



REPORT

OF THE

Comptroller & Auditor General of India
for the year 1985-86

(REVENUE RECEIPTS)

GOVERNMENT OF HARYANA

REPORT

OF THE

Comptroller of the General Land Office
for the year 1882-83

(REVISED EDITION)

GOVERNMENT OF MARYLAND

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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Haryana, for the year 1985-86, is presented in this separate volume. The Report has been arranged in the following order :-

- (i) Chapter I refers to trend of revenue receipts classifying them broadly under tax revenue and non-tax revenue, the variations between the Budget estimates and the actual receipts under principal heads of revenue, the revenue in arrears for collection and the audit objections and inspection reports outstanding for settlement.
- (ii) In Chapters 2 to 6 are set out some of the important irregularities which came to the notice of Audit during test check of records relating to Sales Tax, State Excise, Taxes on Motor Vehicles and Other Tax and Non-Tax Receipts.

CHAPTER I

GENERAL

1.1. Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1985-86, the share of taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below :—

	1983-84	1984-85	1985-86
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue	3,65.88	4,05.40	5,01.71
(b) Non-Tax Revenue	1,79.54	2,14.48	2,58.12
Total (I)	<u>5,45.42</u>	<u>6,19.88</u>	<u>7,59.83</u>
II. Receipts from Government of India—			
(a) State's share of net proceeds of divisible Union Taxes	80.78	93.55	85.51
(b) Grants-in-aid	72.40	77.02	1,15.00*
Total (II)	<u>1,53.18</u>	<u>1,70.57</u>	<u>2,00.51</u>
III. Total receipts of the State (I+II)	6,98.60	7,90.45	9,60.34
IV. Percentage of I to III	78	78	79

* For details, see statement No. 11—Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana 1985-86.

(i) The details of the tax revenue raised during the year 1985-86, alongside figures for the preceding two years, are given below :—

	1983-84	1984-85	1985-86	Percentage Increase (+) or Decrease (—) in 1985-86 over 1984-85
	(In crores of rupees)			
1. Sales Tax	1,66.52	1,83.86	2,34.35	(+) 27
2. State Excise	68.40	90.52	1,10.96	(+) 23
3. Taxes on Goods and Passengers	51.34	54.83	66.16	(+) 21
4. Stamps and Registration Fees	28.08	32.10	37.39	(+) 16
5. Taxes and Duties on Electricity	26.19	17.45	22.40	(+) 28
6. Taxes on Vehicles	12.65	14.15	15.00	(+) 6
7. Land Revenue	3.76	3.95	3.79	(—) 4
8. Other Taxes and Duties on Commodities and Services	8.94	8.54	11.65	(+) 36
9. Taxes on Immovable Property other than Agricultural Land	—	—	0.01	—
Total	3,65.88	4,05.40	5,01.71	(+) 24

(a) Increase (27 per cent) in sales tax receipts was attributed to establishment of new industrial units in the State, realisation of arrears and more effective control.

(b) Increase (23 per cent) in state excise receipts was attributed to higher bids received on auction of licences for vending liquor, more sale of country liquor and increase in the rate of excise duty on Indian made foreign liquor and beer effective from 1st April 1985.

(c) Increase (21 per cent) in receipts from taxes on goods and passengers was due to increase in the rates of passengers and goods tax introduced in April 1985.

(d) The increase (16 per cent) in stamp duty and registration fee receipts was stated to be due to increased number of transactions in property.

(e) The increase (28 per cent) in receipts from electricity duty was mainly attributed to revision of rates of electricity duty effective from 1st April 1985.

(f) Increase (36 per cent) in receipts from other taxes and duties on commodities and services was stated to be due to more effective control and realisation of arrears.

(ii) The details of the major non-tax revenues received during the year 1985-86, alongside figures for the preceding two years, are given below :-

	1983-84	1984-85	1985-86	Percentage Increase (+) or Decrease (-) in 1985-86 over 1984-85
(In crores of rupees)				
1. Road and Water Transport Services	73.75	81.05	96.66	(+) 19
2. Interest	53.03	67.93	73.86	(+) 9
3. Miscellaneous General Services	10.93	18.59	30.81	(+) 66
4. Medical	2.83	3.14	3.50	(+) 11
5. Mines and Minerals	4.04	3.72	3.89	(+) 5
6. Others	34.96	40.05	49.40	(+) 23
Total	1,79.54	2,14.48	2,58.12	(+) 20

(a) Increase (19 per cent) in receipts under "Road and Water Transport Services" was attributed to increase in fare, more traffic and better services provided.

(b) More receipts from "Interest" were attributed to larger receipts of interest from departmental commercial undertakings and public sector undertakings.

(c) Increase (66 per cent) in receipts under "Miscellaneous General Services" was attributed to the introduction of a new lottery scheme from 6th February 1985.

1.2. Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1985-86 and actual receipts, are given below :—

Heads of Revenue	Budget estimates	Actuals	Variations Increase(+) or Decrease (-)	Percent- age of variation Increase(+) or Decrease (-)
(1)	(2)	(3)	(4)	(5)
(In crores of rupees)				
1. Sales Tax	2,23.68	2,34.35	(+)10.67	(+) 5
2. State Excise	1,00.06	1,10.96	(+)10.90	(+)11
3. Taxes on Goods and Passengers	62.70	66.16	(+) 3.46	(+) 6
4. Stamps and Registration Fees	48.95	37.39	(—) 11.56	(—)24
5. Taxes and Duties on Electricity	28.56	22.40	(—) 6.16	(—)22
6. Taxes on Vehicles	15.31	15.00	(—) 0.31	(—) 2
7. Land Revenue	4.17	3.79	(—) 0.38	(—) 9

(1)	(2)	(3)	(4)	(5)
8. Other Taxes and Duties on Commodities and Services	12.20	11.65	(-) 0.55	(-) 4
9. Road and Water Transport Services	80.80	96.66	(+) 15.86	(+) 20
10. Interest	68.44	73.86	(+) 5.42	(+) 8
11. Mines and Minerals	4.85	3.89	(-) 0.96	(-) 20
12. Medical	4.18	3.50	(-) 0.68	(-) 16
13. Public Works	1.47	1.07	(-) 0.40	(-) 27

(a) The shortfall (24 per cent) in receipts from stamps and registration fees was stated to be due to lesser number of deeds registered than the number anticipated. The reasons were not convincing as budget estimates of Rs. 48.95 crores for the year 1985-86 were on the higher side as compared to actual realisation of Rs. 28.08 crores and Rs. 32.10 crores during the years 1983-84 and 1984-85 respectively.

(b) The decrease (22 per cent) in receipts from taxes and duties on electricity despite an increase in the rates of duty from 1st April 1985 was stated to be due to lesser availability of energy than anticipated.

(c) The increase (20 per cent) in receipts from road and water transport services was stated to be due to increase in fleet strength and increase in the rates of bus fare effective from 21st April 1985.

(d) The shortfall (20 per cent) in receipts from mines and minerals was stated to be due to non-finalisation of cases of recovery of arrears and closure of some mines as a safety measure.

(e) The decrease (16 per cent) in receipts under medical was due to short realisation of contribution from Employees State Insurance Corporation based on expenditure incurred on their schemes.

(f) The shortfall (27 per cent) in receipts from public works was stated to be due to less receipts of rents and storage charges of the stock.

1.3. Analysis of Collection

The break-up of total collection of tax from sales tax and passengers and goods tax is given below:—

	Sales Tax	Passengers and Goods Tax
	(In crores of rupees)	
(a) Amount collected at pre-assessment stage	2,08.77	65.16
(b) Amount collected after regular assessment	26.04	1.00
(c) Amount refunded	0.46	—
(d) Net collection of tax	2,34.35	66.16

1.4. Assessments in arrears

The number of assessments finalised by the Excise and Taxation Department during the year 1985-86 and the assessments pending finalisation at the end of 1985-86, alongside figures for the preceding year, are given below:—

	Sales Tax		Passengers and Goods Tax	
	1984-85	1985-86	1984-85	1985-86
(1)	(2)	(3)	(4)	(5)
(i) Number of assessments due for completion during the year				
(a) Arrear cases	39,667	42,617	104	136
(b) Current cases	1,13,632	1,04,605	337	292
(c) Remand cases	386	524	2	2
(ii) Number of assessments completed during the year				
(a) Arrear cases	26,931	33,111	60	82

	(1)	(2)	(3)	(4)	(5)
(b) Current cases	83,982	72,691	247	219	
(c) Remand cases	155	310	—	1	
(iii) Number of assessments pending finalisation at the end of the year					
(a) Arrear cases	12,736	9,506	44	54	
(b) Current cases	29,650	31,914	90	73	
(c) Remand cases	231	214	2	1	

Year-wise break-up of the pending assessments as at the end of 1985-86 is given below:—

Year	Number of cases	
	Sales Tax	Passengers and Goods Tax
Upto 1981-82	348	15
1982-83	1,312	9
1983-84	7,846	30
1984-85	32,128	74
Total	41,634	128

Some instances of delayed assessments are given below:—

(i) Assessment in one case relating to the year 1977-78 was not initiated within the prescribed period of five years. The assessment was finalised *ex-parte* in March 1985 and additional demand for Rs. 31,649 was raised. In the meantime, the dealer had already closed down his business and the demand remained unrealised.

(ii) Assessment framed in June 1975 for the year 1970-71, involving a tax effect of Rs. 32,951 was remanded (June 1976) by the appellate authority. The assessing authority issued notice on 10th April 1981 but the same could not be served upon the dealer who had already closed down his business in 1976. The case is yet to be finalised (December 1986).

1.5. Uncollected revenue

As on 31st March 1986, arrears of revenue pending collection under principal heads of revenue as reported by the Departments were as under :--

Heads of revenue	Total arrears	Arrears outstanding for more than 5 years	Remarks
(In crores of rupees)			
1. Sales Tax	33.02	7.34	Out of total arrears of Rs. 54.29 crores under the various heads of revenue demands amounting to Rs. 8.72 crores had been certified for recovery as arrears of land revenue; recoveries amounting to Rs. 10.47 crores and Rs. 3.07 crores had been stayed by the courts and Government respectively and arrears amounting to Rs. 1.80 crores were likely to be written off. In some cases the firms from which arrears amounting to Rs. 5.10 crores were recoverable were under liquidation. The remaining arrears of Rs. 25.13 crores were at various other stages of recoveries.
2. State Excise	3.12	1.43	
3. Taxes on Goods and Passengers	0.92	0.04	
4. Agriculture (Purchase Tax on Sugarcane)	4.17	1.26	
5. Entertainment Duty and Show Tax	0.29	—	
6. Taxes and Duties on Electricity	8.50	3.18	
7. Road and Water Transport Services	0.85	0.45	
8. Medical	0.83	0.62	
9. Co-operation	0.87	0.13	
10. Mines and Minerals	1.39	0.49	
11. Land Revenue	0.33	0.03	
Total	54.29	14.97	

(a) Recovery of Government dues exceeding

Rs. 2 lakhs was outstanding in 188 individual cases involving an amount of Rs. 31.79 crores.

(b) Licensees of liquor vends allotted during the years 1967-68 to 1969-70, failed to pay the sums due under the terms and conditions of auction of the vends. Their licences were cancelled and the vends were put to reauction which resulted in shortfall of licence fee amounting to Rs. 1.50 crores.

When the original licensees were called upon to pay the differential amount, they filed writ petition in the High Court of Punjab and Haryana and the Hon'ble court held (July 1969) that the State Government had no authority to demand the amount. The department, thus, reduced its arrears by an amount of Rs. 1.50 crores. Against these orders of the High Court the State Government filed in 1969 an appeal in the Supreme Court. In March 1983, the Supreme Court set aside the decision of the Punjab and Haryana High Court and held that the State Government had the power to recover the amount from the defaulting licensees. The department had neither included the amount in its arrears nor initiated any action to recover the amount from the defaulting licensees.

1.6. Frauds and evasions of taxes

The table below indicates the amounts of taxes assessed during the year 1985-86 in cases of frauds and evasions of taxes detected by the revenue department concerned during 1985-86 and earlier years.

Nature of tax	Cases pending as on 1st April 1985	Number of cases detected during the year	Number of cases finalised	Number of cases pending as on 31st March 1986	Amount of tax, interest and penalty (In lakhs of rupees)
1. Sales Tax	495	1,434	1,568	361	59.48
2. Taxes on Goods and Passengers	68	7,929	7,939	58	34.70
3. Entertainment Tax	18	41	45	14	1.50
4. Mines and Minerals	88	—	—	88	—

Year-wise details of the pending cases were not available with the departments.

1.7. Refunds

Position of refunds allowed during the year 1985-86 is given below :—

	Sales Tax		Passengers and Goods Tax		Entertainment Duty and Show Tax	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
(In lakhs of rupees)						
1. Claims outstanding as on 1st April 1985	245	15.93	—	—	—	—
2. Claims received during the year 1985-86	1,260	56.17	35	0.14	4	0.35
3. Refunds made during the year 1985-86	1,158	46.03	35	0.14	3	0.34
4. Balance outstanding at the end of the year	347	26.07	—	—	1	0.01

1.8. Cost of collection

Expenditure incurred in collection of the major

revenue receipts during the year 1985-86 (with figures for the preceding two years) is given below :—

Heads of Account	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection
(In crores of rupees)				
1. Sales Tax	1983-84	166.52	3.52	2.11
	1984-85	183.86	4.09	2.22
	1985-86	234.35	4.57	1.95
2. State Excise	1983-84	68.40	0.41	0.60
	1984-85	90.52	0.42	0.46
	1985-86	1,10.96	0.49	0.44
3. Stamps and Registration Fees	1983-84	28.08	0.19	0.68
	1984-85	32.10	0.26	0.81
	1985-86	37.39	0.21	0.56
4. Taxes on Vehicles	1983-84	12.65	0.31	2.45
	1984-85	14.15	0.50	3.53
	1985-86	15.00	0.50	3.33
5. Other Taxes and Duties*	1983-84	86.47	0.24	0.28
	1984-85	80.82	0.25	0.31
	1985-86	1,00.21	0.42	0.42
6. Miscellaneous General Services (Lotteries)	1983-84	9.51	0.09	0.95
	1984-85	18.03	0.09	0.50
	1985-86	29.49	0.10	0.34

1.9. Outstanding Inspection reports

Audit observations on financial irregularities, defects in initial accounts and under-assessments of tax, noticed

* Figures against Other Taxes and Duties comprise collections and expenditure under the following heads of revenue :—

- (i) Taxes on Goods and Passengers
- (ii) Taxes and Duties on Electricity
- (iii) Other Taxes and Duties on Commodities and Services.

during local audit and not settled on the spot, are communicated to the Heads of Offices and to next higher departmental authorities through local audit inspection reports. The more important irregularities are also reported to the Heads of departments and to Government. Government have directed that first replies to inspection reports should be sent within six weeks. Half-yearly reports of audit objections outstanding for more than six months are also forwarded to Government to expedite their settlement.

(i) As at the end of November 1986, 1,716 inspection reports (issued upto March 1986), containing 8,544 audit objections, remained to be settled. Figures for the two preceding years are also given below :-

	As at the end of		
	November 1984	November 1985	November 1986
Number of outstanding reports	1,396	1,679	1,716
Number of unsettled audit objections	10,702	10,361	8,544

Of the 8,544 outstanding audit objections 2,791 objections were outstanding for more than 5 years out of which 388 audit objections were more than ten years old.

(ii) In respect of 86 inspection reports, issued between March 1984 and March 1986, even the first replies had not been received (December 1986).

(iii) Relatively large number of audit objections were outstanding under the following heads :-

	Year	Number of inspection reports	Number of audit objec- tions
	(1)	(2)	(3)
1. Sales Upto	1981-82	131	723
Tax	1982-83	21	216

	(1)	(2)	(3)
	1983-84	10	90
	1984-85	22	300
	1985-86	22	493
	Total	206	1,822
2. Taxes Upto	1981-82	87	320
on	1982-83	10	169
Vehicles	1983-84	13	131
	1984-85	13	107
	1985-86	20	244
	Total	143	971
3. Stamps Upto	1981-82	80	234
and	1982-83	12	85
Registra-	1983-84	9	66
tion Fees	1984-85	77	250
	1985-86	54	366
	Total	232	1,001
4. State Upto	1981-82	44	92
Excise	1982-83	11	61
	1983-84	11	65
	1984-85	10	61
	1985-86	12	59
	Total	88	338
5. Passen- Upto	1981-82	58	119
gers and	1982-83	13	56
Goods	1983-84	13	62
Tax	1984-85	13	63
	1985-86	14	81
	Total	111	381

		(1)	(2)	(3)
6. Irriga- tion	Upto	1981-82	108	445
		1982-83	22	92
		1983-84	37	175
		1984-85	—	—
		1985-86	36	160
		Total	203	872
7. Buildings and Roads	Upto	1981-82	74	335
		1982-83	15	63
		1983-84	13	44
		1984-85	14	47
		1985-86	28	118
		Total	144	607
8, Co-opera- tion	Upto	1981-82	52	140
		1982-83	18	54
		1983-84	13	44
		1984-85	17	77
		1985-86	22	95
		Total	122	410

(iv) The more important types of irregularities noticed during local audit of sales tax (Rohtak and Bhiwani districts, and those relating to State Excise, which are still to be settled are given below :—

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
(1)	(2)	(3)
(a) Sales Tax		
1. Under-assessment under Central Sales Tax Act	26	17.79

	(1)	(2)	(3)
2. Incorrect computation of turn-over		109	20.44
3. Non/short levy of penalty		44	27.59
4. Non-levy of interest		131	17.53
5. Application of incorrect rate of tax		20	1.23
6. Others		25	1.06
Total		355	85.64

These objections have remained unsettled mainly due to :—

	Number of objections	Amount (In lakhs of rupees)
(i) Non-submission of final replies	171	44.47
(ii) Delay in finalising assessments by the appellate authorities	28	10.84
(iii) For want of sanction to write-off	2	0.82
(iv) For want of comments of the Excise and Taxation Commissioner	42	4.46
(v) For other reasons	112	25.05
(b) State Excise	Number of cases	Amount (In lakhs of rupees)
1. Loss of excise duty on re-auction of licences	150	76.36
2. Loss of excise duty due to excessive wastage	109	19.56
3. Non-recovery/short recovery of penalties and interest	1,260	11.49
4. Other irregularities	394	74.06
Total	1,913	181.47

In 117 cases (tax effect Rs. 15.73 lakhs) pertaining to the period 1984-85, even initial replies were still awaited from the department.

1.10. Internal control and internal audit

An internal audit system exists in the Excise and Taxation Department and Revenue Department which administer the Acts relating to Sales Tax, State Excise Duty, Taxes on Goods and Passengers, Entertainment Duty and Show Tax, Taxes on Immovable Property and Stamp Duty and Registration Fees. Internal audit in Transport Department is yet to be introduced.

No systematic record showing the number of objections raised in internal audit and their subsequent clearance had been maintained by the departments though no inadequacy of staff was indicated by the departments. However, as per information supplied by two departments the year-wise break-up of objections raised during the years 1981-82 to 1985-86 in respect of some of the revenue heads was as under :—

	Year	Number of objections raised	Amount (In lakhs of rupees)
1. Land Revenue	1981-82	61	1.20
	1982-83	168	1.18
	1983-84	207	3.79
	1984-85	244	3.96
	1985-86	318	6.80
	Total	998	16.93
2. Stamp Duty and Registration Fee	Upto 1983-84	N.A.	N.A.
	1984-85	334	23.36
	1985-86	495	11.30
	Total	829	34.66
3. Sales Tax	Upto 1983-84	N.A.	N.A.
	1984-85	366	3.46
	1985-86	422	32.77
	Total	788	36.23

Out of objections for Rs. 34.66 lakhs relating to stamp duties and registration fees, objections for Rs. 3.91 lakhs were settled after recovering the amount, while objections for Rs. 5.61 lakhs were settled without raising any demand. Out of objections for Rs. 36.23 lakhs relating to Sales Tax, rectificatory action for Rs. 2.71 lakhs had been initiated. Further developments are awaited (December 1986).

CHAPTER 2

SALES TAX

2.1. Results of Audit

Test check of sales tax assessments and other records of 22 units, conducted in audit during the year 1985-86, revealed under-assessment of tax amounting to Rs. 4,11.39 lakhs in 1,470 cases, which broadly fall under the following categories:-

	Number of cases	Amount (In lakhs of rupees)
1. Under-assessment of tax under the Central Sales Tax Act	84	22.59
2. Incorrect computation of turnover	468	2,06.97
3. Non-levy/short levy of penalty	147	69.82
4. Interest not charged	537	90.65
5. Application of incorrect rate of tax	84	17.03
6. Other irregularities	150	4.33
Total	1,470	4,11.39

Out of 1,470 cases pointed out in audit, the department has since effected recovery of Rs. 5.71 lakhs in 209 cases. In 13 cases involving revenue amounting to Rs. 3.18 lakhs, the audit objections have been admitted and report on recovery is awaited. Replies in respect of remaining 1,248 cases are still awaited from the department (December 1986).

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

2.2. Exemption from sales tax to industrial units

2.2.1. Introductory

Under Section 13 of the Haryana General Sales Tax Act, 1973, Government, in the interest of cottage industries or rural tiny industries, is empowered to grant exemption by issue of notification, to any class of co-operative societies or persons from the payment of tax under the State Act on the purchase or sale of any goods subject to such conditions as may be specified in the notification.

(A) Cottage industries

To encourage cottage industries in Haryana, the State Government, vide their notification dated 22nd November 1978, exempted from payment of tax, all classes of co-operative societies and persons irrespective of their gross turnover (restricted to Rs. two lakhs during the period from 1st July 1983 to 9th August 1983). However, co-operative societies and persons running brick kilns or hydraulic sulphur sugar plants whose gross turnover exceeded Rs. 75,000 in a year were not covered by the exemption. The exemption is admissible from the date of submission of application for exemption to the Excise and Taxation department after obtaining necessary genuineness certificate from the Commissioner or the Board constituted under the Khadi and Village Industries Commission Act, 1956 and the Khadi and Village Industries Board Act, 1955.

(B) Rural tiny industries

Exemption from payment of tax to rural tiny industrial units (capital investment upto Rupees one lakh) set up in rural areas on or after the promulgation of Haryana Government notification dated 2nd June 1979, is admissible, from the date of issue of an exemption certificate, for a period of one year in the first instance which may be extended for another year subject to the fulfilment of conditions specified in the exemption certificate, which is issued to the industrial unit on the production of a genuineness certificate issued in its favour by the Industries Department.

2.2.2. During the years 1980-81 to 1985-86 exemption was granted to 1,971 units set up as cottage/rural tiny industries.

2.2.3. Irregular grant of exemption to non-manufacturers

(i) As per Government notification dated 22nd November 1978 and 2nd June 1979, exemption from payment of tax under the Haryana General Sales Tax Act, on purchase of raw material is admissible to manufacturing units on the value of raw material used in the manufacture/production of goods in their own industrial units and on the sale of such manufactured goods.

On the basis of genuineness certificates granted by the Khadi and Village Industries Board, exemption certificates were issued (between October 1983 and January 1986) to four dealers of Sirsa. A scrutiny of assessment records revealed that cotton valuing Rs. 6.65 crores purchased from within the State during the years 1984-85 and 1985-86 on the strength of their exemption certificates had been transferred to their head offices outside the State of Haryana without undertaking any manufacturing process. The dealers had not established any industrial units at all. They were, thus, not entitled for exemption. Irregular grant of exemption resulted in tax amounting to Rs. 26.60 lakhs being not realised.

(ii) A dealer of Jagadhri, who was granted exemption certificate for the manufacture of ferrous and non-ferrous metals, purchased stainless steel utensils and strips against his exemption certificate and sold the goods as such, and was thus not entitled for exemption from sales tax payable under the Haryana General Sales Tax Act. Besides, the dealer had also suppressed purchases and sales. Tax of Rs. 70,086 on the sales turnover of Rs. 9.78 lakhs was, therefore, recoverable. In addition, interest for non-payment of tax alongwith returns and minimum penalty of Rs. 1.40 lakhs were also leviable.

(iii) Two dealers of Ambala purchased during the years 1981-82 and 1982-83, red chillies and mixers/grinders against exemption certificate and sold them as such without undertaking any manufacturing process. They were not, thus, entitled for exemption from sales

tax payable under the Haryana General Sales Tax Act. Irregular grant of exemption resulted in non-levy of tax (Rs. 1.26 lakhs) on the turnover of Rs. 16.90 lakhs.

(iv) A dealer of Jagadhri, who was granted exemption certificate for the manufacture of cleansing powder, purchased washing powder against his exemption certificate and sold it as such during August 1984 to March 1985. He was allowed exemption from sales tax payable under the Haryana General Sales Tax Act on his sales turnover of Rs. 4,77,350. As the dealer had sold the washing powder without undertaking any manufacturing process, the exemption from sales tax was not admissible. Irregular grant of exemption resulted in tax amounting to Rs. 38,960 not being realised.

(v) A dealer of Hissar purchased copper wire valuing Rs. 2.06 lakhs from outside the State of Haryana and sold the same as such without undertaking any manufacturing process. Though the dealer was not entitled to exemption, his sales turnover (Rs. 3.50 lakhs) during the year 1981-82 was exempted from sales tax which resulted in non-levy of tax amounting to Rs. 24,978.

2.2.4. Misapplication of exemption notification

(i) In Jagadhri a brick kiln (cottage industry) owner was irregularly granted exemption under notification dated 2nd June 1979 applicable to rural tiny industries. As his gross turnover (Rs. 8,38,414) during the years 1981-82 and 1982-83 exceeded Rs. 75,000 he was not entitled for exemption. This resulted in non-levy of tax of Rs. 62,920.

(ii) Exemption to two dealers of Jind from payment of Haryana General Sales Tax was granted for a period of two years from 15th November 1981 to 16th November 1983. The dealers had purchased paddy against their exemption certificates during the period of exemption but had sold rice valuing Rs. 23.16 lakhs (between 17th November 1983 and 31st March 1984) husked from that paddy after the expiry of validity period of the exemption. Grant of unauthorised exemption from payment of tax on sale of rice, after the expiry of exemption, resulted in non-levy of tax amounting to Rs. 92,649.

(iii) A dealer of Ambala was granted exemption certificate for the period from 14th January 1981 to 13th January 1983. As per return for the fourth quarter of 1982-83, the dealer sold goods valuing Rs. 5,60,849 (1st January 1983 to 13th January 1983 : Rs. 5,24,264; 14th January 1983 to 31st March 1983 : Rs. 36,585). A scrutiny in audit, however, revealed that his sales during the period from 14th January 1983 to 31st March 1983 were actually for Rs. 1,22,007, instead of Rs. 36,585 returned by him. This resulted in tax being levied short by Rs. 6,099 on the differential sales turnover of Rs. 85,422. Besides, minimum penalty of Rs. 12,198 and interest for non-payment of tax alongwith quarterly return, was also leviable upto the date of assessment.

2.2.5. Inadmissible exemption under the Central Sales Tax Act

As per Haryana Government notifications dated 22nd November 1978 and 2nd June 1979, exemption from payment of tax is admissible in respect of tax payable under the Haryana General Sales Tax Act only. It is not admissible in respect of tax payable under the Central Sales Tax Act.

Two dealers of Ambala made inter-State sales of cotton yarn/hand spun yarn valuing Rs. 35.91 lakhs during the years 1980-81 to 1983-84 and were allowed exemption from payment of Central sales tax. Un-authorised exemption resulted in non-levy of Central sales tax amounting to Rs. 71,819.

2.2.6. Irregular exemptions allowed from back date

(i) As per notification dated 2nd June 1979, exemption shall be admissible from the date of issue of exemption certificate by the Excise and Taxation department.

71 dealers (Ambala : 20; Bhiwani: 5; Jind: 14; Jagadhri: 2; Sirsa: 2; Hissar: 6; Rohtak: 9; Narnaul 4; Sonapat: 9) claimed and were allowed exemption on purchases/sales valuing Rs. 121.09 lakhs made before the grant of exemption certificates. This resulted in non-levy of tax amounting to Rs. 7.06 lakhs.

(ii) Under the Government notification dated 22nd November 1978, relating to grant of exemption certificate to co-operative societies under cottage industries, exemption is admissible from the date of application submitted to the assessing authority.

In 4 cases (Ambala : 1; Hissar : 3) date of validity of exemption certificates was incorrectly fixed prior to the date of submission of application by the dealers. This resulted in un-authorised exemption of tax of Rs. 1.38 lakhs on purchases/sales valuing Rs. 18.59 lakhs during the years 1979-80 to 1984-85.

2.2.7. Grant of exemption to units whose capital investment on machinery and equipment exceeded prescribed limit

Exemption to 8 dealers (Rohtak : 3; Sonapat : 3; Hissar : 1 and Sirsa : 1) was allowed even though values of machinery and equipment, as per details appended to balance sheets, exceeded the stipulated limit of rupees one lakh. Irregular grant of exemption resulted in non-levy of tax amounting to Rs. 4,33,132 in seven cases during different periods falling between 1981-82 and 1984-85. Assessment in the remaining one case was yet to be finalised (December 1986).

2.2.8. Other topics of interest

(a) As per notifications dated 22nd November 1978 and 2nd June 1979 issued under the Haryana General Sales Tax Act, 1973, exemption to an industrial unit is admissible only after a valid exemption certificate from the assessing authority is obtained.

(i) Two dealers of Ambala and Hissar were allowed exemption even though no exemption certificate was issued in their favour by the assessing authority. As a result, tax amounting to Rs. 21,839 on goods valuing Rs. 2,67,742 sold by the dealers during February 1983 to June 1984, was not demanded.

(ii) Exemption certificate granted to a dealer of Karnal from payment of Haryana sales tax was valid upto 30th June 1979. Thereafter, exemption certificate was not renewed as the dealer did not obtain genuineness

certificate from the Khadi and Village Industries Commission. The assessing authority, however, while framing assessments (between November 1980 and February 1985) allowed exemptions for the period from 1st July 1979 to 31st March 1984 without verifying the validity of the exemption certificate. This resulted in tax amounting to Rs. 75,142, not being demanded.

(b) As per notification dated 2nd June 1979, for grant of exemption from payment of tax, each rural tiny industrial unit is required to apply for the same to the assessing authority after obtaining a genuineness certificate from Industries Department.

(i) Two dealers of Ambala district were granted exemption from payment of Haryana sales tax on the basis of provisional registration certificates instead of genuineness certificates issued by the Industries Department. Irregular grant of exemption from payment of sales tax resulted in non-levy of tax of Rs. 2.38 lakhs during the years 1981-82 and 1982-83.

(ii) In seventeen cases (Gurgaon : 15 ; Jind : 2) exemption certificates were granted to the dealers by the assessing authorities without the production of genuineness certificates issued in their favour by the Industries Department. This resulted in irregular exemption from tax of Rs. 3.74 lakhs during the years 1979-80 to 1984-85 in these cases.

(c) Five dealers (one each of Narnaul, Gurgaon and Hissar and two of Jind) purchased during the years 1981-82 to 1984-85, *sarson/paddy* valuing Rs. 7.63 lakhs on the authority of their registration certificates. Subsequently, after obtaining exemption certificates, these dealers claimed and were allowed exemption on the sale of oil/rice manufactured out of above goods. As these dealers purchased *sarson/paddy* against their registration certificates and not on the strength of exemption certificates, they were liable to pay tax on these purchases being the last purchasers. Irregular grant of exemption resulted in non-levy of purchase tax amounting to Rs. 30,532.

Above cases were reported to the department between January and April 1986; their reply is awaited (December 1986).

The foregoing points were brought to the notice of Government in August 1986; their reply is awaited (December 1986).

2.3. Non-levy of purchase tax

As per provisions of the Haryana General Sales Tax Act, 1973, a dealer, on the strength of his certificate of registration and by furnishing a declaration in prescribed form ST-15, can purchase, without payment of tax, goods (other than those on which tax is leviable at the first stage) for resale in the State or sale in the course of inter-State trade or commerce or for use in the manufacture of other goods (such other goods not being free of tax on sale) meant for resale in the State or for sale in the course of inter-State trade or commerce or for sale in the course of export out of the territory of India within the meaning of Section 5(1) of Central Sales Tax Act, 1956. If a dealer, who has purchased goods without payment of tax, fails to use the goods, so purchased, for the specified purposes, he is liable to pay tax on the purchase value of such goods at the rates notified under Section 15 of the Act.

(i) A dealer of Faridabad purchased, without payment of tax, engineering goods valuing Rs. 38.54 lakhs during the year 1981-82 and used them in the manufacture of other goods. Manufactured goods valuing Rs. 26.20 lakhs were transferred to its branches outside the State. While levying purchase tax, the assessing authority erroneously worked out the proportionate value of the goods consumed in the manufacture of goods transferred to branches as Rs. 9.85 lakhs, instead of as Rs. 21.94 lakhs. The mistake resulted in short levy of purchase tax amounting to Rs. 49,347.

On the mistake being pointed out in audit (September 1985), the department raised (November 1985) an additional demand for Rs. 48,936 and recovered the amount in December 1985. Action taken to recover the balance amount of Rs. 411 is awaited (December 1986).

(ii) A dealer of Hissar purchased, without payment of tax, goods valuing Rs. 4.91 lakhs during the

years 1981-82 and 1982-83 and used them in the manufacture of other goods which were later on transferred to its branches outside the State. While finalising the assessments (July 1984 and December 1984), the assessing authority omitted to levy purchase tax on the goods consumed in the manufacture. The purchase tax leviable worked out to Rs. 19,640. Besides, interest and penalty for non-payment of tax alongwith quarterly returns were leviable.

On the omission being pointed out in audit (August 1985), the department raised (May 1986) an additional demand for Rs. 19,640. Report on recovery is awaited (December 1986).

(iii) In Sirsa, a dealer purchased, without payment of tax, goods valuing Rs. 5.43 lakhs from within the State of Haryana during 1983-84 and used them in the manufacture of other goods, which were either consigned or transferred to branches outside the State. The assessing authority, while framing assessment (February 1985), levied purchase tax on the purchases valuing Rs. 3.30 lakhs only and omitted to charge tax on the remaining purchases of Rs. 2.13 lakhs. This resulted in tax being levied short by Rs. 10,778. Besides, interest amounting to Rs. 3,184 for non-payment of tax alongwith returns was chargeable.

On the omission being pointed out in audit (June 1985), the department raised (December 1985) an additional demand for Rs. 14,462 (tax : Rs. 10,778; interest : Rs. 3,184 and penalty: Rs. 500) and recovered the amount in December 1985.

(iv) In Kurukshetra, a dealer purchased, without payment of tax, goods valuing Rs. 6.29 lakhs from within the State during the year 1978-79, and, out of these, exported goods valuing Rs. 5.73 lakhs out of India through another agency. Purchase tax was leviable on the purchase value (Rs. 5.73 lakhs) of the goods exported. But while finalising (February 1985) the assessment, the assessing authority levied tax on purchases amounting to Rs. 0.45 lakh only, and omitted to levy tax on the remaining purchases valuing Rs. 5.28 lakhs. The mistake resulted in short assessment of tax by Rs. 37,727.

On this being pointed out in audit (June 1985), the Excise and Taxation Commissioner accepted the mistake and directed (April 1986), the assessing authority to send the case for *suo moto* action to the Joint Excise and Taxation Commissioner. Further developments are awaited (December 1986).

(v) In Karnal, a dealer purchased, without payment of tax, goods valuing Rs. 6.89 lakhs from within the State during the year 1982-83. Out of these, goods valuing Rs. 3.65 lakhs were used in the manufacture of other goods (centrifugal pumps/agricultural implements etc.), on the sale of which tax was not leviable. The assessing authority omitted to charge tax on the proportionate purchase value of the goods used in the manufacture of the tax-free goods. The omission resulted in under-assessment of tax amounting to Rs. 14,580. Besides, interest and penalty for non-payment of tax alongwith quarterly returns were also leviable.

On the omission being pointed out in audit (November 1984), the department referred (February 1986) the case to the revisional authority for *suo moto* action. Report on the rectification is awaited (December 1986).

(vi) A dealer of Jagadhri purchased, without payment of tax, goods valuing Rs. 2.75 lakhs from within the State during the year 1979-80 and used them in the manufacture of certain other goods. He sold the manufactured goods to another agency which, in turn, exported the goods out of India. As the sale of the manufactured goods by the dealer to the aforementioned agency did not constitute a sale in the course of export out of the territory of India within the meaning of Section 5 (1) of the Central Sales Tax Act, 1956, the dealer was liable to pay purchase tax on the purchase value (Rs. 2.75 lakhs) of the goods used in the manufacture. The assessing authority, however, did not levy tax on the purchase value, resulting in tax amounting to Rs. 11,236 not being realised.

On the omission being pointed out in audit (May 1984), the Excise and Taxation Commissioner accepted the audit objection and directed (May 1986), the assessing authority to send the case for *suo moto* action. The case

was referred to Joint Excise and Taxation Commissioner (Appeal) in July 1986 for rectificatory action. Report on rectification is awaited (December 1986).

(vii) A dealer of Faridabad purchased, without payment of tax, goods valuing Rs. 6.96 lakhs from within the State during the year 1979-80 and used part of those goods (valuing Rs. 5.08 lakhs) in the manufacture of other goods which were either exported (Rs. 16.40 lakhs) through another agency or transferred (Rs. 4.16 lakhs) to his branches outside the State otherwise than by way of sale. The assessing authority, while making the assessment (October 1981), wrongly worked out the proportionate value of the goods purchased from within the State and used in manufacture of the goods exported/transferred as Rs. 2.52 lakhs instead of Rs. 5.08 lakhs. This resulted in short recovery of purchase tax amounting to Rs. 10,444.

On the mistake being pointed out in audit (March 1983), the department referred (November 1985) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1986).

(viii) A dealer of Narwana purchased, without payment of tax, goods valuing Rs. 3.68 lakhs from within the State and used them in the manufacture of tax-free goods (agricultural implements). While finalising the assessment, the assessing authority omitted to levy purchase tax on the purchase value of the goods so used. The omission resulted in tax amounting to Rs. 14,755 not being realised. Besides, interest was also chargeable for non-payment of tax alongwith quarterly returns.

On the omission being pointed out in audit (August 1984), the department raised (February 1986) an additional demand for Rs. 22,428 (tax : Rs. 14,755; interest: Rs. 7,673) and recovered the amount in April and June 1986.

(ix) Three dealers of Faridabad, Sirsa and Kaithal purchased, without payment of tax, goods valuing Rs. 54.66 lakhs during the years 1981-82 and 1983-84. Out of these, goods valuing Rs. 1.03 lakhs were used for the manufacture of tax-free goods and goods valuing Rs. 2.00 lakhs were consigned to their branches outside

the State. The assessing authority, while framing assessments, omitted to levy tax on the purchase value of these goods. The omission resulted in tax amounting to Rs. 13,239 not being realised.

On the omission being pointed out in audit (March 1984 and June 1985), the department raised (between March 1984 and July 1985) a demand for Rs. 13,286 and recovered Rs. 9,731 in June 1984 and July 1985. Report on recovery of the balance amount is awaited (December 1986).

(x) A dealer of Jagadhri purchased, without payment of tax, goods valuing Rs. 1.98 lakhs from within the State of Haryana during the year 1978-79 and exported the goods out of India through a third party. In terms of Section 9(1) (c) of the Haryana General Sales Tax Act, 1973, the dealer was liable to pay tax on the purchases of these goods. However, the assessing authority, while making the assessment (March 1981), omitted to levy tax on the purchase value of the goods. Tax not levied amounted to Rs. 14,141.

On the omission being pointed out in audit (July 1982), the department referred (April 1986) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1986).

The above cases were reported to Government between December 1984 and August 1986; their reply is awaited (December 1986).

2.4. Non-levy of tax

(i) Under the Haryana General Sales Tax Act, 1973, on sale of 'monoblock pumping sets', tax was leviable at the rates of 7 per cent upto 31st March 1983 and 8 per cent thereafter. On sale of centrifugal pumps, which are agricultural implements, no tax was leviable.

A dealer of Sirsa sold monoblock pumping sets valuing Rs. 7.88 lakhs during the years 1981-82 to 1983-84. The assessing authority, while finalising the assessments between June 1982 and July 1984, did not levy tax, erroneously treating the goods as agricultural implements. The mistake resulted in tax amounting to Rs. 52,434, not being realised.

On the mistake being pointed out in audit (June and July 1985), the department raised (September 1985) demand for Rs. 80,414 (tax: Rs. 52,434; interest : Rs. 25,480; penalty: Rs. 2,500) and recovered the amount between September 1985 and April 1986.

(ii) According to a notification dated 5th May 1973 issued by Government under Section 18 of the Haryana General Sales Tax Act, 1973, on sale of paper (other than news print), card boards, straw boards and their products, tax was leviable at the point of first sale in the State. Sale of such goods to registered dealers against prescribed declarations was not exempt from levy of tax.

On first point sales of card board packing cases and cartons amounting to Rs. 2.04 lakhs, made by a dealer of Karnal to other registered dealers during the year 1983-84, tax amounting to Rs.16,816 was leviable but was not levied. Interest for delayed payment of tax and penalty for non-payment of tax alongwith the quarterly returns were also chargeable.

On the omission being pointed out in audit (October 1985), the department raised (November 1985) additional demand for Rs. 27,966 (tax: Rs. 16,816; interest:Rs. 5,550; penalty : Rs. 5,600). Report on recovery is awaited (December 1986).

(iii) Under the Haryana General Sales Tax Act, 1973, on sale of rice, tax is leviable at the point of first sale in the State and on purchase of paddy at the point of last purchase in the State. The sales tax levied on rice is, however, required to be reduced by the amount of purchase tax paid in the State on paddy out of which rice is husked. The Supreme Court has held* (December 1977) that even obligatory transactions required under a statute but having element of mutual consent are sales and are liable to sales tax.

A dealer of Hissar sold rice valuing Rs. 46.79 lakhs to the District Food and Supplies Controller during the year 1978-79 and claimed deduction of that amount from his gross turnover. The assessing authority, treating the

*M/s. Vishnu Agencies Private Limited V/s Commercial Tax Officer (1978) 42-STC-31.

sale as acquisition by Government under the levy scheme allowed the deduction which was incorrect as per the aforesaid ruling of the Supreme Court. The erroneous allowance of deduction resulted in non-levy of tax amounting to Rs. 25,340 (after allowing rebate for tax paid on purchase of paddy). Besides, interest was also chargeable for delayed payment of tax.

On the mistake being pointed out in audit (January 1985), the department initiated rectificatory action. Report on rectification is awaited (December 1986).

The cases were reported to Government between July 1985 and February 1986; their reply is awaited (December 1986).

2.5. Short levy due to application of incorrect rates of tax

(i) Under the Central Sales Tax Act, 1956, on inter-State sales of oil produced from cotton seed, tax is leviable at the rate of four per cent subject to production of declaration in the prescribed form.

In Hissar, on inter-State sale of cotton seed oil valuing Rs.7,34 lakhs made during the year 1982-83, tax was levied at one per cent instead of at the correct rate of four per cent. This resulted in short levy of tax amounting to Rs.22,027. Besides, interest of Rs. 5,041 was also chargeable for non-payment of tax alongwith the returns.

On the mistake being pointed out in audit (November 1985), the department raised (January 1986) demand for Rs. 27,068 and realised the amount in March 1986.

(ii) Under the Haryana General Sales Tax Act, 1973, on sale of auto batteries, tax was leviable at the rate of 10 per cent upto 31st March 1983, at 12 per cent from 1st April 1983 to 31st August 1983 and at 10 per cent from 1st September 1983 onwards.

On sale of 'auto batteries' by two dealers of Sirsa, during the years 1981-82 to 1983-84, tax was levied at the rate of 7 per cent, instead of at 10 or 12 per cent. This resulted in tax being levied short by Rs. 25,969.

On the mistake being pointed out in audit (July 1985), the department referred (July 1985) the case to the Joint Excise and Taxation Commissioner (Appeal) for *suo moto* action. Report on rectification is awaited (December 1986).

(iii) Under the Haryana General Sales Tax Act, 1973, on sale of stainless steel circles, tax is leviable at the general rate of 7 per cent. It has been judicially held* that 'stainless steel' is not covered by the list of declared goods under Section 14 of the Central Sales Tax Act, 1956.

On sales of stainless steel circles amounting to Rs. 4.21 lakhs, made by a dealer of Jagadhri during the year 1979-80, tax was levied at 4 per cent (which rate is applicable to sale of declared goods), instead of at the correct rate of 7 per cent. The mistake resulted in short levy of tax amounting to Rs. 13,225.

On the mistake being pointed out in audit (August 1984), the department referred (April 1986) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1986).

The above cases were reported to Government between October 1985 and July 1986; their reply is awaited (December 1986).

2.6. Short levy due to mis-classification of goods

Under the Haryana General Sales Tax Act, 1973, on sale of sanitary goods specified under item 22 in Schedule 'A' to the Act, tax was leviable at the rate of 10 per cent upto 31st March 1983 and at 12 per cent thereafter.

In Faridabad, a dealer sold 'S.W. pipes' (sanitary goods) valuing Rs. 5.48 lakhs during the year 1981-82. The assessing authority levied (March 1984) tax at the rate of 7 per cent instead of at 10 per cent, erroneously treating the goods as un-classified goods. The mis-classification resulted in tax being levied short by Rs. 16,776. Besides, interest for non-payment of tax alongwith quarterly returns was also chargeable.

*Commissioner of Sales Tax U.P. V/s M/s Industrial Omi Stores (1980) STI All 273

On the mistake being pointed out in audit (December 1984), the department accepted the audit objection and stated (May 1986) that the case was being referred for *suo moto* assessment. Report on rectification is awaited (December 1986).

The case was reported to Government in July 1985; their reply is awaited (December 1986).

2.7. Short levy of tax due to mistake in computation

(i) Under the Haryana General Sales Tax Act, 1973, on sale of unclassified items, tax was leviable at the general rate of 7 per cent upto 31st March 1983 and at 8 per cent thereafter.

A dealer of Yamunanagar filed his returns for the year 1981-82 showing his turnover as Rs.11.72 lakhs. However, the assessing authority, while making the assessment *ex-parte* in December 1985, determined the dealer's taxable turnover at Rs.13.00 lakhs. But, the assessing authority by mistake levied tax at the rate of 8 per cent on a turnover of Rs. 1.30 lakhs only, instead of at the correct rate of 7 per cent on the entire turnover of Rs. 13.00 lakhs. The mistake resulted in short levy of tax by Rs. 82,212.

On the omission being pointed out in audit (June 1986), the department raised a demand of Rs. 82,212 in September 1986. Report on recovery is awaited (December 1986).

(ii) Under the Haryana General Sales Tax Act, 1973, with effect from 7th September 1976 on sale of rice (one of the declared goods) tax is leviable at the point of first sale in the State. The tax so levied on rice is, however, to be reduced by the amount of purchase tax paid in the State on paddy out of which rice is husked. Similar set off of purchase tax is also to be given from the tax levied on the sale of rice in the course of inter-State trade or commerce under the Central Sales Tax Act, 1956.

(a) In 1980-81, a dealer of Panipat husked 18,474 quintals of rice from 26,937 quintals of paddy valuing Rs. 26.06 lakhs. The yield of rice was 68.58 per cent

and average purchase price of paddy consumed was Rs. 96.75 per quintal. Out of 18,474 quintals of rice procured, the dealer sold 16,664 quintals of rice during 1980-81. The proportionate value of paddy consumed in the procurement of 16,664 quintals of rice worked out to Rs. 23.51 lakhs but the assessing authority, while making the assessment, took the proportionate value of paddy consumed as Rs. 28.25 lakhs by adopting the percentage yield of rice as 66.67 per cent (instead of 68.58 per cent) and the average purchase price of paddy as Rs. 113.06 per quintal (instead of as Rs. 96.75 per quintal). The incorrect determination of the value of paddy consumed resulted in rebate of purchase tax (in respect of paddy consumed) being allowed in excess by Rs. 18,949.

On the mistake being pointed out in audit (December 1985), the department admitted (April 1986) the under-assessment. Report on rectificatory action taken is awaited (December 1986).

(b) In 1983-84, a dealer of Jagadhri sold 11,776 quintals of rice husked from 17,482 quintals of paddy valuing Rs.25.06 lakhs. However, while making the assessment in March 1985, the assessing authority valued the paddy consumed at Rs. 30.54 lakhs (including overhead charges of Rs. 3.42 lakhs), instead of at Rs. 25.06 lakhs. The mistake resulted in rebate of purchase tax (in respect of paddy consumed) being allowed in excess by Rs. 21,916.

On the mistake being pointed out in audit (June 1985), the department referred (March 1986) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1986).

(iii) A dealer of Kaithal sold rice valuing Rs. 9.62 lakhs during the year 1982-83. The assessing authority while framing the assessment, allowed a deduction of Rs. 6.76 lakhs to the dealer, being purchase value of the paddy out of which aforementioned rice was husked. But due to an arithmetical mistake, the assessing authority determined the balance taxable turnover as Rs. 86,511, instead of as Rs. 2,86,511. The mistake resulted in under-assessment of tax of Rs. 8,000. Besides, interest and

penalty were chargeable from the dealer for short payment of tax alongwith his returns.

On the mistake being pointed out in audit (May 1985), the department raised (May 1985) an additional demand of Rs. 11,260 (tax: Rs. 8,000; interest: Rs. 2,960 and penalty: Rs. 300) and recovered the amount in June 1985.

(iv) In Faridabad, a dealer deposited advance tax amounting to Rs. 19,892 alongwith quarterly returns for the year 1982-83. However, the assessing authority, while finalising the assessment, erroneously adjusted Rs. 29,892 instead of Rs. 19,892 as tax already paid. The mistake resulted in short realisation of tax amounting to Rs. 10,000.

On the mistake being pointed out in audit (November 1985), the department referred (March 1986) the case for *suo moto* action. Report on rectification is awaited (December 1986).

The above cases were reported to Government in September 1985 and June 1986; their reply is awaited (December 1986).

2.8. Short levy of tax

The Haryana General Sales Tax Act, 1973, permits a dealer to claim deduction, from his gross turnover, on account of sales of goods (other than those taxable at the point of first sale in the State) made by him to other registered dealers in the State, by furnishing prescribed declarations from the purchasing dealers.

A dealer of Assandh (Karnal) claimed that he has sold goods valuing Rs. 4.77 lakhs to another registered dealer of Karnal during the year 1982-83 and had also furnished to the assessing authority the prescribed declarations obtained from the purchasing dealer. Based on this the assessing authority allowed (January 1984) a deduction of Rs. 4.77 lakhs out of the gross turnover of the selling dealer for the year 1982-83. In May 1984, however, the assessing authority discovered that the purchaser in this case had already been declared by the department as a bogus party. The assessing authority, therefore, decided to summon the dealer and rectify the

assessment after ascertaining the facts. But no notice summoning the dealer was actually issued. As a result, rectificatory action could not be initiated.

On the omission being pointed out in audit (January 1985), the department raised (February 1986) demand for Rs. 19,068 against the selling dealer and recovered the amount in March 1986.

The case was reported to Government in July 1985; their reply is awaited (December 1986).

2.9. Irregular levy of tax at concessional rate

Under the Central Sales Tax Act, 1956, inter-State sales to Government departments are taxable at concessional rate of four per cent when such sales are supported by valid certificates in the prescribed forms given by a duly authorised officer of a Government. The concession is not admissible in respect of inter-State sales to autonomous bodies or other non-Government institutions. They are liable to pay tax at the full rate (10 per cent).

(i) On inter-State sales valuing Rs. 2.63 lakhs, made by a dealer of Faridabad during the year 1979-80 to the National Dairy Development Board, Ajmer and Jaipur and the Indian Dairy Corporation, Baroda, tax was levied at the concessional rate of 4 per cent. These being autonomous bodies, tax was actually leviable at the rate of 10 per cent. Besides, the dealer had delayed the payment of tax for the fourth quarter of the year but interest for belated payment was not charged. The mistakes resulted in short levy of tax and interest by Rs. 17,920.

On the mistakes being pointed out in audit (March 1984), the department raised (October 1985) additional demand for Rs. 17,920 (tax: Rs. 15,820; interest: Rs. 2,100). Report on recovery is awaited (December 1986).

(ii) A dealer of Yamunanagar sold timber, in the course of inter-State trade or commerce, valuing Rs. 2.52 lakhs to the Uttar Pradesh Avas Evam Vikas Parishad, Moradabad. Even though it is an autonomous body, the assessing authority assessed (April 1985) the sales at the

concessional rate of 4 per cent, instead of at the correct rate of 10 per cent. The mistake resulted in a short levy of tax by Rs.15,105 during the year 1983-84.

On the mistake being pointed out in audit (May 1985), the department raised (July 1985) an additional demand for Rs.17,900 (tax: Rs.15,105; interest: Rs.2,795) and recovered the amount in January 1986.

The above cases were reported to Government in June 1984 and December 1985; their reply is awaited (December 1986).

2.10. Non-levy of penalty

(i) Under Section 48 of the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales, purchases or stocks of goods or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act, any account, return or information, which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount, which shall not be less than twice and more than ten times (five times from 17th April 1984) the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct. Same provisions are applicable in the case of similar offences committed in connection with inter-State sales under the Central Sales Tax Act, 1956.

(a) A dealer of Faridabad sold goods valuing Rs. 41.25 lakhs to registered dealers during the year 1982-83 and claimed deduction from the taxable turnover. While framing assessment in March 1983 (first half: April 1982 to September 1982) and in March 1984 (second half : October 1982 to March 1983), the assessing authority disallowed the deductions as the sales were found to have been made to the dealers who had already been declared bogus, and levied tax of Rs. 2,94,519 (March 1983 : Rs.1,97,135; March 1984: Rs.97,384). In the assessment for the first half year (April 1982 to September 1982), the assessing authority levied (May 1983) penalty of

Rs. 2 lakhs under Section 47 of the State Act (which was not relevant as this dealt with failure to pay the tax due according to the returns). The minimum penalty actually leviable under Section 48 of the Act *ibid* worked out to Rs. 3,94,270. In his assessment order for the second half year (October 1982 to March 1983) although the assessing authority proposed to impose penalty under Section 48 of the Act, no penalty was actually levied. Minimum penalty, leviable in this case amounted to Rs. 1,94,768.

On the mistakes being pointed out in audit (December 1983 and February 1985), the department levied (October 1985) a penalty of Rs. 6 lakhs under Section 48 in both the cases and recovered Rs 1.40 lakhs upto June 1986.

In January 1986, the dealer filed an appeal against the orders of the assessing authority on the basis of which appellate authority allowed the balance amount to be paid in monthly instalments of Rs. 30,000 pending final decision. Further progress is awaited (December 1986).

(b) A dealer of Kaithal suppressed his sales amounting to Rs. 75,253 made during the year 1977-78. The department assessed (September 1984) the sales to tax of Rs. 6,114, but omitted to impose penalty, although a minimum penalty of Rs. 12,228 was leviable. Besides, interest amounting to Rs. 1,955 for non-payment of tax was also chargeable.

On the omission being pointed out in audit (July 1985), the department raised (January 1986) additional demand for Rs. 14,183 and allowed (March 1986) the dealer to make payments in instalments. Report on recovery is awaited (December 1986).

(c) Five dealers (Kaithal: 4; Kurukshetra: 1) suppressed their sales amounting to Rs. 3.16 lakhs (1977-78: Rs. 1,00,586; 1978-79: Rs. 2,14,985). The assessing authority while framing assessments (January and March 1982), detected the suppression and levied tax of Rs. 21,001, but omitted to impose penalty. Minimum penalty leviable amounted to Rs. 42,002.

On the omission being pointed out in audit (November and December 1982), the department raised (between March 1985 and June 1986) demand for Rs. 40,120 and recovered Rs. 11,830 in March 1986. Report on recovery of the balance amount of Rs. 28,290 (out of which, recovery of Rs. 12,490 is stated to be under stay under the Excise and Taxation Commissioner's order dated 26th October 1982) is awaited (December 1986).

(d) A dealer of Karnal purchased, during the year 1983-84, 272.42 MT of coal for the manufacture of bricks but accounted for, in his account books, coal weighing 184.70 MT only. The assessing authority, while framing assessment in May 1984 failed to detect the suppression of purchases of coal weighing 87.72 MT, from which 4 lakh bricks valuing Rs. 1.20 lakhs (based on average turnover returned by the dealer) could have been manufactured. As a result, tax amounting to Rs. 9,792 in respect of the suppressed turnover remained unrealised. Besides, a minimum penalty of Rs. 19,584 was also recoverable from the dealer for the suppression of turnover.

On this being pointed out in audit (September 1985), the department referred (May 1986) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1986).

(e) A dealer in his returns for the year 1974-75 had shown sales of harrow parts amounting to Rs. 1,13,628 as tax-free. The return submitted was incorrect as tax was leviable at the rate of 7 per cent on these sales. The assessing authority, while making the assessment (August 1976), assessed the sales to tax of Rs. 8,116 and stated that action to impose penalty would be taken separately. But no action to impose penalty was actually taken. For suppression of facts and submission of incorrect returns minimum penalty of Rs. 16,232 was leviable.

On the omission being pointed out in audit (May 1978), the department raised (November 1985) demand for Rs. 18,000 and recovered (October 1986) Rs. 1,100 and stated that the balance amount would be recovered in instalments.

(ii) Under the Haryana General Sales Tax Act, 1973, if a dealer fails to pay the tax due as per his re-

turn by the prescribed date, he is liable to pay interest at the prescribed rate for the period of default. In addition, he is liable to pay penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

A dealer of Sirsa failed to pay tax amounting to Rs. 59,010 alongwith quarterly returns for the third and fourth quarters of 1981-82. The assessing authority, while framing the assessment (December 1983), charged interest for the delay in payment of tax and recorded in the assessment order that penal action for failure to pay tax as per the returns would be taken against the dealer separately. No action to impose penalty was, however, initiated.

On the failure being pointed out in audit (October 1984), the department levied (April 1985) penalty of Rs. 30,000. Report on recovery is awaited (December 1986).

(iii) Under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956, if a dealer fails to furnish, to the assessing authority his quarterly returns within 30 days of the expiry of the relevant quarter, he is liable to penalty, which shall not be less than five rupees or more than ten rupees for everyday during which the default continues.

A dealer of Faridabad delayed the submission of his second and fourth quarterly returns for the year 1977-78 by 1,510 and 597 days respectively. He also did not pay the tax due alongwith the returns. While finalising the assessment in February 1984, the assessing authority charged tax and levied penalty for non-payment of tax but omitted to impose penalty for belated submission of the returns. Minimum penalty leviable amounted to Rs. 21,070.

On the omission being pointed out in audit (February 1983), the department raised (July 1986) additional demand for Rs. 22,000. Report on recovery is awaited (December 1986).

The above cases were reported to Government between June 1984 and August 1986; their reply is awaited (December 1986).

2.11. Interest not charged

Under the Haryana General Sales Tax Act, 1973, a dealer is required to pay the tax due from him according to his return which is to be submitted by the prescribed date. In the event of default, the dealer is liable to pay in addition to the tax due, simple interest on the amount due at one per cent per month for the first month and at one and a half per cent per month thereafter, so long as the default continues. Further, for failure to pay the tax due according to the return, the prescribed authority may after affording the dealer a reasonable opportunity of being heard, impose a penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(i) A dealer of Faridabad did not pay the tax due alongwith his quarterly returns for the years 1979-80 to 1981-82. The assessing authority levied (January, June and November 1982) tax amounting to Rs. 7.76 lakhs but omitted to charge interest for delay in payment of tax.

On the omission being pointed out in audit (between November 1983 and March 1984), the department raised (November 1985) a demand for interest amounting to Rs. 1.21 lakhs for the years 1979-80 and 1980-81 and stated that action to charge interest for the year 1981-82 was also being taken. Further progress is awaited (December 1986).

(ii) During the year 1980-81, a dealer of Faridabad purchased goods valuing Rs. 170.36 lakhs, from within the State, on the strength of his registration certificate and consumed a part of the goods in a works contract and exported some portion of these goods outside the territory of India. Under Section 9 of the State Act, purchase tax was payable on the value of the goods used by the dealer in works contract and the goods exported but he failed to deposit the purchase tax alongwith his returns. On finalising (July 1983) the dealer's assessment, the assessing authority levied tax amounting to Rs. 2.57 lakhs on the purchase value of goods consumed in the works contract and the goods exported and stated that action to charge interest and penalty for the dealer's failure to

pay tax would be taken separately. But no such action was actually taken.

On the omission being pointed out in audit (February 1985), the department raised (October 1985) additional demand for interest amounting to Rs. 1.29 lakhs out of which Rs. 49,384 were recovered. Report on recovery of the balance amount as also action taken to levy penalty is awaited (December 1986).

(iii) A dealer of Faridabad purchased raw material valuing Rs. 87.75 lakhs during the year 1980-81 and used it in the manufacture of finished goods. Part of the manufactured goods were consigned to his branches outside the State. He did not pay alongwith his returns tax in respect of the material used in the manufacture of goods so transferred to his branches. The assessing authority, while framing the assessment (February and March 1984), levied tax (Rs. 3,37,058) on the proportionate value (Rs. 70.07 lakhs) of the raw material purchased from within the State and used in the manufacture of goods transferred to branches outside the State, but omitted to charge interest for non-payment of tax alongwith the returns. Interest chargeable amounted to Rs. 1,75,292. Besides, penalty for non-payment of tax alongwith the quarterly returns was also leviable.

On the omission being pointed out in audit (January 1985), the department issued (May 1986) a notice to the dealer for revision of the assessment. Further progress is awaited (December 1986).

(iv) A dealer of Faridabad did not pay tax due as per returns for the year 1976-77. While framing assessment (March 1985), the assessing authority demanded additional tax of Rs. 72,160 and mentioned that action to charge interest would be taken separately, but no action was taken. The interest chargeable amounted to Rs. 1.03 lakhs.

On the omission being pointed out in audit (December 1985), the assessing authority stated (May 1986) that action to charge interest was being initiated. Further progress is awaited (December 1986).

(v) Two dealers of Gurgaon did not pay the tax due for the years 1975-76 and 1979-80 alongwith their quarterly

returns. The assessing authority demanded tax of Rs. 36,642, but omitted to charge interest amounting to Rs. 29,478 upto the date of assessments in April 1980 and June 1984.

On the omission being pointed out in audit (September 1985), the department raised the demand (Rs. 29,478) in November 1985. Report on recovery is awaited (December 1986).

(vi) On sale of rice to the District Food and Supplies Controller (D.F.S.C.) and other dealers, a dealer of Panipat did not pay the tax due as per returns for the years 1976-77 and 1978-79 to 1981-82. While framing assessments (between February and June 1983), the assessing authority assessed the sales to tax of Rs. 50,031 (D.F.S.C. : Rs. 26,272; other dealers : Rs. 23,759) but did not charge interest which amounted to Rs. 29,102 upto the date of assessments.

On the omission being pointed out in audit (January 1986), the department raised (July 1986) additional demand for Rs. 29,102. Recovery of interest of Rs. 19,423 due in respect of sales to D.F.S.C. is under stay orders (dated 26th October 1982) of the Excise and Taxation Commissioner. Report on recovery of the balance amount is awaited (December 1986).

(vii) A dealer of Faridabad purchased goods from within the State and used them partly in the manufacture of other goods which were transferred to its branches outside the State. While framing the assessment, the assessing authority levied (March 1984) purchase tax of Rs. 1.72 lakhs on the proportionate value of the goods used in the manufacture of the goods transferred to branches but omitted to charge interest for non-payment of tax by the dealer alongwith quarterly returns. The interest chargeable worked out to Rs. 27,548.

On the omission being pointed out in audit (November 1984), the department raised (December 1985) a demand for Rs. 25,950 and recovered Rs. 25,000 in February 1986. Report on recovery of the amount of Rs. 950 and action taken to raise demand for the balance amount of interest of Rs. 1,598 are awaited (December 1986).

(viii) In Faridabad, two dealers transferred during the year 1982-83 goods valuing Rs. 31.95 lakhs to their branches outside the State but did not pay purchase tax on the value of goods purchased (Rs. 16.48 lakhs) from within the State and consumed in the manufacture of goods transferred to their branches. Demand for tax amounting to Rs. 97,226 was raised (October 1985) by the department, but interest amounting to Rs. 25,225 which was chargeable for delay in payment of tax was not demanded.

On the omission to charge interest being pointed out in audit (January 1985), the department raised (October 1985) demand for Rs. 25,225 and recovered the amount in January and February 1986.

(ix) In Panchkula (Ambala), tax amounting to Rs. 75,736 for the year 1979-80, demanded from a dealer in March 1980, was not paid by him within the prescribed period. The department allowed the dealer to pay the amount in instalments but omitted to charge interest which amounted to Rs.20,201.

On the omission being pointed out in audit (September 1982), the department raised (June 1986) additional demand for Rs. 21,332. Report on recovery is awaited (December 1986).

(x) A dealer of Jagadhri filed incorrect returns during the year 1983-84 and also did not pay the tax due according to those returns by the prescribed dates. The assessing authority, while finalising the assessment, determined (September 1984) the taxable turnover at Rs. 27.98 lakhs as against Rs. 5.44 lakhs shown by the dealer in his returns and raised demand for tax amounting to Rs. 1,31,577. Interest for non-payment of tax was, however, charged only on the amount of tax of Rs. 20,723 not deposited by the dealer according to his returns although it was chargeable on the total demand for Rs. 1,31,577. Interest charged short amounted to Rs. 19,166.

On the mistake being pointed out in audit (July 1985), the department raised (June 1986) additional demand for Rs. 19,166. Report on recovery is awaited (December 1986).

(xi) In Faridabad, tax payable by a dealer for the year 1979-80 was paid short by Rs. 2,95,190. The assessing authority, while framing the assessment in August 1982, levied tax but omitted to charge interest amounting to Rs. 10,813 for short payment of tax. Besides, penalty for non-payment of tax alongwith the quarterly returns was also leviable.

On the omission being pointed out in audit (November 1983), the department raised (June 1985 and August 1986) demand for Rs. 11,813 (interest :Rs. 10,813; penalty: Rs. 1,000) and recovered Rs. 10,813 in June 1985. Report on recovery of the balance amount of Rs. 1,000 is awaited (December 1986).

(xii) In 1979-80, a dealer of Yamunanagar consigned goods valuing Rs. 14.00 lakhs to his head office at Calcutta, but failed to pay tax on the value of goods purchased from within the State and used in the manufacture of goods transferred to Calcutta. The assessing authority, while finalising the assessment, levied (January 1982) tax of Rs. 32,763 on the value of goods (Rs. 8.03 lakhs) used in the manufacture of goods so transferred, but omitted to charge interest for non-payment of tax alongwith the quarterly returns. Interest leviable amounted to Rs. 10,168. Besides, penalty for non-payment of tax alongwith quarterly returns was also leviable.

On the omission being pointed out in audit (August 1983), the department raised (May and August 1986) additional demand for Rs. 12,168 (interest : Rs. 10,168; penalty : Rs. 2,000) and recovered Rs. 10,168 in June 1986. Report on recovery of the balance amount of Rs. 2,000 is awaited (December 1986).

(xiii) In Rohtak, a dealer of soft drinks charged from customers Rs. 4.40 lakhs as cost of empty bottles during the year 1982-83, but did not include this amount in his sales turnover. Further, the dealer purchased, on the strength of his registration certificate, goods (building material) valuing Rs. 4.48 lakhs (within the State: Rs. 1.68 lakhs; outside the State: Rs. 2.80 lakhs) although these goods were not specified in the registration certificate and used these goods in the construction of factory building. While framing assessment (March 1985), the assessing authority levied tax of Rs. 52,865 on purchases

of Rs. 6.08 lakhs (Rs. 4.40 lakhs: cost of empty bottles and Rs. 1.68 lakhs : cost of building material purchased within the State), but omitted to charge interest payable for belated payment of the tax due. Interest leviable amounted to Rs. 17,986. Penal action for misuse of registration certificate, though contemplated in the assessment order, was also not taken.

On the omissions being pointed out in audit (February 1986), the department raised (July 1986) additional demand for Rs. 34,986 (interest : Rs. 17,986 ; penalty: Rs. 17,000) and recovered the amount in August and September 1986.

(xiv) A dealer of Faridabad paid tax short by Rs. 23,118 (State Act : Rs. 14,290; Central Act: Rs 8,828) alongwith his first and second quarterly returns for the year 1982-83. While framing assessment (January 1985) the assessing authority demanded tax of Rs. 23,118, but omitted to charge interest of Rs. 11,826 for short payment of tax.

On the omission being pointed out in audit (November 1985), the department raised (June 1986) additional demand for Rs. 11,826. Report on recovery is awaited (December 1986).

The above cases were reported to Government between July 1985 and June 1986; their reply is awaited (December 1986).

2.12. Irregular stay of recovery

Under the Haryana General Sales Tax Act, 1973, with effect from 7th September 1976, on sale of rice (one of the declared goods), tax is leviable at the point of first sale in the State.

In Jagadhri, a dealer sold rice valuing Rs. 19.17 lakhs to other dealers during the year 1982-83. The assessing authority assessed (March 1985) the sales to a tax of Rs. 16,517 (after allowing rebate of tax paid on paddy from which the rice was husked) and charged interest of Rs. 6,329 for non-payment of tax alongwith

quarterly returns. The demand for Rs. 22,846 was, however, stayed on the mistaken impression that the case was covered by a stay granted on 26th October 1982 by the Excise and Taxation Commissioner in the case of levy sales of rice to the Food and Supplies Department. As a result, the amount remained unrealised.

On the mistake being pointed out in audit (June 1985), the department vacated the stay and recovered Rs. 22,846 in December 1985.

The case was reported to Government in December 1985; their reply is awaited (December 1986).

2.13. Arrears in sales tax

Introductory

In Haryana, sales tax is levied and collected under the Haryana General Sales Tax Act, 1973 and the rules made thereunder. A dealer is required to deposit the tax due from him alongwith his monthly/quarterly returns to be submitted to the department. Assessment proceedings are required to be initiated within five years by the department. On assessment, the tax already paid by the dealer is adjusted and an additional demand for the balance amount, if any, is raised against the dealer. The tax demanded is payable within 30 days from the date of service of the demand notice. If the sale tax dues (including interest, penalty, composition fee etc.) are not paid by the dealer within the time specified in the demand notice or within the extended time, if any, the assessing authority may apply to the Collector for recovery of the Government dues as arrears of land revenue. After approval by the Collector, the assessing authority (the Assistant Collector) is required to issue recovery certificates and take all legal steps necessary for recovery of the tax dues as arrears of land revenue.

As per information supplied by the department the tax dues pending collection amounted to Rs. 21.73 crores, Rs. 27.19 crores and Rs. 33.02 crores as at the end of the years 1983-84, 1984-85 and 1985-86 respectively. The arrears of Rs. 33.02 crores outstanding as at the end of the year 1985-86 were at the following stages of

action.

Stage of action	Amount of arrears (In crores of rupees)
(1) In process of recovery including amount covered by recovery certificates	3.53
(2) Recoveries stayed by Courts	9.38
(3) Recoveries stayed by other authorities	3.74
(4) Recoveries held up due to insolvency of dealers	1.66
(5) Demands likely to be written off	0.95
(6) Other stages	13.76
	<hr/> 33.02 <hr/>

Year-wise break-up of the arrears is as under :—

Year	Amount of arrears (In crores of rupees)
Upto 1981-82	8.99
1982-83	3.01
1983-84	4.39
1984-85	4.86
1985-86	11.77
	<hr/> 33.02 <hr/>

The recovery cases were not being pursued effectively by the department.

Some of the important cases involving heavy amounts of arrears are mentioned in the following paragraphs :—

2.13.1. Recoveries stayed by Government

With effect from 7th September 1976, the stage of levy of tax on rice was changed from last point of sale to first point of sale. But the rice millers/shellers did not pay tax on sales of rice on first point of sale to the District Food and Supplies Controller under levy scheme on the plea that they had not realised any tax from the Food and Supplies Department and had represented to Government against the levy of tax. The Government stayed (October 1982) the recovery of tax demands (including interest) raised by the assessing authorities in respect of such sales made between September 1976 and October 1982. Even though 4 years have elapsed since then, neither the stay order has been vacated, nor a final decision taken by Government in the matter as yet (October 1986). This has resulted in accumulation of arrears to the extent of Rs. 3.74 crores.

2.13.2. Failure to verify genuineness of the dealers/sureties

(i) In Karnal, four dealers, belonging to a Hindu undivided family, were assessed (between March 1981 and August 1982) to "Nil" tax demand for the years 1979-80 to 1981-82. They closed down their business and their registration certificates were cancelled, on their request between March 1981 and February 1984. In November 1983, the department came to know on the basis of information received from the sales tax check barriers that the firms had suppressed huge purchases/sales. The department re-opened the cases and raised (between June 1984 and April 1985) demands for Rs. 2.80 crores against the said dealers. The amount was declared recoverable as arrears of land revenue and recovery certificates were issued between October 1984 and October 1985. One of the defaulters filed (October 1984) insolvency petition in Delhi High Court and as he was a member of a Hindu undivided family, the court stayed (May-June 1985) auctioning of his property situated in Delhi. The department, however, recovered Rs. 2 lakhs (Rs. 0.20 lakh from sureties and Rs. 1.80 lakhs by auctioning property situated at Karnal in Haryana). In the meantime, the dealer

had opened two new firms under new names and obtained registration certificates with effect from 17th May 1982 and 17th June 1983. These firms also suppressed purchases/sales during the years 1982-83 and 1983-84. The assessing authority finalised the assessments (between January 1985 and April 1985) and raised demand for Rs. 34.95 lakhs and issued recovery certificate for Rs. 34.95 lakhs in October 1985. This amount is also yet to be realised. It was further seen that sureties for amounts aggregating Rs. 2.50 lakhs had been furnished in six cases; in two cases, the dealers had furnished sureties between themselves and in the remaining four cases, one surety in each case was furnished from outside and one between themselves. But only Rs. 0.20 lakh could be realised from two sureties; no amount could be recovered from other sureties even after issue of warrant of arrest. Failure to verify genuineness of the dealers and the sureties at the time of registration of new firms (as required under the Haryana Sales Tax Rules, 1975), and non-checking of their records at the time of the original assessment, resulted in accumulation of arrears of Rs. 3.13 crores.

(ii) The assessments of a dealer of Faridabad for the years 1981-82 and 1982-83 were finalised (September 1982 and March 1983), determining his taxable turnover at Rs. 2.52 lakhs (1981-82) and Rs. 2.97 lakhs (1982-83) on the basis of the returns filed by him. The dealer had closed down his business in January 1983 and applied for cancellation of his registration certificate, which was done in March 1983. Subsequently, in June 1983 and August 1983, the department came to know, on the basis of information received from sales tax check barriers, that the dealer had suppressed huge purchases and sales of tyres. Assessment cases for the years 1981-82 and 1982-83 were, therefore, re-opened in November 1983, and additional demands for Rs. 7.33 lakhs (1981-82) and Rs. 12.06 lakhs (1982-83) were raised against the dealer on the basis of revised turnover determined at Rs. 20.52 lakhs (1981-82) and Rs. 32.97 lakhs (1982-83). As the dealer failed to pay the tax, certificates for recovery of Rs. 19.39 lakhs from him as arrears of land revenue were issued to the Collector, Patiala in March 1984, but these certificates were received back as the defaulter was not traceable. Thereafter, in March 1985, recovery certificates were issued to the

Collector, Delhi, but no recovery could be made as the defaulter had moved to Punjab. In May 1986, recovery certificates were again issued to the Collector, Patiala, but no recovery could be made (June 1986). The dealer had furnished two sureties for Rs. 10,000 at the time of his registration, but only a sum of Rs. 7,000 could be recovered by the department from the sureties. Finalisation of assessments without proper verification of records of the dealers, thus, resulted in non-recovery of tax of Rs. 19.32 lakhs.

(iii) A dealer of Faridabad was granted in May 1981 and January 1982 two registration certificates. His assessment for the year 1981-82 was made *ex-parte* on best judgement basis in March 1982 and an additional demand for Rs. 22.77 lakhs was raised against him. On his failure to pay the tax, recovery certificates for Rs. 15.52 lakhs and Rs. 7.25 lakhs were issued to the Collectors, Delhi and Ghaziabad in June 1982 and August 1982 respectively. But no recovery could be effected by them as the defaulter was reported to be not traceable. In respect of sales made by him in March 1982, which were previously omitted to be taken into account, further assessment was made in December 1982 and an additional demand for Rs. 0.37 lakh raised against the dealer. A sum of Rs. 1,00,000 was recovered from the sureties in November 1982 and June 1984 and a fresh recovery certificate for Rs. 22.77 lakhs (ignoring the additional demand of Rs. 0.37 lakh and the recovery of Rs. 1.00 lakh, since made) was issued to Collector, Ghaziabad in September 1985. But no recovery was made as the defaulter was reported to be still untraceable. No further action to trace the dealer and to effect the recovery from him was taken after September 1985.

(iv) In October 1982, a dealer of Ambala was assessed for the year 1981-82 without taking into account information received (between September 1981 and January 1982) from sales tax check barriers regarding purchases made by the dealer from outside the State. The dealer closed his business and applied, in November 1982, for cancellation of his registration with effect from 31st March 1982. At the time of cancelling his registration certificate, the assessing authority found that the dealer had suppressed purchases valuing

Rs. 6.39 lakhs. As a result, the assessments were re-opened and additional demand for Rs. 3.08 lakhs was raised against him in February 1983. A sum of Rs. 15,000 was recovered from his surety, and the balance amount of Rs. 2.93 lakhs was declared as arrears of land revenue and recovery certificate was issued to the Collector, Ropar in March 1986. No follow up action was taken thereafter (December 1986).

(v) A dealer of Bhiwani obtained two registration certificates under two fictitious names in December 1977 and February 1978. In May 1978, the department noticed that both the firms were bogus and, therefore, cancelled the registration certificates in September 1978. Assessment for the year 1977-78 in both cases was made in March 1978 on best judgement basis and demands for Rs. 9.10 lakhs were raised, which were not paid by the dealer. Two, out of three sureties furnished by the dealer at the time of registration, were also found to be bogus. The third surety refused to make payment on the ground of his weak financial position. A case for impersonation and cheating was registered against the dealer in April 1981 but he was declared (August 1982) by the court as untraceable on the basis of a report by the Police Department. In February 1985, recovery certificates for Rs. 9.10 lakhs were issued to the Collector, Ropar (Punjab), but his reply was still awaited (December 1986).

Failure on the part of department to verify the genuineness of the dealer and the sureties at the time of registration, resulted in non-recovery and accumulation of arrears of Rs. 9.10 lakhs.

(vi) A dealer of Hissar was registered in February 1979. The registration certificate was, however, cancelled in September 1980 as the dealer was not traceable. Assessment for the year 1978-79 was made *ex-parte* on best judgement basis in March 1981 but assessments for the years 1979-80 and 1980-81 were taken up only in March 1985. Additional demands for Rs. 5.23 lakhs were raised against the dealer for these years but remained unrealised. Recovery could not be effected from the sureties as they were found to be fake and signatures of both the sureties were stated to have been forged by

the dealer. Action to recover the tax as arrears of land revenue was not initiated immediately after the completion of assessment for 1978-79 in March 1981. The case was moved in April 1986 for write off of the arrears of Rs. 5.23 lakhs. Failure of the department to verify the genuineness of the dealer and the sureties at the time of registration, thus, resulted in non-recovery of tax of Rs. 5.23 lakhs.

(vii) A dealer of Hissar, registered in May 1977, applied for cancellation of his registration certificate in December 1977. The registration was cancelled in January 1978 but assessment for the year 1977-78 was not taken up immediately. It was made on best judgement basis only in March 1981 (first part April to September 1977) and September 1981 (second part October to December 1977) and additional demand for Rs. 5.34 lakhs raised against the dealer. As the dealer failed to pay the tax, recovery certificates for Rs. 4.92 lakhs and Rs. 0.42 lakh were issued to the Collector Hapur (U.P.) in September 1981 and March 1982 but these were received back as the defaulter had no property at Hapur. Only a sum of Rs. 10,000 could be recovered from his surety. In November 1982, the case was taken up for write off of the balance amount of Rs. 5.24 lakhs. Failure of the department to verify the genuineness of the dealer at the time of registration, thus, resulted in non-recovery of revenue of Rs. 5.24 lakhs.

2.13.3. Non-recovery due to delay in assessment

(i) In Bhiwani, assessments of a limited company for the years 1967-68 to 1979-80 were finalised between January 1976 and October 1981 and an additional demand for Rs. 108.62 lakhs (Rs. 86.00 lakhs under the State Act; Rs. 22.62 lakhs under the Central Act) were raised. The assessee did not pay the tax and went into liquidation (February 1980). In April 1983, a claim was lodged by the Department with the Commissioner of Payments, Delhi, but nothing could be realised. A sum of Rs. 1.16 lakhs lying in current bank account of the firm was attached on 2nd March 1976 but that too was subsequently released on 5th March 1976 under the orders of the State Government. No further action was taken to recover the outstanding dues of Rs. 108.62 lakhs.

The amount was declared as bad debt and matter regarding write off of the dues is under consideration of the Excise and Taxation Commissioner. Final decision is awaited (December 1986).

(ii) A dealer of Rohtak, registered in February 1981, applied for cancellation of his registration in February 1982 and the same was done in March 1982. The assessments for the years 1980-81 and 1981-82 were not finalised before cancellation of the registration or immediately thereafter, but were made in May 1984 and a demand for Rs. 12.25 lakhs was raised. The assessee went in appeal against the demand and the appellate authority (January 1985) allowed him to make payment of Rs. 6.11 lakhs, representing the tax assessed for the year 1980-81, in monthly instalments of Rs. 5,000 each subject to his furnishing of a surety bond for Rs. 6.11 lakhs. The appeal was, however, later dismissed (August 1985) by the appellate authority due to default in payment by the dealer after the first instalment of Rs. 5,000. Notices for depositing the remaining tax were issued to the dealer in September 1985 but no payment was made by him. The amount of Rs. 6.11 lakhs was also not recovered from the surety furnished by the dealer at the time of filing the above appeal in October 1984. Recovery certificates for Rs. 6.11 lakhs (1980-81) and Rs. 6.14 lakhs (1981-82) issued to the Collector, Karnal in November 1985 and December 1985 were received back as the dealer was reported to be not residing at Karnal. An amount of Rs. 2,300 was recovered (November and December 1985) from a surety and recovery certificates for Rs. 12.18 lakhs were, thereafter, issued to the Collector, Calcutta in January 1986, but no recovery was made by him. A sum of Rs. 17,700 was recovered by the department between January and March 1986 from a surety furnished by the dealer at the time of registration. No further action to recover the arrears of Rs. 12.00 lakhs was taken thereafter.

(iii) Registration certificate of a dealer of Jagadhri was cancelled in September 1980 and a penalty of Rs. 10,500 was imposed upon him for non-filing of returns. Assessments for the years 1977-78 to 1979-80, which were also pending, were, however, not completed simultaneously. These were completed only in September 1985 and demands totalling Rs. 6.93 lakhs were raised

against the dealer. Since the dealer failed to make any payment, a warrant for his arrest was issued in March 1986. But the dealer was neither arrested nor any amount recovered from him (October 1986). The recovery could also not be effected from the sureties as one of them was not functioning and the other had withdrawn his surety in February 1980. The delay of 5 to 7 years in finalising the assessments, thus, resulted in non-recovery of Government dues amounting to Rs. 7.04 lakhs.

(iv) Assessments of a dealer of Jagadhri for the years 1977-78 and 1978-79 were made during March 1985 and an additional demand for Rs. 5.25 lakhs was raised. As the dealer failed to pay the tax, proceedings for recovery of tax as arrears of land revenue were started on 30th December 1985 and details of the property held by the dealer were called for. But the property was not attached (December 1986). A sum of Rs. 2,500 only could be recovered from one surety while the second surety had already closed down his firm and was not traceable. No fresh surety was obtained in place of the second surety. Delay of 5 to 6 years in finalising the assessments resulted in non-recovery of tax amounting to Rs. 5.23 lakhs.

(v) Registration certificate of a dealer of Hissar, registered in March 1975, was cancelled in April 1979. Assessments for the years 1976-77 to 1978-79 were not made before cancellation of the registration or immediately thereafter, but were finalised only in February 1981, May 1981 and March 1982 respectively and additional demands for Rs. 3.05 lakhs were raised. The dealer filed appeals against the assessments and the appellate authority, while remanding the cases (May 1982 and June 1983) for fresh assessments, directed the dealer to furnish surety, but no surety was furnished by him. The remand cases were decided in February 1984, March 1984 and March 1985 and the demands for Rs. 3.05 lakhs already raised were confirmed. Recovery certificates for Rs. 3.05 lakhs, issued to Collector, Calcutta in August 1984 and April 1986 were received back as the dealer was not available at the given address. No action was taken to effect recovery from the sureties (Rs. 10,000) furnished at the time of registration.

The delay in taking up assessments and entertaining

the appeal without obtaining adequate surety, resulted in non-recovery of tax of Rs. 3.05 lakhs.

(vi) Assessment of a dealer of Jagadhri for the year 1974-75 was made in March 1979 and a demand for Rs. 0.90 lakh raised. As the dealer failed to make payment and had already closed down his business, a recovery certificate was issued to the Collector, Sirmour in June 1979, but the case was not pursued effectively thereafter and the amount remained unrealised (December 1986). No recovery could also be effected from the surety of the dealer as the same was reported to be not functioning.

(vii) Assessments for the years 1978-79 and 1979-80 in respect of a dealer of Jagadhri, who had closed down his business in 1981-82, were finalised in March 1985 and a demand for Rs. 75,889 was raised. The Collector, Ambala, who was asked (January 1986) to issue property statement, informed (April 1986) the department that the property of the dealer had already been auctioned in the year 1982-83 by the Financial Corporation, Haryana, Chandigarh. However, the Collector, Solan (Himachal Pradesh), where the dealer was reported to be residing, was not approached for recovery of tax from the dealer. Recovery could not also be effected from the sureties of the dealer as one of them was not traceable and the other was already a defaulter in respect of certain tax demands raised against him. Delay of 4 to 5 years in taking up the assessment, even after the assessee had closed down his business, thus, resulted in non-recovery of tax of Rs.75,889.

(viii) Assessments of a dealer of Jagadhri for the years 1975-76 and 1976-77 were made in November 1980 and December 1981 and additional demands for Rs. 1.14 lakhs were raised. The dealer had, however, already closed his business in 1977-78 and did not pay tax. Although recovery certificates for Rs. 0.81 lakh and Rs. 0.33 lakh were issued to the Collector, Sirmour in April 1981 and March 1982, no recovery could be made (March 1986) as the case was not pursued effectively. No recovery was made from the sureties either. The delay in taking up the assessments immediately after closure of the business by the dealer in 1977-78 thus resulted in non-recovery of tax.

2 13.4. Irregular grant of exemption

As per the Haryana Government notification dated 22nd November 1978, exemption from payment of tax was admissible only to those brick-kiln owners whose sales did not exceed Rs. 75,000 in a year. The exemption granted to a dealer in June 1971 was not withdrawn on issue of notification dated 22nd November 1978 though his sales exceeded Rs. 75,000 in June 1971 itself. The omission came to the notice of the department in November 1984, when assessment proceedings were initiated and the liability to pay tax was fixed from 20th April 1978. The assessments for the years 1978-79 to 1980-81 were framed and demand for Rs. 60,893 was raised against the dealer between January 1985 and December 1985. A demand for Rs. 4,052 for the year 1978-79 was, however, quashed by the appellate authority being time-barred. Recovery of the balance amount of Rs. 56,841 could also not be effected as the whereabouts of the dealer were reported to be not known. Action to recover the amount as arrears of land revenue was not initiated. Failure of the department to cancel the exemption certificate in November 1978 and the delay in assessment of the dealer thereafter, resulted in non-recovery of tax amounting to Rs. 60,893. Assessments for the year 1981-82 and onwards were yet to be finalised (December 1986).

2.13.5. Cancellation of registration certificate

As per instructions issued by the Excise and Taxation Commissioner, Haryana in May 1976, prompt action is required to be taken for cancellation of certificate of registration in order to ensure that the demands created do not become irrecoverable. In the interest of Government revenue, immediate action in such cases is needed to finalise assessments.

(i) In December 1978, a dealer of Jagadhri was registered retrospectively with effect from November 1978. The registration certificate was, however, cancelled in September 1980 as the dealer failed to execute surety bond and was also found indulging in illegal transactions. The dealer's assessment for the year 1978-79 was made *ex-parte* on best judgement basis, in April 1980 but the assessment for the year 1979-80 was finalised

only in March 1984. Additional demands for Rs. 7.81 lakhs were raised against the dealer for both the years, but these demands remained unpaid. A sum of Rs. 8,000 was, however, recovered in July 1980 to February 1981 by the department from a surety. A recovery certificate for Rs. 0.84 lakh (for 1978-79) was issued to Collector, Delhi, in March 1981, but it was received back in December 1982 as the dealer had no property there. Recovery certificates for Rs. 0.84 lakh (for 1978-79 and Rs. 6.89 lakhs (for 1979-80) were also issued to the Collector, Calcutta in June 1982, July and September 1984 but no recovery could be made by him either.

(ii) A dealer of Hissar was registered with liability to pay tax from 14th September 1969. His registration certificate was cancelled with effect from 31st December 1979 as the dealer closed down his business. Tax demands totalling Rs. 7.01 lakhs for the years 1970-71 to 1976-77 were raised against him during March 1975 to June 1984 out of which only Rs. 0.83 lakh could be recovered. Proceedings for recovery of Rs. 2.13 lakhs for the years 1970-71 and 1972-73 as arrears of land revenue, were started on 19th December 1975 and 3rd July 1976 respectively and the dealer was allowed (March 1976 and July 1976) to make payments in monthly instalments. The dealer made payments amounting to Rs. 0.63 lakh upto November 1977 and thereafter stopped making further payments. But no action was taken against him. The dealer (a firm) had furnished surety bonds for Rs. 1,10,000 from its two partners against the property held by them. They sold the property on 17th March 1980 and deposited Rs. 10,100 on 31st March 1980. The department failed to attach the property under the Land Revenue Act. In fact the department had not even verified value of the property while accepting surety bond in July 1976. A sum of Rs. 10,000 was also recovered in January and March 1984 from one of the sureties. The case was moved for write off of the balance arrears of Rs. 6.18 lakhs in April 1981 and March 1985 but the final decision had not been taken (December 1986).

(iii) A dealer of Jagadhri closed down his business in November 1981 and his registration certificate was cancelled with effect from 1st November 1981. He was assessed for the years 1979-80 to 1981-82 between March 1982 and December 1985 and a demand for Rs. 4.64 lakhs

was raised against him in March 1982, September 1985 and January 1986 for these years. On his failure to pay the tax, a recovery certificate for Rs. 2.90 lakhs for the year 1979-80 was issued to Collector, Dehradun in July 1982. The recovery certificate was, however, returned to the department as the property of the defaulter stood pledged with a bank. In January 1986, the department again issued recovery certificate for Rs. 4.64 lakhs (for the years 1979-80 to 1981-82) to the Collector, Ambala and eventually the dealer's property was attached in June 1986. Report on recovery is awaited (December 1986). No action to recover the amount from sureties was taken.

(iv) A dealer of Hissar registered in June 1977 applied for cancellation of his registration certificate in April 1978 and the same was cancelled in April 1979. The dealer's assessment for the year 1977-78 was made in March 1981 and an additional demand for Rs. 1.81 lakhs was raised, against which the dealer filed an appeal. The appellate authority, while remanding the case in March 1982, directed the dealer to furnish a surety for Rs. 1.81 lakhs by August 1982, but no surety was furnished by him. The remand case was decided in March 1984 with a demand for Rs. 1.33 lakhs, which remained unrealised. A recovery certificate for Rs. 1.33 lakhs was issued to the Collector, Howarah in August 1984, but it was received back, as the defaulter was not available at the given address. The recovery certificate was, thereafter, sent to Collector, 24 Parganas, Calcutta in August 1985 but no recovery was made by him either. No action was taken to recover the amount from the two sureties for Rs. 10,000 furnished by the dealer at the time of registration. The dealer owned a shop at Hissar but no action was taken to attach that shop (December 1986).

(v) A dealer of Hissar registered in March 1976, closed down his business and applied (September 1977) for cancellation of registration, which was done in April 1978. The assessments for the years 1976-77 and 1977-78 were not made immediately thereafter, but were completed only in March 1981, raising an additional demand for Rs. 1.97 lakhs. No recovery could be effected as the dealer filed (May 1981) an insolvency appeal in a Civil Court which granted (September 1981) stay

against the recovery. Final decision of the Court is awaited (December 1986).

2.13.6. Delay in initiating recovery proceedings

(i) An additional demand for Rs. 33.12 lakhs raised in March 1985 and July 1985 against a dealer of Faridabad for the years 1979-80 and 1980-81 had remained unrealised. Recovery certificate for Rs. 22.86 lakhs (1979-80) and Rs. 10.26 lakhs (1980-81) issued to the Collector, Delhi in July 1985 and January 1986 respectively were received back as the defaulter was not available at the given address. Recovery from the sureties could also not be effected as one of them had died long ago and the other was not traceable.

(ii) A dealer (limited company) of Karnal did not pay tax alongwith its returns for the years 1966-67 to 1968-69 and 1971-72 to 1976-77. On finalising the assessments in August 1979 and August 1982, a demand for Rs. 4.92 lakhs was raised against the dealer between August 1979 and August 1982, but no follow up action was taken to recover the amount. Action to recover the amount as arrears of land revenue was also not initiated (December 1986).

(iii) A demand for Rs. 4.66 lakhs for the years 1975-76 to 1978-79 was raised (between February and May 1979) against a dealer of Rohtak. Due to non-payment of amount, recovery proceedings were started in March 1979, but recovery certificates were not issued to the Collector upto June 1979. The dealer made a request to the Court in April 1979 for insolvency, on which decision is awaited (December 1986). The sureties, furnished by the dealer at the time of registration, applied for cancellation of the sureties in September 1974 and December 1976. The department had not taken any action to obtain fresh sureties in their place from the dealer. Failure of the department to issue recovery certificate and to obtain fresh sureties resulted in non-recovery of tax of Rs. 4.66 lakhs.

The foregoing facts were reported to the department and Government between May and August 1986; their replies are awaited (December 1986).

2.14. Non-production of assessment files

At the time of local audits, conducted during the year 1985-86, 998 assessment files pertaining to the year 1984-85 and involving tax effect of Rs. 19.70 crores, were not produced to Audit for scrutiny. No reasons were also assigned for non-production of these records. Production of these cases to Audit at a late stage would render audit scrutiny ineffective, as recovery of under-assessments, if any, might become time-barred by the time these files are produced to Audit.

The matter was reported to the Department between June 1985 and April 1986 and to Government in August 1986; their replies are awaited (December 1986).

CHAPTER 3

STATE EXCISE

3.1. Results of Audit

Test check of records in state excise offices, conducted in audit during the year 1985-86, revealed short recovery and non-recovery of excise duty and other irregularities in 337 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery of licence fee on re-auction of vends	40	23.53
2. Loss of excise duty due to allowance of excess wastage	9	7.56
3. Non/short recovery of penalty and interest	268	4.61
4. Other irregularities	20	0.34
Total	<hr/> 337 <hr/>	<hr/> 36.04 <hr/>

Out of the 337 cases noticed in audit, the department had since taken rectificatory action in 2 cases involving Rs. 18,495 and recovered Rs. 2,273 in 7 cases. In the remaining 328 cases, replies are awaited from the department (December 1986).

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

3.2. Irregular allowance of wastages

The Punjab Brewery Rules, 1956 and the Punjab Excise Fiscal Orders, 1932, as applicable to Haryana, provide for making an allowance of ten per cent towards wastage of beer after it is brewed. The allowance for wastage is calculated on the quantity of beer on which excise duty is leviable. However, in terms of provision of para 5 of Punjab Excise Fiscal Orders, 1932, 10 per cent wastage allowance shall not be calculated on the quantity of beer issued in bond.

A brewery at Murthal, cleared 18.77 lakh bulk litres (28,87,200 bottles) of beer under bond without payment of excise duty during the year 1984-85 and claimed 10 per cent wastage on this clearance. The department allowed the wastage which was not admissible. This resulted in short realisation of duty amounting to Rs. 4.33 lakhs.

On the irregularity being pointed out in audit in September 1985, the department stated (January 1986) that the case was under examination of the Excise and Taxation Commissioner. Further progress is awaited (December 1986).

The case was reported to Government in October 1985; their reply is awaited (December 1986).

Similar cases of irregular grant of allowance for wastage were also reported in Paras 4.1(c), 4.2, 4.4(b), 3.3, 3.3(ii), 3.3(i) and 3.3 of the Audit Reports on Revenue Receipts for the years 1977-78 to 1979-80 and 1981-82 to 1984-85 respectively.

3.3. Non-levy or short levy of duty on excess wastage

(i) The Punjab Distillery Rules, 1932, as applicable to Haryana, do not provide for exemption from levy of excise duty on spirit lost in the process of redistillation or conversion of rectified spirit into plain spirit.

In a distillery at Panipat, in respect of 10,756.4 proof litres of spirit reported to have been lost in the process of redistillation during the year 1984-85, excise duty was not realised. Excise duty recoverable amounted to Rs. 75,295 at the rate of Rs. 7 per proof litre.

On the omission being pointed out in audit (September 1985), the department stated (January 1986) that action to effect recovery had since been initiated. Report on recovery is awaited (December 1986).

(ii) Under the Punjab Liquor Permit and Pass Rules, 1932, on rectified spirit imported or transported in bond from the licensed distilleries to the licensed premises of approved manufacturers wastage is allowed at the rate of 0.5 per cent if spirit is conveyed in metallic vessels and the period of journey involved is not more than two days. In case the wastage is in excess of the prescribed scale, duty at the rates fixed under Punjab Excise Act, 1914 shall be recovered for the excess spirit lost in transit.

On 6,74,290 proof litres of rectified spirit transported in bond, in metallic vessels, by distilleries at Panipat and Yamunanagar to another distillery at Hissar between July 1984 and March 1985, wastage was allowed for 6,014 proof litres as against the permissible limit of 3,371 proof litres. Allowance of excess wastage resulted in short recovery of duty amounting to Rs. 18,498.

On the mistake being pointed out in audit (June and September 1985), the department issued (October 1985) notice for recovery of Rs. 15,424 in one case and stated that action to recover duty in the other case was being initiated. Further progress is awaited (December 1986).

(iii) The Punjab Chemical Works Rules, 1933, as applicable to Haryana, provide for an allowance of 20 per cent towards wastage of rectified spirit issued for manufacture of tinctures and other medicines made direct from crude drugs for the purpose of levy of excise duty.

A pharmaceutical unit in Jind was given an allowance towards wastage of rectified spirit, issued for manufacture of medicinal preparations, in excess of the prescribed limit. The mistake resulted in short levy of duty amounting to Rs. 15,107.

On the mistake being pointed out in audit (February 1986), the department initiated (June 1986) action to

recover the amount. Report on recovery is awaited (December 1986).

The above cases were reported to Government between October 1985 and March 1986; their reply is awaited (December 1986).

3.4. Interest not charged

The Haryana Liquor Licence Rules, 1970 provide for payment of monthly instalment of licence fee by the 20th of each month by a licensee holding licence for vending country liquor or Indian made foreign liquor. Failure to do so render him liable to pay interest at the rate of fifteen per cent per annum from the first day of the relevant month upto the date of payment.

(i) In Karnal, in 22 cases, the licensees paid monthly instalments of licence fee after the prescribed dates during 1985-86. On the belated payments, interest was either not recovered or was recovered short. Interest not recovered or short recovered amounted to Rs. 45,804.

On the irregularity being pointed out in audit (May 1986), the department issued (May 1986) notices for recovery of Rs. 33,484 in two cases. Report on recovery of the amount and action taken in the remaining cases is awaited (December 1986).

(ii) In Kurukshetra district, licence fee payable during the years 1983-84 and 1984-85 was paid by the licence holders after the due dates in 42 cases. On the belated payments, interest was either not recovered or was recovered short. Interest recoverable amounted to Rs. 13,457.

On the mistakes being pointed out in audit (August 1984 and December 1985), the department recovered the amount between August 1984 and March 1986.

The above cases were reported to Government in June and August 1986; their reply is awaited (December 1986).

CHAPTER 4

TAXES ON MOTOR VEHICLES

4.1. Results of Audit

Test check of records in the departmental offices, conducted in audit during the year 1985-86, revealed under-assessment of tax to the extent of Rs. 20.38 lakhs in 3,433 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy of token tax	362	12.69
2. Short levy of token tax	191	3.89
3. Non-renewal of registration of non-transport vehicles	1,860	1.69
4. Irregular exemptions	15	0.38
5. Other cases	1,005	1.73
Total	<u>3,433</u>	<u>20.38</u>

Out of 3,433 cases of under-assessment pointed out in audit, the department had since taken rectificatory action in 491 cases and recovered Rs. 36,442. In the remaining 2,942 cases, final replies are awaited (December 1986).

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

4.2. Inter-State vehicular traffic schemes

4.2.1. Retention of revenue out of Government Account

Under the national and zonal/free zone permit schemes regulating inter-State vehicular traffic, vehicles registered in one State are allowed to ply in other States on payment of prescribed composite permit fee (goods tax in the case of free zone permit scheme) which is initially recovered from the vehicle owners by the home States by means of crossed demand drafts and, thereafter, transmitted to the transport authorities of the States, in which the vehicles are permitted to ply. The Excise and Taxation Commissioner Haryana issued (April 1984) instructions to all district offices to maintain "Draft Collection Register" to keep a record of receipt and disposal of bank drafts and to watch early credit of money to Government Account. According to Financial Rules of Government also, all revenue collections are required to be accounted for in Government Account and remitted into the Government Treasury without undue delay. However, numerous instances indicated below came to notice of Audit where these provisions/instructions were not being observed strictly by the departmental authorities, resulting in huge amounts remaining out of Government Account for considerably long periods. There were other omissions/deficiencies in the bank drafts received from other States which also led to delay in crediting the amounts to Government Account.

(i) 1,001 demand drafts for Rs. 5,97,470 received from other States between October 1985 and March 1986 had not been entered in the Draft Collection Register. There was also nothing on record to show whether these drafts had been sent to the bank for encashment or had been returned to the respective State Transport Authorities for revalidation, attestation or for furnishing any further details.

(ii) 111 demand drafts for Rs. 59,700 received between January 1983 and March 1986, from other States had become stale as these were not sent to the bank in time for encashment. These drafts were returned to the concerned authorities for revalidation between

January 1984 and May 1986 but the bank drafts, duly revalidated, had not been received back (June 1986).

(iii) 111 demand drafts for Rs. 56,825 received (between July 1980 to March 1986) from other States were drawn by the vehicle owners in favour of authorities other than the designated authority viz. the Deputy Excise and Taxation Commissioner, Ambala. Out of these, 107 drafts for Rs. 53,825 were forwarded (between August 1980 and April 1986) to the authorities in whose favour the drafts were drawn for endorsement/encashment and the remaining 4 drafts for Rs. 3,000 were returned (between February and August 1985) to the concerned States for correction in the designation of the authority in whose favour these were to be drawn. There was nothing on record to indicate whether the 4 drafts had been received back and whether all the 111 drafts had been accounted for in Government accounts (December 1986).

(iv) 103 demand drafts for Rs. 61,000 received (between May 1981 and May 1986) from other States, alongwith the schedules of drafts, did not relate to Haryana State. These were either returned to the State Transport Authority from whom these were received or were forwarded to the transport authorities of the concerned State in whose favour these had been drawn. But the correct demand drafts pertaining to the vehicles authorised to ply (between April 1981 and March 1986) in Haryana State, as detailed in the aforementioned schedules of bank drafts, were not called for from the home States concerned. As a result, revenue amounting to Rs. 61,000 due to the Haryana State remained unrealised (December 1986).

(v) Full particulars of vehicles were not indicated by the home States in the statements forwarding 61 demand drafts for Rs. 45,450 to Haryana State during April 1982 to February 1984. Instead of calling for the particulars of vehicles the demand drafts were returned (between April 1982 and February 1984) to the home States concerned. The demand drafts had not been received back alongwith the particulars of vehicles (December 1986).

(vi) 31 demand drafts for Rs. 20,080 received (bet-

ween February 1983 and March 1986) from other States were incomplete. These were returned (between March 1983 and May 1986) for getting the omissions rectified by the banks concerned but these were not received back. The department also did not pursue the matter.

4.2.2. Delay in encashment of bank drafts

Local bank drafts remitted into a bank are normally cleared within 2/3 days. However, in case of 3,128 bank drafts for Rs. 58 lakhs, deposited in the bank between December 1982 and June 1986, encashment was delayed by the bank by 20 days to 210 days. The department, however, did not bring these delays to the notice of the bank authorities (June 1986) for remedial action.

4.2.3. Non-encashment of bank drafts

On 8th June 1984, 394 demand drafts for Rs. 1,47,687 were sent to the bank for encashment but these were not encashed and accounted for in Government accounts. On the omission being pointed out in audit (March 1986), the department got the amount credited to Government account in September 1986.

4.2.4. Delay in transmission of bank drafts to other States

Bank drafts collected from owners of vehicles, who opt to ply their vehicles in other States, are required to be sent to the concerned States within 15 days from the date of receipt of drafts. However, 3,574 drafts for Rs.16.70 lakhs collected by Regional Transport Authorities at Hissar, Ambala and Faridabad were sent to other States concerned 4 to 5 months after the dates of receipt of the drafts.

The foregoing points were reported to Government in August 1986; their reply is awaited (December 1986).

4 3. Irregular grant of exemption

Under the Punjab Motor Vehicles Taxation Act, 1924 and the rules framed thereunder, as applicable to Haryana, the vehicles owned and kept for use by departments of Central or State Government are exempt

from payment of tax. This exemption is, however, not admissible in respect of vehicles owned by Government undertakings or autonomous bodies.

(i) In Kurukshetra, tax amounting to Rs. 21,755 was not realised in respect of 33 vehicles belonging to the Haryana Forest Development Board (an autonomous body) for various periods between October 1982 and March 1985.

On the omission being pointed out in audit (June 1985), the Registering Authority stated (February 1986) that action to recover tax was being taken. Report on recovery is awaited (December 1986).

(ii) In Jagadhri, tax on a bus owned by the Haryana State Electricity Board and used for carriage of school going wards of its employees, was not charged under the mistaken impression that such vehicles were exempt from tax. The irregular grant of exemption resulted in tax amounting to Rs. 10,400 for the period October 1984 to September 1985 not being realised.

On the omission being pointed out in audit (November 1985), the department issued (March 1986) notice for recovery. Report on recovery is awaited (December 1986).

The above cases were reported to Government in July and December 1985; their reply is awaited (December 1986).

4.4. Short recovery of token tax

Under the Punjab Motor Vehicles Taxation Rules, 1925, as applicable to Haryana, token tax on contract carriages owned by a factory or religious institution and used exclusively for the carriage of its personnel or devotees is chargeable at the rate of Rs. 200 per seat per annum.

In Bahadurgarh and Panipat, tax in respect of 8 vehicles owned by private parties and used exclusively for the carriage of their personnel was realised at rates lower than the prescribed rates during various periods between January 1979 and March 1986. The mistakes resulted in tax being levied short by Rs. 30,060.

On the mistakes being pointed out in audit (September and October 1985), the department recovered (October

1985) Rs. 1,920 and issued (April 1986) notices for recovery of the balance amount. Report on recovery is awaited (December 1986).

The above case was reported to Government in January 1986; their reply is awaited (December 1986).

4.5. Non-levy of token tax

Under the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, no vehicle unless exempted by a specific order, can be put on road without payment of token tax at the prescribed rate. In respect of combine harvesters used for hire and reward tax is leviable based on the unladen weight of the machine.

In respect of ten combine harvesters owned by private parties and used for hire and reward in Hissar, Sirsa and Kurukshetra, tax amounting to Rs. 21,000 for different periods between July 1983 and March 1986 was leviable but was not levied.

On the omission being pointed out in audit (between August 1984 and March 1986), the department recovered (October 1985) Rs. 1,125 in one case and issued (June 1986) notices in other cases for recovery of the balance amount of Rs.19,875. Report on recovery is awaited (December 1986).

The cases were reported to Government between August 1984 and May 1986; their reply is awaited (December 1986).

4.6. Short realisation of driving licence fee

Under the Motor Vehicles Act, 1939 and the Punjab Motor Vehicles Rules, 1940, no person can drive a motor vehicle without obtaining a valid licence from the competent authority on payment of the prescribed fee and after passing the test of competence to drive.

In Hissar, Sirsa, Sonapat and Jind districts, in 655 cases where driving licences were issued during 1983-84 and 1984-85, licence fee was either not charged or was charged short. Fee not realised amounted to Rs. 15,358.

On this being pointed out in audit (between July

1985 and May 1986), the department recovered Rs. 12,558 and stated that vigorous efforts were being made to recover the balance amount. Report on recovery of the balance amount is awaited (December 1986).

The matter was reported to Government in May 1986; their reply is awaited (December 1986).

4.7. Short recovery of composite fee

As per schemes of national permits and zonal permits for road transport, a composite fee of Rs. 1,000 per annum is payable in advance to each State (except in the case of Delhi and other Union Territories where the fee payable is Rs. 500 and Rs. 250 per annum respectively) by the holders of a national or zonal composite permit who opts to operate his vehicle in other States. The fee can, however, be paid in two equal half yearly instalments by 15th March and 15th September. An option once exercised by a composite permit holder cannot be changed before the expiry of a period of one year. The fee is initially collected by the home State in the form of demand drafts and then remitted to the States in which the permit holders are permitted to ply their vehicles.

(i) In respect of 148 national permits issued during the years 1984-85 and 1985-86 by other States, composite fee from operators authorised to ply their vehicles in Haryana State, was realised for first six months only. The fee for the second half year was neither remitted by those States nor was it demanded by the Haryana transport authorities. The failure resulted in fee amounting to Rs. 74,000 not being realised.

On the omission being pointed out in audit (June 1986), the department issued (June 1986) notices for recovery to the transport authorities of the concerned States. Further developments are awaited (December 1986).

(ii) In respect of 94 zonal permits issued by other States, the vehicle operators changed their option to ply their vehicles in Haryana during second half (October-March) of 1984-85 and 1985-86. The composite fee was recoverable for full year in all such cases, but fee was realised for six months only. The balance amount was

not demanded by the department from the States concerned. This resulted in short realisation of composite permit fee amounting to Rs. 47,000.

On the mistake being pointed out in audit (June 1986), the department issued (June 1986) notices to the concerned State transport authorities for recovery. Further developments are awaited (December 1986).

The above cases were reported to Government in August 1986; their reply is awaited (December 1986).

4.8. Short levy of passengers tax

By a Government notification issued in October 1982 under the Motor Vehicles Act, 1939, maximum fare for stage carriages, plying on metalled roads in plains, was revised from 5.50 paise to 6.25 paise per passenger per kilometre with effect from 15th October 1982. The passengers tax is leviable at the rate of 60 per cent of the fare charged.

In Ambala, 12 transport companies were assessed to passengers tax at old rates for whole of the year 1982-83. The failure of the assessing authorities to assess the cases at the revised rates for the period from 15th October 1982 to 31st March 1983 resulted in tax amounting to Rs. 13,240 being realised short.

On this being pointed out in audit (July 1984), the department recovered the amount in December 1985 and January 1986.

The case was reported to Government in October 1984; their reply is awaited (December 1986).

CHAPTER 5

OTHER TAX RECEIPTS

A—STAMP DUTY AND REGISTRATION FEE

5.1. Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1985-86, revealed short levy and non-levy of stamp duty and registration fee as also other irregularities in 1,845 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Loss of stamp duty and registration fee due to under-valuation	503	17.02
2. Evasion of stamp duty and registration fee	113	7.80
3. Irregular exemption of stamp duty and registration fee	96	4.95
4. Short levy/non-levy of stamp duty and registration fee	398	3.41
5. Other irregularities	735	4.79
Total	<u>1,845</u>	<u>37.97</u>

Out of 1,845 cases of under-assessment pointed out in audit, the department had since taken rectificatory action in 41 cases and recovered Rs. 1.83 lakhs. In the remaining 1,804 cases, replies are awaited from the department (December 1986).

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

5.2. Short recovery of stamp duty

(i) The Indian Stamp Act, 1899, as applicable to Haryana, provides that stamp duty in respect of any instrument executed out of Haryana and relating to any property situated or any matter or thing done or to be done in Haryana shall be chargeable at the rates applicable to the instruments registered in Haryana, when it is received in the State. In doing so, the amount of duty already paid outside the State will be allowed as set-off.

In the office of the Sub-Registrar Faridabad, the differential stamp duty amounting to Rs. 51,650 in respect of an instrument initially registered in the year 1984-85 in the Central Registry Office, Delhi and subsequently received in Haryana, was not realised.

On the omission being pointed out in audit (January 1986), the department recovered the amount of Rs. 51,650 in April 1986.

(ii) As per notification issued in July 1948, under the Indian Stamp Act, 1899, stamp duty leviable on instruments executed by any officer or member of a co-operative society was exempted, provided the transactions evidenced by the instrument related to the business of the society registered under the Co-operative Societies Act. This exemption was withdrawn by Government, by issue of a notification in February 1962, in respect of instruments executed by any officer or member of a House Building Co-operative Society in Urban Areas except where all the members of such a society belonged to scheduled castes. The State Government further clarified in March 1984 that the exemption from stamp duty would not be admissible to those House Building Co-operative Societies whose headquarters were located in urban areas, even if they had purchased land beyond the municipal limits of the urban areas.

A House Building Co-operative Society having its headquarters at Shahabad (urban area) executed an instrument of conveyance of land (lying outside municipal

limits) valuing Rs. 1,47,500 in December 1984. On this instrument, stamp duty amounting to Rs. 18,438 was chargeable, but duty amounting to Rs. 75 only was charged by the Sub-Registrar, resulting in realisation of stamp duty short by Rs. 18,363.

On the mistake being pointed out in audit (May 1985), the department recovered Rs. 21,315 in July and August 1985.

(iii) Under the Indian Stamp Act, 1899, as applicable to Haryana, on instruments of lease, stamp duty is chargeable based on the periods of lease and amounts of the average annual rents reserved. In addition, registration fee is chargeable under the Indian Registration Act, 1908.

In four registering offices in Ambala, the periods of lease and amounts of the average annual rents reserved in respect of 14 instruments registered during the year 1984-85 were found to have not been calculated correctly. This had resulted in short recovery of stamp duty and registration fee amounting to Rs. 12,058 (stamp duty : Rs. 11,092; registration fee : Rs. 966).

On the mistakes being pointed out in audit (September 1985), the department recovered Rs. 3,798 between November 1985 and July 1986. Report on recovery of the balance amount is awaited (December 1986).

The above cases were reported to Government between November 1985 and March 1986; their reply is awaited (December 1986).

5.3. Incorrect application of rates

(i) As per Article 31 of Schedule 1-A to the Indian Stamp Act, 1899, as applicable to Haryana, an instrument of exchange of immovable property is chargeable with duty as a conveyance under Article 23(a) of Schedule 1-A of the Act for a consideration equal to the value of the property of the greatest value as set forth in such instrument.

(a) On 101 instruments of exchange of immovable properties registered (between May 1982 and January

1985) in 10 registry offices in Rohtak, Narnaul and Faridabad districts, stamp duty was charged at lower rates applicable to "other conveyances" under Article 23(b) of Schedule 1-A instead of at the appropriate rates applicable to conveyance by sale of immovable properties under Article 23(a) of the Schedule. The mistake resulted in short realisation of stamp duty by Rs. 32,751.

On the mistakes being pointed out in audit (between February 1984 and March 1986), the department recovered (between December 1985 and July 1986) Rs. 14,449 and issued (between November 1984 and April 1986) notices for recovery of the balance amount of Rs. 18,302. Report on recovery is awaited (December 1986).

(b) In Karnal, on 20 instruments of exchange of property, registered during the year 1983-84, stamp duty was charged at incorrect rates prescribed in Article 23(b) instead of those prescribed in Article 23(a) of Schedule 1-A to the Act. The mistake resulted in stamp duty being levied short by Rs. 23,317.

On the mistake being pointed out in audit (January 1985), the department recovered Rs. 812 (between February and August 1985) and issued notices for recovery of another amount of Rs. 16,135 (in April and October 1985). Further progress is awaited (December 1986).

(ii) Under the Indian Stamp Act, 1899 and the rules made thereunder, as applicable to Haryana, stamp duty in respect of an instrument of mortgage (where possession of property is not given) is chargeable at one and a half per cent of the amount of loan secured by such instrument.

On 22 such instruments of mortgage registered (between June and September 1984) in the office of the Sub-Registrar, Kurukshetra, stamp duty was charged at the flat rate of Rs. 75 each, instead of at one and a half per cent of the amounts of loans secured (Rs. 10.32 lakhs). The mistake resulted in short realisation of stamp duty by Rs. 13,830.

On the mistake being pointed out in audit (September 1985), the department recovered Rs. 5,400 in 11 cases.

Report on recovery of the balance amount is awaited (December 1986).

The above cases were reported to Government between February 1985 and June 1986; their reply is awaited (December 1986).

5.4. Embezzlement of registration fee collections

The Indian Registration Act, 1908, requires that all fees collected by a Registering Officer in connection with registration of various instruments under the Act should be deposited into the treasury either on the same day or on the morning of the next day. Further, the Punjab Financial Rules, as applicable to Haryana, provide that in order to ensure proper classification of the sums paid into the treasury, a consolidated receipt for remittances made during the month should be obtained from the treasury officer and the amounts entered in the fee book should be reconciled with those in the treasury records.

In the office of the Joint Sub-Registrar, Bilaspur (Ambala), registration fee collections amounting to Rs. 49,399 were embezzled by an official during July 1985 to May 1986. Although the collections were correctly noted in the fee book, these were deposited short into the treasury. After making the deposits, the amounts in 52 treasury challans were tampered with and inflated to agree with the amounts accounted for in the fee book. The embezzlement was facilitated due to

- (i) non-observance of the prescribed procedure of obtaining, from the treasury, a consolidated receipt for the amounts deposited each month;
- (ii) non-reconciliation of the deposits as per fee book with those appearing in treasury records; and
- (iii) non-comparison of the entries in the fee book with the deposits as per treasury challans by the Registering Officer.

On the irregularity being pointed out in audit (June 1986), the department recovered (July 1986) Rs. 49,200 and stated that disciplinary action was being

taken against the defaulting official. Report on recovery of the balance amount as also action taken against the official at fault, is awaited (December 1986).

The case was reported to Government in June 1986; their reply is awaited (December 1986).

B-LAND HOLDINGS TAX

5.5. Results of Audit

Test check of records in the departmental offices, conducted in audit during the year 1985-86, revealed under-assessment of land holdings tax, to the extent of Rs. 5.88 lakhs in 2,040 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Non-leasing out of <i>Nazool</i> land	12	2.87
2. Short assessment/non- assessment of land holdings tax	1,673	1.37
3. Over-payment of cess on land holdings tax	21	0.76
4. Short levy of tax on <i>Shamlat</i> and <i>Panchayat</i> lands	35	0.46
5. Other cases	299	0.42
Total	2,040	5.88

Out of 2,040 cases of irregularities pointed out in audit, the department has since taken rectificatory action in 1,076 cases and created demands for Rs. 1.29 lakhs and recovered Rs. 0.52 lakh. In the remaining 964 cases, replies are awaited (December 1986).

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

5.6. Land Holdings Tax

5.6.1. Introductory

Levy and collection of tax on various classes of land is governed by the provisions of the Haryana Land Holdings Tax Act, 1973 and the rules framed thereunder, read with provisions of the Punjab Land Revenue Act of 1887 as adopted by Haryana and the rules made thereunder. The tax is payable in half yearly instalments due on 15th May and 15th November each year. Tax is collected and deposited by headman (*Lambardar*) of the village. Land holdings upto 6.25 acres are exempt from tax.

5.6.2. Organisation

For the purpose of revenue administration, the State is divided in two divisions and twelve districts, each under the charge of a Commissioner and a Deputy Commissioner (Collector) respectively. The Deputy Commissioner exercises control over Tehsildars and Naib Tehsildars in his district.

The primary unit of land administration is a village to which a *patwari* is appointed, who maintains revenue records, undertakes survey and assesses demands of tax.

5.6.3. Trend of Revenue

The budget estimates and revenue realised during the year 1985-86 and the two preceding years are given below:—

Year	Budget estimates	Actual receipts	Percentage excess (+) shortfall (—)
(In crores of rupees)			
1983-84	4.17	3.76	(—) 10
1984-85	4.17	3.95	(—) 5
1985-86	3.61	3.80	(+) 5

The decrease in revenue during the year 1985-86,

as compared to that in 1984-85, was attributed to land holdings on inheritance by legal heirs getting fragmented and thereby becoming eligible for exemption from tax and general remission due to natural calamities.

5.6.4. Short assessment of land holdings tax

(i) Under the Haryana Land Holdings Tax Act, 1973 and the rules framed thereunder, whenever classification of land is changed, assessment of tax is required to be revised from the first day of May of the following year.

In tehsil offices of Karnal, Faridabad, Hissar, Bhiwani and Kurukshetra districts, in 1,854 cases classification of land was changed during the years 1973-74 to 1984-85 but assessment of land holdings tax was not revised by the department. The omission resulted in short realisation of tax by Rs. 1,19,194.

On the omission being pointed out in audit (between December 1983 and December 1985), the department raised (between October 1985 and February 1986) demands for Rs. 1,07,562 in *Khatauni Mal** and issued (December 1985) notices for payment of tax amounting to Rs. 11,632 to the owners concerned. Out of Rs. 1,07,562, an amount of Rs. 31,969 was recovered during 1985-86. Report on recovery of the balance amount is awaited (December 1986).

(ii) Under the Haryana Land Holdings Tax Act, 1973 and the rules framed thereunder, tax is leviable on each land holding. In January 1974, Government clarified that land owned by Gram Panchayats constituted one holding and was subject to tax.

In tehsil offices of Karnal, Faridabad, Ambala, Hissar, Bhiwani and Kurukshetra districts, *Shamlat*** lands owned by Gram Panchayats were not assessed to tax as one holding but were assessed to tax separately in the names of different cultivators to whom the lands were given on lease by the Gram Panchayats. This

*Khatauni Mal means demand and collection statement.

* Shamlat Lands means lands owned by Gram Panchayats.

resulted in short realisation of land holdings tax amounting to Rs. 61,966 during various periods between October 1974 and September 1985.

On the mistake being pointed out in audit (between June 1984 and October 1985), the department raised (between October 1985 and March 1986) demands for Rs. 59,178 and recovered Rs. 17,154. Notices for payment of tax amounting to Rs. 2,788 were also issued in January 1986 to 4 Gram Panchayats. Report on recovery of the balance amount is awaited (December 1986).

(iii) Under Section 5-A of the Haryana Land Holdings Tax Act, 1973, the land owners of land holdings measuring upto 2.5 hectares (6.25 acres) are exempt from payment of tax. Thus land tax is leviable on the land holdings above 6.25 acres. As clarified by the Financial Commissioner (Revenue) in April 1974, lands owned by departments of Government are also subject to land tax.

On 1,323 acres of land owned by various departments of Government in Ambala, Hissar, Kurukshetra and Bhiwani districts, land holdings tax amounting to Rs. 24,270 for various periods between October 1973 and September 1985 was leviable, but was not levied.

On the omission being pointed out in audit (between December 1983 and December 1985), the department raised (between October 1985 and February 1986) demand for Rs. 24,270 and recovered Rs. 6,999. Report on recovery of the balance amount of Rs. 17,271 is awaited (December 1986).

5.6.5. Short raising of demand

A test check of land records in Loharu tehsil of Bhiwani district revealed that against the tax demand for Rs. 16,970 for the years 1983-84 and 1984-85, demand for Rs. 6,623 only had been raised due to mistake in totals of *Goshwara* (Abstract). This resulted in

short realisation of land holdings tax amounting to Rs. 10,347.

On the mistake being pointed out in audit (July 1985), the department raised (December 1985) further demand for Rs. 10,347. Report on recovery is awaited (December 1986).

5.6.6. Late deposit of fee

As per instructions of the Financial Commissioner and Secretary to the Government of Haryana, Revenue Department, issued on 26th November 1979, copying and inspection fees collected by the village *patwaris* are required to be deposited into Government treasury within one month from the date of collection.

In tehsil offices of Faridabad, Karnal, Ambala, Hissar and Kurukshetra districts, fees amounting to Rs. 78,209 collected during the years 1982-83 and 1983-84 were deposited late by three to twelve months.

On the omission being pointed out in audit (between January and December 1985), the department issued (between December 1985 and February 1986) instructions to the field staff to deposit the amounts in time in future.

5.6.7. Arrears

As on 31st March 1986, arrears of land holdings tax due upto 30th September 1985, as reported by the department, were as under :—

	Amount (In lakhs of rupees)
1. Arrears outstanding for more than 10 years	0.61
2. Arrears outstanding for less than 10 years but more than 5 years	1.71

3. Arrears outstanding for less than 5 years but more than 3 years	3.79
4. Arrears outstanding for less than 3 years	15.32
Total	21.43

Accumulation of arrears were attributed to suspension of recoveries due to natural calamities like heavy rains, hail-storms etc.

The above points were reported to Government in August 1986; their reply is awaited (December 1986).

5.7. Non-recovery of rent of *Nazool* land

Under the Punjab Tenancy Act, 1887, as applicable to Haryana, any person in unauthorised possession of land shall be liable to pay rent for the use or occupation of that land at the rate of rent payable in the preceding agricultural year, or if rent was not payable in that year, at such rate as the Court may determine to be fair and equitable.

In Faridabad, Ambala, Bhiwani, Hissar, Kurukshetra and Karnal districts, *Nazool* land admeasuring 250 acres remained under unauthorised occupation of individual cultivators for various periods during the years 1979-80 to 1983-84, but rent for unauthorised occupation was not charged. This resulted in revenue amounting to Rs. 73,480 (calculated on the basis of previous years' rent) not being realised.

On the omission being pointed out in audit (between April 1984 and September 1985), the department recovered Rs. 10,185 upto March 1986. Report on recovery of the balance amount is awaited (December 1986).

C-ENTERTAINMENT DUTY AND SHOW TAX

5.8. Non-levy of entertainment duty

Under the Punjab Entertainment Duty Act, 1955 and the rules framed thereunder, as applicable to Haryana, the proprietor of a video set exhibiting video shows on payment, is required to submit an application to the concerned Entertainment Tax Officer for running video shows and deposit alongwith it security equal to 25 per cent of the entertainment duty payable per annum. The entertainment duty is payable quarterly in advance at such rates as the Government may prescribe. Failure to do so entails penalty not exceeding Rs. 2,000 in addition to the duty leviable under the Act.

(i) In Ambala district two proprietors of video sets exhibited video shows (without fulfilling the stipulated conditions), to which persons were admitted on payment. The department detected the unauthorised exhibition in July 1984 in one case and in January and March 1985 in the other, but did not initiate any action to recover duty which amounted to Rs. 20,000. Besides, penalty was also leviable.

On the omission being pointed out in audit (August 1985), the department raised (December 1985) demand for Rs. 10,350 in one case and recovered Rs. 3,350. Whereabouts of the second proprietor were stated to be not known. Report on recovery of the balance amount and action taken in the second case is awaited (December 1986).

(ii) In Naraingarh (Ambala), unauthorised exhibition of video show, to which persons were admitted on payment, was detected by the department in November 1984, but no action was initiated against the organisers of the show. Duty recoverable from the organisers amounted to Rs. 15,000 for the quarter ending December 1984 alone. Besides, the proprietor was liable to penal action.

On the omission being pointed out in audit (September 1985), the department issued (July 1986) notice to the proprietor. Further development is awaited (December 1986).

The above cases were reported to Government in October 1985; their reply is awaited (December 1986).

CHAPTER 6

NON-TAX RECEIPTS

A—INDUSTRIES

6.1. Results of Audit

Test check of records in District Industries Centres, conducted in audit during the year 1985-86, revealed short recovery/non-recovery of royalty and other irregularities in 949 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery of contract money	92	70.06
2. Short realisation/non-realisation of royalty	364	17.25
3. Illegal extraction of brick earth	303	10.60
4. Short levy/non-levy of interest	92	1.25
5. Other cases	98	19.83
Total	949	1,18.99

Out of 949 cases pointed out in audit, in 57 cases, the department recovered a sum of Rs. 2.19 lakhs. In the remaining 892 cases, replies are awaited from the department (December 1986).

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

6.2 Short recovery or non-recovery of royalty on bricks

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a brick-kiln owner is required to pay royalty at the rate of rupee one per tonne of brick earth extracted from the leased area or rupees three per thousand of *pucca* bricks sold by him. He is also required to submit to the department, quarterly returns showing quantities of minor minerals (brick earth) extracted by him from the leased area or number of bricks sold by him.

(i) In five District Industries Centres at Sirsa, Kurukshetra, Narnaul, Hissar and Jind, returns of brick earth extracted or bricks sold during the years 1980-81 to 1982-83 were not submitted by 398 brick-kiln owners to the department, nor were these returns called for by the department. The brick-kiln owners, however, paid royalty amounting to Rs. 5.11 lakhs, which was accepted by the department without verifying its correctness. A scrutiny in audit of the records in the concerned offices of the District Food and Supplies Controllers showed that during the aforementioned period 6,613.03 lakh bricks and 43.45 lakh brick-bats had been sold by the kiln owners, on which royalty amounting to Rs. 19.88 lakhs was recoverable. The brick-kiln owners had, therefore, paid royalty short by Rs. 14.77 lakhs.

On the short recovery being pointed out in audit (between June 1982 and October 1983), the department recovered (between July 1982 and January 1986) Rs. 6.47 lakhs. Report on recovery of the balance amount is awaited (December 1986).

The cases were reported to Government between September 1982 and November 1983; their reply is awaited (December 1986).

(ii) In District Industries Centres at Faridabad, Rohtak Gurgaon and Panipat, returns of brick earth extracted or bricks sold were not submitted by 201 brick-kiln owners to the department nor were these called for by the department. The department accepted the royalty paid by the kiln owners without verifying its correctness. A scrutiny in audit of records in the concerned offices of the District Food and Supplies Controllers showed that 2,608.14 lakh bricks and 47.42 lakh brick-bats were sold by the kiln

owners during the year 1982-83, on which royalty amounting to Rs. 7.86 lakhs was recoverable. As against this, royalty amounting to Rs. 2.27 lakhs only was paid by the kiln owners. Royalty realised short amounted to Rs. 5.59 lakhs.

On the mistake being pointed out in audit (between May and September 1983), the department recovered (between May 1983 and January 1986) Rs. 2.60 lakhs. Report on recovery of the balance amount is awaited (December 1986).

The cases were reported to Government between September 1982 and November 1983; their reply is awaited (December 1986).

6.3. Non-realisation of contract money

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a mining lease for quarrying is granted by auction or by inviting tenders. The lessee is required to deposit 25 per cent of the annual bid money as security and another 25 per cent as advance payment immediately on the allotment of the contract. The balance of the contract money is payable in advance in quarterly instalments. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract and forfeit the security and the instalment paid in advance, if any. Interest at the rate of twelve per cent per annum is also recoverable for the period of default in payment.

(i) Contracts for extraction of sand from eight quarries of Panipat were granted for the years 1979-80 and 1980-81. As the contractors failed to pay quarterly instalments, the department terminated their contracts between March and July 1980 and took over possession of the quarries in May 1980 (four quarries), October 1980 (three quarries) and November 1980 (one quarry). The amount of contract money recoverable worked out to Rs. 57,363, besides interest of Rs. 3,909 (upto September 1980). But the department did not initiate any action to realise the amount.

On the omission being pointed out in audit (October 1980), the department recovered (between April 1981

and February 1986) Rs. 77,338 (including interest). Recovery of Rs. 6,648 in one case is yet to be made (December 1986).

(ii) In Narnaul, quarterly instalments were not paid by a contractor of sand quarry during the years 1979-80 and 1980-81. Although his contract was terminated by the department in March 1981, no action was taken by it either to recover the contract money of Rs. 23,304 and interest of Rs. 1,422 due thereon from the contractor or to forfeit his security deposit of Rs. 7,525.

On the omission being pointed out in audit (December 1981), the department forfeited the security deposit of Rs. 7,525 and recovered contract money amounting to Rs. 24,726 (including interest) between July 1982 and June 1986.

The above cases were reported to Government in December 1981; their final reply is awaited (December 1986).

6.4. Non-recovery of dead rent

Under the Mines and Minerals (Regulation and Development) Act, 1957 and the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a lessee is required to pay royalty, at prescribed rates, on minerals despatched from the area, or "dead rent" whichever is higher.

In respect of five leases granted in Narnaul district, dead rent amounting to Rs. 14,390 recoverable for different periods between July 1981 and June 1983 was neither paid by the lessees nor was demanded by the department.

On the omission being pointed out in audit (August 1983), the department recovered Rs. 8,117 (between September 1983 and July 1984). Report on recovery of the balance amount is awaited (December 1986).

The case was reported to Government in October 1983; their reply is awaited (December 1986).

6.5. Interest not charged on delayed payments

The Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, require a lessee to pay quarterly

instalments of contract money, in advance, by the stipulated dates. In the event of default, he shall be liable to pay interest at the rate of twelve per cent per annum so long as the default continues.

In Ambala, 36 licensees paid contract money amounting to Rs. 8.57 lakhs after the stipulated dates during 1984-85. On the belated payments, interest amounting to Rs. 17,630 was recoverable but was not demanded.

On the omission being pointed out in audit (April 1986), the department recovered (between April and June 1986) Rs. 6,323. Report on recovery of the balance amount is awaited (December 1986).

The case was reported to Government in May 1986; their reply is awaited (December 1986).

B—IRRIGATION

6.6. Non-realisation of water-rate charges

Under the Haryana Canal Drainage Act, 1974 and the rules made thereunder, the Divisional Canal Officer shall determine charges for canal water supplied to cultivators for the purpose of irrigation and raise demands, which shall be realised by the Collector.

In Hissar district, charges recoverable for canal water supplied for irrigation during *Rabi* 1981-82 to *Kharif* 1983 were assessed at Rs. 121.91 lakhs and demand statements (*Khataunies*) were sent (between May 1982 and December 1983) to the Collector for recovery. However, demand statements for Rs. 69.51 lakhs were returned by the Collector (between May 1982 and December 1983) for rectification after allowing special remission granted by Government from time to time. No action was taken to rectify the demands and to send revised statements to the Collector for recovery.

On the omission being pointed out in audit (May 1985), the department stated (March 1986) that demand statements for Rs. 35.21 lakhs had since been revised and recovery statement for Rs. 13.18 lakhs sent to the Collector after allowing special remission of Rs. 22.03 lakhs. Report on recovery of Rs. 13.18 lakhs as also

action taken to raise revised demand in respect of the balance amount of Rs. 34.30 lakhs is awaited (December 1986).

The case was reported to Government in February 1986; their reply is awaited (December 1986).

6.7. Non-recovery of lease money

Under the Departmental Financial Rules, (Financial Hand Book No. 3), when a public land or other property is let out to a person other than a Government servant, full amount of rent assessed is recoverable in advance.

In Rohtak, Government land admeasuring 212 acres was let out to private cultivators during the years 1980-81, 1982-83 and 1983-84 for Rs. 45,010. The allotment was made against the part payment of lease money of Rs. 11,277, instead of realising the full amount in advance. No action was taken thereafter also to recover the balance amount of Rs. 33,733.

On the omission being pointed out in audit (May 1985), the department stated (April 1986) that the amount was being recovered as arrears of land revenue. Report on recovery is awaited (December 1986).

The case was reported to Government in February 1986; their reply is awaited (December 1986).

6.8. Non-recovery of application fee

As per Government orders dated 11th July 1984, application fee of Rs. 200 is payable by an applicant alongwith his application for grant of a rice-shoot (temporary water connection for irrigation purposes).

In Kurukshetra, Bhiwani and Narwana, in 214 cases of grant of rice-shoots during 1984-85, application fee was neither paid by the farmers, nor was demanded by the department. This resulted in non-realisation of fee amounting to Rs. 42,800.

On this being pointed out in audit (between June and August 1985), the department recovered Rs. 32,200 between March and May 1986. Report on recovery of the balance amount is awaited (December 1986).

The cases were reported to Government in August 1985 and February 1986; their reply is awaited (December 1986).

6.9. Non-recovery or short recovery of water charges

Under the Haryana Canal and Drainage Rules, 1976, charges for canal water supplied to brick-kiln owners for the purpose of brick making are recoverable at the rate of rupee one per hundred cubic feet.

(i) In Sirsa, demands for water charges for canal water supplied to 6 brick-kiln owners, for various periods between April 1982 and June 1985, were not raised. This resulted in non-realisation of water charges amounting to Rs. 18,532.

On the omission being pointed out in audit (September 1985), the department recovered (September and November 1985) Rs. 12,830 and raised demand for the balance amount of Rs. 5,702. Report on recovery is awaited (December 1986).

(ii) In Sirsa, water charges for canal water supplied to six brick-kiln owners during August 1984 to September 1985 were recovered at a lower rate of Rs. 5 per 2,500 cubic feet instead of Re. 1 per hundred cubic feet of water. This resulted in short realisation of water charges amounting to Rs. 16,215.

On the mistake being pointed out in audit (September 1985), the department issued (June 1986) notices to the defaulters. Report on recovery is awaited (December 1986).

The above cases were reported to Government in November 1985; their reply is awaited (December 1986).

6.10. Unauthorised retention of *lambardari* fee

Under the Haryana Canal and Drainage Act, 1974 and the rules framed thereunder, remuneration called '*lambardari* fee' calculated at the rate of three per cent of the amount collected on account of water rate is payable to the *lambardar* (headman) provided full amount, due from the cultivators, is realised and paid into the treasury by the headman by the prescribed date.

In Rohtak, during the period from May 1978 to November 1982, the headmen retained Rs. 1.29 lakhs as remuneration for realising water rates even though full amounts on account of water rates due to Government had not been collected and paid by them into the treasury within the stipulated periods. The retention of the amount of Rs. 1.29 lakhs by the headmen was, therefore, irregular. No action had been taken by the department to recover the amount from the headmen.

On the omission being pointed out in audit (March 1984), the department admitted (January 1986) the irregularity and stated that the amount was being recovered from the headmen concerned. Report on recovery is awaited (December 1986).

The case was reported to Government in April 1984; their reply is awaited (December 1986).

C—CO-OPERATION

6.11. Short recovery of audit fee

Under the Punjab Co-operative Societies Rules, 1963, as applicable in Haryana, every co-operative society is liable to pay audit fee to Government for audit of its annual accounts by the auditors of the Co-operation Department. The fees prescribed by Government for audit of different types of Societies are certain percentages of the net profit of the societies subject to certain minimum and maximum limits. The rates of fee differ if audit is done concurrently, instead of annually.

(i) In Rewari, credit for interest recoverable on loans given to members by 32 societies during the year 1979-80 had not been taken into account in the profit and loss accounts of the societies. This resulted in reduction of the net profits on the basis of which audit fee is computed. As a result, audit fee was realised short by Rs. 1.04 lakhs.

On the omission being pointed out in audit (March 1982), the department recovered Rs. 1.04 lakhs from the societies between November 1983 and January 1985.

(ii) In the offices of Assistant Registrars of Co-operative Societies, Ferozepur Zhirka and Kaithal, audit fee from 16 societies was recovered on the basis of net profits reflected in the accounts for the years 1980-81 to 1983-84 before these accounts were audited by the department. Later, on completion of audit of accounts of the societies, additional fee amounting to Rs. 29,877 became recoverable on the basis of audited figures of profit, but was not recovered.

On the omission being pointed out in audit (October 1984 and June 1985), the department recovered Rs. 26,500 between November 1984 and November 1985. Report on recovery of the balance amount of Rs. 3,377 is awaited (December 1986).

(iii) In Hissar, fee for concurrent audit of a Central Co-operative Bank for the year 1978-79 was charged at the rate of Rs. 25,000 which was the rate prescribed for annual audit, instead of at the correct rate of Rs. 35,000 prescribed for concurrent audit. The mistake resulted in short realisation of fee by Rs. 10,000.

On the mistake being pointed out in audit (December 1982), the department recovered Rs. 10,000 from the Bank in October 1984.

(iv) In the office of the Assistant Registrar, Co-operative Societies, Hissar, audit fee from 56 societies was recovered on the basis of net profits reflected in the accounts for the years 1981-82 and 1982-83 before these were audited by the department. Later, on completion of audit of the accounts of these societies, additional fee amounting to Rs. 38,449 became recoverable from them on the basis of audited figures of profit, but was not recovered.

On the omission being pointed out in audit (November 1984), the department recovered Rs. 31,071 between January 1985 and June 1986. Report on recovery of the balance amount is awaited (December 1986).

The above cases were reported to Government between April 1982 and May 1986; their reply is awaited (December 1986).

D-AGRICULTURE

6.12. Embezzlement of licence fee money

Under the Haryana Khandsari Sugar Manufacturers Licencing Order, 1972, no manufacturer shall, except under a valid licence, obtainable on payment of a prescribed fee, carry on or undertake any process connected with manufacture of khandsari sugar by means of a power crusher. The fee is payable by the applicants through treasury challans. The Punjab Treasury Rules, Volume I, as applicable to Haryana, require that when any amount payable to Government is paid into treasury by a challan, the person making payment will prepare and submit challan giving full particulars of nature, amount and head of account etc., to the concerned official of the Department, who will, after examination, enter the challan in the appropriate register of challans issued (daily collection register) and put his dated signatures in token of authentication.

The Punjab Financial Rules, Volume-I, as applicable to Haryana, also require each administrative department to ensure that all Government dues are correctly assessed, collected and paid into treasury. In order to ensure proper classification of the sums paid into the treasury, the rules further require that a consolidated receipt for remittances made during the month should be obtained from the treasury officer and the amounts entered in daily collection register should be reconciled with those in the treasury record.

In the office of the Cane Commissioner, Chandigarh, fee for granting licences for manufacture of khandsari sugar was collected in cash from the applicants by the dealing official for deposit into bank through challans. The challans were, however, prepared by the official for amounts lesser than the prescribed fee collected in cash.

These challans were not entered in the prescribed daily collection register as no such register was being maintained by the department and the amounts mentioned in the challans were paid into Government Treasury. After remittances into treasury but before issue of the

requisite licences, the amounts of the receipted challans were tampered with and raised to agree with the amounts of prescribed fees collected from the applicants. By adopting this *modus operandi*, a sum of Rs. 1.60 lakhs was short deposited and embezzled by the official in 99 cases between September 1974 and May 1984.

The following lapses facilitated the embezzlement :—

1. The department did not maintain daily collection register and thus failed to record amounts of the challans authenticated for payment into treasury and to compare the amounts of the receipted challans with entries in the register.
2. The department did not obtain consolidated treasury receipts for the sums paid into the treasury.
3. The department did not reconcile the amounts paid into treasury as per entries in its record with those in the record of the treasury officer.
4. The licencing officer did not scrutinise the receipted challans to ensure correct payment of fees prescribed.

On the omission being pointed out in audit (March 1986), the department admitted the objection and stated (September 1986) that the dealing official had been suspended and First Information Report lodged against him on 5th August 1986. It was further stated that the matter was being pursued with the licensees, but the extent of their involvement in the matter would be known only after the completion of police investigation. Further progress is awaited (December 1986).

The case was reported to Government in April 1986; their reply is awaited (December 1986).

6.13. Interest not charged on belated payments

The Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 and the rules made thereunder, as applicable to Haryana, require the occupier or agent of

a factory to pay purchase tax on sugarcane purchased by him by the prescribed date. In the event of default interest at the rate of fifteen per cent per annum shall be chargeable for the period of default.

In Yamunanagar, during the crushing season 1984-85, purchase tax on sugarcane amounting to Rs. 131.20 lakhs was paid by a sugar mill after the due dates. On belated payments, interest amounting to Rs. 5.16 lakhs was chargeable but was not charged.

On the omission being pointed out in audit (January 1986), the department recovered the amount in May 1986.

The case was reported to Government in February 1986; their reply is awaited (December 1986).

E—MEDICAL

6.14. Embezzlement of fees and other dues

The Punjab Financial Rules, as applicable to Har- yana, provide that Government dues collected by an officer should be paid into the treasury either on the same day or on the morning of the next day. It further provides that while signing the cash book at the close of each day, the head of the office should ensure that all departmental receipts realised have been duly noted in the cash book and credited into treasury.

In civil hospitals in Ambala, Sirsa and Hissar districts, various types of fees and charges amounting to Rs. 14,516 received during the years 1982-83 and 1983-84 were neither entered in the cash book nor credited into the treasury. The embezzlement remained un-detected due to the failure of the drawing and dis- bursing officers to ensure, before signing the cash books, that all moneys received as per receipt books had been duly noted in the cash books and remitted into the trea- sury.

On the embezzlement being pointed out in audit (February and March 1985), the department recovered

Rs. 13,865 between February and August 1985. Report on recovery of the balance amount is awaited (December 1986).

The case was reported to Government in May 1986; their reply is awaited (December 1986).

F—BUILDINGS AND ROADS

6.15. Un-authorised retention of Government residences

Under the Punjab Civil Services Rules, as applicable to Haryana, an official occupying Government accommodation is required to vacate that accommodation within 21 days of his retirement or transfer to an out-station, failing which penal rent is recoverable from him at the following rates :—

- | | |
|--|--------------------|
| (a) Upto one month after the expiry of the period of 21 days | 20 per cent of pay |
| (b) For one month thereafter | 30 per cent of pay |
| (c) After that till the official vacates the accommodation | 40 per cent of pay |

Although three Government employees posted at Ambala did not vacate the Government accommodation allotted to them within the prescribed period of 21 days from the dates of their transfer to other stations during 1983-84 and 1984-85, the department did not recover rent at penal rates for the periods of overstayal. Penal rent not realised amounted to Rs. 12,186.

On the omission being pointed out in audit (October 1985), the department initiated (May 1986) action for recovery. Report on recovery is awaited (December 1986).

The case was reported to Government in November 1985; their reply is awaited (December 1986).

G—PUBLIC HEALTH

6.16. Non-recovery of water charges

As per bye-laws framed by Public Works Department (Public Health Branch) in September 1978, charges for water supplied to industrial units are recoverable at the rate of Re. 0.60 per thousand litres for metered supply and at Rs. 110 per month for an unmetered connection upto 15 mm.

In Rohtak, connections for supply of water to 61 industrial units were released between January 1978 and October 1984, but demand for water charges was not raised till November 1984. This resulted in non-realisation of water charges amounting to Rs. 59,248.

On the omission being pointed out in audit (December 1984), the department raised demands for Rs. 59,248 and recovered (December 1984) Rs. 8,819 out of it. Report on recovery of the balance amount is awaited (December 1986).

The case was reported to Government in January 1985; their reply is awaited (December 1986).

6.17. Short recovery of water charges

As per orders dated 21st January 1980, issued by the Public Health Department, charges for water supplied to private consumers, having unmetered ferrule connections upto 6 mm, are recoverable at the rate of Rs. 10 per month with effect from 1st January 1980 (Rs. 5 per month upto 31st December 1979).

Fatehabad,

In ~~Fatehabad~~, charges for water supplied by a Public Health Division to 123 consumers, during the period from January 1980 to September 1981, were recovered at a lower rate of Rs. 5 per month. This resulted in short realisation of water charges amounting to Rs. 12,915.

On the mistake being pointed out in audit (April 1985), the department recovered Rs. 12,705 upto

May 1986. Report on recovery of the balance amount is awaited (December 1986).

The case was reported to Government in April 1985; their reply is awaited (December 1986).

D. C. Sahoo

CHANDIGARH,

(D. C. SAHOO)

The

Accountant General (Audit) Haryana

30 APR 1987

Countersigned

T. N. Chaturvedi

NEW DELHI,

(T. N. CHATURVEDI)

The

Comptroller and Auditor General of India

1 MAY 1987

May 1987. Report on recovery of the balance amount
of amount (December 1986).

The case was reported to Government in April 1987.
Their reply is awaited (December 1986).

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(B. C. SAHOO)

Accountant General (Audit) Haripur

CHANDIGARH.

The

30 MAY 1987

Countersigned

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(T. N. CHATURVEDI)

Comptroller and Auditor General of India

NEW DELHI.

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1 MAY 1987