Report of the Comptroller and Auditor General of India

on

Revenue Sector

for the year ended 31 March 2014

Government of Haryana

Report No. 3 of the year 2014

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PREFACE

This Report for the year ended 31 March 2014 has been prepared for submission to the Governor of Haryana under Article 151 of the Constitution of India.

The Report contains significant results of the IT audit and compliance audit of the Departments of the Government of Haryana under the Economic/General and Social Services including Departments of Excise and Taxation, State Excise, Revenue and Disaster Management, Transport and Mines and Geology.

The instances mentioned in this Report are those which came to notice in the course of test audit done during the year 2013-14 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports; instances relating to the period subsequent to 2013-14 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 24 paragraphs including one IT Audit on 'Haryana Registration Information System' and other observations relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, passenger and goods tax, royalty etc., involving tax effect of ₹ 527.46 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2013-14 were ₹ 38,012.08 crore as compared to ₹ 33,633.53 crore during the year 2012-13. Out of this, 80 *per cent* was raised through tax revenue (₹ 25,566.60 crore) and non-tax revenue (₹ 4,975.06 crore). The balance 20 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 3,343.24 crore) and Grants-in-aid (₹ 4,127.18 crore). There was an increase in Revenue receipts over the previous year by ₹ 4,378.55 crore.

(Paragraph 1.1.1)

Test check of the records of 250 units of Sales Tax/Value Added Tax, Stamp Duty and Registration fee, State Excise, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2013-14 showed under assessments/short levy/non-levy/loss of revenue aggregating ₹ 1,625.53 crore in 5,383 cases. During the year 2013-14, the Departments accepted under assessment of ₹ 20.89 crore in 771 cases. Of these, the Department recovered ₹ 2.09 crore in 310 cases for the cases of earlier years.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

Irregular allowance of ITC in respect of sale of petroleum products (four cases), goods not sold (nine cases), pre-owned cars (12 cases), paints (eight cases), bogus claim of ITC (three cases), excess benefit of ITC (14 cases) and incorrect carry forward of ITC (eight cases) resulted in inadmissible claim of ITC of ₹ 24.22 crore.

(Paragraphs 2.2.1 to 2.2.9)

Irregular deduction of transit sale (19 cases), High Sea Sales (four cases) to turnkey contractors and wrong deduction of sale during import (two cases) resulted in under assessment of tax of ₹ 195.38 crore. Exempted (transit) sales against E-I and 'C' forms was incorrectly allowed in 32 cases which resulted in underassessment of VAT of ₹ 32.69 crore.

(Paragraphs 2.3.1.1 to 2.3.2.2)

Exemptions/concessions were allowed for the years 2009-10 to 2010-11 against fake 'C' forms which were not issued to the dealers, resulting in evasion of tax of ₹ 3.33 crore including penalty of ₹ 2.50 crore.

(Paragraph 2.6)

Irregular deduction of ₹ 107.88 crore treating as SEZ sale to the dealer, resulting in under assessment of tax of ₹ 8.03 crore including interest of ₹ 3.65 crore in two cases.

{Paragraphs 2.8 (i) and (ii)}

3. Chapter-III

State Excise

No action was taken to recover the differential amount of license fee of ₹ 23.70 crore from 74 defaulting allottees of retail liquor outlets, after re-auction of vends under the risk and cost clause of the contract conditions.

(Paragraph 3.2)

Non-observance of Rules 12 and 13 of the Haryana Imposition and Recovery Rules resulted in non-recovery of penalty of ₹ 69.04 lakh in 27 cases.

(Paragraph 3.3)

4. Chapter-IV

Stamp Duty

IT Audit on **"Haryana Registration Information System"** showed the following:

Lack of input controls in HARIS IT application led to misclassification of 254 sale documents resulting in irregular remission of stamp duty of ₹ 70.90 crore.

(Paragraph 4.2.7.1)

Deficient design of the application to capture details of properties being exchanged resulted in short realisation of stamp duty of ₹ 4.06 crore in 13 cases.

(Paragraph 4.2.7.7)

Non-mapping of locations falling within MC limits led to non-levy of two *per cent* additional stamp duty of ₹ 31.62 crore in 3,497 cases.

{Paragraph 4.2.8.5 (ii)}

Non-incorporation of appropriate validation checks in IT application led to wrong remission of stamp duty of ₹ 70.25 crore in 334 documents.

{Paragraph 4.2.8.7 (i)}

Deficient validation checks on the transactions made within MC limits with area less than 1,000 square yards led to short levy of stamp duty of ₹ 19.90 crore in 1,213 cases.

{Paragraph 4.2.8.8 (i)}

Failure of the department to reconcile the entries of receipts recorded in the manual cash book with the system generated cash book resulted in shortage of ₹ 74.83 lakh.

{Paragraph 4.2.9.1(i)}

Transaction audit

Failure to identify and record Khasra number of prime land/colonies/wards/ sectors and land falling within MC limit in the Collector rate list and non observance of the instructions for cases decided by the Collectors within two months resulted in short realisation of revenue of ₹ 14.75 crore in 782 cases.

(Paragraphs 4.3.1 to 4.3.5)

Misclassification of sale deeds as collaboration agreements instead of agreement to sell in 10 agreements resulting in short levy of stamp duty of ₹ 2.32 crore.

(Paragraph 4.4)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Excise and Taxation Department (Passengers and Goods Tax)

Passengers tax amounting to ₹ 34.67 lakh including interest of ₹ 10.20 lakh was not realised by the Department in respect of 53 private bus operators.

(Paragraph 5.2)

6. Chapter-VI

Non-tax Receipts

Mines and Geology Department

Failure to take timely action to recover the bid money from the five contractors resulted in short realisation of ₹ 4.43 crore (including interest of ₹ 2.55 crore). Royalty and interest of ₹ 66.27 lakh was not realised from 151 BKOs.

(Paragraphs 6.2.2 and 6.2.3)

Transport Department

Adda fees was not collected in respect of 194 permits (Faridabad: 67 and Gurgaon: 127) issued to private operators for city bus service amounting to ₹ 7.55 crore and service tax from shop contractors amounting to ₹ 16.83 lakh in respect of 10 Depots for the years 2009-10 to 2013-14. An amount of ₹ 571.08 crore was pending as on 31 March 2014 from various departments in respect of free/concession facility.

(Paragraphs 6.3.2, 6.3.3 and 6.3.5)

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 during the year 2013-14, 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 and the corresponding figures for the preceding four years are mentioned in **Table 1.1**.

Table 1.1
Trend of revenue receipts

(₹ in crore)

Sr. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	**Revenue raised by the State Government**					
	• Tax revenue	13,219.50	16,790.37	20,399.46	23,559.00	25,566.60
	• Non-tax revenue	2,741.40	3,420.94	4,721.65	4,673.15	4,975.06
	Total	**15,960.90**	**20,211.31**	**25,121.11**	**28,232.15**	**30,541.66**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties[1]	1,774.47	2,301.75	2,681.55	3,062.13	3,343.24
	• Grants-in-aid	3,257.29	3,050.62	2,754.93	2,339.25	4,127.18
	Total	**5,031.76**	**5,352.37**	**5,436.48**	**5,401.38**	**7,470.42**
3.	**Total revenue receipts of the State Government (1 and 2)**	**20,992.66**	**25,563.68**	**30,557.59**	**33,633.53**	**38,012.08**
4.	**Percentage of 1 to 3**	**76**	**79**	**82**	**84**	**80**

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 30,541.66 crore) was 80 *per cent* of the total revenue receipts. The balance 20 *per cent* of the receipts during the year 2013-14 was from the Government of India.

1.1.2 The details of tax revenue raised during the period 2009-10 to 2013-14 are given in **Table 1.1.2**.

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1 For details please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 2013-14. Figures under the head 0021 - Taxes on income other than corporation tax - share of net proceeds assigned to States booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

Table 1.1.2
Details of Tax Revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase(+) or decrease(-) in 2013-14	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE 2013-14	Actual 2013-14 over 2012-13
1.	Taxes on sales trade etc/value added tax (VAT)	10,740.00	9,032.37	11,500.00	11,082.01	14,100.00	13,383.69	16,450.00	15,376.58	19,288.61	16,774.33	(-) 13.04	(+) 9.09
2.	State Excise	1,700.00	2,059.02	2,100.00	2,365.81	2,400.00	2,831.89	3,000.00	3,236.48	4,000.00	3,697.35	(-) 7.57	(+) 14.24
3.	Stamps and registration fees	1,225.00	1,293.56	1,900.00	2,319.28	2,350.00	2,793.00	3,000.00	3,326.25	3,850.00	3,202.48	(-) 16.82	(-) 3.72
4.	Taxes on goods and passengers	425.00	391.45	425.00	387.14	425.00	429.32	450.00	470.76	520.00	497.45	(-) 4.34	(+) 5.67
5.	Taxes on vehicles	375.00	277.07	350.00	457.36	515.00	740.15	750.00	887.29	850.00	1,094.86	(+) 28.81	(+) 23.39
6.	Taxes and duties on electricity	130.00	119.58	140.00	130.27	155.00	166.43	160.00	191.96	201.40	219.20	(+) 8.84	(+) 14.19
7.	Land revenue	13.50	9.43	13.79	10.02	16.09	10.95	15.28	12.98	19.33	12.42	(-)35.75	(-) 4.31
8.	Other taxes and duties on commodities and services	38.00	37.02	40.50	38.48	45.80	44.03	48.00	56.70	55.00	68.51	(+) 24.56	(+) 20.83
	Total	**14,646.50**	**13,219.50**	**16,469.29**	**16,790.37**	**20,006.89**	**20,399.46**	**23,873.28**	**23,559.00**	**28,784.34**	**25,566.60**	**(-) 11.18**	**8.52**

The above table shows that there is a nominal decrease in actual figures over budget estimates (BEs) (11.18 *per cent*) during the year 2013-14. However, the respective Departments reported the following reasons for variation:

- **Stamps and registration fees:** The decrease in actual receipts to budget estimates (16.82 *per cent*) was due to less registration of documents of immovable/movable property.

- **Taxes on vehicles:** The increase in actual receipts to budget estimates (28.81 *per cent*) was due to increase of Road Tax with effect from 01 April 2013 and mobilisation of additional resources by making good efforts to realise tax/fine.
- **Land Revenue:** The decrease in actual receipts to budget estimates (35.75 *per cent*) was due to less recovery of mutation fee, copying fee and revenue talabana[2].

The respective Departments reported the following reasons for variation in revenue receipts during the year 2013-14 over 2012-13:

- **State Excise:** The increase in revenue receipts (14.24 *per cent*) was due to increase in the rates of Excise duty of Country Liquor (CL), Indian Made Foreign Liquor (IMFL) and Beer as well as increase in the license fee of CL, IMFL. The variation is also due to better formulation and implementation of Excise Policy for the year 2013-14.
- **Taxes on vehicles:** The increase in revenue receipts (23.39 *per cent*) was due to more receipt under Indian Motor Vehicle Act and other receipts.
- **Taxes and duties on electricity:** The increase in revenue receipts (14.19 *per cent*) was due to higher receipt under Electricity Rules.

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 1.1.3**:

Table 1.1.3
Details of Non-tax revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase(+) or decrease (-) in 2013-14	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE 2013-14	Actual 2013-14 over 2012-13
1.	Urban development	1,200.00	133.70	700.00	974.54	1,300.00	1,039.35	1,150.00	990.70	1,200.00	1,104.54	(-) 7.96	(+) 11.49
2.	Road transport	750.00	699.57	900.00	761.72	1,100.00	852.96	1,150.00	999.87	1,315.00	1,097.54	(-)16.54	(+) 9.77
3.	Interest receipts	578.35	667.88	864.70	689.34	816.49	864.96	1,080.04	1,058.21[3]	1,090.12	1,090.71	(+) 0.05	(+) 3.07

2 Charges for serving summons.

3 Includes ₹454.33 crore in book adjustment of interest on irrigation project capital interest.

Sr. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase(+) or decrease (-) in 2013-14	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE 2013-14	Actual 2013-14 over 2012-13
4.	Education, sports, art and culture	146.11	285.10	154.40	270.37	299.47	295.72	386.41	385.43	438.14	318.94	(-) 27.21	(-) 17.25
5.	Miscellaneous general services	98.23	95.93	1.78	(-) 9.75[4]	1.04	128.49	1.30	312.30	5.89	268.37	(+) 4,456.37	(-) 14.07
6.	Medical and public health.	73.45	30.23	84.99	47.06	102.99	54.79	109.63	78.01	163.48	148.07	(-) 9.43	(+) 89.81
7.	Non-ferrous mining and metallurgical industries	250.00	247.49	200.00	82.59	75.00	75.53	225.00	75.49	150.00	79.10	(-) 47.27	(+) 4.78
8.	Other administrative services	106.86	96.81	147.47	115.63	170.76	99.95	156.00	125.86	136.80	144.35	(+) 5.52	(+) 14.69
	Major and medium irrigation	128.00	218.56	188.44	202.26	142.44	583.16	194.56	139.12	213.68	95.04	(-) 55.52	(-) 31.68
	Police	45.00	35.11	61.99	61.53	71.42	62.64	83.22	63.73	158.20	80.38	(-) 49.19	(+) 26.13
	Forestry and wildlife	38.00	56.13	40.00	44.32	61.00	39.12	45.00	41.36	45.00	37.37	(-) 16.96	(-) 9.65
	Other non-tax receipts.	186.01	174.89	204.74	181.33	220.73	624.98	223.39	403.07	246.17	510.65	(+) 107.44	(+) 26.69
	Total	**3,600.01**	**2,741.40**	**3,548.51**	**3,420.94**	**4,361.34**	**4,721.65**	**4,804.55**	**4,673.15**	**5,162.48**	**4,975.06**	**(-) 3.63**	**(+) 6.46**

The above table shows that there is a nominal decrease in actual figures over budget estimates (3.63 *per cent*) during the year 2013-14. However, the respective Departments reported the following reasons for variation:

- **Road Transport:** The decrease in actual receipts to budget estimates (16.54 *per cent*) was due to shortage of bus drivers.
- **Major and medium irrigation:** The decrease in actual receipts to budget estimates (55.52 *per cent*) was due to non-full realisation of revenue receipts from Public Health Engineering Department for sale of raw water and ban of Mining by Hon'ble Courts.

4 Due to more refunds than receipts.

- **Forestry and wildlife:** The decrease in actual receipts to budget estimates (16.96 *per cent*) was due to availability of less volume of falling trees.

The respective Departments reported the following reasons for variation in revenue receipts during the year 2013-14 over 2012-13:

- **Urban development:** The increase in revenue receipts (11.49 *per cent*) was due to more receipt on account of other receipts.
- **Medical and Public Health:** The increase in revenue receipts (89.81 *per cent*) was due to more receipts from Employees State Insurance Scheme.
- **Major and medium irrigation:** The decrease in revenue receipts (31.68 *per cent*) was due to less receipt on account of other receipts.

The other Departments despite being requested (November 2014) did not intimate the reasons for variations in receipts from that of the previous year 2012-13.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on some principal heads of revenue amounted to ₹ 6,607.35 crore of which ₹ 5,046.15 crore was outstanding for more than five years, as detailed in the **Table 1.2.**

Table 1.2
Arrears of revenue

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2014	Amount out-standing for more than five years as on 31 March 2014	Replies of Department
1	Taxes on sales, trade/VAT etc.	5,922.10	4,770.61	Recovery of ₹ 594.14 crore was stayed by the High Court and other judicial authorities, ₹ 22.72 crore were held up due to the dealers becoming insolvent, ₹ 55.82 crore were proposed to be written off, ₹ 436.69 crore were held up due to rectification, review and appeal. Recovery of ₹166.09 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Recovery of ₹10.74 crore was being made in instalments. Balance amount of ₹ 4,635.90 crore was at different stages of action.
2	State Excise	135.00	83.79	Recovery of ₹ 3.76 crore was stayed by High Court and other judicial authorities, ₹ 0.28 crore was likely to be written off. ₹ 2.13 crore was outstanding due to case pending with official liquidator/BIFR. Recovery of ₹ 5.88 crore was being made in instalments. Recovery of ₹ 29.49 crore was due to Inter State and Inter Districts arrears respectively. ₹ 2.24 crore was held up for review/rectification application. Balance of ₹ 91.22 crore was outstanding at different stages of action.

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2014	Amount out-standing for more than five years as on 31 March 2014	Replies of Department
3	Taxes and duties on electricity	149.86	99.98	₹ one crore was recoverable from M/s Haryana Concast Hisar, ₹ 38 lakh from M/s Rama Fibers Bhiwani, ₹ 30 lakh from M/s Dadri Cements, Charkhidadri and ₹ 16 lakh from M/s Competent Alloys Ballabhgarh. ₹148.02 crore was pending against the consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL).
4	Taxes on goods and passengers	51.24	14.34	An amount of ₹ 47.16 crore was outstanding at different stages of action and ₹ 4.08 crore on account of demand covered by recovery certificates and ₹ 27,000 was written off.
	Tax on entry of goods into local areas(Local Area Development Tax)	209.96	43.14	Recovery of ₹ 156.87 crore was stayed by the High Court, judicial and other Departmental authorities. Recovery of ₹ 37 lakh was being made in instalments. Balance amount of ₹ 52.72 crore was outstanding at different stages of action
5	Police	106.53	8.11	₹ 7.38 crore was due from Indian Oil Corporation up to 31 March 2007. The matter of recovery from IOC in Haryana State is pending at the level of State Government. ₹ 52 lakh from other states for Law and Order duty and election duty, ₹ 29 lakh is recoverable from Bhakra Beas Management Board (BBMB), Faridabad and ₹ 98.34 crore was recoverable from other States for election duties.
6	Other taxes and duties on commodities and service Receipts under Entertainment duty and show tax	7.91	7.35	Recovery of ₹ 7.62 crore had been stayed by the High Court and other judicial authorities, ₹ one lakh was likely to be written off. Balance amount of ₹ 28 lakh was at different stages of action.
7	Non-ferrous mining and metallurgical industries	24.75	18.83	Demand of ₹ 15.78 crore was covered by recovery certificates. ₹ 0.58 crore was stayed by the High Court and other judicial authorities. ₹ 1.31 crore likely to be written off. ₹ five crore was due as Inter State and Inter district arrears. ₹ 2.08 crore was outstanding at different stages of action.
	Total	**6,607.35**	**5,046.15**	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, 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, luxury tax, tax on works contracts and Passengers and Goods Tax (PGT) was as below in **Table 1.3.**

Table 1.3
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases disposed of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on Sales, trade/VAT	2,95,839	2,51,034	5,46,873	2,95,703	2,51,170	54
Taxes on goods and passengers	2,283	973	3,256	1,207	2,049	37

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.4.**

Table 1.4
Evasion of Tax

(₹ in crore)

Sr. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	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 2014
					Number of cases	Amount of demand	
1	Tax on sales trade/VAT etc.	74	1,383	1,457	1,420	869.66	37
2	State excise	664	2,540	3,204	2,509	1.58	695
3	Tax on goods and passengers	1,308	7,436	8,744	7,270	6.51	1,474
Total		**2,046**	**11,359**	**13,405**	**11,199**	**877.75**	**2,206**

It would be seen from the above table that the number of cases pending at the end of the year has increased in comparison to the number of cases pending at

the beginning of the year in case of tax on Goods and passengers and State Excise.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Department is given in **Table 1.5.**

Table 1.5
Details of refund cases

(₹ in crore)

Sr. No.	Particulars	Sale tax/VAT		State Excise	
		Number of cases	Amount	Number of cases	Amount
1	Claims outstanding at the beginning of the year	374	95.27	23	0.34
2	Claims received during the year	3,293	632.59	406	8.06
3	Refunds made during the year	3,141	677.77	384	7.81
4	Balance outstanding at the end of year	526	50.09	45	0.59

1.6 Response of the Government/Departments towards audit

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

Inspection reports issued up to December 2013 disclosed that 4,579 paragraphs involving ₹ 3,084.83 crore relating to 1,919 IRs remained outstanding at the end of June 2014 as mentioned below along with the corresponding figures for the preceding two years in **Table 1.6.**

Table 1.6
Detail of pending Inspection Report

			(₹ in crore)
	June 2012	**June 2013**	**June 2014**
Number of IRs pending for settlement	2,268	1,890	1,919
Number of outstanding audit observations	4,507	4,464	4,579
Amount of revenue involved (₹ in crore)	1,023.95	1,871.65	3,084.83

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 1.6.1.**

Table 1.6.1
Department-wise details of IRs

					(₹ in crore)
Sr. No.	**Name of the Department**	**Nature of receipts**	**Number of outstanding IRs**	**Number of outstanding audit observations**	**Money value involved**
1	Excise and Taxation	Sales /VAT	251	1,691	2,892.32
		State Excise	119	201	71.03
		Taxes on goods and passengers	166	296	19.48
		Entertainment duty and show tax	18	20	10.95
2	Revenue	Stamps and registration fees	805	1,610	62.37
		Land Revenue	127	185	0.50
3	Transport	Taxes on vehicles	315	429	10.62
4	Power	Taxes and duties on electricity	8	8	0.46
5	Mines and Geology	Non-ferrous mining and metallurgical industries	110	139	17.10
Total			**1,919**	**4,579**	**3,084.83**

Audit did not receive even the first replies from the heads of offices within four weeks from the date of receipt of the IRs for 181 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies was indicative of the fact that the heads of offices and the Departments did not

initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table 1.6.2**.

Table 1.6.2
Details of Departmental audit committee meetings

(₹ in crore)

Sr. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
1	Excise and Taxation Department (Sales Tax)	6	331	56.39
2	Excise and Taxation Department (State Excise)	2	38	11.63
3	Transport Department	1	19	0.19
4	Revenue Department	2	26	0.14
	Total	**11**	**414**	**68.35**

1.6.3 Non-production of records to audit for scrutiny

During the year 2013-14 as many as 60 assessment files, returns, refunds registers and other relevant records were not made available to audit involving tax effect of ₹ 18.65 crore. Break up of these cases is given in **Table 1.6.3.**

Table 1.6.3
Details of non-production of records

(₹ in crore)

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited	Tax amount
DETC(ST) Jagadhari	2013-14	25	3.93
DETC (ST) Gurgaon (East)	2013-14	35	14.72
	Total	**60**	**18.65**

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty eight draft paragraphs including one IT audit were sent to the Additional Chief Secretaries of the respective Departments between April and July 2014. Departmental replies were received in all cases. Replies in four cases were received from Government. The replies received had been suitably incorporated.

1.6.5 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 the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed, eighty two paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Haryana for the year ended 31 March 2010, 2011, 2012 and 2013 were placed before the State Legislature Assembly between March 2011 and March 2014. The action taken notes (ATNs) from the concerned Departments on these paragraphs were received late with average delay of 36 months in respect of each of these Audit Reports, respectively. Action taken notes in respect of 41 paragraphs from four departments (Excise and Taxation, Transport, Revenue and Mines and Geology) as mentioned in **Annexure I** had not been received for the Audit Reports year ended 31 March 2010 to 31 March 2013 so far (October 2014).

The PAC discussed 28 selected paragraphs pertaining to the Audit Reports for the year 2008-09 and its recommendations on 24 paragraphs were incorporated in their 70th Report for the year 2013-14. 780 recommendations pertaining to the period 1979-80 to 2007-08, contained in 22nd to 70th Reports of PAC as mentioned in **Annexure II** were still pending for want of final corrective action to be taken by the concerned Departments. ATNs have not been received in respect of 780 recommendations of the PAC from 19 Departments as mentioned in **Annexure III.**

1.7 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 1.7.1 to 1.7.2 discuss the performance of the Motor Vehicles (Transport Department) under revenue head 0041 and cases detected in the course of local audit during the last 10 years included in the Audit Reports for the year 2003-04 to 2012-13.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in below **Table 1.7.1.**

Table 1.7.1
Position of Inspection Reports

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
2004-05	240	348	620.17	37	68	244.18	42	81	223.87	235	335	640.48
2005-06	235	335	640.48	47	82	252.40	70	97	192.55	212	320	700.33
2006-07	212	320	700.33	48	64	269.62	50	96	105.00	210	288	864.95
2007-08	210	288	864.95	64	77	142.48	10	25	84.19	264	340	923.24
2008-09	264	340	923.24	52	86	248.60	41	26	103.90	275	400	1,067.94
2009-10	275	400	1,067.94	48	98	150.82	58	129	408.04	265	369	810.72
2010-11	265	369	810.72	60	103	242.79	77	139	257.35	248	333	796.16
2011-12	248	333	796.16	36	62	162.08	14	35	152.22	270	360	806.02
2012-13	270	360	806.02	32	77	132.80	12	30	64.95	290	407	873.87
2013-14	290	407	873.87	53	123	319.97	31	76	146.11	312	454	1,047.67

The Government arranges ad-hoc Committee meetings between the Department and PAGs office to settle the old paragraphs. As would be evident from the above table, against 240 outstanding IRs with 348 paragraphs as on start of 2004-05, the number of outstanding IRs increased to 312 with 454 paragraphs at the end of 2013-14.

1.7.2 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 **Table 1.7.2.**

Table 1.7.2
Recovery of accepted cases

(₹ in crore)

Year of the audit report	Number of paragraphs included	Money value of the paragraph	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative positions of recovery of accepted cases
2003-04	03	3.79	02	1.84	Nil	0.06
2004-05	01	20.97	01	20.97	Nil	1.33
2005-06	03	18.69	03	18.69	0.01	0.10
2006-07	03	1.20	02	0.55	0.19	0.19
2007-08	05	3.15	05	3.15	Nil	0.35
2008-09	02	0.63	02	0.63	0.08	0.38
2009-10	02	0.81	02	0.81	0.07	0.28
2010-11	01	0.35	01	0.35	0.06	0.26
2011-12	01	0.34	01	0.34	0.18	0.29
2012-13	01	1.33	01	1.33	0.22	0.22
Total	**22**	**51.26**	**20**	**48.66**	**0.81**	**3.46**

It is evident from the above table that the progress of recovery even in accepted cases was very slow (seven *per cent*) during the last 10 years.

The department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.8 Action taken on the recommendations accepted by the Departments/Government

The IT Audit and Performance Audit conducted by the PAG/AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These IT/Performance Audits were also discussed in exit conference and the Departments/Governments views were included while finalising the reviews for the Audit Reports.

The IT Audit titled 'Computerisation in Motor Vehicles Department' and Performance Audit 'Receipts from Taxes on Motor Vehicles' of Transport Department, Haryana featured in the Report for the years 2010-11 and

2012-13 respectively along with 11 recommendations were yet to taken up for discussion in the PAC.

1.9 Internal Audit

The Finance Department has an overall administrative control over the posting/deployment of SAS passed personnel in various departments. The Department concerned are responsible for formulation and execution of action plan for internal audit to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

During the year 2013-14, out of 300 units planned for audit, Internal Audit Cell audited 205 units (68 *per cent*) as detailed in **Table 1.9.**

Table 1.9
Internal Audit

Receipts	Number of units Planned	Number of units audited
Stamp Duty	119	119
State Excise	58	13
VAT/Sales Tax	21	Nil
Motor Vehicle Tax	79	66
Passengers and Goods Tax	23	7
Total	**300**	**205**

The irregularities discussed in the paragraphs of Chapters II to VI are indicators of ineffective internal control mechanism as none of the irregularities pointed out by us were detected by the internal audit parties.

1.10 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia includes critical issues in Government revenues and tax administration i.e. budget speech, white paper on State finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2013-14, there were 501 auditable units, of which 255 units were planned and 250 units audited.

1.11 Results of audit

Position of local audits conducted during the year

Test check of the records of 250 units of sales tax/Value Added Tax, Stamp duty and Registration fee, State Excise, Motor Vehicles, Goods and Passengers and other Departmental offices conducted during the year 2013-14 showed under assessment/short levy/loss of revenue aggregating to ₹ 1,625.53 crore in 5,383 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 20.89 crore involved in 771 cases which were pointed out in audit during 2013-14. The Departments collected ₹ 2.09 crore in 310 cases during the 2013-14.

1.12 Coverage of this Report

This Report contains 24 paragraphs including one IT audit on **'Haryana Registration Information System' (HARIS)** involving financial effect of ₹ 527.46 crore.

The Departments/Government have accepted audit observations involving ₹ 323.74 crore out of which ₹ 0.91 crore had been recovered in five paragraphs. These are discussed in succeeding Chapter II to VI.

CHAPTER-II

TAXES/VAT ON SALES, TRADE

CHAPTER II: TAXES/VAT ON SALES, TRADE

2.1.1 Tax administration

Sales Tax/Value Added Tax laws and rules framed thereunder are administered at the Government level 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 nine Additional ETC, 10 Joint ETCs, 50 Deputy ETCs and 203 Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering in the relevant Tax laws and rules.

2.1.2 Results of audit

In 2013-14, test check of the records of 40 (Revenue units: 32 and expenditure unit: 8) relating to VAT/Sales tax assessments and other records showed underassessment of tax and other irregularities involving ₹ 1,308.59 crore, in 1,169 cases, which fall under the following categories in **Table 2.1.**

Table-2.1

			(₹ in crore)
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Incorrect exemption of transit sale	1	228.07
2.	Input tax credit of VAT	1	24.22
3.	Underassessment of Tax	536	621.65
4.	Acceptance of defective statutory 'Forms'	181	160.98
5.	Evasion of tax due to suppression of sales/purchase	67	10.53
6.	Irregular/Incorrect/excess allowance of ITC	105	39.76
7.	Other irregularities	278	223.38
	Total	**1,169**	**1,308.59**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹11.83 crore in 164 cases, out of which ₹ 4.40 lakh involved in 14 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 1.10 crore in 117 cases of which 14 cases involving ₹ 3.72 lakh during the year and rest in earlier years.

A few illustrative cases involving ₹ 266.99 crore are discussed in following paragraphs.

Audit Findings

2.2 Input Tax credit of VAT

In the State of Haryana, VAT was introduced with effect from 1st April 2003. A dealer is liable to pay the net tax after adjustments of ITC. The ITC can be claimed only on purchases made locally i.e. within the State and both the purchasing and selling dealers should be registered under HVAT Act. Further, Section 8 of the Act read with Schedule E and rules 20 and 40 as amended from time to time, regulates the admissibility, computation, denial and reversal of Input Tax Credit (ITC). VAT also required computerisation within the department at a certain minimum level to detect fraudulent claims of ITC and verification of sale/purchase transactions among the dealers. The Management Information System (MIS), an integral part of computerisation, helps in making the department more efficient, responsive and accountable.

Audit was conducted during March to June 2014 for the period 2008-09 to 2012-13 and covered 12[1] DETC (ST) offices out of 23 DETC (ST) offices selected on random sample selection basis by applying probability proportional to size method (without replacement). The views expressed by Government during exit conference have been considered and suitably incorporated.

2.2.1 Incorrect claim of ITC

As per the provisions of Section 8 of HVAT Act, read with corresponding rules, ITC is admissible to a dealer on account of tax paid to the State by the selling dealers on sale of goods to him against his output tax on sale of goods as such or the goods manufactured therefrom except export of goods out of the territory of India. In case the goods or the goods manufactured therefrom are disposed of in the circumstances prescribed in Schedule 'E', the ITC shall be disallowed accordingly and if the goods are disposed of partly in the circumstances specified in Schedule "E" and partly otherwise, the ITC shall be allowed on pro-rata basis. Thus, the stock of goods or the goods manufactured therefrom happens to be nil, the excess ITC remaining unadjusted, if any, shall lapse to the Government account. Further, section 38 of HVAT Act, 2003 provides for levy of penalty of a sum of thrice the amount of tax avoided besides tax.

During audit of DETC (ST) Rewari, we noticed during December 2011 and August 2013 that a dealer was included in the list of Oil Companies w.e.f. 06.10.2006. The company purchased 114176 Kilo liters (KL) petrol and diesel worth ₹ 373.03 crore after payment of VAT ₹ 16.13 crore from other oil companies in the State and sold the entire stock at lower price for

[1] Ambala, Faridabad (E), Faridabad (W), Gurgaon (E), Gurgaon (W), Jagadhri, Kurukshetra, Panchkula, Panipat, Rewari, Sirsa and Sonepat.

₹ 327.09 crore. The dealer was not entitled to claim ITC for the corresponding value of loss because no stock was left. The inadmissible claim of ITC was ₹ 3.36 crore[2] .

During exit conference the Government accepted the audit observation and stated that remedial measures were under process to rectify the mistake.

2.2.2 ITC allowed on Petroleum Products

As per provisions of Section 8 of HVAT Act read with Schedule 'E' (item-1) no ITC is admissible on petroleum products when used as fuel. The issue was also confirmed (August 2011) by the State Government.

During test check of record of four DETC (ST) offices[3], we noticed that four dealers in four cases purchased HSD, Furnace Oil and LPG worth ₹ 4.72 crore during 2006-07 to 2010-11 and used the same as fuel. As such, no ITC was admissible to the dealers. The AAs, while finalising the assessment in these cases between November 2009 and February 2013 allowed ITC. This resulted in excess grant of ITC of ₹ 38.48 lakh.

During exit conference the Government accepted the audit observation.

2.2.3 ITC allowed on goods not sold

As per provisions of Section 8 of HVAT Act 2003, ITC on purchase of goods is admissible against tax liability on sale of goods as such or the goods manufactured therefrom in the State or interstate trade and commerce except export of goods outside the territory of India. The Government also clarified (April 2013) that no ITC was admissible if the Duty Entry Pass Book (DEPB)/import license purchased is not sold and is used for adjustment of customs duty payable.

During test check of record of four DETC (ST) offices[4], we noticed that nine dealers in nine cases purchased DEPB/Import License worth ₹ 16.36 crore after payment of VAT of ₹ 0.66 crore during 2006-07 and 2009-10. The dealers used the same for adjustment of customs duty payable by them. As the goods were not sold by the dealers, no ITC was admissible. The AAs, while finalising assessments in these cases between March 2010 and March 2013, allowed ITC claims of the dealers. This resulted in incorrect grant of ITC of ₹ 0.66 crore.

During exit conference the Government accepted the audit observation and stated that remedial measures were under process to rectify the mistake.

2.2.4 Incorrect/ less reversal of ITC

As per provisions of Section 8 of HVAT Act, 2003 read with corresponding Rules and entry 5 (iii) & (iv) of Schedule 'E', if ITC in respect of any goods

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2 Including brought forward loss of ₹ 1.33 crore for the year 2006-07.

3 Faridabad (W), Gurgaon (E), Kaithal and Panipat.

4 Faridabad (W), Gurgaon (E), Rewari and Sonepat.

purchased from within the State has been availed of, but such goods are sold as tax free or subsequently used or disposed of in the circumstances mentioned in the Schedule *ibid,* ITC in respect of such goods shall be reversed.

During test check of record of 11 DETC (ST) offices[5], we noticed that 29 dealers in 30 cases transferred/consigned goods out of State or disposed of them otherwise than by sale or sold tax free worth ₹ 874.81 crore and therefore, ITC of ₹ 8.03 crore was reversible in view of aforesaid provisions of the Act. The AAs, while finalising assessments in these cases between March 2009 and March 2013, had reversed ITC of ₹ 3.01 crore only. This resulted in short/less reversal of ITC of ₹ 5.02 crore.

On this being pointed out between March 2010 and May 2014, the department stated (October 2014) that in six cases, demand of ₹ 9.62 lakh had been created which had been recovered/adjusted.

During exit conference the Government accepted the audit observation and stated that remedial measures were under process to rectify the mistake.

2.2.5 Incorrect ITC allowed on Pre-Owned Cars

As per provisions of Section 45 of HVAT Act, read with Schedule 'G', tax on first sale of pre-owned cars (POCs) by a dealer registered under the Act is ₹ 3,000 per car having engine capacity upto 1000 CC and ₹ 5000 per car having engine capacity above 1000 CC. When tax is payable/charged at a lump sum rate, no ITC is admissible to the dealer.

2.2.5.1 During audit of three DETC (ST) offices[6], we noticed during April and May 2014 that three dealers in 12 cases purchased POCs worth ₹ 26.34 crore from a registered dealer of Gurgaon (East) during 2005-06 to 2009-10 after payment of VAT ₹ 3.29 crore at the rate of 12.5 *per cent*. The dealers paid tax on the sale of these cars at a lump sum rate in view of the aforesaid provisions of the Act and claimed ITC. The AAs, while finalising assessments in these cases during April and May 2014 allowed ITC claims of the dealers. This was not correct as the POCs were sold at a lump sum rate and ITC in these cases was not allowable which resulted in incorrect allowing of ITC of ₹ 3.18 crore[7].

2.2.5.2 In another case of DETC (ST) Jagadhri, we noticed during May 2014 that a dealer in five cases purchased vehicles (Including POCs) worth ₹ 148.92 crore during 2005-06 to 2009-10 and claimed ITC of ₹ 18.59 crore. The AA, while finalising assessments during March 2009 and March 2010 disallowed ITC claim of ₹ 10.69 lakh for the year 2005-06 and 2006-07 after due deliberation whereas the AAs, while finalising assessments between March 2011 and March 2013, failed to do so for the years 2007-08 to 2009-10.

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5 Faridabad (E), Faridabad (W), Gurgaon (E), Gurgaon (W), Jhajjar, Panchkula, Palwal, Panipat, Rewari, Rohtak and Sonepat.

6 Faridabad (E), Gurgaon (W) and Jagadhri.

7 (₹ 3.29 crore ITC claimed less disallowed ₹ 0.11 crore during 2006-07 in one case).

During exit conference the Government stated that the matter would be reviewed by the Higher Authorities of the Department.

2.2.6 Incorrect ITC allowed on Paints

During test check of two DETC (ST) offices[8], we noticed that two dealers in eight cases purchased paint worth ₹ 6.12 crore from VAT dealers after payment of VAT of ₹ 75.92 lakh and claimed ITC. The paint was used in service/repair and maintenance of POCs as there was no output tax on paint, no ITC was admissible to the dealers. The AAs, while finalising assessments in these cases between March 2009 and March 2013 admitted the claim of the dealers. This resulted in allowing of incorrect ITC of ₹ 75.92 lakh. It would also be pertinent to mention here that the AA had disallowed ITC of ₹ 1.54 lakh on this account in the case of same dealer for the years 2005-06 and 2006-07.

During exit conference the Government agreed to review the facts in five cases of DETC (ST) Gurgaon.

2.2.7 Non levy of tax and penalty on bogus claim of ITC

Section 38 of the Act provides for penal action (Tax avoided/benefit claimed and three times penalty) for claims on the basis of bogus documents, false information and incorrect accounts etc.

In two DETC (ST) offices[9], we noticed between February 2012 and April 2014 that three dealers in three cases claimed ITC of ₹ 1.70 crore on purchases of ₹ 14.54 crore (₹ 2.11 crore after manipulating the documents in two cases and ₹ 12.43 crore from a non- existing dealer in one case) during 2005-06 and 2009-10. In first two cases the *mens-rea* of the dealers was very much proved in the orders passed by the AA/RA wherein ITC of ₹ 14.93 lakh was disallowed but penalty of ₹ 44.78 lakh was not levied. The AA, while finalising assessment during December 2012 in one case, allowed ITC without verification of purchases which resulted in incorrect grant of ITC of ₹ 1.55 crore and penalty of ₹ 4.66 crore was also not levied.

During exit conference the Government agreed to issue necessary instructions/guidelines in this regard.

2.2.8 Excess benefit of ITC

ITC is admissible on purchases of the dealers made from within the State after payment of VAT and paid to the State by the selling dealers. The purchases are adopted as per the books of accounts/returns and reconciliation statement filed by the dealer.

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8 Gurgaon (W) and Jagadhri.

9 Faridabad (W) and Panchkula.

During audit of records of eight DETC (ST) offices[10], we noticed between March 2010 and May 2014 that 14 dealers in 14 cases claimed ITC of ₹ 225.44 crore as per the returns/accounts filed. The AAs, while finalising assessments in these cases between March 2009 and March 2013, allowed ITC of ₹ 229.32 crore. This resulted in excess grant of ITC of ₹ 3.88 crore.

On this being pointed out, the department stated (October 2014) that in three cases demand of ₹ 3.11 lakh had been created and adjusted/recovered and two cases had been sent to Revisional Authority for suo motu action.

During exit conference the Government stated that in one case, a dealer had three units and the material was transferred from the main unit to another unit. The main unit did not claim ITC on the transferred goods and the receiving units claimed such ITC though these were not booked in the purchase account but such purchases are booked by the purchasing unit/transferring unit. The reply of the Government was not tenable as the unit was availing the benefit of deferment and as such assessment was to be framed with respect to the restrictions and conditions governing the scheme and ITC was required to be allowed as per the allocation made by the dealer in respect of this unit.

2.2.9 Incorrect carry forward of Input Tax Credit

As per the provisions of Section 8 of HVAT Act read with corresponding rules, ITC is admissible to a dealer on account of tax paid to the State by the selling dealers on sale of goods to him against his output tax on sale of goods as such or the goods manufactured therefrom. In case the goods or the goods manufactured therefrom are disposed of in the circumstances prescribed in Schedule 'E', the ITC shall be disallowed accordingly and if the goods are disposed of partly in the circumstances specified in Schedule "E" and partly otherwise, the ITC shall be allowed on *pro rata* basis. Thus, if the stock of goods or the goods manufactured therefrom happens to be nil or sold tax free, the excess ITC remaining unadjusted, if any, shall lapse to the Government accounts.

During test check of record of four DETC (ST) offices[11], we noticed between May 2012 and June 2014 that eight dealers in eight cases purchased goods or reflected loss in the accounts worth ₹ 313.23 crore on which ITC of ₹ 12.53 crore was claimed. The goods worth ₹ 305.40 crore were sold at a lower price with output tax of ₹ 12.22 crore and thus, ITC worth ₹ 31.60 lakh was carried forward in excess.

On this being pointed out, the department stated (October 2014) that in three cases, matter had been referred to revisional authority for suo motu action and the matter was under examination in one case. In four cases replies of the department were not relevant to the observations raised.

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10 Gurgaon (E), Gurgaon (W), Jagadhri, Jhajjar, Karnal, Panchkula, Panipat and Rewari.

11 Faridabad (W), Panipat, Rewari and Sirsa.

2.2.10 Non production of records

Audit had requisitioned 427 assessment files involving tax amount of ₹ 7,096.69 crore during audit in 12 DETC (ST) offices against which only 354 files involving tax amount of ₹ 4,962.06 crore were produced. The remaining 73 assessment files involving tax amount of ₹ 2,134.63 crore were not produced to audit despite several reminders.

2.2.11 Computerisation

Computerisation in a department facilitate easy verification of tax, identification of bogus and fraudulent claims and track dealers. Further, it makes the department more efficient, responsive and accountable. It was, however, noticed in audit that even a minimum level of the computerisation did not exist within the department inspite of a lapse of more the 11 years since the commencement of HVAT Act in the State. In the absence of proper computerisation within the department, the departmental machinery had not been able to dispose of the cases promptly, locate bogus/non-existing dealers, invalid sale/purchase transactions, verification of tax deposit, fraudulent claim of ITC and bogus forms etc. The ETC Haryana issued instructions in March 2006 for cross verification of all purchase/sale transactions totaling more than ₹ one lakh from a single VAT dealer in a year.

In 12 DETC (ST) offices, we noticed that assessments in 302 out of 316 cases test checked were finalised without verification of sale/purchase transactions worth ₹ 29,210.36 crore involving ITC of ₹ 1,418.65 crore. Thus, the verification was 4.43 *per cent* in respect of dealers, 0.77 *per cent* in respect of purchases and 0.92 *per cent* in respect of ITC.

During exit conference the Government stated that the computerisation of the department is under process.

Thus, irregular allowance of ITC in respect of sale of petroleum products (four cases), goods not sold (nine cases), pre-owned cars (12 cases), paints (eight cases), bogus claim of ITC (three cases), excess benefit of ITC (14 cases) and incorrect carry forward of ITC (eight cases) resulted in inadmissible claim of ITC of ₹ 24.22 crore.

The above points were reported to the Government (July 2014); their reply is still awaited (November 2014).

2.3 Transit sale

Section 6 (2) of the Central Sales Tax Act, 1956 (CST Act) stipulates that where a sale of any goods in the course of interstate trade or commerce has either occasioned the movement of such goods from one State to another or has been effected by a transfer of documents of title to such goods during their movement from one state to another, any subsequent sale during such movement effected by a transfer of documents of title to such goods to a registered dealer, shall be exempt from tax provided the dealer furnishes a certificate in prescribed form E1 or E-II obtained from the selling dealer(s) and declaration Form 'C' obtained from purchasing dealer (s).

Under Section 2 (zg) of Haryana Value Added Tax Act, 2003 (HVAT Act), sale price means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed at the time of sale as cash or trade discount according to the practice, normally prevailing in trade, but inclusive of any sum charged for anything done by a dealer in respect of the goods at the time of or before the delivery thereof and the expression "purchase price" shall be construed accordingly.

2.3.1 Incorrect exemption of Transit Sale

2.3.1.1 Deduction to turnkey contractors

During scrutiny of records of the office of nine DETCs[12] between November 2010 and March 2014, we noticed that 19 contractors executed works contracts on Turnkey Basis for Haryana Power Generation corporation Limited (HPGCL), Haryana Vidyut Prasaran Nigam Limited (HVPNL), Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), Uttar Haryana Bijli Vitran Nigam Limited, (UHBVNL) and Indian Oil Corporation Limited (IOCL) etc. While finalising assessments between April 2009 and March 2013, in 22 cases of 19 dealers (contractors) for the years 2006-07 to 2009-10, the AAs, allowed deduction of ₹ 1,786.09 crore to turnkey contractors on account of transit sale. The deduction allowed does not qualify for exemption under Section 6 (2) of CST Act, 1956 read with definition of sale price. Therefore, allowing wrong deduction of transit sale to turnkey contractors resulted into underassessment of tax of ₹ 79.08 crore. As a clause was inserted in the contract agreement to the effect that for supply of material, the contractee will issue Form 'C' to contractor to enable him to show the said sale as sale in transit, hence the deduction was not allowable to the contractor.

On this being pointed out, DETC (ST) Rohtak stated in May 2014 that the case had been sent to Revisional Authority for taking suo-motu action. DETCs Faridabad (East), Gurgaon (East), Kaithal, Karnal and Kurukshetra stated in May/October 2014 that deduction was rightly allowed after due verification of declarations in form E-1 and C along with other documents and the goods were directly delivered to the customers as per terms and conditions of contract. These goods were duly incorporated in the works contracts. DETC (ST) Sirsa stated in May 2014 that deduction was rightly allowed as there was a clause in the agreement that the supply of material will be shown as transit sale. DETCs (ST) Faridabad (East), Gurgaon (East), Jagadhri and Panipat stated in May 2014 that deduction was rightly allowed in view of judgements of various courts and decision of HTT in case of BPCL Vs. State of Haryana 40 PHT 178 HTT-LB and U.B Engg. Co. Vs. State of Haryana and the tax was leviable in the State from where the movement of goods commenced.

The Replies of DETCs were not tenable in view of definition of sale price and judgement of Hon'ble Apex Court of India in case of Hindustan Shipyard Ltd Vs. State of Andhra Pradesh (2000) 119 STC (533) (SC) has laid down clear

[12] DETC Faridabad (East) (five cases), Gurgaon (East) (six cases), Jagadhri (One Case), Kaithal (one case), Karnal (one case), Kurukshetra (one case), Panipat (three cases), Rohtak (one case) and Sirsa (three cases).

guidelines to ascertain whether an 'activity' is a transaction of sale or works contract. The Apex Court has observed that if the thing to be delivered has any individual existence before the delivery as the sole property of the party who is to deliver it then it is a sale. If 'A' transfers property for a price in a thing in which we had no previous property then the contract is a contract for sale. The transactions effected by the contractors are squarely covered under the contract of sale in view of the said judgement. Hon'ble High Court of State of Karnataka Vs. A & G Projects and Technologies Ltd. (2008)13 VST 177 (Karn) also support the version of audit.

2.3.1.2 Incorrect deduction of transit sale where goods were dispatched directly to ultimate purchaser

During scrutiny of records of the office of nine DETCs (ST) [13] between July 2011 and February 2014, we noticed that while finalising assessments during February 2011 to March 2013 in 32 cases of 28 dealers for the years 2007-08 to 2009-10, the AAs allowed deduction of ₹ 1,005.02 crore on account of transit sale against production of E-1 & C forms. But as per the assessment records it transpired that the goods were dispatched by first sellers direct to ultimate purchasers. As such the deduction of transit sale was not admissible to such dealers as subsequent sale was not proved and the goods were delivered directly to the ultimate purchasers. Accordingly, allowing inadmissible deduction resulted in underassessment of tax of ₹ 32.69 crore.

On this being pointed out, the department stated (October 2014) that in five cases of DETC (ST) Ambala, Revisional Authority had created additional demand of ₹ 46.63 lakh. In the cases of DETCs (ST) Ambala, Faridabad (East) and Karnal, cases had been sent to Revisional Authority for taking suo-motu action. In the cases of DETC (ST) Faridabad (East), Faridabad (West), Gurgaon (East) and Rohtak, deduction was rightly allowed after verification of E-1 and C forms. DETCs (ST) Faridabad (East), Faridabad (West), Gurgaon (East), Karnal and Sonepat stated (May 2014) that deduction was rightly allowed in view of the decision of Haryana Tax Tribunal (HTT) in case of BPCL Vs. State of Haryana. Further, DETC (ST) Karnal stated in May 2014 that the dealer company had its branch in Gurgaon and the goods were consigned directly to the branch and there was no impropriety in issuing E-1 Form in the name of the Gurgaon dealer. In one case, the reply of DETC (ST) Karnal was not correct as no dealer was registered in Gurgaon. Replies submitted by DETCs in remaining cases were not correct in view of definition of sale price and the judgement of Hon'ble High Court of Kerala in the case CINZAC Technical Services Vs. State of Kerala (2009) 25 VST 165 (Ker) which held that subsequent sale was not proved as the lorry receipts contained the address of ultimate purchaser.

[13] DETC (ST) Ambala (six cases), Bhiwani (one case), Faridabad (East) (11 cases), Faridabad (West) (two cases), Gurgaon (East) (six cases), Gurgaon (West) (one case), Karnal (three cases), Rohtak (one case) and Sonepat (one case).

2.3.2 Incorrect deduction of high seas sale to Turnkey Contractors

2.3.2.1 Section 5 (2) of CST Act provides that a sale or purchase of goods shall be deemed to take place in the course of the import of the goods into the territory of India only if the sale or purchase either occasions such import or is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.

During test check of the records of DETC (ST) Faridabad (East) & Gurgaon (East) in July 2011 and March 2014, we noticed that four dealers executed works contracts on turnkey basis in the State of Haryana. While finalising assessments of four dealers (contractors) in March 2012 and March 2013 for the years 2007-08 to 2009-10, the AAs allowed deduction of high sea sale worth ₹ 2,173.62 crore to turnkey contractors. The deduction allowed does not qualify for exemption under Section 5 (2) of CST Act read with definition of sale price. Therefore, allowing inadmissible deduction resulted into under assessment of tax of ₹ 113.55 crore.

On this being pointed out, the department stated (October 2014) that one case of DETC (ST) Gurgaon (East), had been sent to Revisional Authority for taking suo-motu action and in another case the deduction was rightly allowed after verification of documents and agreement of high seas sale etc. Reply of the department was not correct as the agreement of high seas sale was with dealer of New Delhi and the goods were consigned directly to a West Bengal dealer. Further, in one case of DETC (ST) Faridabad (East), the dealer was authorised by contractee to take delivery of goods from foreign supplier on its behalf and in another case, the deduction was rightly allowed in view of the judgement of Hon'ble Supreme Court in the case of Indure Ltd Vs. CTO (2010) 9 SCC 461 (SC).

The Reply of DETC (ST) Faridabad (East) was not tenable as no documents in support of reply were available on the record. Further, in view of definition of sale price and clause inserted in the contract agreement to the effect that goods imported for use in works contract will be shown as high seas sale, the deduction was not admissible.

Similar cases were also pointed out in the earlier reports for t he years 2010-11 and 2011-12 and the Government accepted the audit observations during exit conference.

2.3.2.2 Sale during import

During test check of records of DETC Faridabad (East) and Gurgaon (East), we noticed in September 2013 and February 2014 that a dealer of Faridabad (East) executed works contract on turnkey basis and a dealer of Gurgaon (East) traded I.T. Products etc. While finalising assessments of two dealers in December 2012 and March 2013 for the year 2009-10, the AAs allowed the deduction of sale during import worth ₹ 68.78 crore. But the conditions for allowing such deduction were not met in view of judgement of Hon'ble High Court of Delhi in the case Goesccke & Debrient I. P. Ltd. Vs. Commissioner of Sales Tax Delhi (2012) 47 VST 343 (Delhi). Therefore, allowing wrong

deduction of sale during import resulted into underassessment of tax of ₹ 2.75 crore.

On this being pointed out, the department stated (October 2014) that one case of DETC (ST) Gurgaon (East) had been sent to Revisional Authority for taking suo-motu action. Further, in case of DETC (ST) Faridabad (East), the contractee had authorised the contractor to receive the goods from foreign suppliers. The reply of the department was not correct as no documents in support of reply were available on record. Further, no such deduction was allowed to turnkey contractor in view of definition of sale price.

Thus, irregular deduction of transit sale (19 cases), High Sea Sales (four cases) to turnkey contractors and wrong deduction of sale during import (two cases) resulted in under assessment of tax of ₹ 195.38 crore. Exempted (transit) sales against E-I and 'C' forms was incorrectly allowed in 32 cases which resulted in under assessment of VAT of ₹ 32.69 crore.

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

The rates under HVAT Act, 2003 have been prescribed as per Schedules A to G. However, 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. Further interest is also leviable under section 14(6) of the HVAT Act in case of default in payment of tax.

2.4.1 During test check of records of offices of DETC (ST), Karnal and Sonepat we noticed between June 2013 and January 2014 that three dealers sold machinery parts valued at ₹ 7.97 crore in 2009-10 and paid tax of ₹ 32.25 lakh at the rate of four/five per cent. The AAs while finalising assessments during August 2012 to March 2013 also levied tax at the rate of four/five *per cent* instead of correct rate of tax of 12.5 *per cent* as applicable in respect of unclassified item. This had resulted in short levy of tax of ₹ 67.39 lakh, besides interest of ₹ 54.94 lakh.

On this being pointed out between June 2013 and January 2014, the department stated (October 2014) that cases had been sent to the Revisional Authority for taking suo-motu action.

The matter was reported to the Government; their reply has not been received (November 2014).

2.4.2 The Financial Commissioner and Principal Secretary to Government of Haryana has clarified on 11 September, 2007 that Ultra High Temperature (UHT) sweetened flavoured milk is different from Ultra High Temperatured Milk which is covered under entry 81 of Schedule 'C' of HVAT Act. Hence, UHT sweetened flavoured milk products are taxable at general rate of tax 12.5 *per cent* and CST rate is same rate as VAT rate applicable in the State of selling dealers without 'C' forms.

During test check of the records of the office of DETC (ST), Sonepat in July 2012, we noticed that a dealer sold fermented milk drink worth

₹ 2.18 crore[14] during the year 2008-09 and claimed as tax free sale. The AA, while finalising the assessment in February 2012, also did not levy tax at the general rate of 12.5 *per cent* and allowed the 'consignment sale' (without 'F' form) and 'Inter State Sale' valuing ₹ 2.18 crore as tax free. This had resulted in non levy of tax ₹ 27.24 lakh, besides interest of ₹ 22.33 lakh.

After pointed out the case in July 2012, the department stated (October 2014) that additional demand of ₹ 27.24 lakh had been created by the Revisional Authority in February 2014. The assessee had filed an appeal before HTT and same was pending.

2.5 Under assessment of tax due to calculation mistake

Under Section 19 of HVAT Act, any taxing authority or appellate authority, may, at any time, within a period of two years from the date of supply of copy of the order passed by it in any case, rectify any clerical or arithmetical mistake apparent from the record of the case after giving the person adversely affected thereby a reasonable opportunity of being heard.

During test check of the records of office of DETC (ST), Kaithal in February 2014, we noticed that a lump sum dealer made sale valued at ₹ 10.93 crore during 2009-10. The AA, while finalising the assessment in March 2013, levied lump sum tax as ₹ 4.74 lakh erroneously at the rate of four *per cent* on sale of ₹ 10.93 crore instead of correct amount of ₹ 43.74 lakh. This had resulted in underassessment of tax as ₹ 39.00 lakh[15] due to calculation mistake.

On this being pointed out in February 2014, the department stated (October 2014) that the order had been rectified by creating an additional demand of ₹ 5.48 lakh and the case had been sent to Jt. ETC Ambala for revision to levy interest under section 14(6) of HVAT Act 2003 on due demand of ₹ 5.48 lakh.

The matter was reported to the Government; their reply has not been received (November 2014).

2.6 Evasion of tax by submitting fake declaration forms 'C'

Section 8 (4) of the CST Act, 1956 provides that the concession under sub section (1) shall not apply to any sale in the course of interstate trade or commerce unless the dealer selling the goods furnishes to the Assessing Authority a declaration form duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in the form. The ETC issued instructions in March 2006 that in the cases of specific traders (selected for scrutiny), all transactions totaling more than ₹ one lakh from a single VAT dealer in a year should be cross verified. Further, penalty was also leviable under Section 38 of the HVAT Act.

During test check of the records of the offices of DETC (ST), Faridabad (East), Karnal and Sonepat between May 2013 and March 2014, we noticed that four dealers claimed concessional rate of tax on declaration forms 'C' for sale value of ₹ 9.79 crore during the years 2009-10 to 2010-11. The AA, at the

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14 ₹ 1.82 crore consignment sale without 'F' form and ₹ 35.48 lakh interstate sale.

15 ₹ 43.74 lakh- ₹ 4.74 lakh = ₹ 39.00 lakh.

time of rectification (May 2013) admitted the form 'C' without verification of the transaction and allowed the concession of ₹ 83.52 lakh on form 'C' which was found fake on cross verification. This resulted in evasion of tax amounting to ₹ 83.52 lakh, besides penalty of ₹ 2.50 crore.

On this being pointed out between May 2013 and March 2014, the department stated in October 2014 that the case was taken up for reassessment and order had been rectified. The dealer had filed an appeal in the case. In one case of DETC (ST) Karnal, the case had been sent to the Revisional Authority for taking suo-motu action and in another two cases of DETC (ST) Sonepat, notices had been issued to the dealers.

The matter was reported to the Government; their reply has not been received (November 2014).

2.7 Non levy of surcharge

As per Section 7(A) of Haryana Value Added Tax Act, 2003, (HVAT Act) an additional tax, in the nature of surcharge at the rate of five *per cent* on the tax was leviable w.e.f. 02 April 2010. The Principal Secretary to Government of Haryana has clarified on 10 February, 2014 that the work contractors who have exercised the option of payment of lump sum in lieu of tax are also liable to discharge the liability of surcharge under Section 7(A) of the HVAT Act.

During test check of the records of the offices of DETC (ST), Faridabad (East and West), between November 2013 to March 2014, we noticed that 66 dealers were assessed to tax valuing at ₹ 18.78 crore at the rate of four *per cent* on sale worth ₹ 469.55 crore during the year 2010-11 and 2011-12. The AAs while finalising the assessments between April 2012 and March 2013 did not levy surcharge at the rate of five *per cent* on the assessed tax of ₹ 18.78 crore under VAT. This had resulted into non levy of surcharge of ₹ 93.90 lakh.

On this being pointed out between November 2013 to March 2014, the department stated (October 2014) that in ten cases of DETC (ST) Faridabad (West) demand of ₹ 13.46 lakh had been created and the remaining cases had been sent to Revisional Authority for taking suo motu action.

2.8 Under assessment of tax due to wrong deduction of sale to SEZ units

(i) The Principal Secretary to Government of Haryana, Excise and Taxation Department has clarified on 19 February, 2013 in the case of M/s Fresh SEZ, Phase-1, Sohna (Gurgaon) that sale to developer, co-developer of a Special Economic Zone (SEZ) is not exempt from levy of tax but only the individual dealer is exempt on setting up a unit in the SEZ area.

During test check of the records of the office of DETC (ST), Sonepat in April 2013, we noticed that a dealer sold material (scaffolding) to a developer worth ₹ 71.67 lakh during the year 2009-10. While finalising the assessment in March 2013, the AA wrongly allowed deduction of ₹ 71.67 lakh to the dealer

in view of SEZ sale. This had resulted in under assessment of tax of ₹ 8.96 lakh, besides interest of ₹ 5.37 lakh.

On this being pointed out in April 2013, the department stated in October 2014 that the case has been sent to Revisional Authority for taking suo-motu action.

We reported the matter to the Government in April 2014; we had not received the reply (November 2014).

(ii) During test check of the records of the office of DETC (ST), Gurgaon (West) in January 2014, we noticed that a contractor had executed works valuing ₹ 107.16 crore in notified projects in SEZ area of Rai and Sonepat during the year 2008-09. The AA, while finalising the assessment in March 2012, wrongly allowed deduction of ₹ 107.16 crore in view of SEZ sale to the dealer. This had resulted in underassessment of tax of ₹ 4.29 crore, besides interest of ₹ 3.60 crore.

On this being pointed out in January 2014, the department stated (October 2014) that the case had been sent to Revisional Authority for taking suo-motu action.

The matter was reported to the Government; their reply has not been received (November 2014).

2.9 Non levy of tax and penalty for unauthorised collection of tax

Under Section 9 (2) of the Haryana Value Added Tax (HVAT) Act, 2003 no dealer in whose case composition under sub-section (1) is in force, shall issue a tax invoice for sale of goods by him. Further, penalty is also leviable under section 39 of HVAT Act, if any dealer who is not a registered dealer or not otherwise authorised to collect tax, shall collect in respect of any sale of goods effected by him in the State any amount by way of tax, and no registered dealer shall make any such collection except in accordance with this Act. 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 equal to the amount of tax so collected.

During test check of records of DETC (ST), Rohtak in September 2013, we noticed that a work contractor opted to pay lump sum tax under composition scheme for the year 2009-10. The contractor had made sale of ₹ 51.68 lakh at the rate of 12.5 *per cent* to a dealer in Kurukshetra and collected tax of ₹ 6.46 lakh. The transaction was got verified by AA Kurukshetra from AA Rohtak (July 2012) and DETC Rohtak had informed that since the contractor had opted to pay lump sum tax, hence no input tax credit could be allowed as per law. However, the AA while finalising the assessment in March 2013 did not take any action to levy tax valuing ₹ 6.46 lakh and had also not imposed penalty for unauthorised collection of tax though the matter was in prior knowledge of the AA. This had resulted in non levy of tax of ₹ 6.46 lakh, besides penalty of ₹ 6.46 lakh.

On this being pointed out in September 2013, the department stated in October 2014 that the case had been remanded back by the Revisional Authority to the AA for reassessment.

The matter was reported to the Government; their reply has not been received (November 2014).

2.10 Under assessment of tax due to irregular deduction allowed

Section 2(u) of the Haryana Value Added Tax (HVAT) Act, 2003 defines "gross turnover" as and when used 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 the State or disposed of otherwise than by sale. However, deductions shall be made from the gross turnover as per Section 6(1) of the HVAT Act.

During test check of the records of the office of DETC (ST), Bhiwani in January 2013, we noticed that the gross turnover of a dealer was ₹ 49.75 crore as per profit and loss account and R-2 (final return) of the dealer during the year 2008-09. The AA while finalising the assessment in January 2012, allowed deductions of ₹ 1.84 crore on account of payment to Labour Welfare Fund as shown in reconciliation statement, whereas these deductions were not allowed from the gross turnover as per section *ibid*. This had resulted in underassessment of tax of ₹ 23.03 lakh.

On this being pointed out in January 2013, the department stated (October 2014) that the above deductions were earmarked in the memorandum of understanding (MOU) of dealer in September 2008. The reply of the department was not in consonance with the provisions of the Act. Moreover, as per clause 7 of the MOU the amount deposited in this fund shall be treated as donation to Red Cross. Hence, deduction on account of this donation was not allowable under the Act.

The matter was reported to the Government; their reply has not been received (November 2014).

CHAPTER-III

STATE EXCISE

CHAPTER III: STATE EXCISE

3.1.1 Tax administration

The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head at Government level and Excise and Taxation Commissioner (ETC) is head of the Department. He is assisted by the Collector (Excise) at headquarter 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.

In Haryana, Excise duty on alcoholic liquor for human consumption and on medicinal and toilet preparations containing alcohol or opium, Indian hemp and narcotics is levied and collected under the Punjab Excise Act, 1914 and Rules made thereunder, as applicable to the State of Haryana and the Haryana Liquor License Rules, 1970 (HLL Rules). Revenue is mainly derived from the fixed, assessed and auction fee for the grant of license of various vends and excise duties levied on spirit and beer removed from distilleries and breweries and on that imported/exported to and from any other States. It also includes revenue from manufacture, possession and sale of Country Liquor (CL), Indian Made Foreign Liquor (IMFL), etc.

3.1.2 Results of Audit

In 2013-14, test check of the records of 42 units relating to excise duty, license fee receipts etc. showed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 34.76 crore in 348 cases, which fall under the following categories in **Table 3.1**.

Table 3.1

			(₹ in crore)
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Non-realisation of differential amount of license fee on re-allotment of vends	1	23.70
2.	Non/short deposit of license fee and loss of interest	200	6.53
3.	• Non imposition of penalty • Non-recovery of penalty on illicit liquor	57 38	0.48 1.17
4.	Miscellaneous irregularities	52	2.88
	Total	**348**	**34.76**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 1.30 crore in 69 cases, out of which ₹ 77.26 lakh involved in 24 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 52.32 lakh in 45 cases pointed out in earlier years.

A few illustrative cases involving ₹ 24.87 crore are discussed in following paragraphs:

Audit findings

3.2 Non-realisation of differential amount of license fee on re-allotment of vends

The HLL Rules read with the State Excise Policy for the years 2009-10 to 2012-13 provide for payment of monthly payment of licence fee by the 15th/20th of each month by the licensee/allottee and the balance 80 *per cent* in nine equated monthly instalments and for the year 2013-14, the full amount of license fee of the vends/group of vends shall be deposited in twelve equated monthly instalments starting from April 2013 to March 2014 failing which he is liable to pay interest and the licensed outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the district concerned. In such an event, the DETC (Excise) may re-allot it at the risk and cost of the original allottee by seeking prior permission of the Financial Commissioner.

3.2.1 During test check of M-2 registers[1] for watch of payment of license fee in seven offices[2] of DETC (Excise), we noticed that 74 retail outlet licensees did not deposit the amount of security/license fee of ₹ 46.08 crore out of ₹ 74.86 crore. The department cancelled their retail liquor outlets and forfeited the entire amount of security/license fee. These retail outlets were re-auctioned/re-allotted between November 2009 and January 2014 for the remaining period for ₹ 28.41 crore at the risk and cost of original licensees, of which ₹ 22.38 crore were deposited by them. The department did not initiate any action to recover the differential amount of license fee of ₹ 23.70 crore (₹ 46.08 crore – ₹ 22.38 crore) from the original allottees resulting in non-realisation of Government revenue of ₹ 23.70 crore.

On this being pointed out between April and June 2014, department stated that notices to the concerned licensees would be issued under intimation to Audit. DETCs (Excise) Faridabad and Rohtak stated in October 2014 that notices had been issued/recovery proceedings had been initiated against the sureties to recover the outstanding amount of ₹ 5.81 crore.

The matter was reported to the Government; their reply has not been received (November 2014).

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1 M-2 register is defined as a register of licenses granted on fee determined by auction.

2 Bhiwani, Faridabad, Gurgaon, Hisar, Narnaul, Panipat and Rohtak.

Non/short recovery of licence fee and interest

3.2.2 During test check of M-2 registers of payment of license fee in the offices of DETC (Excise) Kurukshetra and Panipat for the years 2010-11 to 2012-13, we noticed that 12 licensees had failed to pay the monthly instalments of license fee for the periods between April 2010 and March 2013 in full by the prescribed dates. The licensees had paid only ₹ 7.13 crore out of ₹ 7.26 crore payable. The DETC (Excise) had not initiated any action to seal the vends. This resulted in non/short recovery of license fee of ₹ 18.13 lakh including interest of ₹ 5.35 lakh.

On this being pointed out between November 2011 and August 2013, DETC (Excise) Panipat stated in January 2014 that notice for recovery had been issued to the defaulters. DETC (Excise) Kurukshetra stated in March 2012 that efforts would be made to recover the outstanding amount. We had not received further progress report on recovery and action taken to recover the outstanding amount (November 2014).

3.2.3 During test check of M-2 registers for watch of payment of license fee in five offices[3] of DETC (Excise) for the years 2010-11 to 2012-13, we noticed that 45 licensees had paid the monthly instalments of license fee amounting to ₹ 19.58 crore for the period between April 2011 and March 2013 after the prescribed due dates. The delay ranged between 21 days to 170 days. The DETCs (Excise), however, did not initiate any action to seal the vends for non-deposit of monthly instalments by the end of the month and to levy interest for delayed payments of license fee. This resulted in non-levy of interest of ₹ 30.24 lakh.

On this being pointed out between October 2011 and August 2013, DETCs (Excise) Panipat and Rohtak stated between December 2013 and April 2014 that an amount of ₹ 12.76 lakh had been recovered in 16 cases and efforts would be made to recover the outstanding amount of ₹ 6.53 lakh. The remaining DETCs (Excise) Narnaul, Bhiwani and Karnal stated between January 2012 and February 2014 that efforts would be made/notices had been issued to recover the outstanding amount of ₹ 10.95 lakh. We had not received further progress report of recovery of interest (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

3.3 Non levy/recovery of penalty for illegal possession and trade of liquor

Under Section 61 (1) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, penalty not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milliliters is leviable on the offender for possession of illicit liquor[4]. Further, Haryana Imposition and Recovery of Penalty Rules, 2003, provide that if penalty is not paid within the stipulated period, the Collector or

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3 Bhiwani, Karnal, Narnaul, Panipat and Rohtak.

4 Illicit liquor means liquor prepared clandestinely/unlawfully, without any quality control checks, and not suitable for human consumption due to higher alcoholic concentration than permissible.

DETC (Excise) shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the date of order of confiscation.

During test check of the records of the offices of DETC (Excise) Ambala, Fatehabad and Panchkula for the years 2010-11 to 2012-13, we noticed that the department had detained 87,810 bottles of illicit Indian Made Foreign Liquor (IMFL)/ country liquor (CL) in 27 cases and confiscated twenty two vehicles between May 2009 and December 2012. The department, after giving reasonable opportunity, decided 22 cases and imposed penalty of ₹ 58.76 lakh during 2010-11 and 2011-12 and in five cases penalty of ₹ 10.28 lakh could not be levied. Neither the defaulters paid the penalty nor the department initiated any action to recover the amount by auctioning the confiscated vehicles even after a lapse of 15 to 60 months[5]. Non-observance of Rules 12 and 13 of the Haryana Imposition and Recovery Rules resulted in non-recovery of penalty of ₹ 69.04 lakh.

On this being pointed out between December 2011 and October 2013, DETC (Excise), Ambala stated in April 2014 that an amount of ₹ 24.19 lakh (₹ 17.07 lakh recovered earlier) had been recovered and efforts would be made to recover the outstanding amount of ₹ 29.92 lakh. DETCs (Excise), Fatehabad and Panchkula stated in March and April 2014 that efforts would be made to recover the outstanding amount of ₹ 14.93 lakh. We had not received further progress report on recovery (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

[5] Delay calculated from the date of imposition of penalty to March 2014.

CHAPTER-IV

STAMP DUTY

CHAPTER IV: STAMP DUTY

4.1.1 Tax administration

Receipts from the stamp duty (SD) and registration fee (RF) in the State are regulated under the Indian Stamp Act, 1899 (IS Act), Indian Registration Act, 1908 (IR Act), Punjab Stamp Rules, 1934, as adopted by the Government of Haryana with suitable amendments and the Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978. At the Government level, the Additional Chief Secretary, Revenue and Disaster Management Department, Haryana is responsible for the administration of the IS Act and IR Act and the rules framed thereunder relating to the registration of various documents. The overall control and superintendence over levy and collection of SD and RF vests with the Inspector General of Registration (IGR), Haryana. The IGR is assisted by the 21 Deputy Commissioners (DCs), 67 tehsildars and 46 naib tehsildars acting as Registrars, Sub Registrars (SRs) and Joint Sub Registrars (JSRs) respectively.

4.1.2 Results of audit

In 2013-14, test check of the records of 89 units of the Revenue Department showed non/short levy of stamp duty and registration fee etc. and other irregularities involving ₹ 265.01 crore, in 1,209 cases, which fall under the following categories in **Table 4.1.**

Table 4.1

			(₹ in crore)
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	**IT Audit on** "Haryana Registration Information System"	1	203.87
2.	Fixation of circle rates by Collector and Determination of market value of property	1	14.75
3.	Short recovery of stamp duty and registration fee due to		
	• non-charging of residential rates on purchase of land	405	5.45
	• undervaluation of immovable property	138	5.08
	• misclassification of instruments	179	31.39
4.	Short realisation of stamp duty due to sale of property at lower consideration than the amount mentioned in the agreement deeds	92	1.26
5.	Irregular exemption of stamp duty on mortgage deeds/compensation certificates to land acquired	19	0.24
6.	Miscellaneous irregularities	374	2.97
	Total	**1,209**	**265.01**

During the course of the year, the Department accepted under assessment and other deficiencies of ₹ 7.19 crore in 346 cases, out of which ₹ 7.00 crore involved in 303 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 19.47 lakh in 43 cases pointed out in earlier years.

An IT Audit on "**Haryana Registration Information System**" having money value of ₹ 203.87 crore and few illustrative cases involving ₹ 18.30 crore are discussed in the following paragraphs:

4.2 IT Audit on Haryana Registration Information System

4.2.1 Highlights

- Lack of input controls in HARIS IT application led to misclassification of 254 sale documents resulting in irregular remission of stamp duty of ₹ 70.90 crore.

(Paragraph 4.2.7.1)

- Deficient design of the application to capture details of properties being exchanged resulted in short realisation of stamp duty of ₹ 4.06 crore in 13 cases.

(Paragraph 4.2.7.7)

- Non-mapping of locations falling within MC limits led to non-levy of two *per cent* additional stamp duty of ₹ 31.62 crore in 3,497 cases.

{Paragraph 4.2.8.5 (ii)}

- Non-incorporation of appropriate validation checks in IT application led to wrong remission of stamp duty of ₹ 70.25 crore in 334 documents.

{Paragraph 4.2.8.7 (i)}

- Deficient validation checks on the transactions made within MC limits with area less than 1,000 square yards led to short levy of stamp duty of ₹ 19.90 crore in 1,213 cases.

{Paragraph 4.2.8.8 (i)}

- Failure of the department to reconcile the entries of receipts recorded in the manual cash book with the system generated cash book resulted in shortage of ₹ 74.83 lakh.

{Paragraph 4.2.9.1 (i)}

4.2.2 Introduction

The Government of Haryana initiated a fully sponsored computerised scheme "Haryana Registration Information System (HARIS)" in 1991 through Revenue Department to overcome the inherent problems in the manual system of maintenance and updation of records. The scheme envisaged speed, accuracy, transparency, dispute resolution and online management of data.

A workflow based application package was developed, implemented, standardised and stabilised across the State by National Informatics Centre-Haryana State Unit (NIC - HSU). The HARIS application was intended to provide complete integrated solution for the work relating to property registration. This application has undergone functional and technical upgrades over time and HARIS application version 3.0.92 is running at present since

March 2014. A client server model application with 'Visual Basic' at the frontend and SQL server at the backend, designed to work on a 'Windows' platform, is presently in use.

4.2.3 Organisational set up

At the Government level, the Additional Chief Secretary to Haryana Government, Revenue and Disaster Management Department is responsible for the administration of the Indian Stamp Act and Registration Act and the rules framed thereunder relating to registration of various documents. He is responsible for formulation of policies, programmes and their implementation by the Department. The work relating to property registration in 21 districts, 71 tehsils and 44 sub-tehsils is looked after by the Deputy Commissioners (DCs) and District Revenue Officers (DROs) at the district level. The Registering Authorities namely Naib-Tehsildars/Tehsildars function as Joint Sub Registrars (JSRs)/Sub Registrars (SRs) while handling the work of property registration with the help of Kanungos and Patwaris at tehsils, sub-tehsils and village levels.

4.2.4 Audit objectives

We conducted the IT audit with a view to ascertain whether adequate input, processing and output controls had been incorporated in HARIS application.

4.2.5 Scope and methodology of audit

The backend data of HARIS application for the period from 2007-08 to 2013-14 was obtained from the concerned District Informatics Officers and analysed between June 2013 and July 2014 by using Computerised Assisted Audit Tools (CAATs) like Interactive Data Extraction and Analysis (IDEA) application. IT audit of randomly selected 21 tehsils/sub-tehsils in eight districts[1] was conducted to assess whether control risks present in input, processing and output stages of the HARIS application led to business impact.

An entry conference to discuss the audit objectives, scope and methodology of audit was held with the Department on 14 August 2013. We had forwarded the IT Audit Report to the Government in July 2014. An exit conference was held on 23 December 2014 with the Additional Chief Secretary to Haryana Government, Revenue and Disaster Management Department. During the exit conference, the findings of the IT Audit were discussed. The replies furnished by the Department during exit conference and at other times have been appropriately incorporated.

[1] Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

4.2.6 Audit criteria

The audit criteria were derived from the following sources:

- Indian Stamp Act, 1899
- Registration Act, 1908
- IT Audit Manual of IA & AD
- Rules framed under the Acts
- Administrative instructions issued by the Department/Government.

Audit findings

4.2.7 Input controls

Controls over input are vital to the data integrity and incorrect or fraudulent input is the most important source of error or fraud in computerised system. The deficiencies noticed are as under:

4.2.7.1 Misclassification of sale deeds

HARIS application allows the remission of SD in case of transactions captured under "Purchase against compensation" option. The application is required to capture the amount of compensation received by the purchaser enabling application to assess the quantum of remission of SD to be allowed and no other type of transaction should be processed through this option. Due to failure of input control, the sale deeds were wrongly registered under the "Purchase against compensation" option allowing remission of SD when no compensation was received in these cases.

The analysis of HARIS database in the offices of SRs Gurgaon, Manesar and Panipat showed that 254 instruments conveying possession and transfer of property valued at ₹ 1,409.17 crore to the subsidiary companies from whom the holding companies received either actual cash or in the shape of equity shares or partly cash or part promised were misclassified as 'Purchase against compensation[2]' instead of 'sale' due to wrong input by the operator charging stamp duty (SD) of ₹ 7.79 lakh, which was incorrect as against duty leviable at ₹ 70.98 crore for conveyance deeds, resulting in short levy of SD of ₹ 70.90 crore.

On this being pointed out between June and August 2014, the Government admitted that the users had either deliberately or by mistake selected the wrong option to provide benefit to the party (November 2014).

4.2.7.2 Critical fields left blank

Any transaction in agricultural and residential/commercial property is identified by the *khewat* number and address of the plot number respectively.

[2] Land purchased by farmers from the amount of compensation received against agricultural land acquired by the State Government.

Further, the cost of land is calculated on the basis of area, measurement unit[3] and Collector's rate.

The analysis of HARIS database in the offices of 21 SRs[4] showed that out of 5,17,811 transactions, *khewat* column in 13,476 agricultural properties and address column in 91,872 residential and 8,239 commercial properties, constituting 22 *per cent* of the total transactions, and measurement unit field in 1,451 cases were left blank leading to failure in calculating the actual land cost on the basis of prevailing Collector's rate in 1,404 cases by the application. These blank columns in the HARIS application led to short/ non-levy of SD, as discussed in the paragraph 4.2.7.3 below.

On this being pointed out between May and August 2014, the Government replied that the software does not allow the entry of blanks in khewat/plot number, address and measurement unit fields. However, it was admitted that the blank/junk data in the reported cases may be data input error (November 2014).

4.2.7.3 Measurement units

Input controls require that adequate checks have been incorporated in the application to ensure that the necessary fields are not left blank. HARIS application calculates cost of land on the basis of essential data input i.e. area, measurement unit and rate. In case, any of these fields are left blank, the application fails to calculate the cost of land on the basis of Collector's rate and SD is calculated on the basis of transaction value only.

During analysis of HARIS database in the offices of SRs Gurgaon and Kurukshetra, we noticed that 41 sale deeds were registered on the basis of transaction value without taking into account the cost of land. These sale deeds were required to be assessed for ₹ 9.21 crore on which SD of ₹ 95.66 lakh was leviable. Due to lack of input control over the measurement unit field, SD of ₹ 65.86 lakh was levied, resulting in short levy of SD of ₹ 29.80 lakh.

On this being pointed out between August and October 2013, the Government admitted that the operator might have filled any value to complete the transaction or might have been using the older version of HARIS (November 2014).

4.2.7.4 Wrong input of construction year

SD, at the rate applicable on a particular date, is levied on either the transaction value or the sum of the land cost calculated on the basis of Collector's rate and the depreciated structure cost of the property, whichever is higher. After allowing appropriate depreciation allowance on the

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3 Three types of standard measurement units used are: *acre-kanal-marla* or *bigha-biswa-biswansi* for agricultural land, square yards for residential/commercial plots and square feet for constructed areas.

4 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

residential/commercial properties, the depreciated structure cost can be zero but it cannot be negative.

The analysis of HARIS database in the offices of four SRs[5] showed that due to insufficient control over input, the structure cost showed unrealistic amounts ranging between minus ₹ 20,211,481,459,077,602,000,000 and minus ₹ one in 1,788 cases and the construction year ranged between one and 1971. We also noticed that in 20 cases, the constructed area was shown as zero but the depreciated structure cost ranged between minus ₹ 16,148,644,851,359.10 and minus ₹ six.

It was further noticed that the land cost of the residential/commercial properties in 109 cases was ₹ 2.15 crore more than the transaction value. But, due to insufficient control over input, the land cost became less than the transaction value and SD was wrongly levied by the system only on transaction value after adjustment of negative value of the depreciated structure cost from the land cost. These sale deeds were required to be assessed for ₹ 7.10 crore, on which SD of ₹ 41.85 lakh was leviable. But, due to insufficient control over input, these sale deeds were assessed at ₹ 4.95 crore and SD of ₹ 30 lakh was levied, resulting in short levy of SD of ₹ 11.85 lakh.

On this being pointed out between October and November 2013, the Government replied that software would not calculate the structure cost in minus. It would set the structure cost to zero if it was coming in minus after applying the depreciation based on the construction year (November 2014). The reply is not tenable as the software did calculate minus structure cost in these cases as well as compensated the land cost by adding the minus structure cost and therefore, software needs suitable validation checks so as to avoid minus values in this field.

4.2.7.5 Incomplete data capturing

The analysis of HARIS database in the office of SR Kurukshetra showed that 39,670 sale deeds were registered as residential properties. The structure details were not captured in these cases, resulting in 'zero' structure cost. When the HARIS data was matched with the HUDA's data available, it was found that plots transacted in 29 sale deeds had constructed areas. In 10 out of 29 sale deeds, the transaction value was higher than the costs of the land and structure, resulting in correct evaluation of SD. But, due to non-capturing of structure details in the database, the remaining 19 sale deeds that were required to be assessed for ₹ 3.72 crore, were erroneously assessed at ₹ 2.95 crore, which led to underassessment of the properties to the extent of ₹ 76.72 lakh, resulting in short levy of SD of ₹ 4.10 lakh.

On this being pointed out in July 2013, the Government admitted that such cases occurred due to input error and lapses on the part of users of the application (November 2014).

[5] SRs: Mahendergarh at Narnaul and Rohtak (Kalanaur, Sampla).

4.2.7.6 Acceptance of junk data input

In an IT application, it should be ensured that documents contain proper names of the parties instead of junk data so that subsequent extraction of information of any party/ individual can be obtained easily.

We found that 72,277 cases contained junk data in place of party names/ details in 21 SRs[6]. Incomplete/junk input rendered the data unreliable. An illustrative case is given below:

In SR Bahadurgarh, in sale deed No. 1232, dated 05.05.2008, we found that property was purchased by a male but in place of his name, only junk data in the form of '-' was entered in the party name field in the database.

On this being pointed out in June 2014, the Government replied that it was not possible to impose exhaustive checks on name fields and users are required to verify and validate the data before approving the documents (November 2014). The reply is not tenable as the details of party names may be required for subsequent extraction in future. Accordingly, the Government must ensure to capture complete particulars of the transaction.

4.2.7.7 Non-capturing of second property details

In case of exchange of property by two parties, HARIS application was required to capture the details of both the properties being exchanged to assess their values to determine the property having higher value for levy of SD.

In view of the above business rule, it was noticed that HARIS application was not designed to capture the details of all the properties being exchanged, resulting in failure to compare their values to calculate SD on the property having higher value.

The analysis of HARIS database in the office of the SR, Gurgaon showed that 52 exchange deeds were registered during 2013-14 and leviable SD was assessed by the HARIS application on the lone property details captured in the application. We further noticed that in 13 out of 52 exchange deeds, details of agricultural properties were captured to determine the SD leviable. However, in respect of other property being exchanged, a license to develop a Residential Group Housing colony was obtained from Town and Country Planning Department, Haryana. Thus, consideration value of the land of the other property was required to be assessed on the basis of residential rates, which was much higher than the consideration value of the first property.

These 13 exchange deeds were liable to be assessed for ₹ 135.18 crore, on which SD of ₹ 6.76 crore was leviable. But, these exchange deeds were assessed at ₹ 50.67 crore on the basis of lone property details captured in the application, on which SD of ₹ 2.70 crore was levied, resulting in short levy of SD of ₹ 4.06 crore.

On this being pointed out, the Government admitted that there was no provision in the application to capture the details of second property.

[6] SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

However, users are expected to exercise primary checks and verify the details of the properties having the highest transaction amount (November 2014).

4.2.8 Processing controls

Processing controls ensure complete and accurate processing of input and generated data. It ensures that transactions are unique, valid, accurate and complete. Lack of processing controls resulted in non-computation of land cost and short levy of SD as detailed below:

4.2.8.1 Non-conversion of measurement unit

We noticed in the office of SR Kurukshetra that land rates for HUDA plots had been defined in the master tables in square yards. However, while capturing the property details of some HUDA plots, the measurement units were entered in square meters in the database.

The land costs of the area given in square meters in respect of 265 transactions were processed by the application without validating the measurement unit mentioned in the property details and rate master tables. The application failed to convert the rate from per square yard to square meter. Thus, due to inadequate processing controls, the land cost of these transactions was underassessed by ₹ 2.49 crore, resulting in short levy of SD of ₹ 0.14 crore.

On this being pointed out in July 2013, the Government replied that provision in the software was available to convert measurement from square yards to square meters and vice versa. However, the user may have selected the wrong option (November 2014). The fact remains that application did not convert the measurement units and suitable mechanism may be put in place to ensure the correction option.

4.2.8.2 Joint property purchased by man and woman

The Government clarified in November 2008 that if a man and a woman purchase property jointly in equal share/proportion, then SD at the rate of one *per cent* was to be exempted on the total value of consideration on the sale deed. Where their share was not in equal proportion, in such cases, concession by two *per cent* in SD was to be given on the value of consideration of sale deed to the extent of share of woman/women involved.

Data analysis in the offices of 15 SRs[7] showed that in case of 388 sale deeds executed on joint property purchased between November 2008 and March 2014, SD was not computed accurately on the basis of proportionate shares. In these cases, short levy of SD was noted, resulting in excess remission of SD of ₹ 66.85 lakh.

The data further showed that in 1,083 cases, the sum of proportionate shares was either less or more than 100 *per cent* ranging between one and 200 *per cent*, rendering the data unreliable. An illustrative case is given below:

[7] SRs: Gurgaon (Farukh Nagar, Manesar), Kurukshetra, Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

In SR Kurukshetra, in sale deed No. 10337, dated 28.01.2013, we found that property was jointly purchased by six males and two females, but in the database, total male and female share was shown as 60 *per cent* and 20 *per cent* respectively leading to combined share of only 80 *per cent*.

On this being pointed out in June 2014, the Government replied that the proposed business logic would be studied and can be incorporated to check the amount of share entered by the user. However, Government admitted that these cases may have occurred due to wrong entry of share/proportion (November 2014).

4.2.8.3 Non-validation of receipts

As per business rule of the department, IT application is required to validate that the SD realised from the purchaser is not less than the SD computed by the application.

(i) In case of 153 sale deeds in 19 SRs[8], there was short realisation of SD levied by ₹ 49.03 lakh due to lack of validation of the total of stamp paper value and cash received with SD levied by the application.

(ii) Further, in the offices of eight SRs[9], we noticed that although the system calculated correct registration fees (RF) in 279 sale deeds, the amount realised fell short by ₹ 6.98 lakh. The application gave no prompt on mismatching of demand with receipt.

On this being pointed out, the Government admitted the audit observation and stated that directions needed to be issued to all the SRs to stop the issue of manual receipts (November 2014).

4.2.8.4 Gaps in serial numbers of registered documents

HARIS application was designed to assign sequential numbers in respect of deeds registered on account of sale, exchange, mortgage, gift, release, etc. of immoveable properties.

The analysis of HARIS database in the offices of 21 SRs[10] showed that 11,02,254 documents were registered between the years 2007-08 and 2013-14. We observed that though the registration numbers were assigned in sequential order, there were 28,289 gaps in the assigned registration numbers.

On this being pointed out, the Government admitted that gaps occurred due to abrupt closing of application and electricity failure and stated that infrastructure needed to be strengthened (November 2014).

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8 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

9 SRs: Ateli, Gurgaon, Kurukshetra, Kalka, Rohtak (Kalanaur) and Sirsa (Nathusari Chopta).

10 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

4.2.8.5 Non-mapping of locations falling within/outside MC limits

In the application, the operator manually selects the option of sub-deed name: 'Sale outside MC area'/'Sale within MC area' instead of drop down from a master database. The segments falling within/outside MC limits were required to be mapped properly to avoid the manual selection of 'Sale outside MC area'/'Sale within MC area' to enable the application to calculate the SD correctly.

As per instructions issued by the Government, two *per cent* additional SD is leviable in case of sale of land/property falling within the MC limits.

(i) The analysis of HARIS database in the offices of five SRs[11] showed that 89 sale deeds were registered as land/property falling outside MC limits by erroneously selecting option of 'Sale outside MC area' whereas these properties were actually within the municipal limits. It was further noticed that agricultural land sold in municipal limits was with an area less than 1,000 square yards or in case where purchasers were more than one, the share of each purchaser was less than 1,000 square yards. Thus, in these cases, the land/property was required to be assessed at the rate fixed for residential property and two *per cent* additional SD was to be levied. These sale deeds were liable to be assessed for ₹ 36.24 crore, on which SD of ₹ 2.17 crore (including additional two *per cent* SD) was leviable. But, these sale deeds were assessed at ₹ 13.84 crore, on which SD of ₹ 55.20 lakh was levied, resulting in short-levy of SD of ₹ 1.61 crore.

(ii) Cross verification of data recorded in HARIS application with notifications of Municipal Corporations of different districts with respect to 14 SRs[12] showed that 3,497 sale deeds were registered as land/property falling outside MC limits by erroneously selecting option of 'Sale outside MC area' whereas these properties were actually within the municipal limits. These sale deeds were assessed at ₹ 1,647.64 crore, on which SD of ₹ 108.84 crore (including additional two *per cent* SD) was leviable. But, SD of ₹ 77.22 crore was levied, resulting in short levy of SD of ₹ 31.62 crore due to non-mapping of segments.

On this being pointed out, the Government admitted that the audit suggestion of mapping locations of areas falling in MC limit would be helpful in reducing such cases and if selection is made through a drop down menu users will be more careful while choosing the right option (November 2014).

4.2.8.6 Non-digitisation of prime khasra master

HARIS application has been designed to store the prime khasra numbers of immoveable properties having higher value to assess the correct value of these properties on the basis of prime rates and SD leviable thereon. In order to check evasion of SD in sale deeds, Haryana Government issued instructions in November 2000 to identify and digitise the prime khasras. Due to non-digitisation of the prime khasras, the following deficiencies were noticed:

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11 SRs: Gurgaon (Farukh Nagar), Kurukshetra, Mahendergarh at Narnaul and Rohtak.

12 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar, Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul, Panchkula (Kalka), Panipat (Samalkha), Rohtak and Sirsa.

During data analysis in six SRs[13], the identified prime khasras were matched with the khasras mentioned in mutations entered in the Haryana Land Records Information System (HALRIS) application. Due to non-digitisation of prime *khasras*, only limited data could be analysed electronically. After matching the analysed data with the manual records, we found that prime *khasras*, having higher land rates, in addition to normal khasras were transacted in 31 sale deeds.

We found that in these sale transactions, the value of land was assessed by applying normal land rates only whereas some portion of the land was situated in prime *khasras* attracting prime land rates, which were much higher than the normal land rates. As such, the value of the land in the test checked cases was liable to be assessed for ₹ 27.87 crore, on which SD of ₹ 1.25 crore was leviable. But, SD of ₹ 60.90 lakh was levied due to non-digitisation of prime *khasras* and its rates, resulting in short levy of SD of ₹ 63.81 lakh.

It was further noticed that five SRs[14] failed to identify prime *khasras* in contravention of above instructions.

On this being pointed out, the Government admitted that prime khasra numbers should be identified by the Circle Revenue Officer and entered in the database (November 2014).

4.2.8.7 Transactions by farmers and minus data in case of land purchased against compensation

Business rules of the department provide remission of SD on the purchase of agricultural land under the "Purchase against compensation" option. As per business rule, a validation check should have been incorporated in the application to allow remission of SD only on purchase of agricultural land under this option. In case residential/commercial property is purchased under this option the application should not allow any remission of SD.

(i) The analysis of HARIS database in the offices of 19 SRs[15] showed that in 334 cases residential/commercial properties were purchased against the amount of compensation received on acquisition of agricultural land. In such cases, no remission in SD is allowed. In these cases, transactions were valued at ₹ 1,070.94 crore and SD of ₹ 70.61 crore was leviable. In the absence of appropriate validation check, the application allowed the remission of SD in these cases. However, SD of ₹ 36.14 lakh was deposited by the purchasers on their own, resulting in short levy of SD of ₹ 70.25 crore.

(ii) It was further noticed in 21 SRs[16] that agricultural land was purchased against the compensation received on account of acquisition of agricultural land in 3,696 sale deeds. Thus, SD was not leviable in these cases. However,

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13 SRs: Bapoli, Jhajjar (Bahadurgarh), Sampla and Sirsa (Nathusari Chopta).

14 SRs: Gurgaon (Farukh Nagar, Manesar) and Panchkula (Kalka).

15 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

16 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

in 499 cases out of the above sale deeds, the HARIS application computed and stored minus data valuing ₹ 3.84 crore in respect of SD in the database, which rendered it unreliable.

On this being pointed out (June 2014), the Government replied that in the absence of backend database of compensation awarded by the Government it was not possible to validate the amount of compensation entered by the user. Government while admitting the audit observation stated that cases of minus stamp duty were not reported to the software development team to check the exact position (November 2014).

4.2.8.8 Transactions on agricultural land within municipal limits

Business rules of the department provide that agricultural land sold within municipal limits, with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less than 1,000 square yards, be valued at the rate fixed for the residential property of that locality for the purpose of levying SD.

As per the above business rule, a check should have been incorporated in the application to validate the share of each purchaser in the agricultural land purchased. In case, such share is less than 1,000 square yards, the application should calculate the value of the land on the basis of residential rates fixed by the Collector.

(i) The analysis of HARIS database in the offices of 16 SRs[17] showed that 1,213 sale deeds for purchase of agricultural land within the MC limits were registered wherein the share of each purchaser was less than 1,000 square yards. These deeds were liable to be assessed for ₹ 505.94 crore based on the rates fixed for residential areas and SD of ₹ 30.48 crore was leviable. However, due to absence of appropriate validation check in the application, these deeds were assessed at ₹ 172.01 crore based on the rates fixed for agricultural land and levied SD of ₹ 10.58 crore. This resulted in short levy of SD of ₹ 19.90 crore.

(ii) Further analysis of HARIS database in the offices of eight SRs[18] showed that 39 sale deeds were registered for purchase of agricultural land against the compensation received on account of acquisition of agricultural land, within MC limit. In these cases, the area was 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. These sale deeds were liable to be assessed for ₹ 20.29 crore on the basis of residential rates but were assessed at ₹ 7.60 crore, resulting in wrong benefit of compensation to the purchasers to the extent of ₹ 12.69 crore.

On this being pointed out in June 2014, the Government admitted that these cases occurred due to wrong selection of option by the user (November 2014).

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17 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul, Panchkula, Panipat (Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa.

18 SRs: Gurgaon (Farukh Nagar, Manesar), Pehowa, Panchkula, Rohtak (Sampla) and Sirsa.

4.2.8.9 HUDA plots having preferential number 'P'

Business rules of the Collector, Kurukshetra provide that cost of land of Haryana Urban Development Authority (HUDA) 'P' plots would be 25 *per cent* higher than the rates fixed for that locality whereas Collector, Gurgaon approved levy of 10 *per cent* extra SD on HUDA 'P' plots.

The IT application should have been suitably modified to include the above business rule to assess the correct value of the properties transacted and SD leviable thereon.

The analysis of HARIS database in the offices of SRs Gurgaon, Kurukshetra and Panchkula showed that sale deeds of 860 plots (Gurgaon: 2007-08 to 2010-11, Kurukshetra: 2007-08 to 2012-13 and Panchkula: 2013-14) with preferential number 'P' were registered, which were liable to be assessed for ₹ 395.22 crore, on which SD of ₹ 25.82 crore was leviable. But we found that SD of ₹ 23.51 crore was levied due to non-incorporation of suitable changes in the application, resulting in short levy of SD of ₹ 2.31 crore.

On this being pointed out, the Government admitted that the request to add such business rule in the application was not made by the concerned SRs (November 2014).

4.2.9 Output controls

The IT application should be designed to implement all the business rules of the department and it should be updated regularly on the basis of instructions issued by the Government from time to time in order to plug-in leakage of revenue. The following deficiencies were noticed due to non-mapping of business rules:

4.2.9.1 Non-reconciliation of cash collected with manual cash receipts and system generated cash receipts

The deficient SD collected in cash is entered daily in the cash book by the Registering clerk and credited into the treasury through challan under the provisions contained in Rule 2.4 of the Punjab Financial Rules (PFR). Further, Rule 2.2 (v) of PFR provides that head of the office should obtain a consolidated receipt from the treasury for all remittances made during the previous month by 15th of every month and satisfy himself that the amounts entered in the cash book have actually been credited into treasury.

HARIS application is capable of generating 'B' book in case deficient SD is received in cash. The department failed to reconcile the receipts in the manual system with the computerised generated receipts and actual cash on daily basis as discussed below:

(i) During data analysis on 'B' book collections in the offices of SRs Bapoli, Kalka and Panipat showed that differential SD of ₹ 80.52 lakh was to be recovered in 94 cases through 'B' book, whereas only ₹ 5.69 lakh was taken in the manual cash book. The failure of the department to reconcile the entries of receipts recorded in the manual cash book with the system generated cash book resulted in shortage of ₹ 74.83 lakh.

(ii) It was noticed during data analysis in the offices of 21 SRs[19] that SD of ₹ 66.55 crore was leviable in 3,212 sale deeds. An amount of ₹ 51.08 crore was realised through stamp papers and deficient SD of ₹ 15.47 crore was required to be realised through 'B' book. But, the HARIS database showed that deficient SD of ₹ 23.22 crore was realised, resulting in excess realisation of SD of ₹ 7.75 crore ranging between ₹ 53 and ₹ 9,69,310.

On this being pointed out, the Government replied that such cases can be resolved by stopping the manual issuance of 'B' book receipts by SRs/JSRs (November 2014). The reply is not tenable as the department should have reconciliation on daily basis of cash collected with manual cash receipts and system generated cash receipts.

(iii) As per business rule of the department, IT application is required to validate that the SD realised from the purchaser by means of stamp paper and by cash, if any, is not less than the SD computed by the application. The application is capable of generating the 'B' book receipt in case of SD received in cash.

We found that in place of using system generated receipt numbers, the operators were entering the receipt numbers from manual 'B' book. Due to absence of any uniqueness condition designed in the receipt number field, we found that the same 'B' book receipt number on the same date was recorded twice or more than twice in 4,327 cases in 19 SRs[20], which showed that these fictitious numbers were inserted in the system only to let it proceed further.

On this being pointed out, the Government replied that it was not possible to check the uniqueness in manual system of issuance of cash receipts and SRs must use system generated 'B' book receipts only (November 2014). The reply is not tenable as the manual system has not been discontinued and Government has to put suitable mechanism in place to ensure unique numbers for each transaction.

4.2.9.2 Continued dependence on manual procedures

HARIS application is designed to capture and store the processed financial figures of SD due and realised through stamp paper/'B' book, RF and pasting fee. Application is also capable of generating certain reports (Endorsement, Cash Book, Statements No.1 and 3, 'B' book details, etc.) based on these data.

We noticed that RF and 'B' book receipts were continued to be maintained and issued manually, which showed that there was lack of dependency on the IT application.

On this being pointed out, the Government replied that strict instructions to ban the use of manual receipts needs to be issued. (November 2014).

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19 SRs: Gurgaon (Farukh Nagar, Manesar), Jhajjar (Bahadurgarh), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa (Nathusari Chopta).

20 SRs: Bahadurgarh, Gurgaon (Farukh Nagar, Manesar), Kurukshetra (Ladwa, Pehowa), Mahendergarh at Narnaul (Ateli), Panchkula (Kalka), Panipat (Bapoli, Madlauda, Samalkha), Rohtak (Kalanaur, Sampla) and Sirsa.

During the exit conference, the findings of the IT audit were discussed. The Government while admitting the system deficiencies such as selection of wrong option, incorrect data entry by operators, misclassification of sales deed, non capturing of details of second property, non conversion of measurement units, transfer of agricultural land within Municipal limits and purchase of land against compensation etc., requested (January 2015) NIC to rectify the shortcomings in the software and to apply suitable checks. Further the Government issued instructions to all the Deputy Commissioners to make recovery of the amount as pointed out by audit. Regarding non-reconciliation of cash collected with manual cash receipts and system generated cash receipts, the Government issued instructions that no amount should be deposited through B book in future and all the shortages of stamp duty be deposited in Government treasury through Challan only. However, the action taken by the assessing authorities and NIC in this regard is awaited.

4.2.10 Conclusion

Inadequate input controls resulted in misclassification of sale deeds, critical fields left blank, wrong input of construction year, acceptance of junk data and non-capturing of second property details. Lack of processing controls resulted in non-conversion of measurement unit, non-computation of proper share in case of purchase of joint property, non-validation of receipts, gaps in serial numbers of registered documents, non-mapping of location, non-digitisation of prime khasras, transaction of residential/commercial properties against compensation received by farmers, storage of minus values, non-levy of additional stamp duty within MC limits and non-computation of correct value of property in case of preferential plots in HUDA areas. Absence of adequate output controls led to non-generation of exceptional reports in case of acceptance of duplicate receipt numbers and SD realised in excess/short of the value of SD computed by the system. Cash receipts and daily cash books are still being maintained manually and receipts maintained manually are not reconciled regularly with system generated cash book. The deficient controls and design of the application necessitated manual intervention at certain levels and created scope for human errors resulting in revenue loss to the Government.

The IT application lacked input, process and output controls resulting in incomplete and inconsistent data, which resulted in cases of short/non-levy of SD and RF.

4.2.11 Recommendations

Government may consider that:

(i) Strengthening of the internal controls by adding appropriate checks in the application to ensure the registration of documents under appropriate option, avoid leaving blank fields, capture structure and second property details completely and accurately;

(ii) Incorporating suitable checks on processing of transactions in the application to ensure that processing is accurate, complete and unique such as synchronisation of measurement units, validation of total

shares of purchasers, mapping of areas falling within/outside MC limits and avoidance of duplicate records;

(iii) Incorporating appropriate output controls in the application to ensure that errors and exceptions such as generation of duplicate records, inconsistency between SD computed and realised are properly reported for investigation enabling the management to take appropriate action to obtain the desired output; and

(iv) Looking on priority the cash collection system as there are cases of short/ excess realisation of SD in cash with reference to system.

4.3 Fixation of circle rates by Collector and Determination of market value of property

SD is leviable on the execution of instruments as per Schedule I-A of the IS Act and RF is payable at the prescribed rates fixed by the State Government. SD is paid by the executors of instruments by using impressed stamps or by affixing non-judicial stamps of proper denomination. Collector rates are fixed by Evaluation Committees constituted and headed by Deputy Commissioner in each district every year under the instructions/guidelines issued by the State Government from time to time to avoid undervaluation.

Audit was conducted during March to June 2014 for the period 2008-09 to 2012-13 and covered seven[21] out of 21 districts selected on random sample selection basis by applying probability proportional to size method (without replacement). The important findings are as under:

4.3.1 Non recording of khasra numbers in the Collector rate list

(i) Prime land/Colonies/Wards/Sectors

As per Government instructions issued in November 2000 and various other instructions issued from time to time, the "Evaluation Committee" has to fix separate rates for prime land i.e land situated on National Highways, State Highways, link roads up to 2-3 acres of depth, developed Colonies/Wards/Sectors and record the khasra numbers in the Collector's rate list to avoid evasion of stamp duty. Thereafter, these rates are sent to the registering authority for their guidance. No guidelines for fixation of circle rates has been issued by the Government.

During test check of records of Collector rates and records relating to sale deeds registered during the years 2008-09 to 2013-14 in the offices of the Collector-cum-District Revenue Officer and Sub/Joint sub registrars of six districts[22] between March and June 2014, we noticed that the rates of prime land/colonies/wards had been fixed by the "Evaluation Committee" but the Department did not identify and record the khasra numbers of prime land and Colonies/Wards/Sectors in the Collector rate list. In the absence of prime khasra numbers, proper valuation of immovable properties could not be made for the purpose of levy of SD and RF. Scrutiny of records showed that such an

[21] Ambala, Fatehabad. Gurgaon, Hisar, Karnal, Panipat and Yamunanagar.

[22] Ambala, Gurgaon, Hisar, Karnal, Panipat and Yamunanagar.

exercise of identification and recording of the khasra numbers was undertaken only in Fatehabad and Hisar district (except in colonies/wards/sectors). In the remaining four districts no such exercise was ever undertaken.

(ii) Land falling within MC limits

The registering authority was required to collect the latest Municipal Committee khasra numbers list from concerned Municipal Committee and to record the same in Collector rate list.

During test check of records of Collector rates and sale deeds registered during the years from 2008-09 to 2013-14 in the offices of the Collector cum District Revenue Officer (DRO) and Sub/Joint sub registrars of five districts[23] between March to June 2014, we noticed that the rates of MC area land had been fixed by the "Evaluation Committee" but the department did not identify and record the khasra numbers of MC land in the Collector rate list. In the absence of MC khasra number, proper valuation of immovable properties could not be verified for the purpose of levy of SD & RF and thus additional stamp duty and short levy of SD and RF could not be checked in audit.

On this being pointed the Government admitted the facts (August 2014) and stated that all the Collectors in the State had been instructed to provide the khasra numbers of the land falling on such roads.

4.3.2 Short receipt of stamp duty due to late fixation of Collector rates

As per instructions issued by the Government of Haryana in November 1990, Collector rates would be reviewed after a period of one year instead of two years. The rates so fixed would be applicable from the 1st April of the concerned year.

During test check of records of Collector rates and other records for the years 2008-09 to 2013-14 of the offices of the Collector cum District Revenue Officer (DRO) and Sub/Joint sub registrars of five districts[24] between March to June 2014, we noticed that Collector rates were fixed and made applicable between 15 April/25 September of the respective year instead of 1st April (except Ambala and Hisar) and these rates were increased by 10 to 30 *per cent*. Timely fixation of Collector rates as per instructions ibid, by the Government could have earned additional revenue on account of stamp duty of ₹ 23.73 crore.

On this being pointed out the Government stated (August 2014) that there is no hard and fast rule for implementing the rates on 1st of April each year. The reply is not tenable as per the instructions ibid.

4.3.3 Non recording of Minutes of meetings

Scrutiny of records of Collector rates and other connected records for the years from 2008-09 to 2013-14 of the offices of the Collector cum District Revenue Officer of seven districts between March and June 2014, we noticed that in six districts[25] minutes of meeting regarding fixation of circle rates were not

23 Ambala, Gurgaon, Hisar, Karnal and Panipat.

24 Fatehabad, Gurgaon, Karnal, Panipat and Yamunanagar.

25 Ambala, Fatehabad, Gurgaon, Karnal, Panipat and Yamunanagar.

recorded by the Collectorate Office so it was not possible to ascertain the rates fixed in such meetings.

On this being pointed out between March to June 2014, concerned DROs admitted the facts.

4.3.4 Non-disposal/recovery of pending cases of under-valuation referred to the Collectors

(i) The Collector, after issue of notice to the concerned person, is required to conduct summary enquiry, as he may deem proper and assess the amount of deficient duty recoverable from the person concerned after determining the value of property. After finalisation of case, the documents are returned to the concerned registering officer. The Additional Chief Secretary to Government of Haryana, Revenue and Disaster Management Department had issued instructions in April 2013 for disposal/decision of pending cases referred to the collectors under section 47-A within six months. Further, instructions were also issued November 2013 for disposal of similar cases received after issue of these orders within two months from the date of their receipt.

During test check of records of offices of 19 Collectors[26] (SDMs cum collector and DROs who have delegated powers to decide the cases referred u/s 47-A) in six districts, we noticed that 9,802 cases of undervaluation were referred to the Collectors for decision between March 2009 and March 2014, out of which 7,227 cases were disposed of and balance 2,575 cases involving ₹ 35.77 crore were pending adjudication despite issuance of above said instructions.

On this being pointed out the Government admitted the facts and stated in August 2014 that the necessary directions had been to all the Collectors to finalise the cases under Section 47-A of the IS Act.

(ii) During test check of records of offices of 18 SRs, we noticed that out of 7,227 decided cases by the respective Collectors between 2009-10 to 2013-14, recovery amounting to ₹ 13.93 crore[27] in 757 cases had not been made yet.

On this being pointed out, the Government stated in July 2014 that efforts would be made to recover the outstanding amount.

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26 SDOs: Ballabgarh, Faridabad, Gurgaon, Hathin, Hodel, Kurukeshtra, Palwal, Panipat, Pataudi, Pehowa, Ratia, Samalkha, Shahbad, Sohna, and Tohana. DROs: Faridabad, Fatehabad, Kurukeshtra and Panipat.

27 SRs : Ballabgarh: ₹ 1.57 crore (120 cases), Bhattu Kalan: ₹ 0.04 crore (20 cases), Bhuna: ₹ 0.01 crore (5 cases), Faridabad: ₹ 1.50 crore (78 cases), Fatehabad: ₹ 0.31 crore (89 cases), Gurgaon: ₹ 6.37 crore (66 cases), Hathin: ₹ 0.20 crore (75 cases), Hodel: ₹ 0.28 crore (43 cases), Jakhal: ₹ 1.17 crore (24 cases), Ladwa: ₹ 0.02 crore (6 cases), Manesar: ₹ 0.89 crore (67 cases), Palwal: ₹ 0.07 crore (17 cases), Panipat: ₹ 0.06 crore (14 cases), Pataudi: ₹ 0.16 crore (10 cases), Pehowa: ₹ 0.51 crore (52 cases), Shahbad: ₹ 0.02 crore (8 cases), Thanesar: ₹ 0.54 crore (35 Cases), Tohana: ₹ 0.20 crore (28 cases).

4.3.5 Short levy of stamp duty due to undervaluation of immovable property

As per Government order issued in May 2010, stamp duty shall be levied on the market value of land to be sold and not on the basis of value agreed between the buyer and the seller. If the Registering Authority has reason 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.

During test check of records of 17 offices[28] of SRs/ JSRs, between April 2011 to November 2013 for the years 2010-11 to 2012-13, we noticed that in 25 cases, the registering authorities assessed the value of land at ₹ 1.25 crore on the basis of rates agreed to between the parties earlier and levied SD of ₹ 9.34 lakh, but the actual value of the immovable property was ₹ 16.07 crore as per Collector rate applicable at the time of registration of documents and SD of ₹ 91.23 lakh was leviable resulting in short levy of SD of ₹ 81.89 lakh.

On this being pointed out between June 2011 and December 2013, 13 SRs/JSRs[29] stated between May 2011 and December 2013 that the cases had been referred to the Collector for assessment of correct value of property mentioned in sale deeds. SRs Hisar and Balsmand stated in February 2014 that cases would be referred to Collector. We had not received reply from SRs Hathin and Radaur and further progress report on recovery (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

4.3.6 Improper maintenance of record

Rule 6 of Haryana Stamp Prevention of Undervaluation of Instruments Rules 1978, provides that cases under Section 47A of the IS Act shall be entered by the Collectors in a register in prescribed Proforma 3 so that full particulars of the cases are recorded in the register. Adjudication orders are also entered in this register. A copy of final orders passed by the Collector shall be forwarded to the Registering Officer (SRs/JSRs) concerned in order to enable him to make necessary entries in prescribed Proforma 4 to be kept in his office and to communicate the same to the person concerned.

During test check of records of Collectors/JSRs/SRs in Kurukshetra, Panipat, Faridabad, Palwal, Gurgaon and Fatehabad districts, we noticed that these registers were not maintained in the prescribed proforma by the Collectors as well as by the JSRs/SRs. Due to non-maintenance of these registers in prescribed proforma, the information regarding the decided cases could not be monitored and also the recovery cases could not be watched properly. We also noticed that due to non recording of disposal of cases in the registers by SRs/JSRs, there was difference of pending cases between the offices of

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28 Assandh, Ballabgarh, Bass, Balsmand, Bilaspur, Chhachhrauli, Faridabad, Fatehabad, Hathin, Hisar, Karnal, Kalka, Kurukshetra, Nillokheri, Radaur, Ratia, and Raipur Rani.

29 Assandh, Ballabgarh, Bass, Bilaspur, Chhachhrauli, Faridabad, Fatehabad, Kalka, Karnal, Kurukshetra, Nillokheri, Raipur Rani and Ratia.

Collectors and SRs/JSRs. As per Collectors record, 2,575 cases amounting to ₹ 35.77 crore were pending as on 31 March 2014 whereas as per records of SRs/JSRs, there were 5,380 cases amounting to ₹ 70.47 crore pending as on 31 March 2014. Thus, there was huge difference of 2,805 cases involving an amount of ₹ 34.71 crore.

On this being pointed the Government admitted the facts and stated in August 2014 that all the Collectors had already been instructed to maintain the register for cases under Section 47-A.

Thus, the Department failed to identify and record khasra number of prime land/colonies/wards/sectors and land falling within MC limit in the Collector rate list and also did not follow the instructions for cases decided by the Collectors within two months resulting in short realisation of revenue of ₹ 14.75 crore in 782 cases.

4.4 Short levy of stamp duty due to misclassification of sale deeds into collaboration agreement

Section 2 (10) of the Indian Stamp Act, 1899 (IS Act), provides that 'conveyance' includes conveyance on sale and every instrument by which property, whether movable or immovable, is transferred inter vivos and which is not otherwise specifically provided for by schedule 1-A of the Act. Further, Section 54 of the Transfer of Property Act, 1882 defines "sale" as transfer of ownership in exchange for a price paid or promised or part paid and part promised. The classification of an instrument depends upon the nature of the transaction recorded therein.

During test check of records, we noticed that 10 Collaboration Agreements relating to four districts[30] were registered between January 2011 and November 2012 in respect of land on which Stamp Duty (SD) of ₹ 1,300 was levied as applicable in the case of agreement, not involving sale of land. Scrutiny of these agreements further showed that the owners of land authorised the developers to take possession of the land with the right to construct, built-up shop-cum-flats and residential houses in exchange for a share of the developed land and/or receive part payments. The developers were entitled to dispose of their shares of developed land in such a manner as they deemed fit without requiring any consent from the owners. Hence, the development right/collaboration agreements were conveyance deeds and were liable to pay SD on sale of property in respect of the developers' share of land. As per rates fixed by the Collector, total value of agricultural land transferred to the developers worked out to ₹ 45.89 crore on which SD of ₹ 2.32 crore was leviable. However, the registering authorities misclassified these documents as agreement to sell charging SD of ₹ 1,300 instead of ₹ 2.32 crore, resulting in short levy of SD of ₹ 2.32 crore.

On this being pointed out between December 2011 and October 2013, SRs Assandh (Karnal) and Jhajjar stated in March 2012 and February 2014 respectively that cases had been sent to Collector under Section 47A of the

[30] SRs: Assandh (Karnal), Gurgaon, Jhajjar and Panipat.

IS Act. Further progress report on recovery and reply in remaining cases (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

4.5 Evasion of stamp duty due to undervaluation of immovable property

Section 27 of the Indian Stamp Act, 1899 (IS Act), provides that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of duty with which it is chargeable, should be fully or truly set forth therein. Further, Section 64 of the 1S Act provides that any person who, with intent to defraud the Government, executes an instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, is punishable with a fine which may extend to ₹ 5,000 per instrument.

During test check of the records of 15 registering offices, we noticed that 42 conveyance deeds were registered between February 2010 and October 2013 on account of sale of immovable properties worth ₹ 6.58 crore. Cross verification of these deeds with the agreements executed between the concerned parties noticed that the total sale value of agreements worked out to ₹ 12.36 crore resulting in undervaluation of immovable properties. This resulted in evasion of stamp duty and registration fee of ₹ 22.91 lakh. In addition, penalty not exceeding ₹ 2.05 lakh was also leviable for incorrect information in the documents.

On this being pointed between July 2011 and November 2013, SR Hodel stated in June 2014 that an amount of ₹ 73,833 had been recovered and all other JSRs/SRs stated between February 2013 and June 2014 that the cases had been sent to the Collector for decision between December 2011 and February 2014 and efforts would be made to recover the outstanding amount. We had not received further progress report on recovery and action taken to levy penalty (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

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

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 are more than one and the share of each purchaser is less than 1,000 square yards, be valued at the rate fixed for residential property of that locality for the purpose of levying SD.

During test check of the records of 18 registering offices[31] between May 2011 and February 2013, we noticed that 77 sale deeds of plots falling within the parameter of above notification were registered between March 2010 and March 2012. The deeds were liable to be assessed for ₹ 15.28 crore based on the rates fixed for residential areas and SD of ₹ 91.45 lakh was chargeable. However, the Registering Authorities assessed the deeds for ₹ 4.70 crore based on the rates fixed for agricultural land and levied SD of ₹ 29.48 lakh. This resulted in short levy of SD of ₹ 61.97 lakh.

After we pointed out these cases between May 2011 and February 2013, all the JSRs/SRs stated between August 2011 and June 2014 that the cases had been referred to the Collector and action would be taken as per rules.

The matter was reported to the Government; their reply has not been received (November 2014).

4.7 Undue benefit through reduction in stamp duty

As per notification issued on November 2010, under the Indian Stamp Act, 1899 (IS Act), the Government reduced the Stamp Duty (SD) by one *per cent* in respect of instrument of transfer of self acquired immovable property executed in favour of son or daughter or father or mother or spouse of the executants.

During test check of records of registered documents of gift deeds in nine offices[32] of Sub Registrars (SRs) between June and November 2013 for the year 2012-13, we noticed that 83 instruments of gift deeds were executed in respect of persons other than those allowed in the above notification of Government. The registering authorities allowed the exemption of SD by one *per cent* to donees which was in contravention of above orders of the Government. Thus, undue benefit through reduction in SD resulted in loss of revenue to State exchequer to the extent of ₹ 19.93 lakh.

On this being pointed out between June and November 2013, SRs Panchkula and Uklana stated in February 2014 that an amount of ₹ 34,250 had been recovered in five cases between August 2013 and January 2014 and efforts would be made to recover the balance amount. Seven SRs[33] stated in February 2014 that cases had been sent to Collector for decision under Section 47A of the IS Act. The reply of the registering authorities did not explain why these cases had been referred to the Collector since there was no need to refer the cases to the Collector for decision as it had been clearly specified in the notification regarding reduction in SD for execution of transfer of self acquired immovable property. We had not received further progress report on recovery (November 2014).

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31 Ambala Cantt., Ambala City, Bhiwani, Ellanabad, Fatehabad, Julana, Loharu, Mahendergarh, Naraingarh, Nilokheri, Panipat, Safidon, Samalkha, Sampla, Sonepat, Sirsa, Tohana, and Uchana.

32 SRs: Ballabhgarh, Barwala, Gurgaon, Hisar, Manesar, Panchkula, Raipur Rani, Sohna and Uklana.

33 SRs: Ballabhgarh, Barwala, Gurgaon, Hisar, Manesar, Raipur Rani and Sohna.

The matter was reported to the Government; their reply has not been received (November 2014).

4.8 Exemption of stamp duty on collusive decrees[34]

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 decree[35] which is not bonafide[36] 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 is not bonafide is liable to be charged as an instrument of conveyance as per Schedule 1-A of the Indian Stamp Act, 1899. The Sub Registrars (SRs) were asked to carefully examine each document so as to ensure that there is no deliberate attempt for evasion of stamp duty (SD) and the same is properly stamped under the Act.

During test check of the records of offices of four SRs/JSRs[37], we noticed that six compromise decrees which were not bonafide were registered between May 2010 and January 2012 without charging stamp duty on total consideration of ₹ 3.57 crore. These parties obtained collusive decrees to evade SD. The registering authorities did not comply with the above instructions and allowed exemptions from payment of SD without confirming the facts that properties mutated were executed between blood relations. This resulted in irregular exemption of SD of ₹ 18.06 lakh.

On this being pointed out between July 2011 and January 2013, SRs Pehowa, Pundri and Thanesar stated between January 2012 and February 2014 that cases had been sent to the Collector for decision between October 2011 and January 2012. JSR Pillukhera stated in October 2012 that efforts would be made to recover the outstanding amount. We had not received further progress report on recovery (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

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34 Collusive decree means the decree obtained by the parties by fraudulent secret understanding.

35 Settlement of property by mutual consent.

36 Which is related by blood relation.

37 SRs: Pehowa (Kurukshetra), Pundri, Thanesar and JSR: Pillukhera.

CHAPTER-V

TAXES ON VEHICLES, GOODS AND PASSENGERS

CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1.1 Tax administration

5.1.1.1 Passengers and goods tax

Registration of motor vehicles, assessments, levy and collection of passengers and goods tax (PGT) are governed under the provisions of the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder, as applicable to the State of Haryana. The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head at the Government level. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana, Chandigarh. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field. All the motor vehicles carrying goods and passengers are required to be registered with AETO of the district concerned in which the owner of the vehicle has residence or place of business where the vehicle is normally kept in the State.

5.1.1.2 Taxes on vehicles

Registration of motor vehicles for goods and passenger tax, issue of permits, issue of driving/conductor licences, levy and collection of token tax, permit fee, licence fee etc. are governed under the provisions of the Motor Vehicles Act, 1988, (MV Act) Central Vehicles Rules, 1989, the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana, Transport Department is the administrative head at the Government level and is responsible for the administration of the MV Act/Rules in the State and assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licencing Authority (RLA) are being exercised by 57 Sub-Divisional Offices (Civil) in respect of non-transport vehicles, whereas 21 Secretary, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport Vehicles.

5.1.2 Results of Audit

In 2013-14, test check of the records of 67 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme showed underassessment of tax and other irregularities involving ₹ 4.03 crore in 2,631 cases, which fall under the following categories in the table **Table 5.1.**

Table 5.1

			(₹ in crore)
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Non/short realisation of		
	• permit/counter signature fees from owners of heavy/light transport vehicles	234	0.12
	• registration fee and token tax on vehicles transferred from other States	58	0.01
2.	Non/short recovery of		
	• bid money	23	0.36
	• token/road tax in respect of stage carriage buses/combine harvesters etc.	84	0.15
	• token tax from private vehicles	323	0.24
	• passengers tax from co-operative transport societies/educational institutions	437	2.01
	• goods tax	775	0.45
3.	Miscellaneous irregularities	697	0.69
	Total	**2,631**	**4.03**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 39.81 lakh in 176 cases, out of which ₹ 13.59 lakh involved in 74 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 26.22 lakh in 102 cases pointed out in earlier years.

A few illustrative cases involving ₹ 62.42 lakh are discussed in following paragraphs:

Passengers and goods tax

5.2 Non/short realisation of passenger tax from city bus operators

Section 9 (2E) of the Punjab Passengers and Goods Taxation (PPGT) (Haryana Amendment) Rules, 2004, as inserted with effect from 24 February 2004, provides that the holders of permit for plying buses on the roads within the municipal corporation limit in Faridabad and Gurgaon districts are required to pay passengers tax at the prescribed rates[1]. Further, as

[1] For ordinary half body and ordinary full body buses at ₹ 4,200 and ₹ 7,000 per month respectively. Ordinary full body buses having compressed natural gas as fuel are levied passenger tax at the rate of ₹ 8,000 per month.

Half-body bus means an omnibus, which is not a maxi cab and not a full-body bus, and Full-body bus means an omnibus whose capacity shall be, with ordinary 3x2 seating arrangement to carry more than 35 but not more than 54 persons, and with luxury 2x2 seating arrangement to carry more than 12 but not more than 35 persons.

per Section 14 (B) of the Act, where any tax or penalty is not paid within prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the amount of tax.

During test check of the records of the offices of DETC (PGT), Faridabad (East) and Gurgaon between August 2012 and September 2013 for the years 2011-12 and 2012-13, we noticed that 240 private bus operators were granted permits for plying buses in city areas, out of which 53 private bus operators did not deposit the monthly passengers tax for different periods between April 2011 and March 2013. There was nothing on records to show that the department had taken any action to recover the tax from the defaulting bus owners. This resulted in non/short realisation of tax of ₹ 24.47 lakh. Additionally, interest amounting to ₹ 10.20 lakh was also leviable for the period between April 2011 and March 2013.

On this being pointed out between August 2012 and September 2013, DETC (PGT), Faridabad stated in May 2014 that a sum of ₹ 1.18 lakh had been recovered between August 2012 and December 2013 and efforts would be made to recover the balance amount. DETC (PGT), Gurgaon stated in December 2013 that notices had been issued to the defaulting vehicle owners for recovery of passengers and goods tax. We had not received further progress of recovery and action taken to levy interest (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

5.3 Non/short realisation of passengers tax from taxi/maxi owners

Under Section 9 of the PPGT Act and rules framed thereunder, passengers tax on five seater taxi car is leviable at the rate of ₹ 3,000 per annum and on seven to 12 seater maxi cab at the rate of ₹ 100 per seat per month. Tax is payable in equal quarterly instalments within 30 days of the commencement of the quarter to which payment relates. In case of default, penalty and interest are leviable.

During test check of the records of five offices[2] of Deputy Excise and Taxation Commissioner (Passengers and Goods Tax) {DETC (PGT)} between January 2013 and January 2014, we noticed that passengers tax in respect of 165 car/maxi owners either had not deposited the passenger tax or short deposited between April 2011 and March 2013. No demand notices had been issued. This resulted in non/short realisation of tax ₹ 13.90 lakh (including interest[3] of ₹ 4.23 lakh).

On this being pointed out between January 2013 and January 2014, all DETCs stated in January 2014 that a sum of ₹ 1.37 lakh had been recovered in 17 cases and efforts would be made to recover the balance amount. We had not received further progress report on recovery and action taken to levy interest (November 2014).

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2 Bhiwani, Jind, Karnal, Panchkula and Rewari.

3 Interest calculated upto March 2014.

The matter was reported to the Government; their reply has not been received (November 2014).

5.4 Non/short realisation of passengers tax from transport co-operative societies buses

Under the scheme of privatisation of passenger road transport, the permit holder of the buses plying on link routes of the State are required to pay lump sum passengers tax, based on the seating capacity of the bus monthly at the rate of ₹12,000 for 52/54 seater and ₹ 6,000 for 30 seater buses and in case their routes extended upto 24 kilometers at the rate of ₹16,000 for 52/54 seater and ₹ 10,000 for 30 seater buses with effect from March 2007. In case of default, penalty and interest are leviable under the Act.

During test check of records of five offices[4] of Deputy Excise and Taxation Commissioner (Passengers and Goods Tax) {DETC (PGT)}, we noticed that 54 transport co-operative societies buses did not deposit the monthly passenger tax either in full or in part during the years 2011-12 and 2012-13. This resulted in non/short realisation of tax of ₹ 8.45 lakh (including interest[5] of ₹ 1.53 lakh).

On this being pointed out between September 2012 and October 2013, DETC (PGT) Jhajjar and Karnal stated in January and March 2014 that a sum of ₹ 1.88 lakh had been recovered in four cases between March and December 2013 and efforts would be made to recover the balance amount. DETCs (PGT), Ambala, Faridabad (East) and Sonepat stated between December 2013 and May 2014 that efforts would be made to recover the outstanding amount. We had not received further progress report on recovery and action taken to levy interest (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

Taxes on vehicles

5.5 Non renewal of permits of transport vehicles

As per section 66 of the Motor Vehicles Act, 1988, no owner of a motor vehicle shall use or permit the use of vehicle as a transport vehicle in any public place without valid permit granted or countersigned by a Regional or State Transport Authority whether or not such vehicle is actually carrying any passenger or goods. Further Section 81 of the Act provides that validity of a permit is five years and may be renewed on an application made not less than 15 days before the date of expiry of the permit[6]. Plying of the vehicles without

4 Ambala Cantt, Faridabad (East), Jhajjar, Karnal and Sonepat.

5 Interest calculated upto March 2014.

6 For this purpose prescribed permit fee for Heavy Transport Vehicle (HTV) @ ₹ 2,625 and for Light Transport Vehicle (LTV) @ ₹ 1,750 valid for five years in February 1997. Authorisation fee for national permit is ₹ 1,000 per annum as prescribed in Section 87 of the Central Motor Vehicle Rules, 1989.

a valid permit attracts minimum penalty of ₹ 2,000 under the provision of Section 192-A of the Act.

During test check of the records of the offices of the Secretary, Regional Transport Authorities (RTAs) Ambala, Faridabad and Hisar for the year 2012-13 pertaining to issue and renewal of permits of transport vehicles, we noticed that 96 vehicles which were issued permits for plying as transport vehicles by the authorities for five years from date of issue of permits, but owners of these vehicles did not renew permits of vehicles even after the expiry of last date of validity of permit. These transport vehicles were plying on roads without valid permits. Further scrutiny of records revealed that neither there was any recorded reasons for non renewal of permits of these vehicles nor these vehicles were declared off-road. This resulted in non realisation of revenue amounting to ₹ 5.40 lakh including minimum penalty of ₹ 1.92 lakh.

On this being pointed out between November 2013 and January 2014, all the RTAs stated between April and October 2014 that notices would be/had been issued to the defaulting owners to recover the outstanding amount. We had not received further progress report on recovery (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

CHAPTER-VI

NON-TAX RECIEPTS

CHAPTER VI: NON-TAX RECEIPTS

6.1.1 Tax administration

This chapter consists of receipts from Mines and Geology and Transport Departments. The tax administration is governed by Acts/Rules framed separately for each Department.

6.1.2 Results of audit

In 2013-14, test check of the records of 12 units relating to Mines and Geology and Transport Department showed non/short recovery of royalty, non levy of interest/extension fee, transport receipts and other irregularities involving ₹ 13.14 crore in 26 cases, which fall under the following categories in **Table 6.1.**

Table 6.1

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	Receipts from Minor Minerals	1	5.09
2.	Non- recovery of • royalty and interest • interest on late deposit of contract money	 19 5	 0.27 0.06
3.	Transport Receipts	1	7.72
	Total	**26**	**13.14**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 16.69 lakh involved in 16 cases, out of which ₹ 14.60 lakh involved in 13 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 2.09 lakh in three cases pointed out in earlier years.

A few illustrative cases involving ₹ 12.81 crore are discussed in following paragraphs:

MINES AND GEOLOGY DEPARTMENT

Audit findings

6.2 Receipts from Minor Minerals

6.2.1 Introduction

Receipts from Mines and Minerals consist of application fee, license fee, permit fee, royalty, dead rent, fines and penalties, interest on belated payments, etc. The grant of concessions and leases for prospective mining or extraction of Major Minerals other than mineral oils is governed and regulated by the Mineral Concession Rules, 1960 and rules framed thereunder.

The records of the Director of Mines and Geology at Headquarters and seven offices[1] of Mining Officers (MOs) out of 16 MOs for the years 2008-09 to 2013-14 were test checked between March and June 2014. The important findings noticed are as under:

6.2.2 Non/short realisation of bid money

As per Punjab Minor Mineral Concession Rules, 1964, as applicable to the State of Haryana, a mining contract for quarrying is granted by auction or by accepting tender of highest bidder. The bidder is required to deposit 25 *per cent* of bid as security plus one twelfth of the annual bid where contract value exceeds ₹ five lakh, as advance payment immediately on the allotment of the contract. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract and forfeit the amount of security. Further, interest at the rate of 24 *per cent* per annum is also recoverable for the period of default in payment of instalment of contract money till such amount is paid.

During test check of records in the office of Mining Officer, Bhiwani, we noticed that minor mineral quarrying permits were granted to five contractors on the basis of highest annual bid amount of ₹ 4.43 crore due for the periods 2007-08 to 2009-10 (upto February 2010). Mining activities were banned by Hon'ble High Court since 1 March 2010. The contractors had not deposited bid money amounting to ₹ 1.88 crore for different periods. The department had terminated the contract by delayed period of 10-11 months after the contract money had not been paid. Even the recovery certificates were issued after delayed period of 35 to 42 months in three cases from the date of termination of contracts. Lack of timely action by the Department to recover the bid money of ₹ 1.88 crore from the contractors resulted in short realisation of bid money amounting to ₹ 4.43 crore (including interest[2] of ₹ 2.55 crore).

On this being pointed out the Government stated (October 2014) that all-out steps to recover the dues were taken by the department and recovery of dues from the defaulters was in process.

6.2.3 Non/short realisation of royalty and interest

Rule 30 of the Haryana Minor Mineral Concession, Stocking, transportation of Mineral and Prevention of illegal Mining Rules, 2012 provides that brick kiln owners (BKOs) shall pay annual amount of royalty at the prescribed rate in advance by 30th April of every year. State Government revised the rates of fixed royalty of various categories of BKOs with effect from 20 June 2012. In case of default, interest at the rate of 21 *per cent* per annum is chargeable for the period of default. BKOs register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs who do not pay royalty are required to be cancelled by the department by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue. The Assistant Mining Engineers (AMEs)/Mining Officers (MOs) are responsible for monitoring recovery of outstanding dues.

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1 MOs: Bhiwani, Faridabad, Gurgaon, Panipat, Rewari, Sonepat and Yamunanagar.

2 Interest calculated upto 31 March 2014.

During test check of records of six offices[3] of MOs/AMEs, we noticed that 151 BKOs who were issued permits between April 2012 and March 2014 for the period of two years did not pay due amount of royalty. Though, a period ranging between 14 to 26 months had elapsed upto May 2014, yet royalty of ₹ 50.94 lakh was neither paid by the BKO's nor any action was taken by the department to recover the same. No action to cancel the permits and/or to recover the dues as arrears of land revenue was taken. Lack of action on the part of the department resulted in non-realisation of revenue of ₹ 66.27 lakh including interest amounting to ₹ 15.33 lakh.

On this being pointed out the Government stated (October 2014) that an amount of ₹ 36.36 lakh (including interest of ₹ 1.91 lakh) had been recovered and efforts would be made to recover the outstanding amount.

6.2.4 Non issuance of Mineral Transport Permits

As per rule 99 and 100 of Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of illegal Mining Rules, 2012, any mode of carrier transport, mechanically driven or otherwise and used for transportation of any mineral, shall be required to be registered with the Director or such officer as authorised by him for the said purpose and for such period as required for any part or parts of the State. For this purpose, the authorised officer of the Transport Department shall issue a mineral transport permit in form TP-2 to the owner of such transport vehicle for a payment of ₹ 1,000 for a year. The permit shall be in nature of sticker.

During scrutiny of records of seven MOs[4], we observed that no mineral transport permit as required under the rules had been issued. Thus, the department was deprived of the revenue to be realised on account of issuance of mineral transport permit. The actual receipt could not be worked out in the absence of number of actual vehicles engaged in mineral transportation.

Thus, failure to take timely action to recover the bid money from the five contractors resulting in short realisation of bid money of ₹ 4.43 crore (including interest of ₹ 2.55 crore) and royalty and interest of ₹ 66.27 lakh was not realised from 151 BKOs.

On this being pointed out the Government stated (October 2014) that the process of the issuance of the Mineral Transport Permit would be followed in future.

TRANSPORT DEPARTMENT

6.3 Transport Receipts

6.3.1 Introduction

Haryana Roadways, a State Government Undertaking under Transport Department was formed in November 1966 to meet with the objectives of providing efficient, economical, adequate and well co-ordinate transport service to the general public. As on 31 March 2014, it had 24 depots

[3] AMEs/MOs: Bhiwani, Faridabad, Gurgaon, Panipat, Sonepat and Yamunanagar.

[4] Bhiwani, Faridabad, Gurgaon, Panipat, Rewari, Sonepat and Yamunanagar.

(10 depots for Tata make and 14 for Leyland make buses) with a fleet of 4,025 buses.

The department collects receipts on account of charging of fare from the passengers utilising the bus service, and non transport receipts on account of sale of old buses, old spare parts, damages or fines of vehicles, rent of shops at bus stands, *Adda*/parking fee, tanker's freight charges, advertisement fees, toll tax and other miscellaneous receipts, etc.

The record of the Director General State Transport, Haryana, Chandigarh at Headquarters and six depots[5] of Haryana Roadways out of 24 depots for the years 2009-10 to 2013-14 was test checked in May and June 2014 and the important findings noticed are as under:

6.3.2 Non collection of Adda fees

Under Faridabad and Gurgaon City Private Bus Service Scheme, 2004 private persons were to be issued permits by the State Transport Authority (STA) for City Bus service operated in the area for a period of five years. Renewal of the permits was to be made subject to payment of all taxes, fees and Government dues. Further, the operators were liable to pay *Adda* Fee at the rate prescribed by Transport Department from time to time per single trip to the Haryana Roadways for using its bus stops and in case of violation of any of the conditions, the STA could initiate action for suspension/ cancellation of the permit/ imposition of penalty.

(i) During test check of the records of the office of Director General State Transport (DGST), we noticed that STA had issued 194 permits (Faridabad: 67 and Gurgaon: 127) to private operators for city bus service in Faridabad and Gurgaon. The routes for plying the buses were finalised by Regional Transport Authority (RTA), Faridabad and Gurgaon. The buses started plying on the routes from March 2004 onwards. However, *Adda* fee as prescribed from time to time was not paid by these private operators between March 2004 to March 2014 to the General Manager, Faridabad and Gurgaon. Neither GM had taken any steps to recover these outstanding dues from the private operators nor RTAs had initiated any action for suspension/cancellation of the permit/imposition of penalty. Non- collection of *Adda* fee from April 2009 to March 2014.amounted to ₹ 7.55 crore (Faridabad: ₹ 2.91 crore and Gurgaon: ₹ 4.64 crore)

(ii) Further scrutiny of record of Faridabad depot showed that one private operator had sold his bus in 25 March 2010 to another private operator. However, when the purchaser applied to get the vehicle registered by obtaining No Objection Certificate from the Regional Transport Authority (RTA) Faridabad, the same was not issued as the requisite *Adda* fee (₹ 4.34 lakh) had not been deposited in respect of this bus. The purchaser filed writ petition in Punjab & Haryana High Court, Chandigarh on the plea that she was not liable to pay the *Adda* fee up to the date of agreement (25 March 2010). However, the High Court dismissed the writ petition and decided (10 March 2014) that without clearing the dues the NOC could not be

[5] Ambala, Chandigarh, Hisar, Rohtak, Sirsa and Sonepat.

issued and directed the State Government to take steps to recover the dues from the vehicle owners of all the buses. During this case, it was also noticed that eight such buses were already sold and NOCs were issued for these buses without recovering *Adda* fee (₹ 29.46 lakh in seven cases) in respect of these buses. Thus, the department was allowing the sale and registration of buses in the names of other private operators without recovering its dues. As the record of non-payment of Adda fees is maintained by GM but the RTA is required to confirm the outstanding Adda fees from the GM before issuing the NOC to the private operator for renewal of permit or transfer of registration of buses in the name of purchasers. Thus, Audit observed that a proper system was not in place for collection of dues and renewal and transfer of registration before issue of NOCs for sale of vehicles and no corrective action has been taken by the Department which shows the failure of the Department.

On this being pointed out the Department stated in October 2014 that recovery proceedings had been started for *Adda* fee under Punjab Land Revenue Act, 1887 (PLR Act).

6.3.3 Non/short collection of service tax on rented shops

Service tax was imposed from 01 June 2007 on services of providing renting of immovable property as defined under Finance Act, 1994. Haryana Roadways was having shops at various bus stands which were given on rent.

Test-check of the records of 10 depots[6] showed that these depots had collected rent of ₹ 12.46 crore on shops during the period 01 April 2009 to 31 March 2014. The service tax on this rent worked out to ₹ 1.40 crore out of which the depots had collected and deposited an amount of ₹ 1.23 crore and remaining service tax of ₹ 16.83 lakh was not collected. Thus, the department had not collected service tax of ₹16.83 lakh from the shop contractors.

The Department stated in October 2014 that efforts would be made to recover the service tax on rented shops from the contractors.

6.3.4 Mismanagement of bus operations

The number of buses and crew availability is maintained as per norms of the department. The traffic wing gives rest and leave to the crew in rotation so that buses can cover scheduled kilometers. The workshop is to keep all buses in roadworthy condition and avoid detention in workshop. The buses not detained in workshop must be sent on route with the available crew so that maximum utilisation of buses and crew can be made and maximum revenue earned.

During analysis of the detailed position of fleet and crew as provided in the computerised reports from 2010-11 onwards relating to the period 2010-14 in respect of seven Depots[7], we noticed that buses were not operated for the period ranging between 1 to 29 per day, though the drivers and conductors were available on those days. Due to this mismanagement, the fixed cost incurred on these buses was rendered unfruitful.

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6 Ambala, Charkhi Dadri, Chandigarh, Fatehabad, Hisar, Jhajjar, Kurukshetra, Rohtak, Sirsa and Sonepat.

7 Ambala, Chandigarh, Fatehabad Hisar, Rohtak, Sirsa and Sonepat.

The Department admitted the facts in October 2014 and stated that the report would be monitored at Headquarter level and necessary directions would be issued to the concerned depots from time to time.

6.3.5 Non reimbursement of free/concessional facility

The State Government had allowed free/concessional travelling facility in the buses of Haryana Roadways vide their notifications between September 1982 and March 2014 to seven departments[8] for 36 categories. Out of these 36 categories, 27 categories have been allowed free travelling and remaining 9 categories have been allowed concessional travelling.

During scrutiny of records of the Transport Department, we noticed that the Transport department raised claims of ₹ 691.73 crore for the years 2009-14 on these departments out of which the departments had paid an amount of ₹ 120.65 crore and balance amount of ₹ 571.08 crore was still pending as on 31 May 2014. However, no action was initiated by the Department for reimbursement of dues at Principal Secretary level.

Out of the total claims of ₹ 106.24 crore raised on police/jail Departments during the years 2009-10 to 2013-14, an amount of ₹ 60.62 crore had been recovered by the Department and an amount of ₹ 45.62 crore was still unrecovered (November 2014).

As per modalities finalised for Home Department for free/concessional facility for police and jail employees, the total amount came to ₹ 18.90 crore for the year 2009-10. A fixed amount of ₹ 80 upto 31 March 2011 and ₹ 175 from 1 April 2011 onwards was to be deducted from the pay of the employees and deposited in 1055 Head of account directly. In fact, the actual amount received from the pay of the employees should be deducted from the total claims, but we noticed that though actual amount received from the pay of employees ranged between ₹ 4.16 crore to ₹ 7.88 crore during 2009-10 to 2012-13, the claim was raised by deducting a fix amount of ₹ 4.28 crore as payment received for every year from 2009-10 onwards. The working of this fixed amount of ₹ 4.28 crore was not available in the record. Thus, the claims raised had not been calculated accurately as ₹ 22.44 crore was deducted from the pay of the employees and deposited in Head of account (1055) whereas the amount deducted from the claim was only ₹ 17.12 crore under this head, resulting in excess claim raised by ₹ 5.32 crore.

The Department stated in October 2014 that the matter was referred to the Finance Department (FD) for providing budget and FD had advised that the Transport Department was also a Government department and could operate welfare schemes so inter Department transfers of funds were not justified. The reply was not acceptable because the decision was taken to provide budget to the respective Departments for the claims raised by the Transport Department at the level of Chief Minister and if it was not to be implemented, the approval of the Chief Minister should have been taken. In case of the claims raised with the Police Department, the department stated that the claims would be revised on the basis of actual amount received.

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[8] Social Justice and Empowerment, Women and Child Development, Youth and Sports Department, Public Relation Department, Rajya Sainik Board, Home Department (Police and Jail), and Education Department.

Thus, *Adda* fees was not collected in respect of 194 permits (Faridabad: 67 and Gurgaon: 127) issued to private operators for city bus service amounting to ₹ 7.55 crore and service tax from shop contractors amounting to ₹ 16.83 lakh in respect of 10 Depots for the years 2009-10 to 2013-14. An amount of ₹ 571.08 crore was pending as on 31 March 2014 from various departments in respect of free/concession facility.

The matter was reported to the Government; their reply has not been received (November 2014).

Chandigarh **(Mahua Pal)**

The **Principal Accountant General (Audit), Haryana**

19 फरवरी FEB 2015

Countersigned

New Delhi **(Shashi Kant Sharma)**

The **Comptroller and Auditor General of India**

APPENDICES

Annexure I

(Refer Paragraph No. 1.6.5)

Position of paragraphs which appeared in the Audit Reports and those pending discussion/ replies not received as on 31 October 2014.

Name of tax		2009-10	2010-11	2011-12	2012-13	Total
Taxes on Sales, Trade etc.	Paras appeared in the AR/ pending discussion in the PAC	12	12	9	4	37
	Paras replies not received	0	0	9	4	13
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	2	3	1	1	7
	Paras replies not received	0	2	1	1	4
Stamp duty and Registration fee	Paras appeared in the AR/pending discussion in the PAC	1	6	6	8	21
	Paras replies not received	0	0	6	8	14
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	2	1	3	4	10
	Paras replies not received	0	0	3	4	7
Others	Paras appeared in the AR/pending discussion in the PAC	4	1	1	1	7
	Paras replies not received	0	1	1	1	3
Total	**Paras appeared in the AR/pending discussion in the PAC**	**21**	**23**	**20**	**18**	**82**
	ATNs to Paras included in AR not received	**-**	**3**	**20**	**18**	**41**

ANNEXURE II
(Refer Paragraph No. 1.6.5)
Details of PAC recommendations for CAG Report (Revenue Receipts) outstanding as on 31 October 2014

Sr. No.	PAC Report	Year of Audit Report	Total numbers of outstanding paras of PAC Reports 1979-80 to 2008-09 as on 31-10-2014
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	8
7	32nd	1985-86	4
8	34th	1986-87	11
9	36th	1987-88	6
10	38th	1988-89	11
11	40th	1989-90	23
12	42nd	1990-91,91-92,92-93	31
13	44th	1990-91,91-92,92-93	40
14	46th	1993-94	9
15	48th	1993-94,1994-95	10
16	50th	1993-94,1994-95,1995-96	41
17	52nd	1996-97	31
18	54th	1997-98	43
19	58th	1998-99 & 1999-2000	64
20	60th	2000-01	38
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	50
25	67th	2005-06	48
26	68th	2006-07 &2007-08	100
27	70th	2008-09	56
		Total	**780**

ANNEXURE III
(Refer Paragraph No. 1.6.5)

Details of PAC recommendations for CAG Report (Revenue Receipts/ Sector) outstanding as on 31 October 2014

Sr. No	Name of the Department	Total recommendations outstanding for the period 1979-80 to 2008-09
1	Excise and Taxation	369
2	Revenue	160
3	Mines and Geology	44
4	Agriculture	41
5	Irrigation	15
6	Chief Electrical Inspector (Power)	17
7	Public Health	4
8	PWD (B&R)	5
9	Animal Husbandry	7
10	Transport	49
11	Finance (Lotteries)	14
12	Haryana State Lotteries	2
13	Co-operative	19
14	Forest	10
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	1
19	General	1
	Total	**780**

GLOSSARY

GLOSSARY OF ABBREVIATIONS

ATNs	Action Taken Notes
AAs	Assessing Authorities
AETO	Assistant Excise and Taxation Officer
BEs	Budget Estimates
AMEs	Assistant Mining Engineers
BIFR	Board of Industrial and Financial Reconstruction
BBMB	Bhakra Beas Management Board
BKOs	Brick Kiln Owners
CL	Country Liquor
CST Act	Central Sales Tax Act, 1956
DETC	Deputy Excise and Taxation Commissioner
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DCR	Daily Collection Register
DCs	Deputy Commissioners
DDO	Drawing and Disbursing Officer
ETC	Excise and Taxation Commissioner
ETOs	Excise and Taxation Officers
GOI	Government of India
GTO	Gross Turnover
HVAT Act	Haryana Value Added Tax Act, 2003
HGST Act	Haryana General Sales Tax Act, 1973
HVPNL	Haryana Vidyut Prasaran Nigam Limited
HPGCL	Haryana Power Generation Corporation Limited
HLL Rules	Haryana Liquor License Rules, 1970
HLADT	Haryana Local Area Development Tax
ITC	Input Tax Credit
IOCL	Indian Oil Corporation Limited
IS Act	Indian Stamp Act, 1899
IRs	Inspection Reports
IR Act	Registration Act, 1908
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
JSR	Joint Sub Registrar

JETC	Joint Excise and Taxation Commissioner
MV Act	Motor Vehicles Act, 1988
MO	Mining Officer
PAC	Public Accounts Committee
PAG	Principal Accountant General (Audit)
PSET	Principal Secretary, Excise and Taxation Department
PGT	Passengers and Goods Tax
PPGT Act	Punjab Passsengers and Goods Taxation Act, 1952
PMVT Act	Punjab Motor Vehicles Taxation Act, 1924
PLs	Proof Litres
PFRs	Punjab Financial Rules
PLR Act	Punjab Land Revenue Act, 1887
RF	Registration Fees
RLA	Registering and Licensing Authority
RTA	Regional Transport Authority
RA (MV)	Registering Authority (Motor Vehicles)
RRC	Revenue Recovery Certificate
SD	Stamp Duty
SED	State Excise Duty
SR	Sub Registrar
SO	Section Officer
SDO	Sub Divisional Officer
TIN	Taxpayers Identification Number
TC	Transport Commissioner
TINXSYS	Tax Information Exchange System
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
VAT	Value Added Tax
WCT	Works Contract Tax