                      |
| <b>III</b> | <b>Total receipts of the State (I + II)</b>              | <b>5,766.75</b><br><b>(5,496.66)</b> | <b>6,573.89</b><br><b>(6,262.60)</b> | <b>7,600.55</b><br><b>(7,201.04)</b> | <b>8,657.02</b><br><b>(8,223.57)</b> | <b>9,843.48</b><br><b>(9,284.16)</b> |
| <b>IV</b>  | <b>Percentage of I to III</b>                            | <b>83</b><br><b>(82)</b>             | <b>87</b><br><b>(87)</b>             | <b>87</b><br><b>(87)</b>             | <b>85</b><br><b>(84)</b>             | <b>87</b><br><b>(86)</b>             |

\* The non-tax revenue for 1999-2000, 2000-2001, 2001-2002, 2002-03 and 2003-04 includes gross receipts from State Lotteries amounting to Rs.255.10 crore, Rs. 295.52 crore, Rs. 388.29 crore, Rs.406.53 crore and Rs 547.16 crore against which expenditure of Rs 270.09 crore, Rs 311.29 crore, Rs 399.51 crore, Rs.433.45 crore and Rs.559.32 crore respectively was incurred on running of lotteries' schemes. The net receipts from State Lotteries was (-) Rs.14.99 crore in 1999-2000, (-) Rs.15.77 crore in 2000-2001, (-) Rs.11.22 crore in 2001-2002, (-) Rs.26.92 crore in 2002-03 and (-) Rs.12.16 crore in 2003-04. To make the figures comparable for these years, receipts from prize-winning tickets have been accounted for and net receipts after reducing expenditure on prize-winning tickets have been shown in brackets.

\*\* For details please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 2003-2004. Figures of "tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

### 1.1.1 Grants-in-aid

Details of grants-in-aid received from Government of India are as under:

(Rupees in crore)

| Particulars of grants-in-aid | 1999-2000            | 2000-01              | 2001-02              | 2002-03              | 2003-04              |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                              | Amount / Percentage  | Amount / Percentage  | Amount / Percentage  | Amount / Percentage  | Amount / Percentage  |
| Non-Plan                     | 32<br>(7)            | 88<br>(18)           | 159<br>(31)          | 109<br>(20)          | 117<br>(17)          |
| Plan                         | 433<br>(93)          | 390<br>(82)          | 354<br>(69)          | 434<br>(80)          | 555<br>(83)          |
| <b>Total</b>                 | <b>465<br/>(100)</b> | <b>478<br/>(100)</b> | <b>513<br/>(100)</b> | <b>543<br/>(100)</b> | <b>672<br/>(100)</b> |

1.1.2 Details of tax revenue raised during the year 2003-04, alongwith the figures for the preceding four years, are given below:

(Rupees in crore)

| Sl. No | Head of revenue receipts   | 1999-2000          | 2000-01            | 2001-02            | 2002-03            | 2003-04            | Percentage of increase (+) or decrease (-) in 2003-04 over 2002-2003 |
|--------|--|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| 1.     | Taxes on Sales, Trade etc.<br>(a) General Sales Tax<br>(b) Central Sales Tax | 1,353.92<br>613.45 | 1,645.62<br>927.77 | 2,106.67<br>838.14 | 2,470.16<br>867.27 | 2,950.95<br>887.05 | (+) 19<br>(+) 2  |
| 2.     | State Excise   | 765.36             | 840.56             | 875.39             | 878.72             | 923.28             | (+) 5  |
| 3.     | Stamp Duty and Registration Fee  | 309.93             | 419.24             | 488.29             | 541.39             | 695.63             | (+) 28   |
| 4.     | Taxes and Duties on Electricity (ED)   | 46.08              | *0.68              | **29.48            | **0.87             | **59.06            | (+) 6689   |

\* The actual receipt during 2000-2001 was Rs.42.27 crore. The difference between actual realisation of duty and the amount accounted for in the books of AG (A&E) Haryana, was due to non-adjustment of subsidy of Rs.39.18 crore sanctioned in lieu of Electricity Duty and non-receipt of duty amounting to Rs.2.41 crore from collecting agencies.

\*\* During 2001-02 actual receipt of Electricity Duty was Rs.52.01 crore and the difference was due to adjustment of government dues of Rs.22.53 crore by the Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) which was not accounted for in the Finance Accounts. Similarly, during 2002-03 actual receipt was Rs.52.65 crore and difference of Rs.51.78 crore was due to non-adjustment of Electricity Duty against the loans sanctioned by the State Government to Haryana Vidyut Prasaran Nigam Limited (HVPNL) as budget provisions under the head "6801-Loans for Power Projects" were not available. The increase in receipt during 2003-04 was mainly due to more receipts under taxes on consumption and sale of electricity as well as adjustment of electricity duty for the year 2002-03 by DHBVNL/UHBVNL and realisation of arrears.



(Rupees in crore)

| Sl. No | Head of revenue receipts                           | 1999-2000       | 2000-01         | 2001-02         | 2002-03         | 2003-04         | Percentage of increase (+) or decrease (-) in 2003-04 over 2002-2003 |
|--------|--|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| 5.     | Taxes on Vehicles                                  | 84.77           | 85.69           | 103.62          | 114.39          | 132.39          | (+) 16   |
| 6.     | Taxes on Goods and Passengers                      | 323.85          | 366.66          | 498.56          | 652.75          | 660.36          | (+) 1  |
| 7.     | Other Taxes and Duties on Commodities and Services | 15.96           | 12.60           | 11.74           | 14.26           | 19.32           | (+) 35   |
| 8.     | Land Revenue                                       | 4.29            | 11.73           | 19.30           | 9.87            | 20.01           | (+) 103  |
|        | <b>Total</b>                                       | <b>3,517.61</b> | <b>4,310.55</b> | <b>4,971.19</b> | <b>5,549.68</b> | <b>6,348.05</b> | <b>(+) 14</b>  |

1.1.3 Details of the major non-tax revenue received during the year 2003-2004, along with the figures for the preceding four years are given below:

(Rupees in crore)

| Sl. No. | Head of revenue receipts                        | 1999-2000             | 2000-01              | 2001-02              | 2002-03                | 2003-04                | Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003 |
|---------|---|-----------------------|----------------------|----------------------|------------------------|------------------------|--|
| 1.      | Interest Receipts                               | 202.23                | 236.22               | 332.87               | 334.27                 | 478.01                 | (+) 43   |
| 2.      | Dairy Development                               | 0.11                  | 0.12                 | 0.09                 | 0.02                   | *0.05                  | (+) 150  |
| 3.      | Road Transport                                  | 336.40                | 378.56               | 410.74               | 451.83                 | **482.21               | (+) 7  |
| 4.      | Other Non-Tax Receipts                          | 155.76                | 161.99               | 166.61               | 222.23                 | 287.52                 | (+) 29   |
| 5.      | Forestry and Wild Life                          | 24.90                 | 25.88                | 24.53                | 28.97                  | ***25.48               | (-) 12   |
| 6.      | Non-ferrous Mining and Metallurgical Industries | 84.80                 | 105.35               | 139.87               | 118.88                 | 76.98                  | (-) 35   |
| 7.      | Miscellaneous General Services                  |                       |                      |                      |                        |                        |  |
|         | (i) State Lotteries****                         | 255.10<br>{(-) 14.99} | 295.52<br>{(-)15.77} | 388.29<br>{(-)11.22} | 406.53<br>{ (-) 26.92} | 547.16<br>{ (-) 12.16} | (+) 32   |
|         | (ii) Other than Lotteries                       | (-) 1.31              | 3.78                 | (-) 0.73             | 27.13                  | 26.32                  |  |

\* The increase under Dairy Development was due to receipts from registration of animal feed manufacturers.

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

\*\*\* The decrease under Forestry and Wild Life was due to less recovery of revenue from sale of forest produce.

\*\*\*\* The figures shown in brackets from 1999-2000 to 2003-04 show that the net receipts from lotteries were negative. i.e. the Government was incurring more expenditure on lotteries than receipts. Government may consider the need for continuing the lottery schemes under these circumstances.



| Sl. No. | Head of revenue receipts      | 1999-2000       | 2000-01         | 2001-02         | 2002-03         | 2003-04         | Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003 |
|---------|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| 8.      | Power                         | 1.80            | 2.13            | 2.15            | 1.95            | 2.21            | (+) 13   |
| 9.      | Major and Medium Irrigation   | 38.29           | 54.30           | 68.51           | 52.05           | *183.00         | (+) 252  |
| 10.     | Medical and Public Health     | 23.39           | 23.40           | 28.32           | 28.38           | 31.96           | (+) 13   |
| 11.     | Co-operation                  | 3.87            | 5.78            | 5.27            | 4.97            | **6.57          | (+) 32   |
| 12.     | Public Works                  | 3.26            | 3.18            | 6.21            | 3.98            | 3.21            | (-) 19   |
| 13.     | Police                        | 8.93            | 12.34           | 16.21           | 15.54           | 11.71           | (-) 25   |
| 14.     | Other Administrative Services | 121.53          | 130.84          | 77.13           | 111.12          | 60.66           | (-) 45   |
|         | <b>Total</b>                  | <b>1,259.06</b> | <b>1,439.39</b> | <b>1,666.07</b> | <b>1,807.85</b> | <b>2,223.05</b> | <b>(+) 23</b>  |

The reasons for variation in respect of remaining departments though called for had not been received (February 2005).

## **1.2 Initiatives for Mobilisation of Additional Resources**

### ***Initiatives proposed in the Budget Speech***

The budget speech proposed increasing revenue by strict, impartial and effective implementation of tax laws rather than by levying new taxes or raising the rates of taxes. By introducing VAT system in the State w.e.f. 1 April 2003, the State achieved a higher rate of growth in tax collection (Rs.500 crore) during 2003-04.

## **1.3 Analysis of budget preparation**

Details of original budget estimates, revised budget estimates and percentage of variation under the principal heads of tax and non-tax revenue for the year

\* The increase in receipt under Major and Medium Irrigation was due to apportionment of cost of Hathini Kund Barrage from UP Government.

\*\* The increase in receipt under Co-operation was due to more recovery of audit fees.



2003-04 are as under:

(Rupees in crore)

| Sr. No. | Head of revenue receipts       | Budget estimates | Revised budget estimates | Percentage of variation with respect to original budget estimates | Actuals | Difference between original estimates/ Revised estimates and actuals | Percentage of variation between original estimates /Revised estimates and actuals |
|---------|--------------------------------|------------------|--------------------------|---|---------|--|---|
| 1.      | State Excise                   | 1,018.00         | 935.00                   | (-) 8   | 923.28  | (-) 94.72/<br>(-) 11.72  | (-) 9/<br>(-) 1   |
| 2.      | Other administrative services  | 37.10            | 85.69                    | (+) 131   | 60.66   | (+) 23.56/<br>(-) 25.03  | (+) 65/<br>(-) 29   |
| 3.      | Interest Receipts              | 494.34           | 394.52                   | (-) 20  | 478.01  | (-) 16.33/<br>(+) 83.49  | (-) 3/<br>(+) 21  |
| 4.      | Land Revenue                   | 60.50            | 20.50                    | (-) 66  | 20.01   | (-) 40.49/<br>(-) 0.49   | (-) 67/<br>(-) 2  |
| 5.      | Major and Medium Irrigation    | 80.85            | 194.85                   | (+) 141   | 183.00  | (+) 102.15/<br>(-) 11.85   | (+) 126/<br>(-) 6   |
| 6.      | Miscellaneous General services | 500.01           | 580.68                   | (+) 16  | 573.48  | (+) 73.47/<br>(-) 7.20   | (+) 15/<br>(-) 1  |

Above table shows that variations under different items between the revised estimates and the original budget estimates ranged between (-) 8 *per cent* to (+) 141 *per cent* indicating that the original budget estimates were not prepared on realistic basis.

#### 1.4 Variation between revised budget estimates and actuals

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

(Rupees in crore)

| Sl. No. | Head of revenue receipts        | Revised budget estimates | Actual receipts | Variations Increase (+) / Decrease (-) | Percentage Col.5 to Col.3 |
|---------|---------------------------------|--------------------------|-----------------|--|---------------------------|
| 1       | 2                               | 3                        | 4               | 5                                      | 6                         |
| 1.      | Taxes on Sales, Trade etc.      | 3,795.00                 | 3,838.00        | (+) 43.00                              | (+) 1                     |
| 2.      | State Excise                    | 935.00                   | 923.28          | (-) 11.72                              | (-) 1                     |
| 3.      | Stamp Duty and Registration Fee | 625.00                   | 695.63          | (+) 70.63                              | (+) 11                    |



| Sl. No. | Head of revenue receipts                        | Revised budget estimates | Actual receipts | Variations Increase (+) / Decrease (-) | Percentage Col.5 to Col.3 |
|---------|---|--------------------------|-----------------|--|---------------------------|
| 1       | 2   | 3                        | 4               | 5                                      | 6                         |
| 4.      | Taxes and Duties on Electricity                 | 50.09                    | 59.06           | (+) 8.97                               | (+) 18                    |
| 5.      | Taxes on Vehicles                               | 125.00                   | 132.39          | (+) 7.39                               | (+) 6                     |
| 6.      | Taxes on Goods and Passengers                   | 655.00                   | 660.36          | (+) 5.36                               | (+) 1                     |
| 7.      | Other Taxes and Duties on Commodities           | 16.80                    | 19.32           | (+) 2.52                               | (+) 15                    |
| 8.      | Land Revenue                                    | 20.50                    | 20.01           | (-) 0.49                               | (-) 2                     |
| 9.      | Interest Receipts                               | 394.52                   | 478.01          | (+) 83.49                              | (+) 21                    |
| 10.     | Dairy Development                               | 0.11                     | 0.05            | (-) 0.06                               | (-) 55                    |
| 11.     | Forestry and wild life                          | 27.50                    | 25.48           | (-) 2.02                               | (-) 7                     |
| 12.     | Non-ferrous mining and metallurgical industries | 95.00                    | 76.98           | (-) 18.02                              | (-)19                     |
| 13.     | Misc. General services                          | 580.68                   | 573.48          | (-) 7.20                               | (-) 1                     |
| 14.     | Major and Medium Irrigation                     | 194.85                   | 183.00          | (-) 11.85                              | (-) 6                     |
| 15.     | Co-operation                                    | 5.90                     | 6.57            | (+) 0.67                               | (+) 11                    |
| 16.     | Police  | 17.52                    | 11.71           | (-)5.81                                | (-)33                     |
| 17.     | Power   | 2.00                     | 2.21            | (+) 0.21                               | (+)11                     |
| 18.     | Medical and Public Health                       | 31.39                    | 31.96           | (+)0.57                                | (+)2                      |
| 19.     | Public Works                                    | 4.75                     | 3.21            | (-)1.54                                | (-)32                     |
| 20.     | Other Administrative Services                   | 85.69                    | 60.66           | (-)25.03                               | (-)29                     |

The reasons for variation between the budget estimates and actuals as furnished by the Departments are as under:

- **Stamp duty and Registration Fees:** The increase in receipt was due to more registration of documents of immovable property/revised rate of property.

- **Taxes and Duties on Electricity:** The increase in revenue was due to more receipts under taxes on consumption and sale of electricity as well as adjustment of balance amount of Electricity Duty for the year 2002-03 by DHBVNL/UHBVNL and realization of arrears.
- **Interest Receipt:** The increase was mainly due to higher receipt of interest from departmental commercial undertakings, cultivators, public sector and other undertakings, co-operative societies.
- **Dairy Development:** The decrease in receipt was due to withdrawal of training charges from the trainees by the Department and deletion of the condition of renewal charges on the registration of milk plants/chilling centres by Government of India.
- **Non-ferrous mining and metallurgical industries:** The decrease was due to the fact that the mining operations within five kilometer from Delhi Boundary were stayed by Supreme Court of India orders dated 6 May 2002.
- **Police:** The decrease in revenue was due to non-deployment of force to other States, Corporate Bodies and Agencies etc.
- **Public Works:** The decrease in receipts was mainly due to lesser realization of rent from non-residential Government buildings, rest houses, transit flats and less sale of tender forms and due to lesser disposal of stores, vehicles etc.
- **Other Administrative Services:** The decrease was due to less receipts under Magisterial fines and less recovery of service charges from Haryana Urban Development Authority.
- **Power:** The increase in receipts was due to more recovery of licence fee from HVPNL and other miscellaneous receipts of sale of forms, stores etc.

### 1.5 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of sales tax for the year 2003-04 and the corresponding figures for the preceding three years as furnished by the Department are as follows:

(Rupees in crore)

| Head of Revenue | Year      | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Amount refunded | Net collection | Percentage of collection at pre-assessment stage to net collection |
|-----------------|-----------|--|---|-----------------|----------------|--|
| (1)             | (2)       | (3)                                      | (4)   | (5)             | (6)            | (7)  |
| Taxes on Sales, | 2000-2001 | 2,525.77                                 | 52.68   | 13.48           | 2,564.97       | 98   |

\*

However, the net collection of sales tax as shown by the Department during the years 2000-01, 2001-02 and 2002-03 respectively were at variance with that of Finance Accounts.



| Head of Revenue | Year      | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Amount refunded | Net collection | Percentage of collection at pre-assessment stage to net collection |
|-----------------|-----------|--|---|-----------------|----------------|--|
| (1)             | (2)       | (3)                                      | (4)   | (5)             | (6)            | (7)  |
| Trade etc       | 2001-2002 | 2,884.09                                 | 76.97   | 11.81           | 2,949.25       | 98   |
|                 | 2002-2003 | 3,234.99                                 | 110.54  | 12.85           | 3,332.68       | 97   |
|                 | 2003-2004 | 3,654.99                                 | 190.50  | 11.15           | 3,838.00       | 95   |

The above table shows that collection of revenue at pre-assessment stage was 98 per cent during 2000-2001, 2001-2002, 97 per cent during 2002-03 and 95 per cent during 2003-04.

### 1.6 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 2001-2002, 2002-2003 and 2003-2004 along with the relevant all India average percentage for 2002-2003 are given below:

(Rupees in crore)

| Sl. No. | Head of revenue receipts      | Year    | Collection | Expenditure on collection of revenue | Percentage Col. 5 to Col. 4 | All India percentage for the year 2002-2003 |
|---------|-------------------------------|---------|------------|--------------------------------------|-----------------------------|---|
| 1.      | Taxes on Sales, Trade etc.    | 2001-02 | 2,944.81   | 41.08                                | 1.39                        | 1.18  |
|         |                               | 2002-03 | 3,337.43   | 39.45                                | 1.18                        |   |
|         |                               | 2003-04 | 3,838.00   | 37.34                                | 0.97                        |   |
| 2.      | Taxes on Vehicles             | 2001-02 | 103.62     | 5.07                                 | 4.89                        | 2.86  |
|         |                               | 2002-03 | 114.39     | 5.45                                 | 4.76                        |   |
|         |                               | 2003-04 | 132.39     | 6.57                                 | 4.96                        |   |
| 3       | State Excise                  | 2001-02 | 875.39     | 7.78                                 | 0.89                        | 2.92  |
|         |                               | 2002-03 | 878.72     | 11.26                                | 1.28                        |   |
|         |                               | 2003-04 | 923.28     | 6.74                                 | 0.73                        |   |
| 4       | Stamp Duty & Registration Fee | 2001-02 | 488.29     | 1.95                                 | 0.40                        | 3.46  |
|         |                               | 2002-03 | 541.39     | 3.44                                 | 0.64                        |   |
|         |                               | 2003-04 | 695.63     | 5.59                                 | 0.80                        |   |

It may be seen from the above that percentage in respect of taxes on vehicles was high as compared to All India percentage.

### 1.7 Arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue, amounted to Rs.851.46 crore, of which Rs.227.33 crore were



outstanding for more than five years as detailed in the following table:

(Rupees in crore)

| Sl. No. | Head of revenue receipts        | 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.      | 717.39                                 | 161.04   | Demand for Rs.101.36 crore was stayed by Courts and other Judicial Authorities, Rs.33.96 crore was held up due to dealers becoming insolvent, Rs.12.77 crore were proposed to be written off, Rs.3.48 crore were under rectification/review, appeal. Specific action to recover the remaining amount of Rs.565.82 crore was not intimated. |
| 2.      | Taxes and duties on electricity | 64.06*                                 | 35.49  | Rs.0.38 crore were recoverable from M/s Rama Fibres, Bhiwani, Rs.0.30 crore from M/s Dadri Cement Factory, Charkhi Dadri, Rs. one crore from M/s Haryana Concast, Hisar, Rs.0.16 crore from M/s Competent Alloys, Ballabhgarh and a sum of Rs.62.22 crore from consumers by HVPNL.   |
| 3.      | State excise                    | 28.67                                  | 16.24  | Rs.0.07 crore were covered under recovery certificates, Rs.0.96 crore were stayed by High Court and other Judicial Authorities, Rs.0.33 crore were proposed to be written off and action taken to recover the remaining amount of Rs.27.31 crore was not intimated by the Department.  |
| 4.      | Taxes on goods and passengers   | 29.87                                  | 9.13   | Rs.0.39 crore were stayed by the courts and other Judicial Authorities. Rs.0.02 crore were proposed to be written off. Action to recover the remaining amount of Rs 29.46 crore was not intimated.   |
| 5.      | Police                          | 3.56                                   | 1.60   | The amount of Rs.3.56 crore was due from 10** States.  |

\* Provisional figures.

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



| Sl. No. | Head of revenue receipts  | Amount outstanding as on 31 March 2004 | Amount outstanding for more than 5 years as on 31 March 2004 | Remarks   |
|---------|---|--|--|---|
| 6.      | Other taxes and duties on commodities and services<br>(i) Receipt under the Sugarcane (Regulation of purchase and supply) Act | 6.54                                   | 3.48   | Three sugar mills (Yamunanagar: Rs.0.77 crore, Panipat: Rs.3.49 crore and Rohtak: Rs.2.28 crore) did not deposit the tax.   |
|         | (ii) Receipts under entertainment duty and show tax   | 1.37                                   | 0.35   | Rs.0.34 crore were stayed by court and other Judicial Authorities, Rs.0.90 crore were under rectification/review, Rs.0.01 crore were likely to be written off and reason for remaining amount of Rs.0.13 crore was not intimated by the Department. |
|         | <b>Total</b>  | <b>851.46</b>                          | <b>227.33</b>  |   |

The arrears outstanding for more than five years constituted 27 per cent of the total arrears. Substantial accumulation of arrears of taxes shows that the State Government did not tackle the problem vigorously as observed by 10<sup>th</sup> and 11<sup>th</sup> Finance Commission. It is recommended that effective steps for collecting these arrears be taken to augment government revenue.

### 1.8 Arrears in assessments

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each year during 1999-2000 to 2003-04 as furnished by the Department are as follows:

| Year      | Head of revenue receipts | Opening balance | Cases due for assessment during the year | Total    | Cases finalised during the year | Balance at the close of the year | Percentage of col 5 to col 4 |
|-----------|--------------------------|-----------------|--|----------|---------------------------------|----------------------------------|------------------------------|
| 1         |                          | 2               | 3  | 4        | 5                               | 6                                | 7                            |
| 1999-2000 | ST*                      | 86.416          | 1.99.560                                 | 2.85.976 | 1.27.082                        | 1.58.894                         | 44                           |
|           | PGT**                    | 896             | 651                                      | 1547     | 567                             | 980                              | 37                           |
| 2000-2001 | ST                       | 1.58.894        | 1.68.142                                 | 3.27.036 | 1.64.418                        | 1.62.618                         | 50                           |
|           | PGT                      | 980             | 472                                      | 1452     | 450                             | 1.002                            | 31                           |
| 2001-2002 | ST                       | 1.62.618        | 1.59.063                                 | 3.21.681 | 1.14.003                        | 2.07.678                         | 35                           |
|           | PGT                      | 1002            | 693                                      | 1695     | 555                             | 1.140                            | 33                           |
| 2002-2003 | ST                       | 2.07.678        | 1.79.265                                 | 3.86.943 | 1.53.078                        | 2.33.865                         | 40                           |
|           | PGT                      | 1140            | 673                                      | 1813     | 711                             | 1102                             | 39                           |
| 2003-04   | ST                       | 2.33.865        | 1.64.386                                 | 3.98.251 | 1.92.321                        | 2.05.930                         | 48                           |
|           | PGT                      | 1102            | 667                                      | 1769     | 457                             | 1312                             | 26                           |

\* Taxes on sales, trade etc.

\*\* Passengers and goods tax.



The above table shows that pending cases in respect of taxes on Sales, Trade etc. at the beginning of 1999-2000 were 86,416 which increased to 2,05,930 at the end of 2003-04 i.e. 238 *per cent* while the percentage of cases finalised increased from 44 *per cent* in 1999-2000 to 48 *per cent* in 2003-04. The closing balance at the end of 2003-04 of cases due for assessment was 2,05,930 an increase of 30 *per cent* over the position at the end of 1999-2000. The percentage of cases finalised in respect of taxes on Passengers and Goods Tax remained at the level of 26 *per cent*.

### 1.9 Performance of assessments

Norms for Assessing Authorities viz. Excise and Taxation Officers and Assistant Excise and Taxation Officers have been prescribed by the state for assessment of Sales Tax cases.

Information furnished by the Department for the years 1999-2000 to 2003-04 revealed that the performance of assessments finalised by Excise and Taxation officers ranged between 73.96 *per cent* and 101.42 *per cent* and by Assistant Excise and Taxation Officers between 63.89 *per cent* and 147.16 *per cent* of the norms.

### 1.10 Evasion of tax

The details of evasion of tax detected by the Sales Tax and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the Departments are given below:

| Sl. No. | Head of revenue receipts    | Cases pending as on 31 March 2003 | Cases detected during the year 2003-2004 | Total (3+4) | Number of cases in which assessments/ investigations completed and additional demand including penalty etc. raised |                                    | Number of cases pending finalisation as on 31 March 2004 |
|---------|-----------------------------|-----------------------------------|--|-------------|--|------------------------------------|--|
|         |                             |                                   |  |             | No. of cases   | Amount of demand (Rupees in crore) |  |
| 1       | 2                           | 3                                 | 4  | 5           | 6  | 7                                  | 8  |
| 1.      | Taxes on Sales, Trade, etc. | 121                               | 840                                      | 961         | 846  | 1.71                               | 115  |
| 2.      | State Excise                | Nil                               | 391                                      | 391         | 375  | 0.14                               | 16   |
| 3.      | Passengers and goods tax    | 61                                | 4,423                                    | 4,484       | 3,869  | 1.08                               | 615  |

### 1.11 Write-off and waiver of revenue

During the year 2003-04, demands for Rs.12.77 crore in 269 cases and Rs.0.33 crore in 27 cases relating to Sales Tax and State Excise respectively were written off by the Department as irrecoverable. Reasons for the write-off



as reported by the Departments were as follows:

| Sl. No. | Reasons                             | Sales Tax    |                            | State Excise |                            |
|---------|-------------------------------------|--------------|----------------------------|--------------|----------------------------|
|         |                                     | No. of cases | Amount<br>(Rupees in lakh) | No. of cases | Amount<br>(Rupees in lakh) |
| 1.      | Whereabouts of defaulters not known | 115          | 701.26                     | 10           | 19.14                      |
| 2.      | Defaulters no longer alive          | 8            | 28.83                      | 6            | 3.33                       |
| 3.      | Defaulters not having any property  | 105          | 429.87                     | 11           | 10.92                      |
| 4.      | Defaulters adjudged insolvent       | 6            | 25.17                      | -            | -                          |
| 5.      | Other reasons                       | 35           | 92.34                      | -            | -                          |
|         | <b>Total</b>                        | <b>269</b>   | <b>1277.47</b>             | <b>27</b>    | <b>33.39</b>               |

### 1.12 Refunds

The number of refund cases pending at the beginning of the year 2003-04, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-04, as reported by the Department are given below:

| Sl. No. | Particulars                                     | Sales Tax    |                         | Taxes and Duties on Electricity |                         | State Excise |                         |
|---------|---|--------------|-------------------------|---------------------------------|-------------------------|--------------|-------------------------|
|         |   | No. of cases | Amount (Rupees in lakh) | No. of cases                    | Amount (Rupees in lakh) | No. of cases | Amount (Rupees in lakh) |
| 1.      | Claims outstanding at the beginning of the year | 387          | 658.40                  | -                               | -                       | 6            | 4.99                    |
| 2.      | Claims received during the year                 | 1,077        | 1,389.20                | 5                               | 1.53                    | 14           | 8.63                    |
| 3.      | Refunds made during the year                    | 1,111        | 1,114.99                | 5                               | 1.53                    | 12           | 7.58                    |
| 4.      | Balance outstanding at the end of the year      | 353          | 932.61                  | -                               | -                       | 8            | 6.04                    |

### 1.13 Results of Audit

Test-check of records of departmental offices relating to Taxes on Sales, Trade etc., Stamp Duty and Registration Fee, State Excise Duty, Passengers and Goods Tax, Taxes on Motor Vehicles, Entertainment and Show Tax, Agriculture (Purchase Tax and Crop Husbandry), Mines and Geology, Home



(Police), Public Works (Building and Roads, Public Health, and Irrigation), Forest, Finance (State Lotteries), Medical, Animal Husbandry, Food and Supply, Industries, Co-operation and Tourism conducted during the year 2003-04 revealed under-assessments, non-levy and short levy of taxes, duties and losses of revenue amounting to Rs.441.80 crore in 1,03,489 cases. During the year 2003-04, the Departments concerned accepted under-assessment etc. of Rs.27.63 crore involving 1,873 cases. Out of these, 1,106 cases involving Rs.25.30 crore were pointed out by audit during 2003-04 and the rest in earlier years. An amount of Rs.15.22 crore was recovered in 707 cases during 2003-04 of which Rs.14.37 crore recovered in 644 cases related to earlier years.

This Report contains 33 paragraphs including three reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.315.26 crore. The Department accepted audit observations involving Rs.80.37 crore out of which Rs.0.34 crore had been recovered upto August 2004. In respect of observations not accepted by the Department, gist of reasons for Department's non acceptance has been included in the related paragraph itself along with suitable rebuttal. However, replies from the Government had not been received (September 2004).

#### **1.14 Failure of senior officials to enforce accountability and protect interest of Government**

##### ***Replies to Inspection Reports***

Accountant General (Audit) Haryana conducts periodical inspection of government departments to test-check transactions and verify the maintenance of important accounting and other records as prescribed in rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities etc. detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to next higher authorities for taking prompt corrective action. The Heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report on compliance through initial reply to the Accountant General within six weeks from the dates of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and to the Government.

Inspection Reports issued up to December 2003 disclosed that 6,975 paragraphs involving money value of Rs.1,208.21 crore relating to 3,212 IRs remained outstanding at the end of June 2004. Of these, 634 IRs containing 1,107 paragraphs involving money value of Rs.42.62 crore had not been settled for more than ten years by various departments. Even the first replies, required to be received from the heads of offices within six weeks from the date of issue of the IRs, were not received in respect of 502 paragraphs of 177 IRs issued between April 2002 and December 2003.



Department-wise break-up of IRs and audit observations outstanding as on 30 June 2004 is given below:

| Department                                   | Position of Inspection Reports issued up to December 2003 but not settled at the end of June 2004 |              |                               | Position of Inspection Reports and paragraphs not settled for more than 10 years |              |                               | Position of inspection reports in respect of which first reply not received |            |                                   |
|--|---|--------------|-------------------------------|--|--------------|-------------------------------|---|------------|-----------------------------------|
|  | IRs   | Paras        | Money value (Rupees in crore) | IRs  | Paras        | Money value (Rupees in crore) | IRs   | Paras      | Earliest year to which IRs relate |
| <b>1. Revenue Department</b>                 |   |              |                               |  |              |                               |   |            |                                   |
| (a) Land Revenue                             | 62  | 5            | 0.01                          | 15   | 15           | 0.13                          | 3   | 4          | 2002-03                           |
| (b) Stamp Duty and Registration Fee          | 748   | 1,659        | 29.90                         | 252  | 342          | 5.68                          | 50  | 127        | 2002-03                           |
| <b>2. Co-operation</b>                       |   |              |                               |  |              |                               |   |            |                                   |
| Receipts from Co-operative Societies         | 136   | 209          | 55.96                         | 4  | 7            | 0.18                          | 11  | 40         | 2002-03                           |
| <b>3. Forest</b>                             |   |              |                               |  |              |                               |   |            |                                   |
| Forest Receipts                              | 33  | 162          | 13.42                         | 19   | 20           | 0.72                          | 13  | 45         | 2002-03                           |
| <b>4. Commerce and Industries</b>            |   |              |                               |  |              |                               |   |            |                                   |
| (a) Industries                               | 31  | 34           | 0.96                          | -  | -            | -                             | -   | -          | -                                 |
| (b) Mines and Minerals                       | 154   | 284          | 32.83                         | 27   | 57           | 1.54                          | 2   | 2          | 2002-03                           |
| <b>5. Sales Tax</b>                          |   |              |                               |  |              |                               |   |            |                                   |
| Sales Tax Receipts                           | 324   | 1,756        | 511.88                        | 94   | 309          | 9.31                          | 10  | 101        | 2002-03                           |
| <b>6. State Excise and Motor Vehicle Tax</b> |   |              |                               |  |              |                               |   |            |                                   |
| (a) Passengers and Goods tax                 | 201   | 328          | 40.32                         | 12   | 23           | 0.46                          | 4   | 10         | 2002-03                           |
| (b) State Excise                             | 204   | 346          | 130.59                        | 74   | 125          | 18.29                         | 9   | 17         | 2002-03                           |
| <b>7. Transport</b>                          |   |              |                               |  |              |                               |   |            |                                   |
| Motor Vehicles                               | 477   | 948          | 31.45                         | 70   | 108          | 0.61                          | 28  | 76         | 2002-03                           |
| <b>8. Others</b>                             |   |              |                               |  |              |                               |   |            |                                   |
| Departmental Receipts                        | 842   | 1,166        | 360.89                        | 67   | 101          | 5.70                          | 47  | 80         | 2002-03                           |
| <b>Total</b>                                 | <b>3,212</b>  | <b>6,975</b> | <b>1,208.21</b>               | <b>634</b>   | <b>1,107</b> | <b>42.62</b>                  | <b>177</b>  | <b>502</b> |                                   |

This large pendency of IRs due to non-receipt of replies is indicative of the Heads of Offices and Heads of department failing to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

It is recommended that Government take suitable steps to ensure that –

- an effective procedure exists for prompt and appropriate response to the audit observations ;
- action against officials/officers failing to send replies to the IRs/Paras as per the prescribed time schedule ; and
- action to recover loss/outstanding demands in a time bound manner.



### **1.15 Departmental Audit Committee Meetings**

In order to expedite settlement of outstanding audit observations contained in Inspection Reports, Departmental Audit Committees were constituted by the Government in September 1985. These Committees are chaired by the Administrative Secretary of the Department concerned and attended among others by the officers concerned of the State Government and of the Office of the Accountant General (Audit), Haryana.

The meetings were required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations/audit paras. During the year 2003-04, only twelve Drawing and Disbursing Officers (DDOs) out of 23 DDOs concerned dealing with different heads of accounts convened meetings of the Audit Committee. Thus most government departments did not take any initiative for settling outstanding audit observations through this meeting. Government should ensure periodical meetings of this committee for effective progress in this work.

### **1.16 Response of the Departments to Draft Audit Paragraphs**

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

Forty two Draft Paragraphs (clubbed in 30 paragraphs) and three Reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2004 were forwarded to the Secretaries of the Departments concerned during January to August 2004 through demi-official letters. Replies were received in 14 cases relating to Sales Tax Department.

### **1.17 Follow-up on Audit Reports - Summarised position**

The PAC recommended in 1982 that departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained in the Audit Report within the prescribed period.

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

Review of outstanding ATNs on paragraphs included in Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year 1999-2000 to 2001-2002 as on 31 March 2004 disclosed that departments had failed to submit ATNs within the prescribed period in respect of 55 paragraphs

out of 90 paragraphs included in the Audit Reports upto the year ended March 2002. Though the Audit Report for the year ended March 2002 was laid on the table of Legislature on 13 March 2003 and time limit for furnishing the ATNs had lapsed on 12 June 2003.



## CHAPTER-II: Taxes on Sales, Trade etc.

### 2.1 Results of Audit

Test-check of sales tax assessments, refund cases and other connected records conducted during the year 2003-04 revealed under-assessments of sales tax amounting to Rs.213.30 crore in 890 cases, which broadly fall under the following categories:

| Sl. No. | Particulars   | Number of cases | Amount (Rupees in crore) |
|---------|---|-----------------|--------------------------|
| 1.      | Incorrect computation of turnover                                     | 34              | 5.34                     |
| 2.      | Application of incorrect rates  | 161             | 5.03                     |
| 3.      | Non-levy of interest  | 91              | 6.39                     |
| 4.      | Non-levy of penalty   | 28              | 7.60                     |
| 5.      | Under-assessment of turnover under CST Act                            | 50              | 1.35                     |
| 6.      | Other irregularities  | 525             | 41.19                    |
| 7.      | Review on Delay in assessments and their impact on revenue collection | 1               | 146.40                   |
|         | <b>Total</b>  | <b>890</b>      | <b>213.30</b>            |

During the year 2003-04, the Department accepted under-assessments of tax of Rs.1.79 crore involved in 93 cases of which 81 cases involving Rs.1.65 crore had been pointed out in audit during 2003-04 and the rest in earlier years. An amount of Rs.0.76 crore had been recovered in 54 cases during the year 2003-04, of which Rs.0.13 crore recovered in 12 cases related to earlier years.

A few illustrative cases involving Rs.10.23 crore and a review on "Delay in assessments and their impact on revenue collection" involving Rs.146.40 crore highlighting important cases are mentioned in this chapter. Of these, the Department accepted 51 audit observations involving Rs.5.03 crore.

## **2.2 Delay in assessments and their impact on revenue and collection of sales tax demands**

### *Highlights*

**Delay in finalising assessments resulted in non-recovery of tax of Rs.63.69 crore in 232 cases.**

*(Paragraph 2.2.6)*

**Sales tax arrears amounting to Rs.440.49 crore were outstanding as on 31 March 2003..**

*(Paragraph 2.2.7)*

**Non-pursuance of cases where recovery certificates were issued to Collectors resulted in blockade of revenue of Rs.35.29 crore in 563 cases.**

*(Paragraph 2.2.8)*

**Delay in revising assessments resulted in non raising/delay in raising of demands for Rs.1.56 crore in 78 cases.**

*(Paragraph 2.2.12)*

**In 41 cases, issue of demand notices amounting to Rs.2.68 crore were delayed from 39 to 297 days.**

*(Paragraph 2.2.13)*

### *Introductory*

**2.2.1** In Haryana, Sales Tax is levied and collected under the Haryana General Sales Tax (HGST) Act, 1973 and the Central Sales Tax (CST) Act, 1956 and the rules made thereunder. Every registered dealer, under the Acts, is required to submit a return on the prescribed dates. If the Assessing Authority is satisfied about the correctness of the returns furnished by the dealer, he shall assess the amount of tax due from the dealer. Where the Assessing Authority is not satisfied with the returns he shall ask such dealer to produce or cause to be produced any evidence on which such dealer may rely in support of his returns. In case, the dealer fails to comply with the notice issued, the Assessing Authority shall, within five years after the expiry of such period, proceed to assess, to the best of his judgment the amount of tax due from the dealer. However, no time limit has been fixed for assessments where the dealers comply with the notice served by the Assessing Authority. For the demand created as a result of assessment, a notice called Demand Notice is served upon the dealer asking him to make the payment within thirty days from the date of issue of notice. As per instructions issued in September 1983 by Excise and Taxation Commissioner demand notice is required to be issued within 15 days of the date of assessment order.



### ***Audit Objectives***

**2.2.2** Detailed analysis of delay in assessments and their impact on revenue and collection of sales tax demands during the period 2000-2001 to 2002-2003 was conducted with a view to:

- ascertain whether there is any lacunae in the Act/Rules and procedures.
- ascertain the extent of loss of revenue blocked in assessments.
- ascertain whether there exists internal control mechanism to ensure timely disposal of assessment cases.

### ***Scope of Audit***

**2.2.3** Out of 21 district units, records in respect of 11\* districts for the years 2000-01 to 2002-03 were test checked between August 2003 and March 2004.

### ***Organisational set up***

**2.2.4** The monitoring and control at Government level is done by the Financial Commissioner and Secretary to Government Haryana, Excise and Taxation Department. The overall control and superintendence of the sales tax organisation vests with the Excise and Taxation Commissioner (ETC) who is assisted by Deputy Excise and Taxation Commissioners (DETCs), Excise and Taxation Officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Taxation Inspectors and other allied staff in the administration of HGST Act, and CST Act. AETOs and ETOs have been vested with the powers of Assistant Collectors and DETCs as Collectors under section 27 of Punjab Land Revenue (PLR) Act, 1887 for effecting recoveries of tax, interest and penalty imposed under the Acts which remained unpaid by due dates as arrears of land revenue.

### ***Monitoring and control of assessments***

**2.2.5** As per Rule 32 of HGST Rules, a "Demand and Collection Register" (DCR) was required to be maintained by each Assessing Authority. This register contains the details of levy, assessment and collection of tax from each dealer. No time limit has been fixed for the disposal of assessment cases once the proceedings are initiated.

During the course of audit, it was noticed that the DCR was not maintained properly. The details of the returns/assessments were not recorded in the register. The Department did not have any record to indicate the opening balance, receipts and clearance of the assessment during a particular year/quarter. Thus, the correctness of the returns sent to the higher authority

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\* Ambala, Bhiwani, Faridabad (E), Faridabad (W), Gurgaon (East), Gurgaon (West), Hisar, Karnal, Rewari, Sirsa and Sonipat.

could not be ascertained in audit. As per the information received from ETC, 2,57,286 cases were pending finalisation as on 31 March 2003. Year-wise position of assessments in arrears as furnished was as under:

| Year    | Number of cases pending/instituted at the beginning of the year | Number of cases disposed off during the year | Number of cases pending at the close of the year | Percentage of 4 to 2 |
|---------|---|--|--|----------------------|
| 1       | 2   | 3  | 4  | 5                    |
| 2000-01 | 3,91,643  | 2,02,855                                     | 1,88,788   | 48.20                |
| 2001-02 | 4,02,406  | 1,30,586                                     | 2,71,820   | 67.55                |
| 2002-03 | 4,47,041  | 1,89,755                                     | 2,57,286   | 57.55                |

It would be seen from the above that assessments pending finalisation at the end of each financial year ranged between 48.20 and 67.55 *per cent*. The reason for such huge pendency though called for has not been received (September 2004).

#### ***Absence of provisions for finalizing assessments***

**2.2.6** In accordance with the instructions issued by ETC in January 1982, a limitation period of three years was fixed for finalisation of the assessments. However, no such provision was made in the Act.

It was noticed in 10\* district units that 232 assessments of 177 dealers pertaining to the period from 1991-92 to 2000-01 were finalized between 1997-98 and 2002-03 i.e. after a delay of more than one year as detailed below:

| Assessments finalized              | No. of cases | Amount (Rupees in crore) |
|------------------------------------|--------------|--------------------------|
| After 12 months but upto 24 months | 32           | 6.13                     |
| After 24 months but upto 36 months | 39           | 6.67                     |
| After 36 months but upto 48 months | 50           | 5.26                     |
| After 48 months but upto 60 months | 46           | 9.56                     |
| After 60 months                    | 65           | 36.07                    |
| <b>Total</b>                       | <b>232</b>   | <b>63.69</b>             |

It would be seen from the above that 161 assessments were finalized after a lapse of three years. Further it was revealed that 15 dealers involving tax of Rs.2.94 crore had closed their business during the pendency of assessments. A test check of 68 cases involving a tax effect of Rs.47.72 crore revealed that

\* Ambala, Faridabad (East), Faridabad (West), Gurgaon (East), Gurgaon (West), Hisar, Karnal, Rewari, Sirsa and Sonapat.



interest and penalty of Rs.13.71 crore though leviable was not levied/collected. A few instances indicating the impact of delay on collection of tax are indicated as under :

| Sr. No.  | Name of DETC | Assessment year/Date of order  | Number of cases | Delay involved       | Amount involved (Rupees in crore)            |
|--|--------------|--|-----------------|----------------------|--|
| 1.   | Kaithal      | 1997-98/<br>November 2002  | 1               | 4 years              | Tax: 0.17<br>Interest: 0.04<br>Penalty: 0.24 |
| A dealer after submitting his returns for the year 1997-98 had closed his business and his Registration Certificate was cancelled w.e.f. April 1998. Demand for tax was raised in November 2002 i.e. four years and six months after cancellation of Registration Certificate. Interest and penalty was not levied. Recovery was pending (September 2004). |              |  |                 |                      |  |
| 2.   | Hisar        | 1997-98 and<br>1998-99/<br>March 2002                                | 2               | 5 years /<br>4 years | Tax: 0.32<br>Penalty: 0.54                   |
| A dealer filed incorrect returns and evaded tax during the years 1997-98 and 1998-99. By the time demand for tax of Rs.31.73 lakh was raised in March 2002 the dealer had already closed his business and his whereabouts were not known. As such demand notice for tax could not be served and penalty could not be levied.                               |              |  |                 |                      |  |
| 3.   | Panchkula    | 1993-94 to<br>1995-96/<br>March 2002                                 | 3               | 8 years /<br>6 years | Tax: 1.29                                    |
| Assessments of a dealer for the years 1993-94 to 1995-96 were framed ex parte in March 2002 creating demands amounting to Rs.1.29 crore. By the time assessments were framed the dealer had already closed his business after filing the last quarterly return in April 1999. Recovery was pending (September 2004).                                       |              |  |                 |                      |  |
| 4.   | Rewari       | 2000-01/<br>August 2001  | 1               | --                   | Tax: 0.46<br>Penalty: 0.93                   |
| A dealer suppressed his sales during the period April 2000 to September 2000 and thereafter closed its business in October 2001. Though the Assessing Authority raised demand of tax of Rs.46.59 lakh in August 2001 on best judgement basis, penal action as stated in the order was not taken till July 2004. However, Rs.one lakh had been recovered.   |              |  |                 |                      |  |
| 5.   | Sirsa        | 1990-91 to<br>1992-93/<br>November 1995, March 1996 and October 2000 | 3               | 5 years/<br>4 years  | Interest: 0.18                               |
| Additional demands of Rs.23.54 lakh for the years 1990-91 to 1992-93 were recovered in October 2000 i.e. late by four to five years but no interest was levied.  |              |  |                 |                      |  |

There was nothing on record to indicate that there was any monitoring at the ETC level to watch the finalizations of assessments within the prescribed period of three years.

It is evident from the above that there is a need for making provision in the Act for specifying the period during which an assessment should be finalized.

### Collection of sales tax demands

2.2.7 Position of sales tax demands in arrears showing various stages of action as on 31 March 2003 was as under:

(Rupees in crore)

| Sr. No. | Stage                            | 2000-01       | 2001-02       | 2002-03       |
|---------|----------------------------------|---------------|---------------|---------------|
| 1       | Arrears under stay               | 72.14         | 92.39         | 120.71        |
| 2       | Arrears under liquidation        | 38.57         | 38.83         | 97.40         |
| 3       | Interstate arrears               | 29.45         | 34.06         | 45.61         |
| 4       | Inter districts arrears          | 3.93          | 3.24          | 5.50          |
| 5       | Property attached                | 6.81          | 10.68         | 8.27          |
| 6       | Pending for write off            | 11.98         | 11.75         | 15.36         |
| 7       | Arrears free from any litigation | 116.71        | 199.90        | 147.64        |
|         | <b>Total</b>                     | <b>279.59</b> | <b>390.85</b> | <b>440.49</b> |

It would thus be seen that-

- arrears of sales tax increased from Rs.279.59 crore during the year 2000-01 to Rs.440.49 crore during the year 2002-03 i.e. increase by 57.55 *per cent*. Year-wise break up of arrears was not made available by the Department.
- arrears free from any litigation had increased from Rs.116.71 crore to Rs.147.64 crore during these years. i.e. by 26.50 *per cent*. The Department neither furnished reasons for increase in arrears nor intimated the steps taken to liquidate the arrears.
- arrears under liquidation increased from Rs.38.57 crore in 2000-01 to Rs.97.40 crore in 2002-03 registering an increase of 152.52 *per cent* resulting in accumulation of arrears of Rs.58.83 crore under liquidation.

### Recovery Certificates

2.2.8 HGST Act provides that the amount of any tax, interest and penalty levied under the Act, which remains unpaid after the due date, shall be recoverable as arrears of land revenue under PLR Act. Position of recovery



certificates as supplied by 11 district officers was as under:

| Year    | Opening balance |                          | RC issued during the year |                          | Cases finalised during the year |                          | Cases pending at the end of year |                          |
|---------|-----------------|--------------------------|---------------------------|--------------------------|---------------------------------|--------------------------|----------------------------------|--------------------------|
|         | No.             | Amount (Rupees in crore) | No.                       | Amount (Rupees in crore) | No.                             | Amount (Rupees in crore) | No.                              | Amount (Rupees in crore) |
| 2000-01 | 481             | 24.00                    | 37                        | 1.03                     | 14                              | 0.24                     | 504                              | 24.79                    |
| 2001-02 | 504             | 24.79                    | 25                        | 4.53                     | 8                               | 0.31                     | 521                              | 29.01                    |
| 2002-03 | 521             | 29.01                    | 48                        | 6.38                     | 6                               | 0.10                     | 563                              | 35.29                    |

In all the 563 recovery certificates issued upto 2002-03 tax amounting to Rs.35.29 crore had not been recovered.

**2.2.9** In Karnal, demands amounting to Rs.4.63 lakh for the years 1991-92 and 1992-93 were created in February 1998 and March 1998 against a dealer. The dealer did not pay the same and his property was attached in August 1998. Thereafter no action to sell the property was taken to recover the amount. The Department did not give any reasons for not selling the property. This was pointed out in March 2004; reply had not been received (September 2004).

**2.2.10** Test-check in Gurgaon (E), Sirsa and Sonapat districts revealed that six cases involving Rs.2.46 crore were finalized between November 2001 and April 2002. However, the dealers did not pay the amount within the period specified in the demand notice and action to recover the same as arrears of land revenue was initiated between July 2002 and March 2003 after a delay of 194 to 676 days. This resulted in non-realization of the government dues to that extent.

#### ***Absence of provision for finalisation of remand cases***

**2.2.11** There is no provision under the Act/Rules for monitoring the receipt and disposal of remand cases at ETC level. However, instructions issued by the ETC in July 1997 emphasized for taking decision in the remand cases within six months from the date of receipt of the copy of remand order.

During the course of audit, it was noticed that no separate register was maintained by the ETOs. Year-wise position of receipt and disposal of remand cases was not made available. However, the position of outstanding remand cases as furnished by the sales tax circles as on 31 March 2003 was as



under:

| Year    | Opening Balance | Remand cases received during the year | Total | Cases decided | Balance |
|---------|-----------------|---------------------------------------|-------|---------------|---------|
| 2002-03 | 299             | 282                                   | 581   | 337           | 244     |

A few cases depicting inaction on the part of the Department in finalizing the remand cases are discussed below:

| Sr. No. | Name of DETC | Assessment year/Date of order            | Nature of objection   | Amount involved (Rupees in crore) |
|---------|--------------|--|---|-----------------------------------|
| 1.      | Sirsa        | 1994-95/<br>April 2002                   | Case was remanded in June 2003 by the Appellate Authority with the directions to give one more opportunity and also directed the appellant to appear before Assessing Authority within a week of the receipt of order. But no action to decide the remand case was taken till date (September 2004).                | 0.14                              |
| 2.      | Sirsa        | 1987-88/<br>January 1995/<br>August 2001 | The case of the dealer was decided ex-parte. The Appellate Authority remanded the case in January 1995. However on appeal it was again remanded in March 2002 with the direction to make fresh assessment after issuing statutory notice. No action to decide the remand case was taken till date (September 2004). | 0.02                              |
| 3.      | Panchkula    | 1992-93 and 1993-94/<br>15 March 1996    | The Revisional Authority remanded cases of the dealer in January 1999 for framing denovo assessments. The remand cases were decided by the Assessing Authority ex-parte in September 2002 i.e. after three years and nine months of the remand order creating demands for Rs.0.06 crore.                            | 0.06                              |
|         |              | <b>Total</b>                             |   | <b>0.22</b>                       |

#### *Delay in taking suo motu action*

**2.2.12** Test-check of records of Ambala, Faridabad (E), Sirsa and Sonipat districts revealed that 78 cases were pending revision as on 31 March 2003. Of these, 33 cases were sent to Revisional Authority between January 2000 and September 2002 and in 45 cases dates on which the cases were sent to Revisional Authority were not made available. Delay in revising assessments resulted in non raising of demands of Rs.1.56 crore.

#### *Delay in issue of demand notice*

**2.2.13** As per instructions issued (September 1983) by ETC, Haryana, all the assessing authorities would issue tax demand notice and challan immediately



after the pronouncement of the assessment order or the imposition of penalty etc. and in all circumstances within 15 days of the date of orders.

During test-check of records of six\* offices of DETC's, it was noticed between July and December 2003 that in 41 cases relating to the assessment years between 1995-96 to 2001-02, demand notices of Rs.2.61 crore were issued between July 2000 and July 2003 late by 39 to 297 days from the dates of assessment orders. The amount has not been recovered so far. This resulted in non-realization of tax of Rs.2.61 crore and loss of interest of Rs.6.90 lakh.

### *Delay in finalisation of assessment*

**2.2.14** In the case of a dealer of Ambala, assessments for the years 1994-95 to 1996-97 were finalized in December 2000 i.e. after three to five years from the closure of the assessment years and demands amounting to Rs.9.51 crore were raised which were stated (May 2004) to be under stay by Supreme Court in September 2002. Similarly, assessment for the year 1997-98 was framed in August 2003 i.e. after five years of the closure of the assessment years and demand of Rs.6.60 crore was created of which Rs.0.50 crore only had been recovered by the Department and for the balance amount stay application of the dealer was stated to be pending before the Tribunal. Delay in finalisation of assessments resulted in non/delayed realization of Government revenue of Rs.15.61 crore. No reasons for delay in assessments were made available by the Department.

### *Conclusion/Recommendations*

**2.2.15** Abnormal delays in finalization of assessment and not taking effective steps to recover the arrears resulted in non-realization of revenue. Government should take remedial measures for speeding up assessment work; monitor the steps taken for early recovery and timely disposal of revision and remand cases. It should develop strong internal control system to ensure compliance of the instructions/Rules.

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

- Provisions may be made in the Act/rules for time bound assessment of cases.
- The State Government should develop a strong internal control system to ensure compliance with instructions issued by the Government/Department.
- The State Government should prescribe time limit for communication of orders passed by the Assessing Authority and demand notices to enable timely realisation of Government dues.

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\* Ambala: 2; Faridabad (W): 17; Gurgaon (E): 13; Gurgaon (W):3; Karnal:5; Rewari:1.



The matter was referred to the Department/Government in May 2004; final reply had not been received (September 2004).

### **2.3 Under-assessment of notional sales tax liability due to incorrect deduction**

As per provisions of the HGST Act, gross turnover means the aggregate of the amount of sales and purchases and in the case of exemption granted under 28 A/28 B of the HGST Rules, the benefit availed of by the dealer shall be worked out on gross turnover which includes sale proceeds of goods exported out of India. Further, a dealer is liable to pay purchase tax on goods purchased from within the State (other than declared goods) without payment of tax and used in the manufacture of taxable and tax-free goods.

During test-check of records of DETCs\*, it was noticed between July 2002 and February 2003 that 18 dealers availing the benefit of exemption during the year 1998-99 to 2001-02 were under assessed. This resulted in short determination of notional sales tax liability by Rs.1.63 crore as detailed below:

#### **2.3.1 Non-inclusion of sale proceeds of goods exported out of India in the gross turnover**

In two cases it was noticed that sales tax liability was short assessed due to non inclusion of sale proceeds of goods exported out of India in gross turnover by the exempted units. This resulted in short account of notional sales tax liability to the tune of Rs.1.11 crore as detailed below.

| Sr. No.   | Name of DETC/ Number of cases | Assessment year and date of assessment | Value of raw material consumed (Rupees in crore) | Rate of tax (In percentage) |        | Tax leviable (Rupees in crore) |
|---|-------------------------------|--|--|-----------------------------|--------|--------------------------------|
|   |                               |  |  | leviable                    | levied |                                |
| 1.  | Bhiwani/ 1                    | 2001-2002/ July 2002                   | 22.97/Guar                                       | 4                           | -      | 0.92                           |
| <b>Remarks:</b> After this was pointed out in May 2003, the Department replied in June 2003 that the case was sent to Revisional Authority in June 2003 for taking suo motu action. Final action taken was awaited (September 2004).            |                               |  |  |                             |        |                                |
| 2.  | Sonipat/ 1                    | 2001-02/ February 2003                 | 4.77/Rubber/ 1 /1                                | 4                           | -      | 0.19                           |
| <b>Remarks:</b> After this was pointed out in audit in March 2004 the assessing authority admitted the objection and sent the case to Revisional Authority in March 2004 for taking suo motu action. Final action was awaited (September 2004). |                               |  |  |                             |        |                                |
| <b>Total</b>  |                               |  |  |                             |        | <b>1.11</b>                    |

\* DETCs/ETO Ambala City, Bahadurgarh, Bhiwani, Hisar, Jagadhari, Jhajjar, Narnaul, Rohtak, Rewari, and Sonipat.



The matter was referred to Government in July 2003/March 2004; reply had not been received (September 2004).

### 2.3.2 Short determination of sales tax liability due to application of incorrect rate of tax

In 11 cases, notional sales tax liability of Rs.0.24 crore was assessed short due to application of incorrect rate of tax as detailed below :

| Sr. No.   | Name of DETC/<br>Number of cases          | Assessment year and date of assessment   | Value of raw material consumed (Rupees in crore)      | Rate of tax (In percentage) |             | Tax leviable (Rupees in crore) |
|---|---|--|---|-----------------------------|-------------|--------------------------------|
|   |   |  |   | leviable                    | levied      |                                |
| 1.  | Jagadhari/<br>1                           | 2001-2002/<br>March 2003   | 2.67<br>Non-ferrous metal                             | 4                           | 2           | 0.05                           |
| <b>Remarks:</b> After this was pointed out in September 2003, the Assessing Authority rectified the assessment order in October 2003 and created an additional demand of Rs.5.34 lakh.  |   |  |   |                             |             |                                |
| 2.  | Rohtak and ETO Ambala City/<br>2          | 1999-2000 and 2001-02/<br>May 2002 and October 2002  | 149.98/ Oil seeds                                     | 4 and 7                     | 1 and 4     | 0.05                           |
| <b>Remarks:</b> After this was pointed out in October and November 2003, the assessing authorities sent the cases to the revisional authority in December 2003 and January 2004 for taking suo motu action. The Revisional Authority decided (March 2004) one case and created a demand of Rs.1.91 lakh. Final outcome of other case was not intimated. |   |  |   |                             |             |                                |
| 3.  | Hisar/<br>2                               | 1999-2000/<br>August 2002 and 2000-01<br>March 2003<br>2000-2002/<br>February 2003                           | 1.00/ HDPE Plywood                                    | 12 and 12                   | 5 and 10    | 0.04                           |
| <b>Remarks:</b> After this was pointed out in April 2003, the Revisional Authority created in August 2003 additional demand of Rs.3.98 lakh.  |   |  |   |                             |             |                                |
| 4.  | Hisar and Rewari/<br>3                    | 2001-2002<br>September 2002<br>November 2002<br>February 2003  | 7.23/Iron and steel                                   | 3 and 4                     | 4 and 3     | 0.06                           |
| <b>Remarks:</b> The total short levy of tax after adjustment of tax paid in excess worked out to Rs.6.28 lakh. After this was pointed out, the Revisional Authorities rectified the orders and increased the notional sales tax liability by Rs.6.28 lakh.  |   |  |   |                             |             |                                |
| 5.  | Ambala, ETO Bahadurgarh and Narnaul/<br>3 | 1998-99/<br>May 2000<br>2001-2002/<br>January 2003<br>1999-2000/<br>November 2002<br>2000-2001/<br>June 2001 | 1.77<br>4/4<br>Auto parts, plastic buttons and cement | 10, 12 and 12               | 4, 10 and 4 | 0.04                           |



| Sr. No.  | Name of DETC/ Number of cases | Assessment year and date of assessment | Value of raw material consumed (Rupees in crore) | Rate of tax (In percentage) |        | Tax leviable (Rupees in crore) |
|--|-------------------------------|--|--|-----------------------------|--------|--------------------------------|
|  |                               |  |  | leviable                    | levied |                                |
| <b>Remarks:</b> After this was pointed out in audit between February 2002 and December 2003 the assessing authorities referred two cases between May 2002 and December 2003 to the Revisional Authorities for taking suo motu action. In two cases, one each of Ambala and Narnaul, the Assessing Authorities rectified the orders in March and June 2003 and created demand of Rs.2.17 lakh. In the case of Bahadurgarh, the Revisional Authority stated that buttons had been rightly assessed. The decision of the revisional authority is not tenable as 'plastic buttons' are taxable at 12 <i>per cent</i> . |                               |  |  |                             |        |                                |
|  | <b>Total</b>                  |  |  |                             |        | <b>0.24</b>                    |

The cases were referred to the Government between April 2003 to February 2004; reply had not been received (September 2004).

### **2.3.3 Short determination of notional sales tax liability due to non-levy of purchase tax**

Under the HGST Act, cotton being declared goods when purchased within the State are taxable at last stage of purchase. In five cases, notional sales tax liability was assessed short due to non-levy of purchase tax of Rs.0.28 crore as detailed below:

| Sr. No.   | Name of DETC/ Number of cases | Assessment year and date of assessment | Value of raw material consumed (Rupees in crore) | Rate of tax (In percentage) |        | Tax leviable (Rupees in crore) |
|---|-------------------------------|--|--|-----------------------------|--------|--------------------------------|
|   |                               |  |  | Leviable                    | levied |                                |
| 1.  | Sonipat/ 1                    | 2001-02/ February 2003                 | 3.86/Cotton                                      | 4                           | -      | 0.15                           |
| <b>Remarks:</b> After this was pointed out in February 2004, the assessing authority admitted the objection and stated in March 2004 that the case was being sent to Revisional Authority for taking suo motu action. Further report on action taken was awaited (September 2004).  |                               |  |  |                             |        |                                |
| 2.  | Jhajjar/ 4                    | 2000-2001/ January and February 2002   | 3.19/Rubber                                      | 4                           | -      | 0.13                           |
| <b>Remarks:</b> Dealers purchased raw material from within the State without payment of tax and used it in the manufacture of tax free goods (Chappal). The proportionate purchase tax on purchases was not levied. This was pointed out to the Assessing Authority in February and March 2003, who sent these cases to the Revisional Authority. |                               |  |  |                             |        |                                |
|   | <b>Total</b>                  |  |  |                             |        | <b>0.28</b>                    |

The cases were referred to the Government between April 2003 and March 2004; reply had not been received (September 2004).



## 2.4 Under-assessment due to incorrect deduction at first stage

Under the HGST Act, non-ferrous metal products, compressed asbestos fibre sheets, plastic resin/plastic polymer, timber and its products are taxable at first stage of sale.

During test-check of three DETCs\*, it was noticed between June 2001 and November 2003 that in seven cases involving four dealers the assessing authorities allowed deduction of Rs.29.11 crore incorrectly from the gross turnover, which resulted in under-assessment of tax of Rs.2.92 crore as detailed below:

| Sr. No.  | Name of DETC     | Assessment year and date of assessment                                    | No. of dealer/cases and name of goods sold                          | Amount of incorrect deduction (Rupees in crore) | Rate of tax (In percentage) | Tax/penalty (Rupees in crore) |
|--|------------------|---|---|---|-----------------------------|-------------------------------|
| 1.   | Hisar            | 2001-02/<br>March 2003  | <u>1/1</u><br><u>Aluminum</u><br><u>Caps</u>                        | 0.47  | 10                          | 0.05                          |
| <b>Remarks:</b> Aluminum caps valued at Rs.46.79 lakh being non-ferrous products though taxable at first stage were incorrectly deducted from the taxable turnover of the dealer. After this was pointed out in April 2003, the Revisional Authority created additional demand of Rs.4.68 lakh in August 2003.   |                  |   |   |   |                             |                               |
| 2.   | Faridabad (East) | 1997-98 to<br>1999-2000/<br>September 2002<br><br>2000-01/<br>August 2002 | <u>1/2</u><br><u>Compressed</u><br><u>Asbestos</u><br><u>Sheets</u> | 15.52   | 8                           | 1.55                          |
| <b>Remarks:</b> Compressed Asbestos fibre sheets valued at Rs.15.52 crore though taxable at first stage were incorrectly deducted from taxable turnover of the dealer. This was pointed out to the Assessing Authority between August and September 2002, who intimated that the case was sent to the Revisional Authority in December 2003 for taking suo motu action. Final reply had not been received (September 2004).  |                  |   |   |   |                             |                               |
| 3.   | Hisar            | 2001-02/<br>May 2002<br><br>2002-03/June<br>2003                          | <u>1/2</u><br><u>Polyster</u><br><u>Resin</u>                       | 12.82   | 10                          | 1.28                          |
| <b>Remarks:</b> Polyster resin valued at Rs.12.82 crore was incorrectly deducted from the taxable turnover of the dealer. After this was pointed out in May 2002 and June 2003 the Department stated in May 2003 that unsaturated polyster resins is covered under PVC compound and granules (HDPE/LDPE) and are not taxable. The reply of the Department is not tenable as ETC in May 2002 clarified that PVC resins and polyester resins are taxable at first stage. |                  |   |   |   |                             |                               |
| 4.   | Kaithal          | 1999-2000/<br>June 2003<br><br>2000-01/<br>January 2003                   | <u>1/2</u><br>wooden<br>boxes                                       | 0.30  | 8                           | 0.04                          |

\* DETCs Faridabad (East), Hisar and Kaithal.



| Sr. No.  | Name of DETC | Assessment year and date of assessment | No. of dealer/cases and name of goods sold | Amount of incorrect deduction (Rupees in crore) | Rate of tax (In percentage) | Tax/penalty (Rupees in crore) |
|--|--------------|--|--|---|-----------------------------|-------------------------------|
| <b>Remarks:</b> Wooden boxes though taxable were not taxed. After this was pointed out in October 2003, the assessing authority stated that the dealer sold scientific goods. Reply was not tenable as the dealer was a manufacture of wooden boxes as such it was taxable at first stage. |              |  |  |   |                             |                               |
| <b>Total</b>   |              |  |  |   |                             | <b>2.92</b>                   |

The cases were referred to the Government between October 2002 and February 2004; reply had not been received (September 2004).

## 2.5 Under-assessment due to incorrect deduction

Under the HGST Act, the poultry feed supplements/vitamin feed supplements being general goods when sold outside the State without Form-C are taxable at the rate of 10 *per cent*. Further, the vitamin feed supplements is taxable at the rate of 10 *per cent* and D-oil cake at the rate of four *per cent* from 1998-99 to 2001-02.

During test-check of records of DETC Ambala, Hisar and ETO Ambala City, it was noticed between June 2001 and February 2003 that six dealers sold vitamin feed supplements and de-oil cake for Rs.9.55 crore during the years from 1998-99 to 2001-02. The Assessing Authority, while finalizing the assessments, erroneously allowed the deduction treating the sales as tax free. The omission resulted in under-assessment of tax of Rs.0.93 crore including interest as detailed below:

| Name of DETC/Number of cases  | Assessment year and date of assessment                      | Amount of incorrect deduction (Rupees in crore) | Rate of tax (In percentage) | Tax/penalty (Rupees in crore) |
|---|---|---|-----------------------------|-------------------------------|
| Ambala Cantt./<br>1   | 2000-01/<br>June 2001                                       | 1.00  | 10                          | 0.10                          |
| <b>Remarks:</b> This was pointed out to the Assessing Authority in February 2003 who referred the case to the revisional authority in June 2003 for taking suo motu action. Final action taken had not been intimated (September 2004). |   |   |                             |                               |
| Hisar/<br>2   | 1999-2000/<br>October 2001<br><br>2000-01/<br>December 2001 | 4.73  | 10                          | 0.47                          |
| <b>Remarks:</b> This was pointed out to the Assessing Authority in May/June 2003. Final reply had not been received so far (September 2004).  |   |   |                             |                               |



| Name of DETC/Number of cases   | Assessment year and date of assessment | Amount of incorrect deduction (Rupees in crore) | Rate of tax (In percentage) | Tax/ penalty (Rupees in crore) |
|--|--|---|-----------------------------|--------------------------------|
| ETO Ambala City/<br>3  | 1998-99/<br>December 2002              | 0.33  | 4                           | 0.36                           |
|  |  | 0.12  | 10                          |                                |
|  | 2000-01/<br>April 2002                 | 2.57  | 10                          |                                |
|  | 2001-02/<br>February 2003              | 0.56  | 10                          |                                |
|  |  | 0.44  | 4                           |                                |
| <b>Remarks:</b> After this was pointed out between December 2001 and February 2003 in audit, the Assessing Authority, Ambala referred in December 2003 the two cases to revisional authority for taking suo motu action. |  |   |                             |                                |
| <b>Total</b>   |  |   |                             | <b>0.93</b>                    |

The cases were referred to the Government and the Department between August and December 2003; reply had not been received (September 2004).

## 2.6 Non-levy of purchase tax

Under the HGST Act, cotton, paddy and oil seeds are taxable at the stage of last purchase when purchased from within the State. Further, a dealer is liable to pay purchase tax on goods (other than declared goods) purchased within the State and used in the manufacture of tax free goods or taxable goods which are disposed of otherwise than by way of sale. No deduction from dealer's gross turnover is admissible if such goods are indirectly exported out of India.

During test-check of records of the five DETCs, it was noticed between April 2002 and March 2004 that Assessing Authorities did not levy purchase tax of Rs.1.07 crore in 19 cases during the years 1997-98 to 2000-2003 as tabulated below:

| Name of DETC/Number of cases | Assessment year and date of assessment  | Value of raw material consumed (Rupees in crore) | Nature of irregularity   | Rate of tax (In percentage) | Tax leviable (Rupees in crore) |
|------------------------------|---|--|--|-----------------------------|--------------------------------|
| Jind/<br>3                   | 1998-1999 to 2000-2001/<br>October 2001 | 1.79<br>Paddy                                    | Purchased paddy from within the State for extraction of rice exported out of India. Purchase tax was not levied on the value of paddy. | 4                           | 0.07                           |



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

| Name of DETC/<br>Number of cases  | Assessment year and date of assessment                    | Value of raw material consumed (Rupees in crore) | Nature of irregularity   | Rate of tax (In percentage) | Tax leviable (Rupees in crore) |
|---|---|--|--|-----------------------------|--------------------------------|
| <b>Remarks:</b> This was pointed out between April and May 2002. The Department sent the case to the Revisional Authority for taking suo motu action who decided the case in December 2003 and created additional demand of Rs.13.70 lakh. Further report on recovery was awaited.  |   |  |  |                             |                                |
| Sonipat and Fatehabad/<br>2   | 1998-99 to 1999-2000/<br>May and July 2001 and March 2002 | 4.67 Paddy                                       | Purchased paddy from within the State without payment of tax and exported out of India. There was no agreement between the dealers and the foreign buyers for such export. | 4                           | 0.19                           |
| <b>Remarks:</b> After this was pointed out in audit in November and December 2002, the Assessing Authority, Sonipat stated that purchase of paddy was made by the dealer against the orders of export of rice by the exporter. Reply was not tenable as there was no agreement between the dealer and the exporter as such exemption granted was inadmissible. Reply in respect of other case had not been received (September 2004). |   |  |  |                             |                                |
| Panipat/<br>12  | 1997-98 to 2002-03  | 10.49 Paddy                                      | Purchased paddy from within the State and sold outside the State to the exporters of rice against declaration in Form H.   | 1                           | 0.66                           |
| <b>Remarks:</b> After this was pointed out in November 2003, the Assessing Authorities stated that these cases had been sent to the Revisional Authorities for taking suo motu action between February and March 2004. Final action taken report had not been received (September 2004).  |   |  |  |                             |                                |
| Sonipat/<br>2   | 1996-97 to 1997-98/<br>May 2002 and February 2003         | 7.26 Oil seeds                                   | Purchase tax was not levied on the value of sunflower seeds purchased from within the State without payment of tax.  | 2                           | 0.15                           |
| <b>Remarks:</b> After this was pointed out in audit in February and March 2004, the Department stated in March 2004 that the cases were being sent to the revisional authority for suo motu action. Further report on action taken was awaited (September 2004).  |   |  |  |                             |                                |
| <b>Total</b>  |   |  |  |                             | <b>1.07</b>                    |

The cases were referred to the Government between January 2002 and April 2004; reply had not been received (September 2004).



## **2.7 Non-levy of interest**

Under the HGST Rules, on cancellation of exemption certificate before it is due for expiry, the entire amount of tax exempted shall become payable immediately in lumpsum and interest shall also be levied and recovered.

During test-check of the records of DETC, Kaithal, it was noticed in October 2003 that two units which were granted exemption for Rs.26.16 lakh discontinued their manufacturing process with effect from January 1996 and April 1998 during the currency of the exemption period. Exemption certificates were cancelled by DETC, Kaithal in November 1998 and April 2000 respectively and demand of Rs.20.08 lakh and Rs.10.96 lakh respectively was raised in June and July 2000 for immediate recovery. But interest leviable was not demanded. This resulted in non-levy of interest of Rs.44.78 lakh.

After this was pointed out in October 2003 the Assessing Authority stated that no interest was leviable. Reply was not tenable as interest is leviable under the provisions of Rule 28 A of HGST Rules.

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

## **2.8 Short realization of tax**

Under the HGST Act, sales to the Government department are taxable at the rate of four *per cent* when such sales are supported by declaration(s) in STD-I\*, furnished by duly authorised officer of the Government department. The concession is not admissible in respect of sales made to autonomous bodies or other non-government institutions.

**2.8.1** During test-check of the records of DETC, Panchkula it was noticed in October 2002 that a dealer had sold cement worth Rs.1.52 crore to a non-Government organisation during the period 1994-95 to 1997-98. The Assessing Authority while finalising the assessment in February 2002 levied tax at the rate of four *per cent* treating it as a Government department instead of the correct rate of 12 *per cent*. This resulted in short levy of tax of Rs.11.82 lakh besides interest of Rs.12.01 lakh.

After this was pointed out in October 2002, the Department sent the cases to the Revisional Authority for taking suo motu action. Further action taken had not been received (September 2004).

The matter was referred to the Government in December 2002; reply had not been received (September 2004).

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\* Declaration form STD-1.

while finalising the assessments in May 1998 and April 2000, incorrectly allowed a rebate of Rs.4.81 lakh in addition to what was admissible to the dealers. This resulted in excess rebate of Rs.4.81 lakh.

After this was pointed out in September 1999 and July 2003 the cases were sent to the Revisional Authorities for taking suo motu action. Revisional Authority, Faridabad, revised the orders in May 2003 and created an additional demand of Rs.2.64 lakh. Reply in respect of other case from the Revisional Authority, Rewari had not been received (September 2004).

The cases were referred to the Government in January 2000 and August 2003; reply had not been received (September 2004).



## CHAPTER-III: Stamp Duty and Registration Fee

### 3.1 Results of Audit

Test-check of records of various registration offices conducted in audit during the year 2003-2004 revealed non/short levy of Stamp Duty and Registration Fee amounting to Rs.56.13 crore in 1,758 cases which broadly fall under the following categories:

| Sl. No. | Nature of irregularities   | Number of cases | Amount (Rupees in crore) |
|---------|--|-----------------|--------------------------|
| 1.      | Short levy of stamp duty due to misclassification of deeds       | 71              | 0.36                     |
| 2.      | Short levy of registration fee                                   | 1,016           | 0.11                     |
| 3.      | Short levy of stamp duty due to under-valuation of property      | 140             | 0.55                     |
| 4.      | Irregular exemption of mortgage deeds and refund                 | 530             | 0.11                     |
| 5.      | Review on Levy and collection of stamp duty and registration fee | 1               | 55.00                    |
|         | <b>Total</b>   | <b>1,758</b>    | <b>56.13</b>             |

During the year 2003-2004, the Department accepted under-assessment of Rs.0.45 crore involved in 96 cases of which 45 cases involving Rs.0.18 crore had been pointed out in audit during 2003-04 and the rest in earlier years. Besides an amount of Rs.0.87 crore in 286 cases had been recovered during 2003-04 of which Rs.0.86 crore recovered in 270 cases pertained to earlier years.

A few illustrative cases involving Rs.0.34 crore and a review on "Levy and collection of stamp duty and registration fee" involving Rs.55.00 crore highlighting important cases are mentioned in this chapter. Of these, the Department accepted four observations involving Rs.48.14 crore and made part recovery of Rs.0.10 crore in two cases.



### **3.2 Levy and Collection of Stamp Duty and Registration Fees**

#### *Highlights*

There was no control over monitoring of progress in recovery of arrears. As on 31 March 2003, arrears on account of levy and collection of stamp duty and registration fee amounting to Rs.19.13 crore were outstanding.

*(Paragraph 3.2.5)*

In 5,471 registered documents involving stamp duty of Rs.6.67 crore, genuineness of the stamp papers used could not be ascertained due to non-recording of the source of their issue/purchase on the back of the true copies of the deeds available in the Registrars' offices.

*(Paragraph 3.2.7)*

There was lack of control over the stamp vendors. Stamp vendor registers were not inspected in six test checked districts by the Tehsildars, Naib Tehsildars and Collectors.

*(Paragraph 3.2.12 & 3.2.13)*

Mis-classification of instruments of release deeds in 1,446 cases resulted in short levy of stamp duty of Rs.9.11 crore.

*(Paragraph 3.2.14)*

Under-valuation of property in 567 cases resulted in short levy of stamp duty and registration fees amounting to Rs.1.73 crore.

*(Paragraph 3.2.17)*

#### *Introduction*

**3.2.1** The levy and collection of stamp duty in Haryana on various types of instruments such as conveyance, exchange, mortgage, lease etc. is governed by the Indian Stamp Act, 1899 read with the Indian Stamp (Haryana Amendment) Act, 1973 (IS Act) and the Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978. The duty is paid by the executors of instruments either by using impressed stamps or by affixing stamps (non-judicial) of proper denomination. The purchase and sale of stamps in the State is regulated through treasuries. Prior to January 1999, each treasury used to send its indent to the Government for approval. These indents were then sent by the Government to the Central Stamp Depot (CSD) Nasik, which supplied stamps directly to the indenting treasury. However, after January 1999, the stamps indented by the Government for the entire State are being supplied to the Treasury Officer, Faridabad who acts as a nodal agency for distribution of the stamps amongst the indenting treasuries. The Finance Department conducts internal audit of the offices of Sub-Registrars/Joint Sub



Registrar in the State. For this purpose, stamp auditors have been posted at district level who conduct the audit of all the documents registered in the district. The Punjab Stamp (PS) Rules applicable to Haryana provide that the licenced stamp vendors are to sell stamps upto the value of Rs.1,000 at a time to an individual. If stamps of more value are required by an individual then he has to approach the treasury office directly for the purpose. The number and date of issue of stamps is required to be written on the back of these stamp papers. A true copy of the same is placed in the office of the registrar for record. The rules further provide that stamp vendor registers are required to be inspected by the Tehsildars, Naib Tehsildars and Treasury Officer at least once in a quarter.

### ***Organisational set up***

**3.2.2** The Financial Commissioner is the Chief Controlling Revenue Authority under the Act. The powers regarding management of stamps are vested in the Financial Commissioner Revenue, Deputy Commissioners (Collectors), Tehsildars as Sub-Registrars, Naib Tehsildars acting as Joint Sub-Registrars and Treasury Officers. The State has been divided into 19 districts having 19 Registrars, 66 Sub-Registrars, 46 Joint Sub-Registrars and 19 treasuries.

### ***Audit objectives***

**3.2.3** The detailed analysis of revenue receipts from stamp duty for the period 1998-99 to 2002-03 was conducted in audit ;

- to examine flaws in the system of assessment of requirement, indenting, accountal of stock, sale, accountal of sale proceeds etc which could enable fraud;
- to ascertain how demand for supply of stamps was projected and budget estimates in respect of revenues from stamp duty were prepared.
- to ascertain whether there are any lacunae in rules, procedure and internal control system; and
- to ascertain leakage of revenue under the stamp duty.

### ***Scope of Audit***

**3.2.4** A review of records relating to levy, collection, exemption and remission of stamp duty and registration fees in 43 out of 112 registering offices in six\* districts for the years 1998-99 to 2002-03 was conducted in audit between April 2003 and January 2004. Records relating to the assessment of requirement, accountal, sale and levy of stamps in six\*\* Treasury and Registrars' Offices were also test checked for the years 1993-94 to 2000-03 during March 2004 to June 2004.

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\* Gurgaon, Hisar, Kurukshetra, Karnal, Panchkula and Sirsa.

\*\* Faridabad, Gurgaon, Bhiwani, Hisar, Yamunanagar and Karnal.

### ***Trend of revenue***

**3.2.5** According to the provisions of the Punjab Budget Manual (as applicable to Haryana), the budget estimates of the revenue receipts for the ensuing year should be based on average receipts for the six months of the previous year and the actual receipts of the six months of the current year to make the estimates more realistic.

The position of budget estimates and actual receipts of Stamp Duty and Registration Fee for the years 1998-99 to 2002-03 was as under:

**(Rupees in crore)**

| Year    | Budget estimates | Revenue realized | Percentage of variation<br>Excess(+)/ Less (-) |
|---------|------------------|------------------|--|
| 1998-99 | 400.00           | 294.55           | (-) 26   |
| 1999-00 | 408.00           | 309.92           | (-) 24   |
| 2000-01 | 405.00           | 419.24           | (+) 4  |
| 2001-02 | 412.50           | 488.79           | (+) 18   |
| 2002-03 | 495.00           | 541.39           | (+) 9  |

As would be seen from the table above the budget estimates were quite close to the actual receipts during 2000-01 and 2002-03.

Regarding variations during the years 1998-2000 and 2001-02, Government replied in April 2004 that the decrease/increase of revenue depends on the sale of stamp papers and sale/purchase of property during the year. Therefore, it was difficult to make a correct estimate of revenue to be realized and estimates were prepared on the basis of previous years revenue receipts.

### ***Monitoring of arrears***

A register named "Register of arrears" is being maintained in the office of the Financial Commissioner. The Financial Commissioner intimated in July 2004 that there was no rule for the maintenance of register of arrears. It was being maintained for consolidating the position of arrears received from different Deputy Commissioners. Each Deputy Commissioner submits an annual return to the Financial Commissioner indicating therein the position of arrears etc.

During audit it was noticed that the register was not maintained properly, the essential details viz. opening balance, receipt, clearance and closing balance, were not available with the Department. No monthly/quarterly return has been prescribed to monitor the progress of recovery of arrears. The actual position of the arrears of the entire State was not available with the Government because the prescribed returns were not being received from all the Deputy Commissioners. The arrear position of 12 districts for the years 1998-99 to 2001-02 and five districts for the year 2002-03 as furnished by the Department



was as under:

| Year                             | Amount involved<br>(Rupees in crore) |
|----------------------------------|--------------------------------------|
| <b>Position of 12* districts</b> |                                      |
| Upto 1998-99                     | 4.33                                 |
| 1999-2000                        | 2.47                                 |
| 2000-01                          | 4.85                                 |
| 2001-02                          | 5.78                                 |
| <b>Position of 5** districts</b> |                                      |
| 2002-03                          | 1.70                                 |
| <b>Total</b>                     | <b>19.13</b>                         |

The Department intimated in December 2003 that information in respect of the remaining districts was being collected and efforts were being made to recover the outstanding arrears as per Stamp Law. The above facts indicated that system relating to monitoring of arrears was weak and not upto the mark.

#### *Sale and utilization of non-judicial stamps*

**3.2.6** A comparison of information regarding utilization of stamp papers as furnished by Registrars with the figures of sale of stamps by the treasury offices revealed the following:

(Rupees in crore)

| Year/<br>Name of<br>Treasury | No of<br>Docu-<br>ments<br>Regis-<br>tered | Opening<br>Balance | Receipt<br>from<br>Nasik | Receipt<br>from<br>other<br>treasuries | Total  | Sale of<br>stamp<br>papers by<br>treasuries | Stamp papers<br>utilised | Variation<br>Less(-) /<br>Excess(+) |
|------------------------------|--|--------------------|--------------------------|--|--------|---|--------------------------|-------------------------------------|
| <b>Faridabad</b>             |  |                    |                          |  |        |   |                          |                                     |
| 1997-98<br>to<br>2002-03     | 2,21,848                                   | 355.72             | 276.85                   | 9.42                                   | 641.99 | 248.76                                      | 251.60                   | (+) 2.84                            |

\* Ambala, Fatehabad, Faridabad, Hisar, Jhajjar, Jind, Kurukshetra, Karnal, Panchkula, Rewari, Sirsa and Yamunanagar.

\*\* Hisar, Jind, Kurukshetra, Panchkula and Sirsa. (The position of the remaining seven districts was not made available).

(Rupees in crore)

| Year/<br>Name of<br>Treasury   | No of<br>Docu-<br>ments<br>Regis-<br>tered | Opening<br>Balance | Receipt<br>from<br>Nasik | Receipt<br>from<br>other<br>treasuries | Total           | Sale of<br>stamp<br>papers by<br>treasuries | Stamp papers<br>utilised | Variation<br>Less(-) /<br>Excess(+) |
|--------------------------------|--|--------------------|--------------------------|--|-----------------|---|--------------------------|-------------------------------------|
| <b>Gurgaon</b>                 |  |                    |                          |  |                 |   |                          |                                     |
| 1999-<br>2000<br>to<br>2002-03 | 1,25,290                                   | 335.23             | 498.50                   |  | 833.73          | 424.03                                      | 411.12                   | (-) 12.91                           |
| <b>Hisar</b>                   |  |                    |                          |  |                 |   |                          |                                     |
| 1998-99<br>to<br>2002-03       | 1,05,225                                   | 282.43             | 120.76                   |  | 403.19          | 67.90                                       | 66.03                    | (-) 1.87                            |
| <b>Bhiwani</b>                 |  |                    |                          |  |                 |   |                          |                                     |
| 1994-95<br>to<br>2002-03       | 2,29,178                                   | 404.38             | 125.91                   |  | 530.29          | 66.74                                       | 63.88                    | (-) 2.86                            |
| <b>Yamunanagar</b>             |  |                    |                          |  |                 |   |                          |                                     |
| 1998-99<br>to<br>2002-03       | 90,009                                     | 205.85             | 86.98                    |  | 292.83          | 70.49                                       | 69.04                    | (-) 1.45                            |
| <b>Karnal</b>                  |  |                    |                          |  |                 |   |                          |                                     |
| 1996-97<br>to<br>2002-03       | 1,33,866                                   | 337.33             | 135.69                   | 4.13                                   | 477.15          | 126.16                                      | 118.06                   | (-) 8.10                            |
| <b>Grand<br/>Total</b>         | <b>8,96,416</b>                            | <b>1,920.94</b>    | <b>1,244.69</b>          | <b>13.55</b>                           | <b>3,179.18</b> | <b>1,004.08</b>                             | <b>979.73</b>            | <b>(-) 24.35</b>                    |

In one district (Faridabad), utilization of stamp papers on registered documents was more by Rs.2.84 crore as compared to the sale of stamp papers by the treasury. After this was pointed out in May 2004 the Registrar, Faridabad, replied in June 2004 that the reasons of excess utilization of stamp papers were investigated and it had come to notice that some organizations (Such as DLF) had purchased stamp papers from the treasury other than Faridabad but got the deeds registered at Faridabad.



The vendors were authorised to purchase stamps only from a particular treasury but stamps could be sold/utilised for registration anywhere in the state, making cross verification difficult. The Government had not evolved any mechanism to make district level comparison between stamp duty realised in registered documents and revenue realized through sale of stamps by treasuries.

It was noticed that stamps worth Rs.13.55 crore were transferred to Faridabad and Karnal from other treasuries, but no intimation in this regard was given to the Financial Commissioner, Revenue as required under Section 29, Chapter-2 of Part-III of Haryana Stamp Manual, 1970. Thus prescribed procedure for transfer of stamps from one treasury to another was not being followed. This indicated inadequate control of the Government over the distribution of stamps from one treasury to another treasury.

### ***Defects noticed in Sub-Registrar Offices***

**3.2.7** As per PS Rules, the licenced stamp vendors are to sell stamps upto the value of Rs.1,000 at a time to an individual. If stamps of more value are required by an individual then he has to approach the treasury office directly for the purpose. The number and date of issue of stamps is required to be written on the back of these stamp papers. A true copy of the same is placed in the office of the registrar for record.

A test-check of registered deeds with stamp duty exceeding Rs.1,000 conducted in the offices of three\* Sub Registrars revealed that 12,201 deeds were registered during the month of June of the years 1998-99 to 2002-03. Out of these deeds, in 2,631 deeds involving stamp duty of Rs.6.63 crore, the particulars regarding the sale of stamp papers i.e. name of the treasury and No and date of the issue of the stamp papers or both were not found recorded in the true copies of the deeds available in the registering office. Similarly, audit of registered deeds with stamp duty less than Rs.1,000 conducted in the registering offices of three\*\* districts revealed that in 2,840 deeds involving stamp duty of Rs.0.04 crore test checked, the particulars regarding the sale of stamp papers were not found recorded on true copies of the deeds.

In the absence of complete particulars of the source of the purchase of the stamp papers, the genuineness of the test checked stamp papers worth Rs.6.67 crore used for the registration of the documents could not be ascertained. The reasons for not recording the complete particulars, though sought for, were not received from the Department. However, the Registrar, Faridabad intimated in June 2004 that necessary instructions in this respect were being issued to all the Sub-Registrars.

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\* Ballabhgarh, Faridabad and Palwal.

\*\* Faridabad, Karnal and Yamunanagar.

**Indents for supply of non-judicial stamps**

**3.2.8** Rule 9 of “Rules for Supply and Distribution of Stamps” as amended in July 1983 by the Government of India provides that indents in the prescribed Proforma may be prepared by the officer in charge of the local depot to meet three months estimated consumption on 15 December, March, June and September every year. In Haryana, Treasury Officers are required to send indents/requirements to Haryana Government for approval and onwards submission to CSD, Nasik. The stamps were received by the treasuries directly from CSD Nasik. However, from January 1999, Treasury Officer Faridabad acts as a nodal agency for distribution of stamps.

During test check of records of three treasury offices from 1993-94 to 2002-03, it was noticed that the treasury officers had placed their indents on the basis of stock available on adhoc assessment and not with reference to sale of the previous year/quarter. The position of stamps available in the treasuries was as under:

(Rupees in crore)

| Name of treasury | Year    | Opening balance | Stamps indented | Stamps received | Sale   |
|------------------|---------|-----------------|-----------------|-----------------|--------|
| Hisar            | 2002-03 | 60.95           | 525.72          | 31.67           | 16.87  |
| Karnal           | 2000-01 | 86.38           | 96.22           | 7.05            | 19.47  |
|                  | 2001-02 | 73.96           | 97.88           | 16.47           | 26.07  |
|                  | 2002-03 | 64.36           | 108.95          | 7.45            | 24.95  |
| Gurgaon          | 2000-01 | 63.40           | 507.92          | 67.29           | 99.95  |
|                  | 2001-02 | 30.73           | 908.41          | 300.79          | 117.44 |

It would be seen from the above that each treasury had a huge stock and still more stamps were indented than required, though sale of these stamps was far less than the stock. Hence indents sent to CSD Nasik were not realistic. There was no correlation between indenting of stamps and their receipts since the stamps received were much in lesser quantity than indented.

The Treasury Officer, Faridabad, did not send any indent to the revenue department during the years 2001 to 2003. He retained non-judicial stamps valued at Rs.60.34 crore in 2001-2002 and Rs.48.63 crore in 2002-03 out of the total stamps received from CSD, Nasik for further distribution to other treasuries. Thus there had been no scientific method of placing indents and obtaining supply of stamps.

This was pointed out in June 2004; the Treasury Officer stated that point will be kept in view in future.



**Short receipt of stamps**

**3.2.9** Rule 6 of PS Rules, provides that the receipt and examination of stamps on arrival at treasuries and sub treasuries shall be conducted in the manner laid down in rules 11 or 19 for the despatch and receipts of stamps in treasuries and sub treasuries.

There was a short receipt of stamp papers worth Rs.one crore in 12 cases. Out of this, a claim of Rs.42.95 lakh was lodged with railways in 10 cases. Of these claim of five cases involving Rs.18.28 lakh was settled by railways for Rs.0.12 lakh only. While in remaining five cases involving Rs.24.67 lakh, the matter was stated to be under correspondence with CSD, Nasik since 1996 to 1998. Action taken in the remaining two cases involving Rs.57.43 lakh was not intimated (September 2004). The chances of misuse of these stamps could not be ruled out.

**Non-disposal of obsolete/damaged stamps**

**3.2.10** Rule 12 of PS Rules, provides that in order to prevent frauds, errors or damage by any cause remaining undetected for long periods the stock of stamps shall be issued in order of its receipts and any denomination lying unsold for any reason for a long time shall be transferred to some other depot, where there is demand for it, under the orders of the Financial Commissioner.

During test-check of records of four\* Treasury Offices, it was noticed that non-judicial stamps worth Rs.8.51 crore and stamps of entertainment tax worth Rs.0.02 crore lying unsold were damaged due to termites. Sanction of the competent authority to write off the amount was still awaited. Stamps of different kinds worth Rs.2.98 crore were also lying un-used in the treasuries as per details given below:

| Sr. No. | Name of Treasury | Type of stamp  | Denomination       | Value (In rupees)     | Remarks  |
|---------|------------------|----------------|--------------------|-----------------------|--|
| 1.      | Gurgaon          | Revenue stamps | 4 Anna<br>0.25 P   | 1,408<br>80           | No sale after November 1992.                     |
|         |                  | Share transfer | 2 Rupee<br>5 Rupee | 7,98,000<br>10,00,000 | Lying in treasury since July 2001.               |
|         |                  | Passengers tax | 0.5 P              | 4,38,220              | Not used and lying in stock since December 1998. |
|         |                  |                | 0.20 P             | 8,01,400              | Not used and lying in stock since October 1999.  |
|         |                  |                | 0.10 P             | 5,49,840              | Not used and lying in stock since June 2000.     |

\* Bhiwani, Gurgaon, Hisar and Yamunanagar.

| Sr. No. | Name of Treasury | Type of stamp       | Denomination  | Value (In rupees)                                       | Remarks   |
|---------|------------------|---------------------|---|---|---|
| 2.      | Bhiwani          | Hundi               | 0.50 P<br>1.00 Rupee<br>1.50 Rupee<br>2.00 Rupee<br>4.00 Rupee<br>5.00 Rupee<br>10.00 Rupee | 90<br>3,130<br>750<br>5,860<br>7,200<br>3,620<br>10,700 | No sale after 13 May 1991.                                |
|         |                  | Revenue stamps      | 0.05 P<br>0.15 P  | 63,000<br>1,38,000                                      | Lying in treasury since 1995, no sale since then.         |
|         |                  | Entertainment       | 0.05 P<br>0.10 P<br>10.00 Rupee<br>0.20 P   | 1,20,000<br>8,11,040<br>2,35,56,000<br>14,19,280        | Lying in store since 1998. No sale thereafter.            |
| 3.      | Hisar            | Pleader licence fee | 12.50 Rupee<br>25.00 Rupee  | 300<br>950  | Lying in treasury since 1975. Last sale 23 December 1974. |
| 4.      | Jagadhari        | Hundi               | 4.00 Rupee<br>5.00 Rupee<br>10.00 Rupee   | 1,200<br>27,000<br>62,000                               | No sale after 20 October 2000.                            |
|         | <b>Total</b>     |                     |   | <b>2,98,19,068</b>                                      |   |

No action/effort was made to get the same transferred to other treasuries in time where these were required till these were damaged or had become useless. No efforts were also made to get the stamps declared as obsolete in case there was no demand for these.

### ***Storage and distribution***

**3.2.11** PS Rules provide for separate double lock for receiving the supply of stamps in nodal office. During the check of records of Treasury Officer, Faridabad, which acts as a nodal agency, it was noticed that the material brought from CSD, Nasik, was kept in the office complex as there was no separate double lock for Nodal Office. The Nodal Office, Faridabad intimated in June 2004 that high value stamps were placed in the double lock meant for Faridabad treasury and remaining stamps were kept in the open within office complex. The distribution work was completed within ten days. Thus material of high value remained unaccounted for 10 days. Not keeping the high value stamps in the double lock of the treasury without accountal was against the rules. The procedure of custody, storage and distribution of stamps was defective and prone to theft.

### ***Absence of control mechanism on stamp vendors***

**3.2.12** Rule 32 (i) of PS Rules stipulates that vend registers in the prescribed form are required to be supplied to the stamp vendors free of charge on application to the Collector. Further, vendors are required to deposit their filled and partially filled vend registers with the Registrars who retain it for a period of 12 years. The licensed vendors were also required to submit quarterly returns to the Treasury Officers.



Test-check of the records of six\* districts revealed that the Collectors neither supplied the blank registers to the stamp vendors nor the registers completed by the vendors were taken back for retention in the District Record Room. Quarterly returns though required to be submitted by vendors to the Treasury office were also not being submitted. This indicated that the work of vendors was not monitored by the Department at any stage.

After this was pointed out in March 2004, the District Registrars replied between March to May 2004 that registers could not be supplied to the vendors as blank registers were not received from Commissioner's Office and as per practice prevalent in the State, completed registers were not taken back from the stamp vendors. In the absence of these registers it could not be ascertained as to how the Department verified the authenticity of sale of stamps by the vendors.

**3.2.13** PS Rules, provide that stamp vendor registers are required to be inspected by the Tehsildars, Naib Tehsildars and Treasury Officer at least once in a quarter.

Test-check of records of the districts revealed that vend registers were not inspected by the Tehsildars, Naib-Tehsildars or by the Treasury officers. Thus the authenticity of the vendors registers could not be vouchsafed.

This was pointed out in March 2004 and the District Registrars replied that instructions in this regard have been issued to the Tehsildars, Naib Tehsildars but admitted that no such reports had been received from them. The Treasury Officers stated in April 2004 that there was no provision in the Haryana Stamp Manual, 1970 to carry out such inspection of vendors registers. Reply was not tenable as the provisions regarding inspection of vendors registers already exist in PS Rules.

***Evasion of stamp duty due to misclassification of sale deeds into release deeds***

**3.2.14** As per provisions of IS Act, as amended by a notification issued in April 2000 by the Haryana Government, stamp duty on any release of ancestral property made in favour of a brother or sister (children of renouncer's parents) or son or daughter or father or mother or spouse or grand children or nephew or niece or co-parcener of the renouncers, is liable at the rate of Rs.15 per instrument. In any other case, the stamp duty shall be charged at the rate as applicable to a conveyance for the amount equal to the market value of the share, interest and part of the claim renounced.

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\* Bhiwani, Faridabad, Gurgaon, Hisar, Karnal and Yamunanagar.

During test check of records of 99 registering offices in 19\* districts for the year 2000-01 to 2002-03, it was noticed that in 1446 cases, releases of immovable properties valued at Rs.71.33 crore were either made in favour of relations other than those specified in the notification or the property released was not ancestral. Stamp duty of only Rs.0.22 lakh was charged instead of levying stamp duty of Rs.9.12 crore. This resulted in short levy of stamp duty of Rs.9.11 crore. A few instances are given below:

| Sr. No | Name of Registering office | Document No. and date | Nature of observation   | Stamp Duty (Amount in rupees) |        |              |
|--------|----------------------------|-----------------------|---|-------------------------------|--------|--------------|
|        |                            |                       |   | Leviable                      | Levied | Short levied |
| 1      | S R Safidon                | 1/<br>3-4-01          | Property was released in favour of son of maternal uncle who was not entitled to the concessions. | 1,91,410                      | 15     | 1,91,395     |
| 2      | S R Adampur                | 784/<br>6-7-2000      | Released in favour of sister-in-law (brother's wife) who was not entitled to concession.          | 1,10,375                      | 15     | 1,10,360     |
| 3      | S R Karnal                 | 4586/<br>25-11-02     | Released in favour of aunt & cousin (brothers) who were not entitled to concession.               | 85,375                        | 15     | 85,360       |
| 4      | S R Faridabad              | 3027/<br>3-7-02       | Released in favour of wife of nephew who was not entitled to concession.                          | 1,38,415                      | 15     | 1,38,400     |
| 5      | S R Fatehabad              | 3417/<br>24-1-03      | Property was not ancestral and was not entitled to concession.                                    | 2,92,777                      | 15     | 2,92,762     |

These irregularities were not detected by the Stamp Auditor who had conducted the internal audit of these deeds.

After this was pointed out in audit between April 2001 and March 2004, the Department issued notices in 113 cases raising a demand of Rs.82.68 lakh of which the Department recovered Rs.8.02 lakh in 20 cases and referred 740 cases involving recovery of Rs.4.46 crore to the Collector. Replies in 593 cases involving duty of Rs.3.83 crore had not been received (September 2004).

\* Ambala, Bhiwani, Fatehabad, Faridabad, Gurgaon, Hisar, Jind, Jagadhari, Jhajjar, Kaithal, Karnal, Kurukshetra, Mohinderagarh, Panchkula, Panipat, Rewari, Rohtak, Sirsa and Sonipat.



***Failure to cross verify the transactions***

**3.2.15** The IS Act, provides that any person who with intent to defraud the Government executes an instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, is punishable with a penalty which may extend to five thousand rupees per instrument. Government issued instructions in December 1992 to all the Registering Officers to compare carefully the values indicated in the sale deeds with those mentioned in the 'agreement to sell' executed by the parties earlier and recorded with the document writers.

During test-check of records of 14 Registering Offices in five districts, it was noticed that in 33 conveyance deeds registered between April 2000 and March 2003 on account of sale of immovable properties, the total value of properties set-forth in all these conveyance deeds was Rs.1.60 crore whereas the value of properties as per agreement executed between affected parties and found recorded with the various document writers worked out to Rs.2.57 crore. Thus, the conveyance deeds were got executed and registered at a consideration less than that agreed upon between the parties. Failure of the registering offices to cross verify the transactions resulted in the evasion of stamp duty of Rs.14.17 lakh.

After this was pointed out, the Department issued notices for recovery of Rs.3.87 lakh in 19 cases, out of which Rs.0.46 lakh were recovered in four cases, referred six cases of Rs.1.50 lakh to the Collector for determination of value of properties and proper duty payable. Reply in respect of remaining eight cases involving Rs.8.80 lakh had not been received (September 2004).

A mechanism needs to be evolved to cross verify the value or the consideration shown in the agreement entered into by the parties and those shown in the conveyance deeds etc. at the time of execution.

***Short levy of stamp duty***

**3.2.16** Under IR Act, registration of leases of immoveable property exceeding one year is compulsory. Further, under the IS Act, an instrument of lease is chargeable with stamp duty on the basis of the annual rent reserved. Stamp duty in respect of lease beyond the period of five years is chargeable at the rate of 6.25 per cent of the annual average rent reserved.

As per the information collected from Mining Department, 25 mining leases were granted for seven years during 2001-02 and 2002-03 by Mining Officers of Faridabad, Gurgaon, Bhiwani and Rewari. These deeds were required to be registered compulsorily on the payment of stamp duty and registration fee. However, the deeds executed were not registered at all. It was noticed that while executing the deeds with Mining Officers, stamp duty of Rs.3.07 crore was charged on the estimated amount based on annual royalty payable for the first year only instead of stamp duty of Rs.4.27 crore based on the annual average royalty for the whole period of lease of seven years. This resulted in short levy of stamp duty of Rs.1.20 crore.



No mechanism existed in the Department to ascertain whether registration was being done in respect of those documents that were required to be registered compulsory. A system needs to be developed to ensure that registration of all documents, wherever required is maintained.

***Under-valuation of immovable properties***

**3.2.17** The Government constituted "Evaluation Committees" from time to time for fixation of minimum market value of properties in various areas of the State for the guidance of registering authorities and a copy of these rates is supplied to them by the Department. Under Section 47 A of the Act, if the registering officer has reasons to believe that the value of the property or the consideration, as the case may be, has not been truly set-forth in the instrument, he may, after registering such instrument refer the same to the Collector for determination of the value or the consideration and the proper duty payable, which will thereafter be decided by the Collector after giving an opportunity to the registering party.

During test-check of records of 54 registering offices in 16\* districts, it was noticed that in 567 cases the values set forth in the deeds of conveyance were less than that of market value as fixed by the Evaluation Committees. This resulted in short realisation of stamp duty and registration fee of Rs.1.73 crore. The registering authorities failed to assess the correct value of the properties. Consequently, no action to impound the documents was taken. This under-valuation was also not detected by the Stamp Auditor of the Department who had conducted post audit of these transactions.

After this was pointed out, the Department referred 403 cases between August 2000 and February 2004 involving stamp duty of Rs.1.32 crore to the Collectors concerned but no action was taken in 164 cases involving stamp duty of Rs.0.41 crore. The position of the follow up action taken in these cases as on March 2004 was as under:

| Sr. No. | Category                                | Number of cases | Amount of short levy involved (Rupees in crore) |
|---------|---|-----------------|---|
| 1.      | Total no. of cases of under-valuation.  | 567             | 1.73  |
| 2.      | Cases referred to respective Collectors | 403             | 1.32  |
| 3.      | Cases where no action taken             | 164             | 0.41  |
| 4.      | Cases decided by respective Collectors. | 113             | 0.22  |
| 5.      | Cases where recovery was ordered.       | 91              | 0.16  |

\* Ambala, Bhiwani, Fatehabad, Faridabad, Hisar, Jhajjar, Jagadhari, Kaithal, Karnal, Kurukshetra, Mahendergarh, Panchkula, Panipat, Rohtak, Sirsa and Sonapat.



| Sr. No. | Category   | Number of cases | Amount of short levy involved (Rupees in crore) |
|---------|--|-----------------|---|
| 6.      | Cases where no recovery was ordered and cases filed.   | 22              | 0.06  |
| 7.      | Cases which were pending for decision with Collectors. | 290             | 1.10  |

### *Short levy of stamp duty due to incorrect application of rates*

**3.2.18** In order to check the evasion of stamp duty in the sale deeds, Government issued instructions in November 2000 to all registering authorities in the State that agricultural land sold in less than 1000 sq. yards in the urban areas and near the residential areas in the villages be valued at the rates fixed for the residential property of that locality for the purpose of levying of stamp duty.

It was noticed that 166 sale deeds were registered between April 2001 and March 2003 in five districts by 23 registering authorities. In all these deeds area of the land registered was less than 1,000 sq. yards. Forty one deeds were in urban area while 125 were in rural area. The deeds were liable to be assessed for Rs.7.62 crore based on the rates fixed for residential area and stamp duty of Rs.1.06 crore was chargeable. However, the registering authorities incorrectly assessed the deeds for Rs.2.21 crore on the rate fixed for agriculture land and levied a stamp duty of Rs.0.30 crore. This resulted in short levy of stamp duty of Rs.0.76 crore.

After this was pointed out between April 2002 and March 2004, one Registering Officer referred four cases involving stamp duty of Rs.0.49 lakh to the Collector in November 2003. No reply in the remaining cases was received (September 2004).

### *Non-levy of stamp duty on exchange of property*

**3.2.19** As per IS Act, stamp duty on exchange of property is chargeable as a conveyance deed. Haryana Government clarified in September 1996 that a compromise decree which was not bonafide\* was liable to be charged as an instrument of conveyance.

During test-check of records of 20 registering offices in nine\*\* districts, it was noticed that in 55 compromise decrees registered between April 2001 and March 2003 creating first time right, title or interest in the said immovable property valued at Rs.4.33 crore were registered for the exchange of property without levying stamp duty of Rs.57 lakh. A perusal of the deeds revealed that the compromise deeds for exchange of property were not bonafide and as such these were to be treated as exchange deeds rather than compromise deeds.

\* Which is related by blood relation.

\*\* Faridabad, Fatehabad, Hisar, Jagadhari, Karnal, Kaithal, Kurukshetra, Panipat and Sirsa.



In spite of the Government instructions, the registering authorities failed to detect the omission at the time of registration which resulted in the evasion of stamp duty.

After this was pointed out in April 2002 and March 2004 the Department referred 37 cases involving Rs.32.41 lakh to the Collectors and issued notices between March and September 2003 in five cases for recovery of Rs.4.04 lakh. No reply had been received in respect of 13 cases involving stamp duty of Rs.20.45 lakh (September 2004).

***Incorrect grant of exemption***

**3.2.20** As per notification issued in September 1998 under the IS Act, Government remitted the stamp duty and registration fee leviable on the deeds of mortgage without possession which are executed by agriculturists in favour of any commercial bank for securing loans upto Rs.3 lakh for the purchase of tractor, installation of tube well based on diesel engine etc. and Rs.60,000 for purchase of pumping sets, cane crushers, bullocks, dairy, piggery etc. or any allied purposes. When property is mortgaged to secure a loan and the possession of property is not given, stamp duty is chargeable at one and half *per cent* of the amount of loan secured by such instrument.

It was noticed that in 20 registering offices in seven\* districts, 307 deeds of mortgage without possession executed by agriculturists in order to secure loans from banks were exempted from payment of stamp duty and registration fees. The loans secured exceeded the prescribed limit of exemption or were granted for non-agriculture purposes and as such were not entitled to exemption. The failure on the part of registering offices resulted in short levy of stamp duty of Rs.18.29 lakh.

After this was pointed out in audit between April 2000 and March 2004, the Department, issued notices for recovery of Rs.3.53 lakh in 76 cases, recovered Rs.0.28 lakh in 17 cases and referred one case involving recovery of Rs.7.09 lakh to the Collector. Replies in remaining cases involving recovery of Rs.7.67 lakh had not been received (September 2004).

**3.2.21** Government vide notification issued in August 1995, remitted stamp duty leviable on deeds of conveyance to be got executed by farmers whose land is acquired by Government for public purpose and who purchase agriculture land in the State within one year of the amount of compensation received by them for the acquired land. It was further provided that such remission would be limited to the compensation amount only and the additional amount involved for the purchase of agriculture land would be liable to stamp duty under the rules. A certificate indicating amount of the compensation paid/date of payment, area of the land acquired was required to be attached with the deeds by the executants who claimed exemption under the notification.

During test-check of records of 10 Registering Offices in four districts, it was noticed that 17 sale deeds of properties valued at Rs.1.16 crore were registered by farmers between April 2001 and March 2003. The properties were

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\* Fatehabad, Gurgaon, Hisar, Kurukshetra, Panchkula, Rewari and Sirsa.



purchased either after one year of the date of receipt of compensation or exceeded the amount of compensation received. The stamp duty of Rs.15.71 lakh, though leviable was not levied. The Registering Offices failed to verify the correctness of the deeds with respect to the certificate issued by the Land Acquisition Officer.

After this was pointed out in audit between April 2001 and March 2004 the Department issued notices in 11 cases for the recovery of Rs.5.84 lakh and recovered Rs.1.83 lakh in four cases. Two cases involving recovery of Rs.6.61 lakh were referred to the Collector. Replies in four cases had not been received (September 2004).

### ***Conclusion***

**3.2.22** The system relating to purchase, storage and distribution of the stamp papers was weak. No internal control system existed in the Department to verify the recording of important details in the sale deeds that would have ascertained the genuineness of stamps/stamp papers used. There was no control mechanism to watch the sale of stamps by the stamp vendors.

### ***Recommendations***

**3.2.23** The system relating to purchase and sale of stamps needs strengthening. There should be realistic indenting of the stamps by the treasury officers and important details like name of the treasury/vendors number and issue date etc. should be recorded on the stamps sold by the treasuries.

- The procedure for assessing the requirements, indenting and supply of stamps needs to be streamlined.
- The Government should evolve a mechanism to make district level comparison between stamp duty realized on registration of documents and revenue realised through sale of stamps in order to prevent/detect use of fake stamps.
- The documents/registers required to be maintained by the vendors and their verification and submission to the concerned authorities should be well monitored and transactions cross verified at periodic intervals.
- A system needs to be developed to bring all the deeds that are to be registered compulsorily under the tax net.

### 3.3 Misclassification of instruments

Under the IS Act, mortgage deed includes every instrument whereby for the purpose of securing money advanced, or to be advanced, by way of loan etc. Stamp duty in case of an instrument, where possession of property is not given, is chargeable at one and a half *per cent* of the amount of loan secured by such instrument. Further, under the Act *ibid*, a collateral or auxiliary or additional or substituted security or by way of further assurance for the above mentioned purposes where the principal or primary security is duly stamped, is also chargeable at the rate of 1.5 *per cent* of the amount of loan.

During test check of records of Sub-Registrar, Panipat, for the year 2001-02, it was noticed that two security bonds were executed by mortgaging immovable properties of individuals for giving guarantee of repayment of loan facilities aggregating to Rs.2.05 crore after levying stamp duty of Rs.115 (Rs.15 and Rs.100 per deed). As these instruments were executed with the consideration for securing loan against security of immovable property, these were required to be classified as mortgage deeds chargeable at one and a half *per cent* of the amount of loan. This resulted in short levy of stamp duty of Rs.3.07 lakh.

After this was pointed out in December 2001, Sub-Registrar, Panipat, stated (May 2003) that the deeds were of collateral security and no stamp duty was payable on these deeds. The reply was not tenable as collateral security was advanced for the purpose of securing loan and as such stamp duty was required to be levied at the rate of 1.5 *per cent*.

The matter was brought to the notice of the Department and to the Government in March 2004; reply had not been received (September 2004).

### 3.4 Short levy of stamp duty on lease deeds

Under section 35 of IS Act, on an instrument of lease, stamp duty is chargeable on the basis of period of lease and the amount of average annual rent reserved.

During test-check of records of Sub-Registrar, Gurgaon, it was noticed that four lease deeds for 30 years were executed during 2000-01. However, lease amount was worked out on average annual rent for 20 years instead of 30 years. This resulted into short levy of stamp duty of Rs.2.33 lakh.

This was pointed out to the Department between August 2001 and March 2004; reply had not been received (September 2004).

### 3.5 Short levy of stamp duty

As per IS Act, "Conveyance" includes a conveyance on sale and every instrument by which property whether movable or immovable is transferred. Further, the Registration Act provides that immovable property includes land, building and things attached to earth.



During test check of records of four Registering Offices of three\* districts, it was noticed that in nine cases, the vendors purchased factories for the consideration of Rs.5.61 crore in auction from Haryana Financial Corporation. While executing the sale deeds the cost of plant and machinery valued at Rs.1.80 crore was excluded from the payment of stamp duty. This resulted in short levy of stamp duty of Rs.22.92 lakh.

The matter was brought to the notice of the Department and the Government between December 2001 and March 2004. Reply had not been received (September 2004).

### **3.6 Irregular refund**

The IS Act, provides for refund of impressed spoiled stamps. The application for refund by reason of refusal of a person to execute a deed is required to be made within two months from the date of the instrument.

Test-check of records of Sub-Registrar, Ambala City, for the year 2002-03, revealed that two vendors could not get their deeds dated 6 June 2002 and 10 January 2002 registered due to cancellation of bargain. The vendors applied for refund of stamps on 6 August 2002 and 8 May 2002 after expiry of two months. Since the vendors applied for refund after the expiry of two months, the Collector incorrectly allowed the refund of stamps for Rs.1.92 lakh.

After this was pointed out in November 2003, the Department stated in 2003 that necessary notices were being issued to the parties. However, report on recovery had not been received (September 2004).

### **3.7 Non /short levy of registration fee**

Registration fee is charged on the value or the consideration of immovable property subject to a maximum of Rs.500. Haryana Government, vide notification issued in October 1983, directed that no registration fee shall be chargeable on any instrument executed by agriculturists in favour of any commercial bank for securing loan upto Rs.60,000 for purchase of pumping sets, cane crushers, bullocks or ploughs, spray equipments, sprinkler irrigation for agriculture purposes, dairy, piggery and crop loans or any other allied purposes.

During test-check of documents registered in 35 registering offices during the year 2002-2003, it was noticed that in 864 cases, exemption of registration fee upto Rs.1 lakh instead of upto Rs.60,000 was allowed by the registering offices, which was not admissible. This resulted in non/short levy of registration fees of Rs.3.63 lakh.

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\* Gurgaon, Hisar and Jhajjar.

After this was pointed out between April 2003 and March 2004, the Department issued notices for recovery of Rs.0.35 lakh in 74 cases, recovered Rs.0.07 lakh in 16 cases and replies in the remaining cases had not been received (September 2004).



## CHAPTER-IV: Other Tax Receipts

### 4.1 Results of Audit

Test-check of records in departmental offices relating to revenues received from State Excise Duty, Passengers and Goods Tax, Taxes on Motor Vehicles, Purchase Tax (Agriculture) and Electricity duty conducted in audit during the year 2003-04 revealed under-assessment of taxes and duties and loss of revenue amounting to Rs. 33.73 crore in 98,397 cases as depicted below:

| Sl. No. | Heads of revenue                | Number of cases | Amount (Rupees in crore) |
|---------|---------------------------------|-----------------|--------------------------|
| 1.      | State Excise Duty               | 150             | 14.74                    |
| 2.      | Electricity Duty                | 5103            | 1.38                     |
| 3.      | Taxes on Motor Vehicles         | 92,645          | 14.53                    |
| 4.      | Passengers and Goods Tax        | 469             | 1.17                     |
| 5.      | Entertainment Duty and Show Tax | 3               | 0.04                     |
| 6.      | Purchase Tax (Agriculture)      | 27              | 1.87                     |
|         | <b>Total</b>                    | <b>98,397</b>   | <b>33.73</b>             |

In the cases of Taxes on Motor Vehicles, State Excise Duty, Passengers and Goods Tax and Purchase Tax (Agriculture), the Department accepted under-assessment of Rs.11.27 crore in 927 cases which was pointed out during the year 2003-04 and recovered an amount of Rs.2.57 crore in 107 cases during 2003-04 of which Rs.2.51 crore recovered in 105 cases pertained to earlier years.

A few illustrative cases involving Rs.25.81 crore are mentioned in this Chapter. Of these, the Department accepted three audit observations involving Rs.11.47 crore and made part recovery of Rs.0.09 crore in one case.

## State Excise Duty

### 4.2 Short recovery of licence fee and interest

The Haryana Liquor Licence Rules 1970, read with Clause 6 of the State Excise Policy for the year 2002-03, provide for payment of monthly instalment of licence fee by 20<sup>th</sup> of each month by the licensee holding licence for vending country liquor or Indian Made Foreign Liquor. Failure to do so renders him liable to pay interest at the rate of two *per cent* for the period from the first day of the month to the date of payment of the instalment or any part thereof. If licence fee is not paid in full at the end of each month, the operation of the vend under the licence granted to him will cease.

During test-check of records of Deputy Excise and Taxation Commissioner (DETC), Kaithal for the year 2002-03, it was noticed in December 2003 that a licensee in Kaithal district failed to pay the monthly instalment of licence fee from May 2002 to March 2003 by the prescribed dates. Licence fee of Rs.13.96 crore was paid as against Rs.22.45 crore due from licensee. This resulted in short recovery of licence fee of Rs.8.49 crore and interest of Rs.2.85 crore. DETC did not cease the operation of the vend but allowed the contractor to continue operation till March 2003. Besides, for delayed payment of licence fee demand for interest of Rs.2.85 crore was not raised.

After this was pointed out in December 2003, the Department admitted the fact in January 2004 and stated that efforts were being made to recover the balance amount of licence fee and interest.

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

**4.2.1** Test-check of records of Deputy Excise and Taxation Commissioner, Panipat for the year 2002-03 revealed in September 2003 that a licensee failed to pay three monthly instalments of licence fee of May 2002, June 2002 and January 2003 by the prescribed date. Interest of Rs.2.20 lakh though recoverable was not recovered by the DETC for belated payments.

After this was pointed out in January 2004, the Department stated that notices had been issued for the recovery of interest. Final reply had not been received (September 2004).

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



## Passengers and Goods Tax

### 4.3 Non/short realisation of passengers tax

As per notifications issued in July 1994 and July 1996 under the Punjab Passengers and Goods Taxation Act, 1952 as applicable to Haryana, permit holders plying buses on link routes of the State under the scheme of privatisation of Passengers Road Transport, are required to pay lump sum passengers tax based on the seating capacity of the bus on monthly basis at the rate of Rs.16,000 for 52/54 seater and Rs.10,000 for 30/32 seater buses. As per Haryana Government notification issued in April 2002, the passenger tax at revised rates of Rs.20,000 and Rs.14,000 is to be charged from 52/54 and 30/32 seater buses respectively in case their routes are extended upto 24 kilometres.

During test-check of records of seven\* offices of the DETC (PGT) for the year 2001-02 and 2002-03, it was noticed between February and July 2003 that 89 transport co-operative societies\*\* had either not deposited the monthly passenger tax or deposited it short. This resulted in short realisation of passenger tax of Rs.58.84 lakh.

After this was pointed out between February and July 2003, the DETC (PGT) of Karnal, Rohtak and Sonipat intimated in March 2004 that an amount of Rs.9.12 lakh was recovered in 18 cases. Further report on recovery of the balance amount was awaited. Reply from the remaining DETC had not been received (September 2004).

The matter was referred to the Government in March 2004; reply was awaited (September 2004).

## Taxes on Motor Vehicles

### 4.4 Short realisation of permit/countersignature fee

The District Transport Officers (DTOs) are required to issue permits under various sections of Motor Vehicle Act, 1988 for the regions under their jurisdiction and countersign for each additional region of the State after charging permit fee and countersignature fee at the rates prescribed under the Punjab Motor Vehicle Rules, 1940 as applicable to Haryana. The amount of

\* 2001-02: DETC (PGT) Karnal and Sonipat.

2002-03: DETC (PGT) Ambala, Jind, Kaithal, Rohtak and Sonipat.

\*\* As per Haryana Co-operative Societies Act, 1984, a Transport Co-operative Society means a society registered under this Act for plying buses on link routes in the State and granted permits under Section 7 of Motor Vehicles Act.

fee is payable on the basis of number of regions included in the permit in the State. The Government increased the number of regions from six to 10 in March 1999 and to 19 in February 2001. The permit/countersignature fee for heavy/light motor vehicles was payable at the rates of Rs.2,625/Rs.1,750 upto March 1999 and Rs.4,125/Rs 2,750 upto February 2001 and thereafter it was payable at the rate of Rs.7,500/5,000 for heavy/light motor vehicles for each block of five years.

During test-check of records of 15\* DTOs, it was noticed between October 2002 and January 2004 that permits were granted for plying vehicles covering all 19 regions in the whole of the Haryana State but permits/countersignature fee in respect of 22,112 vehicles was recovered at the rate of Rs.2,625/Rs.1,750 for each heavy/light motor vehicle instead of at the rate of Rs.7,500/Rs.5,000 for permits issued during the year 2001-02 and 2002-2003. This resulted in short realisation of permit fee/countersignature fee of Rs.10.07 crore.

After this was pointed out between October 2002 and January 2004, 10 DTOs stated between April 2003 and January 2004 that permit fee at new rates would be charged on receipt of instructions from Transport Commissioner/Government. Reply was not tenable as no separate orders of Government/Department were required. No reply had been received from the remaining DTOs (September 2004).

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

|                             |
|-----------------------------|
| <b>Transport Department</b> |
|-----------------------------|

#### **4.5 Short realisation of bid money on stage carriage permits**

Under Section 99 of the Motor Vehicles Act, 1988 "Private bus service scheme in Haryana-year 2001" was introduced for the grant of stage carriage permits to the existing societies under 1993 scheme\*\*, general public and to the new cooperatives of unemployed youth on certain routes. The permits and rights of operation were to be given to the operators on lease for a period of five years by inviting bids and the route to be allotted to the highest bidder. The bid money was required to be deposited before 10<sup>th</sup> of each month.

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\* District Transport Officers (DTOs): 2001-02- Gurgaon and Panchkula.  
District Transport Officers (DTOs): 2002-03-Panchkula, Kurukshetra, Kaithal, Faridabad, Rewari, Sonapat, Rohtak, Sirsa, Ambala, Yamunanagar, Narnaul, Bhiwani and Fatehabad.

\*\* To provide employment to educated unemployed youths and to augment the public transport in Haryana, the State Government has formulated a scheme for the grant of stage carriage permits to the cooperatives of unemployed youth, on certain routes in Haryana.



During test-check of records of the DTO, Ambala for the year 2002-03, it was noticed (July 2003) that under this scheme seven Transport Co-operative Societies were granted permits between January 2002 and March 2003 for a period of five years. These co-operative societies were required to deposit bid money each month, which was not deposited regularly resulting in short realisation of Rs.11.27 lakh.

After this was pointed out in audit in July 2003, the Department accepted the fact in January 2004 and instructed the concerned operators to deposit the balance amount. Further progress of recovery was awaited.

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

#### 4.6 Non/short charging of fitness fee

Under the provisions of the Central Motor Vehicle Rules, 1989 and notification issued by the Government of India on 28 March 2001, fee for the grant and renewal of certificate of fitness (passing fee) was chargeable at the rate of Rs.100 and Rs.200 in respect of two/three wheeler vehicle and light motor vehicles respectively. Transport Commissioner in his instructions dated 14 May 2001 had directed all the DTOs and Assistant Transport Officers to charge passing fees in accordance with the above notification.

During test-check of records of 19\* Motor Vehicle Registering Offices, it was noticed from July 2002 to September 2003 that fitness certificates were granted in respect of 1,53,492 (non-transport) light motor vehicles. However, no passing fee was charged by the registering authorities during the years 2001-02 and 2002-03. This resulted in non-charging of fitness fee of Rs.1.95 crore.

This was pointed out between August 2002 and October 2003. Two Registering Authorities (MV), Siwani and Nuh intimated in October and December 2003 that action was being taken to recover the amount from the concerned vehicle owners. One Registering Authority (Naraingarh) intimated in July 2002 that fee shall be charged on receipt of directions from the State Transport Commissioner, Haryana, seven\*\* Registering Authorities intimated between January 2003 and November 2003 that the fee was abolished. Reply from remaining eight\*\*\* registering authorities (MV) was not received.

The reply is not tenable as no notification or order for abolishing the fee was issued either by the Government of India or Government of Haryana. In fact, the Transport Commissioner had directed the state authorities to collect the same at the prescribed rates.

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\* Registering Authorities:  
2001-2002: Ambala, Ballabgarh, Faridabad, Hodel, Hathin, Naraingarh and Palwal.  
2002-03: Ambala, Bhiwani, Charkhi Dadri, Dabwali, Ellenabad, Gurgaon, Jind, Loharu, Narwana, Nuh, Sirsa and Siwani.  
\*\* Faridabad, Hodel, Hathin, Ellenabad, Dabwali, Sirsa and Narwana.  
\*\*\* Palwal, Ballabgarh, Ambala, Gurgaon, Jind, Charkhi Dadri, Loharu and Bhiwani.

The matter was referred to Government between November 2002 to October 2003; final reply had not been received (September 2004).

#### **4.7 Non/short recovery of purchase tax and interest**

According to the notification issued in October 1977 under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953, and the rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax of Rs.1.50 per quintal on purchase of sugarcane latest by 14<sup>th</sup> of the following month and send a monthly return to the Cane Commissioner in a prescribed format. In the event of default in payments or for belated payments, interest at 15 *per cent* per annum shall be charged for the period of default. The Act, further provides that sums payable to Government, but not paid by the due date, shall be recoverable as arrears of land revenue.

During test-check of records of Assistant Cane Development Officers, Kaithal and Panipat it was noticed between July 2002 and December 2003 that two sugar mills purchased 96,58,041 quintals of sugarcane during April 2001, November 2001 to April 2002, and November 2002 to April 2003. Purchase tax and interest of Rs.1.73 crore though payable was not paid by them as of December 2003.

The Department admitted the facts ~~(February 2004)~~. However, report on recovery has not been received (September 2004).

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



## CHAPTER-V : Non-Tax Receipts

### 5.1 Results of Audit

Test-check of records of departmental offices relating to revenues of Mines and Minerals conducted during the year 2003-04 revealed under-assessment and losses of revenue amounting to Rs.70.47 crore in 77 cases which broadly fall under the following categories:

| Sl. No. | Nature of irregularities                   | Number of cases | Amount (Rupees in crore) |
|---------|--|-----------------|--------------------------|
| 1.      | Review on Receipts from Mines and Minerals | 1               | 68.40                    |
| 2.      | Non-recovery of royalty                    | 59              | 1.72                     |
| 3.      | Non/short recovery of dead rent            | 6               | 0.02                     |
| 4.      | Non-recovery of contract money/interest    | 11              | 0.33                     |
|         | <b>Total</b>                               | <b>77</b>       | <b>70.47</b>             |

During the year 2003-2004, the Department accepted under-assessment of Rs.0.68 crore in 10 cases which were pointed out during the year 2003-04. Besides, Rs.3.59 crore recovered in 49 cases pertained to earlier years.

A review relating to "Receipts from mines and minerals" involving Rs.68.40 crore highlighting important cases is mentioned in this chapter. The Department accepted two observations involving Rs.8.57 crore and made part recovery of Rs.5.89 lakh in two cases.

## **5.2 Receipts from Mines and Minerals**

### *Highlights*

As on 31 March 2003 arrears of revenue under "Mines and Minerals" pending collection was Rs.6.29 crore.

*(Paragraph 5.2.6)*

Delay in auction of mining contracts of Ambala and Faridabad Districts resulted in loss of Rs.1.09 crore and Rs.9.15 crore respectively.

*(Paragraph 5.2.7 and 5.2.8)*

Non-forfeiture of security and advance lease money due to non-execution of agreement deeds led to a loss of Rs.3.24 crore.

*(Paragraph 5.2.9)*

Non-payment of dead rent and royalty in case of 65 leases led to a loss of Rs.6.28 crore including interest.

*(Paragraph 5.2.10)*

Penalty of Rs.29.98 crore due to violation of conditions of agreements was not levied.

*(Paragraph 5.2.11)*

Lack of action on the part of department resulted in a loss of Rs.11.43 crore.

*(Paragraph 5.2.14)*

### *Introductory*

**5.2.1** The mineral resources of a State may be broadly classified into two categories namely (i) major minerals (ii) minor minerals. The grant of concessions for prospecting and mining operations in respect of major minerals is regulated by the Mines and Minerals (Regulation and Development) Act, 1957, enacted by the Parliament and the Mines and Mineral Concessions (MMC) Rules, 1960, framed thereunder by the Government of India. The Punjab Minor Minerals Concession (PMMC) Rules, 1964, applicable to the State of Haryana, the Haryana Minerals (Vesting of Rights) Act, 1973, and the Haryana Minerals (Vesting of Rights) Rules, 1979, regulate the extraction of minor minerals. Receipts from mines and minerals are realised in the form of fees, dead rent, royalty, auction/contract money etc.



**Audit Objectives**

**5.2.2** Detailed analysis of revenue receipts from mines and minerals was conducted with a view to:

- ascertain whether leases were auctioned correctly in accordance with the procedures/instructions issued by the Government from time to time;
- ascertain whether the rules/procedures are followed correctly for levying royalty/dead rent;
- ascertain whether internal control existed to monitor the receipts of royalty/dead rent etc. from the lessees and were properly accounted for.

**Scope of audit**

**5.2.3** The records of the Director of Mines and Geology and 15\* Mining Officers (MOs) for the period 1998-99 to 2002-03 were test-checked between July 2003 and January 2004.

Points noticed in audit have been commented in the subsequent paras, which have a financial impact of Rs.62.11 crore.

**Organisational set up**

**5.2.4** Commissioner and Secretary to Government of Haryana, Revenue Department is overall incharge of the Department. The Director of Mines and Geology is responsible for administration and implementation of the provisions of the Acts and Rules. He is assisted by the State Mining Engineer, the Deputy District Attorney & Assistant Mining Engineer (AME) at the Headquarters. The work in the field is supervised through the AMEs and MOs of the district concerned under whose supervision the royalty, dead rent, fees, auction money etc. are collected.

**Trend of Revenue**

**5.2.5** The budget estimates vis-a-vis mineral revenue receipts collected during the period from 1998-99 to 2002-03 in respect of major and minor minerals were as under:-

|           | (Rupees in crore) |                 |                                     |                         |
|-----------|-------------------|-----------------|-------------------------------------|-------------------------|
| Year      | Budget Estimates  | Actual Receipts | Variation increase (+) decrease (-) | Percentage of variation |
| 1998-99   | 65.80             | 65.94           | (+) 0.14                            | 0.21                    |
| 1999-2000 | 72.40             | 84.80           | (+) 12.40                           | 17.12                   |

\* Mining officers: Ambala, Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Kurukshetra, Narnaul, Panipat, Panchkula, Rohtak, Rewari, Sonapat, Sirsa and Yamunanagar.

|         | (Rupees in crore) |                 |                                     |                         |
|---------|-------------------|-----------------|-------------------------------------|-------------------------|
| Year    | Budget Estimates  | Actual Receipts | Variation increase (+) decrease (-) | Percentage of variation |
| 2000-01 | 110.00            | 105.35          | (-) 4.65                            | (-) 4.23                |
| 2001-02 | 150.00            | 139.87          | (-) 10.13                           | (-) 6.75                |
| 2002-03 | 125.00            | 118.88          | (-) 6.12                            | (-) 4.90                |

The increase in actual receipts during 1999-2000 over budget estimates was due to increase in the rates of royalty by the Central Government.

#### *Arrears pending collection*

**5.2.6** Department has prescribed annual returns regarding arrears pending collection for each AME and MO. These are required to be submitted to Director Mines and Geology, who consolidates the position for the entire State. The arrears pending collection as on 31 March 2003 as furnished by the Department were as under:-

| Year         | Amount (Rupees in crore) |
|--------------|--------------------------|
| Upto 1998-99 | 4.34                     |
| 1999-2000    | 0.30                     |
| 2000-01      | 0.32                     |
| 2001-02      | 0.53                     |
| 2002-03      | 0.80                     |
| <b>Total</b> | <b>6.29</b>              |

A test-check of returns revealed that in Panchkula, Hisar, Kurukshetra and Rohtak, the actual arrears as per the returns were Rs.3.25 crore while Rs.3.01 crore were depicted by the Directorate in arrears statement.

Out of the arrears of Rs.6.53 crore, recovery for Rs.0.80 crore was stayed by the courts, recovery certificates for Rs.3.61 crore were issued but recovery was yet to be effected, recovery certificates for Rs.2.05 crore were still to be issued by the Department and for remaining amount of Rs.0.07 crore the contractors had either died or were un-traceable. Out of Rs.2.05 crore for which recovery certificates were not issued, an amount of Rs.0.84 crore pertained to the period 1982-83 to 1998-99.

#### *Loss of revenue due to delayed auction*

**5.2.7** Under Rule 28 and 30 of Punjab Minor Mineral Concession Rules, contracts may be granted by the Government by auction or by tender. The auction shall be notified on the notice board of the Director and MOs and at least in one news paper as well as in Haryana Government gazette by



publishing the auction notice at least 10 days before the date of auction. The tender notice shall mention all the terms and conditions of the contract.

During the course of audit it was noticed that the State Government directed the Mining Department in May 2002 to examine the possibility of auctioning all 51 quarries of district Ambala as a single unit for maximizing the revenue. Accordingly, 51 units of the district were liable to be treated as one unit and auctioned together for three years with effect from 20 June 2002. However, the Department notified only 41 units against 51 units for auction twice on 20 May 2002 and 29 November 2002 respectively for which no bidder came forward. A fresh notification for auction of 51 units was issued on 8 January 2003. In this notification, the Department mentioned that out of 51 units, 16 units would be handed over to the lessee after the expiry of present contract period which fell between March 2003 to March 2004. Accordingly, the highest bidder was granted bid for Rs.1.85 crore on 5 February 2003. Delay in auctioning the remaining 35 non-operative units for the period between 20 June 2002 to 4 March 2003 resulted in loss of royalty of Rs.1.09 crore.

The matter was brought to the notice of the Department during November 2003. In reply the Department stated that there was no loss of revenue due to the reason that out of 51 quarries, 16 quarries were on contract i.e. six upto 31 March 2003 and ten upto March 2004. Thus, the Department had received contract amount from these quarries. Reply of the Department was not relevant as there was delay in settlement of the remaining 35 quarries, other than the 16 quarries, which were not auctioned for the period 20 June 2002 to 4 March 2003 resulting in loss to the Government.

**5.2.8** A perusal of records of MO, Faridabad, revealed that 10 quarries were due for auction between August to November 2001. Out of these, eight quarries were auctioned while the remaining two quarries were not auctioned. The records further revealed that the lessees who operated these two quarries between August 1991 and August 2001 applied for renewal of licence which was rejected in December 2001. The Department had made no efforts for their auction for the period August 2001 onwards. Based on the previous royalty receipt the Government lost a revenue of Rs.9.15 crore for the period from August 2001 to May 2002.

The matter was brought to the notice of the Department in December 2003; reply had not been received (September 2004).

#### ***Non-forfeiture of security and advance lease money***

**5.2.9** As per rule 19 of Punjab Minor Mineral Concession Rules, where a mining lease is sanctioned, the lease deed in form 'F' shall be executed within three months of the order of sanctioning the lease and in case of default the lease shall be deemed to have been revoked and security and advance lease money paid under Rule 30 (2) (iv) of the rules *ibid* shall be forfeited to the Government by operation of law and the lease requires re-auction under rules.

During test-check of the records of the AME, Gurgaon, for the year 2001-03, two bids were accepted in November 2001 and November 2002, lease was granted and security and advance lease money of Rs.3.24 crore was received from the lessees. However, the lessees did not come forward to execute the lease deed despite issue of notices in July and September 2003. Consequently, the security and the advance lease money received was required to be forfeited by the Director, Mines and Geology. In addition, the mines were required to be re-auctioned. The Department neither forfeited the amount of security deposit and advance lease money nor the lessees entered into any lease deed.

The matter was brought to the notice of the Department during January 2004. Reply had not been received (September 2004).

***Non/short recovery of dead rent/royalty and interest***

**5.2.10** As per provision of Rule 11 of Punjab Minor Mineral Concession Rules, a register called "lease register" is to be maintained in each MO/AME office. Royalty/dead rent etc. recovered is entered therein in the relevant columns. In case whole or any portion of royalty/dead rent remains unpaid, interest at the rate of 24 *per cent* per annum is recoverable.

During test check of records of six\* MOs for the period from 1998-99 to 2002-03, it was noticed in October 2003 that in 65 leases an amount of dead rent and royalty of Rs.3.78 crore and interest of Rs.2.50 crore was either not realised or short realised. The MOs did not levy interest in these cases. This resulted in short realization of Rs.6.28 crore as detailed below :

- A contractor of Yamunanagar extracted sand, bazri and boulders and utilized the same for construction of barrage awarded by Irrigation Department in 1996 with out obtaining license from the mining department. The Department raised the demand of royalty of Rs.1.01 crore from time to time for the period of extraction from March 1996 to September 1999. The contractor however, did not pay the royalty and continued the operation till the date of completion of barrage. No action was taken by the Department to recover the dues as arrears of Land Revenue or stop the unauthorized extraction of minerals. The last demand for royalty was raised in March 2002 but demand for interest of Rs.0.85 crore was not raised.

The matter was brought to the notice of the Department in October 2003. The Department stated in November 2003 that the recovery was being affected.

- Under section 9 and 9 A of Mines and Minerals (Regulation and Development) Act, and Rule 21 of Punjab Minor and Mineral Concession Rules, a lessee is required to pay the dead rent or the royalty whichever is higher in respect of each major/minor mineral.

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\* Faridabad, Gurgaon, Narnaul, Rewari, Sonipat and Yamunanagar .



A test-check of 53 leases, in operation during 1998-99 to 2002-03 in Faridabad, Gurgaon, Narnaul and Rewari revealed that:

- 33 leases had remained idle and dead rent of Rs.22.54 lakh was recoverable from the lessees but the Department raised no demand and the amount remained unrealized. Besides interest of Rs.12.24 lakh was also recoverable from the lessees.
- In 18 cases, dead rent of Rs.7.28 crore was recoverable between 1998-2003 out of which Rs.5.08 crore were recovered. No action was taken by the Department to recover the balance amount of Rs.2.20 crore. Besides interest of Rs.0.67 crore leviable was also not levied by the Department.
- In other two cases, royalty of Rs.1.89 crore was recoverable against which the lessee paid Rs.1.55 crore. No demand was raised to recover balance amount of Rs.0.34 crore. Interest of Rs.0.23 crore due on this amount was also not demanded by the Department.

The matter was brought to the notice of the Department in October and December 2003. The Department stated in November and December 2003 that efforts are being made to recover the amount.

- Eleven lessees of Yamuna-nagar, Faridabad , Gurgaon and Sonapat paid the amount of royalty/dead rent late by one to 1,015 days during 1999 to 2003. However, the Department did not levy/recover interest of Rs.0.63 crore from the contractor.

The matter was brought to the notice of the Department in December 2003. The Department stated in April 2004 that amount of Rs.30.22 lakh had been recovered and recovery of balance amount was being effected.

- **Non-levy of penalty**

**5.2.11** Punjab Minor Mineral Concession Rules, provides that in case of repeated breaches of terms and conditions of the agreement by the lessee, penalty not exceeding twice the amount of annual dead rent/royalty may be imposed on such licensee.

In Faridabad and Rewari, five lessees were allotted leases for a period of seven years. The lessees were required to pay monthly installment of the lease money regularly. However, they either delayed the payment of the installments or did not pay them at all. An amount of Rs.14.99 crore was recoverable from them towards lease money. The Director of Mines and Geology issued notices to the lessees repeatedly but the lessees did not pay the installments. Thus the lessees were liable to pay a penalty of Rs.29.98 crore which was not imposed by the Department. There was nothing on record to indicate that the Director had exercised his discretion for levying the penalty. Inaction on the part of the Department resulted in loss of revenue of Rs.29.98 crore.

The matter was brought to the notice of the Department in October 2003. Reply had not been received (September 2004).

***Non/short recovery of royalty from brick kiln owners***

**5.2.12** Rule 24 of Punjab Minor Mineral Concession Rules, provides that the brick kiln owners shall pay royalty at the prescribed rate in advance by 30 April of every year. In case of default, interest at the rate of 24 *per cent* per annum is chargeable for the period of default. A register called brick kiln owners (BKO) register is maintained at each mining office which acts as a monitoring register for levy and collection of royalty\*. The permits of such BKO were required to be cancelled by the Department in case the royalty was not paid by them and any sum due from the permit holders on account of royalty and interest thereon was recoverable as an arrear of land revenue.

A perusal of BKO registers revealed that in 13 mining<sup>#</sup> offices, 225 brick kilns were issued permits for various periods between April 1998 to March 2003. The BKO were required to pay royalty before 30 April of each year. However, royalty of Rs.26.89 lakh was neither paid by the BKO nor was it demanded by the MOs. No action was taken to cancel the permit or to recover the dues. The lack of action on the part of the Department resulted in revenue loss of Rs.36.39 lakh including interest amounting to Rs.9.50 lakh.

The matter was brought to the notice of the Department in January 2004. The Department intimated during January to May 2004 that recovery of Rs.5.60 lakh had been effected. Action taken to recover the balance amount was still awaited.

***Non-recovery of licence fee from owners of stone crushers***

**5.2.13** Under the Haryana Regulation & Control of Crushers Rules, 1992, every crusher owner is required to obtain licence after payment of fee of Rs.10,000. The licence is required to be renewed after three years on payment of fee of Rs.10,000. Further, the Rules provide that whoever contravenes any of the provisions shall be liable to fine which may extend to ten thousand rupees.

Scrutiny of stone crushers' record in the office of the Director of Mines and Geology, Haryana, Chandigarh for the period from 1998-2003 revealed that 150 owners of stone crushers of four Mining Offices<sup>\$</sup> continued their operations even after the expiry of their licences. Neither did they get their licences renewed nor did the department ask for the same. The Department had no system to watch renewals of licences. This resulted in loss of Rs.0.58 crore (Renewal fee Rs.0.29 crore and Penalty Rs.0.29 crore).

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\* Each permit is issued for quarrying period of two years.

# Ambala, Faridabad, Gurgaon, Hisar, Jind, Kurukshetra, Narnaul, Panchkula, Panipat, Rohtak, Sirsa, Sonapat and Yamuna-nagar.

\$ Bhiwani, Faridabad, Gurgaon and Yamuna-nagar.



After this was pointed out in audit (July 2003) the Department recovered amount of licence fee of Rs.0.29 crore (April 2004). Amount of penalty was still to be recovered.

***Lack of action on the part of the Department***

**5.2.14** In the following cases, the Department failed to take timely action resulting in loss of revenue of Rs.11.43 crore as discussed below:

- A contractor of Sonapat district did not allow reasonable facility to another contractor for access to quarry leased to him as required under Punjab Minor Mineral Concession Rules, 1964. The Department refunded the entire amount of Rs.1.53 crore deposited by the contractor as security and advance money without taking any action for providing the facility to him. The quarry remained idle from 15 March 1999 to 4 May 2000 thereby resulting in loss of royalty of Rs.5.24 crore

The matter was brought to the notice of the Department in September 2003; reply had not been received (September 2004).

- In Gurgaon a lessee was not given possession of land of two leases upto January 2003, though he had deposited the security and advance money in October 2001. The possession was to be handed over in 6 February 2002. The Department could not get the land demarcated from revenue authorities till December 2002 and January 2003 respectively. Meanwhile, the Supreme Court stopped the Mining operations in December 2002. Thus, non-operations of the quarries from 6 February 2002 to 9 December 2002 resulted in loss of royalty of Rs.1.70 crore .

The matter was brought to the notice of the Department in October 2003; reply had not been received (September 2004).

- Tender for a mine comprising a mining area of 13.65 hectare in Gurgaon was put to auction against which highest bid of Rs.55 lakh per annum was accepted for the period 2001-02. However, later on it was noticed by the lessee that actual area of the land was 68.35 hectares. The lessee informed the fact to the Department but even then agreement was made only for 13.65 hectares. Thus, the Department handed over possession of 68.35 hectares as against 13.65 hectares notified in the tender notice resulting in excess possession of 54.70 hectares of land. This resulted in loss of royalty of Rs.2.20 crore.
- Plot No. 4 of Manger area of Faridabad was allotted to the contractor from June 1991 to June 2001. Another person forcibly occupied the mine in August 2000. The contractor informed the facts regarding forcible occupation of mine to the Department as well as to the Deputy Commissioner and Superintendent of Police concerned but department took no action to get the mine evicted. The person who occupied the

mine forcibly kept on extracting the material and dispatching the same during August 2000 to June 2001 without payment of any royalty. This resulted in loss of revenue of Rs.2.29 crore.

The matter was brought to the notice of the Department in December 2003. The Department replied in March 2004 that the lessee stopped mining operation due to the reasons best known to him and started alleging that some person forcefully occupied the area. The reply of the Department was not tenable as that leaseholder informed the Department time and again about the facts of forceful occupation along with the details of trucks through which the material was lifted. But the Department did not take any action in this regard.

#### ***Internal audit***

**5.2.15** The Mines and Geology Department did not have an internal audit system in operation.

#### ***Recommendations***

**5.2.16** The Government may consider taking following steps to improve the effectiveness of the system -

- A suitable mechanism should be put in place for ensuring prompt receipts of royalty/dead rent/contract money and interest from the lessees/contractors.
- The functioning of the Department requires strict observance of rules/instructions to impose penalty for breach of agreement to realize more revenue.
- Internal audit needs to be introduced in the Department to monitor the proper functioning of the Department and plug leakages of revenue.

The matter was referred to the Government in May 2004. Reply had not been received (September 2004).



## CHAPTER-VI: Other Non-Tax Receipts

### 6.1 Results of Audit

Test-check of records in departmental offices relating to Home (Police), Public Works (Building and Roads, Public Health, and Irrigation), Forest, Finance (State Lotteries), Agriculture (Crop-Husbandry), Medical, Animal Husbandry, Food and Supply, Industries, Co-operation and Tourism conducted in audit during the year 2003-2004, revealed under-assessments and losses of revenue amounting to Rs.68.17 crore in 2,367 cases as depicted below:

| Sl. No. | Name of departments          | Number of cases | Amount (Rupees in crore) |
|---------|------------------------------|-----------------|--------------------------|
| 1.      | Home (Police)                | 99              | 5.67                     |
| 2.      | Public Works Department      |                 |                          |
|         | (i) Building and Roads       | 86              | 0.14                     |
|         | (ii) Public Health           | 743             | 6.16                     |
|         | (iii) Irrigation             | 302             | 37.76                    |
| 3.      | Finance (State Lotteries)    | 70              | 0.24                     |
| 4.      | Forest                       | 198             | 4.12                     |
| 5.      | Agriculture (Crop Husbandry) | 44              | 0.12                     |
| 6.      | Medical                      | 509             | 0.01                     |
| 7.      | Animal Husbandry             | 7               | 0.01                     |
| 8.      | Food and Supply              | 148             | 0.02                     |
| 9.      | Industry                     | 4               | 0.01                     |
| 10.     | Co-operation                 | 147             | 12.06                    |
| 11.     | Tourism                      | 10              | 1.85                     |
|         | <b>Total</b>                 | <b>2,367</b>    | <b>68.17</b>             |

The Department accepted under-assessments of revenue of Rs.13.44 crore in 747 cases during the year 2003-04, of which Rs.1.92 crore in 704 cases pertain to earlier years. Besides, an amount of Rs.7.43 crore had been recovered in 211 cases during 2003-04 of which part recovery of Rs.7.28 crore recovered in 208 cases pertained to earlier years.

A few illustrative cases involving Rs.9.08 crore are mentioned in this Chapter. Of these, the Department accepted four observations involving Rs.7.11 crore.

## **Tourism Department**

### **6.2 Non-recovery of rent**

The Government of Haryana, Finance Department decided in December 1997 that Haryana Hotels Limited and Haryana Tourism Corporation would pay revised rent of Rs.37 lakh and Rs.38 lakh per annum from 1994-95 and 1995-96 onwards respectively to the State Government on account of the use of non-commercial buildings of tourism department. In lieu thereof, State Government was liable to pay maintenance charges of Rs.70 lakh per annum on tourism property w.e.f. January 1998.

During test-check of records of Tourism Department, Haryana it was noticed that as against rent of Rs.5.72 crore payable by the Tourism Corporation, Rs.3.87 crore was adjusted by the Corporation against the Government dues resulting in short recovery of Rs.1.85 crore on account of rent of non-commercial buildings from 1995-96 to 2001-02.

This was pointed out in audit in December 2002 to the Department which admitted the facts and stated in February 2004 that Haryana Tourism Corporation had requested the Government to adjust the rent amount of Rs.1.85 crore of non-commercial buildings occupied by the Corporation due upto March 2003 against the expenditure incurred on maintenance of infrastructure and horticulture by the Corporation upto 2003-04. The reply is not tenable as no policy existed with the Department for adjustment of such expenditure incurred on infrastructure and horticulture of tourist complexes against the rent of non-commercial buildings.

The matter was referred to the Government in February 2004; final reply had not been received (September 2004).

## **Co-operation Department**

### **6.3 Non-redemption of Government share capital**

The share capital contributed by the State Government to co-operative societies registered with the Co-operative Department is required to be redeemed in accordance with instructions/terms and conditions stipulated in the sanction issued by the Department/ Government. The State Government further directed all the heads of the Departments in March 1979 that the primary responsibility for maintenance of accounts relating to shares held by Government in various undertakings and their timely repayment rests with the head of the Department.

During test-check of records of Assistant Registrar Co-operative Societies, Fatehabad, for the year 2002-03 it was noticed in August 2003 that Government invested share capital of Rs.10.15 crore in Bhuna Co-operative Sugar Mills Ltd., Bhuna during the years 1988-89 and 1996-97. Out of this,



Rs.5.82 crore were released between 1988-89 and 1996-97 without fixing the terms and conditions of repayment/redemption of share capital. Remaining amount of Rs.4.33 crore was released between 1991-92 and 1996-97 on the terms and conditions that share capital shall be retired in 10 equal annual instalments commencing from the sixth anniversary of the drawal. As per Kist Bandi (repayment schedule) available with the Department out of Rs.10.15 crore, share capital of Rs.7.05 crore was due for redemption from October 1994 to March 2003 but had not been redeemed till January 2004. This resulted in blockage of revenue of Rs.7.05 crore.

After this was pointed out in August 2003 to the Assistant Registrar, Co-operative Societies (ARCS), Fatehabad stated that share capital of the Mill could not be redeemed till January 2004 due to huge loss suffered by the mill and efforts were being made for redemption of share capital.

Reply was not tenable as the investment of Rs.5.82 crore was made without fixing the terms and conditions of repayment. In absence of this the Department was not in a position to know as to when and how the recovery would be made. Besides, for investment of Rs.4.33 crore, the condition stipulated did not indicate any concession/exemption from payment of Government dues in case of loss suffered by the society. As such department should have pressed for recovery of its dues.

The matter was referred to the Department/Government in September 2003; reply had not been received (September 2004).

## Agriculture

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

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

During test-check of records of Deputy Director, Agriculture, Bhiwani it was noticed in March 2001 that out of the total receipts of Rs.1.81 lakh realised during the years 1998-2000 on account of sale of Rabi crops, an amount of Rs.1.12 lakh was not deposited into the treasury/bank but utilised to meet the Departmental expenditure.

After this was pointed out in March 2001, the Department admitted the facts and stated in March 2004 that the amount was utilised on the purchase of manure, pesticides and labour charges for the standing crops of wheat and sarson etc. Departmental reply was not tenable as utilisation of Government receipts towards departmental expenditure was in contravention of State Financial Rules.

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

**Public Works Department  
(Building and Roads)**

*Utilisation of departmental receipts towards expenditure*

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

During test-check of records of the Executive Engineer, provincial divisional-1 Faridabad, it was noticed in June 2002 that departmental receipts amounting to Rs.4.22 lakh collected by three provincial sub-divisions during the years 1998-99 to 2000-01 were not deposited into treasury/bank but utilised towards expenditure.

This was pointed out in June 2002 to the Department which admitted the facts and stated in March 2004 that an amount of Rs.0.20 lakh was deposited in March and October 2002. However, the balance amount of Rs.4.02 lakh had not been deposited so far (September 2004).

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

**Public Works Department**

**6.5 Short recovery of water connection fee**

As per instructions issued in January 2001 by the Engineer-in-Chief Haryana PWD/Health Branch, fee for the issue of new water connection was enhanced from Rs.300 to Rs.500 with effect from 15 January 2001.

Test-check of records of Executive Engineer, Public Health Division-3, Hisar for the years 1999-2000 to 2001-2002 revealed that the Divisional /Sub Divisional offices charged water connection fee in respect of 681 new water connections released between 17 January and March 2001 at the old rate of Rs.300 instead of Rs.500, resulting in short recovery of water connection fee of Rs.1.36 lakh.

This was pointed out in audit in June 2002 to the Department which stated in March 2004 that efforts were being made to effect the recovery.

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

**Forest Department**

**6.6 Non-realisation of sales tax**

Under the Haryana General Sales Tax Act, 1973, 'sale' means any transfer of property in goods for cash or deferred payment or other valuable consideration. While 'goods' means all kinds of movable property; sale of trees (timber) is taxable at first stage of sale from 18 July 1997.



During test-check of records of four\* Divisional Forest Offices (Territorial), it was noticed between March and November 2003 that trees/timber valued at Rs.1.50 crore were sold to Haryana Forest Development Corporation during the year 2001-02 to 2002-03 on which sales tax amounting to Rs.12.02 lakh was not levied/realised.

The omission was pointed out to the Principal, Chief Conservator of Forest, Haryana who intimated in September 2003 that Commissioner and Secretary, Excise and Taxation Department had been requested to issue notification regarding accepting of declaration by Haryana Forest Development Corporation Limited taxing the goods at subsequent sale/stage. The reply of the Department was not tenable as no notification was issued by the State Government. Hence the Forest Department was required to collect the taxes at first stage and failure on its part resulted in non-realisation of the government revenue to that extent.

The issue was referred to the Government between April and December 2003; reply had not been received (September 2004).



(ASHWINI ATTRI)

Chandigarh

Dated: 02 MAR 2005

Accountant General (Audit) Haryana

Countersigned



(VIJAYENDRA N. KAUL)

New Delhi

Dated: 00 MAR 2005

Comptroller and Auditor General of India

09 MAR 2005

\* Bhiwani, Gurgaon, Hisar and Rohtak.

