



**REPORT
OF THE
Comptroller and Auditor General
Of India**

for the year 1986-87

(Revenue Receipts)

Government of Himachal Pradesh

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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Himachal Pradesh for the year 1986-87 is presented in this separate volume. The Report has been arranged in the following order :-

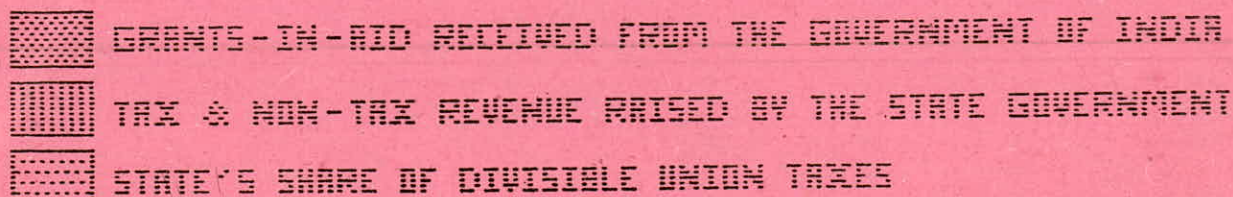
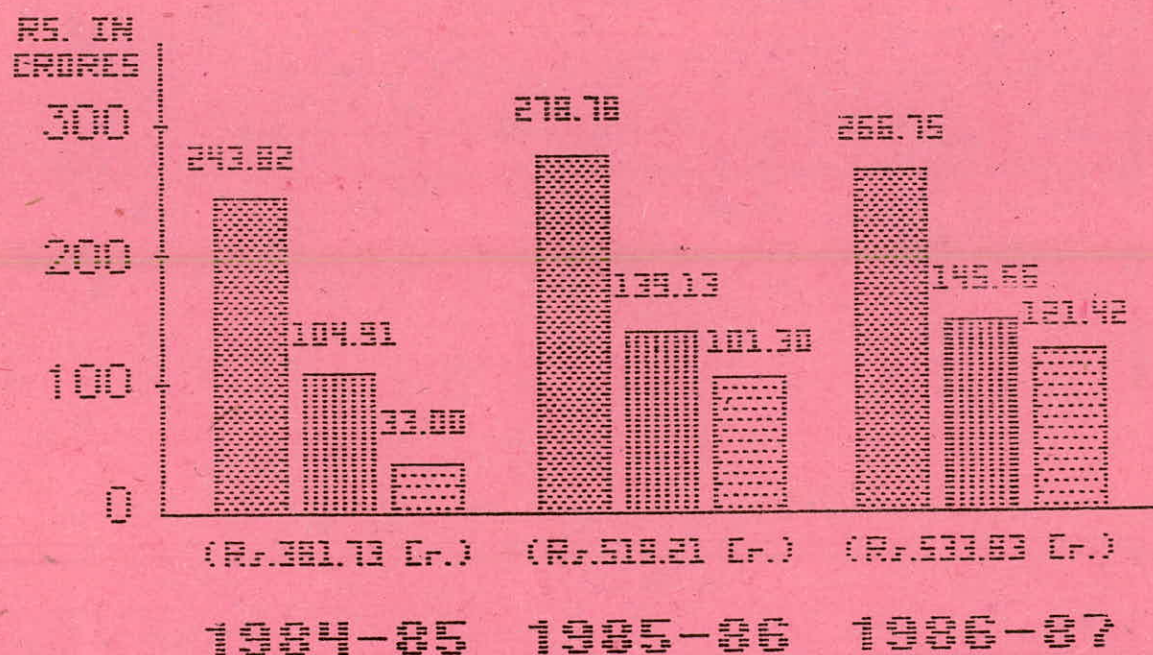
- (i) Chapter 1 contains an "Overview" of the material contained in the Report.
- (ii) Chapter 2 refers to the trend of revenue receipts, classifying them broadly under tax revenue and non-tax revenue, the variations between Budget estimates and the actual receipts under principal heads of revenue, the revenue in arrears for collection and the audit objections and inspection reports outstanding for settlement.
- (iii) In Chapters 3 to 7 are set out some of the interesting irregularities, which came to notice in audit during test check of records relating to Sales Tax, State Excise, Taxes on Vehicles, Passengers and Goods, Forest Receipts and Other Tax and Non-tax Receipts.

CHAPTER 1

OVERVIEW

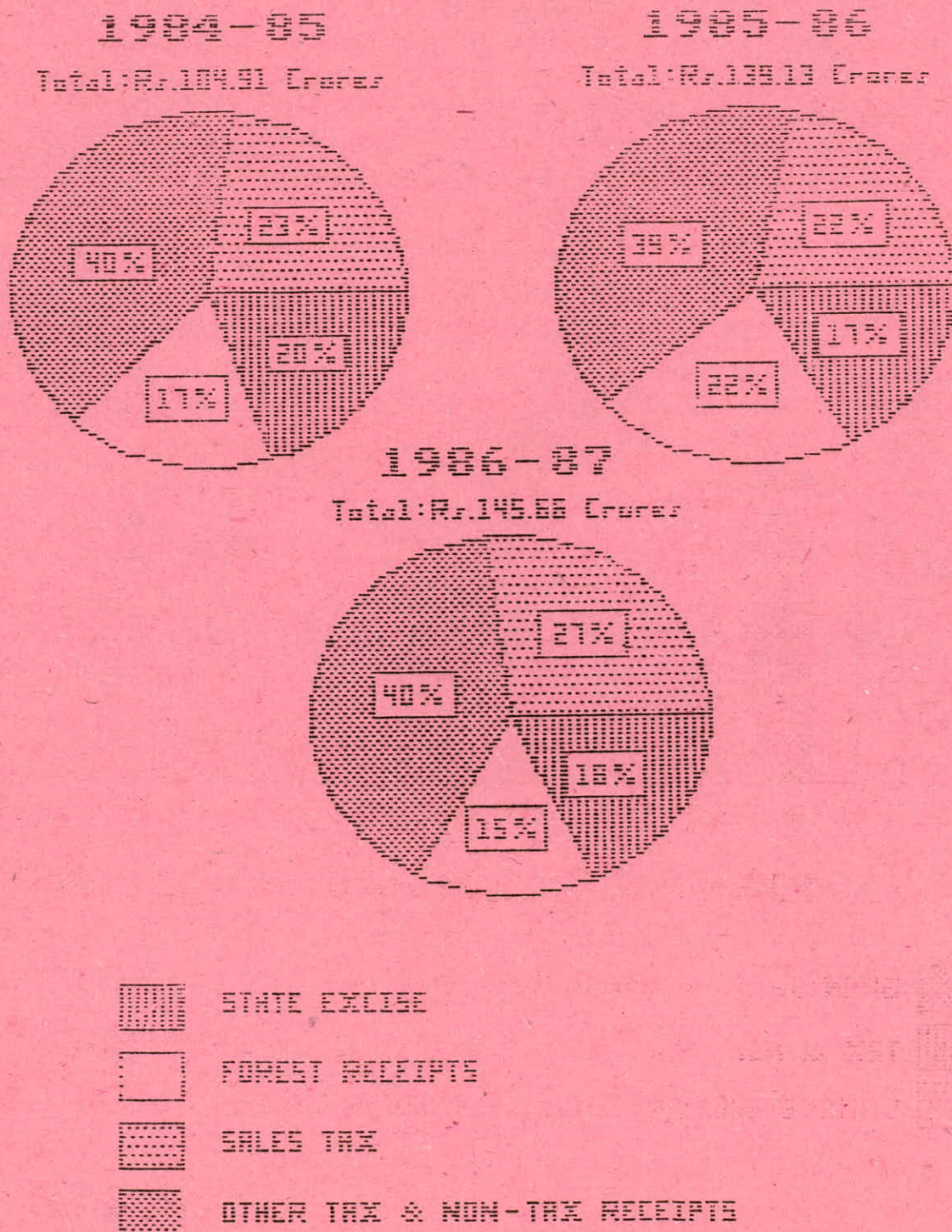
1.1 General

1.1.1 The trend of revenue receipts of the Government of Himachal Pradesh is indicated in the following diagram:



(Para 2.1)

1.1.2 The proportion of Sales Tax, State Excise, Forest Receipts and Other Tax and Non-Tax Receipts to the total revenue raised by the State Government are depicted below:



1.1.3 Sales tax assessment cases pending finalisation at the end of the year 1986-87 went upto 27,623 as compared to 23,741 pending at the beginning of the year. (Para 2.4)

1.1.4 The arrears of revenue pending collection as on 31st March 1987 amounted to Rs. 22.32 crores, of which Rs. 14.82 crores pertained to the Forest department. (Para 2.6)

1.1.5 6,514 audit objections involving revenue amounting to Rs. 39.64 crores in respect of audits completed upto 31st March 1987 were pending settlement as on 30th September 1987. Of this, 790 audit objections involving revenue amounting to Rs. 21.53 crores pertained to the Forest department alone. (Para 2.8)

1.2 Sales Tax

1.2.1 Interest amounting to Rs. 12.22 lakhs for belated payments of sales tax was not levied in 1,441 cases. On this being pointed out in audit, the department raised demands of Rs. 1.58 lakhs in 277 cases, of which a sum of Rs. 1.21 lakhs has since been recovered in 268 cases (November 1987). (Paras 3.2.4, 3.2.5, 3.2.6)

1.2.2 In four districts, concessional rate of sales tax was charged from seven industrial units even though the units were not eligible for the concession. This resulted in sales tax being under-assessed by Rs. 24.26 lakhs. (Para 3.3)

1.2.3 In Solan and Bilaspur districts, three bogus dealers evaded sales tax amounting to Rs. 11.39 lakhs. Of these, in one case, the department raised demands of Rs. 7.28 lakhs making an ex-parte assessment. (Para 3.4)

1.2.4 In seven districts, department's failure to detect suppression of purchases/sales by 29 dealers resulted in tax/penalty being under-assessed by Rs. 8.61 lakhs. On this being pointed out in audit, the department raised demands of Rs. 1.90 lakhs in respect of 13 dealers, out of which a sum of Rs. 0.70 lakh has since been recovered (November 1987). (Para 3.5)

1.3 State Excise

1.3.1 In a bottling plant-cum-distillery and a brewery in Una district, on spirit lost in the process of redistillation during the years 1984-85 and 1985-86, excise duty amounting to Rs. 7,51,754 was leviable, but was not levied. (Para 4.2)

1.4 Taxes on vehicles, passengers and goods

1.4.1 In respect of 68 private transport vehicles, in eight districts, which were registered with the Transport Department but were not got registered with the Excise and Taxation department, goods tax amounting to Rs. 1.11 lakhs remained unpaid. The omission was not detected by the department. Penalty upto Rs. 1,66,500 could also be levied for failure to get the vehicles registered with the Excise and Taxation department, (Para 5,2)

1.5 Forest Receipts

1.5.1 During the years 1982-83 to 1985-86, 7,57,793 cubic metres of timber valuing Rs. 30.40 crores (at lease/market rates) was supplied by the Forest department for Rs. 3.97 crores (at subsidised rates) for making available fruit packing cases to fruit growers. This entailed a subsidy of Rs. 26.43 crores. But the department did not know whether all the timber supplied at subsidised rates was used for manufacture of packing cases and also whether the rate of packing cases charged by the saw-millers from the fruit growers was not in excess of the rate fixed by Government, (Para 6,2,4)

1.5.2 In Solan forest division, 9,501 cubic metres of timber was supplied by the Forest department to saw-millers at concessional rates for manufacturing packing cases, which were supplied to vegetable growers, who were not entitled for the same. This resulted in loss of revenue amounting to Rs. 43.10 lakhs, (Para 6,2,6)

1.5.3 Due to application of incorrect rates of royalty for timber supplied to the State Forest Corporation for conversion into geltus required for manufacturing fruit packing cases, the royalty was charged short by Rs. 30.17 lakhs, (Para 6,2,7)

1.5.4 Royalty for timber supplied to the State Forest Corporation was charged short by Rs. 16.45 lakhs, as royalty for the whole timber was incorrectly charged at the lower rates applicable for the timber meant for conversion into geltus, instead of charging royalty for the timber exploited by the Corporation for other commercial purposes at normal lease rates, (Para 6,2,8)

1.5.5 In four forest divisions, the price of trees amounting to Rs. 11.33 lakhs had not been demanded from the Corporation. On the omissions being pointed out in audit, demands for Rs. 7.27 lakhs

were raised. (Paras 5.4(i), 5.4(iii) and 5.5(vi))

1.5.6 In four forest divisions, extension fee amounting to Rs. 6.66 lakhs, leviable for working forest lots beyond the stipulated lease period, was not demanded from the State Forest Corporation. On the omissions being pointed out in audit, demand for the entire amount of Rs. 6.66 lakhs was raised by the department. (Para 5.5)

1.5.7 In four forest divisions, application of incorrect rates resulted in royalty on timber/resin blazes being recovered short by Rs. 43.39 lakhs from the State Forest Corporation. On the mistake being pointed out in audit, demand for Rs. 7.20 lakhs was raised by the department. (Paras 5.6(i) and (ii), 5.7(i) and (ii))

1.5.8 In four forest divisions, Government lost revenue amounting to Rs. 16.98 lakhs due to failure of the department to take timely action to dispose of salvage lots. (Para 5.8)

1.6 Other Tax and Non-tax Receipts

Land Revenue

1.6.1 In Solan district, local rate amounting to Rs. 1,20,536 recoverable from land holders, was left uncollected. On the omission being pointed out in audit, an amount of Rs. 96,453 was recovered and deposited into treasury. (Para 7.2)

Mineral Receipts

1.6.2 Delay in approval of the Himachal Pradesh Minerals (Vesting of Rights) Bill, 1983, deprived the Government of net revenue of Rs. 21.40 lakhs per annum as the minerals in the lands of private owners could not be vested in the State Government till the bill was assented to by President in July 1987. (Para 7.8.4)

Fishery Receipts

1.6.3 Delay in construction of fish seed farm at Milwan resulted in under-stocking of fingerlings in Pong Dam reservoir. Had stocking been done as planned by the department, the production of fish during the years 1981-82 to 1985-86 could have been 38,790 metric tonnes more, and the Government would have realised Rs. 479.67 lakhs extra as royalty. (Para 7.9.4)

CHAPTER 2

GENERAL

2.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Himachal Pradesh during the year 1986-87, the share of taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below :-

	1984-85	1985-86	1986-87
	(In crores of rupees)		
I. Revenue raised by the State Government			
(a) Tax revenue	61.34	73.65	92.40
(b) Non-tax revenue	43.57	65.48	53.26
Total	104.91	139.13	145.66
II. Receipts from the Government of India			
(a) State's share of divisible Union Taxes	33.00	101.30	121.42
(b) Grants-in-aid	243.82	278.78	266.75
Total	276.82	380.08	388.17
III. Total receipts of the State Government (I and II)	381.73	519.21	533.83
IV. Percentage of I to III	27	27	27

(1) The details of the tax revenue raised during the year 1986-87, alongside figures for the preceding two years, are given below:-

	1984-85	1985-86	1986-87	Percentage of increase(+) in 1986-87 over 1985-86
	(In crores of rupees)			
1. Sales Tax	24.23	30.30	39.85	(+)32

	1984-85	1985-86	1986-87	Percentage of increase(+) or decrease(-) in 1986-87 over 1985-86
(In crores of rupees)				
2.State Excise	20.53	23.18	26.49	(+)14
3.Taxes on Goods and Passengers	7.33	8.62	11.50	(+)33
4.Stamps and Registr- ation fees	3.04	3.83	4.33	(+)13
5.Taxes on vehicles	2.25	2.53	2.90	(+)15
6.Land Revenue	0.47	0.47	0.47	..
7.Other Taxes and Duties	3.49	4.72	6.86	(+)45
Total	61.34	73.65	92.40	(+)25

(11) The details of the non-tax revenue realised during the year 1986-87, alongside figures for the preceding two years, are given below :-

	1984-85	1985-86	1986-87	Percentage of increase(+) or decrease(-) in 1986-87 over 1985-86
(In crores of rupees)				
1.Forest	18.07	30.90	21.37	(-)31
2.Interest	1.87	3.89	4.53	(+)16
3.Water and Power Development	1.79	0.10
4.Agriculture(including Horticulture)	1.02	1.28	1.37	(+) 7
5.Mines and Minerals	0.90	1.00	1.50	(+)30
6.Education	0.54	0.85	0.87	(+) 2
7.Others	19.38	27.30	23.62	(-)13
Total	43.57	65.48	53.26	(-)19

2.2 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1986-87 and the actual receipts under the principal

heads are given below :-

Head of revenue	Budget	Actual	Variation	Percentage of
	estimates	receipts	increase(+) shortfall(-)	variation
(In crores of rupees)				
1. Sales Tax	35.65	39.85	(+)4.20	(+)12
2. State Excise	24.53	26.49	(+)1.96	(+) 8
3. Taxes on Goods and Passengers	10.90	11.50	(+)0.60	(+) 5
4. Stamps and Registration Fees	3.38	4.33	(+)0.95	(+)28
5. Taxes on Vehicles	3.00	2.90	(-)0.10	(-) 3
6. Land Revenue	0.53	0.47	(-)0.06	(-)11
7. Other Taxes and Duties	5.17	6.86	(+)1.69	(+)33
8. Forest	17.00	21.37	(+)4.37	(+)26
9. Interest	3.75	4.53	(+)0.78	(+)20
10. Agriculture (including Horticulture)	0.92	1.37	(+)0.45	(+)49
11. Mines and Minerals	0.90	1.50	(+)0.60	(+)67
12. Education	0.62	0.87	(+)0.25	(+)40

The increase of 26 per cent in forest receipts was reported by the Forest department to be due to recoveries of outstanding dues from the ^{state} Forest Corporation.

The reasons for variations between the Budget estimates and the actuals called for in November 1987 have not been received from other departments (January 1988).

2.3 Cost of collection

Expenditure incurred on collection of the major revenue receipts during the year 1986-87 and in the preceding two

years is given below :-

Head of revenue	Year	Gross collection (Rupees in lakhs)	Expenditure on collection	Percentage of expenditure to gross collection
1. Sales Tax	1984-85	2423.37	47.170	2
	1985-86	3030.19	59.4200	2
	1986-87	3985.30	68.8100	2
2. State Excise	1984-85	2052.60	39.960	2
	1985-86	2318.06	46.3200	2
	1986-87	2649.30	45.7500	2
3. Taxes on Goods and Passengers	1984-85	733.08	14.270	2
	1985-86	861.89	16.8800	2
	1986-87	1149.83	19.8500	2
4. Stamps and Registration Fees	1984-85	304.04	14.54*	5
	1985-86	383.36	14.69*	4
	1986-87	432.66	17.06*	4
5. Taxes on vehicles	1984-85	225.25	8.62*	4
	1985-86	252.93	9.22*	4
	1986-87	289.55	9.59*	3
6. Land Revenue	1984-85	46.91	556.57*	1,186
	1985-86	47.16	639.87*	1,357
	1986-87	46.75	688.90*	1,474
7. Forest	1984-85	1806.72	45.78	3
	1985-86	3098.35	49.50	2
	1986-87	2136.66	56.51	3

00 Represent pro-rata basis figures as intimated by the department in July 1986.

00 Figures for 1985-86 and 1986-87 are tentative.

*In the Revenue and Transport Departments, the revenue collecting staff is engaged on other duties also. These departments were requested (June 1985) to work out the cost of collection on a pro-rata basis. This information has not been received (January 1988).

2.4 Arrears in assessment of sales tax cases

As reported by the department, at the beginning of the year 1986-87, 23,741 sales tax assessments were pending finalisation. During the year 27,619 more assessments became due for completion. Out of the total of 51,360 cases, assessments were completed in 23,737 cases, leaving a balance of 27,623 cases pending finalisation at the end of the year 1986-87. The yearwise break-up of the pending cases by reference to the years in respect of which the dealers became due for assessment is as under :-

Number of cases	
1969-70 to 1981-82	4,088
1982-83	2,168
1983-84	3,664
1984-85	5,973
1985-86	11,730
Total	27,623

2.5 Frauds and evasions of tax

According to the information furnished by the Excise and Taxation department, 1,649 cases of frauds and evasion of taxes (Sales Tax:956; State Excise:274; Passengers and Goods Tax:416 and Other Taxes and Duties:3) were detected by the departmental authorities during the year 1986-87. Besides, 1,797 such cases (Sales Tax:709; State Excise:186 and Passengers and Goods Tax: 902) detected in earlier years were pending investigation with the department as at the close of the previous year 1985-86. Out of the total of 3,446 cases, investigations/assessments were completed in 2,162 cases only (Sales Tax: 1,017; State Excise: 458; Passengers and Goods Tax: 684 and Other Taxes and Duties:3) during the year and demands (including penalty) for Rs.3,35,187 (Sales Tax: Rs.2,56,273; State Excise : Rs.31,945; Passengers and Goods Tax : Rs.46,244 and Other Taxes and Duties:Rs.725) raised against the dealers concerned. The remaining 1,284 cases (Sales Tax: 648; State Excise:2 and Passengers and Goods Tax :634) were pending investigation/assessment at the end of the year 1986-87.

2.6 Uncollected revenue

As on 31st March 1987, arrears of revenue pending collection under principal heads of revenue, as reported by the

departments, were as under :-

Sl. Head of No. Revenue	Arrears pending collec- tion	Arrears more than five years old	Remarks
(Rupees in lakhs)			
1. Forest	1482.20	266.80	Out of Rs.1482.20 lakhs, demands for Rs.148.69 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.80.63 lakhs were stayed by the Courts. Demands for Rs.1.45 lakhs were likely to be written off. The remaining arrears of Rs.1251.43 lakhs were at other stages of action.
2. Sales Tax	403.55	43.80	Out of Rs.403.55 lakhs, demands for Rs.18.42 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.9.16 lakhs and Rs.25.14 lakhs had been stayed by the Courts and Government respectively. Recoveries amounting to Rs.0.10 lakh were held up due to insolvency of the dealers. Recoveries amounting to Rs.6.20 lakhs were held up due to rectification/review applications. Demands for Rs.0.11 lakh were likely to be written off. The remaining arrears of Rs.344.42 lakhs were at other stages of action.
3. State Excise	44.76	28.22	Out of Rs.44.76 lakhs,

Sl. Head of No. Revenue	Arrears pending collec- tion	Arrears more than five years old	Remarks
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(Rupees in lakhs)

demands amounting to Rs.24.95 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.1.50 lakhs and Rs.0.15 lakh had been stayed by the Courts and Government respectively. Recoveries of Rs.0.07 lakh were held up due to insolvency of the dealers. Demands amounting to Rs.4.16 lakhs were likely to be written off. Demands for Rs.13.93 lakhs were at other stages of action.

4. Taxes on
Goods and
Passengers

28.50 5.30

Out of the arrears of Rs.28.50 lakhs, demands for Rs.0.52 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.0.10 lakh had been stayed by the Courts. Demands for Rs.0.57 lakh were likely to be written off. The remaining arrears of Rs.27.31 lakhs were at other stages of action.

Sl.Head of No.Revenue	Arrears pending collec- tion	Arrears more than five years old	Remarks
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(Rupees in lakhs)

5. Land Revenue	43.89*	15.72*	Information has not been received.
6. Industries (including village and small scale industries)	35.88	6.65	Out of the total arrears of Rs.35.88 lakhs, demands for Rs.2.89 lakhs had been certified for recovery as arrears of land revenue. Demands for Rs.8.83 lakh were likely to be written off. The remaining arrears of Rs.32.88 lakhs were at other stages of action.
7. Mines and Minerals	14.88	6.33	Out of the total arrears of Rs.14.88 lakhs, demands for Rs.5.35 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.4.15 lakhs had been stayed by the Courts. Demands for Rs.8.11 lakh were likely to be written off. The remaining arrears of Rs.4.47 lakhs were at other stages of action.

* Excludes figures in respect of Mandi division, which have not been received (January 1988).

Sl. Head of No. Revenue	Arrears pending more than collec- five years tion old	Arrears	Remarks
(Rupees in lakhs)			
8. Police	22.37	..	Out of Rs.22.37 lakhs, a sum of Rs.2.30 lakhs was recovered in April 1987. The remaining amount of Rs.20.07 lakhs was recoverable from Government departments/undertakings/autonomous bodies on account of police guard supplied during the year 1986-87.
9. Public Works	136.46	20.26	Out of the total arrears of Rs.136.46 lakhs, demands for Rs.11.40 lakhs had been certified for recovery as arrears of land revenue. The remaining arrears of Rs.125.06 lakhs (water charges:Rs.98.81 lakhs and Abiana charges: Rs.26.25 lakhs) were at other stages of action.
10. Taxes and duties on Electricity	19.46	..	The arrears pertained for the period 1st April 1986 to 30th September 1986 and were recoverable from the Himachal Pradesh State Electricity Board. The information regarding the arrears for the period October 1986 to March 1987 has not been received (January 1988).

S1. Head of No. Revenue	Arrears pending collect- ion	Arrears more than five years old	Remarks
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(Rupees in lakhs)

11. Others	3.01
Total	2232.48		

2.7 Remissions and writes off of revenue

In the Excise and Taxation department, the following demands were written off during the year 1986-87, as reported by the department :-

	Number of cases	Amount of losses and irrecoverable revenue written off (Rupees)
1. State excise	57	4,65,774
2. Sales tax	14	37,314

In the Revenue department, land revenue amounting to Rs. 4,44,512 was remitted during the year 1986-87 on account of damage to crops.

2.8 Outstanding inspection reports and audit objections

(i) Audit objections on incorrect assessments, short levy of taxes, duties, fees, etc., as also defects in initial accounts noticed during audit and not settled on the spot are communicated to heads of offices and other departmental authorities through inspection reports. The more important irregularities are reported to the heads of departments and Government. The heads of offices are requested to furnish replies to the inspection reports through the respective heads of departments within a period of two months.

(ii) The number of inspection reports and audit objections relating to revenue receipts in respect of audits completed upto 31st March 1987, which were pending settlement by the departments

*Excluding Mandi division, in respect of which information has not been received (January 1988).

as on 30th September 1987, alongside corresponding figures for the preceding two years, is given below:-

	At the end of September		
	1985	1986	1987
Number of inspection reports pending settlement	1,719	1,848	1,869
Number of outstanding audit objections	6,891	6,838	6,514
Amount of revenue involved (In crores of rupees)	46.30	35.64	39.64

(iii) Yearwise break-up of the outstanding inspection reports and audit objections is given below:-

Year (in which inspection reports were issued)	Number of outstanding		Amount of receipts involved (In crores of rupees)
	inspection reports	audit objections	
upto 1982-83	884	2,347	9.56
1983-84	173	581	8.47
1984-85	215	813	6.56
1985-86	218	897	6.92
1986-87	379	1,876	8.13
Total	1,869	6,514	39.64

Note:- Figures in the table have been shown according to the year of issue of inspection reports.

(iv) Department-wise break-up of inspection reports and audit objections outstanding as on 30th September 1987, is

given below:-

Department Number of Number Amount Years to which Number
inspection of of rec-objections of inspection reports audit eipts relate
outstand- objec- invol- tions ved(In outst- crores anding of
ing
which even first rep- lies had not been received

1. Revenue	571	1,907	3.29	1972-73 to	1986-87	84
2. Forest	205	790	21.53	1967-68 to	1986-87	18
3. Excise and Taxation	408	1,811	8.90	1970-71 to	1986-87	57
4. Transport	261	730	3.35	1971-72 to	1986-87	22
5. Other departments (Public works, Agriculture, Horticulture, Co-operation, Food and Supplies and Soil Conserva- tion)	424	1,276	2.57	1976-77 to	1986-87	69
Total	1,869	6,514	39.64			250

CHAPTER 3

SALES TAX

3.1 Results of Audit

Test check of sales tax assessments and other records, conducted in audit during the year 1986-87, revealed under-assessments of tax amounting to Rs. 66.59 lakhs in 337 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Incorrect grant of exemptions from tax	22	10.92
2. Application of incorrect rates of tax	19	0.35
3. Incorrect computation of turnover	131	35.53
4. Non-levy of interest	108	6.82
5. Other irregularities	57	13.77
Total	337	66.59

The above position was reported to the department and Government in September 1987; their replies have not been received (January 1988).

Some of the important cases are mentioned in the following paragraphs.

3.2 Non-levy/short levy of interest

3.2.1 Introductory

In paragraph 2.7 of the Audit Report on Revenue Receipts for the year 1976-77, absence of provisions in the Himachal Pradesh General Sales Tax Act, 1968 for levy of interest on belated payments was pointed out. In June 1979, a new section 17-A, effective from 1st April 1979, was inserted for levying interest on belated payments of tax/penalty. Under the Central Sales Tax Act, 1956, the provisions of the general sales tax law of the State relating to charging or payment of interest also apply to the belated payments under the Central Act.

3.2.2 Scope of audit

The observations in the succeeding paragraphs are based on points noticed during test check of assessment records of all the assessing authorities in the State conducted and reviewed to see whether interest had been correctly levied when tax was not paid alongwith returns or within the periods specified in the demand notices.

3.2.3 Highlights

The important points brought out in the Report are as under:-

(i) In 313 cases, in which the dealers were liable to pay interest on tax amounts not paid in time, interest amounting to Rs. 3.30 lakhs was either not demanded or was demanded short.

(ii) In 1,128 cases, interest amounting to Rs.8.92 lakhs was chargeable on belated payments of additional demands, raised in assessments finalised during the years 1980-81 to 1985-86, but it was not charged.

(iii) On the non-levy/ short levy being pointed out in above cases, the department raised demands for Rs.1.58 lakhs in 277 cases, of which a sum of Rs.1.21 lakhs has since been recovered (November 1987).

3.2.4 Non-levy/short levy of interest on belated payments of tax

Under Section 17-A(1) of the Himachal Pradesh General Sales Tax Act, 1968, if a dealer fails to pay the amount of tax due from him under the Act by the stipulated date, he is, in addition to the amount of tax due, liable to pay simple interest at the rate of one per cent per month for a period of one month from the date immediately following the last date for submission of return and at the rate of one and a half per cent per month thereafter so

long as the default continues. It has been held judicially* that either by delaying the filing of the return or not filing the return at all or by filing a return wrongly claiming that certain part of turnover is not taxable or by not disclosing a part of the taxable turnover in the return, an assessee cannot escape the liability to pay interest on the amount of tax withheld as a consequence of his own action or inaction from the date immediately following the last date on which it had to be paid.

In 224 cases, relating to all the District Excise and Taxation offices in the State, in which the dealers did not pay the amount of tax due from them by the prescribed date, interest amounting to Rs.2.41 lakhs was either not demanded or was demanded short.

On this being pointed out in audit (between January 1983 and May 1987), the department raised additional demands for Rs.0.94 lakh in 124 cases, out of which a sum of Rs.0.84 lakh had since been recovered (February 1987) in 119 cases. Report on recovery of the balance amount of Rs. 0.10 lakh and action taken in the remaining 100 cases is awaited (January 1988).

3.2.5 Non-charging of interest on belated payments of additional demands

Under Section 17-A (2) of the Himachal Pradesh General Sales Tax Act, 1968, if a dealer fails to pay the amount of additional tax assessed or penalty imposed by the assessing authority, within the period specified in the notice of demand or where no period is specified therein, within 30 days from the service of such notice, the dealer is liable to pay, in addition to the tax or penalty due, simple interest at the rate of one per cent per month for a period of one month and at the rate of one and a half per cent per month thereafter for the remaining period of default.

In 1128 cases, relating to all the District Excise and Taxation Offices in the State, it was noticed that interest amounting to Rs.8.92 lakhs was chargeable on belated payments of additional demands, raised in assessments finalised during the

*Associated Cement Co.Ltd.V.Commercial Tax Officer,Kota and others (1981) 48 STC 466 S.C.

years 1980-81 to 1985-86, but it was not charged.

On the failure being pointed out in audit (between November 1981 and May 1987), the department raised demand for Rs.0.62 lakh in 148 cases, out of which a sum of Rs.0.35 lakh had since been recovered (February 1987) in 144 cases. Report on recovery of the balance amount of Rs.0.27 lakh and action taken in the remaining 980 cases is awaited (January 1988).

3.2.6 Interest not charged under the Central Sales Tax Act

The provisions for charging interest contained in the Himachal Pradesh General Sales Tax Act, 1968 are also applicable to the cases of belated payments of tax and penalties under the Central Sales Tax Act, 1956.

In Hamirpur, Kangra, Mandi, Sirmaur, Solan and Una districts, in 89 cases where the dealers did not deposit the tax due alongwith returns filed between April 1979 and April 1986 or where the amount of additional tax assessed or penalty imposed by the assessing authority in assessments finalised during the years 1980-81 to 1985-86 was not deposited within the specified time, interest amounting to Rs.0.89 lakh was chargeable, but was not charged.

On the failure being pointed out in audit (between December 1981 and April 1987), the department raised demands for Rs.1,506 in 5 cases which had since been recovered (February 1987). Report on action taken in the remaining 84 cases is awaited (January 1988).

The above findings were reported to Government in July 1987; their reply has not been received (January 1988).

3.3 Short levy due to incorrect application of concessional rate of tax

(1) Under the Himachal Pradesh General Sales Tax Act, 1968, small scale industrial units are eligible for certain concessions in tax. A small scale industrial unit is one in which the capital investment (in plant and machinery) is not more than Rs.7.5 lakhs. As per the Central Sales Tax Act, 1956, on inter-State sale of goods made by one registered dealer to another registered dealer and supported by prescribed declarations, tax is leviable at the rate

of 4 per cent. However, on inter-State sale of goods (other than declared goods) made to unregistered dealers, tax is leviable at the rate of 10 per cent or at the rate applicable to the sale or purchase of such goods inside the State, whichever is higher.

(a) On inter-State sales amounting to Rs.169.38 lakhs made during the years 1982-83 and 1983-84 by an industrial unit in Solan district, tax was levied (September 1985) at the concessional rate of 2 per cent. The concession allowed was incorrect, as the unit was not eligible to be classified as a small scale industrial unit, because of its investment in plant and machinery being more than Rs.7.5 lakhs. The tax was, therefore, leviable at the rate of 10 per cent (in the absence of prescribed declarations). The incorrect grant of concessional rate resulted in tax being levied short by Rs.13.55 lakhs.

Similarly, on local sales amounting to Rs.1.67 lakhs, made by the industrial unit during the years 1982-83 and 1983-84, tax was erroneously levied at the concessional rate of 2 per cent, instead of at the full rate of 7 per cent. The mistake resulted in tax being levied short by Rs.0.09 lakh (including surcharge).

(b) In Sirmaur district, local sales of stainless steel strips (patti) amounting to Rs.182.93 lakhs made during the years 1984-85 and 1985-86 by an industrial unit were exempted from levy of tax. The exemption allowed was incorrect, as the unit was not eligible to be classified as a small scale industrial unit (its investment in plant and machinery being more than Rs.7.5 lakhs as noticed in audit from the schedule of fixed assets filed by the unit with the assessing authority). The incorrect grant of exemption resulted in non-levy of tax amounting to Rs.7,31,701.

Further, on inter-State sales of stainless steel patti (supported by declarations in "C" forms) amounting to Rs.20.55 lakhs made by the said unit to certain registered dealers during the years 1984-85 and 1985-86, tax was erroneously levied at concessional rate of 1 per cent, instead of at the correct rate of 4 per cent. The mistake resulted in tax being levied short by Rs.61,655.

(c) In Sirmaur, local sales of stainless steel strips (patti) and brass sheets amounting to Rs.71,803 and Rs.21,16,985, made by an industrial unit during the years 1983-84 and 1984-85 respectively, were exempted from levy of tax, considering the unit as a small scale industrial unit. A scrutiny in audit of the profit

and loss account filed by the unit with the assessing authority, revealed that the unit had claimed investment allowance amounting to Rs.4,40,000 on account of installation of plant and machinery during the accounting year from 1st July 1982 to 30th June 1983. Therefore, the investment in plant and machinery by the unit was to the tune of Rs.17,60,000 (four times the amount of investment allowance as per provisions in the Income Tax Act, 1961). As such, the unit was not eligible to be classified as a small scale industrial unit, its investment in plant and machinery being more than Rs.7.5 lakhs. The incorrect grant of exemption resulted in non-levy of tax amounting to Rs.87,552.

The above mistakes were pointed out in audit in October 1986 and February 1987; reply of the department has not been received (January 1988).

The above cases were reported to Government in December 1986 and April 1987; their reply has also not been received (January 1988).

(11) As per Government notification issued in July 1978, under the provisions of the Central Sales Tax Act, 1956, on inter-State sales of goods made by small scale industrial units to registered dealers, tax is leviable at the rate of one per cent during the first five years and at the rate of two per cent during the next span of five years, subject to declarations being furnished in prescribed form. On inter-State sales of goods by such units made to Government departments, tax is leviable at four per cent, subject to production of certificate in form "D".

(a) In Solan district, inter-State sales of goods valuing Rs.36.03 lakhs were made, out of those produced in a small scale industrial unit, to Government departments during the year 1982-83. Tax was erroneously levied (August 1986) at the rate of one per cent applicable to sales to registered dealers as against rate of four per cent chargeable from Government departments. The mistake resulted in tax being levied short by Rs.1.08 lakhs.

The mistake was pointed out in audit in October 1986; reply of the department has not been received (January 1988).

(b) In Kangra, inter-State sales of nails, galvanised iron wires and barbed wires amounting to Rs.13,07,112 were made, out of those produced in a small scale industrial unit, to Government departments against the prescribed declaration forms during the year 1983-84. Tax was erroneously levied (July 1986) at

the rate of one per cent and two per cent, instead of at four per cent for the periods from 1st April 1983 to 9th July 1983 and 10th July 1983 to 31st March 1984, respectively. The mistake resulted in short levy of tax by Rs.29,390.

The short levy was pointed out in audit in December 1986; reply of the department has not been received (January 1988).

(c) In Kullu, inter-State sales of goods valuing Rs.7,52,581 were made, out of those produced in a small scale industrial unit, to Government departments against the prescribed declaration forms during the years 1980-81 to 1982-83. Tax was erroneously levied (June 1985) at the rate of one per cent, instead of at three per cent (rate of tax leviable in the State). The mistake resulted in tax being levied short by Rs. 17,309 (including surcharge).

The mistake was pointed out in audit in July 1986; reply of the department has not been received (January 1988).

The above cases were reported to Government between October 1986 and March 1987; their reply has also not been received (January 1988).

(iii) As per a notification issued by Government on 5th July 1978, small scale industrial units enjoying tax holiday, available for a period of five years under an earlier notification, were made liable to pay tax on their products at the concessional rate of 2 per cent or 3 per cent for the remaining period of tax holiday and at 4 per cent or 5 per cent for the next span of five years.

In Solan, on sales amounting to Rs.11,65,446, made during the year 1981-82, by a small scale industrial unit, which had gone into production with effect from 1st November 1974, tax was erroneously levied (April 1985) at the concessional rate of two per cent, instead of at the correct rate of four per cent. The mistake resulted in tax being levied short by Rs.25,640, including surcharge.

The mistake was pointed out in audit in October 1986; reply of the department has not been received (January 1988).

The case was reported to Government in December 1986; their reply has also not been received (January 1988).

3.4 Evasion of tax by bogus dealers

Under the Himachal Pradesh General Sales Tax Rules, 1970 and the departmental instructions of April 1978, the appropriate assessing authority, before registering a dealer, shall satisfy itself after making any enquiry that it may think necessary, that the applicant is a bona fide dealer and has correctly given all the requisite information. The assessing authority shall register the dealer and issue a certificate of registration which shall be valid from the date of receipt of application for registration or from the date of commencement of the liability to pay tax, whichever is later.

(1) In Solan, a dealer was granted registration certificate in February 1985 with liability to pay tax with effect from 6th December 1984. He filed monthly returns upto May 1985 showing gross turnover of Rs. 13.18 lakhs only (1984-85: Rs. 5.76 lakhs and 1985-86: Rs. 7.42 lakhs) and paid tax thereon. In March 1985, the Enforcement Wing of the department conveyed its apprehension to the assessing authority that the dealer might be a bogus one. Subsequent enquiry made (November 1985) by assessing authority revealed that the dealer was untraceable. By cross linking records of other registered dealers in the State, it was seen in audit that this dealer had made local purchases of tyres and tubes valuing Rs. 55.30 lakhs without payment of tax during the years 1984-85 and 1985-86 (1984-85: Rs. 27.63 lakhs and 1985-86: Rs. 27.67 lakhs). The sale value of the purchases worked out to Rs. 60.83 lakhs (after adding 10 per cent towards profit margin and freight). The dealer suppressed sales at least amounting to Rs. 47.65 lakhs (Rs. 60.83 lakhs minus Rs. 13.18 lakhs) on which tax amounting to Rs. 5.24 lakhs was leviable. The department had recovered (May 1986) a sum of Rs. 0.50 lakh from the sureties, balance of Rs. 4.74 lakhs (Rs. 5.24 lakhs minus Rs. 0.50 lakh) remained unrecovered.

The loss of revenue was pointed out in audit in October 1986; reply of the department has not been received (January 1988).

The case was reported to Government in December 1986; their reply has also not been received (January 1988).

(11) In Solan, a dealer (registered during the year 1981-82) purchased watches valuing Rs. 12.00 lakhs against "C" forms in the month of March 1984 as noticed in audit by linking sales tax accounts of another dealer of Chandigarh Union Territory. During the year 1983-84, the dealer (of Solan) filed only one return for

the quarter ending 30th June 1983 in which he disclosed gross turnover of Rs.2,894, involving sales tax of Rs.318 which had been paid by him alongwith return. In response to seven notices for assessment for the year 1982-83 issued between December 1983 and June 1984, the dealer appeared before the assessing authority on 30.6.1984, but the case had to be adjourned to 5.7.1984 as the dealer had not brought his books of account. The dealer did not turn up on 5.7.1984. Subsequently, three notices were issued in April, May and July 1985, which could not be served on the dealer. The notices issued at the permanent address of the dealer could also not be served upon him. In October 1985, the assessing authority informed the Excise and Taxation Commissioner that the dealer was a bogus one and had closed down his business and had become untraceable, as the notices could not be served even at his permanent address. The Government lost sales tax at least amounting to Rs.1,45,200 on the turnover of Rs.13.20 lakhs (Rs.12.00 lakhs being the value of the watches purchased in March 1984 plus Rs.1.20 lakhs, being ten per cent towards profit margin and incidental charges).

On the loss being pointed out in audit in October 1986, the Assistant Excise and Taxation Commissioner, Solan stated (August 1987) that on ex-parte assessment of the case, an additional demand for Rs.7,27,850 (including penalty and interest) had since been created (April 1987). Report on recovery is awaited (January 1988).

The case was reported to Government in December 1986; their reply has not been received (January 1988).

(iii) In Bilaspur, it came to the notice of the department in June 1984 that a watch dealer had purchased watches valuing Rs.42,99,143 in the month of March 1984 from a dealer of Solan district against declaration forms without payment of tax. The assessing authority's efforts to contact the dealer in person and to serve notices upon him to finalise the assessment remained in vain as the dealer could not be traced. The landlord of the premises, stated to be taken on rent by the dealer for running the business, denied having rented the premises to him and expressed non-acquaintance with him. The dealer could also not be traced at the permanent address given by him in the application for registration. Ultimately, in November 1985, the assessing authority declared the dealer untraceable and consequently the department lost sales tax amounting to Rs. 5,20,169 (including surcharge) on the turnover of Rs. 47,29,057 (after adding 10 per cent towards profit and incidental charges).

On this being pointed out in audit in September 1986, the department stated (January 1987) that a case for cancellation of registration certificate of the dealer was under consideration and that the declarations furnished by the dealer to the selling dealer of Solan district (from whom the watches had been purchased) would be rejected while assessing the selling dealer, because watches had actually not been delivered to the purchasing dealer. Report on further development of the case is awaited (January 1988).

The case was reported to Government in November 1986; their reply has not been received (January 1988).

3.5 Evasion of tax as a result of suppression of purchases/sales

Under the Himachal Pradesh General Sales Tax Act, 1968, a registered dealer can purchase goods from another registered dealer without payment of tax, subject to his furnishing a declaration in the prescribed form. As per departmental instructions issued in April 1978, the assessing authorities are required to cross-check the deductions claimed by the selling dealers on the basis of such declarations with the purchases reflected in the accounts and returns of the purchasing dealers. If a dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay, by way of penalty, (in addition to the tax to which he is assessed), an amount which shall not be less than 10 per cent, but which shall not be more than one and a half times the amount of tax to which he is assessed or is liable to be assessed. With effect from 1st April 1979, if a dealer fails to pay the tax due from him by the prescribed date, he becomes liable to pay interest on the tax due at the rate of one per cent per month for a period of one month and at one and a half per cent per month thereafter, so long as the default continues.

(1) On cross-verification of sales with the purchases, it was seen in audit that in Kinnaur district, four dealers made local purchases of kiriyana goods valuing Rs. 12.06 lakhs during the years 1983-84 and 1984-85, but they accounted for purchases amounting to Rs. 7.40 lakhs only in their books of accounts. The corresponding sale value of the purchases suppressed by them amounted to Rs. 5.12 lakhs (after adding 10 per cent towards profit and freight). Due to the assessing authority's failure to cross-check the sales with the purchases, the suppressed purchases/sales remained undetected, resulting in evasion of tax by Rs. 39,424, calculated at the general

rate of seven per cent plus surcharge at the rate of 10 per cent of the tax due. Minimum penalty amounting to Rs.3,942 was also payable by the dealers for suppression of the turnover.

The failure was pointed out in audit in October 1986; reply of the department has not been received (January 1988).

The case was reported to Government in December 1986; their reply has also not been received (January 1988).

(ii) Cross-verification in audit revealed that in Bilaspur district, a dealer made local purchases of kerosene valuing Rs.1.15 lakhs and Rs.2.00 lakhs during the years 1983-84 and 1984-85 respectively, on the strength of prescribed declarations, without payment of tax. Against these purchases the dealer showed sales of Rs.0.45 lakh during 1983-84 and purchases of Rs.0.93 lakh during 1984-85. The sale value of the unaccounted purchases worked out to Rs.2.00 lakhs (after adding 10 per cent towards profit and freight). The assessing authority's failure to cross-check purchases made by the dealer with declaration forms given to the sellers, resulted in tax being levied short by Rs. 15,400 at the general rate of 7 per cent plus surcharge. Minimum penalty of Rs. 1,540 and interest of Rs. 4,753 (for the period from May 1984 to August 1986) were also leviable.

On the failure being pointed out in audit in September 1986, Government stated (September 1987) that on re-assessment of the case, an additional demand for Rs. 19,227 (Tax:Rs. 13,275; penalty:Rs. 1,400 and interest:Rs. 4,552) had since been raised (December 1986). Of this, an amount of Rs.6,820 had been recovered (January 1987). Report on recovery of the balance amount is awaited (January 1988).

(iii) In Kangra district, a dealer made purchases of aerated water valuing Rs.1,71,316 from a dealer of Una district during the years 1983-84 and 1984-85 as noticed in audit by cross-linking of sales and purchases, but he accounted for purchases amounting to Rs. 41,365 only in his accounts books. The corresponding sale value of the suppressed purchases amounted to Rs. 1,42,946 (after adding 10 per cent towards profit and freight). The assessing authority's failure to cross-check the sales with the purchases resulted in evasion of tax amounting to Rs.15,724 (including surcharge). Minimum penalty amounting to Rs. 1,572 was also leviable.

The failure was pointed out in audit in December 1986; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

(iv) In Una district, assessment of a dealer for the year 1979-80 was finalised (October 1984), based, inter alia, on royalty amounting to Rs. 9,73,340, realised from sale of timber during the year. A scrutiny in audit of supporting document (viz., statement of sales of trees and bamboos) however, revealed that the sales made during the year 1979-80 amounted to Rs. 20,97,711, out of which Rs. 9,73,340 had been realised during the year. The assessing authority's failure to link up the supporting documents and assess all the sales, whether made for cash or deferred payments, resulted in escapement of turnover amounting to Rs. 11,24,371 (Rs. 20,97,711 minus Rs. 9,73,340) from assessment and consequent short levy of tax by Rs. 3,09,202 (including surcharge). The dealer was also liable to pay minimum penalty of Rs. 30,920 for suppression of turnover.

The short levy was pointed out in audit in December 1986; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

(v) In Mandi district, a dealer was found to have suppressed purchases of tyres and tubes amounting to Rs. 3,95,966 during the years 1979-80 to 1982-83. For the suppression of purchases, the Excise and Taxation Officer (Enforcement) levied (July 1984) penalty amounting to Rs. 60,000, but he omitted to re-assess tax on the suppressed turnover, which resulted in non-levy of tax amounting to Rs. 47,912 (including surcharge). Interest amounting to Rs. 14,751 was also leviable on the tax omitted to be assessed.

On the omission being pointed out in audit in January 1986, the department stated (September 1986) that on re-examining the books of accounts and on re-assessment (August 1986) of the case, an additional demand for Rs. 24,488 (Tax: Rs. 13,826 and interest: Rs. 10,662) had since been raised and of this, an amount of Rs. 5,483 had been realised (August 1986). Report on recovery of the penalty (Rs. 60,000) and the balance amount of Rs. 19,005 is awaited (January 1988).

The case was reported to Government in June 1986; their reply has not been received (January 1988).

(vi) In Kinnaur district, assessment of a dealer for the year 1984-85 was completed, based on the purchases (Rs. 1,45,237) indicated by him in his returns and trading account. A scrutiny of declarations in forms ST-XXIV and ST-XXVI-A (barrier chits) placed on record, however, revealed that dealer had effected purchases of Rs. 2,99,615, which was more than that reflected by the dealer in his trading account. The assessing authority's failure to link up these documents (placed on record) with the dealer's trading account resulted in escapement of turnover amounting to Rs. 1,69,816 (after adding 10 per cent towards profit, freight etc.) from assessment and consequent short levy of tax by Rs. 13,076 (including surcharge). The dealer was also liable to pay minimum penalty of Rs. 1,308.

The omission was pointed out in audit in October 1986; reply of the department has not been received (January 1988).

The case was reported to Government in December 1986; their reply has also not been received (January 1988).

(vii)(a) In Mandi, on cross-verification of sales with the purchases, it was noticed in audit that two dealers purchased kerosene valuing Rs. 10,58,924, during the years 1983-84 and 1984-85, without payment of tax by furnishing the prescribed declarations, but they disclosed purchases of Rs. 6,81,096 only in their trading accounts filed by them with the assessing authority, on the basis of which their assessments were finalised in July 1984, February 1985 and February 1986. The corresponding sale value of the suppressed purchases amounted to Rs. 4,15,611 (after adding 10 per cent towards profit, freight, etc.). The department's failure to cross-verify the sales with the purchasing dealers' accounts/returns resulted in the suppression of purchases remaining undetected and tax being levied short by Rs. 32,002. A minimum penalty amounting to Rs. 3,200 was also leviable on the dealers for the suppression.

(b) Similarly, cross-verification in case of another dealer of Mandi revealed that he made local purchases from other dealers of Mandi of certain goods valuing Rs. 3,60,948 during the year 1984-85, but disclosed purchases of Rs. 93,789 only in his trading account, on the basis of which his assessment was finalised in September 1985. The sale value of the suppressed purchases

amounted to Rs.2,93,875 (after adding 10 per cent towards profit, freight, etc.). The assessing authority's failure to cross-check the sales with the purchases resulted in the suppression of purchases remaining undetected and tax being levied short by Rs.10,228. A minimum penalty amounting to Rs.1,023 was also leviable on the dealer for the suppression.

On the mistakes being pointed out in audit in February 1987, Government stated (September 1987) that on re-assessment of the cases, additional demands for Rs.58,517 (including penalty and interest) had since been raised (January to August 1987). Of this, an amount of Rs.29,120 had been recovered (February to September 1987). Report on recovery of the balance amount is awaited (January 1988).

(viii) In Chamba and Kangra, assessments of 5 dealers (Chamba:3 and Kangra:3) for the years 1981-82 to 1984-85 were finalised (between June 1982 and October 1986), based on the purchases amounting to Rs.16,59,326, as indicated by them in their returns and trading accounts. But, it was noticed in audit from the supporting documents, viz., declarations in form "C", ST-XXIV, ST-XXVI-A (barrier chits) and ST-XXVI (delivery notes) that purchases of these dealers actually liable to tax were for Rs.22,30,641. The assessing authorities' failure to link up the supporting documents with the dealers' returns and trading accounts resulted in escapement of turnovers amounting to Rs.6,28,447 (after adding 10 per cent towards profit and freight) and consequent short levy of tax and surcharge amounting to Rs.51,227 (Chamba: Rs.20,136 and Kangra: Rs.31,091).

On the short levy being pointed out in audit in December 1986 and January 1987, the department stated (May and December 1987) that in three cases of Chamba district, an additional demand for Rs.34,449 (including penalty and interest) had since been raised (May 1987). Of this, an amount of Rs.15,905 had been recovered (May, July and October 1987). Report on recovery of the balance amount and action taken in three cases of Kangra district is awaited (January 1988).

The cases were reported to Government in March and April 1987; their reply has not been received (January 1988).

(ix) In Mandi, assessments of 3 dealers for the years 1983-84 and 1984-85 were finalised by the assessing authorities (between August 1984 and September 1985), based on the purchases

amounting to Rs.3,23,288, as disclosed by them in their returns and trading accounts. But it was noticed in audit from the supporting documents, viz., list showing details of purchases, declarations in form ST-XXVI-A (barrier chits) and ST-XXIV that purchases of these dealers actually liable to tax, were for Rs.8,24,845. The assessing authorities' failure to link up the supporting documents and to cross-check the transactions of the selling and the purchasing dealers resulted in escapement of sales turnover amounting to Rs.5,51,713 (after adding 10 per cent towards profit and freight, etc.) and consequent short levy of tax of Rs.31,546 (including surcharge), calculated at the rates of 3 and 7 per cent, as applicable. A minimum penalty of Rs.3,155 was also leviable on the dealers for false and incorrect maintenance of accounts.

On the failure being pointed out in audit in February 1987, Government stated (September 1987) that an additional demand for Rs.38,119 (including penalty and interest) had since been created (January to July 1987). Of this, an amount of Rs.8,200 had been recovered (April to July 1987). Report on recovery of the balance amount is awaited (January 1988).

(x) In Mandi, assessments of a dealer for the years 1980-81 to 1985-86 were finalised (April 1986) by the assessing authority by determining his gross turnover at Rs.1,67,000 (1980-81: Rs.1,40,000 and 1981-82 to 1985-86: Rs.27,000). The registration certificate of the dealer was cancelled with effect from 16th December 1985 on closure of his business and no unsold stock was found left. The dealer did not file any trading account for the years 1980-81 to 1985-86. However, he had filed trading account for the year 1979-80, disclosing therein closing stock valuing Rs.77,840. A cross-linking done in audit revealed that during the year 1980-81, the dealer had purchased tyres and tubes valuing Rs. 2,48,544 from a dealer of Shimla district, without payment of tax, by furnishing the prescribed declarations. The corresponding sale value of purchases worked out to Rs.2,73,398 (after adding 10 per cent towards profit, freight, etc.). The assessing authority's failure to cross-verify the sales made by the selling dealer with the purchasing dealer's accounts/returns resulted in tax amounting to Rs.20,266 not being demanded on the un-accounted turnover of Rs.1,84,238 (Rs.77,840 plus Rs.2,73,398 minus Rs.1,67,000). A minimum penalty of Rs.2,027 was also leviable for non-accountal of the purchases.

The failure was pointed out in audit in February 1987; reply of the department has not been received (January 1988).

The case was reported to Government in April 1987; their reply has also not been received (January 1988).

(xi)(a) During the years 1981-82 to 1984-85, two dealers of Shimla district disclosed in their trading accounts purchases of tyres and tubes valuing Rs.11,88,546, from the registered dealers. A cross-linking in audit of declaration forms and scrutiny of forms ST-XXVI-A (barrier chits), however, revealed that the dealers had purchased tyres and tubes valuing Rs.23,60,038 during the said years. The sale value of the suppressed purchases amounted to Rs.12,88,641 (after adding 10 per cent towards profit and freight, etc.). The assessing authorities' failure to cross-check sales made by the selling dealers with the accounts and returns of the purchasing dealers resulted in evasion of tax amounting to Rs.1,41,751, (including surcharge). A minimum penalty of Rs.14,175 was also leviable for the suppression of purchases.

(b) Similarly, three other dealers of Shimla district disclosed purchases (made from registered dealers) of general goods such as, medicines, baby food, tooth paste etc., valuing Rs.2,71,611, in their trading accounts/returns during the year 1984-85. A cross-linking in audit of declaration forms and scrutiny of forms ST-XXVI-A (barrier chits), however, revealed that the dealers had purchased goods valuing Rs.6,56,848 during the said years. The sale value of the suppressed purchases amounted to Rs.4,23,761 (after adding 10 per cent towards profit, freight etc.). The assessing authorities' failure to cross-check the sales made by the selling dealers with the accounts and returns of the purchasing dealers resulted in evasion of tax amounting to Rs.32,630, (including surcharge). A minimum penalty of Rs.3,263 was also leviable for the suppression of purchases.

The failures to cross-verify the transactions were pointed out in audit in September 1986; reply of the department has not been received (January 1988).

The cases were reported to Government in May 1987; their reply has also not been received (January 1988).

(xii) In Mandi, assessments of two dealers for the years 1982-83 to 1985-86 were completed on the basis of the turnovers indicated by them in their returns and the trading accounts. A cross-linking in audit of purchases made by the dealers, with the sales reflected in the returns of the dealers from whom goods were purchased and scrutiny of other assessment records placed in their files, revealed that purchases/stock amounting to Rs.1,45,345 were disclosed less by the dealers. Thus turnover amounting to

Rs. 1,59,879 (after adding 10 per cent towards profit, freight, etc.) escaped assessments. This resulted in evasion of tax amounting to Rs. 14,477, including surcharge. A minimum penalty of Rs. 1,449 was also leviable on dealers.

On the mistakes being pointed out in audit in February 1987, the department stated (June 1987) that the demand for Rs. 15,810 (including interest and penalty) had since been raised, out of which, a sum of Rs. 6,051 had been recovered. Report on recovery of the balance amount is awaited (January 1988).

The cases were reported to Government in April 1987; their reply has not been received (January 1988).

3.6 Incorrect determination of turnover

Under the Himachal Pradesh General Sales Tax Act, 1968, if a dealer furnishes incorrect return, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed, an amount which shall not be less than 10 per cent, but which shall not exceed one and a half times the amount of tax to which he is assessed or is liable to be assessed.

In Hamirpur, for the years 1981-82 and 1983-84, the gross turnover of a dealer was determined by assessing authority at Rs. 3,67,46,684. It was noticed that as per trading accounts filed by him, the gross turnover for these years worked out to Rs. 3,78,93,279. Thus, turnover amounting to Rs. 11,46,595 escaped assessment.

On the mistake being pointed out in audit in August 1986, Government stated (October 1987) that on re-assessment (January 1987) of the case, an additional demand for Rs. 34,405 (including penalty and interest) had been raised, which had since been recovered (March and June 1987).

3.7 Under-assessment of tax on bardana

Under the Himachal Pradesh General Sales Tax Act, 1968, bardana (packing material) and containers are taxable at the general rate of 7 per cent except when sold by a dealer who deals exclusively in tax free goods and sells packing material and containers only as incidental to his main business.

In Hamirpur, a dealer, who was dealing in taxable goods only, sold foodgrains weighing 36,955 quintals and 28,922 quintals

during the years 1981-82 and 1982-83, respectively, to unregistered dealers and consumers. The assessments for both the years, which were made in January 1985, showed that entire taxable turnover, including that of gunny bags, was brought to tax at the rate of one and a half per cent (applicable to foodgrains). Tax on the turnover in respect of gunny bags (bardana), in which foodgrains were sold, was liable to tax at seven per cent. The sale value of gunny bags worked out to Rs.2,63,508 (taking one gunny bag per quintal of foodgrains sold and sale price of gunny bag as Rs.4 per gunny bag). The assessing authority's failure to assess the turnover in respect of gunny bags at the correct rate of 7 per cent resulted in tax being levied short by Rs.15,942 (at the differential rate of five and a half per cent plus surcharge at the rate of ten per cent).

On the mistake being pointed out in audit in August 1986, Government stated (June 1987) that on re-assessment (December 1986) of the case, an additional demand for Rs.21,001 had since been raised and recovered from the dealer (January 1987).

3.8 Short levy of tax due to mistake in calculation

In Shimla, on sales amounting to Rs.3,68,120, made by a dealer during the year 1982-83, tax (leviable at the rate of 4 per cent) was wrongly calculated (April 1986) by the assessing authority at Rs.1,473, instead of Rs.14,725. The mistake resulted in tax being levied short by Rs.13,252. Surcharge amounting to Rs.1,325 was also leviable on the tax of Rs.13,252 short levied.

The mistake was pointed out in audit in September 1986; reply of the department has not been received (January 1988).

The case was reported to Government in May 1987; their reply has also not been received (January 1988).

3.9 Non-levy of tax

As per a notification issued in February 1986, under the provisions of the Himachal Pradesh General Sales Tax Act, 1968, on the sale of mustard oil, tax is leviable at the first stage of sale within the State. However, the sale of such goods at a subsequent stage shall be exempted from tax on furnishing a certificate, duly filled in and signed by the registered dealer from whom the goods were purchased, to the effect that tax on such goods has been paid at the first stage. Prior to February 1986, tax on mustard oil was leviable at the last stage of sales, i.e., when sold to consumers/un-registered dealers.

In Shimla, sales of mustard oil amounting to Rs. 1,52,678 made by a dealer during the years 1981-82 and 1982-83 were erroneously exempted from tax on the basis of certificates obtained by the dealer from two other registered dealers to the effect that the mustard oil had suffered tax at the first stage of sales. The certificates furnished by the dealer were invalid because, during the years 1981-82 and 1982-83, tax on mustard oil was not leviable at the first stage of sale. The assessing authority's failure to reject the certificates resulted in tax amounting to Rs. 11,756 not being levied.

The mistake was pointed out in audit in September 1986; reply of the department has not been received (January 1988).

The case was reported to Government in May 1987; their reply has also not been received (January 1988).

CHAPTER 4

STATE EXCISE

4.1 Results of Audit

Test check of the records relating to State Excise, conducted in audit during the year 1986-87, revealed non-recovery of licence fee, non-levy or short levy of duty on excessive wastages of spirit and other irregularities involving receipts amounting to Rs. 72.37 lakhs in 31 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery of licence fee	4	0.25
2. Non-levy or short levy of duty on excessive wastages of spirit	2	1.19
3. Non-levy of interest	9	0.22
4. Other irregularities	16	70.71
Total	31	72.37

The above position was reported to the department and Government in September 1987; their replies have not been received (January 1988).

Some of the important cases are mentioned in the following paragraphs.

4.2 Non-levy of duty on spirit lost in redistillation

The Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh, do not provide for exemption from levy of excise duty on spirit lost in the process of redistillation.

(1) In a bottling plant-cum-distillery and a brewery in Una district, 45,236 proof litres of spirit were lost in the

process of redistillation during the years 1984-85 and 1985-86. On the quantity lost, excise duty amounting to Rs. 7,19,891 was leviable, but was not levied.

The non-levy was pointed out in audit in February 1986 and March 1987; reply of the department has not been received (January 1988).

(ii) In a brewery in Una district, during the year 1985-86, 4,860 proof litres of bottled spirit of 50 degree strength were permitted (October 1985) by the department to be redistilled. In the process of redistillation, 1,448.3 proof litres of spirit were lost. On the quantity lost, excise duty amounting to Rs. 31,853 was leviable, but was not levied.

The non-levy was pointed out in audit in February 1986; reply of the department has not been received (January 1988).

The above cases were reported to Government in June 1986 and June 1987; their reply has also not been received (January 1988).

4.3 Non-recovery of loss on re-auction

Under the Punjab Excise Act, 1914, (as applicable to Himachal Pradesh) and the Excise Announcement for the year 1985-86, a licensee was required to pay 15 per cent of the annual licence fee as security deposit. After adjustment of 90 per cent amount of security deposit towards the payment of annual licence fee, the remaining amount was refundable after deducting therefrom any kind of outstanding dues. The annual licence fee was payable in ten equal monthly instalments by the fifteenth of each month, commencing from the month in which the licensee began his business. The competent authority could authorise the licensee to deposit the amount up to the last day of the month after charging interest at 15 per cent per annum from the date of default. If the licensee failed to deposit the amount up to the last day of the month, the vund would cease to be in operation on the first day of the following month and the loss, if any, sustained by Government on its re-auction, was recoverable from the original licensee.

In Shimla, during the year 1985-86, six vunds of Indian-made foreign liquor and one vund of beer were sold to a licensee for Rs. 11.45 lakhs in an auction held in March 1985. The licensee

defaulted in payment of the instalment for the month of June 1985. Licence fee remaining unpaid at the end of June 1985 amounted to Rs. 7.92 lakhs. The vends were re-auctioned in July 1985 for Rs. 7.61 lakhs, resulting in loss of revenue amounting to Rs. 0.31 lakh (excluding the amount of interest).

On the loss being pointed out in audit (May 1986), the department stated (June 1987) that efforts were being made to recover the outstanding amount. Further report is awaited (January 1988).

The case was reported to Government in July 1986; their reply has not been received (January 1988).

4.4 Short recovery of licence fee

Under the Punjab Excise Act, 1914 (as applicable to Himachal Pradesh) and the Excise Announcement for the year 1985-86, the wholesale country liquor vends were to be granted at fixed annual licence fee, depending upon the annual minimum quota earmarked. The annual minimum quota could be revised with the approval of the Collector and any consequent decrease or increase in the amount of licence fee was to be adjusted or recovered at the time of payment of last instalment of licence fee by the licensee.

In Solan, annual quota of 18,100 proof litres of country liquor was earmarked in favour of a wholesale licensee for the year 1985-86. But the licensee was allowed to lift 72,865 proof litres of liquor. However, the department realised licence fee amounting to Rs. 15,000 (payable for 18,100 proof litres of liquor), instead of Rs. 37,500 (payable for 72,865 proof litres of liquor). This resulted in licence fee being realised short by Rs. 22,500.

The short recovery was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

The case was reported to Government in June 1987; their reply has also not been received (January 1988).

4.5 Duty not recovered on wastages in transit

Under the Punjab Liquor Permit and Pass Rules, 1932, as applicable to Himachal Pradesh, on export of Indian made foreign spirit under bond to places outside the State, the bond is enforced to recover the duty, in case a certificate of despatch of consignment is not produced within a reasonable time or the certificate shows wastage or deficiency in excess of prescribed limits, without the excess wastage being satisfactorily explained. Prescribed percentages of wastage differ depending on the container used, i.e., whether wooden or metallic and the time taken in transit. No wastage is allowed where bottled spirit is transported.

In Solan, audit scrutiny of certificates of despatch disclosed (March 1987) that out of 3,46,032 proof litres of bottled spirit transported from Solan brewery under bond, during the years 1983-84 to 1985-86, 746,713 proof litres spirit was shown as lost in transit. As no wastage is permissible in respect of bottled spirit, duty amounting to Rs. 16,225 was leviable in respect of the spirit wasted in transportation, but was not levied.

The non - levy of duty was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

The case was reported to Government in June 1987; their reply has also not been received (January 1988).

CHAPTER 5

TAXES ON VEHICLES, PASSENGERS AND GOODS

5.1 Results of Audit

Test check of accounts records in the departmental offices, conducted in audit during the year 1986-87, revealed non-levy/short levy of tax and fees amounting to Rs.22.68 lakhs in 113 cases, which broadly fall under the following categories :-

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy or short levy of token tax	30	3.14
2. Non-levy of passengers and goods tax	28	15.60
3. Under-assessment of passengers tax	11	1.66
4. Other irregularities-		
(i) Vehicles tax	38	1.42
(ii) Passengers and goods tax	6	0.86
Total	113	22.68

The above position was reported to the concerned departments and Government in September 1987; their replies have not been received (January 1988).

Some of the important cases are mentioned in the following paragraphs.

5.2 Vehicles not got registered with the Excise and Taxation Department

Under the Motor Vehicles Act, 1939, read with the Himachal Pradesh Motor Vehicles Taxation Act, 1972, all vehicle owners are required to get their vehicles registered with the Registering and Licensing Authority concerned and pay vehicles tax. Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, owners of public and private carriers are required to get their vehicles registered also with the Excise and Taxation Officer concerned and pay goods tax, at one-sixth of all freights in respect of goods transported by motor vehicles. At the option of the owner, goods

tax may be paid at a compounded lump sum rate, depending upon the loading capacity of the vehicle. In case of failure to apply for registration, penalty of a sum not exceeding one and a half times the amount of tax is also leviable. While the motor vehicles tax is administered by the Transport Department, the passengers and goods tax is administered by the Excise and Taxation Department.

In respect of sixtyeight private transport vehicles registered with the Registering and Licensing Authorities of Kullu, Una, Kangra, Bilaspur, Chamba, Hamirpur, Shimla and Solan districts, for which motor vehicles tax had been realised, goods tax pertaining to different periods falling between February 1983 and December 1986 had not been paid to the concerned authorities. These vehicles were not got registered with the Excise and Taxation Department. As a result, goods tax amounting to Rs.1,11,000 (calculated at lump sum rates) was not realised. Penalty up to Rs.1,66,500 could also be levied for failure to apply for registration.

On the irregularity being pointed out in audit between July 1986 and February 1987, the department/Government stated (between May and September 1987) that an amount of Rs.12,875 had since been recovered (between October 1986 and June 1987) in respect of vehicles of Chamba, Solan, Kullu, Una and Kangra districts. Report on recovery of the balance amount is awaited (January 1988).

5.3 Non-recovery of goods tax on charges realised for carriage of mail

Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, where any fare or freight charged and paid by a person is a lump sum on account of a season ticket or as subscription or contribution for any privilege, right or facility, which is combined with the right of such person being carried or his goods being transported by a motor vehicle, without any further payment or at a reduced charge, tax shall be levied on the amount of such lump sum or on such amount as appears to the prescribed authority to be fair and equitable having regard to the fare or freight fixed by a competent authority. The normal rate of tax under the Act is one-sixth of the fare or freight charged.

The Himachal Road Transport Corporation (Chamba, Kullu, Mandi and Sarkaghat regions) carried mail on behalf of the Posts and Telegraphs Department on various routes in Himachal Pradesh. For this, the Corporation received subsidy amounting to Rs.4,02,416

from the Posts and Telegraphs Department during the years 1981-82 to 1985-86. However, goods tax amounting to Rs.67,069 recoverable on the subsidy, which was in lieu of freight, was not recovered from the Corporation by the department.

The omission was pointed out in audit in July 1986 and January 1987; reply of the department has not been received (January 1988).

The cases were reported to Government between August 1986 and March 1987; their reply has also not been received (January 1988).

5.4 Short levy of token tax

Under the Himachal Pradesh Motor Vehicles Taxation Act, 1972, with effect from 18th February 1978, token tax in respect of motor vehicles (other than motor cabs and stage carriages), having seating capacity of more than six persons, is leviable at the rate of Rs.100 per seat per annum, subject to a maximum of Rs.4,000 per annum. Prior to 18th February 1978, token tax was leviable on the basis of unladen weight of such vehicles.

In Registering and Licensing Offices, Kullu, Palampur, Bilaspur, Jogindernagar and Chamba, in respect of 16 vehicles (other than motor cabs and stage carriages), each having seating capacity of more than six persons, tax for various periods falling between April 1978 and March 1986 was erroneously levied on the basis of unladen weights of the vehicles, instead of at the rate of Rs.100 per seat per annum prescribed with effect from 18th February 1978. Further, in respect of 13 other vehicles in Registering and Licensing office, Chamba, tax for various periods falling between April 1978 and March 1986 was levied at incorrect rates. The mistakes resulted in tax being realised short by Rs.42,161.

The short levy of tax was pointed out in audit between July 1986 and January 1987; reply of the department has not been received (January 1988).

The cases were reported to Government between August 1986 and March 1987; their reply has not been received (January 1988).

5.5 Short deposit of passengers tax and surcharge

(i) Under the Himachal Pradesh Passengers and Goods Taxation Rules, 1957, the assessing authority may, at any time during the year, and shall, at the close of the year, assess the amount of tax on the basis of the monthly returns filed by the owner of the vehicle, if the returns are found to be correct and complete. If not, the assessing authority shall serve on the owner a notice for assessment.

In Bilaspur district, scrutiny of the returns filed by the Himachal Road Transport Corporation for the year 1985-86 disclosed (November 1986) that passengers tax amounting to Rs. 8.25 lakhs was payable by the Corporation, against which the Corporation had deposited Rs. 8.04 lakhs, leaving a balance of Rs. 0.21 lakh. Surcharge amounting to Rs. 0.04 lakh was also payable on the balance tax. No action was taken by the department to recover the balance amount of Rs. 0.25 lakh from the Corporation.

The omission was pointed out in audit in November 1986; reply of the department has not been received (January 1988).

The case was reported to Government in January 1987; their reply has also not been received (January 1988).

(ii) Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, surcharge at the rate of 20 per cent of passengers tax is leviable.

In Kangra district, on passengers tax amounting to Rs. 6,54,167, paid by 17 vehicle owners during different periods falling between March 1983 and March 1986, surcharge amounting to Rs. 1,30,833 was leviable, but the vehicle owners paid surcharge

amounting to Rs.90,252 only. Thus there was short realisation of surcharge of Rs.40,581.

The short recovery was pointed out in audit in February 1987, reply of the department has not been received (January 1988).

The matter was reported to Government in April 1987; their reply has also not been received (January 1988).

5.6 Irregular grant of rebate

Under Section 14(4) of the Himachal Pradesh Motor Vehicles Taxation Act, 1972, rebate of 10 per cent is admissible on the aggregate amount of tax payable by a person who keeps more than 25 motor vehicles for use solely in the course of trade and industry, including transport for hire. It was clarified by the State Law Department in September 1979 that the strength of fleet, for the purpose of section 14(4), is to be determined unit-wise.

On token tax paid by the Assistant Manager, Himachal Road Transport Corporation, Keylong in respect of 17 vehicles registered in his name, rebate of 10 per cent was allowed by the department, although the number of vehicles registered in his name was less than 25. The irregular grant of rebate resulted in short collection of token tax by Rs.20,018 for the years 1984-85 and 1985-86.

On the irregularity being pointed out in audit in August 1986, Government stated (November 1987) that the case was being examined. Further development is awaited (January 1988).

CHAPTER 6

FOREST RECEIPTS

6.1 Results of Audit

Test check of records of forest receipts, conducted in audit during the year 1986-87, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs. 390.80 lakhs in 192 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery or short recovery of royalty and penalty	131	322.82
2. Loss due to administrative failure	11	10.18
3. Non-recovery of interest	4	7.46
4. Other irregularities	46	51.14
Total	192	390.80

The above position was reported to the department and Government in September 1987; their replies have not been received (January 1988).

Some of the important cases are mentioned in the following paragraphs.

6.2 Allotment of trees at concessional rates for manufacturing fruit packing cases

6.2.1 Introductory

As per a decision (July 1970) of the State Government, trees for manufacturing fruit packing cases were to be supplied to registered saw millers at uniform rates fixed by the Government. Further, the State Government decided (April 1982) to supply trees to the State Forest Corporation for conversion into geltus¹/dindinas²

1. Geltus represent pieces of logs of specified sizes meant for conversion into standard size fruit packing cases.

2. Dindinas are rectangular pieces of wood with bark removed.

for sale, on no profit and no loss basis, to saw millers for manufacturing fruit packing cases. However, in the case of those saw millers, whose mills were located away from the sale depots of the Corporation and thus making the carriage of geltus to the saw mills uneconomical, the existing policy of supplying trees was to be continued. The saw millers were required to supply the manufactured packing cases to fruit growers at uniform rates fixed by the forest department. The trees/geltus to be supplied to saw millers were to be used solely for manufacturing fruit packing cases. The saw millers were required to maintain accounts of the timber obtained and number of fruit packing cases manufactured/sold. These accounts were open for inspection by the forest department. In the event of misuse of trees/geltus, the saw millers were to be blacklisted, penalised and further supply of trees/geltus discontinued. The supply of trees was subject to fulfilment of the following further conditions:-

- (i) Only dry, fallen and damaged trees were to be marked in the first instance. Marking of green standing trees was to be done only from the earmarked forests as far as possible. Before marking trees, the department was to make an assessment of the requirement of the packing cases in the command area of the saw mill and trees were to be granted only for meeting the demand of such command area;
- (ii) Inter-divisional transfer of geltus was not to be permitted.
- (iii) The Corporation was to supply geltus/dindimas to the saw millers only to the extent of their genuine demand. No excess wood (which was not likely to be utilised) was to be supplied. A proper account showing left over stocks of timber at the close of the year was to be maintained by each saw mill and such timber was to be charged at the rates fixed for the next year, as per orders (August 1985) of the State Government.
- (iv) The rates charged by the saw Millers from the fruit growers were not to be in excess of the rates fixed by the department.

6.2.2 Scope of audit

There are 37 forest divisions in the State, of which 18 divisions had been supplying trees at concessional rates to the saw millers/State Forest Corporation in their respective territorial jurisdiction for manufacturing gellus/fruit packing cases. As no returns showing the disposal of timber/fruit packing cases were prescribed for submission by the saw millers, the scope of audit was limited to examining, between July 1985 and July 1987, whether (i) the supply of trees was in accordance with the orders issued by Government/department, (ii) the trees were actually used for manufacturing gellus/fruit packing cases and (iii) other general aspects of the supply of timber.

6.2.3 Highlights

The review brings out the following important points:

(i) During the years 1982-83 to 1985-86, 7,57,793 cubic metres of timber, valuing Rs. 30.40 crores at lease/market rates, was supplied by the forest department for Rs.3.97 crores for manufacturing fruit packing cases. This entailed a subsidy of Rs. 26.43 crores. As no returns showing disposal of timber/fruit packing cases by saw millers were prescribed, the department did not know whether all the timber supplied at subsidised rates was used for manufacturing fruit packing cases. There was also nothing on record to show that the accounts required to be maintained by the saw millers were inspected by the department.

(ii) In Solan forest division, 9,501 cubic metres of timber was supplied by the forest department to saw millers at concessional rates for manufacturing packing cases. These packing cases were supplied to vegetable growers, who were not entitled for the same. This resulted in irregular allowance of subsidy amounting to Rs. 43.10 lakhs.

(iii) In respect of trees (85,087 cubic metres) supplied to the State Forest Corporation, the royalty was charged at the rates applicable in previous years, although

these were felled in subsequent years. This resulted in short realisation of royalty by Rs.30.17 lakhs.

(iv) Out of the trees meant for conversion into geltus for manufacturing fruit packing cases, commercial timber was extracted by the Corporation. But royalty on commercial timber also was charged at concessional rates, instead of normal lease rates, resulting in royalty being charged short by Rs. 16.45 lakhs.

6.2.4 Proper use of timber supplied at subsidised rates not being monitored

In eighteen forest divisions, during the years 1982-83 to 1985-86, 7,57,793 cubic metres of timber (fir: 7,15,625, chil: 29,371 and kail: 12,797) ,valuing Rs.30.40 crores at lease/market rates, was sold to the State Forest Corporation and saw millers (State Forest Corporation: 5,58,619 cubic metres and saw millers: 1,99,174 cubic metres) for Rs.3.97 crores for manufacturing fruit packing cases. This entailed a subsidy of Rs. 26.43 crores. No returns showing the disposal of timber/packing cases were prescribed for submission by the saw millers. There was also nothing on record to show that the accounts to be maintained by the saw millers were inspected by the department. As such , the department did not know whether all the timber supplied at subsidised rates was used for manufacture of packing cases and also the rate of packing cases charged by the saw millers from fruit growers was not in excess of the rate fixed by Government.

6.2.5 Arbitrary markings in disregard of the Working Plans

Forest working is regulated/ controlled in accordance with the Working Plans. Working Plan is prepared by an officer not below the rank of Divisional Forest Officer and remains in force for a period of 15 to 20 years in a forest division. Felling of trees otherwise than as per the Working Plan needs prior approval of Government. Excessive fellings over those prescribed in Working Plan affects the ecological balance and results in denuding the area. A mention of this aspect was also made in para 6.4.3 of the Report of the Comptroller and Auditor General of India for the year 1978-79 (Revenue Receipts). The Hon'ble Public Accounts Committee, in their 28th Report (Sixth Vidhan Sabha) expressed their dissatisfaction with the justification given by the department for marking of trees in disregard of the Working

Plans.

(a) During test check of records, conducted in audit between May 1986 and March 1987, it was further noticed that in six forest divisions, cutting of 88,494.57 cubic metres (rai/fir: 84,798.25 cubic metres; chil: 3,003.69 cubic metres; and kail: 692.63 cubic metres) of standing volume of timber for manufacturing packing cases was authorised during the years 1983-84 to 1985-86 from forests other than those prescribed for felling in the Working Plans.

(b) In Kotgarh forest division, as against 1,12,554 cubic metres standing volume prescribed to be felled as per Working Plan, 2,05,526 cubic metres of rai/fir timber was actually felled for manufacturing packing cases/conversion into geltus between 1981-82 and 1985-86.

The deviation from the Working Plans in the above cases had not been got approved by the Government till May 1987.

6.2.6 Loss of revenue due to unauthorised sale of fruit packing cases to vegetable growers

As per provision of the original scheme, as approved by the Government in 1970, the grant of trees to saw millers was meant solely for providing packing cases to fruit growers. The Government decided in March 1983 that packing cases would also be made available to vegetable growers, but, this decision was withdrawn in April 1983.

In Solan forest division, 9,501.37 cubic metres standing volume of timber, valuing Rs. 55.63 lakhs at market rates, was sold to the saw millers for Rs. 12.53 lakhs at subsidised rates between 1981-82 and 1985-86 for manufacturing packing cases. In reply to an audit query (May 1986) about the use of these packing cases, the Divisional Forest Officer stated (October 1986) that Solan did not fall in the apple growing belt and only a negligible number of packing cases manufactured by the saw millers located in Solan district was utilised for exporting fruits like plums and that most of the packing cases were utilised for exporting tomatoes/chillies and other off-season vegetables. The unauthorised sale of timber to saw millers at concessional rates for providing packing cases to vegetable growers resulted in loss of revenue amounting to Rs. 43.10 lakhs (including sales tax), being the difference between the value of the trees at market rates and the concessional rates.

6.2.7 Loss of revenue due to application of incorrect rates

The Forest Department was to mark and hand over trees to the State Forest Corporation keeping in view the demand for packing cases in a year. The Corporation was required to fell all the trees handed over to them in the respective year. In case, some standing trees remained unfelled, the Corporation was liable to pay royalty for such trees at the rates fixed for the year in which actual felling took place.

Test check of records conducted in audit between May 1986 and March 1987 revealed that in twelve forest divisions, 2,08,297 cubic metres of timber (fir:1,98,232; kail:3,842 and chil:6,223) was handed over to the State Forest Corporation for felling during the years 1983-84 to 1985-86. Out of this, 85,087 cubic metres of timber (fir:81,462; Kail: 1,248 and chil: 2,377) remained unfelled in the respective years and was felled in subsequent years. As per royalty rates fixed for the years 1985-86 and 1986-87, differential amount of Rs. 30.17 lakhs was recoverable from the Corporation, but was not demanded (May 1987).

6.2.8 Misuse/short recovery of price of timber meant for extraction of geltus

Geltu lots comprising coniferous trees (fir/spruce/chil/kail) were to be marked for exploitation by the State Forest Corporation for conversion into geltus to be supplied to saw millers for manufacture of fruit packing cases. While geltu lots were to be sold at highly subsidised rates, forest lots marked for extraction of timber for commercial purpose were to be charged at lease rates.

Test check of records conducted in audit between July 1985 and March 1987 revealed that in five forest divisions, in addition to extraction of geltus, commercial timber (hakries, round ballies and scants etc.) equivalent to 3369,604 cubic metres was also extracted by the Corporation out of the geltu lots during the years 1983-84 to 1985-86. For timber (extracted for commercial purpose), valuing Rs.19.04 lakhs at lease rates, the department charged Rs. 2.59 lakhs at subsidised rates (applicable to geltu lots), resulting in loss of revenue amounting to Rs. 16.45 lakhs (including sales tax).

6.2.9 Irregular inter-divisional transfer of geltus

According to the instructions issued by the Government, inter-divisional transfer of geltus was not to be permitted.

Contrary to these instructions, geltus were being transferred from Kotgarh and Rampur forest divisions to other divisions as reported (October 1985) by the Conservator of Forests, Rampur forest circle to the Corporation.

6.2.10 Outstanding arrears of royalty against Forest Corporation

In twelve forest divisions, an amount of Rs.167.57 lakhs being the royalty for trees handed over by the department to the Forest Corporation between 1982-83 and 1985-86 for conversion into geltus was outstanding for recovery as on 31st March 1986.

On the above irregularities being pointed out in audit between July 1985 and July 1987, the department stated (July 1986) that in respect of misuse/short recovery of price of timber meant for extraction of geltus a demand for Rs.0.18 lakh had been raised (May 1986) against the Corporation in one forest division. Reply in respect of the remaining cases has not been received (January 1988).

The above points were reported to Government between December 1985 and July 1987; their reply has not been received (January 1988).

6.3 Illicit felling of trees

(a) The State Government, on the advice of a Pricing Committee set up by them, decided in October 1980 that the State Forest Corporation, which was entrusted with the responsibility of working forest lots, would be treated at par with private forest lessees and all the clauses (except that relating to security deposit) of the standard agreement deed, as executed by the department with the private forest lessees, would be applicable to the Corporation also. The terms of the standard agreement provide that, in the event of illicit felling of trees, the lessee would be liable to pay, in addition to the price of trees, penalty at 100 per cent of the price of trees illicitly felled. In case, such felling exceeds three per cent of the total volume sold, the trees will not be handed over to the lessee but penalty at the aforesaid

rate will be leviable.

(i) In Jubbal forest division, the Range Officer, Jubbal reported to the Divisional Forest Officer in September 1984 that the State Forest Corporation had illicitly felled 10 trees (deodar:4,kail: 2 and Rai:4). Scrutiny of the divisional records showed that no damage bill had been raised by the department against the Corporation till the time of audit (June 1986). The failure of the department to raise the damage bill resulted in loss of revenue amounting to Rs. 47,686 (price of trees: Rs.20,961,sales tax and surcharge: Rs. 5,764 and penalty: Rs. 20,961).

On the omission being pointed out in audit in June 1986,Government stated (October 1987) that damage bill had since been raised against the Corporation in December 1986. Report on recovery is awaited (January 1988).

(ii)In Dehra forest division,two lots of 1,081 chil trees containing 2,124.44 cubic metres standing volume of timber were handed over to the State Forest Corporation for exploitation during the year 1985-86. The progress report for the month of March 1986 showed that the Corporation had extracted 3,564 scants,containing 257,545 cubic metres of timber, after completing the felling and conversion of all the trees marked for felling. A scrutiny in audit of the export permits issued between the period March 1986 and June 1986,however,showed that the Corporation had exported 3,891 scants,containing 276,622 cubic metres of timber from the said lots. Thus,327 scants containing 19,077 cubic metres of timber were allowed to be exported in excess of the actual lawful extraction. The excess export was attributable to illicit felling of trees by the Corporation. In respect of the excess extraction,a sum of Rs.17,560 (comprising value of trees,sales tax and penalty)was recoverable from the Corporation,but was not recovered.

The omission was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

(iii) In Rajgarh forest division, during the course of felling operations,the State Forest Corporation illicitly felled (February 1985) 19 chil trees containing 19.24 cubic metres of timber. For the illicit felling,the Corporation was liable to pay,in addition to the price(Rs.15,373)of the trees,penalty amounting to Rs.15,373. But the department levied penalty amounting

to Rs.930 only. This resulted in penalty being levied short by Rs.14,443.

The short levy was pointed out in audit in July 1986; reply of the department has not been received (January 1988).

The case was reported to Government in September 1986; their reply has also not been received (January 1988).

(b) As per terms of the standard agreement, for avoidable damages caused to the trees not marked for felling, the lessee is required to pay penalty at 50 per cent of the price of trees damaged. In case of unavoidable damages caused to trees no penalty is leviable. However, damaged trees which are unfit for survival, will be handed over to the lessee and price thereof shall be charged at lease rate or prevalent market rate as fixed for the year, whichever is higher.

In Bharmaur forest division, a forest lot of 2,689 trees containing 4,167.38 cubic metres standing volume of timber was handed over to the Corporation for exploitation in May 1983. The lease period was upto 31st March 1985. The department noticed that, during the course of felling operations, the Corporation had caused damage to 48 unsold trees containing 18.43 cubic metres standing volume of timber. Accordingly, the forest department raised a damage bill for Rs.23,310 (comprising price of trees, sales tax, surcharge and penalty) in December 1984 against the Corporation, but the Corporation did not accept the damage bill stating that neither the damages had been got verified by the department from the Corporation staff at the time of occurrence nor any damaged trees were marked and handed over to the Corporation. The failure of the department to get the damage reports verified from the Corporation at the time of occurrence resulted in loss of Rs.23,310.

On this being pointed out in audit (November 1985), the department stated (October 1986) that the payment of the damage bill had still not been made by the Corporation.

The case was reported to Government in December 1985; their reply has not been received (January 1988).

6.4 Non-recovery or short recovery of price of trees coming in ropeway/road alignment

The terms of the standard agreement deed, applicable to State Forest Corporation also, provide that the price of trees required to be removed from ropeway alignments would be charged from the lessee at 10 per cent above the lease rates or market rates, fixed for the year and prevalent at the time of handing over such trees, whichever are higher.

(i) In Rohru, Chopal and Parbati forest divisions, 66 trees of different species coming in ropeway alignments were handed over to the State Forest Corporation in November 1984 and September 1985. Scrutiny of the divisional records showed that the price of these trees, which amounted to Rs. 1,83,507 (Rohru division: Rs. 10,313, Chopal division: Rs. 38,260 and Parbati division: Rs. 1,34,934), including sales tax and surcharge, had not been demanded by the department.

On this being pointed out in audit between June and September 1986, Government stated (between January 1987 and January 1988) that demand for Rs. 1,83,507 had since been raised by the department in June 1986 and June 1987. Report on recovery is awaited (January 1988).

(ii) In Kullu forest division, 92 trees coming in ropeway alignments were handed over to the Corporation for exploitation during the year 1983-84. The price (Rs. 2,68,909) of these trees was charged at the market rates only, which were higher than the lease rates, without increasing the market rates by ten per cent. This resulted in short recovery of Rs. 34,286 (including sales tax and surcharge).

The short recovery was pointed out in audit in August 1986; reply of the department has not been received (January 1988).

The case was reported to Government in September 1986; their reply has also not been received (January 1988).

(iii) In Keylong forest division, 343 trees of different species, coming in the alignment of a road were marked and handed over to a road construction para-military organisation in December 1985. The price of these trees amounting to Rs. 5,43,705 (including sales tax and surcharge), was recoverable from the organisation but was not demanded by the department till the time of audit (August 1986).

On the non-recovery being pointed out in audit in August

1986, Government stated (January 1988) that demand for Rs.5,43,705 had since been raised in September 1986. Report on recovery is awaited (January 1988).

6.5 Non-levy of extension fee

The terms of the standard agreement deed, which are applicable to State Forest Corporation also, provide that if a lessee fails to fell, convert and carry the produce outside the leased area within the contract period, he shall be required to seek extension in the working period, failing which he shall have no right on the standing/felled trees and scattered/stacked timber lying in the leased forest. For such extension, the lessee is required to pay extension fee at the rate of 2 per cent per month on the balance amount of royalty payable by him to Government. However, in case the entire royalty has been paid by the lessee, the rate of extension fee chargeable would be 0.3 per cent per month of the total sale price.

(i) In Kullu forest division, four forest lots No.1,3,4 and 5/83-84 were handed over to the State Forest Corporation for exploitation during the year 1983-84. The lease period of each of these lots was upto 31st March 1984. The progress report for the month of March 1984, sent by the Corporation to the Divisional Forest Officer, showed that the Corporation had not completed the felling operations within the lease period. As per subsequent progress reports relating to these lots, the work was completed in April 1985, November 1984, December 1984 and May 1985, respectively, but the Corporation did not seek extension of the lease period. The department also failed to forfeit the forest produce as per terms of agreement or at least recover extension fee amounting to Rs.5.39 lakhs for different periods falling between April 1984 and May 1985.

On the omission being pointed out in audit in August 1986, Government stated (September 1987) that demand for Rs.5.39 lakhs had since been raised in December 1986. Report on recovery is awaited (January 1988).

(ii) In Rohru forest division, lots No.11/81-82,4,7,11 and 13/82-83 and 2/82-85 were handed over to the Corporation for exploitation during the years 1981-82 to 1984-85. The lease period of lot No.11/81-82 was upto 31st March 1982, of lots No.4,7,11 and 13/82-83 upto 31st March 1983 and of lot No.2/82-85 upto 31st March 1985. Scrutiny of the Divisional records showed that the Corporation could not complete the work of these lots within the respective

lease periods. As per the progress reports relating to these lots, the work of Lot No. 11/81-82 was completed in December 1982, of lot Nos. 4 and 7/82-83 in July 1983, of lot Nos. 11 and 13/82-83 in September 1983 and of lot No. 2/82-85 in July 1985, but the Corporation did not seek extension of the lease periods. The department also failed to forfeit the forest produce or at least recover the extension fee amounting to Rs. 94,253 for different periods falling between April 1982 and July 1985.

On the omission being pointed out in audit in July 1986, Government stated (January 1987) that the department had since raised a demand for Rs. 94,253 against the Corporation. Report on recovery is awaited (January 1988).

(iii) In Churah forest division, a forest lot was handed over to the Corporation for exploitation in April 1982 for royalty amounting to Rs. 4,41,333, which was paid by the Corporation in March 1983. The lease period was upto 31st March 1983, but it was extended (October 1983) upto 30th November 1983, subject to payment of extension fee amounting to Rs. 10,592, which was paid by the Corporation in February 1986. However, progress report of the said lot for the month of August 1984 showed that the work was still in progress. The Corporation had not sought any further extension in the working period till the time of audit (October 1985). The department also did not take action to forfeit the forest produce or at least recover the extension fee for the period from 1st December 1983 onwards.

On the omission being pointed out in audit in October 1985, Government stated (September 1987) that the work was completed on 31st December 1984 and that extension fee amounting to Rs. 17,212, for the period from 1st December 1983 to 31st December 1984 demanded in August 1986, had since been paid by the Corporation in December 1986.

(iv) In Shimla forest division, a forest lot of 283 chil trees containing 736.30 cubic metres standing volume of timber was handed over to the Corporation for exploitation in October 1985. The lease period was upto 31st March 1986. Scrutiny of the divisional records showed that the Corporation continued to work the lot till August 1986 without seeking any extension of time. The department also did not take any action to recover the extension fee amounting to Rs. 16,039 for the period from April 1986 to August 1986.

On the omission being pointed out in audit in October 1986, Government stated (November 1987) that demand for Rs.16,039 had since been raised in January 1987. Report on recovery is awaited (January 1988).

6.6 Short recovery or non-recovery of royalty on trees

As per a decision taken by the State Government in April 1983, on the recommendations of the Pricing Committee, royalty for all dry (fit) standing and uprooted or base broken trees and half broken, uprooted or base broken green trees, marked and handed over to the State Forest Corporation for exploitation in salvage lots, is payable by the Corporation at 50 per cent of the rate of royalty fixed for standing green trees, if the intensity of the trees so marked is 5 cubic metres or above but below 15 cubic metres per hectare of the total area of the forest or compartment thereof. However, in case, the intensity of marking is below 5 cubic metres per hectare, the rate of royalty would be 30 per cent of the rate of royalty fixed for standing green trees.

(i) In Nachan forest division, a salvage lot containing 2,304.72 cubic metres volume of timber (deodar: 30.56 cubic metres; kail: 200.29 cubic metres; rai: 2,073.87 cubic metres) was handed over to the State Forest Corporation for exploitation during the year 1985-86. Scrutiny of the divisional records showed that royalty in respect of 2,274.16 cubic metres of timber (kail: 200.29 cubic metres and rai: 2,073.87 cubic metres) was charged by the department at the concessional rates applicable to sale of trees for conversion into gelatus, instead of at 50 per cent of the normal lease rates applicable to standing green trees. The application of incorrect rates resulted in royalty on trees being realised short by Rs.18,02,104 (including sales tax and surcharge) from the State Forest Corporation.

The short recovery was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

(ii) In Dharamsala forest division, a salvage lot of chil trees containing 12,495.21 cubic metres standing volume of timber was handed over to the State Forest Corporation for exploitation during the year 1985-86. Scrutiny of the divisional records showed that while arriving at the rates of royalty on dry trees, the royalty rate of standing green trees was erroneously taken by the department as Rs.399.45 per cubic metre, instead of the correct rate of Rs. 562.65 per cubic metre. The mistake resulted in royalty

on trees being charged short by Rs.8,17,072 (including sales tax and surcharge) from the State Forest Corporation.

The short recovery was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

The cases at (i) and (ii) above were reported to Government in April 1987 and June 1987; their reply has not been received (January 1988).

(iii) In Una forest division, 12 salvage lots of chil trees containing 3,203.87 cubic metres of timber were handed over to the State Forest Corporation for exploitation during the year 1983-84. Scrutiny of the divisional records showed that the department had charged royalty for 2,402.92 cubic metres only. It was noticed that the department had not charged royalty for the remaining 800.95 cubic metres of timber. The royalty short realised amounted to Rs.1,20,585 (including sales tax and surcharge), calculated at the rate of Rs.118.08 per cubic metre (being 30 per cent of the full rate of Rs.393.60 per cubic metre fixed for standing green trees).

On the short recovery being pointed out in audit in December 1985, Government stated (September 1987) that the royalty recovered short had since been recovered (September 1987) from the Corporation.

(iv) In Theog forest division, 3 salvage lots of deodar/kail trees containing 1,125.90 cubic metres standing volume of timber were handed over to the State Forest Corporation for exploitation during the year 1985-86. Royalty was erroneously charged by the department at the rates applicable for the year 1984-85, instead of those applicable for the year 1985-86. The mistake resulted in royalty being charged short by Rs.80,185 (including sales tax and surcharge thereon).

The short recovery was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

(v) In Hamirpur forest division, a salvage lot of 205 chil trees, containing 350.842 cubic metres standing volume of timber, was handed over to the State Forest Corporation for exploitation in January 1986. Scrutiny of the divisional records showed that the department had charged (February 1986) royalty for

only 305,842 cubic metres of timber. Royalty not charged for the remaining 45 cubic metres of timber, amounted to Rs.17,502 (price:Rs.13,727 and sales tax:Rs.3,432 and surcharge Rs.343) calculated at the rate of Rs. 305.05 per cubic metre (being 50 per cent of the full rate of Rs. 610.10 per cubic metre fixed for standing green trees).

The short recovery of royalty was pointed out in audit in February 1987; reply of the department has not been received (January 1988).

The case was reported to Government in April 1987; their reply has also not been received (January 1988).

(vi) In Chopal forest division, during the years 1982-83 to 1984-85, 505.58 cubic metres standing volume of timber (kail: 329.14 cubic metres; deodar:176.44 cubic metres) was handed over to the State Forest Corporation for exploitation. Scrutiny of the divisional records (May 1986) revealed that royalty on this timber had not been demanded by the department. The royalty not demanded amounted to Rs. 4.06 lakhs (including sales tax).

The case was reported to the department and Government in July 1987; their replies have not been received (January 1988).

6.7 Short recovery or non-recovery of royalty and penalty in respect of resin blazes

The work of tapping resin, which was being done departmentally, stands handed over to the State Forest Corporation since March 1974. For blazes tapped illicitly or cut out of shape, in addition to making payment of royalty, penalty at the rates fixed in August 1982 by a Pricing Committee is payable by the Corporation.

(i) In Nurgpur forest division, during resin tapping seasons for the years 1984 and 1985, 3,00,982 (1984: 1,65,873; 1985: 1,35,109) resin blazes were handed over to the State Forest Corporation for tapping resin. Scrutiny of the divisional records showed that royalty in respect of these blazes was erroneously charged by the department at the rate of Rs. 7 per blaze applicable for the tapping season for the year 1982, instead of those applicable for the years 1984 (Rs.9.85 per blaze) and 1985 (Rs. 10.90 per blaze). The mistake resulted in royalty being charged short by Rs.9,99,663.

The short recovery was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

(ii) In Suket forest division, during resin tapping season for the year 1986, 72,832 resin blazes were handed over by the department to the State Forest Corporation for tapping resin. In respect of these blazes, the department charged (November 1986) royalty amounting to Rs. 1,53,984, instead of Rs. 8,73,984 actually due on 72,832 resin blazes at the rate of Rs. 12 per blaze. The mistake resulted in royalty being recovered short by Rs. 7,20,000.

On the mistake being pointed out in audit in March 1987, Government stated (January 1988) that demand for Rs. 7,20,000 had since been raised against the Corporation in October 1987. Report on recovery is awaited (January 1988).

(iii) In Nurgpur forest division, during the tapping seasons for the years 1984 and 1985, 13,442 blazes were tapped illicitly and 84,061 blazes were cut out of shape by the Corporation. Accordingly, the department raised (January 1985 and January 1986) damage bills for Rs. 1,21,933, but the payment of these bills was not made by the Corporation on the plea that the damages had not been got verified by the department from the Corporation staff at the time of occurrence. The failure of the department to get the damage reports verified in time, resulted in loss of revenue amounting to Rs. 1,21,933.

The loss was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

(iv) In Churah and Nahan forest divisions, during the tapping seasons for the years 1984 and 1985, 10,797 resin blazes were marked for handing over to the Corporation for tapping resin, out of which 7,747 blazes were not taken over by the Corporation either due to non-availability of the trained staff or on the ground that the trees were scattered and tapping thereof was not economical. The plea of the Corporation was not tenable as the resin tapping work stands allotted to it exclusively and the department cannot bring any other agency for tapping of the resin. Thus, non-taking over of these resin blazes, apart from permanent loss of produce due to non-tapping the blazes, resulted in loss of revenue amounting to Rs. 76,308 (calculated at the rate of Rs. 9.85 per blaze) being the royalty of these blazes chargeable from

the Corporation.

The loss was pointed out in audit in August and December 1986; reply of the department has not been received (January 1988).

(v) In Karsog forest division, during the tapping season for the year 1984, 1,38,547 resin blazes were cut out of shape by the Corporation. Accordingly, the department raised against the Corporation a damage bill for Rs. 19,582 in July 1985. The concerned Divisional Manager of the Corporation, however, did not accept (July 1985) the damage bill, stating that the bill had been raised after January 1985 and as per the instructions issued by the Corporation no such bill was to be entertained after January 1985. The failure of the department to raise the damage bill in time, thus, resulted in loss of revenue amounting to Rs. 19,582.

The loss was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

(vi) In Palampur forest division, audit scrutiny of the divisional records showed that during the tapping seasons for the years 1979 and 1980, 1972 blazes had been tapped illicitly by the State Forest Corporation. Further, during the tapping seasons for the years 1979, 1980 and 1981, 16,966 blazes had been cut out of shape by the Corporation. But, demand for royalty and penalty amounting to Rs. 15,555 was not raised by the department against the Corporation till the time of audit in April 1984.

On the non-recovery being pointed out in audit in April 1984, Government stated (December 1985 and June 1986) that the demand for Rs. 15,555 had since been raised. Report on recovery is awaited (January 1988).

(vii) In Hamirpur forest division, 25.84 quintals of illicitly tapped resin were seized by the department and handed over to the State Forest Corporation between May 1983 and November 1984. The price of the resin amounting to Rs. 26,504 (computed at the rate of Rs. 1025.68 per quintal fixed by Government in November 1986) was not demanded by the department till the time of audit in February 1987.

On the omission being pointed out in audit in February 1987, Government stated (October 1987) that demand for Rs. 26,504 had since been raised against the Corporation in May 1987. Report on recovery is awaited (January 1988).

The above cases were reported to Government between April 1984 and June 1987; their reply has not been received save as indicated in sub-paras (ii), (vi) and (vii) above.

6.8 Loss of revenue due to non-disposal of trees in time

The State Government, on the advice of a Pricing Committee set up by them, decided in October 1980 that in future the State Forest Corporation, which was entrusted with the responsibility of working forest lots, would work all the lots in a division. They would not pick and choose the lots as hitherto.

(i) In Parbati forest division, 21 salvage lots of 553 trees of different species containing 2,212.36 cubic metres of timber were marked in December 1983 for handing over to the State Forest Corporation. The marking lists were sent to the Corporation in January 1984, but handing over of the trees remained pending. In May 1985, the Corporation reported to the Divisional Forest Officer that all the trees, marked in the lots, were not available in the forest and of the available trees most of the trees were completely rotten and were unfit for conversion. The Corporation requested the Divisional Forest Officer to prepare fresh lists and hand over the trees after carrying out joint inspection. Later, in November 1985, after joint inspection, the Corporation intimated the department that only 115 trees containing 92.20 cubic metres of timber were fit for conversion and suggested marking of more green and sound trees to make the lot workable. Thus, the department's failure to take timely action to hand over the marked trees to the Corporation resulted in loss/deterioration of 438 trees containing 2,120.16 cubic metres of timber and consequent loss of Rs. 13,04,476 (including sales tax and surcharge).

The loss was pointed out in audit in September 1986; reply of the department has not been received (January 1988).

(ii) In Renuka forest division, six salvage lots were allotted to the Corporation in September/October 1982. The Corporation took over only two lots and refused (March 1983) to take over the remaining four lots of 884 trees containing 448.07 cubic metres of timber on the plea that the trees marked were either located at high altitude or were not exploitable economically. Neither the Corporation (which was required to work all the lots as per Government's decision) worked these lots nor were any alternative arrangements made by the department to

dispose of these four lots till the time of audit (June 1985). The potential revenue involved worked out to Rs. 1,87,454 (including sales tax and surcharge), computed on the basis of market value of lots as intimated by the department.

On this being pointed out in audit in June 1985 and further enquiry made by audit in April 1986, the Divisional Forest Officer stated (August 1986) that field inspection of one of the lots containing 85 trees disclosed that trees marked in this lot valuing Rs. 33,550 (including sales tax and surcharge) were not available in the forest and suitable action against the defaulting officials was being taken. Further, the Divisional Officer stated (December 1986) that field inspection of the remaining three lots also revealed that all the trees marked in these lots were not available in the forest.

(iii) In Mandi forest division, in July/August 1984, 159 uprooted trees containing 154.33 cubic metres of timber were proposed to be handed over to the Corporation for exploitation. Scrutiny of the divisional records showed (March 1987) that these trees had not been handed over to the Corporation nor disposed of otherwise till the time of audit conducted in March 1987. The potential revenue involved worked out to Rs. 1,55,425 (including sales tax and surcharge).

The non-disposal of trees was pointed out in audit in March 1987; reply of the department has not been received (January 1988).

(iv) In Una forest division, two salvage lots of 253 trees containing 86.08 cubic metres of timber were marked by the department for exploitation by the Corporation during the year 1984-85. But the Corporation did not take over the lots, stating (May 1986) that the working of the lots was not economically viable as some of the trees were not available on the spot, lops/tops of some of the trees had since been removed and maximum number of trees were not fit for conversion into timber and that only charcoal/fuelwood could be extracted out of these lots. Scrutiny of the divisional records showed (February 1987) that neither the Forest Corporation (which was required to work the lots) took over the lots, nor were any alternative arrangements made by the department to dispose of the trees. The potential revenue worked out to Rs. 51,607 (including sales tax and surcharge).

The non-disposal of trees was pointed out in audit in February 1987; reply of the department has not been received

(January 1988).

The above cases were reported to Government between September 1985 and July 1987; their reply has not been received (January 1988).

6.9 Loss of revenue due to administrative failure

(i) In Jubbal forest division, 589 scants, logs and planks of different species containing 57.43 cubic metres of timber (converted from illicitly felled trees) were seized (May 1983) during a special raid conducted jointly by the police and staff of Forest Department. The seized timber was put to open auction in April 1985, but no bid was received. Later, in October 1985, the Range Officer reported to the Police and the Divisional Forest Officer that the seized timber had been pilfered by a local contractor engaged in the construction of a school building. The department's failure to keep the seized timber in safe custody, resulted in loss of Rs. 61,000 (being upset price of the timber).

The failure was pointed out in audit in June 1986; reply of the department has not been received (January 1988).

The case was reported to Government in August 1986; their reply has also not been received (January 1988).

(ii) In Chopal forest division, with a view to dispose of confiscated/seized timber, 34 lots were formed and it was decided on 17th June 1985 to hold open auction on 16th July 1985. The Range Officer reported on 2nd July 1985 to the Divisional Forest Officer that 58 scants of deodar/kail containing 8,298 cubic metres of timber, included in three lots, were not available on the spot. The pilferage of timber was also reported (July 1985) by the Divisional Forest Officer to the concerned Conservator of Forests. Scrutiny of the divisional records showed that the pilferage had not been investigated by the department nor any responsibility fixed till the time of audit in June 1986. Revenue lost to Government amounted to Rs. 16,624 (being the value of timber, including sales tax and surcharge).

On the failure being pointed out in audit in June 1986, Government stated (January 1988) that in respect of two lots, disciplinary proceedings against the defaulting officials were under progress and that the timber valuing Rs. 2,069, involved in the third lot, had since been taken back and auctioned for

Rs.5,100. Outcome of the disciplinary proceedings is awaited (January 1988).

(iii) In Nurpur forest division, a lot of 203 chil trees containing 454.75 cubic metres of standing volume of timber was leased out to a forest lessee in October 1981 for Rs.79,050 (including sales tax and surcharge amounting to Rs.17,050). The lease period was upto 30th June 1982. Royalty amounting to Rs.58,213 was recovered by the department by book adjustment on account of timber supplied to the Railways in May 1982. For failure to pay the balance amount of royalty (Rs.3,787) and sales tax and surcharge (Rs.17,050), forest produce containing 126 scants of timber and 20 quintals pulpwood was seized by the department in July 1984. A scrutiny of the divisional records showed that no action was taken by the department to dispose of the seized forest produce till October 1986. In November 1986, the Range Officer reported to the Divisional Forest Officer that the seized forest produce had deteriorated and its sale value was practically nil. After adjusting the security deposit of the lessee, an amount of Rs.18,050 (sales tax :Rs.10,754 and penalty: Rs.7,296 for delay in payment of sales tax) remained outstanding against the lessee. Thus, failure of the department to take timely action to dispose of seized forest produce resulted in its deterioration and consequent loss of Rs.18,050.

The failure was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

(iv) In Theog forest division, as per judgement (July 1985) of a court, the Divisional Forest Officer was directed to put to auction 45 kail logs containing 9.502 cubic metres of timber seized by department in October 1982. On an enquiry made by the Divisional Forest Officer, the Range Officer reported (August 1985) that 60 to 70 per cent of the timber, which was two and a half years old and was lying in the open, had rotted due to rain and rough weather. The timber was put to auction in December 1985, but no bid was received. Scrutiny of the divisional records showed that the timber could not be disposed of till the time of audit (March 1986). Failure of the department to store the timber at a safe place resulted in its deterioration. Potential revenue involved worked out to Rs.22,430 (computed at the market rate of kail timber at Parwanoo).

On the failure being pointed out in audit in March 1986, the Divisional Forest Officer stated (November 1986) that the seized timber had been auctioned for Rs. 3,200, leaving net loss of revenue to Government amounting to Rs. 19,230.

The case was reported to Government in June 1986; their reply has not been received (January 1988).

6.10 Loss of revenue due to non-felling of bamboos in time

The felling cycle of bamboos in an area is prescribed in the related Working Plan. The bamboo crop is prone to rapid deterioration, in case it is not exploited when due, as per the prescribed felling cycle. After the crop is exploited, it comes up again spontaneously and becomes ready for felling on completion of felling cycle.

(i) In Solan forest division, a bamboo lot (area: 80 hectares and felling cycle: 3 years), due for felling in the year 1983-84 was handed over, to a co-operative society engaged in manufacturing bamboo baskets, for exploitation in March 1984. The lease period of the lot was upto 30th September 1984. But, the society exploited an area of 5 hectares only during the lease period, leaving the remaining area of 75 hectares unexploited. Scrutiny of the divisional records showed (March 1986) that out of the remaining area of 75 hectares, the society was allowed to exploit an area of 15 hectares during the year 1984-85 and area of 20 hectares annually during the years 1985-86, 1986-87 and 1987-88. Had the lot been exploited during the year 1983-84 itself, it would have again become ready for felling during the year 1987-88. Thus non-exploitation of the entire lot during the year 1983-84 resulted in loss of revenue amounting to Rs. 1,57,144.

On the loss being pointed out in audit (March 1986) Government stated (January 1987) that the lot had been allotted to encourage the local small scale industries.

(ii) In Kunihar forest division, a bamboo lot (area: 65 hectares and felling cycle: 3 years) due for felling in the year 1984-85 was handed over to the State Forest Corporation for exploitation in December 1984. In May 1985, the Chief Conservator of Forests accorded approval for holding back area of 25 hectares for meeting the demand of local people for basket making. Scrutiny of the divisional records revealed (January 1987) that the area of 25 hectares had not at all been exploited by the local people.

Further, the Corporation had exploited an area of 13 hectares only out of the remaining area of 40 hectares. Thus, an area of 52 hectares was left unexploited. Thus, department's failure to ensure exploitation of the lot in full when due, resulted in revenue amounting to Rs. 66,300 (including sales tax: Rs. 13,000 and surcharge: Rs. 1,300) being lost to Government.

The failure was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

6.11 Non-levy of penalty for short supply of fuelwood

As per terms of the standing agreement deed (applicable to State Forest Corporation also), in case of short supply of fuelwood, penalty at the rate of Rs. 10 per quintal would be imposed on the lessee.

In Palampur forest division, 2 lots were handed over to the Corporation for supply of 3,500 quintals of fuelwood to Forest Department during the year 1983-84. But the Corporation supplied only 1,469.20 quintals of fuelwood. For short supply of 2,030.80 quintals of fuelwood, penalty amounting to Rs. 20,308 was leviable on the Corporation, but it was not levied by the department.

On the omission being pointed out in audit in January 1985, Government stated (January and September 1987) that the department had since been directed to levy penalty for the short supply. Further progress is awaited (January 1988).

6.12 Non-levy of interest and penalty

The terms of the standard agreement provide that in case of delay in payment of royalty, the lessee would be liable to pay interest at the rate of 10 per cent per annum for the delay within the contract period and at the rate of 15 per cent per annum thereafter. In case the lessee fails to make payment of sales tax on due date, penalty at the rate of 18 per cent per annum is leviable.

In Una forest division, in respect of forest lots handed over to the State Forest Corporation for exploitation during the year 1985-86, instalments of royalty and sales tax leviable thereon

were not paid by the Corporation on due dates. On the belated payments, interest amounting to Rs.2,69,412 (for delays ranging between 16 days and 215 days) and penalty amounting to Rs.72,686 (for delays ranging between 63 days and 230 days) were chargeable from the Corporation but were not charged by the department.

The omission was pointed out in audit in February 1987; reply of the department has not been received (January 1988).

The case was reported to Government in July 1987; their reply has also not been received (January 1988).

6.13 Loss of revenue due to application of incorrect rates

As per decision taken by the Forest Department in June 1985, royalty for spruce wood is chargeable at one and a half times the market rate of the division in which these are marked and handed over.

In Chopal forest division, 8 spruce trees were marked and handed over to the State Forest Corporation in November 1985 for exploitation. Scrutiny of the divisional records showed (June 1986) that royalty amounting to Rs.36,496 at market rates plus ten per cent thereon had been charged (January 1986) by the department, instead of royalty amounting to Rs.49,982 chargeable at one and a half times the market rates. The mistake resulted in royalty being charged short by Rs.17,093 (including sales tax:Rs.3,352 and surcharge: Rs.335).

On the mistake being pointed out in audit in June 1986, Government stated (April 1987) that revised bill had since been raised against the Corporation in November 1986. Report on recovery is awaited (January 1988).

6.14 Non-recovery of Government dues due to not taking timely action

The terms of standard agreement provide that in the event of breach of the terms and conditions of the lease, the lease can be cancelled, security deposit forfeited, lot resold and the loss, if any, as a result of resale, shall be recovered from the lessee as arrears of land revenue. No adjustment out of security deposit will be allowed towards the dues recoverable.

In Murpur forest division, a lot of 627 chil trees containing 989.74 cubic metres of timber was leased out to a lessee in November 1980 for Rs.1,35,500 plus sales tax and surcharge amounting to Rs.37,262. The royalty was payable in two instalments due on 15th of January (Rs.45,168) and March 1981 (Rs.90,332). The period of lease was upto 30th June 1981. The lessee felled only 72 trees and extracted 500 scants containing 23.92 cubic metres of timber upto February 1981. Thereafter, the lessee did not work the lot. The contract with the lessee was cancelled by the department as late as in November 1981 and the lot, containing the remaining 555 unfelled trees alongwith 500 scants extracted by the lessee, was resold to another lessee in February 1982 for Rs.45,500. After adjusting the sale proceeds of Rs.45,500 and the amount of Rs.16,223 (royalty: Rs.3,711 and sales tax: Rs.12,512) recovered from the lessee, an amount of Rs. 1,17,239 (including interest amounting to Rs.6,200 for delay in payments of royalty instalments) was recoverable from the original lessee. Scrutiny of the divisional records showed that after adjusting security deposit of Rs.13,550, a case for recovery of the balance amount of Rs.1,03,689 as arrears of land revenue, was referred to the Collector, Kangra in September 1982. The case was returned by the Collector in October 1982 with certain observations, which were replied to by the department only in January 1986. In September 1986, the Collector, Kangra intimated the Divisional Forest Officer that the entire property owned by the lessee had since been mortgaged with a co-operative society and that recovery of Government dues was not possible. Thus, the failure of the department to take expeditious action resulted in non-recovery of Government dues amounting to Rs.1,03,689. Besides, the adjustment of security deposit (Rs.13,550) towards the dues recoverable from the lessee was not in order as it was required to be forfeited to Government.

The loss was pointed out in audit in January 1987; reply of the department has not been received (January 1988).

The case was reported to Government in March 1987; their reply has also not been received (January 1988).

CHAPTER 7

OTHER TAX AND NON-TAX RECEIPTS

Section A- Land Revenue

7.1 Results of Audit

Test check of records of land revenue, conducted in audit during the year 1986-87, revealed non-recovery or short recovery of land revenue/surcharge and other irregularities, involving revenue of Rs. 43.21 lakhs in 137 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery or short recovery of land revenue/surcharge	53	12.67
2. Non-realisation or short realisation of nazrana (compensation) of land	10	5.68
3. Other irregularities	74	24.86
Total	137	43.21

The above position was reported to the concerned department and Government in September 1987. The Commissioner, Shimla division stated (November 1987) that amount of Rs. 2,52,506 had since been recovered in five cases and in other two cases amount of Rs. 16,658 was not recoverable. Reply in respect of the cases pertaining to Kangra and Mandi divisions has not been received (January 1988).

Some of the important cases are mentioned in the following paragraphs.

7.2 Non-recovery of local rate

Under the Himachal Pradesh Panchayati Raj Act, 1968, a local rate called cess is leviable at the rate of 35 per cent of land revenue in respect of all lands in Himachal Pradesh. The local rate is required to be assessed by the Collector of the district

concerned and the collection thereof is made by the Iambardars, who are entitled to retain two and a half per cent of the total collection as their commission for the collection made. Remission of land revenue does not automatically imply remission of cess.

In six tehsils of Solan district, land revenue for Kharif 1982, Rabi 1983, Rabi 1984 and Rabi 1985 harvests was remitted by Government due to damage to crops caused by hailstorms or drought. An amount of Rs. 1,20,536 on account of local rate was, however, required to be collected from the land holders and deposited into the treasury but it was not collected.

On the omission being pointed out in audit in July 1986, the Commissioner, Shimla division, stated (December 1987) that an amount of Rs. 96,453 had been recovered and deposited into treasury. Report on recovery of the balance amount is awaited (January 1988).

The matter was reported to Government in September 1986; their reply has also not been received (January 1988).

7.3 Non-levy of surcharge on land revenue

Under the Himachal Pradesh Land Revenue (Surcharge) Act, 1974, surcharge at different rates, depending upon the amount of land revenue payable by the landowners, is leviable on land revenue.

In Nahan tehsil of Sirmaur district, surcharge amounting to Rs. 21,858, for the years 1983-84 and 1984-85 was leviable, but was omitted to be levied.

On the omission being pointed out in audit in May 1986, the Tehsildar, Nahan stated (February 1987) that the demand for Rs. 21,858 had since been raised in February 1987. Report on recovery is awaited (January 1988).

The case was reported to Government in June 1986; their reply has not been received (January 1988).

Section B-Stamp Duty and Registration Fees

7.4 Results of Audit

Test check of the records relating to stamp duty and registration fees, conducted in audit during the year 1986-87, revealed short realisation of stamp duty and registration fees

amounting to Rs.2.29 lakhs in 99 cases, which broadly fall under the following categories :-

	Number of cases	Amount (In lakhs of rupees)
1. Irregular grant of exemptions from payment of stamp duty and registration fees	14	0.47
2. Application of incorrect rates of stamp duty and registration fees	9	0.12
3. Non-levy or short levy of stamp duty and registration fees	33	0.77
4. Other irregularities	43	0.93
Total	99	2.29

The above position was reported to the concerned department and Government in September 1987. Out of the 99 cases mentioned above, an amount of Rs.80,902 had since been recovered (upto November 1987) by the department in 25 cases. Government, however, stated (December 1987) that any action to make good the deficiency in stamp duty would be illegal since there was no enabling provision to that effect in the Indian Stamp Act, 1899, as applicable to Himachal Pradesh. The need for making a suitable provision in the Stamp Act on the lines of that made by the States of Tamil Nadu, Uttar Pradesh, Karnataka and Andhra Pradesh was pointed out to the Government in May 1987 and again in January 1988.

Some of the important cases are mentioned in the following paragraph.

7.5 Short levy of stamp duty and registration fee

(1) Under the Indian Stamp Act, 1899, as applicable in Himachal Pradesh, instrument of lease is chargeable to stamp duty and registration fee at different rates, according as the lease is granted on payment of rent or premium or both. It has been

judicially held# that premium is the sum paid in consideration of the conveyance implied in the lease and is quantified in lump, whether it is paid outright or by instalments over a period or promised to be paid at a certain time.

In sub-registry office, Kasauli, by seven lease deeds, registered during the year 1985, the existing leases, standing in the names of three industrial units, were transferred to other three industrial units which had taken over the assets and liabilities of the respective existing units. For these transfers, the Industries department (lessor) charged additional premia from the succeeding industrial units. But stamp duty was not levied ad valorem on the additional premia whereas registration fee was charged on the premia paid at the time of granting the leases to the existing units, instead of on the additional premia. The mistakes resulted in short levy of stamp duty and registration fee amounting to Rs.23,846.

On the mistakes being pointed out in audit in December 1986, the department stated (May 1987) that the entire amount had since been recovered in February and March 1987.

(11) As per a notification issued by State Government in April 1969, fee for the registration of compulsorily registrable document relating to immovable property is chargeable at ad valorem scale. It has been judicially held## that a floating charge, i.e., a charge created by a company on its general undertaking, is compulsorily registrable under the Registration Act, 1908.

In sub-registry office, Kasauli, by two instruments registered during the year 1985, a public limited company created floating charge on its entire machinery, stocks and all other property by way of security for loans amounting to Rs.6,30,442 and Rs.7,20,480 granted to it by the Industries department. As such, the documents were compulsorily registrable under the Registration Act and registration fee was chargeable at the ad valorem scale, but registration fee of Rs.10 each only was charged. The mistake resulted in registration fee being charged short by Rs.13,512.

Chief Controlling Revenue Authority U.(S.M.)Abdul (1970)

Mad.L.J. 417 :83 Mad. L.W.157 A.I.R.1970 Mad.288(F.B)

Madras State U.Madras Electric Tramways,1957 Mad 169:(1956)26

Com Cas 398

On the mistake being pointed out in audit in December 1986, the department recovered the entire amount in March 1987.

The above cases were reported to Government in February 1987; their reply has not been received (January 1988).

Section C-Excise and Taxation Department

7.6 Results of Audit

Test check of the records relating to other tax receipts collected at Multipurpose Barriers, conducted in audit during the year 1986-87, revealed non-levy of tax and other irregularities amounting to Rs. 0.25 lakh in 11 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy of tax	6	0.20
2. Other irregularities	5	0.05
Total	11	0.25

The above position was reported to the department and Government in September 1987; their replies have not been received (January 1988).

An important case of irregularity is mentioned in the following paragraph.

7.7 Non-levy of tax

As per a notification issued by the State Government on 20th August 1985 (published in the official gazette on 22nd August 1985) under the provisions of the Himachal Pradesh Taxation (on Certain Goods Carried by Road) Act, 1976, tax on cement is leviable at the rate of Re.1 per bag. The tax is collected at the barriers installed at different places in the State.

At Behrai and Gouindghat barriers in Sirmaur district, on 15,720 cement bags carried by road on 22nd and 23rd August 1985, tax amounting to Rs. 15,720 was leviable, but was not levied.

The non-levy was pointed out in audit in December 1986; reply of the department has not been received (January 1988).

The case was reported to Government in February 1987; their reply has also not been received (January 1988).

Section D- Industries Department

7.8 Mineral Receipts

7.8.1 Introductory

Himachal Pradesh has large deposits of limestone, gypsum, barytes, rocksalt, slates, stone, sand and shale. Besides, availability of iron ore, coal, mica and antimony has also been reported.

The area and the number of quarries of major and minor minerals leased out during the years 1980-81 to 1985-86 are given below :-

Year	Major Minerals		Minor Minerals	
	Number of quarries	Area (In hectares)	Number of quarries	Area(In hectares)
1980-81	2	10.33	1	61.29
1981-82	4	34.49	1	3.20
1982-83	4	6.96	3	7.76
1983-84	4	1,04.73	4	9.92
1984-85	7	1,29.61	4	1,82.33
1985-86	7	65.77	8	1,77.93
Total	28	3,51.89	21	4,42.43

The revenue receipts during the five years 1981-82 to

1985-86 are given below:-

Year	Budget estimates (In lakhs of rupees)	Actuals
1981-82	41.00	81.06
1982-83	46.50	65.23
1983-84	60.52	74.15
1984-85	70.00	89.52
1985-86	85.00	1,07.73

The extraction of minerals is governed by the Mines and Minerals (Regulation and Development) Act, 1957, the Minerals Concession Rules, 1960, the Mines and Minerals (Regulation and Development) Amendment Act, 1972 and the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971. The administration of these Acts and Rules is entrusted to the Director of Industries.

7.8.2 Scope of audit

There are 11 District Mining Officers in the State. The records of 5 Mining Officers for the years 1980-81 to 1985-86 were subjected to test check between February and May 1987 with a view to examining (i) whether the demands for royalty in respect of the minerals exploited were correctly raised and pursued for recovery, (ii) whether the provisions of Acts/rules governing the exploitation of minerals were duly observed; and (iii) other general aspects regarding the exploitation of minerals.

7.8.3 Highlights

The review brings out the following important points :

(i) Delay in approval of the H.P. Minerals (Vesting of Rights) Bill, 1983, deprived the Government of net revenue of Rs.21.40 lakhs per annum as the minerals in the lands of private owners could not be vested in the State Government till the bill was assented to by the President in July 1987.

(ii) In Sirmaur and Mandi districts, royalty amounting to Rs.0.81 lakh for the years 1980-81 to 1985-86 was not recovered from 14 brick-kiln owners.

(iii) In Sirmaur, Chamba and Mandi districts, security deposits amounting to Rs.3,88,090 were liable to be forfeited in 43 cases due to termination of leases by the department or non-execution of lease deeds by the lessees, but these were not forfeited.

(iv) Under the rules, the lessees are required to provide weighing machines at the site to measure exact quantity of minerals extracted/ transported. In Bilaspur, Chamba, Kangra, Mandi and Sirmaur districts, no lessee had provided any such machine, in the absence of which, the royalty on minerals exported was paid on rough estimates only.

7.8.4 Delay in processing of Himachal Pradesh Minerals (Vesting of Rights) Bill, 1983

As observed by the department, the minerals in the State were not being extracted, quarried and mined properly due to contracts/leases being granted by the landowners. Therefore, to vest the mineral rights in the State Government and to provide for payment of amount to owners of minerals and for other matters connected therewith, a bill titled "The Himachal Pradesh Minerals (Vesting of Rights) Bill, 1983" was introduced (August 1983) in the Legislative Assembly. The Bill, duly passed (August 1983) by the Legislative Assembly, was sent (December 1983) to the Government of India for obtaining assent of the President. Due to some printing mistakes, the bill was withdrawn from Government of India in March 1987 and was again sent in June 1987. The President gave his assent on 22nd July 1987.

In the financial memorandum appended to the draft Act, accrual of net revenue to the extent of Rs.21.40 lakhs per annum was envisaged after the legislation of this Act. Delay in processing the bill has resulted in recurring loss of Rs.21.40 lakhs per annum to Government during the period January 1984 to July 1987.

A- Major Minerals

7.8.5 Short levy of royalty

Under the Mines and Minerals (Regulation and Development) Act, 1957, the lessees are required to file monthly returns

showing, inter-alia, quantity of limestone extracted and removed from the leased areas.

(1) Scrutiny of the records of the Mining Officer, Sirmaur district, done in audit in February 1987, disclosed that, during the year 1985-86, as per monthly returns, the quantity of limestone extracted and removed by two lessees was 34,543 metric tonnes, whereas royalty was charged for 31,115 metric tonnes only. The mistake resulted in royalty being levied short by Rs.15,426.

(11)(a) Similarly, in Bilaspur district, during the period from September 1985 to March 1986, on 24,478 metric tonnes of limestone removed by a Corporation from the leased area, royalty amounting to Rs.1,10,151 was chargeable, whereas the Corporation paid royalty amounting to Rs.76,500 on 17,000 metric tonnes of limestone only. The balance royalty amounting to Rs.33,651 was not demanded from the Corporation (May 1987).

(b) Further, quantity of limestone removed by the said Corporation during September 1985 to March 1986 was worked out on the basis of ten metric tonnes per truck as against twelve metric tonnes per truck adopted in the case of other lessees. This resulted in royalty being demanded short by Rs. 22,030 during the period from September 1985 to March 1986.

On this being pointed out in audit (March 1987), the State Geologist ordered (July 1987) realisation of royalty on the basis of thirteen metric tonnes per truck from the Corporation as well as other lessees with effect from July 1987. The reply of the department about the short levy for the period pointed out above has not been received (January 1988).

7.8.6 Non-execution of lease deeds

A test check (February and March 1987) of the records of Chamba, Sirmaur and Bilaspur districts revealed that two Corporations and a Central Government Undertaking were engaged in extracting shale (a major mineral meant for use in the manufacture of cement) as well as stone, bajri and sand without executing lease deeds since 1980-81. In the absence of lease deeds, the department was not in a position to exercise any control over the extraction of minerals. The Mining Officers were simply accepting whatever royalty was paid by the Corporations/Undertaking since they were not able to work out the amount of royalty due from the Corporations/Undertaking in the absence of lease deeds.

B- Minor Minerals

7.8.7 Non-recovery of royalty on brick earth/bricks

Test check of the records (between February 1987 and April 1987) of the District Mining Offices, Sirmaur and Mandi revealed that a sum of Rs.80,681 (Sirmaur: Rs.37,500; Mandi:Rs.43,181) on account of royalty for the years 1980-81 to 1985-86 had not been recovered from 14 brick-kiln owners till May 1987.

7.8.8 Short realisation of royalty

Under the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, royalty on stone is chargeable at the rate of Rs.5.60 per cubic metre.

In Chamba, during the years 1980-81 to 1985-86, royalty was charged at the rate of Rs.5.60 per cubic metre on 13,588 cubic metres grit/aggregate (broken stone) manufactured by the Public Works Department, instead of charging royalty on stone crushed. Since the volume of grit/aggregate is less than the volume of stone crushed, the Mining Officer, Chamba, had demanded (March 1987) from another lessee royalty on the volume of grit/aggregate at the rate of Rs.7 per cubic metre. Based on this rate, the royalty recovered short from the Public Works Department at least amounted to Rs.19,023.

7.8.9 Short levy/non-levy of interest

(1) As per the standard agreement form prescribed under the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, if a lessee fails to pay any instalment of lease money or any part thereof on due date without permission of the competent authority in writing, he is liable to pay, at the discretion of the competent authority, penal interest at the rate of 12.5 per cent per annum. If such failure extends to 30 days, the lessee shall be liable to lose all claims to the minerals extracted and forfeit all money already paid by him to the department as liquidated damages and the contract may be cancelled with the approval of the competent authority.

A test check of the records of the District Mining Office, Mandi revealed that during the years 1980-81 to 1985-86, lessees of 8 quarries paid instalments of lease money after the due

dates, but interest was either not charged or was charged short from the lessees. The interest not realised amounted to Rs. 10,268 on delayed payments of instalments of lease money, delay ranged from 2 days to 172 days.

(11) Under the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, as amended in October 1982, the lessee shall pay royalty in advance for the material to be removed from the leased area.

During test check (April and May 1987) of the records of the District Mining Office, Chamba, it was noticed that the Public Works Department and a Public Sector undertaking of the Government of India extracted stone, bajri and sand from khads and other specified areas during the period from October 1982 to March 1986 without payment of royalty in advance. The amount of interest on belated payments of royalty worked out to Rs. 30,730 at the rate of 12.5 per cent per annum, which was not demanded.

C-Other points of interest

7.8.10 Non-deposit of permits

As per the conditions of the standard form of short term permit, prescribed under the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, a permit holder shall have to surrender and deposit the permit with the issuing authority within a week from the date of its expiry or cancellation, as the case may be. In case of default the security deposited by him shall be forfeited to the Government.

Test check of the records of the District Mining Offices, Mandi, Kangra, and Chamba, for the years 1980-81 to 1985-86, revealed that out of 3,062 permits (Mandi: 1,435, Kangra: 1,424, Chamba: 203) issued during the years 1980-81 to 1985-86 and due for surrender, 1,015 permits (Mandi: 765, Kangra: 109, Chamba: 141) were not surrendered by the permit holders to the issuing authorities. As such, security deposits amounting to Rs. 49,457 (Mandi: Rs. 33,991, Kangra: Rs. 9,619, Chamba: Rs. 5,847) received from the permit holders were liable to be forfeited to Government, but these were not forfeited.

7.8.11 Irregular release of security

Short term quarrying permits are granted by the department on a form prescribed under the Himachal Pradesh Minor

Minerals (Concession) Revised Rules, 1971. The security deposited by the permit holder is refundable on receipt of no-objection certificate from the concerned Sub-Divisional Engineer of the Public Works Department. The rules further provide that in case of breach of any of the conditions for granting the permit, the department may cancel it. On the cancellation being made, the quarried materials lying on site shall become absolute property of Government.

(1) Test check (March to May 1987) of the records of Mandi, Kangra and Chamba districts revealed that in 128 cases (Mandi:78, Kangra:46 and Chamba:4), security deposits amounting to Rs.34,663 (Mandi:Rs.24,182, Kangra:Rs.7,703 and Chamba:Rs.2,778) were released during the years 1980-81 to 1985-86 by the department without obtaining no-objection certificate from the Public Works Department.

(ii) In Sirmaur, Chamba and Mandi districts, security deposits amounting to Rs.3,88,090 were liable to be forfeited in 43 cases due to termination of the leases by the department or non-execution of lease deeds by the lessees, but were not forfeited.

7.8.12 (a) Non-levy of surface rent and water rates

As per the conditions of the standard agreement forms of mining lease prescribed under the Mineral Concession Rules, 1966 and the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, the lessee shall pay surface rent and water rates, in respect of all parts of the surface of the lands which shall from time to time be occupied or used by the lessee, at the rates fixed by the State Government.

A test check (February to May 1987) of the records of the District Mining Office, Bilaspur revealed that in respect of major minerals leased out during the years 1966-67 to 1985-86, the surface rent and water rates were not charged from 13 lessees. Besides, in Chamba, Kangra and Mandi districts, surface rent and water rates were not charged from 9 lessees (Chamba:2, Kangra:5 and Mandi:2) to whom minor minerals were leased out, during the years 1977-78 to 1985-86.

On this being pointed out in audit (April 1987), the Mining Officers Chamba, Kangra, and Mandi stated (April-May 1987) that the rates of surface rent and water rates had still not been fixed by the District Collectors.

(b) Non-establishment of check posts

The State Government may establish a check post for any area included in mining lease or permit and when a check post is so established, no person shall transport a mineral from such area without first presenting the mineral at the check post fixed for that area for the purpose of verification of the weightment or measurement of the quantity of the mineral. Contravention of the provisions attracts conviction/ punishment.

A test check (February to May 1987) of the records of the Mining Offices Sirmaur, Bilaspur, Mandi, Kangra and Chamba revealed that the department has established only one check post in Sirmaur district and that too has not the facility of weighing machine. In the absence of check posts with weighing machines, a proper check on the movement of exact quantity of minerals transported and royalty chargeable cannot be exercised by the department.

(c) Non-installation of weighing machines by lessees

As per the conditions of the standard agreement forms of mining lease prescribed under the Mineral Concession Rules, 1960 and the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, the lessees are required to provide weighing machines at the site to measure exact quantity of minerals extracted/transported.

A test check (February to May 1987) of the records of the Mining Offices, Bilaspur, Chamba, Kangra, Mandi and Sirmaur revealed that no lessee had provided any weighing machine. In such circumstances, royalty on minerals exported was paid on rough estimates and not after actual weightment. There was no further check by the department.

The above findings were reported to the department and Government in July 1987; their replies have not been received (January 1988).

Section E- Fisheries Department

7.9 Fishery Receipts

7.9.1 Introductory

The exploitation of fisheries in the State is regulated under the Himachal Pradesh Fisheries Act, 1976 and the rules framed thereunder. The administration of Fisheries Department has been entrusted to the Chief Warden of Fisheries. The State has a mountainous topography being located over the Shiwalik hills of the Himalayas. The climate varies from temperate to sub-tropical in behaviour suitable for various species of fish such as cold water trouts, sub-temperate Mahaseer and sub-tropical or tropical carps.

Fish culture started in the State as early as in the year 1909 with the introduction of trout in the water of river Beas where a trout farm was constructed.

The existing estimated fishing potential is 3,000 Kms. of running streams (of which 600 Kms. are trout water and 460 Kms. of mahaseer), 40,000 hectares of reservoir, 500 hectares of cold water lakes and 100 hectares of other lakes. The exploitation of fisheries is managed by the department mainly through fishermen co-operative societies.

The revenue receipts during the preceding five years ending March 1986 are given below:-

Year	Estimates (Rupees in lakhs)	Actuals
1981-82	6.25	8.07
1982-83	8.00	12.57
1983-84	8.20	10.40
1984-85	10.00	11.93
1985-86	11.12	11.90

7.9.2 Scope of Audit

There are 5 Fisheries divisions in the State. The

records of 3 divisions for the years 1981-82 to 1985-86 were subjected to test check between March 1987 to May 1987 with a view to examining (i) whether the demands for royalty in respect of the fisheries exploited were correctly raised and pursued for recovery and (ii) whether the provisions of the Acts/rules governing the exploitation of fisheries were duly observed; and (iii) other general aspects of the exploitation of fisheries.

7.9.3 Highlights

The review brings out the following-

Construction of fish seed farm at Milwan, proposal for which was finalised in February 1980, is still not complete. The delay resulted in shortfall in raising of fingerlings and under-stocking thereof in Pong Dam reservoir. Had the stocking been done as envisaged by the department, the production of fish during the years 1981-82 to 1985-86 could be 38,790 metric tonnes more and the Government would have realised Rs. 479.67 lakhs more as royalty.

7.9.4 Delay in construction of fish seed farm

Water in the Pong Dam reservoir (area:24,000 hectares) has been impounded since August 1974. To fully exploit the potential of the reservoir, the department has to stock it with 8.5 million fingerlings annually. In order to raise the required number of fingerlings, the construction of a fish seed farm at Milwan (area: 101 acres) was to be undertaken. The proposal was finalised in February 1980. As the land belonged to the Railways, an agreement for lease of land for 20 years on payment of licence fee of Rs. 25,312 per annum with five per cent upwards revision of licence fee every five years from February 1984 to January 2004 was signed (February 1984) with the Railway authorities. Up to January 1987, the department had incurred an expenditure of Rs. 28.73 lakhs on construction works, besides incurring liability for payment of licence fee amounting to Rs.75,936 for the period February 1984 to January 1987. The work which was originally proposed to be completed by December 1983 is yet to be completed (January 1987).

Due to non-construction of fish seed farm, stocking of

reservoir was done by purchasing fry. However, this resulted in under-stocking of the reservoir each year. The shortfall in stocking during the five years ending March 1986 is depicted in the following table :-

Year	Fry purchased	Fingerlings stocked	Shortfall in stocking as compared to the require- ment of 8.5 millions	Percentage of shortfall
	(Number	in	lakhs)	
1981-82	4.32	2.93	82.07	96.55
1982-83	5.00	2.73	82.27	96.79
1983-84	3.95	2.12	82.88	97.51
1984-85	-	-	85.00	100.00
1985-86	6.00	4.02	80.98	95.27

To fully develop the fish crop in the reservoir, the department had earlier estimated (August 1973) the stocking of 5 to 6 millions of fingerlings per annum over a span of 10 to 15 years. Had the stocking of 5 million fingerlings per annum been done, the production of fish could be 41,234 metric tonnes during the years 1981-82 to 1985-86 (based on the average of actual yield of fish vis-a-vis actual stocking done during the years 1976-77 to 1980-81), as against the actual production of 2,444 metric tonnes and the Government would have realised Rs. 479.67 lakhs more as royalty (based on average sale rates).

On this being pointed out in audit in July 1987, Government stated (January 1988) that the construction of the fish seed farm remained suspended between April 1985 and March 1986 for deciding the suitability of the site, as the strata below two feet of top soil was found to be sandy and that further delay in construction was due to non-availability of adequate funds during the years 1986-87 and 1987-88.

7.9.5 Pending fishing offence cases

Under the Himachal Pradesh Fisheries Act, 1976, and the rules framed there under, cases of illegal fishing are finalised by the Fishing Officer on realisation of compensation.

As per information supplied by the department, 380 cases (1980-81: 49; 1981-82: 139 and 1982-83: 192) of illegal fishing were pending finalisation.

On this being pointed out in audit in July 1987, Government stated (January 1988) that 203 cases had since been finalised upto September 1987 and that efforts were being made to finalise the remaining 177 cases.

Section F- General Administration Department

7.10 Non-recovery of rent at double the market rent on cancellation of allotment

Under the Allotment of Government Residential (General Pool) Accommodation in Himachal Pradesh Rules, 1972, an employee on retirement or on transfer to an outside station may retain Government accommodation allotted to him at normal rent for a period of 4 months or two months respectively. The allotment shall be deemed to be cancelled on the expiry of the admissible concessional periods. If the employee does not vacate the accommodation after the allotment has been cancelled or is deemed to have been cancelled, he shall be liable to pay rent equal to double the market rent.

In Shimla, four employees, who had either retired or had been transferred to outstations, retained Government residences allotted to them, beyond the admissible concessional periods. Rent amounting to Rs. 58,918, calculated at double the market rent, was recoverable from them for different periods falling between January 1983 and March 1987, but was not recovered.

On this being pointed out in audit between April 1985 and March 1987, the department stated (November 1986 and February 1987) that an amount of Rs. 10,065 had since been recovered and that representations of two employees for relaxing the rules were under consideration of Government. Further progress has not been intimated (January 1988).

The cases were reported to Government between June 1985 and June 1987; their reply has not been received (January 1988).

Shimla,

The

24 MAR 1988



(S. LAKSHMINARAYANAN)
Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi,

The

25 MAR 1988



(T.N. CHATURVEDI)
Comptroller and Auditor General
of India

