



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2021**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Government of Haryana
Report No. 5 of the year 2022**

**Report of the
Comptroller and Auditor General of India**

on

Revenue Sector

for the year ended 31 March 2021

Government of Haryana
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TABLE OF CONTENTS

	Reference to	
	Paragraph	Page
Preface		v
Overview		vii-x
CHAPTER-I		
GENERAL		
Trend of revenue receipts	1.1	1-7
Analysis of arrears of revenue	1.2	7-8
Arrears in assessments	1.3	9
Evasion of tax detected by the Department	1.4	9-10
Refund cases	1.5	10-11
Internal Audit	1.6	11
Response of the Government/Departments towards audit	1.7	12-14
Analysis of the mechanism for dealing with the issues raised by Audit	1.8	14-15
Audit planning	1.9	15
Results of audit	1.10	15
Coverage of this Report	1.11	15
CHAPTER-II		
TAXES/VAT ON SALES, TRADE		
Tax administration	2.1	17
Results of audit	2.2	17-19
Evasion of tax due to suppression of sales	2.3	19-20
Inadmissible/Excess Input Tax Credit	2.4	20-21
Non levy of penalty	2.5	22
Underassessment due to allowing exemptions against 'F' forms and 'C' forms	2.6	23-25
Excess benefit of Input Tax Credit due to non-reversal	2.7	25-26
Under assessment of tax due to application of incorrect rate of tax	2.8	26-27
Under assessment of tax due to less Gross Turnover	2.9	27-28
Subject Specific Compliance Audit on GST Refunds	2.10	28-40
Subject Specific Compliance Audit on Transitional Credit	2.11	40-52

	Reference to	
	Paragraph	Page
CHAPTER-III		
STATE EXCISE		
Tax administration	3.1	53
Results of audit	3.2	53-54
Non/short recovery of license fee and interest	3.3	54-55
Subject Specific Compliance Audit on Internal Control system in respect of collection of State Excise Duty	3.4	56-81
CHAPTER-IV		
STAMP DUTY		
Tax administration	4.1	83
Results of audit	4.2	83-84
Irregular remission of stamp duty	4.3	84-85
Short levy/collection of two percent additional stamp duty levied by/for Municipal Corporations/Gram Panchayats and Zila Parishads	4.4	86-87
Short levy of stamp duty due to under valuation of immovable property	4.5	88-89
Short levy of stamp duty due to application of incorrect rates of immovable property	4.6	89-90
Short levy of stamp duty due to application of normal rates on prime khasra land	4.7	90-91
Irregular exemption of Stamp Duty treating the non-bonafide decrees as bonafide	4.8	91-93

APPENDICES

Appendix	Particulars	Reference to	
		Paragraph	Page
I	Position of paragraphs which appeared in the Audit Reports and those pending discussion/replies not received as on 31 December 2021	1.7.5	95
II	Details of PAC recommendations for CAG Report (Revenue Receipts/Sector) outstanding as on 31 March 2021	1.7.5	96-97
III	Position of Inspection Reports of Revenue and Disaster Management Department (Stamp Duty)	1.8.1	98
IV	Recovery of accepted cases of Revenue and Disaster Management Department (Stamp Duty)	1.8.2	99
V	List of Category-wise audit universe and sample selection	2.10.3	100
VI	List of Refund cases in which refund sanction order was not issued within the prescribed time limit	2.10.5.1 (C)	101
VII	List of Refund cases in which excess ITC was considered for grant of refund	2.10.5.2 (C) (i)	102
VIII	List of Refund cases in which excess ITC was considered for grant of refund	2.10.5.2 (C) (ii)	102
IX	List of cases in which refund was sanctioned for time barred period	2.10.5.2 (E)	103
X	List of refund cases where excess refund was granted due to consideration of Invoice Value instead of FOB value	2.10.5.3	103
XI	List of cases in which information about payment of IGST/CGST not received from central tax authority	2.10.5.4	104
XII	Details of short recovery of monthly installments of license fee and interest thereon for the period 2019-21	3.4.6.1(i)	105
XIII	Details showing non-recovery of interest on delayed payment of monthly installment of license fee for the year 2019-21	3.4.6.1(i)	105
XIV	Details of interest on delayed payment of license fee in respect of L-1BF Licensees	3.4.6.1 (i)	106

Appendix	Particulars	Reference to	
		Paragraph	Page
XV	A: Details showing short lifting of quarterly quota and non-levy/recovery of penalty for the year 2019-21 (IMFL and CL) B: Details showing short lifting of quarterly quota and non-levy/recovery of penalty for the year 2019-21 (IFL)	3.4.6.1 (v)	107
XVI	Details showing non-recovery of penalty imposed in the event of breach of license for the year 2019-21	3.4.7.1 (iii)	108
XVII	Details of seizure of illicit liquor during 2019-21	3.4.7.2 (i)	108
XVIII	Details of delay in destruction of in respect of SP Sonapat and Panipat for the year 2019-21	3.4.7.4	109
XIX	Details of seized liquor not destructed by respect of SP Sonapat and Panipat for the year 2019-21	3.4.7.4	110
XX	Details of seized liquor not sent to the Collector by SP Sonapat and Panipat for the year 2019-20	3.4.7.5	111
XXI	Details of non-accountal of seized liquor (not entered in R-19) in SP Sonapat and Panipat for the year 2019-20	3.4.7.6	111
GLOSSARY		113-114	

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2021 has been prepared for submission to the Governor of Haryana under Article 151 of the Constitution of India.

The Report contains significant findings of audit of receipts and expenditure of major revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2020-21 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2020-21 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 17 illustrative audit paragraphs including three Subject Specific Compliance Audits relating to non/short levy of taxes, interest, GST refunds, Transitional Credit, penalty, non/short levy and internal control of excise duty, stamp duty etc. with revenue implications of ₹ 613.67 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2020-21 were ₹ 67,561.01 crore as compared to ₹ 67,858.13 crore during the year 2019-20. Out of this, 72.34 *per cent* was raised through tax revenue (₹ 41,913.80 crore) and non-tax revenue (₹ 6,961.49 crore). The balance 27.66 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 6,437.59 crore) and Grants-in-aid (₹ 12,248.13 crore). There was a decrease in revenue receipts over the previous year by ₹ 297.12 crore (0.44 *per cent*).

(Paragraph 1.1.1)

Test check of the records of 83 units pertaining to Sales Tax/Value Added Tax, State Excise duty and Stamp Duty and Registration fee conducted during the year 2020-21, showed under assessment/short levy/loss of revenue aggregating to ₹ 734.50 crore in 1,359 cases. During the course of the year, the departments concerned, accepted under assessment and other deficiencies of ₹ 91.86 crore involved in 564 cases. The departments recovered ₹ 2.62 crore (2.85 *per cent*) in 54 cases during the year 2020-21. Out of this, ₹ 1.65 crore recovered in seven cases pertain to this year and the rest to earlier years.

(Paragraph 1.10)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

The Assessing Authorities did not verify/cross verify sale/purchase, which resulted in evasion of tax of ₹ 1.52 crore. In addition, penalty of ₹ 4.56 crore was also leviable.

(Paragraph 2.3)

Assessing Authority allowed benefit of Input Tax Credit without verification of purchases from selling dealers, resulting in incorrect grant of Input Tax Credit of ₹ 9.06 crore. In addition, penalty of ₹ 26.53 crore was also leviable.

(Paragraph 2.4)

Assessing Authorities, disallowed inadmissible Input Tax Credit for bogus purchases/inter State sales to five dealers but did not levy prescribed penalty of ₹ 24.66 crore.

(Paragraph 2.5)

Assessing Authorities, while finalising the assessments, allowed incorrect exemption of branch transfers/consignments worth ₹ 70.05 crore to 17 dealers, resulting in non-levy of tax of ₹ 3.94 crore. In addition, penalty of ₹ 11.82 crore was also leviable.

(Paragraph 2.6)

Assessing Authorities, while finalising the assessments, did not reverse the Input Tax Credit on account of tax free/inter-State Sales, resulting in excess benefit of ₹ 4.68 crore.

(Paragraph 2.7)

Assessing Authorities, allowed incorrect rate of tax to five dealers, which resulted in under assessment of tax of ₹ 1.44 crore. In addition, interest of ₹ 1.05 crore was also leviable.

(Paragraph 2.8)

Assessing Authorities, while finalising assessments, assessed the Gross Turnover less by ₹ 8.59 crore resulting in under assessment of tax of ₹ 51.58 lakh.

(Paragraph 2.9)

The Department had sanctioned the irregular refund without obtaining Bank Realisation Certificates/Foreign Invoice Remittance Certificates and sanctioned excess refund by not restricting the Input Tax Credit. The Department had also failed to restrict the value of zero rated supplies to the extent of Free On Board (FOB) value given in export documents, resulting in irregular grant of refund of ₹ 3.98 crore.

(Paragraph 2.10)

The department had not established robust mechanism to verify genuineness of the transitional credits indicating deficient internal control of the Department, due to which, there have been deviations and non-compliance to provisions of the GST Acts/Rules resulting in excess carried forward of VAT credit/transitional credit of ₹ 382.94 crore.

(Paragraph 2.11)

3. Chapter-III

State Excise

Deputy Excise and Taxation Commissioners (Excise) neither initiated any action to seal the vends for non-deposit of monthly instalment of license fee in time nor levied interest, resulting in short levy of license fee and interest for delayed payment of license fee of ₹ 6.56 crore.

(Paragraph 3.3)

The processes of Internal Controls protect the Government Departments from fraud, corruption, waste and abuse. The need for stricter enforcement of the provision of the Excise Act and Distillery Rules and more effective monitoring is evidenced by non/short recovery by ₹ 116.76 crore.

(Paragraph 3.4)

4. Chapter-IV

Stamp Duty

Irregular remission of stamp duty in 23 instruments of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 23.64 lakh to the State exchequer.

(Paragraph 4.3)

Registering Authorities registered 197 Sale Deeds in areas of Municipal Corporations/Gram Panchayats without charging/levies at the rate of two *per cent* on transaction value, in addition to, Stamp duty under Haryana Municipal Corporation Act, 1994 resulting into short levy of Stamp Duty of ₹ 5.71 crore.

(Paragraph 4.4)

Eighty three deeds were registered on the rates fixed by the Collector for agricultural land on which stamp duty and registration fee of ₹ 2.36 crore was levied instead of leviable at ₹ 7.29 crore as per land records (Jamabandis), resulting in short levy of stamp duty and registration fee of ₹ 4.93 crore.

(Paragraph 4.5)

Registering Authorities assessed 18 sale deeds of plots falling within municipal limits, with an area less than 1,000 square yards, at rates fixed for agricultural land instead of residential land, resulting in short levy of stamp duty and registration fee of ₹ 0.53 crore.

(Paragraph 4.6)

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land, resulting in short levy of stamp duty of ₹ 0.50 crore.

(Paragraph 4.7)

Thirteen compromise decrees, which were not bonafide, were registered without charging any stamp duty and charging nominal registration fee of ₹ 650 on total consideration of ₹ 3.73 crore. This resulted in irregular exemption of stamp duty and registration fee of ₹ 21.84 lakh.

(Paragraph 4.8)

CHAPTER-I
GENERAL

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Haryana, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India (GoI) during the year 2020-21 and the corresponding figures for the preceding four years are depicted below:-

Table 1.1.1: Trend of revenue receipts

(₹ in crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21 ¹
1.	Revenue raised by the State Government					
	Tax revenue	34,025.69	41,099.38	42,581.34	42,824.95	41,913.80
	Non-tax revenue	6,196.09	9,112.85	7,975.64	7,399.74	6,961.49
	Total	40,221.78	50,212.23	50,556.98	50,224.69	48,875.29
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	6,597.47	7,297.52	8,254.60	7,111.53	6,437.59 ²
	Grants-in-aid	5,677.57	5,185.12	7,073.54	10,521.91	12,248.13 ³
	Total	12,275.04	12,482.64	15,328.14	17,633.44	18,685.72
3.	Total revenue receipts of the State Government (1 and 2)	52,496.82	62,694.87	65,885.12	67,858.13	67,561.01
4.	Percentage of 1 to 3	76.62	80.09	76.74	74.01	72.34

(Source: Finance Accounts)

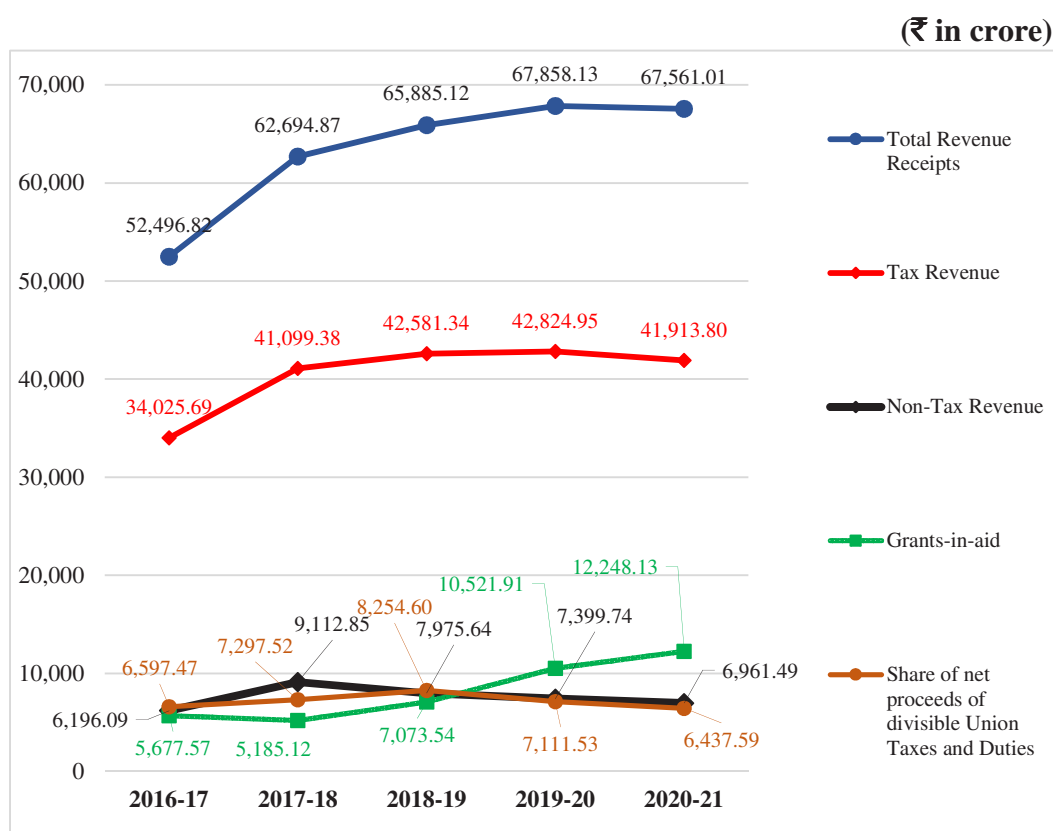
¹ Finance Accounts of the State Government.

² This includes amount of ₹ 1,907.46 crore received from Government of India as share of Central Goods and Services Tax.

³ This includes amount of ₹ 5,065.81 crore received from Government of India as compensation for loss of revenue arising out of implementation of Goods and Services Tax.

The trend in revenue receipts during 2016-17 to 2020-21 is depicted in the **Chart 1.1**.

Chart 1.1 (Trend of revenue receipts)



(Source: Finance Accounts)

During the year 2020-21, the revenue raised by the State Government (₹ 48,875.29 crore) was 72.34 per cent of the total revenue receipts. The balance 27.66 per cent of the receipts during the year 2020-21 was from the GoI as State's share of net proceeds of divisible Union taxes and duties and of grants-in-aid.

The percentage of revenue receipts of the State Government from its own resources to total revenue receipts showed an increasing trend from 2016-17 (76.62 per cent) to 2017-18 (80.09 per cent). Thereafter, for the year 2018-19 to 2020-21, it decreased from 76.74 to 72.34 per cent.

1.1.2 The details of tax revenue raised during the period 2016-17 to 2020-21 are given in the Table below:-

Table 1.1.2: Details of Tax Revenue raised

(₹ in crore)

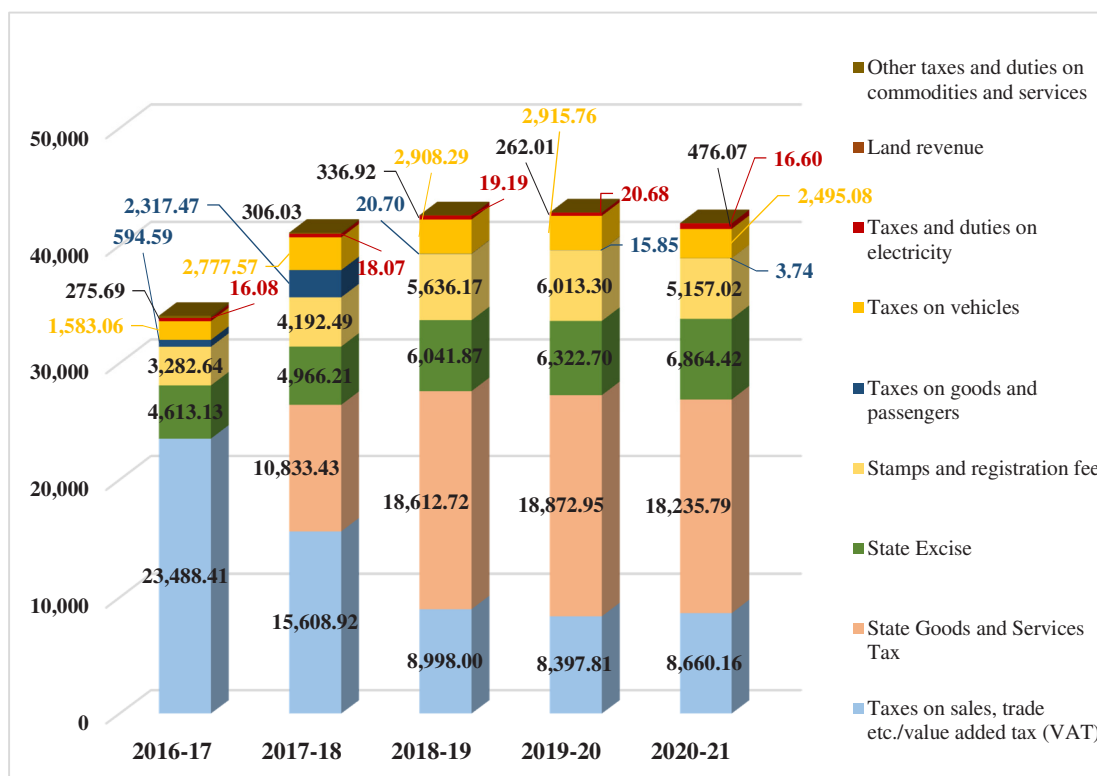
Sr. No	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) of Actuals of 2020-21 over actuals of 2019-20
		Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipt)	
1.	Taxes on sales, trade etc./value added tax (VAT)	23,488.41 (69.03)	15,608.92 (37.98)	8,998.00 (21.31)	8,397.81 (19.61)	8,660.16 (20.66)	3.12
	State Goods and Services Tax (SGST)		10,833.43 (26.36)	18,612.72 (43.71)	18,872.95 (44.07)	18,235.79 (43.50)	(-) 3.38
2.	State Excise	4,613.13 (13.56)	4,966.21 (12.08)	6,041.87 (14.19)	6,322.70 (14.76)	6,864.42 (16.38)	8.57
3.	Stamps and registration fee	3,282.64 (9.65)	4,192.49 (10.20)	5,636.17 (13.23)	6,013.30 (14.04)	5,157.02 (12.30)	(-) 14.24
4.	Taxes on goods and passengers	594.59 (1.75)	2,317.47 (5.64)	20.70 (0.05)	15.85 (0.04)	3.74 (0.01)	(-) 76.40
5.	Taxes on vehicles	1,583.06 (4.65)	2,777.57 (6.76)	2,908.29 (6.83)	2,915.76 (6.81)	2,495.08 (5.95)	(-) 14.43
6.	Taxes and duties on electricity	275.69 (0.81)	306.03 (0.74)	336.92 (0.79)	262.01 (0.61)	476.07 (1.14)	81.70
7.	Land revenue	16.08 (0.05)	18.07 (0.04)	19.19 (0.05)	20.68 (0.05)	16.60 (0.04)	(-) 19.73
8.	Other taxes and duties on commodities and services	172.09 (0.51)	79.19 (0.19)	7.48 (0.02)	3.89 (0.01)	4.92 (0.01)	26.48
	Total	34,025.69	41,099.38	42,581.34	42,824.95	41,913.80	(-) 2.13
	% increase over previous year	10.01	20.79	3.61	0.57	(-) 2.13	
	Overall average growth and growth rate for five years						40,489.03 (6.57)

(Source: Finance Accounts)

The year-wise trend of various tax revenues is depicted in **Chart 1.2**.

Chart 1.2: Details of Tax Revenue raised

(₹ in crore)



(Source: Finance Accounts)

Tax revenue increased by ₹ 7,888.11 (23.18 per cent) crore during the years 2016-17 to 2020-21 with an average rate of growth 5.71 per cent. However, there was a negative growth of 2.13 per cent in 2020-21.

The respective Departments reported the following reasons for the variations:

- **State Excise:** State Excise has increased to ₹ 6,864.42 crore in 2020-21 against ₹ 6,322.70 crore in 2019-20 due to higher receipt on foreign liquor and fines.
- **Stamps and Registration Fee:** Stamps and Registration Fee have decreased to ₹ 5,157.02 crore in 2020-21 against ₹ 6,013.30 crore in 2019-20 due to lower receipt on account of lower sale of Non-Judicial Stamps.
- **Taxes on vehicles:** Taxes on vehicles has decreased to ₹ 2,495.08 crore in 2020-21 against ₹ 2,915.76 crore in 2019-20 which was lower receipts on account of COVID-19.
- **Taxes and duties on Electricity:** Taxes and duties on Electricity have increased to ₹ 476.07 crore in 2020-21 from ₹ 262.01 crore in 2019-20 due to higher receipt on consumption of electricity.
- **Land Revenue:** Land Revenue has decreased to ₹ 16.60 crore in 2020-21 against ₹ 20.68 crore in 2019-20 due to lower recoveries against the following:

Kisan Pass Book, overpayments, copying and Inspection fee of patwaris records, Revenue Talbana and fines and forfeitures of revenue department.

1.1.3 The details of non-tax revenue raised during 2016-17 to 2020-21 are indicated in the Table below:

Table 1.1.3: Details of Non-Tax Revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) of Actuals of 2020-21 over actuals of 2019-20
		Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	
1.	Interest Receipts	2,309.79 (37.28)	2,227.82 (24.45)	1,953.84 (24.50)	1,974.86 (26.69)	1,561.74 (22.43)	(-) 20.92
2.	Road Transport	1,265.13 (20.42)	1,279.66 (14.04)	1,196.64 (15.00)	1,114.51 (15.06)	585.38 (8.41)	(-) 47.48
3.	Education, Sports, Art and Culture	640.48 (10.34)	674.03 (7.40)	272.17 (3.41)	457.94 (6.19)	595.47 (8.55)	30.03
4.	Urban Development	599.00 (9.67)	2,861.45 (31.40)	2,315.60 (29.03)	1,855.51 (25.08)	1,953.92 (28.06)	5.30
5.	Non-ferrous mining and metallurgical industries	496.95 (8.02)	712.87 (7.82)	583.20 (7.31)	702.25 (9.49)	1,020.95 (14.67)	45.38
6.	Major and medium irrigation	113.43 (1.83)	132.43 (1.45)	164.19 (2.06)	171.74 (2.32)	209.67 (3.01)	22.09
7.	Police	109.11 (1.76)	128.69 (1.41)	176.96 (2.22)	179.84 (2.43)	53.51 (0.77)	(-) 70.25
8.	Other administrative services	105.66 (1.71)	165.37 (1.81)	159.93 (2.01)	107.89 (1.46)	65.62 (0.94)	(-) 39.18
9.	Forestry and wildlife	55.38 (0.89)	33.10 (0.36)	28.53 (0.36)	23.07 (0.31)	19.97 (0.29)	(-) 13.44
10.	Miscellaneous General Services ⁴	31.54 (0.51)	251.50 (2.76)	166.03 (2.08)	62.96 (0.85)	131.69 (1.89)	109.16
11.	Medical and public health	31.17 (0.50)	189.34 (2.08)	195.70 (2.45)	171.89 (2.32)	197.19 (2.83)	14.72
12.	Other non-tax receipts	438.45 (7.08)	456.59 (5.01)	762.85 (9.56)	577.28 (7.80)	566.38 ⁵ (8.14)	(-) 1.88
Total		6,196.09	9,112.85	7,975.64	7,399.74	6,961.49	(-) 5.92

(Source: Finance Accounts)

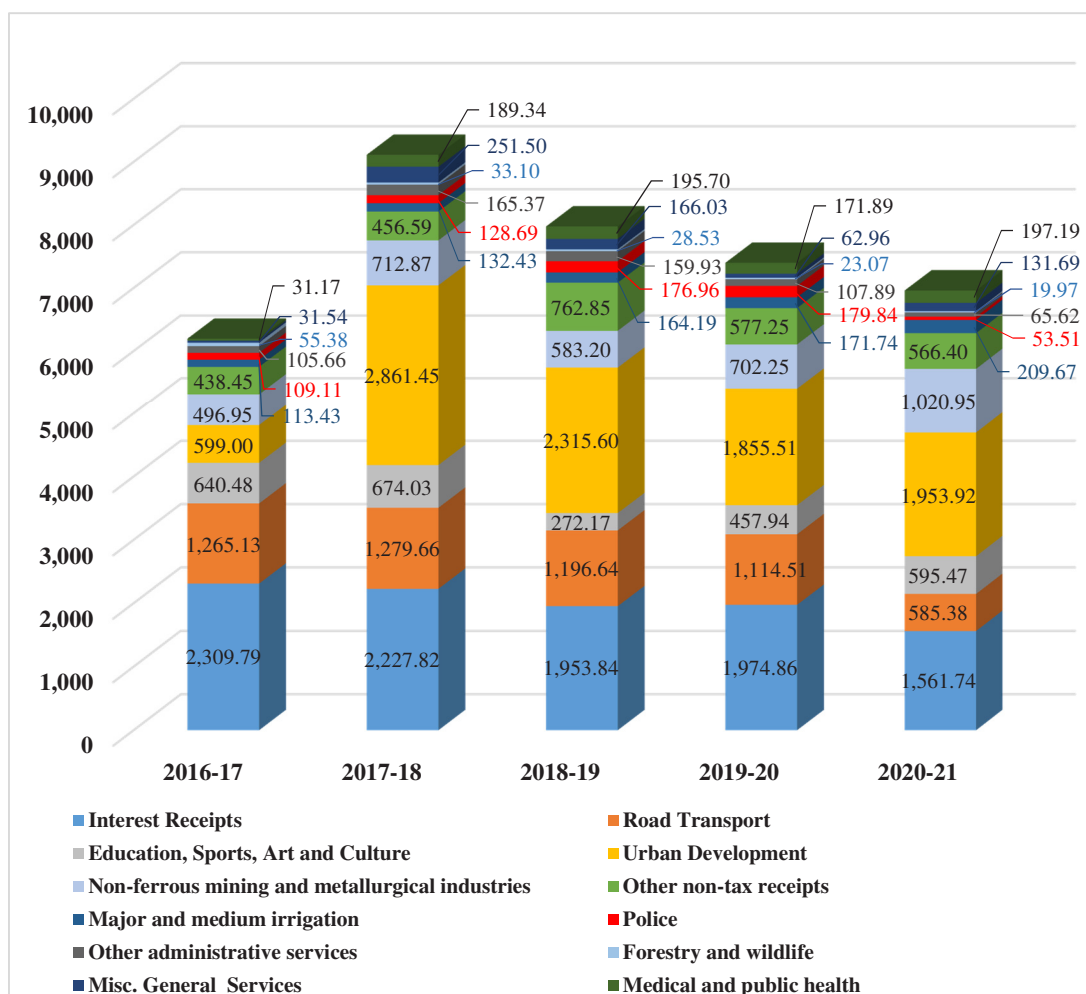
⁴ Unclaimed deposits, State Lotteries, Sales of land and property, Guarantee Fee and other receipts.

⁵ Dividend and Profit- ₹ 163.14 crore, Public services Commission- ₹ 16.29 crore, Public work- ₹ 27.47 crore, Contribution and recoveries towards pension- ₹ 38.10 crore, Water supply and sanitation- ₹ 69.68 crore, Labour and employment- ₹ 41.84 crore, Social Security and Welfare- ₹ 78.66 crore, Animal Husbandry- ₹ 4.03 crore, Other rural development programs- ₹ 8.47 crore, Road and bridge- ₹ 27.87 crore, Other scientific research- ₹ 0.02 crore, Jail - ₹ 1.16 crore, Supplies and disposal- ₹ 1.26 crore, Stationers and printing- ₹ 2.01 crore, Family Welfare - ₹ 0.05 crore, Housing- ₹ 6.28 crore, Information and publication- ₹ 0.17 crore, Other Social Services- ₹ 4.97 crore, Crop-Husbandry- ₹ 25.78 crore, Dairy development - ₹ 0.04 crore, Fisheries- ₹ 2.86 crore, Food Storage and Warehousing- ₹ 0.16 crore, Cooperation- ₹ 9.67 crore, Other Agricultural programme- ₹ 1.41 crore, Land reform- ₹ 0.01 crore, New renewable energy- ₹ 0.06 crore, Village and small industries- ₹ 1.34 crore, Industries- ₹ 0.08 crore, Civil Aviation- ₹ 8.79 crore, Tourism- ₹ 1.75 crore, Other General Economic Services- ₹ 22.95 crore, Minor irrigation ₹ 0.01 crore.

The year-wise trend of various non-tax revenues is depicted in **Chart 1.3**.

Chart 1.3: Details of Non-Tax Revenue raised

(₹ in crore)



(Source: Finance Accounts)

There was a decrease of 5.92 per cent in actual receipts during 2020-21 over actual receipts of 2019-20. Interest receipts (22.43 per cent), Urban Development (28.06 per cent) and Non-ferrous mining and metallurgical industries (14.67 per cent) are main contributors to non-tax revenue and as a whole contribute 65.16 per cent to total non-tax revenue. However, non-tax revenue decreased from 2019-20 to 2020-21 due to decrease in receipts of interest receipts and Road Transport.

The concerned departments attributed the following reasons for variations:-

- **Interest Receipts:** Interest receipts decreased to ₹ 1,561.74 crore during 2020-21 compared to ₹ 1,974.86 crore in 2019-20 which was due to less receipt from Public Sector and Departmental Undertakings.
- **Road Transport:** The decrease in actual receipts in 2020-21 (47.48 per cent) over 2019-20 was due to less receipt on Haryana Roadways due to

decrease in number of buses and curtailed operation of buses due to COVID-19.

- **Education, Sports, Art and Culture:** The increase in actual receipts in 2020-21 (30.03 *per cent*) over 2019-20 was due to more receipts from Secondary Education.
- **Non-Ferrous Mining and Metallurgical Industries:** The increase in actual receipts in 2020-21 (45.38 *per cent*) over 2019-20 was due to more receipts from Mineral concession fees, rents, royalties and effective recovery of dues and regular checking of illegal mining and recovery of penalty from persons found indulging in illegal mining.
- **Major and Medium Irrigation:** The increase in actual receipts in 2020-21 (22.09 *per cent*) over 2019-20 was due to recovery of outstanding arrears of previous year and efforts of the department for mobilization of resources.
- **Police:** The decrease in actual receipts in 2020-21 (70.25 *per cent*) over 2019-20 was due to impact of COVID-19 pandemic on collection of revenue receipts under all sub heads⁶.
- **Forestry and Wildlife:** The decrease in actual receipts in 2020-21 (13.44 *per cent*) over 2019-20 was primarily due to reduction in the activity of the production wing of the Department.

The other Departments did not intimate the reasons for variations in receipts despite being requested.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2021 in some principal heads of revenue was ₹ 35,166.11 crore, of which ₹ 5,848.55 crore was outstanding for more than five years as depicted in Table 1.2:

⁶ Police supplied to other Governments, Police supplied to other parties, Fee, Fines and Forfeitures, receipts under Arms Act, Receipts of State Headquarters Police and Other Receipts Recovery of payment.

Table 1.2: Arrears of Revenue

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Replies of Department
1.	Taxes on sales, trade/VAT etc.	32,716.78	4,907.54	Recovery of ₹ 1,924.36 crore was stayed by the Honourable High Court and other judicial authorities and ₹ 1,227.36 crore was stayed by order of Government. Recovery of ₹ 96.90 crore was held on due to the dealers becoming insolvent, ₹ 130.44 crore was likely to be written off and ₹ 3,488.18 crore was held up due to rectification/review/ application. Recovery of arrears of ₹ 2,928.87 crore was pending on account of cases pending in court and ₹ 3,094.25 crore was pending on account of non-recovery by the department due to other reasons. Recovery of ₹ 1,655.15 crore was pending with official Liquidator/Board of Industrial and Financial Reconstruction (BIFR). Inter State arrears were ₹ 1,802.87 crore and Inter districts arrears were ₹ 84.99 crore. Recovery of ₹ 0.16 crore was being made in instalments. Balance amount of ₹ 16,283.25 crore was at other stages of action.
2.	State Excise	436.39	190.42	Recovery of ₹ 9.49 crore was stayed by Honourable High Court and other judicial authorities and ₹ 1.43 crore was stayed by order of Government. Rupees 0.89 crore was likely to be written off. Rupees 111.08 crore was due to inter-State and inter-districts arrears. Recovery of ₹ 22.27 crore was being made in instalments. Balance of ₹ 291.23 crore was outstanding at different stages of action.
3.	Taxes and duties on electricity	364.60	184.75	₹ 363.60 crore was pending towards consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and ₹ 1.00 crore was pending against M/S Haryana Concast, Hisar.
4.	Tax on entry of goods into local areas (Local Area Development Tax)	206.44	197.17	Recovery of ₹ 152.86 crore was stayed by Honourable High Court and other judicial authorities, ₹ 0.11 crore was pending on account of cases in court and ₹ 53.47 crore was outstanding at other stages of action.
5.	Police	128.86	40.91	Amount of ₹ 7.37 crore was due from Indian Oil Corporation Limited (IOCL) up to 31 March 2007. The matter of recovery from IOCL in Haryana State was pending at the level of State Government. Rupees 0.29 crore was recoverable from Bhakra Beas Management Board, Faridabad and ₹ 121.20 crore was recoverable from other States for election duties and Law and Order duty in other States.
6.	Other taxes and duties on commodities and services – Receipts from Entertainment duty	11.77	11.77	Recovery of ₹ 3.18 crore was stayed by the Honourable High Court and other judicial authorities. Balance amount of ₹ 8.59 crore was outstanding at other stages of action.
7.	Non-ferrous mining and metallurgical industries	1,301.27	315.99	Rupees 564.75 crore was outstanding on account of demand covered by recovery certificate, ₹ 0.55 crore was stayed by Honourable High Court and Judicial authorities. ₹ 0.39 crore was likely to be written off and ₹ 12.88 crore was pending on account of cases pending in court. Rupees 486.80 crore was pending on account of non-recovery by the department due to other reasons. Interstate arrears were ₹ 14.03 crore and inter district arrears were ₹ 221.85 crore. Recovery of ₹ 0.02 crore was being made in instalments.
	Total	35,166.11	5,848.55	

(Source: Departmental figures)

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation Department in respect of Sales Tax/VAT is depicted below:-

Table 1.3: Arrears in Assessments

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of disposal (col. 6 to 5)
1	2	3	4	5	6	7	8
Taxes on sales, trade etc./ VAT	2019-20	2,96,685	31,594	3,28,279	2,92,709	35,570	89
	2020-21	35,570	3,606	39,176	34,140	5,036	87

(Source: Departmental figures)

The number of cases pending at the end of the year 2020-21 has decreased. It is further observed that percentage of disposal of cases was at 87 per cent.

1.4 Evasion of tax detected by the Department

Under Section 29 to 31 of the HVAT Act, 2003, Department inspects business premises to detect tax evasion. Further, the Department conducts survey in business premises to identify the new taxpayers in the ambit. Besides this, road side checking is also a tool to detect the tax evasion during goods in transit.

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

Table 1.4: Evasion of Tax

Sr. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2021
					Number of cases	Amount of demand (₹ in crore)	
1.	Taxes on sales, trade etc./ VAT	1	114	115	115	0.84	0
2.	State excise	290	1,662	1,952	1,820	20.87	132
Total		291	1,776	2,067	1,935	21.71	132

(Source: Departmental figures)

The number of cases pending at the end of the year has decreased in respect of State Excise as compared to the number of cases pending at the beginning of 2020-21 and in respect of Taxes on sales, trade, etc, there was no pending case.

1.5 Refund cases

The number of refund cases pending at the beginning of the year 2020-21, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2020-21 are mentioned in the Table 1.5:-

Table 1.5: Details of Refund Cases

Sr. No.	Particulars	Sale Tax/VAT		State Excise	
		Number of cases	Amount (₹ in crore)	Number of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	521	187.08	51	1.98
2.	Claims received during the year	1,074	192.99	99	10.63
3.	Refunds made/adjusted/rejected during the year	1,115	260.72	111	10.38
4.	Balance outstanding at the end of year	480	119.35	39	2.23

(Source: Departmental figures)

The number of outstanding cases at the end of year has decreased in respect of Sales Tax/VAT and State Excise compared to cases outstanding at the beginning of the year.

Refund processed manually for FY 2020-21

Sr. No.	Particulars	GST (₹ in crore)			
		Cases	SGST	CGST	IGST
1.	Balance outstanding at the beginning of the year	226	34.5	42.94	171.25
2.	Claims received during the year	0	0	0	0
3.	Refund allowed/rejected manually during the year	226	34.5	42.94	171.25
4.	Balance outstanding at the end of the year	0	0	0	0

Table 1.5.1: Details of Refund cases under GST as provided by the Excise and Taxation Department

Sr. No.	Particulars	GST				
		Cases	SGST	CGST	IGST	Cess
1.	Claims outstanding at the beginning	1,404	71.95	68.11	263.60	0.91
2.	Claims received during the year	12,038	795.87	721.99	2,162.47	7.72
3.	Refund sanctioned manually during the year	7,963	534.29	495.20	1,208.02	3.02
4.	Refund rejected manually during the year	5,627	227.94	194.69	857.52	4.71
5.	Balance outstanding at the end of the year	148	105.59	100.21	360.53	0.90

1.6 Internal Audit

During the year 2020-21, out of 164 units planned for audit, Internal Audit Cell of Revenue and Disaster Management and Excise and Taxation (State Excise) Departments audited 163 units as detailed in the Table 1.6 below :-

Table 1.6: Internal Audit

Receipts	Number of units Planned	Number of units audited
Stamp Duty	142	142
State Excise	22	21 ⁷
VAT/Sales Tax	Nil	Nil
Motor Vehicles Tax	Nil	Nil
Total	164	163

The irregularities discussed in Chapters II to IV are indicators of inadequate internal control mechanism as the irregularities pointed out in the Audit Report were not detected by the internal audit parties. No internal audit was done by the Excise and Taxation Department (Sales Tax/VAT) and Transport Commissioner Haryana. Reasons for not conducting internal audit was not provided by the Excise and Taxation Department (VAT/Sales Tax) and Transport Department.

⁷ Due to Covid-19, the internal audit of O/o DETC (Excise) Gurugram (West) was not conducted.

1.7 Response of the Government/Departments towards audit

The Principal Accountant General (Audit), Haryana conducts periodical inspection of Government departments to test check the transactions, verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) which are issued to the concerned heads of the offices inspected for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs, within four weeks from the date of receipt of the IRs. Serious irregularities are reported to the heads of the department and the Government in the form of Management Letter.

Inspection reports issued up to December 2021 revealed that 9,732 paragraphs involving ₹ 11,522.78 crore relating to 2,973 IRs remained outstanding at the end of December 2021 as mentioned in the Table 1.7 along with the corresponding figures for the preceding two years.

Table 1.7: Details of pending Inspection Reports

	June 2019	June 2020	December 2021
Number of IRs pending for settlement	2,588	2,765	2,973
Number of outstanding audit observations	7,701	8,695	9,732
Amount of revenue involved (₹ in crore)	8,455.42	10,688.15	11,522.78

1.7.1 The Department-wise details of the IRs and audit observations outstanding as on 31 December 2021 and the amounts involved are mentioned in Table below:-

Table 1.7.1: Department-wise details of Inspection Reports

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise and Taxation	Sales tax /VAT	420	4,231	8,861.49
		State Excise	226	414	266.73
		Taxes on goods and passengers	254	465	40.01
		Entertainment duty and show tax	22	29	12.47
2.	Revenue	Stamps and registration fee	1,272	3,336	454.35
		Land Revenue	169	248	92.11
3.	Transport	Taxes on vehicles	493	808	127.46
4.	Power	Taxes and duties on electricity	12	20	0.85
5.	Mines and Geology	Non-ferrous mining and metallurgical industries	105	181	1,667.31
Total			2,973	9,732	11,522.78

The increase in the pendency of IRs indicated that the heads of offices/Departments did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs.

1.7.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. But no Audit Committee Meeting was conducted during 2020-21.

1.7.3 Non production of records to audit for scrutiny

During the year 2020-21, 98 files and other relevant records involving tax effect of ₹ 36.96 crore were not provided to audit. District-wise details of cases are depicted in the Table 1.7.3 below:-

Table 1.7.3: Details of non-production of records

Name of the Office/Department Deputy Excise and Taxation Commissioners (Sales Tax) {DETCs (ST)}	Year in which it was to be audited	Number of cases not produced	Tax amount/refunds (₹ in crore)
Assessment cases			
DETC Jagadhri	2020-21	58	14.61
DETC Kaithal	2020-21	40	22.35
Total		98	36.96

(Source: Data Compiled by office)

Consequently, 98 cases with monetary value of ₹ 36.96 crore as contained in the above table could not be examined due to non-production of records.

1.7.4 Response of the Government to the draft audit paragraphs

Draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretary/Additional Chief Secretaries of the concerned Department to draw their attention to the audit findings, requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is mentioned in the paragraphs included in the Audit Report.

In all, 19 draft paragraphs (including three Subject Specific Compliance Audit) were sent to the Additional Chief Secretaries of the respective Departments between November 2021 and January 2022.

1.7.5 Follow up on the Audit Reports-summarised position

According to the instructions issued by the Finance Department in October 1995 and reiterated in July 2001, it had been laid down that after the presentation of

the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling of the Report, for consideration of the Public Accounts Committee.

The CAG's Audit Reports on Revenue Sector of the Government of Haryana for the year ended 31 March 2019 containing total 20 paragraphs including one performance audit and for the year ended 31 March 2020 containing 15 paragraphs were placed before the State Legislature Assembly on 16 March 2021 and 17 December 2021 respectively. Action Taken Notes in respect of 58 paragraphs from four departments (Excise and Taxation: 45, Transport: 02, Revenue: 8 and Mines and Geology: 03) as mentioned in **Appendix I** had not been received for the Audit Reports for the year ended 31 March 2017, 2018 and 2019 (December 31, 2021).

74 paragraphs pertaining to the Audit Reports for the year 2016-17, 2017-18 and 2018-19 are yet to be discussed in Public Accounts Committee (December 31, 2021). 1033 recommendations pertaining to the period 1979-80 to 2014-15 contained in 22nd to 78th Reports of PAC as detailed in **Appendix II** were still pending for want of final corrective action which was to be taken by the concerned Departments.

1.8 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.8.1 to 1.8.2 discusses the performance of the Revenue and Disaster Management Department under revenue head Stamp Duty and Registration Fee including cases detected during the course of local audit for the last 10 years.

1.8.1 Position of Inspection Reports

The summarised position of the inspection reports issued, relating to the Stamp Duty and Registration Fee during the last 10 years, paragraphs included in these reports and their status as on 31 March 2021 are brought out in **Appendix III**.

The number of outstanding IRs increased from 907 in 2011-12 to 1,302 in 2020-21 and the number of paragraphs increased from 2,001 in 2011-12 to 3,399 in 2020-21 as on 31 March 2021. The Government should consider enhancing corrective actions including holding more audit committee meetings so as to discuss the long outstanding paragraphs.

1.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in *Appendix IV*.

While the Department accepted objections involving ₹ 532.29 crore during the last 10 years, the amount recovered out of the accepted amount was ₹ 3.73 crore. The progress of recovery even in accepted cases was only (0.70 per cent) during the last 10 years. The department may take appropriate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.9 Audit planning

There were a total of 555 auditable units in the State of Haryana, of which 123 units were planned and 121 units audited during 2020-21. The units were selected on the basis of risk analysis. Two units could not be audited due to closure of units.

1.10 Results of audit

Position of local audits conducted during the year

Out of 294 auditable units, test check of the records of 83 units (Revenue 80 + expenditure 03) pertaining to Sales Tax/Value Added Tax, State Excise duty and Stamp Duty and Registration fee conducted during the year 2020-21 showed under assessment/short levy/loss of revenue aggregating to ₹ 734.50 crore in 1,359 cases. During the course of the year, the departments concerned accepted under assessment and other deficiencies of ₹ 91.86 crore involved in 564 cases. The departments recovered ₹ 2.62 crore (2.85 per cent) in 54 cases during the year 2020-21, out of which ₹ 1.65 crore recovered in seven cases pertain to this year and the rest to earlier years.

1.11 Coverage of this Report

This Report contains 17 Draft Paragraphs (including three Subject Specific Compliance Audit) involving financial impact of ₹ 613.67 crore.

The Departments/Government have accepted audit observations involving ₹ 613.67 crore out of which ₹ 8.46 crore had been recovered. These are discussed in Chapters II to IV.

CHAPTER-II
TAXES/VAT ON SALES, TRADE

CHAPTER II: TAXES/VAT ON SALES, TRADE

2.1 Tax administration

The Haryana Value Added Tax Act, 2003 (HVAT Act) and rules framed thereunder are administered by the Additional Chief Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department who is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy Excise and Taxation Commissioner (DETCs) and Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant tax laws and rules.

2.2 Results of audit

In 2020-21, test check of the records of 11 (Revenue: 08 + Expenditure: 03) units (11,760 assessment cases were audited out of total 57,659 assessment cases) out of 45 units relating to GST/VAT/Sales tax assessments and other records revealed under assessment/evasion of tax and other irregularities involving ₹ 524.18 crore in 436 cases (1.92 per cent of the receipt of ₹ 27,270.76 crore for the year 2019-20) under the following categories as depicted in the Table 2.1.

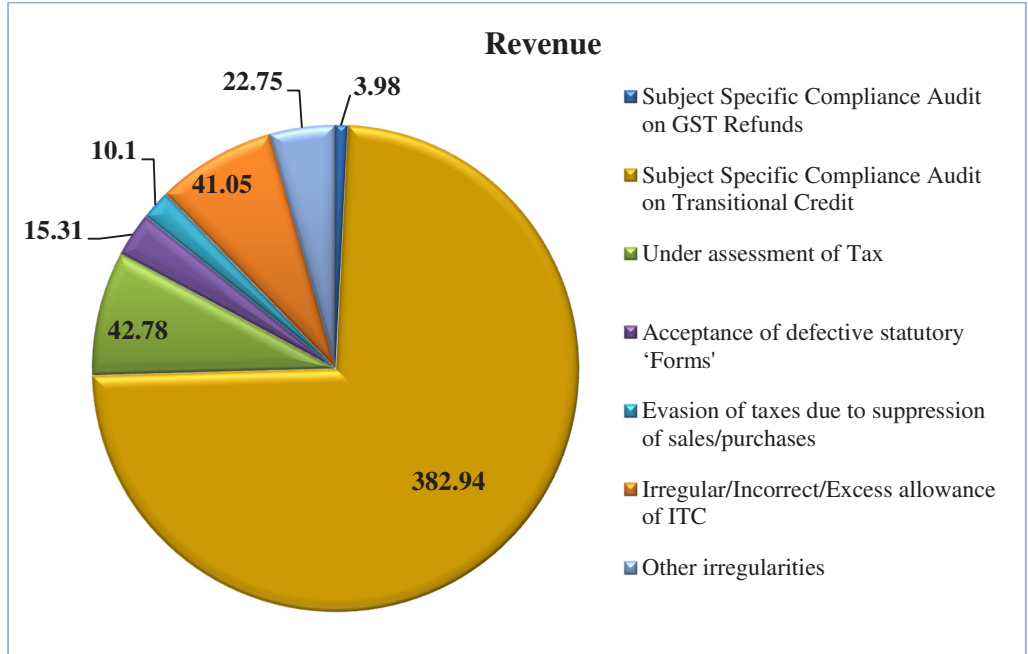
Table 2.1 – Result of Audit

Revenue			
Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Subject Specific Compliance Audit on GST Refunds	01	3.98
2.	Subject Specific Compliance Audit on Transitional Credit	01	382.94
3.	Under assessment of Tax	158	42.78
4.	Acceptance of defective statutory 'Forms'	34	15.31
5.	Evasion of taxes due to suppression of sales/purchases	22	10.10
6.	Irregular/Incorrect/Excess allowance of ITC	137	41.05
7.	Other irregularities	67	22.75
	Total (I)	420	518.91
Expenditure			
1.	Other irregularities	16	5.27
	Total (II)	16	5.27
	Grand Total (I+II)	436	524.18

Source: Data maintained by office

Chart 2.1
Results of Audit

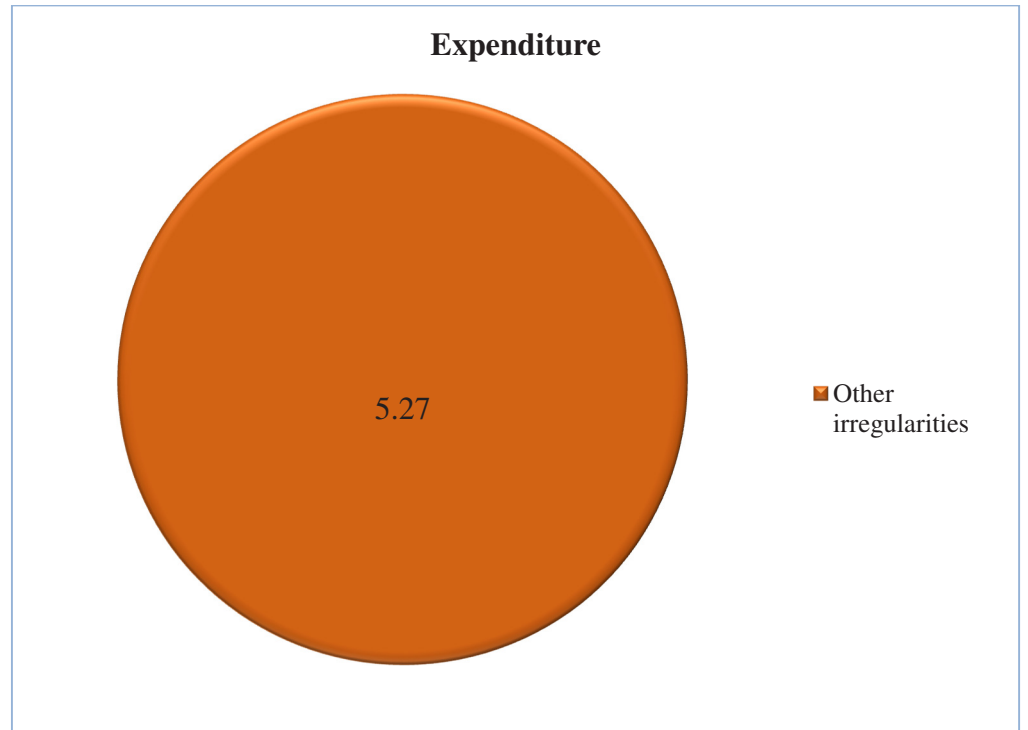
(₹ in crore)



Source: Data maintained by office

Chart 2.2
Results of Audit

(₹ in crore)



Source: Data maintained by office

The Department accepted under assessment and other deficiencies of ₹ 7.41 crore involved in 33 cases which were pointed out during the year. The Department recovered ₹ 33.98 lakh in 23 cases out of which ₹ 0.03 lakh recovered in one case pertained to this year and the rest to earlier years.

Significant cases involving ₹ 476.70 crore are discussed in the following paragraphs. An amount of ₹ 1.34 crore was recovered in two cases of one paragraph.

2.3 *Evasion of tax due to suppression of sales*

The Assessing Authorities did not verify/cross verify sale/purchase, which resulted in evasion of tax of ₹ 1.52 crore. In addition, penalty of ₹ 4.56 crore was also leviable.

Under Section 38 of Haryana Value Added Tax Act (HVAT Act), 2003 if a dealer has maintained false or incorrect accounts or documents with a view to suppressing his sales, purchases, imports into State, exports out of State, or stocks of goods, or has concealed any particulars in respect thereof or has furnished to or produced before any authority under this Act or the rules made thereunder any account, return, document or information which is false or incorrect in any material particular, such authority may, after affording such dealer a reasonable opportunity of being heard, direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided, had such account, return, document or information, as the case may be, been accepted as true and correct.

Scrutiny of the records of 8,908 cases out of 33,157 involving five assessing authorities (between August 2019 and January 2020) revealed that five dealers in five cases¹ in the offices of Deputy Excise and Taxation Commissioner (Sales Tax) {DETC (ST)} Faridabad (West) and Gurugram (North) had not shown correct sales in their quarterly/annual returns for the assessment year 2015-16. While three cases were of incorrect sales figures, two out of these five cases had opening and closing stock mismatch leading to suppression of sales. The Assessing Authorities (AAs) while finalising the assessment (between January 2019 and March 2019) did not verify the details of sales, with reference to records of the purchaser and with reference to opening and closing stock. The effect of such action resulted in suppression of sales of ₹ 29.96 crore, out of total sales worth ₹ 228.49 crore. This resulted in evasion of tax of ₹ 1.52 crore. In addition, penalty of ₹ 4.56 crore was also leviable.

On this being pointed out, AA Faridabad (W) intimated (February 2022) that two cases had been sent to DETC (I) for *suo moto* action and in another case,

¹ Faridabad (West): 3 cases, Gurugram (North): 2 cases.

notice for reassessment had been issued to the dealer. AA Gurugram (North) intimated (February 2022) that two cases were under examination and notice for reassessment proceedings had been initiated against the dealers.

During exit conference held in March 2022, the Department admitted the audit observations.

Department may ensure putting in place systems and procedures to cross-verify the claim of the dealer before allowing the same.

2.4 Inadmissible/Excess Input Tax Credit

Assessing Authorities allowed benefit of Input Tax Credit without verification of purchases from selling dealers, resulting in incorrect grant of Input Tax Credit of ₹ 9.06 crore. In addition, penalty of ₹ 26.53 crore was also leviable.

As per notification issued in September 2015, input tax means the amount of tax actually paid to the State in respect of goods sold to a VAT dealer, which such dealer is allowed to take credit of, as actual payment of tax by him, calculated in accordance with the provision of Section 8. Under Section 8 of the HVAT Act 2003, input tax in respect of any goods purchased by a VAT dealer shall be the amount of tax paid to the State on sale of such goods to him. ETC Haryana issued instructions in March 2006 and July 2013 that cent *per cent* verification of input tax credit (ITC) up to the stage of actual payment of tax shall be done. Further, Section 38 of the Act provides for penal action (three times of tax avoided as penalty) for claims on the basis of false information and incorrect accounts or documents etc.

Scrutiny of records of 33,901 cases out of 1,22,864 cases involving 16 assessing authorities (between September 2018 and October 2020) revealed that while finalising the assessment of 43 cases of 20 dealers pertaining to eight DETC (ST)² for the years 2014-15 to 2016-17 (between May 2017 and December 2019), the AAs allowed benefit of ITC of ₹ 9.06 crore without verification of purchases and actual payment of tax from selling dealers as detailed in the table below:

² Ambala, Bahadurgarh, Faridabad (East), Faridabad (North), Faridabad (South), Gurugram (East), Karnal and Panipat.

Table 2.4
Details of irregular ITC claimed

Sr. No.	DETC	No. of dealers/cases	Bogus Purchase	Rate of Tax (in per cent)	Bogus ITC claimed	Penalty u/s 38	Total Amount
1.	Ambala	4/10	4,80,78,287	5 to 13.125	38,95,705	1,16,87,115	1,55,82,820
2.	Gurugram (East)	2/2	45,92,840	5 to 13.125	4,29,167	12,87,501	17,16,668
3.	Faridabad (East)	3/6	3,94,51,702	4.2 to 13.13	44,90,319	1,34,70,957	1,79,61,276
4.	Faridabad (North)	3/7	6,32,41,140	5.25 to 13.13	49,78,233	1,49,34,694	1,99,12,927
5.	Karnal	4/6	1,09,62,39,520	5 to 5.25	5,94,61,927	17,20,52,061	23,15,13,988
6.	Faridabad (South)	2/8	9,28,35,810	5 to 13.125	1,06,99,179	3,20,97,537	4,27,96,716
7.	Bahadurgarh	1/1	10,24,31,584	4.2 to 13.125	48,69,282	1,46,07,846	1,94,77,128
8.	Panipat	1/3	3,31,05,138	5.25	17,38,020	52,14,060	69,52,080
Total		20/43	1,47,99,76,021		9,05,61,832	26,53,51,771	35,59,13,603

On cross-verification of sale/purchase lists of concerned dealers by audit, it was noted that either the selling dealers had not shown any sales to these purchasing dealers or registration certificates of selling dealers were cancelled. This resulted in incorrect grant of ITC of ₹ 9.06 crore. In addition, penalty of ₹ 26.53 crore was also leviable

On being pointed out, five DETCs³ intimated (February 2022) that in 25 cases reassessment proceedings were initiated/sent to DETC-cum-Revisional Authority for *suo moto* action. AA Ambala intimated (February 2022) that in four cases, the dealers had filed an appeal before JETC. AA Bahadurgarh intimated (February 2022) that in one case, penalty of ₹ 1.46 crore had been levied under Section 38 of HVAT Act and a Tax Demand Notice (TDN) had been issued for ₹ 1.97 crore to the dealer. AA Faridabad (South) intimated (February 2022) that in seven cases TDN had been issued for ₹ 1.88 crore including interest to the dealer. AA Faridabad (East) intimated (February 2022) that in two cases, additional demand of ₹ 0.47 crore had been created. AA Faridabad (South) intimated (February 2022) that in one case, TDN of ₹ 39.12 lakh had been issued to the dealer. AA Panipat intimated that in three cases, additional demand had been created and recovery proceedings were under process.

During exit conference held in March 2022, the Department admitted the audit observations.

Department may ensure putting in place stringent mechanism of allowing benefit of ITC after due verification.

³ Ambala, Karnal, Gurugram (East), Faridabad (East), Faridabad (North).

2.5 Non levy of penalty

Assessing Authorities, disallowed inadmissible Input Tax Credit for bogus purchases/inter State sales to five dealers but did not levy prescribed penalty of ₹ 24.66 crore.

Under Section 38 of the HVAT Act, if a dealer has maintained false or incorrect accounts or documents with a view to suppress his sales, purchases, imports into State, export out of State, or stocks of goods, or has furnished to or has concealed any particulars in respect thereof or has furnished to or produced before any authority under this Act or rules made there under any account, return, document or information which is false or incorrect in any material particular, such authority may, after affording such dealer a reasonable opportunity of being heard, direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information as the case may be, been accepted as true and correct.

Scrutiny of records of 9,953 cases out of 38,455 cases (between July 2019 and January 2021) revealed that in eight cases⁴ of five dealers of the offices of DETCs (ST) Gurugram (North), Karnal and Sonipat assessed for the years 2015-16 and 2016-17 had overstated their purchases/sales amounting to ₹ 78.20 crore and claimed inadmissible ITC on account of bogus purchases/inter State sales. AAs, while finalising the assessments (between January 2019 and February 2020), disallowed ITC/levied tax but failed to levy penalty under Section 38 of HVAT Act. This resulted in non levy of penalty of ₹ 24.66 crore.

On this being pointed out, AAs Gurugram (North) and Sonipat intimated (February 2022) that additional demands of ₹ 3.05 crore had been created in respect of penalty levied/imposed in five cases and notices had been served on the dealers. In remaining three cases of Gurugram (North) and Karnal, proceedings had been initiated, case was under examination and sent to DETCs (I) for taking *suo moto* action.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may ensure putting in place, systems and procedures to ensure levy of penalty in cases of suppression detected by the Department.

⁴ Gurugram (North): 3, Karnal: 1 and Sonipat: 4.

2.6 *Underassessment due to allowing exemptions against 'F' forms and 'C' forms*

Assessing Authorities, while finalising the assessments allowed incorrect exemption of branch transfers/consignments worth ₹ 70.05 crore to 17 dealers, which resulted into non levy of tax of ₹ 3.94 crore. In addition, penalty of ₹ 11.82 crore was also leviable.

Section 6 (A) (1) of Central Sales Tax Act, 1956 provides that where any dealer claims that he is not liable to pay tax under this Act, in respect of any goods, on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or to his agent or principal, as the case may be and for this purpose he may furnish to the AA a declaration in Form 'F' duly filled and signed by the principal officer of the other place of business, or his agent or principal. Under section 38 of the HVAT Act, three times penalty is leviable for submitting wrong documents to evade payment of tax. Government of Haryana issued instructions on 14 March 2006 and 16 July 2013 for verification of intra-state and inter-state transactions of more than one lakh rupees before allowing the benefit of tax concession to the dealers. Further, Government of Haryana had in January 2018 issued Standard Operative Procedure to be followed by Assessing Authorities towards verification of the relevant 'Form C' and 'Form F' from the concerned State Tax Authorities and also directed that where verification is not received within six months from the date of assessment order or from the date of dispatch of verification letter whichever is later, Assessing Authorities should levy tax and penalty as provided in HVAT Act or Rules.

Scrutiny of the records of 9,614 cases out of 34,472 cases (between June and December 2018) revealed that 12 dealers in the offices of five DETC (ST)⁵ claimed exemption on their branch transfers/consignment sales amounting to ₹ 62.88 crore to five firms situated in Rajasthan and Delhi for the years 2014-15 and 2015-16. In support of the claims, the dealers filed 63 'F' forms⁶ obtained from their respective branches/agent located in Rajasthan and Delhi. The concerned AAs finalised the assessment between June 2015 and March 2018 and allowed the exemptions based on the declarations filed but did not carry out the verification provided in the above referred instructions.

Audit referred these 63 'F' forms to concerned authorities of Rajasthan and Delhi for verification. The Department of Trade and Taxes, Government of NCT Delhi intimated that 53 forms of 11 cases was declared cancelled due to non-functioning of the dealers at registered address. Concerned Authorities of Rajasthan intimated that 10 forms pertained to one case where registration of firm stood cancelled, were declared bogus. Thus, allowing the benefit of

⁵ Ambala: 5, Faridabad (North): 1, Kaithal: 1, Kurukshetra: 4 and Shahbad: 1.

⁶ Ambala: 24, Faridabad (North) : 10, Kaithal: 4, Kurukshetra: 18 and Shahbad: 7.

consignment sale against invalid 'F' forms by AAs, resulted in under assessment of tax of ₹ 3.14 crore. In addition, penalty of ₹ 9.43 crore was also leviable.

On this being pointed out, the AA Ambala intimated (February 2022) that six cases had been sent to DETC for suo moto action and in 12 cases, additional demand of ₹ 36.01 lakh had been created. The AA Faridabad (North) intimated (February 2022) that 10 cases were under revision under Section 34 (1) of HVAT Act. The AA Shahbad intimated (February 2022) that in seven cases, letters had been issued to the concerned authorities for verification. The AAs Ambala, Kaithal and Kurukshetra intimated in February 2022 that in 28 cases, the registration certificates of the dealers had already been cancelled.

(B) Section 8 (4) of the CST Act, provides that concession under sub section (1) shall not apply to any sale in the course of inter-State trade or commerce unless the dealer selling the goods furnishes to the AA, a declaration duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in a prescribed form obtained from the prescribed authority. Further, Section 38 of the HVAT Act, provides for penal action (three times of tax avoided/benefit claimed) for claims on the basis of false information and incorrect accounts or tax. Further, the Government of Haryana issued instructions in March 2006 and July 2013 requiring verification of the claims involved in case of transactions of more than ₹ one lakh. As per the Standard Operative Procedure (SoP) (January 2018) in cases, where verification report is not received within six months from the date of assessment order or from the dispatch of verification letter whichever is later, the AA should levy tax and penalty as provided in the HVAT Act or Rules.

Scrutiny of records of 6,326 cases out of 27,715 cases (between January and September 2020) revealed that five dealers⁷ in 11 cases of in the office of four DETCs (Sales Tax) for the years 2014-15 to 2016-17 claimed concessional rate of tax on their inter-State sales amounting to ₹ 7.17 crore. In support of the claims, the dealers submitted 11 'C' forms⁸. The concerned AAs finalised the assessments between March 2018 and December 2019 and allowed the concessional rate of tax against the declaration forms filed without verification as per the above referred instructions.

Audit referred these forms to the concerned authorities for verification. On Verification of forms by the State Tax Officer of National Capital Territory (NCT) of Delhi and Rajasthan (between December 2018 and February 2020), it was found that the forms had already been cancelled or not issued to the selling dealers, firms were declared bogus or registration had already been cancelled due to suspicious activities, firms were not found functioning, forms were

⁷ Charkhi Dadri: 2, Gurguram (East): 3, Jagadhri: 3 and Rohtak: 3.

⁸ Charkhi Dadri: 2, Gurguram (East): 3, Jagadhri: 3 and Rohtak: 3.

downloaded by non-existent firms, dealers were not genuine and their certificates were declared cancelled. Thus, allowing concessional rate of tax, without due verification resulted in under assessment of ₹ 0.80 crore. In addition, penalty of ₹ 2.39 crore was also leviable.

On this being pointed out, all the DETCs (ST) intimated (February 2022) that in four cases, re-assessment notice had been issued to the dealer, in five cases letter for verification had been sent to the concerned officer and two cases were sent to DETC-cum-RA for suo moto action.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may ensure stringent enforcement of its instructions for grant of concession in course of intra-State and inter-State sales/movement after due verification.

2.7 Excess benefit of Input Tax Credit due to non-reversal

Assessing Authorities, while finalising the assessments, did not reverse the Input Tax Credit on account of tax free/inter-State Sales resulting in excess benefit of ₹ 4.68 crore.

As per Schedule 'E', Entry 3 (b) read with Section 8 (1) of HVAT Act, (i) when goods are sold in the course of inter-State trade or commerce or (ii) when the goods are used in the manufacture of goods and the manufactured goods are sold in the course of inter-State trade or commerce or (iii) when the goods are sold at a sale price lower than the purchase price, input tax is admissible to the extent of amount of tax actually paid on the purchase of such goods in the State or tax payable on sale of such goods under the CST Act, whichever is lower.

Scrutiny of the records of 20,450 cases out of 82,868 cases (between September 2018 and August 2020) revealed that 12 dealers of eight⁹ DETCs (Sales Tax), had shown purchases of ₹ 211.84 crore in 12 cases and claimed input tax credit (ITC) of ₹ 11.11 crore on purchase value. As per provision of the Act, ITC of ₹ 4.68 crore was to be reversed on account of sales made as tax free or in the course of inter-State trade and commerce. While finalising assessments (between September 2017 and September 2019) for the years 2014-15 to 2016-17, the AAs had not reversed the ITC. This resulted in allowing excess benefit of ITC of ₹ 4.68 crore due to non-reversal of ITC.

On this being pointed out, all the DETCs (ST) intimated in February 2022 that cases had been sent to DETC-cum-RA for suo moto action/reassessment

⁹ Ambala, Bhiwani, Charkhi Dadri, Faridabad (North), Gurugram (West), Jagadhri, Jind and Tohana.

proceedings had been initiated and in one case TDN had been issued for ₹ 15.93 lakh against the dealer.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may ensure that ITC credit is reversed in cases of tax-free sales and sales in the course of inter-State trade and commerce.

2.8 Under assessment of tax due to application of incorrect rate of tax

Assessing Authorities, allowed incorrect rate of tax to five dealers, which resulted in under assessment of tax of ₹ 1.44 crore. In addition, interest of ₹ 1.05 crore was also leviable.

The rates for various commodities under the Haryana Value Added Tax Act (HVAT Act) 2003 have been prescribed as per Schedules A to G. Further, under Section 7 (1) (a) (iv) of the HVAT Act, any commodity other than the commodities classified in any of the schedules is taxable at the rate of 12.5 per cent with effect from 1 July 2005. Surcharge at the rate of five per cent on the tax is also leviable under Section 7(A) of HVAT Act w.e.f. 02 April 2010. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of records of 12,071 cases out of 43,589 cases (between September 2018 and February 2019) of five¹⁰ DETCs (ST) revealed that the Assessing Authorities (AAs) while finalising the assessments (between September 2017 and March 2019) of six cases involving five dealers for the years 2014-15 to 2016-17 applied lower tax rates than the applicable rate of tax on sale of goods as mentioned in Table :-

Table 2.8: Details of incorrect application of rate of tax

(Amounts in ₹)

Sr. No. (C1)	DETC Office (C2)	Assessment year/ disposal (C3)	Commodity (C4)	Amount of Sale (C5)	Tax rate (including surcharge) leviable (C6)	Tax Amount leviable (C7)	Tax Amount levied (C8)	Short levy of tax (C9=C7-C8)	Interest
1	Bahadurgarh	2014-15/806 dt. 15 January 2018	Mitti	1,05,80,599	13.125%	13,88,704	0	13,88,704	10,85,040
2	Ambala	2014-15/350 dt. 26 September 2017	Paneer and White Butter	7,06,99,557	13.125%	92,79,317	37,11,727	55,67,590	39,38,142
3	Karnal	2014-15/645 dt. 12 February 2018	Paneer	1,37,82,684	13.125%	18,08,977	7,23,591	10,85,386	8,68,309
			Kaju Pinni and Milk Cake	12,36,688	5.25%	64,926	0	64,926	51,941
4	Palwal	2016-17/653 dt. 27 November 2018	Set Top Box (STB)	2,71,02,611	13.125%	35,57,218	14,22,887	21,34,331	10,77,126
5	Faridabad (West)	2015-16/1063 dt. 27 March 2019	Lubricant	5,31,75,964	13.125%	69,79,345	27,91,738	41,87,607	34,70,130
Total				17,65,78,103		2,30,78,487	86,49,943	1,44,28,544	1,04,90,688

¹⁰ Ambala, Bahadurgarh, Faridabad (West), Karnal, Palwal.

The application of lower rate of tax resulted in under assessment of tax of ₹ 1.44 crore. In addition, interest of ₹ 1.05 crore was also leviable.

On this being pointed out, in three cases, AAs Bahadurgarh and Karnal (February 2022) intimated that additional demands of ₹ 90.48 lakh had been created and tax demand notice had been served upon the dealers. In one case, the AA, Palwal (February 2022) intimated that proceedings for re-assessment had been initiated. Replies from the AA, Ambala intimated that the case was remitted back to the Assessing Authority for “de novo assessment” by DETC (ST)-cum-Revisonal Authority and the AA Faridabad (West) stated that notice had been issued to the dealer.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may undertake a detailed scrutiny of other such cases in order to ensure that tax rates as per HVAT/CST Act are being levied.

2.9 Under assessment of tax due to less Gross Turnover

Assessing Authorities, while finalising assessment, assessed the Gross Turnover less by ₹ 8.59 crore resulting in under assessment of tax of ₹ 51.58 lakh.

Under Section 2 (1) (u) of the HVAT Act, Gross turnover (GTO) in relation to any dealer means the aggregate of the sale prices received or receivable in respect of any goods sold, whether as principal, agent or in any other capacity, by such dealer and includes the value of goods exported out of State or disposed of, otherwise than by sale.

Scrutiny of records of 6,426 cases out of 22,973 cases of the offices of DETCs (Sale Tax) Faridabad (West), Fatehabad and Kaithal (between April 2019 and November 2020) of assessment cases for the years 2014-15 to 2017-18 (1st Quarter) revealed that while finalising the assessment (between March 2018 and January 2020) in three cases, Assessing Authorities (AAs) assessed the case on GTO of ₹ 21.55 crore. It was noticed by Audit that GTO were taken less by ₹ 8.59 crore for assessment. The reason was ascribed as sales/purchases not being considered for some quarters in GTO. This resulted in under assessment of tax of ₹ 51.58 lakh.

On this being pointed out, AAs Fatehabad and Kaithal intimated (February 2022) that notice for reassessment under Section 17 of the HVAT Act had been issued and served upon the dealers for February 2022. Final outcome of the proceedings would be intimated accordingly. The AA Faridabad (West) intimated (February 2022) that an additional demand of ₹ 46.90 lakh was created and notice had been served upon the dealer. Efforts were being made for recovery of arrears.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may issue instructions to all the AAs to consider proper GTO at the time of assessment by including all incidental expenditure in gross turnover.

2.10 Subject Specific Compliance Audit on GST Refunds

2.10.1 Introduction

Goods and Services Tax (GST) Act, 2017 was implemented with effect from July 2017. GST was rolled out with the objectives of reducing cascading effect of tax, ushering in a common market for goods and services and bringing in a simplified, self-regulating and non-intrusive tax compliance regime. The roll out of GST has been a landmark achievement of the Government with respect to unifying multiple Central and State Taxes, barring a few goods/sectors and availability of Input Tax Credit (ITC) across the entire value chain. Multiplicity of tax rates have also been eliminated to a large extent.

Refunds of accumulated ITC under GST are covered under provisions contained in Chapter VII of Integrated GST Act and Chapter XI of CGST/SGST Acts. The provisions pertaining to refund contained in the GST laws aim to streamline and standardise the refund procedures under GST regime. It was decided that the claim and sanctioning procedure would be completely online. Due to unavailability of electronic refund module on the common portal, a temporary mechanism was devised, implemented, and followed for refund application uploaded on the portal upto 25 September 2019. An on-line facility was introduced with effect from 26 September 2019 to process the refund applications electronically by facilitating the on-line submission of refund application, supporting documents, statements, replies to notices, etc.

2.10.2 Audit Objectives

Audit of Refund cases under the GST regime was conducted to assess:

- (i) the adequacy of Acts, Rules, notifications, circulars etc. issued in relation to grant of refund;
- (ii) compliance of extant provisions by the tax authorities and the efficacy of the systems in place to ensure compliance by taxpayers; and
- (iii) effective internal control mechanism to check the performance of the departmental officials in disposing of the refund applications.

2.10.3 Scope of audit

Goods and Service Tax Network (GSTN) provided pan-India Refund Data for the period from July 2017 to July 2020. For the period prior to 26 September 2019,

i.e. pre-automation period, the refund applications under each category were sorted in descending order of refund amount claimed by taxpayers. The sorted refund applications were divided into four quartiles for drawing the sample.

For selecting refund applications filed after 26 September 2019, a composite risk score was devised using risk parameters such as refund amount claimed (60 *per cent* weightage), delay in sanctioning refund (15 *per cent*), refund sanctioned to refund amount claimed ratio (10 *per cent*) and issue of deficiency memo (15 *per cent*). Based on the risk score arrived as per this process, refund applications were selected.

Based on the above procedure, 1,133 cases of refunds claimed prior to 26 September 2019 pertaining to 27 units were selected (pre-automation cases) of which 571 cases belonging to 20 units could be examined due to constraints on physical movement as a result of the COVID-19 pandemic and for the post 26 September 2019 period, out of 1,136 cases, 568 refund cases of 20 units were selected (post automation cases) and examined using the login ID based access to State GST portal¹¹. Out of 30,168 refund cases processed in the selected circles, a total of 1,139 cases (3.78 *per cent*) (Pre automation: 571 cases and post automation: 568 cases) were examined by Audit for this Subject Specific Compliance Audit (SSCA). Category-wise audit universe and sample selection are given in the *Appendix V*.

2.10.4 Legal Provisions

The following Sections/Rules/notifications provides the guidelines/procedure for claiming the refunds:

- (i) Sections 54 to 58 and Section 77 of Haryana State Goods and Services Tax Act, 2017 (SGST Act).
- (ii) Rules 89 to 97 of Haryana State Goods and Services Tax Rules, 2017 (SGST Rules).
- (iii) Sections 15, 16 and 19 of Integrated Goods and Services Tax Act, 2017 (IGST Act).

2.10.5 Audit findings

During the audit of refund cases (Pre and post automation), selected for detailed audit, the following deficiencies were noticed as shown in **Table-1** below:

¹¹ BOWEB portal: Web portal is specially designed website that brings information from various sources such as email, online forums, search engines on one platform, in a uniform way.

Table 1: Details of deficiencies noticed

(₹ in lakh)

Nature of audit findings	Audit sample				Number of deficiencies noticed				Percentage of deficiencies with respect to sample of numbers (5+7/1+3)* 100
	Pre-automation		Post automation		Pre automation		Post automation		
	Number 1	Amount 2	Number 3	Amount 4	Number 5	Amount 6	Number 7	Amount 8	Percentage
Delay in issue of acknowledgment	571	30,666.82	568	27,189.56	271	16,432.05	178	12,244.37	39.42
Delay in issue of refund orders	571	31,384.59	568	30,075.39	57	2,546.76	77	5,087.37	11.76
Delay in communicating refund orders to counterpart tax authority	571	31,384.59	0	0	5	38.61	0	0	0.87
Irregular refund under Inverted Duty structure	232	9,655.23	289	9,038.14	0	0	2	71.27	0.38
Irregular refund in Zero-rated supply cases	266	20,175.28	202	17,867.86	8	27.14	14	164.89	4.70
Irregular grant of provisional refund other than Zero rated supply	305	11,209.31	366	12,207.52	2	14.53	0	0	0.30
Confirmation from Counterpart tax authority regarding payment of refund released to assessee	571	31,384.59	0	0	178	5,813.80	0	0	31.17

As evident from the above table, Audit noticed that there was 39.42 per cent delay in issuance of acknowledgment and 11.76 per cent delay in issuance of refund orders cases. However, deviations from provisions of the Acts and Rules which resulted in all the above cases ranged between 0.30 to 39.42 per cent.

During the audit period (July 2017 to July 2020), 20,761 refund cases were processed in the pre automation period in selected units out of which 571 refund cases were examined and in the post automation period 9,407 cases were processed out of which 568 cases examined. Audit findings noticed and the lapses identified based on these cases are included in the subsequent paragraphs.

2.10.5.1 Non-compliance of prescribed timelines

(A) Acknowledgement

Under Rule 90 (2) of SGST Rules stipulates that where the application relates to a claim for refund from the electronic credit ledger, an acknowledgement in Form GST RFD-02 shall be made available to the applicant within a period of 15 days from the receipt of application in pre-automaton phase and from date of filing in post-automation phase. The acknowledgement shall clearly indicate the date of filing of claim for refund.

Pre automation: Scrutiny of records revealed that there was delay in 71 cases¹²

¹² DETC Faridabad (East): 8; Faridabad (South): 6; Gurugram (North): 3; Gurugram (South): 9; Jagadhri: 7; Karnal: 19; Kurukshetra: 2; Panipat: 15; Rewari: 1 and Rohtak: 1.

(19.13 per cent out of 371 cases) in issue of acknowledgement from one to 256 days with average and median value for delay was 41.65 days and 30 days respectively. Of these, 65 cases, four cases and two cases were delayed upto three months, three to six months and more than six months respectively. Further, no acknowledgement were issued in 200 cases¹³.

Post automation: Scrutiny of records revealed that there was delay in 178 cases¹⁴ (31.33 per cent)¹⁵ in issue of acknowledgement from one to 116 days with average and median value for delay was 15.75 days and 10 days respectively. Of these, 176 cases and two cases were delayed upto three months and more than three months respectively.

Thus, the department failed to adhere to the timelines for issuing acknowledgements as prescribed in the rules *ibid*.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that lapses in issuance of acknowledgment was a procedural lapse and irregularity was technical in nature but refunds were issued within the prescribed timelines.

(B) Deficiency memo

Rule 90 (2) and 90(3) of SGST Rules stipulates that if any deficiencies are noticed in the refund application, the Proper Officer¹⁶ shall communicate the deficiencies to the applicant in Form GST RFD-03 within a period of 15 days from the receipt of application in pre-automation phase.

Pre automation: Scrutiny of records revealed that in five refund cases of DETC Gurugram (East), deficiency memo (Form RFD-03) was issued with a delay ranged between seven and 25 days. This resulted in non-compliance of the provisions of Rule *Ibid*.

The average delay in issuance of deficiency memo was 13.2 days and the median was 11 days.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that delay in issuance of deficiency memo was due to

¹³ DETC Ambala: 23; Faridabad (North): 1; Faridabad (West): 12; Gurugram (North): 5; Gurugram (East): 26; Gurugram (West): 27; Gurugram (South): 1; Hisar: 1; Jagadhri: 24; Jhajjar: 27; Karnal: 1; Kurukshetra: 1; Panchkula: 8; Panipat: 1 and Sonipat: 42.

¹⁴ DETC Ambala: 6; Faridabad (North): 1; Faridabad (East): 8; Faridabad (West): 4; Faridabad (South): 2; Gurugram (North): 10; Gurugram (East): 28; Gurugram (West): 17; Gurugram (South): 9; Hisar: 2; Jagadhri: 5; Jhajjar: 11; Karnal: 24; Panipat: 22; Rewari: 4; Rohtak: 6 and Sonipat: 19.

¹⁵ Percentage is calculated in respect of pre automation on 571 cases and in post automation on 568 cases.

¹⁶ "Proper Officer" means the Commissioner or the officer of the Central/State Tax who is assigned that function by the Commissioner.

lack of procedural and policy related clarity in the initial stage of implementation of GST Act.

(C) Refund Sanction orders

Under Section 54 (7) of the SGST Act, the proper officer shall issue the refund order within a period of 60 days from the date of receipt of application complete in all respects. Further, Section 56 of the Act provides that if any refund tax order was not issued to the applicant within 60 days from the date of receipt of application, interest at the rate of six *per cent* shall be payable. Rule 94 of the SGST Rules, 2017 provides that an order for interest shall be made alongwith payment advice in Form GST RFD-05, specifying therein the amount of refund and interest for the delayed period. In case of refund arising from an order passed by an adjudicating authority or appellate authority or appellate tribunal or Court, interest at the rate of nine *per cent* shall be payable.

Pre automation: Scrutiny of records, revealed that there was delay in sanction of refund orders in 57 cases¹⁷ (9.98 *per cent*) from four to 436 days with the average delay being 65.77 days in these cases and the median value for delay was 32 days. Of these, 45 cases were delayed by upto three months, six cases were delayed by three to six months and six cases were delayed by more than six months. An interest of ₹ 32.48 lakh (**Appendix VI**) was also payable to the eligible persons for delayed issue of refund sanction orders which was not paid by the department.

Post automation: Scrutiny of records revealed that there was delay in sanction of refund orders in 77 cases¹⁸ (13.55 *per cent*) from one to 122 days with the average delay being 34.32 days in these cases and median value for delay was 25 days. Of these, 74 cases were delayed by upto three months and in three cases were delayed by three to six months. An interest of ₹ 30.01 lakh (**Appendix VI**) was payable to the eligible persons for delayed issue of refund sanction orders which was not paid by the department.

Thus, the department failed to adhere to the timelines for sanctioning the refund orders as prescribed in the rules *ibid*.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that delay in sanctioning refunds taken place due to tethering problems in the initial stages of implementation of the Act. Further the department also stated that in none of the cases pointed out by audit

¹⁷ DETC Faridabad (North): 3; Faridabad (West): 1; Gurugram (North): 6; Gurugram (East): 2; Gurugram (South): 4; Jhajjar: 2; Jagadhri: 4; Karnal: 11; Panchkula: 5; Panipat: 11 and Sonipat: 8.

¹⁸ DETC Ambala: 3; Faridabad (North): 2; Faridabad (East): 5; Faridabad (West): 3; Faridabad (South): 3; Gurugram (North): 7; Gurugram (East): 21; Gurugram (West): 2; Gurugram (South): 4; Hisar: 1; Jhajjar: 3; Jagadhri: 2; Karnal: 6; Panipat: 3; Rewari: 2; Rohtak: 1 and Sonipat: 9.

taxpayers had claimed interest of the refund amount issued late to it. However, interest was payable for delayed issue of refund sanction orders by the Department.

(D) Communication of refund orders to counterpart tax authority

Central Board of Indirect Taxes and Customs vide its circular No. 4/24/2017-GST dated 21 December 2017 instructed that refund order issued either by Central tax authority or State tax/UT tax authority shall be communicated to the concerned counterpart tax authority within seven working days for making payment of relevant sanctioned refund amount of tax or cess as the case may be. It was also instructed therein to ensure adherence to timelines specified under Section 54 (7) and Rule 91 (2) of SGST Act/Rules, 2017 for sanction of refund orders.

Pre automation: Scrutiny of records revealed that five cases of DETCs Panchkula and Jagadhri involving refund of IGST/CGST amounting to ₹ 38.61 lakh were forwarded to the Central tax authority with delays ranging between three and 97 days. Of these, three cases were delayed by upto three months and two cases were delayed by more than three months. The average delay in forwarding the refund orders to counterpart tax authorities was 47.20 days and the median was 35 days.

During exit conference, the Department in its reply agreed to the audit observation and stated that delay was due to procedural/technical matters and there was no monetary loss to the exchequer.

(E) Non-issuance of notice for rejected amount of refund

Rule 92 (3) of SGST Rules, stipulates that where the proper officer is satisfied, for reasons to be recorded in writing, that the whole or any part of the amount claimed as refund, is not admissible or is not payable to the applicant, he shall issue a notice in FORM GST RFD-08 to the applicant, requiring him to furnish a reply in FORM GST RFD-09 within a period of 15 days of the receipt of such notice and after considering the reply, make an order in FORM GST RFD-06 sanctioning the amount of refund in whole or part, or rejecting the said refund claim and the said order shall be made available to the applicant. Provision also provides that no application for refund shall be rejected without giving the applicant an opportunity of being heard.

Pre automation: Scrutiny of records revealed that in 21 refund orders (3.68 per cent) were sanctioned after rejecting an amount of ₹ 61.08 lakh.

Post automation: Scrutiny of records, revealed that 26 cases¹⁹ refund orders (4.58 per cent) were sanctioned after rejecting an amount of ₹ 24.12 lakh.

¹⁹ DETC Ambala: 3, Gurugram (North): 4, Gurugram (East): 4, Gurugram (West): 11, Panipat: 1 and Sonipat: 3.

The Department had not issued notices to the concerned applicants in Form RFD-08 in contravention of the prescribed rules. Thus, the department had failed to adhere to the provisions for issuing the notices prior to rejection of refund amount claimed as prescribed in the rules *ibid*.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that all the DETCs are directed to produce relevant documentary evidence for giving undertaking for no objection to the rejection of refund amount.

2.10.5.2 Grant of refunds

(A) Provisional refund

Section 54 (6) of the SGST Act, provides that the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons, refund on a provisional basis, 90 *per cent* of the total amount so claimed excluding the amount of ITC provisionally accepted.

Pre automation: Scrutiny of records revealed that in one refund case of DETC Gurugram (South) amounting to ₹ 37.73 lakh (90.70 *per cent*) was sanctioned on provisional basis against the refund claim of ₹ 41.60 lakh resulting in excess grant of refund of ₹ 0.29 lakh. Further, in two cases of DETC Faridabad (East), the concerned officer (s) sanctioned refund of ₹ 14.53 lakh on provisional basis for refund claimed on account of Inverted Duty Structure which was not covered under the provisions.

Department while accepting the audit observation replied that there was no revenue loss as only eligible amount of refund was granted to the taxpayer. The reply is not tenable as the Department has not followed the prescribed procedure of the provisions.

(B) Irregular refund on account of exports

Haryana Government vide its No. 356/GST-II dated 16 December 2019 and No. 798 dated 29 May 2020 instructed that while undertaking detailed scrutiny of application made for claim of refund on account of export of goods without payment of tax, the Shipping bill details shall be checked by the proper officer through ICEGATE²⁰ portal (www.icegate.gov.in) to establish that refund is due to the applicant. Further, Rule 89 (2) (c) SGST Rules provides that in case of refund on account of export of services, the application for refund shall be accompanied by a statement containing the number and date of invoices and the relevant Bank Realisation Certificates (BRCs) or Foreign Inward Remittance Certificates (FIRC)s, as the case may be. Guidelines also prescribed that

²⁰ Indian Customs Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway.

supporting documents shall not be required to be physically submitted to the office of the jurisdictional proper officer.

Post automation: Scrutiny of records revealed that in three cases (DETCs Ambala: 1 case and Karnal: 2 cases), applicants claimed refund on account of export of goods without payment of tax. In these cases, the concerned officer(s) had sanctioned refund of ₹ 22.24 lakh against export value of ₹ 2.07 crore. While verifying the shipping bills, exports valuing ₹ 80.95 lakh could only be verified on ICEGATE portal and export of ₹ 1.26 crore could not be verified. Export documents for these transactions were also not found on the GST portal. Thus, taxpayers were entitled to refund of ₹ 9.99 lakh for verified value of export and sanction of refund of ₹ 12.25 lakh was irregular as it was done without verification of prescribed export documents.

Similarly, in another three cases, (DETC Gurugram (East): one case and Gurugram (South): two cases), applicants claimed refund on account of export of services without payment of tax. In these cases, the concerned officer(s) had sanctioned refund of ₹ 71.96 lakh against export value of ₹ 19.52 crore. Analysis of information/documents available on the ICEGATE portal revealed that taxpayers had not submitted copies of BRC/FIRC in token of realisation of consideration in convertible foreign exchange. Thus, the concerned officer(s) sanctioned irregular refund of ₹ 71.96 lakh without obtaining BRCs/FIRCs in contravention of the instructions.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 directed the concerned DETCs to verify the veracity of shipping bills from Customs formations under intimation to audit and also to furnish the relevant copies of BRCs/FIRCs.

(C) Restriction of Input Tax Credit

Haryana Government vide its No. 356/GST-II dated 16 December 2019 issued guidelines for fully electronic refund process. As per guidelines, applicant shall have to upload (i) details of all the invoices on the basis of which input tax credit (ITC) has been availed during the relevant period for which refund was claimed in the prescribed format (Annexure-B) and (ii) self-certified copies of invoices in relation to which the refund of ITC was claimed and which are declared as eligible for ITC in that Annexure-B but which are not populated in GSTR-2A return. It was further prescribed in the guidelines that supporting documents shall not be required to be physically submitted to the office of the jurisdictional proper officer. Government further vide its No. 798 dated 29 May 2020 clarified that refund of accumulated ITC shall be restricted to the amount of ITC as per those invoices, the details of which are uploaded by the supplier in form GSTR-1 and reflected in GSTR-2A of the applicant.

(i) Post automation: Scrutiny of records revealed that in eight refund cases²¹ where applications for refunds were made upto March 2020 for refund of ITC accumulated on account of Inverted Duty Structure or Export without payment of tax, the officer had sanctioned refund amounting to ₹ 2.72 crore on the basis of ITC of ₹ 7.97 crore (*Appendix VII*) claimed in refund application. However, as per instructions, the officer had to sanction refund of ₹ 2.53 crore by restricting the ITC to ₹ 7.40 crore for reasons such as non-restriction of ITC to the tax invoices reflected in GSTR-2A where Annexure-B was not uploaded by the applicant, for non-uploading of tax invoices not reflected in GSTR-2A, amount of ITC claimed in Annexure B was less than ITC reflected in GSTR-2A etc. Thus, the officer had irregularly sanctioned the excess refund of ₹ 19.13 lakh by not restricting the ITC to the extent of invoices reflected in GSTR-2A and in absence of certified copies of tax invoices uploaded by the applicants.

(ii) Further in four refund cases²² the applicants had claimed (after March 2020) for refund of unutilised ITC on account of Inverted Duty Structure or Export without payment of tax. In these cases, the officer(s) had sanctioned refund amounting to ₹ 1.00 crore on the basis of ITC of ₹ 1.63 crore (*Appendix VIII*) claimed in refund application. However, as per instructions, the officer(s) had to sanction refund of ₹ 73.74 lakh by restricting the ITC to ₹ 1.34 crore as per GSTR-2A. ITC claimed for refund in these cases was more than tax invoices reflected in GSTR-2A. Thus, the officer had irregularly sanctioned the excess refund of ₹ 26.66 lakh.

Thus, the department had failed to adhere to restrict ITC to be considered for computation of due refund in light of instructions prescribed by the Government. This resulted into grant of excess refund of ₹ 45.79 lakh.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 directed the DETCs to produce the relevant record to audit.

(D) Irregular refund on account of supplies made to merchant exporter

Government of Haryana vide its Notification No. 117/ST-2 dated 24 October 2017 and Government of India, Ministry of Finance, Department of Revenue vide its Notification No. 40/2017 dated 23 October 2017 exempted State and Central tax each in excess of 0.05 per cent for intra-State supply of taxable goods by a registered supplier to a registered recipient for export. The registered recipient shall provide copy of shipping bill or bill of export containing details of Goods and Service Tax Identification Number (GSTIN) and tax invoice of the registered supplier along with proof of export general manifest or export report having been filed to the registered supplier as well as jurisdictional tax

²¹ DETC Ambala:1, Faridabad (West):1, Gurugram (North):1, Karnal: 1 and Sonipat:4.

²² DETC Gurugram (South):1, Karnal:1, Panipat:1 and Sonipat:1.

officer of such supplier. It is also provided that the registered supplier would not be eligible for the above-mentioned exemption if the registered recipient failed to export the said goods within a period of 90 days from the date of issue of tax invoice.

Post automation: Scrutiny of records revealed that in two cases of Gurugram (South) and Gurugram (East), the applicants had applied for refund of accumulated ITC of ₹ 78.42 lakh on account of Inverted Duty Structure on supplies made amounting to ₹ 4.02 crore, to merchant exporters at tax rate of 0.1 per cent. Concerned officer(s) had sanctioned refund of ₹ 73.90 lakh in these cases. However, the recipients had not submitted any such documents even though no any documents furnished by the applicant for claiming refund so that applicants were eligible for refund of ₹ 2.63 lakh resulting in irregular refund of ₹ 71.27 lakh without obtaining the documents in support of exports.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 directed the DETCs to produce the relevant records to audit.

(E) Irregular grant of refund in time barred cases

Section 54 (1) of SGST Act provides that application for refund may be filed before the expiry of two years from the relevant date. Section 54 (14) (2) further prescribes the relevant date for reckoning the permissible period of two years as detailed below:

- (a) in case of goods exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India;
- (b) in case of deemed export of goods, the date on which the return relating to such deemed exports is furnished; and
- (c) in case of refund on account of Inverted Duty Structure, due date for furnishing of return under Section 39 of SGST Act for the period in which such claim of refund arises.

Post automation: Scrutiny of records revealed that in seven cases²³ taxpayers had claimed refund of accumulated ITC of ₹ 1.30 crore (**Appendix IX**) on account of Inverted Duty Structure and Export of Goods & Services. The concerned officer(s) had sanctioned refund of ₹ 1.24 crore in these cases. Audit observed refund amounting to ₹ 88.91 lakh related to the time barred period in view of the above referred provisions. Thus, considering the time barred period for granting refund resulted into irregular grant of refund of ₹ 88.91 lakh.

The Department stated in the Exit Conference held in March 2022 and in

²³ DETC Faridabad (East):1, Faridabad (South):1, Gurugram (West):2, Rohtak:1 and Sonapat:2.

response in March 2022 directed the DETCs to re-examine these cases and produce the relevant record to audit.

2.10.5.3 Excess refund due to consideration of invoice value in place of Free on Board (FOB) value

Section 54 (3) (i) SGST Act, 2017 provides for refund of unutilized input tax credit (ITC) at the end of any tax period for zero-rated supplies made without payment of tax. Similarly, Section 16 of the IGST Act in respect of integrated tax also stipulates that 'zero rated supply' includes 'export of goods or services or both'. Further, explanation (1) below Section 54 (14) of the Act inter alia states that 'refund' includes refund of tax paid on inputs or input services used in making such zero-rated supplies.

Sub-rule 4 of Rule 89 of SGST Rules provides the following formula for grant of refund in case of such zero-rated supply of goods without payment of tax:

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) * Net ITC / Adjusted Total Turnover).

CBIC vide its circular No. 37/11/2018-GST dated 15.03.2018 and Haryana Government vide its No. 356/GST-II dated 16 December 2019 instructed that the value of goods declared in the GST invoice and the value in the corresponding Shipping bill/bill of export should be examined by the proper officer from ICEGATE portal and lower of the two values should be taken into account while calculating the eligible amount of refund. Guidelines also prescribed that supporting documents shall not be required to be physically submitted to the office of the jurisdictional officer during the post-automation period.

Pre automation: Scrutiny of records revealed that in eight²⁴ cases (1.40 per cent) Free on Board (FOB) value was ₹ 24.81 crore. However, the applicants claimed refund on the basis of invoice value of ₹ 26.79 crore. The concerned officers allowed the refund of ₹ 3.98 crore against the admissible refund of ₹ 3.71 crore by considering the invoice value instead of FOB value in contravention of the instructions which resulted in excess grant of refund of ₹ 0.27 crore.

Post automation: Scrutiny of records revealed that in eight cases²⁵ (1.40 per cent) Free on Board (FOB) value was ₹ 130.40 crore. However, the applicants claimed refund on the basis of invoice value of ₹ 140.86 crore. The concerned officer (s) allowed the refund of ₹ 9.60 crore against the admissible refund of ₹ 8.79 crore by considering the invoice value instead of FOB value in contravention of the instructions which resulted in excess grant of refund of ₹ 0.81 crore.

²⁴ DETC Ambala:5; Karnal:2; and Kurukshetra:1.

²⁵ Gurugram(North):1; Gurugram(South):3; Jagadhri:1; Karnal:1 and Panipat:2.

Thus, the Department failed to adhere the instructions for considering the lowest of the Invoice and FOB value resulted into excess grant of refund of ₹ 1.08 crore (*Appendix X*).

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that necessary directions have been issued to field offices to process the refunds by considering the lowest of the FOB and invoice value.

2.10.5.4 Confirmation from Counterpart tax authority regarding payment of refund released to assessee

CBIC vide its circular No. 24/24/2017-GST dated 21 December 2017 instructed that refund sanction order passed either by Central tax authority or State tax/UT tax authority shall be communicated to the concerned Counterpart tax authority for making payment of sanctioned refund amount of tax or cess as the case may be. After release of payment by the respective Pay & Accounts Officer to the applicant's bank account, the nodal officer of Central tax and State tax authority shall inform each other.

Pre automation: Scrutiny of records revealed that in 178 cases²⁶ (31.17 per cent), refund orders for making payment of IGST and CGST amounting to ₹ 37.92 crore and ₹ 20.22 crore (*Appendix XI*) respectively were forwarded to Counterpart central tax authorities. However, no intimation was received from the Central tax authority regarding refund payments made to the taxpayers. Thus, the concerned Authorities had not followed-up the above instructions.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that there was no revenue loss in the cases pointed by audit.

2.10.5.5 Non-conducting of post audit of refund claims

The CBIC elaborately laid down the procedure for manual processing of refunds of zero-rated supplies. The circular inter alia, stipulated that, the pre-audit of manually processed refund applications is not required to be carried out, irrespective of the amount involved, till separate detailed guidelines are issued. However, as per extant guidelines post audit of refund orders above ₹ 0.50 lakh but less than ₹ five lakh may be continued.

Scrutiny of records (November 2020 to June 2021) revealed that neither the mechanism to conduct the post audit of refund cases for zero rated supplies existed nor did the Department make efforts to establish the same.

²⁶ DETC Faridabad (South):11; Faridabad (East):13; Gurugram (West):25; Gurugram (East):13; Hisar:1; Jagadhri:27; Kaithal:3; Panchkula:10; Panipat:35; Rewari:1; Rohtak:2 and Sonapat:37.

The Department stated in the Exit Conference held in March 2022 and in response in March 2022 that the department had issued instructions (February 2022) for enabling internal control mechanism for refunds in GST.

2.10.5.6 Conclusion

The Department failed to adhere the timelines for issuing acknowledgements, sanctioning the refund orders, non compliance of provisions of rules regarding Deficiency memo and issuing notices prior to rejection of refund amount.

The Department had sanctioned the irregular refund without obtaining Bank Realisation Certificates/ Foreign Invoice Remittance Certificates, sanctioned excess refund by not restricting the Input Tax Credit. The Department had also failed to adhere to restrict the value of zero rated supplies to the extent of Free On Board (FOB) value given in export documents. Hence, the need for strict compliance of the provisions of relevant Acts and Rules and more effective monitoring is evidenced by ₹ 3.98 crore highlighted in the SSCA.

The instances of non-adherence to the provision relating to refund pointed towards the need for expediting automation of refund processing with proper checks and validation besides improving the system for monitoring manual processing of refunds till automation is completed.

2.10.5.7 Recommendations

It is recommended that the Government:

- may ensure strict application of the provision of the Acts and Rules by all the concerned tax authorities;
- may ensure that the provisional refund are not granted to ineligible categories and in case of exports, provisional refund was not granted exceeding the eligible amount.

2.11 Subject Specific Compliance Audit on Transitional Credit

2.11.1 Introduction

Introduction of Goods and Service Tax (GST) is a significant reform in the field of indirect taxes in our country, which replaced multiple taxes levied and collected by the Centre and States. GST is a destination-based tax on supply of goods or services or both, which is levied at multi-stages wherein the taxes will move along with supply. Tax is levied simultaneously by the Centre and States on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) is levied on intra state supplies and Integrated GST (IGST) is levied on inter-state supplies. Availability of input tax credit (ITC) of taxes paid on inputs, input services and capital goods for set off against the output tax liability is one of the key features of GST. To ensure the seamless

flow of input tax from the existing laws to GST regime, a 'Transitional arrangements for input tax' was included in the GST Acts to provide for the entitlement and manner of claiming input tax in respect of appropriate taxes or duties paid under existing laws. The provisions enable taxpayers to transfer such input credits only when they are used in the ordinary course of business or furtherance of business.

This was needed especially to provide for carry forward of ITCs, relating to pre-GST taxes (VAT) that were available with the taxpayers on the day of roll out of GST, into GST regime (herein after referred to as transitional credits). Transitional credit provisions are important for both the Government and business. For business, these credits should be carried forward properly to give them benefit of taxes they had already paid on inputs or input services in the pre-GST regime. From the view point of the Government, the amount of admissible transitional credits will determine the extent of cash flow of GST revenue and hence, in the interest of revenue, only admissible and eligible transitional credits should be carried forward into GST. In this process, Government of Haryana also framed Haryana Goods and Service Tax (HGST) Act, 2017 for levy and collection of tax (Act No. 19 of 2017, dated 08 June 2017). Chapter XX (Sections 139 to 142) of the HGST Act elaborates provisions relating to transitional arrangements for ITC.

2.11.2 Transitional arrangements for input tax-legal provisions

Chapter XX (Sections 139 to 142) of the HGST Act 2017 (CGST Acts/UTGST Acts) enables the taxpayers to carry forward the ITC earned under the existing laws to the GST regime. The section read with Rule 117 of CGST Rules, 2017 prescribes elaborate procedures in this regard. All registered taxpayers, except those who are opting for payment of tax under composition scheme (under Section 10 of the Act), are eligible to claim transitional credit by filing TRAN-1 returns within 90 days from the appointed day. The time limit for filing TRAN-1 returns was extended initially till 27 December 2017. However, many taxpayers could not file the return within the due date due to technical difficulties. Thus, sub-rule 1A was inserted under Rule 117 of CGST Rules, 2017 vide Notification 48/2018 CT dated 10 September 2018, to accommodate such taxpayers. The due date for filing TRAN-1 was further extended to 31 March 2020, vide Central Board of Indirect Taxes and Custom (CBIC) order No.01.2020-GST dated 07 February 2020, for those taxpayers who could not file TRAN-1 due to technical difficulties. Under transitional arrangements for ITC, the ITC of various taxes paid under the existing laws such as Central Value Added Tax (CENVAT) credit, State Value Added Tax (VAT) etc. was carried forward to GST regime as under:

(a) **Closing balance of the credit in the last returns:** The closing balance of the CENVAT/VAT credit available in the returns filed under existing law for

the month immediately preceding the appointed day can be taken as credit in Electronic Credit Ledger (ECL).

(b) Credit on duty paid stock: A registered taxable person, other than the manufacturer or service provider, may take the credit of the duty/tax paid on goods held in stock based on the invoices.

(c) Input/input services in transit: The input or input services received on or after the appointed day but the duty or tax on the same was paid by the supplier under the existing law.

(d) Tax paid under the existing law under composition scheme: The taxpayers who had paid tax at fixed rate or fixed amount in lieu of the tax payable under existing law, now working under normal scheme under GST can claim credit on their input stock, semi-finished and finished stock on the appointed date.

(e) Credit in respect of tax paid on any supply both under Value Added Tax Act and under Finance Act, 1994: Transitional credit in respect of supplies which attracted both VAT and Service tax under existing laws, for which tax was paid before appointed date and supply of which is made after the appointed date.

2.11.3 Context and materiality

The transitional credit is a one-time flow of input credit from the legacy regime into the GST regime, which can be availed by both the taxpayers migrating from the previous regime as well as new registrants under GST regime. The State Tax Department (STD) had considered this as a focus area and envisaged verification of these claims in a phased manner. In this regard, 3,837 cases who claimed transitional credit, across the Haryana were selected for detailed verification.

2.11.4 Scope of audit

The scope of audit comprises a review of transitional credit claim returns, both TRAN-1 and TRAN-2, filed by the taxpayers under the transitional arrangements of various sections of HGST Act. Audit verification involves the scrutiny of process and outcomes of departmental verifications along with detailed independent verification of selected claims. Verification of individual transitional credit claims would entail the examination of VAT credit claimed by the taxpayers in the last quarterly/annually returns filed under existing laws, immediately preceding the appointed date i.e 01 July 2017, along with the documentary evidence in support of such claims. Further, in respect of input tax claimed pertaining to purchase of materials, verification would involve examination of necessary invoices, documents or records evidencing purchase of such goods.

2.11.5 *Audit objectives*

Transitional credit claimed under TRAN-1 and TRAN-2 returns, credited to the ECL of the taxpayers as ITC, would be adjusted against GST output liability of the taxpayers. Thus, the claims have a direct impact on GST revenue collection. Thus, the audit of transitional arrangements for ITC under GST was taken up with the following audit objectives with a view to seek an assurance on:

- (i) Whether the mechanism envisaged by the Department for selection and verification of transitional credit claims was adequate and effective (System issues).
- (ii) Whether the transitional credits carried over by the assessee into GST regime were valid and admissible (Compliance issues).

2.11.6 *Audit methodology and audit criteria*

The methodology for verification of transitional credit claims of selected taxpayers involves data analysis, verification of records related to assessment of taxpayers, available with the STD at District Excise and Taxation Commissioner (DETC) level.

Audit Criteria: The criteria against which the audit objectives and sub-objectives was to be verified, comprises of the provisions of Chapter XX (Sections 139 to 142) of the HGST Act, 2017 read with Rules 117 of the CGST Rules, 2017, notifications/circulars and relevant instructions issued by the CBIC/STD.

Therefore, the envisaged systemic checks address the issues of (i) whether the procedure developed by the Department for verification of transitional credit claims was robust (ii) whether, after verification, the Department could secure effective remedial measures against taxpayers falling under State jurisdictions.

2.11.7 *Audit sample*

Selected sample cases i.e. 3,837 were identified on the basis of risk parameters as under:

- Taxpayers who have claimed transitional credit under Table 5 (c) in excess of the closing VAT credit balance available as per the legacy returns filed for the period immediately preceding the appointed day.
- Transitional claims of manufacturers or service providers who have claimed transitional credit under column 7 B of Table 7a.

2.11.7.1 *Sample size and selection*

Out of the overall sample size of 3,837 cases in 27 DETCs, 2,152 cases (cent *per cent*) in eight districts were covered for detailed verification and

845 cases (50 per cent) in remaining 13 districts were determined on the basis of high value transitional credits for detailed verification. Thus, the overall sample covered during the audit is as below:

Table 2: Sampling selection

Description	Sample provided by HQ office	Strata I	Strata II
Population	3,837	2,152	1,685
Sample size	2,997	2,152	845
Percentage of coverage	78	100	50

Out of the total 3,837 cases, 2,997 cases (78 per cent), involved 98.33 per cent monetary value of transitional credits were covered for detailed verification during the period April to August 2021. Based on the above parameters, these 2,997 cases were categorized into two strata:

Strata I: Cent per cent cases of taxpayers which constitute potentially risk prone cases for verification in two districts Gurugram and Faridabad and six nearby districts Ambala, Jagadhri, Kaithal, Karnal, Kurukshetra and Panchkula. In this way, outstation cases belong to large industrial hubs/economic centres were covered during audit.

Strata II: 50 per cent cases of taxpayers which constitute comparatively lesser risk in 13²⁷ districts.

2.11.8 Audit areas

The audit areas are based on the provisions of law and the mechanism envisaged by the Department for verification of the transitional credit claims of taxpayers. Audit areas were categorized corresponding to the two audit objectives as systemic and compliance issues which are discussed below:

2.11.8.1 Systemic issues

The systemic issues pertain to the adequacy and effectiveness of the mechanism envisaged by the Department for verification of transitional credit claims are as under:

2.11.8.1.1 Verification mechanism envisaged by the Department

Securing compliance to the transitional credit provisions and regulating the transitional credit claims of taxpayers constitutes a control risk. Apart from the statutory requirements prescribed under both legacy as well as GST laws, the STD had specified transitional credit verification as one of the key focus areas for the year 2017-18. The STD had identified cases where transitional credit

²⁷ Bhiwani, Fatehabad, Hisar, Jhajjar, Jind, Mewat, Narnaul, Palwal, Panipat, Rewari, Rohtak, Sirsa and Sonipat.

claims were in excess of ₹ 25 lakh or more and ₹ 10 lakh or more for verification. The STD had taken up verification of these cases in two phases.

2.11.8.2 Compliance issues

The compliance issues pertain to the validity and admissibility of the transitional credits carried over by the taxpayers into GST regime (second audit objective of this SSCA). Taxpayers were required to claim transitional credits in the various specified tables of TRAN-1²⁸ and TRAN-2²⁹. Since some of the transitional credit claims were verified by the Department, the compliance issues encompass the efficacy of the verification procedure, adherence to timelines and compliance deviations from cases not verified by the Department, which are briefly discussed below:

2.11.8.2.1 Compliance deviations

The components of transitional credit claimed by taxpayers in the appropriate tables mentioned below, in the two forms TRAN-1 and TRAN-2, flow from the underlying conditions specified under relevant Sections of the HGST Act.

Table 3: Details of Returns

Returns	Table No	Transitional credit component
TRAN-1	5(c)	Closing balance of credit from the last returns
TRAN-1	6(b)	Un-availed credit on capital goods
TRAN-1	7(b)	Credit on Input/input service in transit
TRAN-1	7(c)	Credit on input held in stock supported by invoices
TRAN-1	7(d)	Credit on input held in stock without invoices
TRAN-1	10 A	Credit on input related to goods held as agent on behalf of principal
TRAN-1	10 B	Credit on inputs for goods held by agent
TRAN-1	11	Credit on inputs availed in terms of Section 142 (11(c))

The general issues, which are common to all tables and the table specific issues that are likely to emerge are brought out below:-

2.11.8.3 Major findings:

Major findings are elaborated in succeeding paragraphs:

2.11.8.3.1 Carry forward of Ineligible amount of Transitional Credit

As per provision of Section 140 (1) of CGST/HGST Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled

²⁸ TRAN-1 is the return to be filed by taxpayers to claim the credit of tax paid under legacy rules.

²⁹ TRAN-2 is the return to be filed by taxpayers to claim the credit of tax paid under legacy rules, if tax paid documents are not available.

to take, in his ECL, the amount of CENVAT/VAT credit of eligible duties, carried forward in the return relating to the period ending (30 June 2017) with the day immediately preceding the appointed day (01 July 2017), furnished by him under the existing law within such time and in such manner as may be prescribed:-

Provided that the registered person shall not be allowed to take credit in the following circumstances, namely;

- (i) Where the said amount of credit is not admissible as ITC under this Act; or
- (ii) Where he has not furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date; or
- (iii) Where the said amount of credit relates to goods sold under such exemption notification claiming refunds as are notified by the State Government.

A taxable person who makes an undue or excess claim of ITC under Section 50 (3) of CGST Act, 2017 read with sub-section (10) of Section 42 or undue or excess reduction in output tax liability under sub-section (10) of Section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding twenty four *per cent*, as may be notified by the Government on the recommendations of the Council.

(a) Carry forward of excess Transitional Credit of non-eligible amount (where Tran-1 amount was not considered in Assessment Orders)

Scrutiny of records of the office of 27 DETCs, it was revealed that out of the total 2,997 cases, in 700 cases, the Assessing Authorities (AAs) while finalising the assessments (between November 2017 and March 2021) for the year 2017-18 (1st quarter), taxpayers carried forward excess amount of ₹ 243.38 crore of VAT credit in TRAN-1 (GST regime), in excess of his eligible credit balance. This resulted in excess carry forward of VAT credit/transitional credit of ₹ 243.38 crore in ECL. In addition, interest was also leviable as per Act.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that in nine DETCs out of 13 DETCs, an amount of ₹ 4.05 crore had been recovered in 42 cases³⁰ and in remaining cases action had been initiated to recover the balance amount.

The average excess grant of transitional credit was ₹ 35.37 lakh, however, the median value was ₹ 5.25 lakh.

³⁰ DETCs Faridabad (North) (three cases: ₹ 0.02 crore); Faridabad (South) (five cases: ₹ 1.59 crore); Faridabad (West) (seven cases: ₹ 0.13 crore), Karnal (six cases: ₹ 1.57 crore); Narnaul (six cases: ₹ 0.10 crore), Palwal (eight cases: ₹ 0.32 crore); Sirsa (five cases : ₹ 0.17 crore), Sonipat (one case: ₹ 0.10 crore), Rewari (one case: ₹ 0.05 crore).

(b) Allowance of excess transitional credit due to refund without verification

Scrutiny of records of the office of 27 DETCs, in DETC (ST) Ambala revealed that out of 140 cases, in one case transitional credit of ₹ 33.94 lakh was claimed by the dealer in December 2017. The AA while finalising the assessment in March 2020, allowed refund of ₹ 18.64 lakh from the available ECF of ₹ 33.87 lakh and refund order was issued in August 2020. After payment of this refund, the available ECF of the dealer was ₹ 15.23 lakh. However, the dealer claimed transitional credit of ₹ 33.94 lakh against available ECF of ₹ 15.23 lakh. While finalising assessment, the AA had not considered the correct amount of Transitional credit and allowed excess transitional credit of ₹ 18.71 lakh in TRAN-1. This resulted in excess carried forward of VAT/transitional credit of ₹ 18.71 lakh in ECL. In addition, interest was also leviable as per Act.

(c) Excess transitional credits through different tables of Form TRAN-1

Scrutiny of records of the office of 27 DETCs, in three DETCs (ST) Faridabad (West), Faridabad (North) and Gurugram (West), it was revealed that out of 615 cases, the taxpayers applied for transitional credits in three cases amounting to ₹ 2.44 crore in TRAN-1 which was depicted in ECL. Further, it was seen that the taxpayers claimed similar transitional credit amount through different tables of TRAN-1. In this way, the taxpayers were allowed duplicate claim of transitional credit of ₹ 2.33 crore. This resulted in excess carried forward of VAT/transitional credit of ₹ 2.33 crore in ECL. Interest was also leviable as per Act.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that an amount of ₹ 0.11 crore had been recovered in one case of Faridabad (West) and in remaining cases action had been initiated to recover the balance amount.

The average availment of duplicate transitional credit was ₹ 77.66 lakh whereas the median value was ₹ 23.76 lakh.

(d) Excess of transitional credit: System Error

Scrutiny of the records of office of 27 DETCs, in DETC (ST) Gurugram (North), it was revealed that out of 193 cases, the taxpayer claimed transitional credits in one case amounting to ₹ 1.10 crore in TRAN-1, however, in ECL a sum of ₹ 1.12 crore was found credited.

As per procedure amount mentioned in column 10 of table 5C should be credited in ECL. However, the system credited the amount mentioned in column 2 of Table 5C instead of amount mentioned in column 10 of table 5C. Further, the amount mentioned in Column 2 of Table 5C includes the ITC of turnover of pending form (C/H/F/I) at the time of claim of transitional credit. Hence, system was crediting wrong value of transitional credit in the ECL, instead of correct

value mentioned in column 10 of table 5C, after deduction of pending statutory forms liability. This resulted in excess credit of ₹ 2.17 lakh due to system error.

(e) Allowance of ITC as transitional credit where said amount of ITC is not admissible as ITC under this act (for Exempted Goods)

Scrutiny of the records of office of 27 DETCs, in eight³¹ DETCs (ST) revealed that out of 729 cases, in 73 cases, dealers were engaged in trading/manufacturing of food grains such as rice and its by-products etc. (falls in exempted category as per HGST act) on which ITC was not admissible in GST regime. These taxpayers claimed transitional credit of ₹ 71.78 crore in their TRAN-1, out of which a sum of ₹ 71.32 crore was not admissible as ITC because food grains items (rice, wheat) were tax exempted in GST regime. This resulted in excess carried forward of VAT/transitional credit of ₹ 71.32 crore in ECL. Interest was also leviable as per Act.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that an amount of ₹ 0.16 crore had been recovered in two cases of DETC Karnal out of three DETCs viz. Karnal, Kurukshetra and Sirsa and in remaining cases action had been initiated to recover the balance amount.

The average of allowance of transitional credit on exempted goods was ₹ 1.04 crore whereas the median value was ₹ 23.91 lakh.

(f) Allowance of transitional credit where taxpayers have not furnished all the returns required under the existing law

Scrutiny of the records of office of 27 DETCs, in seven³² DETCs (ST) revealed that out of 835 cases, in 18 cases taxpayers claimed transitional credits of ₹ 57.43 crore in TRAN-1. These taxpayers have availed transitional credits without furnishing all the returns required under the existing law (VAT) for the period of six months immediately preceding the appointed date. This resulted in excess carried forward of VAT/transitional credit of ₹ 57.43 crore in ECL. Interest was also leviable as per Act.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that action had been initiated to recover the amount.

The average of irregular transitional credits without filing of requisite returns was ₹ 3.19 crore whereas the median value was ₹ 18.44 lakh.

³¹ Fatehabad, Gurugram (South), Hisar, Jind, Kaithal, Karnal, Kurukshetra and Sirsa.

³² Bhiwani, Faridabad (North), Gurugram (East), Gurugram (North), Gurugram (South), Kaithal and Rohtak.

2.11.8.3.2 Carry forward of transitional credit of VAT in respect of inputs received on or after the appointed day

As per provision of Section 140 (5) of HGST Act 2017, a registered person shall be entitled to take, in his Electronic Credit Ledger, credit of value added tax, if any, in respect of inputs received on or after the appointed day but the tax in respect of which has been paid by the supplier under the existing law, subject to the condition that the invoice or any other tax paying document of the same was recorded in the books of account of such person within a period of thirty days from the appointed day:

Provided that the period of thirty days may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding thirty days:

Provided further that the said registered person shall furnish a statement, in such manner, as may be prescribed, in respect of credit that has been taken under this sub-section.

A taxable person who makes an undue or excess claim of input tax credit under Section 50 (3) of HGST Act read with sub-section (10) of Section 42 or undue or excess reduction in output tax liability under sub-section (10) of Section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be at such rate not exceeding twenty four *per cent*, as may be notified by the Government on the recommendations of the Council.

(a) Carry forward of transitional credit of VAT: Accountal of goods after prescribed period

Scrutiny of records of the office of 27 DETCs, in DETC (ST) Rohtak revealed that out of 58 cases, the taxpayer procured steel tubes in one case amounting to ₹ 1.68 lakh before appointed day, however, material was taken in the books of account of firm on 10 August 2017. The taxpayer claimed transitional credit of ₹ 0.08 lakh as SGST for which the taxpayers was not eligible for transitional credit as the items was taken in the books of account after prescribed 30 days from appointed day. This resulted in excess carried forward of VAT credit/transitional credit of ₹ 0.08 lakh in ECL. Interest was also leviable as per the Act.

(b) Excess transitional credit: Duplicate claim of Transitional credit

Scrutiny of the records of office of 27 DETCs, in DETC (ST) Jind revealed that out of 44 cases, in one case the dealer had claimed transitional credit of ₹ 1.10 crore in CGST and ₹ 1.10 crore in SGST for similar items in Table 7B of Tran-1 and the same was credited in ECL. Hence, the dealer made a duplicate claim of transitional credit of ₹ 1.10 crore in Tran-1. This resulted in excess carried forward of VAT/transitional credit of ₹ 1.10 crore in ECL. Interest was also leviable as per Act.

2.11.8.3.3 Transitional Credit by the taxpayers under composition scheme

As per provision of section 140 (6) of HGST Act 2017, a registered person, who was either paying tax at a fixed rate or paying a fixed amount in lieu of the tax payable under the existing law shall be entitled to take, in his Electronic Credit Ledger, credit of value added tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day subject to the following conditions, namely:

- (i) Such inputs or goods are used or intended to be used for making taxable supplies under this Act;
- (ii) The said registered person is not paying tax under section 10;
- (iii) The said registered person is eligible for input tax credit on such inputs under this Act;
- (iv) The said registered person is in possession of invoice or other prescribed documents evidencing payment of tax under the existing law in respect of inputs; and
- (v) Such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

A taxable person who makes an undue or excess claim of input tax credit under 50 (3) of CGST Act 2017 read with sub-section (10) of section 42 or undue or excess reduction in output tax liability under sub-section (10) of Section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be at such rate not exceeding twenty four *per cent*, as may be notified by the Government on the recommendations of the Council.

Scrutiny of the records of office of 27 DETCs, in three³³ DETCs (ST) revealed that out of 483 cases, in six cases taxpayers who opted for composition scheme in pre-GST regime, claimed ITC of ₹ 2.06 crore in TRAN-1. Such dealers were not entitled for input tax credit under pre-GST regime, hence, were not entitled to claim transitional credits of ₹ 2.06 crore under Table 5C of TRAN-1 proforma in GST regime. These dealers were only entitled to carry forward their balance stock under Table 7C of Tran-1 proforma as per conditions prescribed in the act. This resulted in excess carried forward of VAT /transitional credit of ₹ 2.06 crore in ECL. Interest was also leviable as per Act.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that notice had been issued to the dealer in one case of Faridabad (North) and in remaining cases efforts would be made to recover the outstanding amount.

³³ Gurugram (East), Gurugram (West) and Faridabad (North).

The average of ineligible transitional credit by the taxpayers was ₹ 34.41 lakh whereas the median value was ₹ 28.77 lakh.

2.11.8.3.4 Allowance of excess transitional credit: Non adjustment of pending/awaited statutory forms

Under the Central Sales Tax Act, 1956 (CST Act) and the rules framed thereunder, the dealers are eligible for certain exemptions/concessions of tax on inter-State sale/transaction to the registered dealers, transfer of goods to branches/agents and on export/import of goods out of/into the territory of India on the strength of prescribed declaration in forms C³⁴, F³⁵ and H³⁶ along-with supporting certificates and documents as provided under Sections 5 (3), 6 (2), 6 (4), 6 A, 8 (3) and 8 (8) of CST Act.

As per provisions of TRAN-1 return if the taxpayers have any pending statutory forms (C/F/H/I), then, they were required to pay the differential tax and were not eligible for concessional rate of tax. Such differential tax payable was to be deducted from the input tax credit balance available in the last return filed by them and the remaining credit will be carried forward under GST Regime. Section 140 (1) of HGST Act, also provides that so much of the credit as is attributable to any claim related to section 3, sub-section (3) of section 5, section 6, section 6A or sub-section (8) of section 8 of the Central Sales Tax Act, 1956 which is not substantiated in the manner, shall not be eligible to be credited to the electronic credit ledger.

A taxable person who makes an undue or excess claim of ITC under 50(3) of HGST Act, 2017 read with sub-section (10) of Section 42 or undue or excess reduction in output tax liability under sub-section (10) of Section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be at such rate not exceeding 24 *per cent* p.a., as may be notified by the Government on the recommendations of the Council.

Scrutiny of records of the office of 27 DETCs, in six³⁷ DETCs (ST) revealed that out of 750 cases, taxpayers neither submitted statutory forms for concessional rate nor shown pending forms in 21 cases in Col 5 (b) and (c) of TRAN-1 return. As such, ITC forwarded through TRAN-1 for awaited/ pending forms resulted in excess carry forward of ITC in ₹ 4.96 crore in TRAN-1. This resulted in excess carried forward of VAT credit/transitional credit of ₹ 4.96 crore in ECL. Interest was also leviable as per Act.

³⁴ Form C for making inter-State purchases/sales at concessional rate of tax.

³⁵ Form F for making transfer of goods (without payment of tax) to branches/agents in other States.

³⁶ Form H for making purchases (without payment of tax) to comply with an order of export of goods outside the territory of India.

³⁷ Ambala, Faridabad (E), Panchkula, Sonipat, Rewari and Yamunanagar.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that an amount of ₹ 14,983 had been recovered in one case of DETC Panchkula and in remaining cases action had been initiated to recover the outstanding amount.

The average allowance of transitional credit without supporting statutory forms was ₹ 23.64 lakh whereas the median value was ₹ 1.25 lakh.

2.11.8.3.5 Adjustment of transitional credits: ITC set off

As per provision of Section 49 of HGST Act 2017 (5) (c) the amount of ITC available in the ECL of the registered person on account of the State tax shall first be utilised towards payment of State Tax and the amount remaining, if any, may be utilised towards payment of Integrated Tax.

Scrutiny of the records of office of 27 DETCs, in DETC (ST) Kaithal revealed that out of 75 cases, the taxpayers claimed ₹ 16.35 lakh as transitional credits, in one case and credited in ECL on 22 December 2017 under SGST head. At later stage it was revealed that the said transitional credit was not eligible as ITC, the firm deposited said amount through Form DRC-03 on 01 July 2020 and ₹ 14.68 lakh was adjusted against IGST first and remaining amount of ₹ 1.67 lakh was adjusted against SGST later in contravention of Section 49. Thus, ITC of ₹ 14.68 lakh was wrongly set off against IGST instead of SGST.

The above points were referred to the Department in October 2021; its reply was awaited (December 2021).

2.11.9 Non production of records

Three cases (two cases from DETC Faridabad (West) and one case from DETC Gurugram (N)), out of total 2,997 selected cases were not produced to audit, for scrutiny.

However, during exit conference in March 2022, the Department admitted the audit observations.

2.11.10 Conclusion

Irregularities pointed out by Audit, indicate deficient internal control of the Department due to which there have been deviations and non compliance to provisions of the GST Acts/Rules. The department had not established robust mechanism to verify genuineness of the transitional credits resulting in ₹ 382.94 crore of ineligible credits being allowed. Hence, the need for strict compliance of the provisions of relevant Acts and Rules and more effective monitoring was required.

2.11.11 Recommendations

The Government may consider effecting the recoveries pointed out in the Report, including levy and recovery of interest, as applicable, on priority.

CHAPTER-III
STATE EXCISE

CHAPTER III: STATE EXCISE

3.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is the head of the Department. The ETC is assisted by the Collector (Excise) at headquarters and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

Excise revenue is mainly derived from fee for grant of licenses of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

The allotment of zone of vends is made by inviting e-tenders through a Departmental portal. The detailed procedure for e-tendering is finalised by the ETC and uploaded on the website of the Department.

3.2 Results of audit

Test check of the records of 29 out of 106 units of the State Excise Department during 2020-21 highlighted non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 189.85 crore (3.00 per cent of receipt of ₹ 6,322.70 crore for 2019-20) in 208 cases which fall under the categories depicted in Table 3.1.

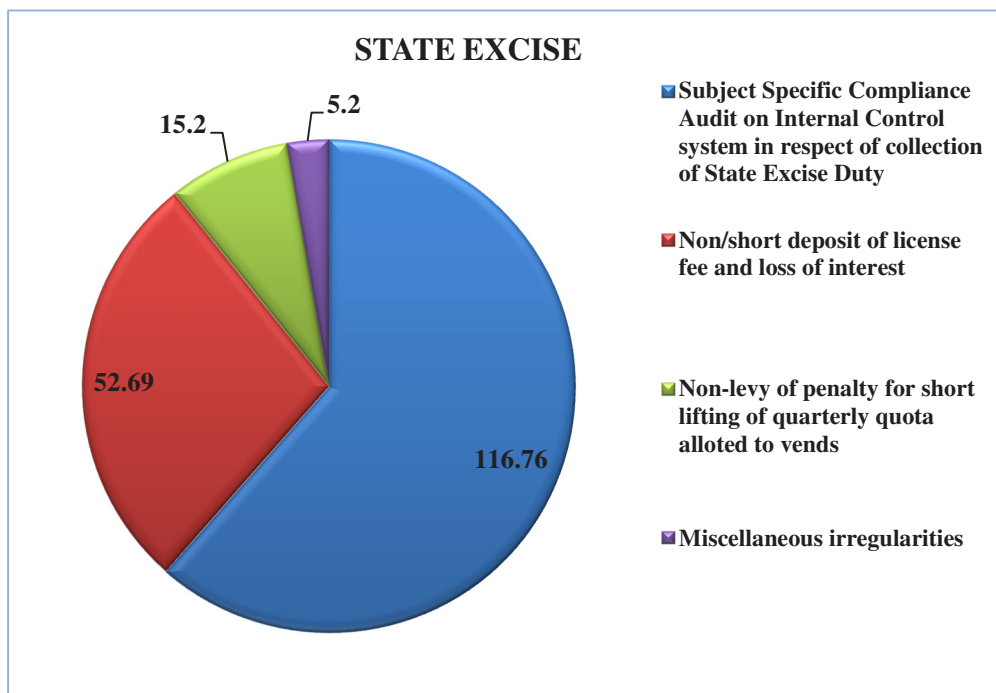
Table 3.1 – Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Subject Specific Compliance Audit on Internal Control system in respect of collection of State Excise Duty	1	116.76
2.	Non/short deposit of license fee and loss of interest	114	52.69
3.	Non-levy of penalty for short lifting of quarterly quota allotted to vends	64	15.20
4.	Miscellaneous irregularities	29	5.20
	Total	208	189.85

Source: Data compiled by office

Chart 3.1
Results of audit

(₹ in crore)



Source: Data compiled by office

The Department accepted under-assessment and other deficiencies amounting to ₹ 72.61 crore involved in 203 cases pointed out during the year. The Department recovered ₹ 2.22 crore involved in 16 cases out of which ₹ 1.65 crore recovered in six cases pertained to the year and rest to earlier years.

Significant cases involving ₹ 123.32 crore are discussed in the following paragraphs.

3.3 Non/short recovery of license fee and interest

Deputy Excise and Taxation Commissioners (Excise), neither initiated any action to seal the vends for non-deposit of monthly instalment of license fee in time, nor levied interest, resulting in short levy of license fee and interest for delayed payment of license fee of ₹ 6.56 crore.

Para 6.4 of the State Excise Policy for the years 2018-19 and 2019-20 stipulated that every licensee holding a license for retail outlets of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL), had to make payment of monthly instalment of license fee by 20th of each month. Failure to do so rendered the licensee liable to pay interest at the rate of 18 *per cent per annum* for the period from the first of the month in which the license fee was due, to the date of payment of the instalment. Further, as per Para 6.5 of the State Excise policy, if the licensee failed to deposit the monthly instalment in full along with interest by the end of the month, the zone of the vends were to be sealed on the first day

of the following month by DETC (Excise) of the respective district and his license would be cancelled.

A. Scrutiny of the records (November 2019) of DETC (Excise) Karnal for the year 2018-19 revealed that one vend out of 22 vends for sale of IMFL and CL were allotted to licensees for ₹ 4.76 crore. The licensee had paid license fee of only ₹ 4.09 crore and the balance license fee of ₹ 0.67 crore was yet to be deposited by the licensees. This resulted in short recovery of license fee of ₹ 0.67 crore. In addition, interest of ₹ 0.28 crore was also leviable. The DETC (Excise) did not initiate any action to seal the zone of vends who failed to pay the license fee.

On this being pointed out, DETC (Excise) Karnal intimated (February 2022) that an amount of ₹ 0.14 crore had been recovered/adjusted from the security and recovery proceeding/notice had been initiated to recover the balance amount against the defaulter.

B. Scrutiny of the records (between November 2019 and August 2020) of M-2¹ register, prescribed for watching of payment of license fee of DETCs (Excise) Karnal, Kaithal and Panipat for the years 2018-19 and 2019-20 revealed that 30 out of 62 zones had paid the monthly instalments of license fee amounting to ₹ 164.86 crore after the prescribed due date with delays ranging between 21 to 180 days. The DETCs (Excise) did not initiate any action to seal the zone of vends and to levy interest for delayed payment of the license fee. This resulted in non-levy of interest of ₹ 5.61 crore.

On this being pointed out, DETC Panipat intimated (February 2022) that an amount of ₹ 7.13 lakh had been adjusted from refundable additional security. DETC Karnal and Kaithal stated (February 2022) that recovery proceedings had been initiated against the defaulters and arrears had been declared as arrears of land revenue in 21 cases of Karnal and all cases of Kaithal.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may consider developing and implementing an IT application with features of calculation of interest in late payment cases as well as monitoring provisions against business rules to enable recovery and monitoring.

¹ Register of licenses granted on fee determined by auction. This includes name of licensee, license number and details of payment.

3.4 Subject Specific Compliance Audit on Internal Control system in respect of collection of State Excise Duty

3.4.1 Introduction

Internal controls are rules, protocols, procedures and activities that provide reasonable assurances about the achievement of an organisation's objectives concerning the reliability of financial reporting, effectiveness, and efficiency of operations and compliance with applicable laws and regulations. The processes of Internal Controls protect the Government Departments from fraud, corruption, waste and abuse. In order to assess compliance of applicable laws by the Excise and Taxation Department, a Subject Specific Compliance Audit (SSCA) on "Internal Control system in respect of collection of State Excise Duty" was conducted for the period 1 April 2019 to 31 March 2021.

3.4.2 Audit Scope, Sampling and Methodology

SSCA covering the period 2019-20 and 2020-21 was conducted between June and December 2021 through test check of records of the offices of Additional Chief Secretary (ACS), Excise and Taxation Department, Excise and Taxation Commissioner, 11 Deputy Excise and Taxation Commissioners² (DETCs) Excise, five³ distilleries and two offices of Superintendent of Police Sonipat and Panipat. Out of 22 districts in the State, 11 districts were selected by random sampling through Interactive Data Extraction Analysis (IDEA). An entry meeting with Additional Chief Secretary (ACS) Excise and Taxation Department, Excise and Taxation Commissioner (ETC) Haryana and other officers of the department was held on 21 May 2021 wherein audit objectives, audit methodology, criteria, etc. were discussed and inputs from the Department were taken for factoring in their areas of concern in audit. SSCA was conducted to see whether applicable laws and regulations were complied with; Operational controls were adhered to by the department; and Internal Audit Wing of the department was efficient.

Audit findings

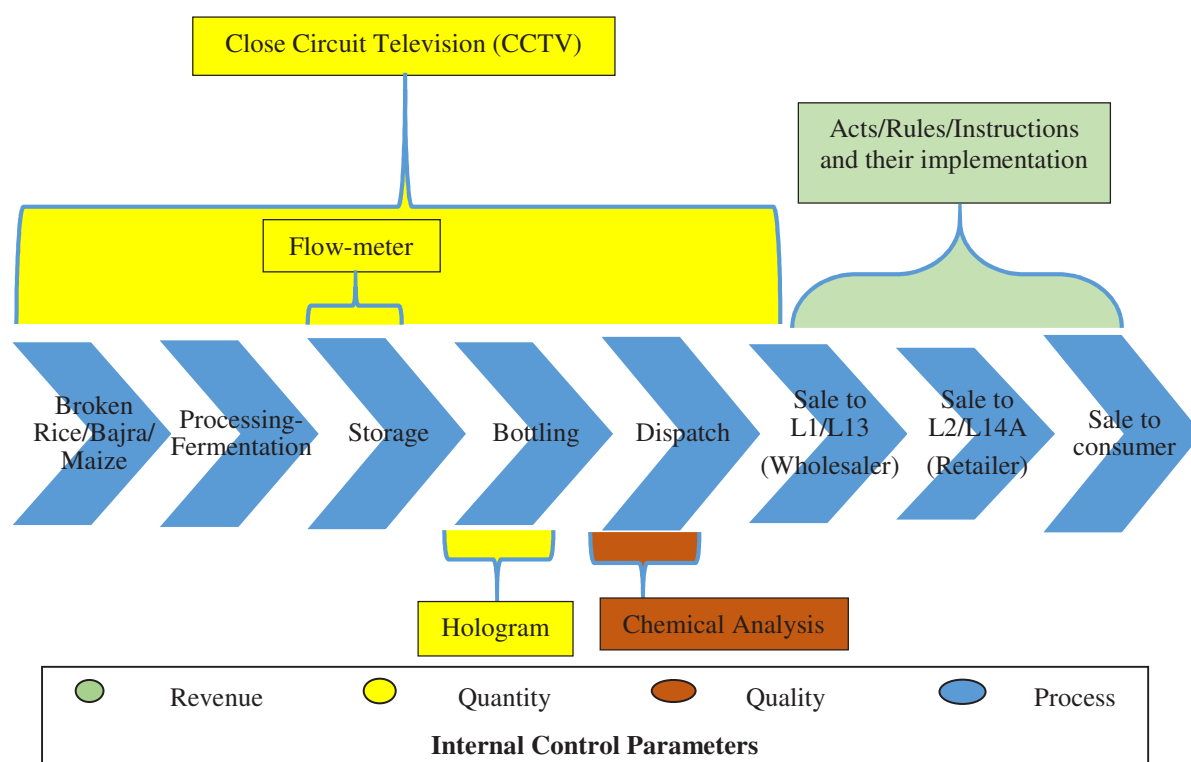
The primary objective of Excise and Taxation Department is to generate and secure revenue resources that can be utilised to finance developmental projects for the Government and also, to address the concerns of four key stakeholders *i.e.* the Government, the manufacturers, the licensees and the consumers. Establishing a robust system of internal controls works towards preventing errors and irregularities, establishing and strengthening reliability and integrity

² (i) Faridabad (ii) Gurugram (East) (iii) Gurugram (West) (iv) Hisar (v) Jagadhri (vi) Karnal (vii) Kurukshetra (viii) Panchkula (ix) Panipat (x) Rewari and (xi) Sonipat.

³ (i) M/s Ashoka Distillery and Chemical Private Limited, Hathin Palwal (ii) ADS Spirits Limited, Village Bhutiyan Jhajjar (iii) M/s Haryana Liquor Private Limited, Jundla, Karnal (iv) M/s NV Distillery, Village Bhadoli, Ambala and (v) M/s Piccadily Agro Industries Limited, Village Bhadson, Karnal.

of institutions; ensuring economical and efficient use of resources ultimately resulting in accomplishing established objectives and goals of the Department. Audit observed that the Excise Policies and working of the Excise Department (State Excise) were primarily based on four core areas *i.e.* Regulations on Quantity, Regulations on Quality, Regulations on revenue realisations from sale of liquor, and Regulations of enforcement measures to ensure achievement of policy objectives. The achievement of the objectives of the Department was ensured through internal controls in the form of instructions and Internal Audit. Besides, enforcement mechanism through the Department, Police formations also supplemented the other enforcement controls in achievement of the objectives of the Department. The graphical representation of movement of liquor from manufacturer to a consumer, along with internal control parameters is shown in the **Diagram 1** below:

Diagram 1: Movement of liquor from manufacturer to a consumer along with internal control parameters



Audit noticed that the internal control mechanism in the Department had multiple gaps. Major deficiencies on account of weak or non-existent internal controls have been discussed in succeeding paragraphs, categorised under the headings Quantity, Quality, Revenue and Enforcement:

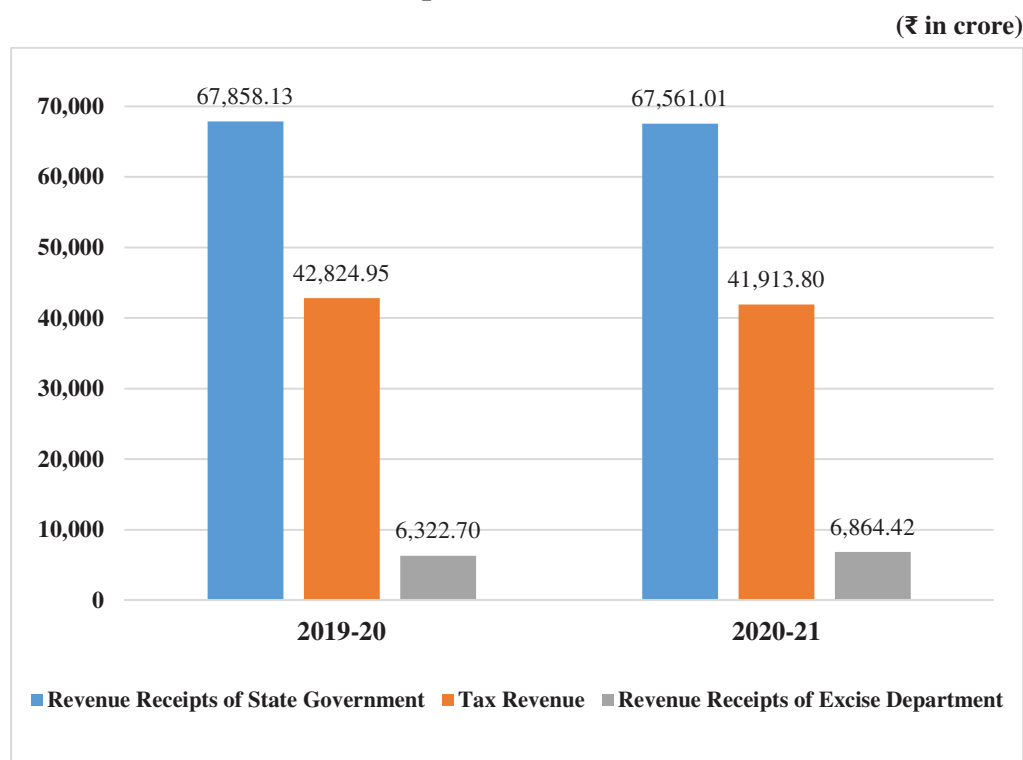
3.4.3 Budget estimates vis-à-vis actual

Important components of Excise revenue are levy of license fee for grant of licensees of various vends⁴ and Excise duty levied on spirit/beer removed from

⁴ A shop that sells mainly alcoholic drinks to be taken away and drunk at home.

distilleries and on their import/export to and from any other State. Total receipt of State in comparison to tax revenue receipts of the State and receipts of Excise Department (State Excise) for the years 2019-20 and 2020-21 are depicted in **Chart 3.2** below:

Chart 3.2: Total State receipts, Receipts from tax revenue and receipts of Excise Department (State Excise)



While there was minor decline of 0.44 *per cent* in State Revenue receipt, receipts of Excise and Taxation Department registered an increase of 8.57 *per cent* during audit period on account of higher receipt on sale of Foreign Liquor.

The revenue target fixed by the Department and the revenue actually collected during the years 2019-20 and 2020-21 are shown in Table 1:

Table 1: Revenue target *vis-à-vis* actual realisation

Year	Revenue target (₹ in crore)	Actual realisation	Achievement Increase (+), Decrease (-)	Percentage of variation
2019-20	6,700	6,322.70	(-) 377.3	5.63
2020-21	7,500	6,864.42	(-) 635.58	8.47

(Source: Finance Accounts and departmental data)

It was seen that the revenue realisation was 5.63 and 8.47 *per cent* below the revenue targets fixed for 2019-20 and 2020-21 respectively. Audit did not come across any defined/scientific method for arriving at the estimates for revenue targets by the Department.

Quantity**3.4.4 Quantitative issues pertaining to liquor****3.4.4.1 Non-adherence of provisions of Excise policy**

Various preventive measures such as Quick response, Code based track and trace system of Hologram, CCTV Cameras, transit slips, Flow meters etc. were prescribed in the Excise policy for safeguarding against spurious and adulterated liquor, effective assessment and monitoring the quantity of Extra Neutral Alcohol (ENA) produced. Audit noticed gaps in implementation of these measures as detailed below:

(i) Non-operational Quick Response (QR) Code based 'track & trace' system

In order to safeguard against spurious and adulterated liquor, hologram or Quick Response (QR) Code based 'track & trace' system, as approved by the Department in the manner prescribed was required to be adopted by the manufacturers of Country Liquor (CL) and Indian Made Foreign Liquor (IMFL).

Audit observed that despite the presence of enabling provision in the Excise policies of State of Haryana for the years 2019-20 and 2020-21, only pre-printed paper holograms were adopted, without any QR Code based 'track & trace' system. Audit had sought details regarding the process of tendering and procurement by the Department for implementation of Hologram or QR Code based 'track & trace' system. However, these records were not made available to audit.

The Department stated (July 2021) that the tenders for QR based hologram was in advance stage. The reply is not acceptable as these requirements for QR based hologram and installation of CCTV were a part of Excise Policy of 2019-2021 and were required to be implemented preferably in 2019 and not to remain a work in progress in 2021-22. It was also seen that a tender for QR based hologram was cancelled on 7 May 2020 and records/ information in respect of subsequent procurement processes and efforts made, if any, have not been made available to audit.

(ii) Non-reconciliation of Paper Holograms

After printing of paper holograms in the Security Printing and Minting Corporation of India Limited (SPMCIL), Hyderabad, the holograms are issued to the various DETCs to be used at the distilleries under their jurisdiction. As per agreement for printing of holograms, it was noticed that 10-digit numbers are being generated through electronic mode by the agency i.e. the Security Printing and Minting Corporation of India Limited (SPMCIL), Hyderabad which are then printed on the Hologram. This 10-digit number forms the basis

for recognizing the liquor in the supply chain. However, this system lacks tracking ability. The DETCs issue these holograms to the distilleries through the staff of the Department, posted at the distilleries. The distillery affixes these holograms on the bottles of CL and IMFL manufactured by the distillery. The record of the holograms issued is maintained at different levels by various authorities including the Assistant Excise and Taxation Officer (AETO)/Excise Inspector (EI) at the distillery, DETC at district level and ETC at State level.

Audit noticed (September 2021) that no mechanism was devised to periodically reconcile the records relating to issue of holograms to various distilleries. In M/s Piccadily Agro Industries Ltd, Karnal it was noticed that there existed a significant difference in the quantity of holograms issued to the distillery and stock of holograms taken in hologram register by the distillery for the period 2019-21 as detailed in the Table 2 below:

Table 2: Difference in quantity of holograms issued and stock of holograms

Year	Hologram issued by ETC/DETC Karnal	Holograms as per stock register of Distillery	Difference
2019-20	6,41,25,000	6,26,05,000	15,20,000
2020-21	9,81,56,494	9,42,06,494	39,50,000
Total	16,22,81,494	15,68,11,494	54,70,000

Source: Compiled from Departmental records

Absence of any reconciliation mechanism was responsible for such a situation and the possibility of misutilisation of these 54,70,000 holograms could not be ruled out.

The officer-in-charge of M/s Piccadily Ltd. stated (12 March 2022) that the reconciliation of hologram was being done and final outcome would be intimated to audit in due course.

(iii) Non-installation of CCTV Cameras

In order to monitor the manufacturing and bottling operations and dispatches of liquor, Excise Policy of 2019-20 mandated installation of integrated Closed Circuit Television (CCTV) mechanism, to be installed in the Distilleries, Breweries and Bottling Plants in the State. A control room was to be set up at the office of the ETC for receiving live feed from the Distilleries so as to facilitate prompt and efficient decision making by generating online Management Information System (MIS). The distillery/ brewery/bottling plant were required to make available, the CCTV footage, in an electronic format every month, to the office of the Collector. Further, Excise Policy for the year 2020-21 provided that CCTV cameras were also to be installed at all wholesale licensee premises (L-1/L-13), with live feed to DETCs by such licensee at their own cost. The live feed from such CCTV Camera was to be made available to the DETC (Excise), who was to review the live feed periodically and recommend the penal proceedings, in case any violation was found.

Audit observed that prior to June 2021 CCTV cameras were installed only at the distillery and were owned by distilleries themselves. However, norms had not been fixed on the number of CCTVs, their positioning, monitoring of their live feed, storage of the footage and generation of MIS. In absence of these norms, no assurance could be derived regarding monitoring of the distilleries carried out at the levels of EI, DETC or ETC.

Other establishments did not have CCTV set-up. It was noticed that even though, the policy was brought in 2019-20 and 2020-21, the same remained work in progress at the time of audit. The Department accepted the audit observation and stated that the work of CCTV camera was in progress.

(iv) Absence of Flow Meters in the distilleries

The Excise Policy of 2020-21 mandated that in order to effectively assess and monitor the quantity of ENA produced and utilised by the distilleries, flow meters⁵ were to be installed in all the distilleries in the State by the Department, in the manner prescribed. Audit observed that despite there being policy decision to install flow meters, the same was not implemented as on date of audit. Instead, quantity of ENA produced and utilised by the distilleries was monitored manually. Thus, the objective of introduction of flow meters in the policies could not be achieved.

On being pointed out, the Department stated that the tender of installations of flow meters in the distilleries is in process and modalities were being finalised (July 2021).

(v) Non-issuance of transit slips

As per the Excise policies of 2019-20 and 2020-21, transit slips were required to be issued in order to keep control over the vehicles carrying liquor for other States / Union Territory through the State of Haryana. Further, transit slips were to be carried in such cases so that liquor meant for other States is not unloaded in the State of Haryana.

Audit observed that the Department had not taken any steps to implement this provision of transit slips, which is a mandatory requirement to exercise/check over the vehicles carrying liquor for other States through the State of Haryana. The department was unaware about the vehicles carrying liquor for other States/UTs and passing through the State of Haryana.

Thus, non-adherence of prescribed preventive measures of safeguard against spurious and adulterated liquor defeated the purpose of provisions of Policy.

⁵ It is an instrument used to measure linear, non-linear, mass or volumetric flow rate of a liquid or a gas.

3.4.4.2 Non-fixing of norms for yield of alcohol from grains

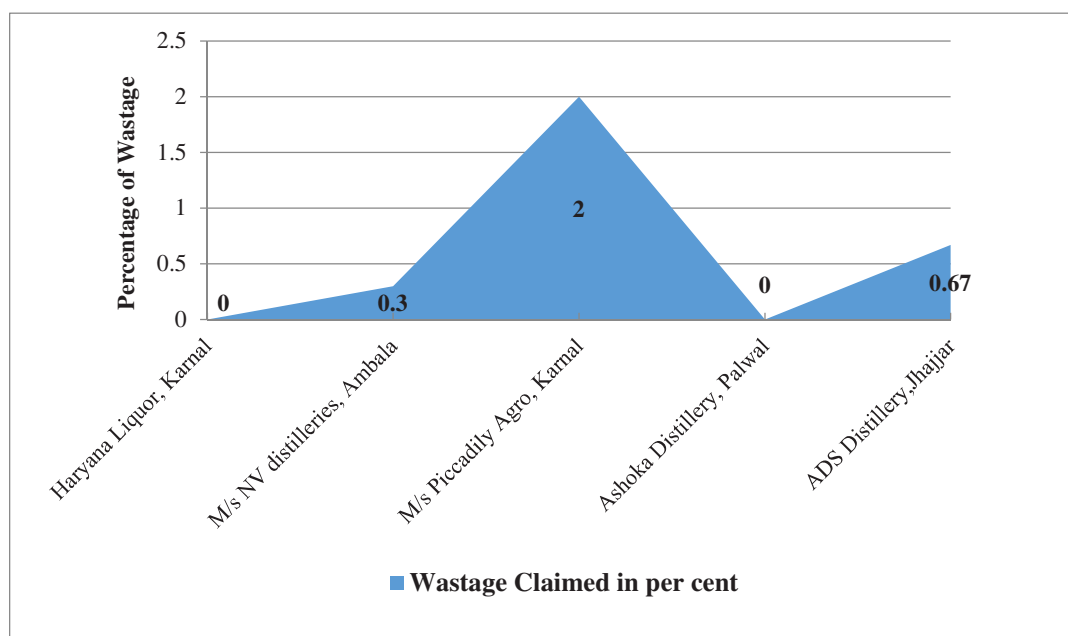
Sources for production of alcohol includes grains and fruits. States like Rajasthan and Andhra Pradesh had prescribed norms for preparation of alcohol from grains.

It was seen that the Punjab Distillery Rules, 1932 as applicable to the State of Haryana, provide for a minimum yield of 52.5 litre of alcohol per quintal of fermentable sugar present in the molasses but the State did not prescribe norms for preparation of alcohol from grains.

During scrutiny of records of ETC Panchkula for the period 2020-21, it was noticed that in the absence of any norms of production of alcohol from grain, minimum yield figures would vary across the distilleries. The distilleries claim a component of ‘wastage’ during the process of production of alcohol on the grounds of impurities/waste material in the raw inputs for alcohol *i.e.* the grains. This wastage is then subtracted from the total quantity of grains to arrive at the yield figures. Absence of any norms/SOP on the wastage component or grain yield leads to arbitrary claims on account of wastage, which also impacts the revenue as the same is dependent on quantity of alcohol produced.

The Comparison of wastage claimed and alcohol yield against the same in five test-checked distilleries for the years 2019-20 and 2020-21 are depicted in **Chart 1** as under:

Chart 1: Wastage of grain claimed by test checked distilleries



As can be seen from the chart, the wastage claimed by various distilleries ranged from zero to two *per cent*. In the absence of norms, the distilleries were claiming arbitrary wastage. It had financial implications for the state in cases of distilleries claiming higher wastage. The department stated (July 2021) that matter of fixation of norms would be investigated

3.4.4.3 *Non-disposal of liquor lying unsold in distillery*

Rule 10 of the Punjab Distillery Rules, 1932 as applicable to the State of Haryana provided that if a license be revoked/cancelled, the licensee was to dispose of his stock of spirit in such a manner as the Financial Commissioner directed. Thus, on expiry of license or non-approval of license for next year, the unsold stock was required to be removed in accordance with the rules in force. Further, the department had also issued instructions (November 2019) that the liquor whose brand license had not been approved by the department during the year and as a result, the liquor had become un-saleable, the manufacturer was to be permitted to redistill the same. As the complete exercise of redistillation was dependent on the critical variable of time, effective internal control measure would require prescribing specific timelines for re-distillation of unsold stock in the Rules.

Scrutiny of records of Haryana Liquor Pvt. Limited, Jundla, Karnal and NV Distilleries Pvt. Ltd., Badholi, Ambala for the period 2019-21, revealed that the department had discontinued 17 label licenses involving 10,847 cases and 17,535 Bulk Litre (BL)⁶ of liquor between 2014-15 and 2019-20 which was lying unsold in stock. It was noticed that no action was taken by the Department for destruction or re-distillation of the stock. Further, no time limit for disposal of liquor was fixed due to which possibilities such as theft, *etc.* of such liquor cannot be ruled out.

The EI, M/s Haryana Liquor Pvt. Ltd. (September 2021) and NV Distilleries Pvt. Ltd (October 2021) intimated that the company has applied for permission of re-distillation of unsold stock. They further stated that the process of re-distillation of unsold stock would be carried out on receipt of permission.

Quality

3.4.5 *Issues related to quality of liquor*

3.4.5.1 *Non adherence to codal provisions*

(i) *Sale of liquor without chemical examination certificate*

In order to ensure that the liquor is fit for human consumption, Rule 17 of Punjab Distilleries Rules, 1932 (as applicable to State of Haryana) stipulates that the licensee shall, when required, permit samples of materials used or spirit prepared in the distillery to be taken for analysis.

Scrutiny of the records of five distilleries for the period 2019-21 revealed that 10,279 samples of CL and IMFL were sent to Chemical examiners for analysis. In respect of four distilleries for 9,194 samples, the Chemical examiners sent

⁶ 1 BL = 1 normal litre i.e. 1000 ml.

their report after 28 to 312 days of receiving the sample from Officer-in-charge of the distillery as detailed in Table 3 below:

Table 3: Samples sent for Chemical examination from five distilleries in 2019-21

Sr. No	Name of distilleries	No. of samples sent for examination	Days after which Samples were received from Examiner	Quantity of liquor (in PL)	Excise duty ⁷ (in ₹)
1	Piccadily Distillery, Bhadson (Karnal)	3,484	33 to 105	3920.00	2,35,170
2	Haryana liquor Pvt. Limited Karnal	1,463	65 to 221	2019.94	1,21,196
3	NV Distilleries, Village Badholi, Ambala	2,055	29 to 312	2368.00	1,42,080
4	ADS Spirit pvt. Limited, Jhajjar	2,192	28 to 55	-	-
5	Ashoka Distillery and Chemical Pvt. Limited, Hathin, Palwal	1,085	-	414.38	24,863
	Total	10,279		8,722.32	5,23,309

It was further noticed that the liquor for which sample were sent for analysis were dispatched by the distilleries for sale within one to seven days of their manufacturing, before receiving any chemical examination certificate stating whether the liquor is fit for human consumption or not. In the absence of Certificate of Chemical Examiner, the quality of liquor cannot be ensured. Further, no period/time limit was prescribed in rules within which the liquor samples had to be examined and returned to distillery by Chemical Examiner. It was further noticed that even the AETOs/EIs in distillery did not raise this issue of the sale of liquor from distilleries, without the mandatory report of Examiner.

The AETO/EI of NV Distilleries and M/s Haryana liquor Pvt. Limited stated that as sale of liquor against permit received at distillery is a time-bound process, it is not feasible to hold the batches for such a long time as it would badly impact the sale of liquor. The officer-in-charge of M/s Piccadily Agro Industries stated that the matter would be examined. Similarly, officer-in-charge of M/s ADS Pvt. Limited intimated that as per availability of chemical examiner in the office and as per his guidance, collected samples were sent to him twice or thrice in a month.

As no time-limit was prescribed for completion of chemical analysis process, sales of liquor without the mandatory chemical certificate was taking place in the state.

Thus, the distilleries were sending the samples for testing under assumption of assurance that the stock would be fit for human consumption and the health-related control was put at risk.

⁷ Calculated on minimum excise duty of ₹ 60 per PL prescribed for CL.

(ii) Non-redistillation of sample sent for examination

The Excise Department of Haryana had issued instructions (November, 2019) that in cases of liquor samples collected in the distilleries in which the chemical analysis report was duly submitted, the manufacturers would be permitted to redistill the same. Thus, the samples which were sent for chemical examination were required to be taken back to distillery for re-distillation. As the exercise of re-distillation was dependent on the critical variable of time, effective internal control measure would require prescribing specific timelines for re-distillation of remaining liquor sample in the instructions.

Audit noticed that the collected samples were not returned for re-distillation, resulting in non-realisation of potential excise levy of ₹ 5.23 lakh. Audit also could not verify from the records made available whether these samples were separately preserved.

3.4.5.2 Non-drawal of sample of beer from microbrewery for analysis

Para 9.10 of Haryana Excise Policy for the year 2020-21 states that in order to promote healthy drinking habit of liquor with low alcoholic content, the DETC (Excise) was required to arrange and forward the Beer samples from microbreweries once every month to the nearest Government Excise Laboratory for analysis. The report so obtained thereon was to be displayed in the premises of Microbreweries.

During scrutiny of records of four DETC (Excise) for the year 2020-21 having 21 microbreweries⁸, it was noticed that Beer samples were not drawn/forwarded to Government Excise Laboratory for analysis. In the absence of such controls, the quantity and quality of alcoholic content in the beer served in the microbreweries could not be ascertained. Audit could not ascertain as to how the Department ensured the objective of promoting healthy drinking habit of liquor in absence of such control.

The DETCs (Excise) Gurugram (East), Gurugram (West) (November 2021) Faridabad (December 2021) and Panchkula (July 2021) stated that the point raised by the Audit would be kept in mind for future samples.

Revenue

Revenue generation forms the primary objective of the Department. While the Excise Policies lay down the roadmap for attainment of this objective, internal controls of the Department act as tools to maximise the achievement of the objective. Various categories of licenses (L-1, L-2, L-14A, L-2BF, L-52, L-4/5,

⁸ Faridabad: 2, Gurugram (East): 15, Gurugram (West): 2 and Panchkula: 2. Only 21 microbreweries were operational in test checked districts.

L-1BF)⁹ are granted by the Department against payment of fixed license fee at varying time intervals, which are covered in the Excise Policy. The two critical variables governing the provisions on license fees in the Excise Policy are quantity and time. An effective Internal Control System should include real time monitoring of these two variables with the assistance of IT tools to automate the processes and minimise deviations. Audit observed that the Department had gaps in its Internal Control Mechanism leading to absence of monitoring, non-adherence to norms of excise policy and lack of follow up.

It was observed that an amount of ₹ 47.11 crore on account of short/non recovery of monthly license fee and interest thereon and penalty of ₹ 26.97 crore against various categories of licensees were outstanding as discussed in succeeding paragraphs:

3.4.6 Deficiencies in Controls related to revenue generation

3.4.6.1 License fees

i. Non/Short recovery of monthly instalments of license fee and interest thereon

Para 6.4 of State Excise policy for the years 2019-20 and 2020-21 stipulated that every licensee holding a license for retail outlets of IMFL and CL licensees, shall make payment of monthly installment of license fee by 20th/15th of each month, respectively. Failure to do so renders the licensee liable to pay interest at the rate of 18 *per cent* per annum for the period from the first of the month in which the license fee was due to the date of payment of the instalment or any part thereof.

Scrutiny of the records of selected DETCs (Excise) revealed that in seven¹⁰ out of 11 DETCs (Excise), 67 licensees in 67 zones¹¹ out of 188 zones had paid license fee of ₹ 566.04 crore against the due license fee of ₹ 590.30 crore for 2019-20 and 2020-21. The Department had not devised any monitoring mechanism for periodical checking of outstanding license fee. DETCs did not initiate any action to recover this short payment of license fee of ₹ 24.26 crore and interest of ₹ 8.41 crore (**Appendix-XII**).

⁹ L-1: Wholesale license of Indian Made Foreign Liquor (IMFL), L-2: Retail sale of IMFL, L-14 A: Retail sale of Country Liquor (CL), L2BF-Sale of Imported Foreign Liquor (IFL) at L2/L-14 A, L-52: Anumat Kaksh, L-4/5: License of bars and L1 BF: Wholesale of IFL.

¹⁰ Faridabad, Gurugram (E), Gurugram (W), Hisar, Panipat Rewari and Sonipat. In remaining DETCs, audit did not come across such deficiencies.

¹¹ The vends in urban and rural areas, for the purpose of allotment are grouped into zones. The command area of a zone is the geographical area specified for the zone in the excise arrangement under Excise Policy, one license is granted per zone.

Further, test check of records of selected DETCs (Excise) revealed that in ten¹² out of 11 offices, 175 (*Appendix-XIII*) zones had paid monthly instalments of license fee of ₹ 473.86 crore with delay ranging between 16 to 137 days. In the absence of any defined mechanism, the DETCs (Excise) neither monitored the delay in payment of the license fee nor initiated any action to levy interest thereon. This resulted in non-levy of interest of ₹ 11.24 crore on delayed payment of license fees.

It was also noticed that *L-1 BF licenses* had deposited license fee with delays ranging from 22 to 89 days for which ₹ 1.53 crore as interest on delayed payment was leviable (*Appendix-XIV*) as per provisions of the policy. However, the DETCs had not initiated the process of recovery of interest from the licensees.

On this being pointed out, DETC (Excise) Faridabad, Sonipat Gurugram (East) and Gurugram (West) intimated that the matter is being examined and recovery on account of non/short deposit of license fee and interest thereon would be made. The DETC (Excise) Panipat stated that the recovery would be made from three *per cent* security lying with the department. However, the response was not acceptable as the amount under audit observation exceeded the three *per cent* security portion referred to in the reply and the recovery of the same shall not offset the pending amount due. The DETC (Excise) Jagadhri stated that final reply would be submitted after examining the facts. The DETC (Excise) Hisar intimated that notices are being issued to the licensees. The DETC Karnal stated that interest amounting to ₹ 23.31 lakh had been recovered/adjusted and DETC Panchkula stated that all the amount of interest except ₹ 0.52 lakh had been recovered/adjusted.

Regarding recovery of interest from L-1BF, DETCs Gurugram (East and West) stated (November 2021) that the outstanding interest would be recovered from three *per cent* security lying with the Department.

ii. Short recovery of license fee from L-2BF Licensee

Para 9.5.13 of the Haryana Excise Policy 2020-21 introduced a new license (L-2BF) for retail sale of Imported Foreign Liquor (IFL) Bottled in Origin (BIO) by the retail outlets of IMFL and Bar Licensees. The new license was to be granted at a fixed price mandatorily to certain earmarked retail outlets in accordance with the potential of the vend for sale of IFL (BIO). Against a fixed license fee of ₹ 28.60 lakh, ₹ 15.63 lakh was outstanding for six zones of the DETC Sonipat for the year 2020-21 as detailed in Table 4 below:

¹² Faridabad, Gurugram (E), Gurugram (W), Hisar, Jagadhri, Karnal, Panchkula, Panipat, Rewari and Sonipat.

Table 4: Outstanding license fee of L2BF license

(Amount in ₹)

Zone No.	Fixed License fee for L-2BF license	Amount Recovered	Balance due
ZSNP03	2,60,000	95,000	1,65,000
ZSNP04	7,80,000	2,35,000	5,45,000
ZSNP07	5,20,000	2,00,000	3,20,000
ZSNP11	5,20,000	4,31,600	88,400
ZSNP24	5,20,000	2,55,000	2,65,000
ZSNP30	2,60,000	80,000	1,80,000
Total	28,60,000	12,96,600	15,63,400

Source: Compiled from Departmental records

The DETC Sonipat intimated (October 2021) that the matter would be examined and recovery on account of license fee of ₹ 15.63 lakh would be made from the licensees.

iii. Short levy and non-recovery of license fee from L-52 (Anumat Kaksh) licensees

Para 1.4.1 of State Excise policy for the year 2019-20 stipulated that in order to prevent rowdy and drunken behaviour in public, an authorised drinking place called “Anumat Kaksh” with each retail vend was allowed by the DETC (Excise) in urban areas and sub-urban areas falling within 5 KMs from the outer limit of respective Municipalities and borders with other States. Further, Para 1.4.3 of the policy stipulated that the fee structures for Anumat Kaksh in urban zone and sub-urban zone would be 0.8 per cent and 0.4 per cent of license fee of zones of vends respectively.

Scrutiny of records and documents of 11 selected units revealed that DETCs (Excise), Sonipat and Panipat, while granting the L-52 licenses for Anumat Kaksh in 11 urban zones, levied license fee at the rate of 0.4 per cent instead of 0.8 per cent of the zone license fee resulting in short levy of license fee to the extent of ₹ 91.04 lakh as detailed in the Table 5 below:

Table 5: Outstanding license fee for Anumat kaksh

(Amount in ₹)

Sonipat					
Sr. No.	Zone no.	Bid amount	License fee as per policy (0.8 per cent)	License fee actually levied (0.4 per cent)	License fee short levied
1	01	42,71,11,000	34,16,888	17,08,444	17,08,444
2	02	26,11,11,000	20,88,888	10,44,444	10,44,444
3	03	18,11,11,000	14,48,888	7,24,444	7,24,444
4	04	15,11,11,000	12,08,888	6,04,444	6,04,444
5	06	13,11,11,000	10,48,888	5,24,444	5,24,444
6	07	14,50,10,000	11,60,080	5,80,040	5,80,040
7	09	45,71,00,000	36,56,800	18,28,400	18,28,400
8	10	19,71,71,000	15,77,368	7,88,684	7,88,684
Sub-total		1,95,08,36,000	1,56,06,688	78,03,344	78,03,344
Panipat					
1	05	12,11,75,000	9,69,400	4,84,700	4,84,700
2	08	11,81,51,000	9,45,208	4,72,604	4,72,604
3	13	8,60,00,000	6,88,000	3,44,000	3,44,000
Sub-total		32,53,26,000	26,02,600	201,315	201,315
Total		2,27,61,62,000	1,82,09,288	91,04,648	91,04,648

Source: Compiled from Departmental records

The DETC (Excise) Sonipat stated (October 2021) that these eight zones of vends were specified as Urban + Rural zones as per Excise Arrangement¹³ 2019-20 and accordingly they fell under sub-urban zones, attracting 0.4 *per cent* levy. The reply is not tenable as the Anumat Kaksh were permitted and covered only in urban and sub-urban areas under the Excise Policy 2019-20 and there was no provision for Urban + Rural areas in the policy. Since these eight zones of vends were covered under urban areas as per the licenses granted to the vends, the applicable license fee was at the rate of 0.8 *per cent* of license fee of the zone.

The DETC (Excise) Panipat stated (October 2021) that short recovery of license fee from L-52 licensees would be made from the licensee from three *per cent* refundable security lying with the department.

iv Non recovery of license fee of L- 4/5 licenses (Bars)

Para 9.8.3 (d) of the State Excise Policy for the year 2020-21 provides that the annual license fee for grant or renewal of bar licenses was ₹ 18 lakh, ₹ 15 lakh and ₹ 10 lakh for Gurugram, Faridabad and remaining districts respectively. Further, Para 9.8.3 (e) of State Excise Policy for the year 2020-21 stipulates that a composite fee of ₹ 1.50 crore was to be charged for grant or renewal of licenses for bar operated by Haryana Tourism Corporation (HTC). The annual license fee for a bar (L-4/L-5/ L-12C/L-12G) license was to be paid in four equal quarterly instalments, payable in the first week of each quarter, failing which the license was liable to be cancelled and corresponding security forfeited. In the wake of Covid pandemic, the ETC decided (September 2020) to renew the bar licenses (L-4/L-5/ L-12C/L-12G) with effect from 1st September 2020 and for the purpose of calculating 1st and 2nd quarter license fee, proportionate calculation on per day basis, reckoned from the day of opening of bars was decided. The policy for the year 2020-21 was in force till 31 March 2021. However, owing to impact of restrictions during Covid, the Excise Policy for 2020-21 was extended up to 19 May 2021.

Scrutiny of records of selected 11 units revealed that in the offices of ETC, DETC (Excise) Sonipat, Gurugram (East), Gurugram (West), for the year 2020-21, six bar licensees out of 506 licensees had paid license fee of ₹ 42.25 lakh against the due license fee of ₹ 1.02 crore as detailed in the Table 6 below:

¹³ A document issued by Excise Department showing the classification of various zones at the time of auction of liquor vends for a year.

Table 6: Outstanding license fee of bars

(Amount in ₹)

Sr. No.	ETC/ DETCs (Excise)	Bar Licensee	License Fee leviable	License fee levied	Outstanding License fee
1	ETC	Haryana Tourism Corporation	75,00,000 [#]	37,50,000	37,50,000
2	Sonipat	M/s Fissle Beer Island Bar and Café Pvt Ltd	6,36,111	3,75,000	2,61,111
3	Gurugram (East)	The Ark	6,95,000	0	6,95,000
4	Gurugram (West)	A.V. Bristo Pvt. Ltd.	4,50,000	0	4,50,000
5	Gurugram (West)	Smassh Entertainment	4,50,000	0	4,50,000
6	Gurugram (West)	Black Bucks American diner	4,50,000	1,00,000	3,50,000
		Total	1,01,81,111	42,25,000	59,56,111

Source: Compiled from Departmental records

All the licensees except HTC have not been renewed for next year. The Department did not initiate any action to cancel the licenses, forfeit the security of these bars or recover the outstanding license fee of ₹ 59.56 lakh resulting into revenue loss of to the same extent.

The Collector (Excise)-cum Joint ETC Haryana stated (July 2021) that a letter had been written to Managing Director, HTC to deposit the balance amount of one quarter. The DETC (Excise) Sonipat, Gurugram (East) and Gurugram (West) intimated (November 2021) that efforts would be made to recover the outstanding amount.

v ***Non levy and recovery of penalty for short lifting of quarterly basic quota of liquor***

As per Para 3.3.1 and 3.3.2 of State Excise Policy for the year 2019-20 and 2020-21, a licensee was required to lift the basic quota of IMFL and CL allotted to zones, as per the prescribed quarterly schedule. Non- lifting of quarterly quota attracted penalty at the rate of ₹ 55 and ₹ 100 for the year 2019-20 and ₹ 70 and ₹ 125 for the year 2020-21 per Proof Litre (PL)¹⁴ for CL and IMFL respectively on a quarterly basis, for the short-lifted quota. The provisions of lifting of quota and penalty for non-lifting of quota in case of retail outlets of IMFL and CL were to apply *mutatis mutandis* to L-2BF licensees. However, the penalty for short-lifting of IFL was ₹ 5,000 per case for whisky & wine and ₹ 2,000 per case for Beer for 2020-21.

[#] The annual fee for Haryana Tourism was ₹ 1.50 crore. However, due to covid restrictions, the fee due for first two quarters had been relaxed by the department. Hence, Total fee recoverable was ₹ 75 lakh.

¹⁴ Strength of alcohol is measured in terms of 'Degree Proof'. Strength of such alcohol 13 parts of which weigh exactly equal to 12 parts of water at 51 Degree Fahrenheit is assigned 100 Degree proof. Apparent volume of a given sample of alcohol when converted into volume of alcohol having strength 100 Degree is called PL.

Scrutiny of the records of 11 DETCs (Excise) revealed that in nine¹⁵ DETCs, 202 zones allotted to IMFL and CL and six zones allotted to L2-BF licensees of IFL had short lifted their quota as required in the Excise policy and accordingly, attracted levy of penalty of ₹ 24.87 crore and ₹ 2.10 crore respectively (**Appendix-XV**). Audit did not come across any control mechanism for monitoring the gaps in lifting of quarterly quota. Correspondingly, the DETCs (Excise) concerned, did not monitor the quota and the licensee had not lifted their prescribed liquor quota. The DETCs (Excise) did not initiate any action to levy and recover the penalty on account of short lifting of quarterly quota, leading to non-recovery of penalty of ₹ 26.97 crore.

The DETC (Excise), Sonipat (October 2021), Faridabad, Gurugram (East) and Gurugram (West) (November 2021) intimated that the matter is being examined and recovery on account of short lifting of quota, if any would be made from the licensee. The DETC (Excise) Panipat stated (October 2021) that recovery on account of short lifting of quota would be made from three *per cent* security lying with the department. The DETC (Excise) Jagadhri and Panchkula stated that final reply would be submitted after examining the facts.

3.4.6.2 Non-recovery of Additional Excise duty as Covid cess

Para 3 of Excise Policy for the year 2020-21 stipulated that *w.e.f.* 6 May 2020 an additional excise duty in the form of Covid Cess was to be levied at different rates on sale of CL, Beer, IMFL/Wine, *etc.* Retail licensees were required to deposit the amount of Covid Cess, to be levied within one day of procurement of the stock from wholesale dealers, to the Government treasury.

Scrutiny of the records of the selected units revealed that in the office of DETC (Excise), Jagadhri for the year 2020-21, additional excise Duty in the form of Covid Cess of ₹ 1.41 crore was due from 52 retail licensees for the period May-June 2020 which was not levied and collected by the office resulting in non-recovery of ₹ 1.41 crore from the licensees. In remaining DETCs, audit did not come across such deficiency.

The DETC (Excise), Jagadhri stated (March 2022) that an amount of ₹ 1.36 crore had been recovered/ adjusted.

3.4.6.3 Non-recovery of stock transfer fee

Para 8.8 of Haryana Excise Policy for the years 2019-20 and 2020-21 stipulates that any quantity of liquor in physical possession of the outgoing licensee at the termination of the contract for the year 2019-20/2020-21 and transferred to an incoming licensee for the year 2020-21/2021-22 in accordance with the provisions of the Haryana Liquor License Rules, 1970 would not be counted

¹⁵ Faridabad, Gurugram (E), Gurugram (W), Hisar, Jagadhri, Panchkula, Panipat, Rewari and Sonipat.

towards lifting of annual quota for the year 2019-20/2020-21. A stock transfer fee was to be levied at the rate of ₹ 7 per PL for CL, ₹ 13 per PL for all brands of IMFL and ₹ 11 per BL for Beer. For IFL (BIO), the stock was to be transferred on payment of differential amount arising from increase in permit fee and levy of assessment fee. In addition, a transfer fee was also be levied at the rate of ₹ 120 per PL for Whisky, Scotch, Rum, Vodka, Gin and Brandy *etc.*, ₹ 120 per BL for wine and ₹ 50 per BL for Beer.

Scrutiny of records of selected units revealed that in the office of DETC (Excise) Gurugram (East) for the year 2019-20, an amount of ₹ 38.36 lakh was not levied on account of transfer fee, on unsold stock and difference of assessment fee in respect of M/s Lake forest wine private limited {IFL (BIO)}. Similarly, record relating to office of the DETC (Excise), Jagadhri for the year 2020-21, revealed that 12 (CL/IMFL) licensees had unsold liquor stock of 14981.06 PL/BL against which stock transfer fee of ₹ 2.64 lakh was levied but not recovered. Therefore, an amount of ₹ 41.00 lakh was outstanding on account of stock transfer fee.

The DETC Gurugram intimated (November 2021) that the detailed reply of recovery of transfer fee as well as assessment fee would be submitted after verifying the facts. DETC Jagadhri intimated (March 2022) recovery of ₹ 1.74 lakh had been made and efforts are being made for remaining amount.

Enforcement and Internal Audit

The Excise Department and the Police Department are to enforce the provisions of Excise Policy in the State. Delays in deciding breach cases, non-enforcement of amended provisions in seizure of illicit liquor, delays in destruction of seized liquor and absence of auditing standards/ manual for internal audit were noticed in both the Departments as discussed in succeeding paragraphs:

3.4.7 Deficiencies in Controls related to Enforcement of Excise Policy and Internal Audit

3.4.7.1 Ad-hoc decisions in breach cases

Section 36 (c) of the Punjab Excise Act, 1914, as applicable to Haryana provides that the authority granting any license, permit or pass under this Act may cancel or suspend it, in the event of any breach by the holder of such license. Further, Rule 37 (36) of Haryana Liquor Rules (HLL) Rules, provides that if a licensee becomes liable to cancellation under any law for the time being in force, the competent authority may either (i) cancel the license and make such arrangements as he may think fit for carrying on the business for which the license was granted and any fee paid or deposit made in respect thereof shall be forfeited to Government. (ii) permit the licensee to retain the license on payment of such further fee as he may deem fit to accept. Under Rule 37 (37) of HLL Rules, “On the cancellation or determination of any license, the licensee or his

representative shall cease to carry on his business under it and shall return his license to the Collector”.

During test check of records of breach cases in the offices of 11 test checked DETCs (Excise) for the period 2019-20 and 2020-21, the following deficiencies in deciding the breach cases were noticed:

(i) Delay at different levels

In the 11 DETCs (Excise) test checked, there were a total of 1123 breach cases. Out of these, 138 cases¹⁶ (100 per cent of cases of Panipat and Sonipat) of breach of Rules/License for the period 2019-20 and 2020-21 were checked in detail. The delays in handling breach cases are mentioned in Table 7 below:

Table 7: Delays in deciding breach cases

Year	Number of cases	No. of Days			
		Decision on breach cases by collector			Time for Dispatch of pronounced orders of collector
		Range	Average	Median	
2019-20	38	166 to 265	101	56	14 to 134
2020-21	100	5 to 122	61	48	0 to 38

Source: Compiled from Departmental records

Delays in deciding the cases (between five to 265 days) resulted in delay in recovery of penalty imposed on the licensee and allowed the licensees to continue their business activity even after commitment of breach of law. Thereafter, the delays in dispatch of orders (upto 134 days) after decision of Collector, reflects gaps in internal control mechanism in the Department.

(ii) Issuance of permit/pass even after cancellation of license

As per order of Collector (Excise)-cum-JETC, Haryana, in case of cancellation of license under section 36 (C) of Punjab Excise Act, the amount of security was required to be forfeited and cancellation of license and forfeiture of security stood revoked on payment of penalty as decided by the Collector. It was noticed that 547 permits/passes¹⁷ in respect of four licensees were approved between March 2021 to June 2021 by the AETOs even after their licenses had been cancelled, in violation of Rule 37(37) of HLL Rules. Audit noticed that the Department did not have any manual or IT enabled mechanism to ensure prevention of such cases. Reply had not been received on this point.

¹⁶ 2019-20: Panipat-7, Sonipat-31; 2020-21: Panipat-42 and Sonipat-58.

¹⁷ (i) Panipat- Date of cancellation: 20 April 2021-200 passes were approved between 20 April 2021 to 10 June 2021, (ii) Sonipat- Date of cancellation: 17 November 2020- 205 passes were approved between 17 November 2020 to 02 January 2021, (iii) 07 December 2020 -61 passes were approved between 07 December 2020 to 25 December 2020, (iv) 07 December 2020-81 passes were approved between 07 December 2020 to 17 December 2020.

(iii) Non-recovery of penalty

During 2019-20 and 2020-21, shortage of liquor was detected by the Department from the godowns of wholesale licensees. Accordingly, breach cases of licenses were prepared and sent to Head office, Panchkula for further decision. The Collector (Excise) cum JETC, Haryana decided these cases and penalty of ₹ 39.68 crore was imposed against 60 licensees in eight districts¹⁸ (**Appendix-XVI**). The Department did not initiate any recovery proceedings against the licensees.

The DETC (Excise) Panipat, Sonipat (October 2021) and Rewari (December 2021) stated that efforts are being made to recover the penalty as imposed by the collector. The DETC (Excise) Gurugram (East) (November 2021) and DETC (Excise) Faridabad intimated (December 2021) recovery would be made after verifying the facts.

3.4.7.2 Seizure of illicit liquor

(i) Delay in imposing/non-recovery of penalty

During scrutiny of records of the office of six DETCs (Excise)¹⁹, it was noticed that a penalty amounting to ₹ 83.17 lakh on accounts of seizure of illicit liquor by the Excise Department was outstanding (**Appendix-XVII**). Though, the Department had imposed the penalty, there were no efforts on part of the Department to ensure the timely recovery of outstanding penalty.

The DETC (Excise) Sonipat (October 2021) and DETC (Excise) Hisar (December 2021) stated that efforts were being made to recover the outstanding amount of penalty.

(ii) Non-compliance with amended provisions of the Act

Timely implementation of Government notifications is an important control tool. The Government amended the Act w.e.f. 31 March 2020 and penalty was replaced with imprisonment and fine.

It was noticed that Collector-cum-DETC (Excise), Gurugram (East & West) had imposed penalty of ₹ 3.92 lakh in 13 cases {Gurugram (East)-4, Gurugram (West) - 9} of illicit liquor detected after 31 March 2020. However, in terms of the amended Act w.e.f. 31 March 2020, penalty as per the amended act was required to be imposed i.e. imprisonment for a term which may extend to three years and with fine which may extend to ten lakh rupees. The DETCs concerned did not follow these amended provisions and offenders were released after imposing only monetary penalty which was not in statute w.e.f. 31st March 2020, having been replaced through an amendment.

¹⁸ Faridabad, Gurugram (E), Jagadhri, Karnal, Panchkula, Panipat, Rewari and Sonipat.

¹⁹ Faridabad, Gurugram (W), Hisar, Panchkula, Panipat and Sonipat.

The DETC (Excise), Gurugram (East & West) stated (November 2021) that the copy of amendment of Act was received on 23 April 2020 and all cases after the date were referred to the Police Department for further action. The reply was not acceptable as amendment in Act was notified in Gazette on 31 March 2020 itself and all cases were required to be dealt with the provisions of amended Act. However, the DETC did not know about the same and kept levying penalty in all such cases till 23 April 2020.

3.4.7.3 Destruction/storage of seized liquor

Section 47 of Punjab Excise Act (as applicable to Haryana) provides that any authorised officer of the Excise, Police, may arrest without warrant any person found committing an offence punishable, under Section 61, or Section 63, and may seize and detain any intoxicant which he has reason to believe to be liable to confiscation under the Act. Further, the department had issued instructions for destruction of confiscated liquor in August 2015 and November 2019 vide which permission of the Collector (Excise) was required to be taken before destruction of confiscated liquor within a fortnight of the commencement of every quarter of the financial year, for the cases pertaining to the previous quarter.

During scrutiny of records of the office of three DETCs (Excise) for the period 2019-21, it was noticed that the department had not issued any instructions on storage of seized illicit liquor. Details of destruction of seized illicit liquor for the period 2019-21 are shown in Table 8 below:

Table 8: Delay in destruction of confiscated liquor

Sr. No.	Name of the DETCs	Period of seizure	Permission for destruction sought from ETC Office	Permission received from ETC Office	Delay in destruction of liquor (in months)
1	Panipat	July 2017 to March 2018	May 2019	June 2019	10 to 34
		April 2018 to March 2020	February 2021	March 2021	
2	Sonipat	January 2018 to August 2018	December 2018	January 2019	01 to 22
		August 2018 to June 2020	June 2020	August 2020	
		February 2019	December 2020	January 2021	
3	Faridabad	April 2018 to March 2019	April 2019	May 2019	01 to 14
		April 2019 to September 2019	November 2019	December 2019	
		October 2019 to March 2020	December 2020	December 2020	

Source: Compiled from Departmental records

Thus, seized illicit liquor was destroyed with a delay ranging from one to 34 months despite clear instructions from the head office. Delay in destroying

the seized illicit liquor was also fraught with the risk of theft of liquor. Two cases of theft of liquor have been detailed below:

(i) A firm was granted a license of L-I-AB²⁰ in 2016-17. The premises of licensee were checked in August 2016 and irregularities were noticed by the Department in the form of shortage of stock. The Collector-cum-AETC (HQ) cancelled the license in September 2016 and ordered the forfeiture of the security along with transferring the liquor to Seema Theatre. The godown was sealed in October 2016 by the office of DETC (Excise), Panipat. At the time of sealing, physical stock of the firm was 5,539 cases. The firm appealed before ETC, Panchkula, which was dismissed in December 2016. Further, against the order of ETC, Panchkula, appeal was filed before State Government which was decided with a direction that the license of the licensee would be restored if the firm paid a penalty of ₹ 2.22 crore. The firm moved to the High Court of Punjab and Haryana and the appeal of the firm was disposed of in December 2018 without any relief.

In the meantime, the godown, which had been sealed in October 2016 was not monitored by the Department. The officer of the Excise Department, who had sealed the godown left the control of the godown to a private person *i.e.* the manager of the godown. Effectively, the control of the stock was left to the individual against whom the department had taken action in the form of cancelling the license. Further, even after the order of cancellation of license by the Collector, the cases of liquor sealed at godown were not transferred to the designated place of storage *i.e.* Seema Theatre which facilitated in theft of the stock as depicted in the Table 9 below:

Table 9: Details of theft of confiscated stock

Sealed stock of firm(October 2016): 5,539 cases		
Date of theft	Cases of liquors found short	Action taken
07 April 2018	1,782	First Information Report (FIR) was registered. Inspection report regarding inspection of godown was not found placed on record. No personnel deployed to look after godown. Liquor not transferred to designated place of storage even after theft.
28 April 2020	2,925	No Excise/Police personnel deployed to look after godown. The left out stock of 832 cases transferred to official godown (Seema Theatre, Panipat) in May 2020. This theft took place during COVID-19 lockdown

Source: Compiled from Departmental records

The DETC (Excise), Panipat stated (October 2021) that Police personnel were deployed in April 2020 to look after the sealed godown. Thus, the action which was to be taken by the DETC (Excise), Panipat in October 2016 was actually taken after the second theft took place and due to inaction on the part of

²⁰ L-1-AB-Wholesale license for non- distiller of Haryana.

Department, there had been cases of theft of liquor. In addition, the possibility of sale of such huge quantity of liquor could not be ruled out which resulted into loss to the State exchequer on account of Excise duty. It was noticed that the Department did not quantify the loss on account of such theft.

(ii) Total 3,967 cases of illicit liquor was detected on 4 February 2019 in a godown situated at Matindu Chowk, Kharkhoda. The excise team sealed the liquor at the same premises due to non-availability of space in their office premises. During checking by the joint team of Excise as well as Police (May 2020), 2,832 out of 3,967 cases of confiscated illicit liquor were found short. Audit noticed that residual illicit confiscated liquor was disposed of by the Department on 15 January 2021 *i.e.* after a delay of 21 months. Further, the Department had not shown promptness in deciding the case as a penalty of ₹ 25.80 lakh was imposed under section 61 of the Punjab Excise Act, 1914 on 10 February 2020 *i.e.* after one year of detection of illicit liquor, out of which an amount of ₹ 24.80 lakh was outstanding.

Thus, inaction on the part of DETC, Sonipat in destruction of seized illicit liquor and delay in deciding the case enabled the theft of liquor of 2,832 cases, which also resulted in loss to State exchequer. It was noticed that the Department did not quantify the loss on account of such theft.

The DETC (Excise) Faridabad (December 2021) and DETC (Excise) Sonipat stated (October 2021) that the permission for destruction of confiscated liquor was sought timely and liquor was destroyed after getting permission from the head office. The reply is not tenable as request for permission to destroy the seized illicit liquor was sought with delays and major part of delay was on part of the concerned DETC (Excise) offices.

The Special Enquiry Team (SET), constituted by the State Government vide order dated 11 May 2020 had also highlighted, *inter alia* illegal sale of liquor, non-implementation of provisions contained in the Excise Policy of the State, failure to issue specific instructions for closure of liquor vends during lockdown period (Covid 19 related), destruction of seized liquor as well as deficiencies in timely imposition and recovery of penalty in cases of seized liquor.

Issues related to seizure of liquor by Police

3.4.7.4 Delay/non-destruction of seized/storage illicit Liquor

Section 47 of Punjab Excise Act (the Act), as applicable to State of Haryana provides that any officer of the Excise, Police, not below such rank and subject to such restrictions as the State Government may prescribe, may arrest without warrant any person found committing an offence punishable, under Section 61, or Section 63, and may seize and detain any intoxicant which he has reason to believe to be liable to confiscation under this Act.

During scrutiny of records in the office of Superintendent of Police (SP), Sonapat and Panipat for the year 2019-20 and 2020-21, it was noticed that 23 Police stations destroyed the seized/storage illicit liquor with inordinate delay ranging from one month to 25 months, with an average delay of seven and a half months (*Appendix XVIII*). It has also been noticed that in 19 Police Stations, 35,739 bottles, 215 litre lahan liquor and four bags (*Appendix XIX*) of liquor seized during 2019-21 had not been destroyed till February 2022. Non-destruction of liquor in a timely manner is fraught with the risk of theft of liquor as detailed in *sub-paragraph 3.4.7.3*. The Act does not have specific provision on manner or procedure of destruction of seized illicit liquor.

During audit, it was observed that once the cases of seizure of illicit liquor by Police were presented in the Sessions Court, the committee²¹ appointed for destruction of seized liquor was required to issue declaration certificates upon completion of the destruction of seized illicit liquor. The committee was also required to verify the brand wise quantity of the confiscated liquor before destroying it. During audit, following irregularities were noticed in respect of process adopted by these committees:

- i. Proceedings of Committee were undated or there were no dates under the signatures of the committee members.
- ii. There was no mention of the venue/place at which seized illicit liquor had been destroyed.
- iii. There was no evidence attached with the destruction certificate at successful completion of the exercise of destruction of the seized illicit liquor (Brand-wise).

3.4.7.5 Non-recovery of penalty

Section 61 (1) (aaa) (i) of the Punjab Excise Act, 1914, (as applicable to the State of Haryana), provided that prior to 31 March 2020²², penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milliliters or part thereof was leviable on an offender for possession of illicit²³ liquor. After an amendment in the Act, penalty for unlawful possession of liquor was changed to punishment with imprisonment for a term which could extend to three years and with fine which could extend to ten lakh rupees.

Further, Rule 3 and 4 of Haryana Imposition and Penalty Rules, 2003 provided that the Excise officer was to detain the offender, liquor and means of transport, if any, and was required to prepare a seizure memo and forward the liquor and

²¹ The committee comprising representative of the Deputy Commissioner of the concerned district, DETC (Excise), DETC (ST) and included officers from Police, Excise and Revenue Authorities.

²² The provision was amended by an amendment in the Act, with effect from 31 March 2020.

²³ 'Illicit' alcohol is produced illegally, outside of the approved and regulated production processes of registered and legitimate manufacturers.

the means of transport, if any, along with the necessary documents to the Collector within twenty-four hours of such detention.

Scrutiny of records of the office of SP Sonipat and Panipat for the year 2019-20 and 2020-21 revealed that illicit liquor was seized both by the Police Department and Excise Department. It was noticed that neither the Excise Department was aware of the liquor seized by the Police Department nor did the Police Department give timely information to the Excise Department of such seizure. It was noticed that as envisaged in the Rule 3 and 4 of Haryana Imposition and Penalty Rules 2003, all cases of seizure were required to be forwarded to the Collector within twenty-four hours of such detention but information in respect of seizure of 9,434.5 bottles of liquor was not sent to Collector-cum- DETC (Excise) and was lying with the Police Department. Resultantly, the Collector could not finalise the cases of seizure resulting in non-levy of total penalty ranging from a minimum of ₹ 4.72 lakh to a maximum of ₹ 47.17 lakh (*Appendix-XX*).

3.4.7.6 Non-accountal of seized liquor

Any officer of the Excise or police may seize and detain intoxicant which he has reason to believe to be liable to confiscation under Section 47 of Punjab Excise Act as applicable to Haryana. The illicit liquor seized by the Police Department is entered into Register-19²⁴ for further action.

Scrutiny of records of the office of SP Sonipat for the year 2019-20 and 2020-21, revealed that 30 cases of illicit liquor seized during 2019-21 were not accounted for by the Police Department (*Appendix-XXI*). The SPs of these districts had not devised any monitoring mechanism for periodical checks of quantity of seized liquor; resultantly 533 bottles of seized liquor remained out of account. This carries risk of misappropriation of seized liquor.

3.4.7.7 Internal Audit Wings (IAW)

Internal audit is an important tool for appraisal of deficiencies in the activities of the Department, namely, proper and timely assessment and realisation of dues and implementation of Act/rules and in issue of guidelines for proper accounting, *etc.*, for better collection of revenue and plugging various loopholes within the organisation. The Internal Audit Wing (IAW) of the Department was functioning under the overall control of the Excise and Taxation Department. The Accounts Officer in the ETC office in charge of accounts wing was entrusted with the functions of Internal Audit with supporting staff. All the 23 units planned for internal audit for the period 2019-20 were audited by the department. However, out of 23 units planned for the year 2020-21, 14 units were audited (November 2021).

²⁴ An internal document of the Police Department which included cases of material seized by the Police Officers.

Audit did not come across any auditing standards or guidelines laid down by Government for internal audit in the department and key duties of audit personnel were not properly defined to ensure accountability of individual officials. Further, there was no Internal Audit Manual codifying the practices and procedures relating to conduct of internal audit. The staff position for the IAW is given in Table 10 below:

Table 10: Staff position for the IAW

Designation	Sanctioned Post	Person in position	Vacant Post
Chief Accounts Officer	1	1	-
Accounts Officer	5	3	2
Section Officer	14	5	9

Source: Departmental records

Thus, in absence of adequate manpower, guidelines for planning, execution of internal audit functions, reporting and follow up of observations, rendered internal Audit in the Excise and Taxation Department, ineffective.

3.4.8 Non production of records

During Scrutiny of records of the office of the Excise and Taxation Commissioner, Haryana for the period 2019-21, certain data, records and documents were sought from the Department by the Audit in June 2021. Thereafter, the matter of non-production of records was again taken up in exit meeting held with Collector cum- JETC in July 2021. However, the records were not produced even after the matter was taken up at Head of Department Level in August 2021 and January 2022 as detailed in Table 11:

Table 11: Details of information not made available to Audit

Sr. No.	List of records/ Information regarding	Concerned wing/branch	Date of requisition/ requisition Number	Date of Reminder	Status of information
1	Implementation of holograms	Excise	AENQ-6867 dated 28 June 2021	OBS-118921 15 July 2021	Not received
2	Inspection of Distilleries/Breweries Bottling plants etc.	Excise	AENQ -6969 dated 29 June 2021		
3	Information Technology (IT) Application	IT	AENQ -7297 dated 05 July 2021		
4	Inspection Conducted by DETC (E), AETO and EI	Excise	AENQ – 7687 dated 08 July 2021		
5	Seizure of illicit liquor	Excise	AENQ- 8104 dated 13 July 2021		
6	Issuance of permit pass	Excise	AENQ-8106 dated 13 July 2021		
7	Non adherence of policy provisions	Excise	AENQ -8154 dated 13 July 2021		
8	Rendering denatured spirit fit for human consumption.	Excise	AENQ -8315 dated 14 July 2021		
9	Destruction/storage of seized confiscated liquor	Excise	AENQ-8308 dated 14 July,2021		
10	QR based hologram	Excise	AREQ 9342 dated 15 July 2021		
11	Amendment made in Excise Act 1914 in March 2020	Excise	AREQ 9342 dated 15 July 2021		

In the absence of records, transparency in public expenditure/revenue, appropriateness of the expenditure or revenue related action/decision could not be ensured in Audit.

3.4.9 Conclusion

Excise revenue is an important source of revenue of the State Government. Audit observed that the Department had not devised any monitoring mechanism for periodical check of outstanding excise duty as instances of non/short recovery of monthly license fee, interest, penalty, Covid cess from licensees of various categories were noticed. No timelines were fixed for deciding the breach cases as delay at different levels, issuance of permits/passes to the licenses even after cancellation of license were noticed.

Audit also observed that, provisions of the Excise Policies relating to installation of CCTV cameras, QR based holograms; transit slips, etc. were not implemented. The State Government had not fixed norms for production of alcohol from grain due to which potential revenue loss is possible on excessive wastage in production. Owing to non-coordination between Excise and Police department, penalty on seized liquor was imposed with a delay upto 1,517 days. The department had not destroyed the confiscated liquor in a timely manner due to which, cases of theft of huge amount of confiscated liquor were noticed. The department failed to take samples from microbreweries. The records related to unsold stock lying with the distilleries were not monitored by the department. Offenders in cases related to illicit liquor were discharged in contravention of provisions of Excise Act. Further, Internal Audit Wing did not have any manual. The need for stricter enforcement of the provision of the relevant Act and Rules and effective monitoring is evidenced by non/short recovery by ₹ 116.76 crore highlighted in preceding paragraph. During exit conference in March 2022, the Department admitted all the audit observations.

3.4.10 Recommendations

The Government may consider:

- Putting in place, systems and procedures to augment, its internal control mechanism;
- Replacing the various control registers like M-2 etc. with an IT enabled system to eliminate the manual intervention in calculation of levy and collection of interest;
- Fixing timeframe for deciding the breach cases and report of the Chemical Examiner; and
- Fixing norms for production of alcohol from grain.

CHAPTER-IV
STAMP DUTY

CHAPTER IV: STAMP DUTY

4.1 Tax administration

Receipts of stamp duty and registration fee are regulated under the Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908, Punjab Stamp Rules, 1934, as adopted by the Government of Haryana and the Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978. The Additional Chief Secretary (ACS), Revenue and Disaster Management Department, Haryana is responsible for the administration of the registration of various documents. The overall control and superintendence over levy and collection of stamp duty and registration fee vests with the Inspector General of Registration (IGR), Haryana. The IGR is assisted by Deputy Commissioners (DCs), Tehsildars and Naib Tehsildars acting as Registrars, Sub Registrars (SRs) and Joint Sub Registrars (JSRs), respectively.

4.2 Results of Audit

Test check of the records of 43 out of 143 units of the Revenue Department during 2020-21 revealed non/short levy of stamp duty and registration fee etc. and other irregularities amounting to ₹ 20.47 crore (0.34 per cent of receipt of ₹ 6,013.30 crore for 2019-20), in 715 cases, which fall under the following categories as mentioned in the Table 4.1.

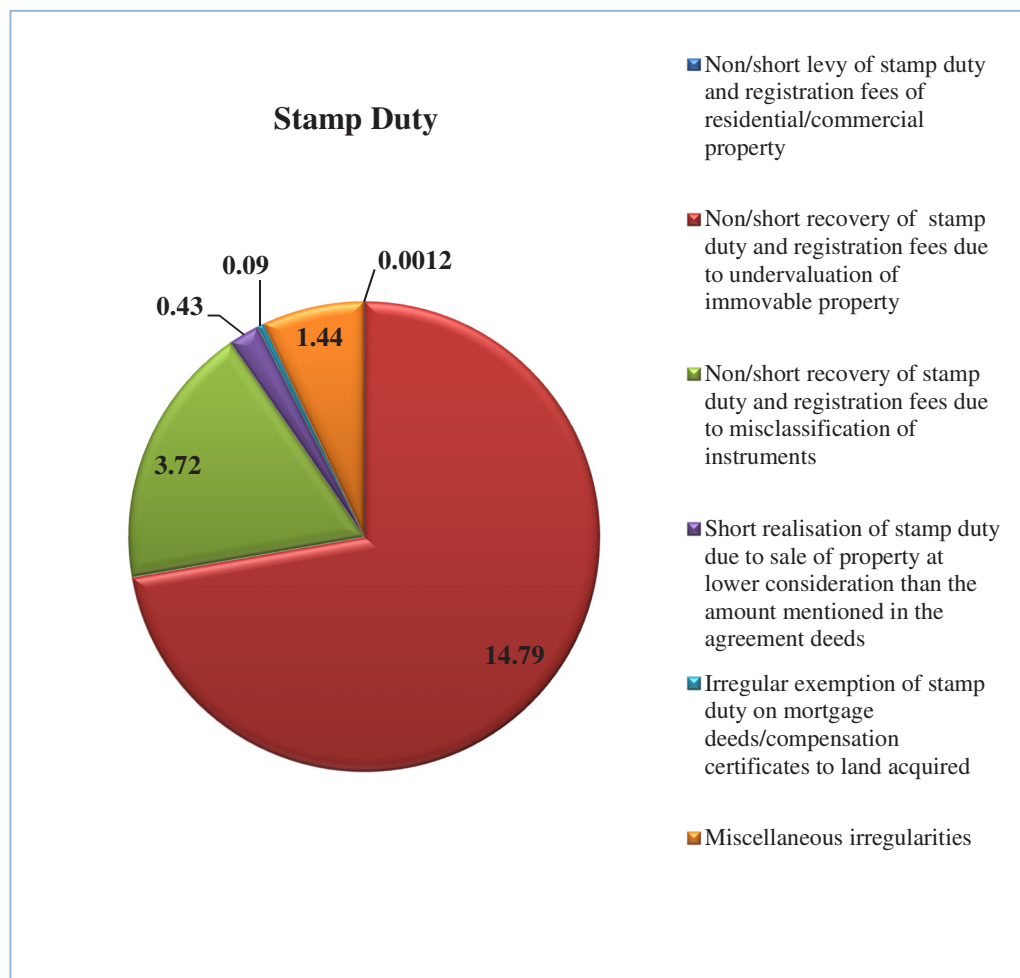
Table-4.1: Result of Audit

Revenue			
Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short levy of stamp duty and registration fee on registration of residential/commercial property	1	0.0012
2.	Non/short recovery of stamp duty and registration fee due to <ul style="list-style-type: none">• undervaluation of immovable property• misclassification of instruments	337 258	14.79 3.72
3.	Short realisation of stamp duty due to sale of property at lower consideration than the amount mentioned in the agreement deeds	23	0.43
4.	Irregular exemption of stamp duty on mortgage deeds/compensation certificates to land acquired	10	0.09
5.	Miscellaneous irregularities	86	1.44
	Total	715	20.47

Source: Data compiled by office

Chart 4.1
Results of Audit

(₹ in crore)



Source: Data compiled by office

The Department accepted under-assessment and other deficiencies amount to ₹ 11.84 crore involved in 328 cases which were pointed out during the year. The Department recovered ₹ 0.06 crore involved in 15 cases pertaining to previous years.

Significant cases involving ₹ 12.12 crore are discussed in the following paragraphs.

4.3 Irregular remission of stamp duty

Irregular remission of stamp duty in 23 instruments of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 23.64 lakh to the State exchequer.

As per Section 3 of the IS Act, instruments are chargeable with duty subject to the provisions of the IS Act and the exemptions contained in Schedule-I of the

IS Act, of the amount indicated in that Schedule as the proper duty. The State Government has power to reduce, remit or compound duties as per Section 9 of the IS Act by rule or order published in the Official Gazette. As per Government order of 16 June 2014, the Government would remit the stamp duty chargeable on the instrument if it pertained to transfer of immovable property within the family by an owner during his lifetime to any of the blood relations namely parents, children, grandchildren, brother (s), sister (s) and between spouse.

Scrutiny of records (13,471 cases out of 69,656 cases) of the registered documents of transfer deeds in respect of nine Sub Registrars/Joint Sub Registrars (SRs/JSRs)¹ (between March 2019 and December 2020) for the years 2017-20 revealed that 23 instruments of transfer deeds were executed in favour of persons (“cousin brother”, “chachera uncle”, “bhanja”, “nephew” and “bua” as verified from the deed/document of transfer of immovable properties) other than those allowed in the above orders of Government. The Government remitted the stamp duty (SD) in these instruments. This irregular remission of stamp duty resulted in loss of revenue to the State exchequer of ₹ 23.64 lakh (SD ₹ 21.29 lakh + RF ₹ 2.35 lakh).

On this being pointed out, SR Pundri intimated (February 2022) that an amount of ₹ 0.07 lakh had been recovered in one case. SR Thanesar intimated (February 2022) that Collector had decided the case for ₹ 2.58 lakh and notice for recovery had been issued. SR Nilokheri intimated (February 2022) that the case would be sent to the Collector under Section 47-A of the IS Act for decision. Remaining SRs/JSRs² intimated (February 2022) that the cases had been sent to the Collectors between May 2018 and February 2021 under Section 47-A of the IS Act for decision.

During exit conference held in March 2022, the Department admitted the audit observations.

The Department may design its systems in such a way that any registration made beyond permitted blood relations are identified automatically and stamp duty may be evaluated accordingly.

¹ Guhla, Ismailabad, Kaithal, Kalayat, Nilokheri, Pundri, Rajound, Siwan and Thanaser.

² Guhla, Ismailabad, Kaithal, Kalayat, Pundri, Rajound and Siwan.

4.4 Short levy/collection of two per cent additional stamp duty levied by/for Municipal Corporations/Gram Panchayats and Zila Parishads

Registering Authorities registered 197 Sale Deed in areas of Municipal Corporations/Gram Panchayats without charging/levies at the rate of two per cent on transaction value in addition to Stamp duty under Haryana Municipal Corporation Act, 1994 resulting into short levy of Stamp Duty of ₹ 5.71 crore.

A. As per Section 87 (1) (C) of the Haryana Municipal Corporation Act 1994, a duty is charged on the transfer of immovable properties situated within the limits of the municipal area in addition to the duty imposed under the IS Act, as in force for the time being in the State of Haryana, on every instrument of the description specified there in and at such rate, as the Government may, by notification direct. The Departmental web-HALRIS system compute/calculate due amount of the Stamp Duty payable for the registration of the documents. The system itself identifies the villages falling within the Municipal Corporation (MC) limits for levy of additional Stamp Duty of two per cent.

The Registrar or Sub Registrar collects the said duty in the shape of non-judicial stamp paper at the time of registration of the document and intimation thereof is to be sent to the MC immediately. This duty so collected is to be paid to the MC vide Notification No. 9/33/2000-5CI dated 11 March 2004, Government levied two per cent duty for the purpose of above said clause with effect from 25 February 2004.

The Urban Local Body (ULB) Department, Government of Haryana vide Notification³ constituted a new Municipal Corporation, Manesar with 29 villages and vide Notification⁴, included 16 villages in Municipal limits of Municipal Corporation, Gurugram.

During Scrutiny of records (2,358 cases out of 1,44,582 cases) of seven⁵ SRs/JSRs (between June and August 2021) of Gurugram District for the year 2019-21, it was revealed that 173 instruments falling within area of these two MCs were registered with a value of ₹ 277.19 crore and stamp duty of ₹ 12.44 crore was levied against leviable amount of ₹ 17.94 crore. These MC villages were not updated timely in the Web-HALRIS system which resulted

³ No. S.O.58/H.A. 16/1994/S.3/2020 dated 24 December 2020

⁴ No. S.O.59/H.A.16/1994/S.3/2020 dated 28 December 2020

⁵ Badshahpur, Farukh Nagar, Gurugram, Harsaru, Kadipur, Manesar and Wazirabad.

in short levy of SD of ₹ 5.50 crore in respect of areas falling in these two Municipal Corporations.

On this being pointed out, SR Manesar intimated (February 2022) that an amount of ₹ 42.78 lakh had been recovered in 20 cases. Remaining SRs/JSRs intimated (February 2022) that the cases had been sent to the Collector under Section 47-A of the IS Act for decision.

B. The Government of Haryana vide Notification⁶ imposed a duty at two *per cent* of the amount specified on each instrument i.e. sale, gift, mortgage and other transfer of immovable property for transfer of property in the form of surcharge on the stamp duty situated in Sabha Area effective after 15 days from the date of publication under Section 41 of The Haryana Panchayati Raj Act, 1994. The duty so collected by the Registrar or Sub Registrar was to be remitted in equal proportion to the concerned Gram Panchayat and Zila Parishad. The amounts collected in areas falling within Gurugram Metropolitan Development Authority (GMDA) was required to be remitted, in equal proportion, to the concerned Gram Panchayat and GMDA.

During scrutiny of records (157 cases out of 15,484 cases) of SR, Sohna (July 2021) of Gurugram District for the year 2019-21, it was observed that 24 instruments falling outside the area of the concerned Municipal Corporation i.e. falling under the Sabha area were registered valuing the instruments at ₹ 10.85 crore and levying stamp duty of ₹ 0.42 crore. However, in these cases, stamp duty of ₹ 0.63 crore was leviable. Thus, non-levy of additional two *per cent* stamp duty resulted in short levy of stamp duty ₹ 0.21 crore.

On this being pointed out, SR Sohna intimated (February 2022) that an amount of ₹ 3.52 lakh had been recovered in two cases. Remaining SRs/JSRs intimated (February 2022) that the cases had been sent to the Collector under Section 47-A of the IS Act for decision.

During exit conference in March 2022, the Department admitted the audit observations.

The Department may put in place systems and procedures to ensure that the notifications of the Government are implemented from the effective dates to prevent loss of revenue.

⁶ No. S.O.4/H.A. 11/1994/S.41/2021 dated 09 February 2021.

4.5 Short levy of stamp duty due to under valuation of immovable property

Eighty-three deeds were registered on the rates fixed by the Collector for agricultural land on which stamp duty and registration fee of ₹ 2.36 crore was levied instead of leviable at ₹ 7.29 crore as per land records (Jamabandis), resulting in short levy of stamp duty and registration fee of ₹ 4.93 crore.

Section 27 of the IS Act stipulates that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of the duty with which it is chargeable, shall fully and truly set forth therein. Further, Section 47-A of the IS Act, if the registering officer has reasons to believe that the value of the property or the consideration, has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector for determination of the value or consideration, as the case may be and the proper duty payable thereon.

On scrutiny of records (23,990 cases out of 1,20,076 cases) of 11 SRs/JSRs⁷ (between July 2020 and January 2021), it was noticed that 83 sale deeds registered between April 2018 and June 2020 were assessed at the rates fixed by the Collector for agricultural land valuing these properties at ₹ 42.79 crore, on which stamp duty (SD) and registration fee (RF) of ₹ 2.36 crore (SD ₹ 2.25 crore + RF ₹ 0.11 crore) were levied. However, as per land record/khasra numbers given in the Collector's rate lists/records of registered document/Patwari site inspection report, these immovable properties were residential/commercial properties. The value of these immovable properties were liable to be assessed by the Collector at the rates fixed for residential/commercial properties at ₹ 114.83 crore on which stamp duty and registration fee of ₹ 7.29 crore (SD ₹ 7.01 crore + RF ₹ 0.28 crore) were leviable. This resulted in short levy of stamp duty and registration fee of ₹ 4.93 crore (SD ₹ 4.76 crore + RF ₹ 0.17 crore).

On this being pointed out, SR Jagadhri intimated (February 2022) that four cases had been decided by the Collector but recovery was pending. All remaining SRs/JSRs intimated (February 2022) that cases had been sent to the Collector (between April 2018 and February 2021) under Section 47-A of the IS Act for decision.

⁷ Ambala Cantt-10, Naraingarh-10, Bilaspur-2, Jagadhri-9, Pratap Nagar-6, Chchrouli-7, Saraswati Nagar-6, Kaithal-22, Dhand-3, Karnal-5 and Asandh-3.

The Department stated in the Exit Conference held in March 2022 and in response in April 2022 that an amount of ₹ 17.64 lakh had been recovered in two cases of SR Dhand and also stated that the matter was under consideration and directed all the District Revenue Officers (DROs) to verify all the cases.

The Government may take steps to strengthen internal audit to ensure timely detection and correction of errors in levy and collection of revenue and avoid recurrence of mistakes pointed out.

4.6 Short levy of stamp duty due to application of incorrect rates of immovable property

Registering Authorities assessed 18 sale deeds of plots falling within municipal limits with an area less than 1,000 square yards at rates fixed for agricultural land instead of residential land, resulting in short levy of stamp duty and registration fee of ₹ 0.53 crore.

In order to check evasion of stamp duty (SD) in sale deeds, the Government issued instructions in November 2000 to all registering authorities in the State to the effect that agricultural land sold within municipal limits, with an area less than 1,000 square yards or in case where purchasers were more than one and the share of each purchaser was less than 1,000 square yards, be valued at the rates fixed for residential property of that locality for the purpose of levying stamp duty and Registration Fee (RF).

Scrutiny of records of 17,749 cases out of 87,536 cases (between February 2019 and December 2020) of nine registering offices⁸ showed that 18 sale deeds of plots falling within the parameter of notification, *ibid*, were registered between May 2017 and February 2020. These deeds were liable to be assessed for ₹ 10.12 crore based on the rates fixed for residential areas and SD and RF of ₹ 0.74 crore (SD ₹ 0.69 crore and RF ₹ 0.05 crore) was leviable. However, the registering authorities assessed these deeds for ₹ 3.66 crore based on the rates fixed for agricultural land and levied SD of ₹ 0.21 crore (SD ₹ 0.19 crore + RF ₹ 0.02 crore). This resulted in short levy of SD and RF ₹ 0.53 crore (SD ₹ 0.50 crore + RF ₹ 0.03 crore).

On this being pointed out, SR Jagadhri intimated (February 2022) that three cases had been decided by the Collector but recovery was pending. All remaining SRs/JSRs intimated (February 2022) that cases had been sent to the Collector (between June 2020 and October 2021) under Section 47-A of the IS Act for decision.

⁸ Ambala City, Ambala Cantt, Assandh, Jagadhri, Kalka, Karnal, Panchkula, Rai and Rajaund.

The Department stated in the Exit Conference held in March 2022 and in reply in April 2022 that an amount of ₹ 2.13 lakh had been recovered in one case of SR Rai. It further stated that the matter was already under consideration for amendments in the instructions.

4.7 Short levy of stamp duty due to application of normal rates on prime khasra land

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land, resulting in short levy of stamp duty of ₹ 0.50 crore.

Government of Haryana vide instructions (November 2000) directed all the Registration Authorities of state to identify the Khasra numbers of agricultural/residential/commercial lands situated on National Highways, State Highways and link roads by District Level Evaluation committee. Further, Haryana Government issued instructions in September 2013 for constituting district level committees comprising of officers of Revenue Department and Municipal Committees for evaluating different categories of land for fixing collector rates. Further, Section 27 of the IS Act as applicable to the State of Haryana, provides that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of duty chargeable, should be fully or truly set forth in the instrument.

Scrutiny of the records of 24 SRs/JSRs⁹ revealed (between January 2018 and January 2021) that 83 conveyance deeds were registered between July 2016 and February 2020 situated in prime khasra as per land revenue record which were liable to be assessed for ₹ 33.73 crore based on the higher rate fixed for prime land on which Stamp Duty (SD) of ₹ 1.36 crore and Registration Fee (RF) of ₹ 0.13 crore were leviable. However, due to non-mapping of prime khasra in the concerned IT application used by the Departments, the immovable properties were incorrectly valued at ₹ 23.99 crore on the basis of normal rates and SD of ₹ 0.90 crore and RF of ₹ 0.09 crore were levied, which resulted in short levy of SD and RF of ₹ 0.50 crore.

⁹ Ambala Cantt, Asandh, Barara, Balsmand, Bilaspur, Chchhrouli, Dhand, Ganaur, Indri, Ismailabad, Kalayat, Kharnpur Kalan, Madlauda, Mullana, Nigdhu, Nilokheri, Partap Nagar, Pehwa, Pundri, Saha, Sampla, Shahbad, Sadhaura and Shazadpur.

On this being pointed out, eight SRs/JSRs¹⁰ intimated (February 2022) that an amount of ₹ 5.20 lakh had been recovered in 16 cases. 15 cases SRs/JSRs¹¹ intimated (February 2022) that cases had been sent to the Collector under Section 47-A of the IS Act for decision. SRs/JSR Nilokheri intimated that cases would be sent to Collector under Section 47-A of the IS Act for decision.

The Department in the Exit Conference held in March 2022 and in reply, in April 2022, admitted the audit observations.

The Department may identify and record the khasra number of prime land and colonies/ward/sectors in the concerned IT application for proper evaluation of stamp duty.

4.8 Irregular exemption of Stamp Duty treating the non-bonafide decrees as bonafide

Thirteen compromise decrees which were not bonafide, were registered without charging any stamp duty and by charging nominal registration fee of ₹ 650 on total consideration of ₹ 3.73 crore. This resulted in irregular exemption of stamp duty and registration fee of ₹ 21.84 lakh.

Under Section 17 of the Registration Act, 1908, non-testamentary instruments transferring or assigning any decree or order of a Court or any award when such decree or order or award purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of the value of ₹ 100 and upwards, to or in immovable property are compulsory registrable documents. Thus, a compromise decree¹² which is not bonafide¹³ is liable to be charged as an instrument of conveyance. The Financial Commissioner and Secretary to Haryana Government, Revenue Department had issued instructions in September 1996, to all the registering authorities that mutated property registered on the basis of a compromise decree which was not bonafide, was liable to be charged as an instrument of conveyance as per Schedule 1-A of the IS Act. The Sub Registrars (SRs) were asked to carefully examine each document so as to ensure that there was no deliberate attempt for evasion of stamp duty and the same was properly stamped under the Act.

¹⁰ Asandh, Balsmand, Bilaspur, Dhand, Kharnpur Kalan, Nigdhu, Sadhaura and Saha.

¹¹ Ambala Cantt, Barara, Bilaspur, Chchhrouli, Ganaur, Indri, Ismailabad, Kalayat, Madlauda, Mullana, Partap nagar, Pehwa, Pundri, Sampla, Shahbad and Shazadpur.

¹² Settlement of property by mutual consent.

¹³ Among blood relations.

A. On scrutiny of the records of SR Panipat in November 2018, it was noticed that immovable properties were transferred through court in favour of plaintiff. The deed was registered in March 2018. The registering authority registered the deed as bonafide without charging any stamp duty (SD) and charged nominal Registration Fee (RF) of ₹ 50 on total consideration of ₹ 0.60 crore. Though, in this deed, land was transferred to plaintiff through decree, sale agreement had been executed by the parties. Hence, it was required to be treated as sale and stamp duty and registration fee were leviable for ₹ 4.35 lakh as per Schedule 1-A of the IS Act and the deed was also not bonafide. The Registering Authority did not comply with the above instructions of September 1996 and allowed exemptions from payment of SD and RF without verifying the facts. This resulted in irregular exemption of SD and RF of ₹ 4.35 lakh (SD ₹ 4.20 lakh and RF ₹ 0.15 lakh).

On this being pointed out, SR Panipat intimated in February 2022 that the case had been sent to the Collector under Section 47-A of the IS Act for decision in March 2018 and was pending at the level of the Collector.

(B) Compromise Deeds involving exchange of immovable properties

As per Schedule 1 A of the IS Act, two parties can exchange their immovable properties and the same can be registered under category 'exchange' on which Stamp Duty will be leviable on the property having higher value.

Scrutiny of the records of five SRs/JSRs¹⁴ (between January 2019 and October 2020) showed that twelve compromise decrees (through process of civil court orders) involving exchange of immovable properties were registered between July 2017 and January 2019 without charging any stamp duty (SD) and by charging nominal Registration Fee (RF) of ₹ 600 on total consideration of ₹ 3.13 crore. The parties had mutually exchanged their possession of properties and hence, SD and RF of ₹ 17.50 lakh¹⁵ had to be levied. This resulted in irregular exemption of SD and RF of ₹ 17.49 lakh (SD ₹ 16 lakh and RF ₹ 1.49 lakh).

On this being pointed out, SR Jagadhri intimated in February 2022 that two cases had been sent to the Collector for decision in August and November 2021. SR Karnal stated in October 2021 that the case had been sent to Collector under Section 47-A of the Act for decision. SRs/JSRs Balla, Guhla and Kaithal stated

¹⁴ Balla, Guhla, Jagadhri, Kaithal and Karnal.

¹⁵ Calculated on the basis of valuation on Collector rates for that land.

(between September and October 2020) that cases would be sent to the Collector under Section 47-A of the Act for decision.

The Department, in the Exit Conference held in March 2022 and in reply in April 2022, admitted the audit observations.


The Government may strengthen the internal controls for ensuring compliance with the instructions issued.

Chandigarh
The 21 June 2022

Vishal Bansal
(VISHAL BANSAL)
Principal Accountant General (Audit), Haryana

Countersigned

New Delhi
The 28 June 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Refer Paragraph No. 1.7.5)

Position of paragraphs which appeared in the Audit Reports and those pending discussion/replies not received as on 31 December 2021

Name of tax		2016-17	2017-18	2018-19	Total
Taxes on Sales, Trade etc.	Paras appeared in the AR/pending discussion in the PAC	12	12	12	36
	Paras replies not received	12	12	12	36
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	2	2	2	6
	Paras replies not received	Nil	2	Nil	2
Stamp duty and Registration fee	Paras appeared in the AR/pending discussion in the PAC	8	8	1	17
	Paras replies not received	Nil	8	Nil	8
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	2	5	2	9
	Paras replies not received	2	5	2	9
Others	Paras appeared in the AR/pending discussion in the PAC	2	1	3	6
	Paras replies not received	Nil	Nil	3	3
Total	Paras appeared in the AR/pending discussion in the PAC	26	28	20	74
	ATNs to Paras included in AR not received	14	27	17	58

Appendix II
(Refer Paragraph No. 1.7.5)
Details of PAC recommendations for CAG Report (Revenue Receipts/Sector) outstanding as on 31 March 2021

Sr. No.	PAC Report	Year of Audit Report	Total nos. of outstanding paras of PAC Reports 1979-80 to 2014-15 as on 31 March 2021
1	22nd	1979-80	3
2	23rd	1980-81	4
3	25th	1981-82	4
4	26th	1982-83	3
5	28th	1983-84	2
6	29th	1984-85	7
7	32nd	1985-86	4
8	34th	1986-87	9
9	36th	1987-88	6
10	38th	1988-89	10
11	40th	1989-90	21
12	42nd	1990-91,91-92,92-93	26
13	44th	1990- 91, 91-92,92-93	39
14	46th	1993-94	9
15	48th	1993-94,1994-95	10
16	50th	1993- 94, 94- 95,1995-96	40
17	52nd	1996-97	29
18	54th	1997-98	39
19	58th	1998-99 & 1999-2000	64
20	60th	2000-01	36
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	48
25	67th	2005-06	48
26	68th	2006-07 & 2007-08	98
27	70th	2008-09	55
28	71th	2009-10	51
29	72nd	2010-11	59
30	73rd	2011-12	23
31	74th	2013-14	50
32	75 th	2012-13	47
33	78 th	2014-15	49
Total			1,033

Appendix II

(Refer Paragraph No. 1.7.5)

Details of PAC recommendations for CAG Report (Revenue Receipts/Sector) outstanding as on 31 March 2021

Sr. No	Name of the Department	Total recommendations outstanding for the period 1979-80 to 2014-15
1	Excise and Taxation	497
2	Revenue	226
3	Mines and Geology	52
4	Agriculture	41
5	Irrigation	9
6	Chief Electrical Inspector (Power)	17
7	Public Health	5
8	PWD (B&R)	4
9	Animal Husbandry	7
10	Transport	100
11	Finance (Lotteries)	15
12	Haryana State Lotteries	2
13	Co-operative	20
14	Forest	7
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	5
19	General	1
20	Town and Country Planning	3
Grand Total		1,033

Appendix III

(Refer Paragraph No. 1.8.1)

**Position of Inspection Reports of
Revenue and Disaster Management Department (Stamp Duty)**

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2011-12	907	2,001	60.17	97	328	12.52	222	650	17.68	782	1,679	55.01
2012-13	782	1,679	55.01	89	220	8.58	70	210	7.44	801	1,689	56.15
2013-14	801	1,689	56.15	89	207	15.23	26	110	1.71	864	1,786	69.67
2014-15	864	1,786	69.67	89	314	22.43	25	107	3.20	928	1,993	88.90
2015-16	928	1,993	88.90	117	349	220.28	58	225	11.53	987	2,117	297.65
2016-17	987	2,117	297.65	105	536	89.27	64	259	23.58	1,028	2,394	363.34
2017-18	1,028	2,394	363.34	86	399	61.19	32	200	56.36	1,082	2,593	368.17
2018-19	1,082	2,593	368.17	99	460	70.16	48	283	31.83	1,133	2,770	406.50
2019-20	1,133	2,770	406.50	120	480	52.07	9	95	18.06	1,244	3,155	440.51
2020-21	1,244	3,155	440.51	60	261	16.10	2	17	9.11	1,302	3,399	447.50

Appendix IV
(Refer Paragraph No. 1.8.2)
Recovery of accepted cases of Revenue and Disaster Management
Department (Stamp Duty)

(₹ in crore)

Year of the audit report	Number of paragraphs included	Money value of the paragraph	Number of paragraphs accepted	Money value of the accepted paragraphs	Amount recovered during the year	Cumulative positions of recovery of accepted cases
2010-11	06	5.49	06	5.49	0.02	0.03
2011-12	06	4.13	06	4.13	Nil	0.04
2012-13	07	65.27	07	65.27	0.13	1.93
2013-14	06 01(IT Audit)	18.30 203.87	06 01(IT Audit)	18.30 203.87	0.01 Nil	0.39
2014-15	07	19.96	07	19.96	0.04	0.06
2015-16	09	42.33	09	42.33	Nil	0.55
2016-17	08	66.69	08	66.69	0.01	0.58
2017-18	08	82.04	08	79.01	0.01	0.06
2018-19	01 (PA)	25.86	01 (PA)	25.86	Nil	0.05
2019-20	05	1.38	05	1.38	Nil	0.04
Total	62 DPs 01 (IT Audit) 01 (PA)	305.59 203.87 25.86	62 DPs 01(IT Audit) 01(PA)	302.56 203.87 25.86	0.22 - -	3.73
Grand Total	64	535.32	64	532.29	0.22	3.73

Appendix V

(Refer Paragraph No. 2.10.3)

List of Category-wise audit universe and sample selection

Description of reasons for refund	Total No. of cases		Total No. of cases (for selected units)		No. Sampled cases (Sent by GST wing)		No. cases selected for audit	
	Pre-auto-mation	Post-auto-mation	Pre-auto-mation	Post-auto-mation	Pre-auto-mation	Post-auto-mation	Pre-auto-mation	Post-auto-mation
Any other	526	731	496	703	27	16	13	8
On account of assessment/ provisional assessment/appeal/ any other order (ASSORD)	14	64	13	62	3	4	2	2
Excess balance in Electronic Cash ledger (EXBCL)	6,453	1,935	5,709	1,733	85	113	43	57
Deemed Export (Supplier) (EXPSDE)	30	21	30	21	4	4	2	2
Export of goods/services-without payment of Tax i.e. ITC accumulated (EXPWOP)	6,845	2,811	6,748	2,771	522	390	260	195
Export of Services - With payment of tax (EXPWP)	980	210	975	205	8	8	4	4
ITC accumulated due to inverted tax structure (INVITC)	6,187	3,575	6,065	3,469	456	578	232	289
On account of supplies made to SEZ unit/SEZ developer (without payment of tax) (SEZWOP)	152	68	152	68	12	8	6	4
On account of supplies made to SEZ units/SEZ Developers (with payment of tax) (SEZWP)	377	60	377	60	5	4	3	2
Excess payment of tax (XSPAY)	154	325	141	307	8	8	4	4
Tax paid on intra-State supply which is subsequently held to be inter-State supply and vice versa (INTRVC)	7	2	5	1	3	0	2	0
Deemed Export (Recipient) (EXPRDE)	51	8	50	7	0	3	0	1
	21,776	9,810	20,761	9,407	1,133	1,136	571	568

Appendix VI

{Refer Paragraph No. 2.10.5.1 (C)}

List of Refund cases in which refund sanction order was not issued within the prescribed time limit

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Interest due but not paid (In ₹)
1	DETC Ambala	3	2,511
2	DETC Faridabad (East)	5	16,717
3	DETC Faridabad (North)	5	7,91,811
4	DETC Faridabad (South)	3	22,310
5	DETC Faridabad (West)	4	14,450
6	DETC Gurugram (East)	23	35,26,178
7	DETC Gurugram (North)	13	3,55,805
8	DETC Gurugram (South)	8	2,06,902
9	DETC Gurugram (West)	2	3,416
10	DETC Hisar	1	863
11	DETC Jagadhri	6	18,701
12	DETC Jhajjar	5	1,29,740
13	DETC Karnal	17	4,81,218
14	DETC Panchkula	5	31,881
15	DETC Panipat	14	1,20,783
16	DETC Rewari	2	78,159
17	DETC Rohtak	1	7,962
18	DETC Sonipat	17	4,40,013
	Total	134	62,49,420

Appendix VII

{Refer Paragraph No. 2.10.5.2 (C) (i)}

List of Refund cases in which excess ITC was considered for grant of refund

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Net ITC claimed in RFD-01	Net ITC eligible to be considered for refund	Amount of refund sanctioned	Amount of refund due as per eligible ITC	Excess refund sanctioned
1	DETC Ambala	1	4,41,13,621	4,04,52,657	25,55,962	23,07,741	2,48,221
2	DETC Faridabad (West)	1	41,81,453	39,29,438	23,53,246	23,05,389	47,857
3	DETC Gurugram (North)	1	1,17,63,206	1,10,33,049	1,17,47,620	1,10,18,430	7,29,190
4	DETC Karnal	1	34,11,514	32,78,351	4,32,915	3,12,998	1,19,917
5	DETC Sonipat	4	1,62,43,609	1,52,56,057	1,01,06,371	93,38,148	7,68,223
	Total	8	7,97,13,403	7,39,49,552	2,71,96,114	2,52,82,706	19,13,408

Appendix VIII

{Refer Paragraph No. 2.10.5.2 (C) (ii)}

List of Refund cases in which excess ITC was considered for grant of refund

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Net ITC claimed in RFD-01	Net ITC eligible to be considered for refund	Amount of refund sanctioned	Amount of refund due as per eligible ITC	Excess refund sanctioned
1	DETC, Gurugram (South)	1	1,65,615	1,22,302	1,65,615	1,22,302	43,313
2	DETC, Karnal	1	29,58,974	28,04,261	4,11,849	2,72,529	1,39,320
3	DETC, Panipat	1	18,36,002	12,93,061	15,26,052	9,83,111	5,42,941
4	DETC, Sonipat	1	1,13,47,530	91,77,989	79,36,782	59,96,192	19,40,590
	Total	4	1,63,08,121	1,33,97,613	1,00,40,298	73,74,134	26,66,164

Appendix IX

{Refer Paragraph No. 2.10.5.2 (E)}

List of cases in which refund was sanctioned for time barred period

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Refund of accumulated ITC claimed	Net ITC eligible to be considered for refund	Amount of refund sanctioned	Amount of refund due as per eligible ITC	Excess refund sanctioned
1	DETC Faridabad (South)	1	17,17,513	0	17,17,513	0	17,17,513
2	DETC Faridabad (East)	1	21,24,537	20,94,461	21,24,537	6,51,218	14,73,319
3	DETC Gurugram (West)	2	28,83,276	0	23,01,096	0	23,01,096
4	DETC Rohtak	1	38,12,758	22,35,500	36,89,456	19,10,444	17,79,012
5	DETC Sonipat	2	25,37,477	1,45,05,207	25,37,477	9,17,121	16,20,356
	Total	7	1,30,75,561	1,88,35,168	1,23,70,079	34,78,783	88,91,296

Appendix X

(Refer Paragraph No. 2.10.5.3)

List of refund cases where excess refund was granted due to consideration of Invoice Value instead of FOB value

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Turnover of zero rated supply as per RFD-01	Turnover of zero rated supply (FOB) at ICEGATE/ Statement-3	Refund sanctioned	Refund due	Excess refund sanctioned
1	DETC Ambala	5	15,45,48,713	14,10,46,178	2,69,83,950	2,47,94,320	21,89,630
2	DETC Gurugram (North)	1	4,28,58,565	3,98,24,610	9,63,011	9,13,545	49,466
3	DETC Gurugram (South)	3	87,97,73,635	81,91,61,015	8,24,50,091	7,53,30,740	71,19,351
4	DETC Jagadhri	1	2,98,90,516	2,63,88,418	45,20,017	40,58,684	4,61,333
5	DETC Karnal	3	49,44,52,419	45,55,00,627	1,38,84,910	1,33,39,872	5,45,038
6	DETC Kurukshetra	1	63,44,656	62,64,512	8,20,890	8,10,521	10,369
7	DETC Panipat	2	6,86,46,757	6,39,32,953	62,29,932	58,22,691	4,07,241
	Total	16	1,67,65,15,261	1,55,21,18,313	13,58,52,801	12,50,70,373	1,07,82,428

Appendix XI

(Refer Paragraph No. 2.10.5.4)

List of cases in which information about payment of IGST/CGST not received from central tax authority

Sr. No.	Name of auditee unit	No. of refund cases in which audit objections noticed	Amount of refund Sanctioned from IGST	Amount of refund Sanctioned from CGST
1	DETC Faridabad (East)	13	75,16,585	12,44,920
2	DETC Faridabad (South)	11	1,53,84,247	38,64,311
3	DETC Gurugram (East)	13	4,51,69,702	1,13,12,526
4	DETC Gurugram (West)	25	9,30,07,413	2,86,73,997
5	DETC Hisar	1	-	75,00,000
6	DETC Jagadhri	27	53,21,684	1,11,75,687
7	DETC Kaithal	3	1,63,68,880	41,38,014
8	DETC Panchkula	10	1,43,92,680	87,54,581
9	DETC Panipat	35	5,42,10,877	2,06,96,381
10	DETC Rewari	1	2,89,220	76,999
11	DETC Rohtak	2	45,93,776	9,89,149
12	DETC Sonipat	37	12,29,02,303	10,37,96,006
	Total	178	37,91,57,367	20,22,22,571

Appendix XII

{Refer Paragraph No. Para 3.4.6.1(i)}

Details of short recovery of monthly instalments of license fee and interest thereon for the period 2019-21

Sr. No	Name of office of DETCs (Excise)	Year	Number of Zone	Total license fee	Short recovery of monthly instalment of license fee	Amount of interest on short recovery of license fee upto March 2021
1	Faridabad	2019-20	30	2,88,44,38,921	0	1,81,66,149
2	Gurugram (E)	2020-21	02	12,18,56,500	64,58,201	96,873
3	Gurugram (W)	2019-20	01	16,31,51,151	44,38,468	9,98,655
4	Hisar	2019-20	15	97,28,59,754	8,77,42,081	2,43,32,781
5	Panipat	2019-20	08	84,84,39,841	9,00,67,611	2,73,82,876
6	Rewari	2019-20	08	75,49,78,510	5,38,69,826	1,21,12,256
7	Sonipat	2019-20	03	15,73,00,000	0	10,45,821
	Total		67	5,90,30,24,677	24,25,76,187	8,41,35,411

(Source: Compiled from the data provided by the department)

Appendix XIII

{Refer Paragraph No. 3.4.6.1(i)}

Details showing non-recovery of interest on delayed payment of monthly instalment of license fee for the year 2019-21.

Sr. No	Name of the office DETCs (Excise)	Year	Number of Zones	Amount of license fee	Delay in depositing of license fee (in days)	Amount of interest
1	Faridabad	2019-20	31	1,75,30,49,382	21 to 86	4,22,97,282
2	Gurugram (E)	2020-21	6	16,70,62,734	22 to 83	32,32,439
3	Gurugram (W)	2019-20	1	11,77,50,568	21 to 133	36,15,315
4	Jagadhri	2020-21	53	86,11,36,516	16 to 113	1,70,69,299
5	Karnal	2020-21	14	17,39,09,446	16 to 46	24,27,214
6	Panchkula	2020-21	01	3,17,51,502	18 to 78	5,46,589
7	Hisar	2019-20	13	49,77,55,337	22 to 137	1,24,69,023
8	Panipat	2019-20	3	21,95,13,980	35 to 104	60,22,191
9	Rewari	2019-20	14	66,20,22,186	21 to 133	2,07,89,801
		2020-21	36	18,16,81,068	16 to 43	20,42,029
10	Sonipat	2019-20	3	7,29,88,600	44 to 104	19,20,695
	Total		175	4,73,86,21,319		11,24,31,877

Appendix XIV

{Refer Paragraph No. 3.4.6.1 (i)}

Details of interest on delayed payment of license fee in respect of L-1BF Licensees

Gurugram (East)

Month	Amount of license fee	GRN No.	Date of Deposit	Delay (in Days)	Interest
April	1,84,03,027	47801369	22 May 2019	52	4,71,924
May	78,36,973	47801369	22 May 2019	22	85,026
May	1,79,37,229	48710416	25 June 2019	56	4,95,362
May	4,65,798	53351414	16 July 2019	77	17,688
June	2,57,74,202	53351414	16 July 2019	46	5,84,686
June	4,65,798	56393568	20 August 2019	81	18,606
July	2,57,74,202	56393568	20 August 2019	51	6,48,239
July	4,65,798	57115802	16 September 2019	78	17,917
August	1,27,34,202	57115802	16 September 2019	47	2,95,154
August	1,30,40,000	57226745	17 September 2019	48	3,08,673
August	4,65,798	58887695	22 October 2019	83	19,066
September	2,57,74,202	58887695	22 October 2019	52	6,60,949
September	4,65,798	59702435	13 November 2019	74	16,998
October	2,57,74,202	59702435	13 November 2019	44	5,59,265
October	4,65,798	60815149	17 December 2019	78	17,917
November	2,57,74,202	60815149	17 December 2019	47	5,97,397
November	4,65,798	61834962	21 January 2020	51	11,715
December	2,57,74,202	61834962	21 January 2020	52	6,60,949
December	4,65,798	62615151	11 February 2020	73	16,769
January	2,57,74,202	62615151	11 February 2020	42	5,33,844
January	4,65,798	62715663	11 February 2020	42	9,648
Grand Total	25,45,63,027				60,47,792

Gurugram (West)

Month fee payable	Amount	Date of Deposit	Delay in License Fee (Days)	Interest
April	2,62,40,000	18 June 2019	79	10,22,282
May	2,62,40,000	10 July 2019	71	9,18,759
June	1,30,00,000	7 August 2019	67	4,29,534
June	1,32,40,000	16 August 2019	77	5,02,757
July	1,00,00,000	7 September 2019	69	3,40,274
July	1,62,40,000	10 September 2019	72	5,76,631
August	1,31,00,000	15 October 2019	76	4,90,981
August	1,31,40,000	28 October 2019	89	5,76,720
September	2,62,40,000	14 November 2019	75	9,70,521
October	1,31,25,000	6 December 2019	67	4,33,664
October	1,31,25,000	9 December 2019	70	4,53,082
November	1,31,50,000	7 January 2020	68	4,40,975
November	1,30,90,000	13 January 2020	74	4,77,695
December	1,31,00,000	5 February 2020	67	4,32,838
December	1,31,40,000	12 February 2020	74	4,79,520
January	1,31,40,000	15 February 2020	46	2,98,080
January	1,31,00,000	3 March 2020	62	4,00,537
Total	26,24,10,000		Total	92,44,850
Grand Total	51,69,73,027			1,52,92,642

Appendix XV (A)

{Refer Paragraph No. 3.4.6.1 (v)}

Details showing short lifting of quarterly quota and non-levy/recovery of penalty for the year 2019-21 (IMFL and CL)

Sr. No	Name of office of DETCs (Excise)	Year	Number of Zone	Amount of penalty
1	Faridabad	2019-20	33	2,36,57,545
2	Gurugram (E)	2020-21	06	3,17,92,312
3	Gurugram (W)	2019-20	05	3,60,44,856
4	Jagadhri	2020-21	52	81,75,468
5	Hisar	2019-20	15	7,26,42,529
6	Panchkula	2020-21	1	45,19,375
7	Panipat	2019-20	14	2,61,32,022
8	Rewari	2019-20	11	1,60,86,792
		2020-21	44	3,63,709
9	Sonipat	2020-21	21	2,93,07,257
	Total		202	24,87,21,865

Appendix XV B

Details showing short lifting of quarterly quota and non-levy/recovery of penalty for the year 2019-21 (IFL)

Zone No.	Name of licensee	Penalty for 1st quarter	Penalty for 2nd quarter	Penalty for 3rd quarter	Penalty for 4th quarter
17	Vishal Singla	5,240	3,60,490	4,51,200	11,05,050
22	Vishal Singla	0	6,83,110	11,31,610	27,01,810
29	Haryana Tourism	7,04,236	23,07,510	50,38,050	78,82,050
37	Vishal Singla	76,437	5,56,360	7,15,100	17,01,000
41	Vishal Singla	0	16,06,440	22,94,740	44,17,930
45	Haryana Tourism	2,68,833	5,09,480	17,30,280	31,52,280
					2,09,60,120

Appendix XVI

{Refer Paragraph No. 3.4.7.1 (iii)}

Details showing non-recovery of penalty imposed in the event of breach of license for the year 2019-21.

Sr. No	Name of the office DETCs (Excise)	Year	Number of cases	Month of detection/dispatch	Month of order of Collector	Amount of penalty
1	Panchkula	2019-20	01	May 2020	October 2020	33,52,600
2	Jagadhri	2019-20	13	May 2020-February 2021	October 2020-April 2021	10,86,91,639
3	Karnal	2019-20	02	May 2020	October 2020	5,22,30,500
4	Panipat	2019-20	04	May 2020	January 2021-February 2021	7,19,66,300
		2020-21	04	March 2021-May 2021	April 2021-June 2021	4,14,49,814
5	Sonipat	2019-20	03	May 2020	October-November 2020	6,46,64,500
		2020-21	01	August 2020	October 2020	46,31,379
6	Gurugram (E)	2019-20	27	May 2020	November 2020	26,32,680
7	Faridabad	2019-20	04	April 2020	November 2020	3,64,55,700
8	Rewari	2019-20	1	May 2020	October 2020	1,06,90,800
	Total		60			39,67,65,912

Appendix XVII

{Refer Paragraph No. 3.4.7.2 (i)}

Details of seizure of illicit liquor during 2019-21

Sr. No	Name of office of DETCs	Period	Outstanding Amount of penalty	No. of cases	Delay in imposing penalty (in days)
1	Faridabad	2020-21	0	-	0 to 810
2	Gurugram (W)	2019-20	20,59,200	04	NIL
3	Hisar	2019-20	13,85,000	04	NIL
4	Panchkula	2020-21	0	-	88 to 1517
5	Panipat	2019-20	25,00,000	01	30 to 510
6	Sonipat	2019-20	23,60,450	07	0 to 660
		2020-21	12,000	01	0 to 840
	Total		83,16,650	17	

Appendix-XVIII

(Refer Paragraph No. 3.4.7.4)

Details of delay in destruction of in respect of SP Sonipat and Panipat for the year 2019-21**Sonipat**

Sr. No.	Name of Police Station	Delay in destruction (in months)
1	Sonipat city	3 to 18
2	Ganaur	1 to 25
3	Kharkhoda	1 to 6
4	Mohana	4 to 10
5	HSIDC	1 to 5
6	Murthal	5 to 8
7	Sadar Sonipat	1 to 11
8	Kundli	6 to 8
9	Baroda	3 to 6
10	Gohana City	6
11	Gohana Sadar	3 to 6
12	Rai	3 to 7

Panipat

Sr. No.	Name of Police Station	Delay in destruction (in months)
1	Matloda	2 to 19
2	Sector-29	6 to 9
3	Sanoli	12 to 15
4	Bapoli	3 to 21
5	Sector-13/17	9 to 21
6	Sadar Panipat	1 to 20
7	Quila	3 to 21
8	Israna	2 to 11
9	Old Industries	5 to 8
10	Samalkha	1 to 12
11	Model Town	8

Appendix XIX

(Refer Paragraph No. 3.4.7.4)

Details of seized liquor not destructed by respect of SP Sonipat and Panipat for the year 2019-21

Sonipat

Sr. No.	Name of Police Station	Closing stock of liquor (in bottles)
1	Sonipat city	888
2	Ganaur	278
3	Civil Lines	2,599.25
4	Mohana	468
5	Murthal	33.5
6	Sadar Sonipat	6,980
7	Baroda	84
8	Gohana City	104
	Total	11,434.75

Panipat

Sr. No.	Name of Police Station	Closing stock of liquor (in bottles)
1	Matloda	359 + 215 litter lahan
2	Sector-29	16,298
3	Sanoli	774
4	Bapoli	138.5
5	Sector 13/17	1,204
6	Panipat City	1,031
7	Sadar Panipat	943 + 4 Katta
8	Quila	85
9	Israna	1,257
10	Old Industries	911
11	Samalkha	2,045
	Total	2,50,455 +215 Litre Lahan + 4 Katta Liquor
	G.Total	35,739 +215 Litre Lahan + 4 Katta Liquor

Appendix XX

(Refer Paragraph No. 3.4.7.5)

Details of seized liquor not sent to the Collector by SP Sonipat and Panipat for the year 2019-20**Sonipat**

Sr. No.	Name of Police Station	Quantity of liquor in bottles	Penalty @ Rs. 50 to 500/- per bottle (in Rupees)
1	Sonipat city	126.50	6,325 to 63,250
2	Civil Lines	436.00	21,800 to 2,18,000
3	Kundli	4,556.75	2,27,838 to 22,78,375
4	Gohana City	533.25	26,663 to 2,66,625
5	Sadar Gohana	3530.00	1,76,500 to 17,65,000
	Total	9,182.50	4,59,125 to 45,91,250

Panipat

Sr. No.	Name of Police Station	Quantity of liquor in bottles	Penalty @ Rs. 50 to 500/- per bottle (in Rupees)
1	Sanoli	252.00	12,600 to 1,26,000
	G.Total	9,434.50	4,71,725 to 47,17,250

Appendix XXI

(Refer Paragraph No. 3.4.7.6)

Details of non-accountal of seized liquor (not entered in R-19) in SP Sonipat and Panipat for the year 2019-20**Sonipat**

Sr. No.	Police Station	Number of cases	Quantity (in bottle)
1	Gohana City	1	27

Panipat

Sr. No.	Police Station	Number of cases	Quantity (in bottle)
1	Old Industries	29	506
	G.Total	30	533

GLOSSARY

Glossary of Abbreviations

AAs	Assessing Authorities
AETOs	Assistant Excise and Taxation Officers
ATNs	Action Taken Notes
BEs	Budget Estimates
BIFR	Board of Industrial and Financial Reconstruction
BRC	Bank Realisation Certificate
CBIC	Central Board of Indirect Taxes and Customs
CENVAT	Central Value Added Tax
CGST	Central Goods and Service Tax
CL	Country Liquor
CST Act	Central Sales Tax Act, 1956
DETC	Deputy Excise and Taxation Commissioner
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
ETC	Excise and Taxation Commissioner
ETOs	Excise and Taxation Officers
FIRCs	Foreign Inward Remittance Certificate
FOB	Free on Board
GoI	Government of India
GST	Goods and Service Tax
GSTIN	Goods and Service Tax Identification Number
GTO	Gross Turnover
HSVP	Haryana Shahri Vikas Pradhikaran
HSAMB	Haryana State Agriculture Marketing Board
HVAT Act	Haryana Value Added Tax Act, 2003
ICEGATE	Indian Customs Electronic Gateway
IGR	Inspector General of Registration
IGST	Integrated Goods and Service Tax
IMFL	Indian Made Foreign Liquor
IOCL	Indian Oil Corporation Limited
IR Act	Registration Act, 1908
IRs	Inspection Reports
IS Act	Indian Stamp Act, 1899

ITC	Input Tax Credit
JETC	Joint Excise and Taxation Commissioner
JSR	Joint Sub Registrar
MC	Municipal Corporation
PAC	Public Accounts Committee
PAG	Principal Accountant General (Audit)
PGT	Passengers and Goods Tax
PL	Proof Litre
PSU	Public Sector Undertaking
PWD (B&R)	Public Works Department (Building and Roads)
RA	Revisional Authority
RF	Registration Fee
SGST Act	State Goods and Services Tax Act,2017
SD	Stamp Duty
SED	State Excise Duty
SR	Sub Registrar
SSCA	Subject Specific Compliance Audit
STD	Sales Tax Department
STO	State Tax Officer
TDN	Tax Demand Notice
TINXSYS	Tax Information Exchange System
UT	Union Territory
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
VAT	Value Added Tax

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