



# REPORT

OF THE

Comptroller & Auditor General of India  
for the year 1987-88

NO. 2 OF 1989

(REVENUE RECEIPTS)

GOVERNMENT OF HARYANA



## TABLE OF CONTENTS

|   | Reference to<br>Paragraph | Page(s)      |
|---|---------------------------|--------------|
| <b>Prefatory Remarks</b>                        |                           | (v)          |
| <b>Overview</b>                                 |                           | (vii)—(viii) |
| <b>Chapter 1 General</b>                        |                           |              |
| Trend of revenue receipts                       | 1.1                       | 1—4          |
| Variations between Budget estimates and actuals | 1.2                       | 4—5          |
| Analysis of collection                          | 1.3                       | 5—6          |
| Assessments in arrears                          | 1.4                       | 6—7          |
| Uncollected revenue                             | 1.5                       | 7—13         |
| Frauds and evasions of taxes                    | 1.6                       | 13—14        |
| Refunds   | 1.7                       | 14—15        |
| Cost of collection                              | 1.8                       | 15—16        |
| Outstanding inspection reports                  | 1.9                       | 17—21        |
| Internal control and internal audit             | 1.10                      | 21—22        |
| <b>Chapter 2 Sales Tax</b>                      |                           |              |
| Results of Audit                                | 2.1                       | 23           |
| Short levy/non-levy of purchase tax             | 2.2                       | 23—27        |
| Incorrect deduction from turnover               | 2.3                       | 28—29        |
| Excess allowance of rebate on paddy             | 2.4                       | 29—31        |

(ii)

|   | <b>Reference to</b> |                |
|---|---------------------|----------------|
|   | <b>Paragraph</b>    | <b>Page(s)</b> |
| Incorrect computation of taxable turnover               | 2.5                 | 31—34          |
| Incorrect grant of exemption                            | 2.6                 | 34—36          |
| Short levy of tax on acceptance of invalid declarations | 2.7                 | 36—37          |
| Suppression of sales                                    | 2.8                 | 37—38          |
| Application of incorrect rate of tax                    | 2.9                 | 38             |
| Short levy of tax due to incorrect classification       | 2.10                | 38—39          |
| Less return of turnover                                 | 2.11                | 39             |
| Irregular levy of tax at concessional rate              | 2.12                | 39—41          |
| Non-levy of penalty                                     | 2.13                | 41—42          |
| Interest not charged                                    | 2.14                | 42—43          |
| Exemptions allowed in assessments                       | 2.15                | 43—46          |
| Non-production of assessment files                      | 2.16                | 46             |
| Recovery at the instance of Audit                       | 2.17                | 46             |
| <b>Chapter 3 Stamps and Registration Fees</b>           |                     |                |
| Results of Audit  | 3.1                 | 47             |
| Under-valuation of immovable property                   | 3.2                 | 48—49          |
| Irregular grant of exemption                            | 3.3                 | 49—50          |
| Misclassification of instruments                        | 3.4                 | 50—52          |



(iii)

|   | Reference to |         |
|---|--------------|---------|
|   | Paragraph    | Page(s) |
| Short levy of stamp duty on lease deed  | 3.5          | 52      |
| Non-levy of stamp duty on mortgage deed   | 3.6          | 52—53   |
| Short recovery of stamp duty on exchange deeds                                    | 3.7          | 53      |
| Mistakes in calculations  | 3.8          | 54      |
| Recovery at the instance of Audit   | 3.9          | 54      |
| <b>Chapter 4 A—Taxes on Vehicles</b>  |              |         |
| Results of Audit  | 4.1          | 55      |
| Registration of motor vehicles and collection of fees and taxes on motor vehicles | 4.2          | 55—64   |
| Short levy of penalty   | 4.3          | 64—65   |
| Recovery at the instance of Audit   | 4.4          | 65      |
| <b>B—Passengers and Goods Tax</b>   |              |         |
| Results of Audit  | 4.5          | 65      |
| Irregular grant of exemption from goods tax                                       | 4.6          | 66      |
| Short realisation of passengers tax   | 4.7          | 66      |
| <b>Chapter 5 Other Tax Receipts</b>   |              |         |
| Results of Audit  | 5.1          | 67      |
| <b>A—State Excise</b>   |              |         |
| Non-recovery of licence fee   | 5.2          | 67—68   |
| Short realisation of excise duty  | 5.3          | 68—69   |
| Short levy of duty on excess wastage  | 5.4          | 69      |

(iv)

|   | <b>Reference to</b> |                |
|---|---------------------|----------------|
|   | <b>Paragraph</b>    | <b>Page(s)</b> |
| Recovery at the instance of Audit                   | 5.5                 | 69             |
| <b>B—Land Holdings Tax</b>                          |                     |                |
| Short assessment of land holdings tax               | 5.6                 | 70             |
| <b>Chapter 6 Non-Tax Receipts</b>                   |                     |                |
| Results of Audit                                    | 6.1                 | 71             |
| Recoveries of interest on loans and advances        | 6.2                 | 71—86          |
| <b>A—Industries</b>                                 |                     |                |
| Non-recovery/short recovery of royalty              | 6.3                 | 86—88          |
| Non-levy/short levy of interest/royalty             | 6.4                 | 88—89          |
| Non-recovery of contract money/interest             | 6.5                 | 89             |
| Recovery at the instance of Audit                   | 6.6                 | 89             |
| <b>B—Public Works</b>                               |                     |                |
| <b>(i) Buildings and Roads Branch</b>               |                     |                |
| Un-authorised retention of Government accommodation | 6.7                 | 89—90          |
| Non-recovery/short recovery of rent                 | 6.8                 | 90—91          |
| <b>(ii) Public Health Branch</b>                    |                     |                |
| Non-recovery of water charges                       | 6.9                 | 91             |
| <b>C—Co-operation</b>                               |                     |                |
| Incorrect application of rate of audit fee          | 6.10                | 91—92          |
| Short recovery of audit fee                         | 6.11                | 92—93          |
| Appendix  |                     | 97             |

## PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Haryana, for the year 1987-88, is presented in this separate volume. The Report has been arranged in the following order :—

- (i) Chapter 1 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, Stamps and Registration Fees, Taxes on Vehicles, Other Tax Receipts and Non-Tax Receipts.



## OVERVIEW

### 1. General

(i) During the year 1987-88, revenue raised by the State Government, both tax (Rs. 664 crores) and non-tax (Rs. 378 crores) revenue amounted to Rs. 1042 crores as against Rs. 862 crores during the previous year. Receipts from Government of India during the year, including grants-in-aid of Rs. 154 crores, aggregated Rs. 261 crores. Receipts under Sales Tax (Rs. 315 crores) and State Excise (Rs. 159 crores) accounted for a major portion of receipts of tax revenue and under non-tax revenue, main receipts were from Interest Receipts (Rs. 162 crores) and Road Transport (Rs. 120 crores). (Para 1.1)

(ii) 52,221 assessment cases were pending finalisation under Sales Tax and Passengers and Goods Tax at the end of March 1988 as against 46,017 cases pending on 31st March 1987. (Para 1.4)

(iii) Arrears of revenue pending collection at the end of 1987-88 under some principal heads amounted to Rs. 68 crores, out of which Rs. 21 crores were outstanding for more than 5 years. (Para 1.5)

(iv) 1,518 inspection reports (issued upto December 1987) containing 6,131 audit objections were not settled upto June 1988. Out of these, 729 inspection reports containing 2,370 objections were outstanding for more than 5 years. (Para 1.9)

### 2. Sales Tax

(i) Purchase tax amounting to Rs. 3.93 lakhs had not been levied in 9 cases in respect of goods valuing Rs. 76.77 lakhs purchased by the dealers after furnishing prescribed declarations without payment of tax and who disposed of the goods in violation of these declarations. (Para 2.2)

(ii) Interest amounting to Rs. 20.59 lakhs was not charged in 37 cases for non-payment of tax due along with the returns and within the prescribed period specified in the demand notice. Additional demands aggregating Rs. 15.03 lakhs have been raised by department in 35 cases at the instance of Audit. (Para 2.14)

(vii)

(viii)

- (iii) Tax amounting to Rs. 2.65 lakhs and minimum penalty of Rs. 5.30 lakhs was not levied. (Para 2.15)

### 3. Stamps and Registration Fees

Stamp duty and registration fee amounting to Rs. 3.75 lakhs was realised short in respect of 114 deeds wherein the properties were under-valued. (Para 3.2)

### 4. Taxes on Vehicles

The review on "Registration of motor vehicles and collection of fees and taxes on motor vehicles" brings out non-recovery/short recovery of tax amounting to Rs. 9.25 lakhs due to delay in conveying a notification levying tax on a category of contract carriages, plying of buses before registration or during periods stated to be off the road, etc. (Paras 4.2.6, 4.2.7 and 4.2.9)

### 5. Other Tax Receipts-State Excise

There was a loss of Rs. 6.65 lakhs on cancellation of licences and re-auction of tenders as the original 16 licensees defaulted in paying licence fee and no action was initiated to recover the loss from them. In 4 cases, an amount of Rs. 1.73 lakhs was recovered at the instance of Audit. (Para 5.9)

### 6. Non-Tax Receipts

(i) The review on "Recoveries of interest on loans and advances" brings out that detailed records of interest due had not been maintained. Loan of Rs. 898 crores and interest of Rs. 303 crores were due from Haryana State Electricity Board. Interest of Rs. 70.22 crores and penal interest of Rs. 19.01 crores remained unrecovered due to non-enforcement of recoveries. Interest of Rs. 5.70 crores (including penal interest of Rs. 2.28 lakhs) was short realised due to incorrect calculations of interest. Interest of Rs. 17.53 lakhs and penal interest of Rs. 68.71 lakhs remained un-recovered as loans were granted without settling terms and conditions. (Paras 6.2.5, 6.2.7 and 6.2.8)

(ii) Royalty amounting to Rs. 5.50 lakhs was realised short from 246 brick-kiln owners during 1984-85 to 1986-87. (Para 6.3)

## CHAPTER I

### GENERAL

#### 1.1. Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1987-88, 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 :—

|  | 1985-86               | 1986-87       | 1987-88        |
|--|-----------------------|---------------|----------------|
|  | (In crores of rupees) |               |                |
| I. Revenue raised by the State Government                  |                       |               |                |
| (a) Tax revenue  | 501.71                | 565.86        | 664.40         |
| (b) Non-tax revenue  | 258.12                | 296.62        | 378.00         |
| Total (I)  | <u>759.83</u>         | <u>862.48</u> | <u>1042.40</u> |
| II. Receipts from Government of India                      |                       |               |                |
| (a) State's share of net proceeds of divisible Union Taxes | 85.51                 | 97.21         | 107.51         |
| (b) Grants-in-aid  | <u>115.00</u>         | <u>170.49</u> | <u>153.93</u>  |
| Total (II)   | <u>200.51</u>         | <u>267.70</u> | <u>261.44</u>  |
| III. Total receipts of the State (I+II)                    | 960.34                | 1130.18       | 1303.84*       |
| IV. Percentage of I to III                                 | 79                    | 76            | 80             |

\*For details, see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 1987-88.

(i) The details of the tax revenue raised during the year 1987-88, alongside figures for the preceding two years, are given below :—

|   | 1985-86 | 1986-87 | 1987-88 | Percentage of Increase (+) or Decrease (—) in 1987-88 over 1986-87 |
|---|---------|---------|---------|--|
| (In crores of rupees)                                 |         |         |         |  |
| 1. Sales Tax  | 234.35  | 256.24  | 314.93  | (+)23  |
| 2. State Excise                                       | 110.96  | 132.74  | 158.54  | (+)19  |
| 3. Taxes on Goods and Passengers                      | 66.16   | 73.31   | 80.64   | (+)10  |
| 4. Stamps and Registration Fees                       | 37.39   | 45.68   | 50.23   | (+)10  |
| 5. Taxes and Duties on Electricity                    | 22.40   | 27.21   | 27.67   | (+)2   |
| 6. Taxes on Vehicles                                  | 15.00   | 15.57   | 16.25   | (+)4   |
| 7. Land Revenue                                       | 3.79    | 2.33    | 0.52    | (—)78  |
| 8. Other Taxes and Duties on Commodities and Services | 11.65   | 12.78   | 15.62   | (+)22  |
| Total   | 501.70  | 565.86  | 664.40  | (+)17  |

- (a) Increase (23 per cent) in receipts under Sales Tax was attributed to levy of sales tax at first stage on certain goods with effect from 1st January 1988, establishment of new industrial units in the State and realisation of arrears coupled with more effective control.



- (b) Increase (19 per cent) in State Excise receipts was attributed to increase in excise duty from 1st April 1987 and higher bids received on auction of country liquor and Indian made foreign liquor.
- (c) Decrease (78 per cent) in Land Revenue receipts was due to the abolition of land holdings tax with effect from 1st October 1986.
- (d) Increase (22 per cent) in receipts under Other Taxes and Duties on Commodities and Services was stated to be due to more effective control and realisation of arrears by the department.
- (ii) The details of the major non-tax revenues received during the year 1987-88, alongside figures for the preceding two years, are given below :—

|  | 1985-86 | 1986-87 | 1987-88 | Percent-<br>age of<br>Increase(+) or<br>Decrease(—)<br>in 1987-88<br>over 1986-<br>87 |
|--|---------|---------|---------|---|
| (In crores of rupees)                              |         |         |         |   |
| 1. Road Transport                                  | 96.66   | 107.95  | 119.96  | (+)11   |
| 2. Interest Receipts                               | 73.86   | 80.71   | 161.94  | (+)101  |
| 3. Miscellaneous General Services                  | 30.81   | 34.20   | 38.38   | (+)12   |
| 4. Medical and Public Health*                      | 4.57    | 5.79    | 5.17    | (—)11   |
| 5. Non-ferrous Mining and Metallurgical Industries | 3.89    | 5.07    | 5.69    | (+)12   |
| 6. Others  | 48.33   | 62.90   | 46.86   | (+)26   |
| Total  | 258.12  | 296.62  | 378.00  | (+)27   |

\*With effect from 1st April 1987, the head "Medical" has been revised as "Medical and Public Health".

- (a) Increase (11 per cent) in receipts under Road Transport was attributed to increase in fares with effect from 23rd December 1987 and more traffic.
- (b) Increase (101 per cent) under Interest Receipts was due to large receipts from departmental commercial undertakings and public sector undertakings.
- (c) Increase (12 per cent) in receipts under Miscellaneous General Services was attributed to the introduction of new lottery schemes and sale of more lottery tickets.
- (d) Increase (12 per cent) in receipts under Non-ferrous Mining and Metallurgical Industries was attributed to higher bids received in auction for the grant of contracts of quarries and effective control in the realisation of arrears of royalty, etc.

## 1.2. Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1987-88 and actual receipts, in respect of principal heads of tax and non-tax revenue, are given below ;—

| Heads of revenue                   | Budget estimates | Actuals | Variations Increase(+) or Decrease(—) | Percent- age of variation |
|------------------------------------|------------------|---------|---------------------------------------|---------------------------|
| (In crores of rupees)              |                  |         |                                       |                           |
| (1)                                | (2)              | (3)     | (4)                                   | (5)                       |
| 1. Sales Tax                       | 300.02           | 314.93  | (+)14.91                              | (+)5                      |
| 2. State Excise                    | 157.76           | 158.54  | (+)0.78                               | Negligible                |
| 3. Taxes on Goods and Passengers   | 79.55            | 80.64   | (+)1.09                               | (+)1                      |
| 4. Stamps and Registration Fees    | 46.62            | 50.23   | (+)3.61                               | (+)8                      |
| 5. Taxes and Duties on Electricity | 32.35            | 27.67   | (—)4.68                               | (—)14                     |

|     | (1)  | (2)    | (3)    | (4)      | (5)   |
|-----|--|--------|--------|----------|-------|
| 6.  | Taxes on Vehicles                                  | 19.03  | 16.25  | (—)2.78  | (—)15 |
| 7.  | Land Revenue                                       | 0.80   | 0.52   | (—)0.28  | (—)35 |
| 8.  | Other Taxes and Duties on Commodities and Services | 14.38  | 15.62  | (+)1.24  | (+)9  |
| 9.  | Road Transport                                     | 107.85 | 119.96 | (+)12.11 | (+)11 |
| 10. | Interest Receipts                                  | 86.50  | 161.94 | (+)75.44 | (+)87 |
| 11. | Non-ferrous Mining and Metallurgical Industries    | 4.00   | 5.69   | (+)1.69  | (+)42 |
| 12. | Medical and Public Health                          | 4.48   | 5.17   | (+)0.69  | (+)15 |

(a) Decrease (14 per cent) in receipts under Taxes and Duties on Electricity was stated to be due to less sale of electricity in the State than anticipated.

(b) Decrease (15 per cent) in receipts under Taxes on Vehicles was stated to be due to registration of lesser number of vehicles and deposit of road tax in other States in respect of some vehicles registered in the previous years in the State.

(c) Increase (11 per cent) in receipts under Road Transport was stated to be due to increase in bus fares with effect from 23rd December 1987 and more traffic.

(d) Increase (87 per cent) under Interest Receipts was due to large receipts from departmental commercial undertakings and public sector undertakings.

(e) Increase (42 per cent) in receipts under Non-ferrous Mining and Metallurgical Industries was stated to be due to revision of rates of royalties from May 1987 and recovery of arrears of royalty, etc.

### 1.3 Analysis of collection

The break-up of total collection of sales tax and passengers and goods tax during the year 1987-88, as furnished by the

department, is given below :—

|   | Sales Tax             | Passengers<br>and Goods<br>Tax |
|---|-----------------------|--------------------------------|
|   | (In crores of rupees) |                                |
| (a) Amount collected at pre-assessment stage  | 294.58                | 38.99                          |
| (b) Amount collected after regular assessment | 23.01                 | 41.62                          |
| (c) Amount refunded                           | 1.53                  | 0.01                           |
| (d) Net collection of tax                     | 316.06*               | 80.60*                         |

#### 1.4. Assessments in arrears

The number of assessment cases finalised during the year 1987-88 and pending at the end of 1987-88, alongside figures for the preceding year, are given below :—

|  | Sales Tax |          | Passengers<br>and Goods<br>Tax |         |
|--|-----------|----------|--------------------------------|---------|
|  | 1986-87   | 1987-88  | 1986-87                        | 1987-88 |
| (i) Number of assessments due for completion during the year |           |          |                                |         |
| (a) Arrear cases   | 41,420    | 45,876   | 128                            | 141     |
| (b) Current cases  | 1,12,698  | 1,26,053 | 139                            | 372     |
| (c) Remand cases   | 281       | —        | —                              | 4       |
| (ii) Number of assessments completed during the year         |           |          |                                |         |
| (a) Arrear cases   | 29,790    | 32,614   | 59                             | 66      |
| (b) Current cases  | 78,624    | 87,321   | 67                             | 224     |
| (c) Remand cases   | 109       | —        | —                              | —       |

\*Difference in figures appearing in Finance Accounts and those furnished by the department is under reconciliation by the department.

(iii) Number of assessments pending finalisation at the end of year

|                   |        |        |    |     |
|-------------------|--------|--------|----|-----|
| (a) Arrear cases  | 11,630 | 13,262 | 69 | 75  |
| (b) Current cases | 34,074 | 38,732 | 72 | 148 |
| (c) Remand cases  | 172    | —      | —  | 4   |

Year-wise break-up of the pending assessments as at the end of 1987-88 is given below :—

| Year         | Number of cases |                          |
|--------------|-----------------|--------------------------|
|              | Sales Tax       | Passengers and Goods Tax |
| Upto 1983-84 | 313             | 14                       |
| 1984-85      | 2,545           | 17                       |
| 1985-86      | 10,404          | 48                       |
| 1986-87      | 38,732          | 148                      |
| Total        | 51,994          | 227                      |

1.5. Uncollected revenue

As on 31st March 1988, 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 |
|------------------------------------|---------------|---|
| (1)                                | (2)           | (3)                                       |
| (In crores of rupees)              |               |   |
| 1. Sales Tax                       | 47.00         | 9.86                                      |
| 2. Taxes and Duties on Electricity | 10.64         | 5.54                                      |
| 3. State Excise                    | 4.18          | 2.29                                      |

|   | (1)          | (2) | (3)          |
|---|--------------|-----|--------------|
| 4. Other Taxes and Duties on Commodities and Services                           |              |     |              |
| (i) Receipts under the Sugarcane (Regulations, Supply and Purchase Control) Act | 2.19         |     | 1.93         |
| (ii) Entertainment Tax  | 0.14         |     | —            |
| 5. Non-ferrous Mining and Metallurgical Industries                              | 1.55         |     | 0.77         |
| 6. Taxes on Goods and Passengers  | 1.23         |     | 0.13         |
| 7. Co-operation   | 0.51*        |     | 0.13         |
| 8. Road Transport   | 0.31         |     | 0.05         |
| 9. Land Revenue   | 0.25         |     | 0.04         |
| Total   | <u>68.00</u> |     | <u>20.74</u> |

Year-wise break-up of un-collected revenue was as under :—

| Year         | Amount                |
|--------------|-----------------------|
|              | (In crores of rupees) |
| Upto 1983-84 | 27.26                 |
| 1984-85      | 4.97                  |
| 1985-86      | 7.78                  |
| 1986-87      | 5.73                  |
| 1987-88      | 22.26                 |
| Total        | <u>68.00</u>          |

According to the information furnished by the departments (July 1988), the amount of arrears as on 31st March 1988

\*Excludes amount of arrears pertaining to Assistant Registrars, Co-operative Societies, Gurgaon and Nuh for which information was not supplied.

was in following stages of action :—

|   | Amount<br>(In crores of rupees) |
|---|---------------------------------|
| 1. Recoveries stayed by Appellate Authorities/Courts                        | 19.23                           |
| 2. In process of recovery including amount covered by recovery certificates | 5.98                            |
| 3. Amount likely to be written off  | 3.28                            |
| 4. Other stages   | 39.51                           |
| Total   | <u>68.00</u>                    |

#### Analysis of arrears

##### (a) Sales Tax

Sales tax demand raised but not collected as on 31st March 1988 amounted to Rs. 47.00 crores as against Rs. 34.58 crores outstanding on 31st March 1987. The increase in arrears by Rs. 12.42 crores was reportedly due mainly to disposal of old assessment cases particularly *ex-parte* and additional demands of current cases, recoveries of which fell due after 31st March 1988. Year-wise break-up of the outstanding amount on 31st March 1988 is given below :—

| Year         | Amount<br>(In crores of rupees) |
|--------------|---------------------------------|
| Upto 1983-84 | 13.29                           |
| 1984-85      | 4.03                            |
| 1985-86      | 5.89                            |
| 1986-87      | 4.05                            |
| 1987-88      | 19.74                           |
| Total        | <u>47.00</u>                    |

Recovery of Government dues exceeding Rs. 2 lakhs was outstanding in 195 individual cases involving an amount of Rs. 23.92 crores.

District-wise position of individual cases with recovery due exceeding Rs. 5 lakhs was as under :—

| District         | Number of cases | Amount               |
|------------------|-----------------|----------------------|
|                  |                 | (In lakhs of rupees) |
| 1. Ambala        | 11              | 111.87               |
| 2. Bhiwani       | 2               | 115.20               |
| 3. Faridabad (E) | 28              | 385.08               |
| 4. Faridabad (W) | 34              | 513.79               |
| 5. Gurgaon       | 5               | 55.29                |
| 6. Karnal        | 10              | 723.66               |
| 7. Sirsa         | 3               | 35.66                |
| 8. Sonapat       | 9               | 164.88               |
| 9. Rohtak        | 1               | 6.66                 |
| Total            | 103             | 2112.09              |

(i) Assessments of a dealer of Faridabad for the years 1979-80 to 1982-83 were finalised between March 1985 and March 1987 with an additional demand of Rs. 50.46 lakhs. The dealer had closed down his business in December 1982 and did not pay the tax. The whereabouts of the dealer were not known. The department also failed to recover the amount from the sureties as they were un-traceable. The amount was declared as bad debt and matter regarding its write off was reportedly under consideration of the department (July 1988).

(ii) Assessment of a dealer of Jagadhari for the year 1981-82 was finalised *ex-parte* in November 1985 creating an additional



demand of Rs. 25.02 lakhs. The dealer got his registration certificate cancelled with effect from 16th September 1981. Amount of Rs. 4,500 only could be recovered from the sureties. Balance amount of Rs. 24.98 lakhs remained unrecovered (July 1988).

(iii) Sales tax assessments of a dealer of Faridabad district for the years 1977-78 to 1981-82 were finalised between July 1985 to September 1985 creating additional demand of Rs. 19.05 lakhs. The dealer had, however, closed down his business in 1982. Amount of Rs. 10,000 was recovered from sureties. Recovery certificate for the balance amount of Rs. 18.95 lakhs, was sent to Collector, Calcutta in December 1985 remained unexecuted (July 1988).

(iv) Sales tax assessments of two dealers of Jagadhari for the years 1978-79 to 1980-81 were finalised in September 1985 creating additional demand of Rs. 12.24 lakhs. Registration certificates of the dealers were cancelled in July 1980 as they were found indulging in bogus transactions. The recovery certificates issued to Collectors concerned in December 1987 remained unexecuted (July 1988).

(v) In the case of a dealer of Faridabad district, assessment for the year 1982-83 was finalised in August 1987 with an additional demand of Rs. 4.52 lakhs. Recovery has not been made since the dealer had closed down his business and left the State.

(vi) In the case of a dealer of Faridabad, assessments for the years 1978-79 to 1983-84 were finalised between November 1982 to January 1987 with an additional demand of Rs. 4.28 lakhs, out of which Rs. 0.33 lakh only were recovered from sureties by auction of goods attached. The dealer had closed down his business in 1983. The recovery certificate issued to the Collector, Alipur (Calcutta) in July 1986 remained unexecuted (July 1988).

#### (b) Taxes and Duties on Electricity

The amount of arrears of taxes and duties on electricity to be realised at the end of March 1988 was Rs. 10.64 crores, as against Rs. 9.36 crores outstanding at the end of March 1987. Year-wise details of the outstanding dues are given

below :—

|      | Year    | Amount<br>(In crores of rupees) |
|------|---------|---------------------------------|
| Upto | 1983-84 | 6.82                            |
|      | 1984-85 | 0.23                            |
|      | 1985-86 | 1.43                            |
|      | 1986-87 | 0.88                            |
|      | 1987-88 | 1.28                            |
|      | Total   | <u>10.64</u>                    |

The arrears were stated to be outstanding against the Haryana State Electricity Board. Non-recovery of the amount was attributable mainly to the following reasons :—

- (i) Deferment of payment of duty by the State Government.
- (ii) Pendency of cases in the Civil Courts and with Arbitrators.
- (iii) Non-adjustment of misclassified amount by the Board.

**(c) State Excise**

Arrears of revenue under State Excise as on 31st March 1988 amounted to Rs. 4.18 crores as against Rs. 4.04 crores outstanding on 31st March 1987. Year-wise details of the outstanding dues are given below :—

|      | Year    | Amount<br>(In crores of rupees) |
|------|---------|---------------------------------|
| Upto | 1983-84 | 3.56                            |
|      | 1984-85 | 0.24                            |
|      | 1985-86 | 0.07                            |
|      | 1986-87 | 0.27                            |
|      | 1987-88 | 0.04                            |
|      | Total   | <u>4.18</u>                     |

The entire amount was due from private parties and according to the information furnished (July 1988) by the department, the amount of arrears as on 31st March 1988 was in the following stages of action :—

|  | Amount<br>(In crores of rupees) |
|--|---------------------------------|
| (i) In process of recovery by recovery certificate | 0.97                            |
| (ii) Recoveries stayed by courts                   | 0.91                            |
| (iii) Other stages                                 | 2.30                            |
| Total  | <hr/> 4.18 <hr/>                |

**(d) Other Taxes and Duties on Commodities and Services-Receipts under the Sugarcane (Regulations, Supply and Purchase Control) Act**

The uncollected amount on account of purchase tax on sugarcane at the end of March 1988 was Rs. 2.19 crores. The entire amount was recoverable from four sugarmills (Panipat: Rs. 1.47 crores; Sonapat: Rs. 0.34 crore; Karnal: Rs. 0.24 crore and Rohtak: Rs. 0.14 crore) in the co-operative sector. Reasons for non-recovery have not been furnished (November 1988) by the department.

**1.6. Frauds and evasions of taxes**

The table below indicates the amount of taxes/receipts assessed during the year 1987-88 in cases of frauds and evasions of taxes/receipts detected by the departments concerned during

1987-88 and earlier years :—

| Nature of tax/<br>receipt          | Cases pending as on 1st April 1987 | Number of cases detected during the year | Number of cases finalised |               | Number of cases pending as on 31st March 1988 | Amount of tax, interest and penalty levied (In lakhs of rupees) |                             |
|------------------------------------|------------------------------------|--|---------------------------|---------------|---|---|-----------------------------|
|                                    |                                    |  | Out of Col. 2             | Out of Col. 3 |   | Out of Col. 2   | Out of Col. 3               |
| (1)                                | (2)                                | (3)                                      | (4)                       | (5)           | (6)   | (7)   | (8)                         |
| 1. Sales Tax                       | 260                                | 7,877                                    | 134                       | 7,693         | 126   | 184   | Not furnished by department |
| 2. Passengers and Goods Tax        | 58                                 | 1,909                                    | 11                        | 1,736         | 47  | 173   | -do-                        |
| 3. Entertainment Duty and Show Tax | 4                                  | 59                                       | 4                         | 48            | —   | 11  | -do-                        |
| 4. State Excise                    | 1                                  | 30                                       | 1                         | 30            | —   | —   | —                           |
| 5. Animal Husbandry                | 1                                  | —  | 1                         | —             | —   | —   | 0.65                        |
| 6. Medical                         | 1                                  | —  | —                         | —             | 1   | —   | —                           |
| 1.7. Refunds                       |                                    |  |                           |               |   |   |                             |

Position of refunds allowed during the year 1987-88 is

given below :—

|   | Sales Tax                  |             | State Excise               |             | Passengers and Goods Tax   |             | Entertainment Duty and Show Tax |             |
|---|----------------------------|-------------|----------------------------|-------------|----------------------------|-------------|---------------------------------|-------------|
|   | Num-<br>ber<br>of<br>cases | Amo-<br>unt | Num-<br>ber<br>of<br>cases | Amo-<br>unt | Num-<br>ber<br>of<br>cases | Amo-<br>unt | Num-<br>ber<br>of<br>cases      | Amo-<br>unt |
| (Amount in lakhs of rupees)                   |                            |             |                            |             |                            |             |                                 |             |
| 1. Claims outstanding on 1st April 1987       | 331                        | 41.77       | 8                          | 0.12        | —                          | —           | 1                               | 1.66        |
| 2. Claims received during the year 1987-88    | 1,815                      | 218.37      | 78                         | 17.61       | 6                          | 0.22        | 18                              | 1.19        |
| 3. Refunds made during the year 1987-88       | 1,693                      | 152.97      | 84                         | 17.66       | 4                          | 0.19        | 17                              | 1.15        |
| 4. Balance outstanding at the end of the year | 453                        | 107.17      | 2                          | 0.07        | 2                          | 0.03        | 2                               | 1.70        |

### 1.8. Cost of collection

Expenditure incurred in collection of the major revenue receipts during the year 1987-88 (with figures for the preceding

two years) is given below :—

| Heads of revenue                | Year    | Gross collection | Expenditure | Percentage of expenditure to gross collection |
|---------------------------------|---------|------------------|-------------|---|
| (In crores of rupees)           |         |                  |             |   |
| 1. Sales Tax                    | 1985-86 | 234.35           | 4.57        | 1.95  |
|                                 | 1986-87 | 256.24           | 5.03        | 1.96  |
|                                 | 1987-88 | 314.93           | 6.24        | 1.98  |
| 2. State Excise                 | 1985-86 | 110.96           | 0.49        | 0.44  |
|                                 | 1986-87 | 132.74           | 0.53        | 0.40  |
|                                 | 1987-88 | 158.54           | 0.65        | 0.41  |
| 3. Stamps and Registration Fees | 1985-86 | 37.39            | 0.21        | 0.56  |
|                                 | 1986-87 | 45.68            | 0.47        | 1.03  |
|                                 | 1987-88 | 50.23            | 0.33        | 0.66  |
| 4. Taxes on Vehicles            | 1985-86 | 15.00            | 0.50        | 3.33  |
|                                 | 1986-87 | 15.57            | 0.70        | 4.50  |
|                                 | 1987-88 | 16.25            | 0.45        | 2.77  |
| 5. Other Taxes and Duties*      | 1985-86 | 100.21           | 0.42        | 0.42  |
|                                 | 1986-87 | 113.30           | 0.43        | 0.38  |
|                                 | 1987-88 | 123.93           | 0.39        | 0.31  |

\*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.

### 1.9. Outstanding inspection reports

Audit observations on financial irregularities, defects in initial accounts and under-assessments of tax, noticed during local audit are communicated to the heads of offices and to the next higher departmental authorities through local audit inspection reports, and first replies thereto are required to be sent within 6 weeks from date of issue. The more important irregularities are also reported to the heads of departments and to the Government. Half-yearly reports of audit objections outstanding for more than six months are also forwarded to Government to expedite their settlement.

(i) At the end of June 1988, 1,518 inspection reports (issued upto December 1987) containing 6,131 audit objections remained outstanding, out of which 729 inspection reports containing 2,370 objections were outstanding for more than 5 years. This is a very high pendency.

(ii) Relatively large number of audit objections were outstanding under the following major heads :—

|                         |      | Year    | Number<br>of<br>inspection<br>reports | Number<br>of<br>audit<br>objections |
|-------------------------|------|---------|---------------------------------------|-------------------------------------|
|                         |      | (1)     | (2)                                   | (3)                                 |
| 1. Sales Tax            | Upto | 1983-84 | 123                                   | 380                                 |
|                         |      | 1984-85 | 20                                    | 134                                 |
|                         |      | 1985-86 | 22                                    | 201                                 |
|                         |      | 1986-87 | 22                                    | 283                                 |
|                         |      | 1987-88 | 17                                    | 348                                 |
|                         |      | Total   | 204                                   | 1,346                               |
| 2. Taxes on<br>Vehicles | Upto | 1983-84 | 83                                    | 404                                 |
|                         |      | 1984-85 | 10                                    | 61                                  |
|                         |      | 1985-86 | 17                                    | 114                                 |
|                         |      | 1986-87 | 40                                    | 215                                 |
|                         |      | 1987-88 | 18                                    | 107                                 |
|                         |      | Total   | 168                                   | 901                                 |

|                                       |      | (1)     | (2) | (3)   |
|---------------------------------------|------|---------|-----|-------|
| 3. Stamps and<br>Registration<br>Fees | Upto | 1983-84 | 67  | 212   |
|                                       |      | 1984-85 | 61  | 173   |
|                                       |      | 1985-86 | 45  | 192   |
|                                       |      | 1986-87 | 87  | 261   |
|                                       |      | 1987-88 | 66  | 241   |
|                                       |      | Total   | 326 | 1,079 |
| 4. State Excise                       | Upto | 1983-84 | 38  | 97    |
|                                       |      | 1984-85 | 10  | 27    |
|                                       |      | 1985-86 | 9   | 29    |
|                                       |      | 1986-87 | 16  | 53    |
|                                       |      | 1987-88 | 9   | 31    |
|                                       |      | Total   | 82  | 237   |
| 5. Passengers<br>and Goods<br>Tax     | Upto | 1983-84 | 49  | 103   |
|                                       |      | 1984-85 | 12  | 29    |
|                                       |      | 1985-86 | 14  | 44    |
|                                       |      | 1986-87 | 16  | 65    |
|                                       |      | 1987-88 | 10  | 53    |
|                                       |      | Total   | 101 | 294   |
| 6. Major and<br>Medium<br>Irrigation* | Upto | 1983-84 | 158 | 609   |
|                                       |      | 1984-85 | —   | —     |
|                                       |      | 1985-86 | 34  | 97    |
|                                       |      | 1986-87 | —   | —     |
|                                       |      | 1987-88 | 27  | 143   |
|                                       |      | Total   | 219 | 849   |
| 7. Public Works*                      | Upto | 1983-84 | 96  | 381   |
|                                       |      | 1984-85 | 12  | 30    |
|                                       |      | 1985-86 | 24  | 41    |
|                                       |      | 1986-87 | 22  | 76    |
|                                       |      | 1987-88 | 48  | 167   |
|                                       |      | Total   | 202 | 695   |

\*'Irrigation' and 'Buildings and Roads' revised to 'Major and Medium Irrigation' and 'Public Works' respectively with effect from 1st April 1987.



|   |      | (1)     | (2) | (3) |
|---|------|---------|-----|-----|
| 8. Co-operation   | Upto | 1983-84 | 79  | 163 |
|   |      | 1984-85 | 17  | 40  |
|   |      | 1985-86 | 20  | 48  |
|   |      | 1986-87 | 21  | 102 |
|   |      | 1987-88 | 5   | 14  |
|   |      | Total   | 142 | 367 |
| 9. Non-ferrous*<br>Mining and<br>Metallurgical<br>Industries* | Upto | 1983-84 | 36  | 213 |
|   |      | 1984-85 | 11  | 42  |
|   |      | 1985-86 | 2   | 2   |
|   |      | 1986-87 | 22  | 93  |
|   |      | 1987-88 | 3   | 13  |
|   |      | Total   | 74  | 363 |

(iii) The more important types of irregularities noticed during local audit of sales tax (Hisar and Sirsa districts) and those relating to mines and minerals receipts, which are still (July 1988) to be settled, are given below :—

(a) Sales Tax

| Nature of irregularity                          | Number of cases | Amount involved<br>(In lakhs of rupees) |
|---|-----------------|---|
| 1. Under-assessment under Central Sales Tax Act | 16              | 4.47                                    |
| 2. Incorrect computation of turnover            | 96              | 34.61                                   |
| 3. Non-levy/short levy of penalty               | 24              | 14.58                                   |
| 4. Non-levy of interest                         | 175             | 27.04                                   |
| 5. Application of incorrect rate of tax         | 26              | 3.97                                    |
| 6. Others                                       | 94              | 16.50                                   |
| Total   | 431             | 101.17                                  |

\*'Industries' (Mines and Minerals) revised to 'Non-ferrous Mining and Metallurgical Industries' with effect from 1st April 1987.

These objections have remained unsettled mainly due to :—

|   | Number of cases | Amount involved<br>(In lakhs of rupees) |
|---|-----------------|---|
| 1. Non-submission of final replies                              | 51              | 14.35                                   |
| 2. Delay in finalising assessments by the appellate authorities | 16              | 4.00                                    |
| 3. Other reasons  | 364             | 82.82                                   |
| Total   | <u>431</u>      | <u>101.17</u>                           |

**(b) Mines and Minerals**

| Nature of irregularity                         | Number of cases | Amount involved<br>(In lakhs of rupees) |
|--|-----------------|---|
| 1. Non-recovery of contract/lease money        | 1,182           | 185.40                                  |
| 2. Short/non-realisation of royalty            | 2,439           | 145.43                                  |
| 3. Unauthorised/illegal extraction of minerals | 3,839           | 282.68                                  |
| 4. Short/non-levy of interest                  | 338             | 20.56                                   |
| 5. Others                                      | 1,892           | 33.76                                   |
| Total  | <u>9,690</u>    | <u>667.83</u>                           |

These objections have remained unsettled mainly due to :—

|                              | Number of cases | Amount involved<br>(In lakhs of rupees) |
|------------------------------|-----------------|---|
| 1. Non-submission of replies | 1,243           | 79.58                                   |
| 2. For want of recoveries    | 6,695           | 558.63                                  |
| 3. For other reasons         | 1,752           | 29.62                                   |
| Total                        | 9,690           | 667.83                                  |

#### 1.10 Internal control and internal audit

Internal audit system exists in the Excise and Taxation Department, Revenue Department and Transport Department. Internal audit in Transport Department had recently (April 1988) been introduced.

No systematic record depicting the number of objections raised in internal audit and their subsequent clearance had been maintained by the departments. However, as per information supplied by the Excise and Taxation and Revenue Departments, the year-wise break-up of objections raised during the years 1981-82 to 1987-88 in respect of some of the revenue heads was as under :—

| Heads of revenue | Year    | Number of objections raised | Amount (In lakhs of rupees) |
|------------------|---------|-----------------------------|-----------------------------|
| (1)              | (2)     | (3)                         | (4)                         |
| 1. Sales Tax     | 1984-85 | 366                         | 3.46                        |
|                  | 1985-86 | 422                         | 32.77                       |
|                  | 1986-87 | 1,455                       | 144.26                      |
|                  | 1987-88 | 394                         | 17.28                       |
|                  | Total   | 2,637                       | 197.77                      |

| (1)                                   | (2)     | (3)   | (4)   |
|---------------------------------------|---------|-------|-------|
| 2. 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  |
|                                       | 1986-87 | 458   | 7.53  |
|                                       | 1987-88 | 4,359 | 2.86  |
|                                       | Total   | 5,815 | 27.32 |
| 3. Stamps and<br>Registration<br>Fees | 1984-85 | 334   | 23.36 |
|                                       | 1985-86 | 495   | 11.30 |
|                                       | 1986-87 | 401   | 8.35  |
|                                       | 1987-88 | 303   | 4.86  |
|                                       | Total   | 1,533 | 47.87 |

Out of objections for Rs. 47.87 lakhs relating to Stamps and Registration Fees, objections for Rs. 11.57 lakhs were settled during 1985-86 to 1987-88 after recovering the amount, while objections for Rs. 1.89 lakhs were settled during 1985-86 to 1986-87 without raising any demand. Rectificatory action in regards to those of Land Revenue and Sales Tax was not intimated (December 1988).

## CHAPTER 2

### SALES TAX

#### 2.1. Results of Audit

Test check of sales tax assessments and other records of 22 units, conducted during the year 1987-88, revealed under-assessment of tax of Rs. 218.10 lakhs in 1,116 cases, which broadly fall under the following categories:—

|  | Number<br>of<br>cases | Amount<br>(in lakhs<br>of<br>rupees) |
|--|-----------------------|--------------------------------------|
| 1. Incorrect computation of turnover                   | 274                   | 55.46                                |
| 2. Interest not charged                                | 297                   | 45.11                                |
| 3. Under-assessment of tax under Central Sales Tax Act | 99                    | 29.39                                |
| 4. Non-levy/short levy of penalty                      | 107                   | 24.25                                |
| 5. Application of incorrect rate of tax                | 50                    | 6.75                                 |
| 6. Other irregularities                                | 289                   | 57.14                                |
| Total  | 1,116                 | 218.10                               |

Some of the important cases noticed in 1987-88 and earlier years, are mentioned in the following paragraphs.

#### 2.2 Short levy/non-levy of purchase tax

In three cases, involving non-levy of purchase tax, an amount of Rs. 48,282 was recovered (between October 1987 and August 1988) on being pointed out in audit. A few

other cases are mentioned below.

(a) 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 the prescribed Form ST-15, can purchase, without payment of tax, goods (other than those on which tax is leviable at 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 State Act.

(i) Two dealers of Ladwa, purchased by furnishing declaration in Form ST-15 without payment of tax, goods valuing Rs. 27.56 lakhs within the State and exported those out of India through another agency during the years 1983-84 and 1984-85. Such exports did not fall within the ambit of Section 5(1) of the Central Sales Tax Act and hence the use of Form ST-15 for purchasing the goods for such purposes was not permissible and purchase tax was leviable. While finalising the assessments (October 1985 and January 1986), the assessing authority incorrectly allowed deductions of Rs. 31.08 lakhs on production of export certificates. The mistake resulted in non-levy of purchase tax of Rs. 2.25 lakhs. Besides, interest of Rs. 22,717 and penalty of Rs. 32,020 for non-payment of tax alongwith returns were also leviable.

On the omission being pointed out (August 1986) in audit, the department referred (May 1988 and June 1988) the cases to the Revisional Authority for *sou motu* action. Further progress has not been received (December 1988).

(ii) A dealer of Hisar purchased, without payment of tax, on the strength of registration certificate, cotton seeds valuing Rs. 15.30 lakhs during the year 1983-84 and used them in the manufacture of cotton seed oil, out of which, oil valuing Rs. 7.15 lakhs was exported to other States otherwise than by way of sale in the course of inter-State trade or commerce. The assessing authority, while making assessment (August 1986), omitted to levy purchase tax on the proportionate value of cotton

seeds which worked out to Rs. 12.05 lakhs. This resulted in short levy of tax by Rs. 48,213. In addition, interest and penalty for non-payment of tax were also chargeable.

On the omission being pointed out (August 1987) in audit, the department referred (February 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December, 1988).

(iii) A dealer of Kurukshetra district, during 1983-84, purchased packing material, chemical stores, acids and gas etc. valuing Rs. 15.41 lakhs and used them in the manufacture of *ghee* which was transferred to his branches outside the State. The assessing authority, while finalising the assessment (December 1986), levied tax of Rs. 27,157 on purchases valuing Rs. 9.50 lakhs (on proportionate basis). The balance purchases of Rs. 5.91 lakhs were, however, omitted to be taxed as the dealer had wrongly shown them as goods of capital nature in the machinery account.

On the omission being pointed out (June 1987) in audit, the department reviewed the case and raised (March 1988) additional demand for Rs. 16,407 by admitting taxable purchases to the extent of Rs. 4.62 lakhs only and on determining the balance purchases as of capital nature. (The amount of Rs. 16,407 was recovered in March 1988). As the amount of tax on admitted purchases of Rs. 14.12 lakhs (on proportionate basis) works out to Rs. 49,499 against Rs. 43,564 levied, short levy of tax of Rs. 5,935 was again pointed out to department in July 1988; their reply has not been received (December 1988).

(iv) A dealer of Hisar purchased, without payment of tax, cotton seeds valuing Rs. 15.15 lakhs, during the year 1978-79 and used it in the manufacture of cotton seed oil valuing Rs. 9.81 lakhs, out of which cotton seed oil valuing Rs. 7.68 lakhs, was sent outside the State for sale on consignment basis. While levying (September 1986) purchase tax, the assessing authority erroneously worked out proportionate value of cotton seeds, consumed in the manufacture of cotton seed oil sent outside the State for sale on consignment basis, as Rs. 8.33 lakhs instead of Rs. 11.86 lakhs. The mistake resulted in short levy of purchase tax amounting to Rs. 14,112. Besides, interest of Rs. 28,459 was also chargeable for short payment of tax alongwith the returns.

On the mistake being pointed out (September 1987) in audit, the department stated that notice had been issued (November 1987) to the assessee. Further report has not been received (December 1988).

(v) A dealer of Karnal purchased taxable goods valuing Rs. 5.88 lakhs within the State, without payment of tax, on the strength of registration certificate, during the year 1984-85. Out of these, goods valuing Rs. 5.11 lakhs were used in the manufacture of tax free goods (agricultural implements). The assessing authority, while finalising (August 1986) the assessment, omitted to levy purchase tax on the proportionate value of the goods in the manufacture of tax free goods. The omission resulted in tax and interest amounting to Rs. 12,395 not being realised.

On the omission being pointed out (October 1987) in audit, the department raised (October 1987) demand for Rs. 12,672 against which recovery of Rs. 6,672 had been made (upto April 1988). Report on recovery of the balance amount has not been received (December 1988).

(vi) A dealer of Taraori (district Karnal) purchased, without payment of tax, *bardana* (gunny bags) valuing Rs. 1.15 lakhs from within the State and used it in the packing of rice exported outside the State otherwise than by way of sale during the year 1982-83. The assessing authority, while framing assessment (January 1986), levied purchase tax on the proportionate purchase value of paddy out of which the rice was husked and exported out of the State, but omitted to levy purchase tax on *bardana* used in the packing of the rice which resulted in tax being levied short by Rs. 8,179. Besides, interest and penalty for non-payment of tax alongwith quarterly returns was also chargeable.

On the omission being pointed out (January 1987) in audit, the department raised (September 1987) an additional demand for Rs. 18,994 (tax Rs. 8,179 ; interest : Rs. 6,815 ; penalty : Rs. 4,000). Report on recovery has not been received (December 1988).

(vii) A dealer of Ambala purchased raw material and consumable stores amounting to Rs. 41.20 lakhs within the State, without payment of tax, during 1983-84 and used them in the manufacture of goods, part of which were transferred to



his branches outside the State. While finalising (June 1986) the assessment, the assessing authority erroneously took the purchases at Rs. 35.68 lakhs instead of at Rs. 41.20 lakhs for the purpose of levying purchase tax. Besides, purchases made on the missing sequences of the declarations were also not investigated. The dealer was also liable to pay interest of Rs. 11,515 because the demand for Rs. 23,500 on such purchases, as determined and assessed to tax by the assessing authority, was not paid by the assessee along with the returns.

On the omission being pointed out (September 1987) in audit, the assessing authority reviewed his earlier orders under Section 41 and determined the purchases amounting to Rs. 5.85 lakhs for tax purposes. Purchases amounting to Rs. 2.43 lakhs on missing sequence of declarations were also determined. Accordingly, an additional demand of tax of Rs. 6,361 and interest of Rs. 4,929 was raised in March 1988. Interest of Rs. 11,515 on non-payment of tax was also levied. Report on recovery has not been received (December 1988).

(b) Under the Haryana General Sales Tax Act, 1973, if a dealer purchases goods, other than tax free goods from any source in the State and uses them in the State in the manufacture of tax free goods, tax is leviable on the purchase of such goods at the rate applicable for their sale in the State.

A dealer of Yamuna Nagar purchased, without payment of tax, paddy husk valuing Rs. 29.20 lakhs during the years 1983-84 and 1984-85. Out of this, paddy husk valuing Rs. 20.58 lakhs (on proportionate basis) was used as fuel in the manufacture of tax free goods. The assessing authority, while finalising (July 1986 and February 1987) assessments, levied tax on the paddy husk valuing Rs. 4.97 lakhs instead of Rs. 20.58 lakhs. The mistake resulted in short levy of tax of Rs. 63,691.

On the mistake being pointed out (May 1987) in audit, the department referred (December 1987) the cases to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

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

### 2.3. Incorrect deduction from turnover

(a) Under the Haryana General Sales Tax Act, 1973, a dealer, on the authority of his certificate of registration, can purchase, without payment of tax, goods other than those on which tax is leviable at the first stage, for use in the manufacture of other goods (not being free of tax on sale) for sale in the State or in the course of inter-State sale or for sale in the course of export out of India within the meaning of Section 5 (1) of the Central Sales Tax Act, 1956. When goods, so purchased are disposed of as such or as manufactured goods, otherwise than by way of sale or resale under circumstances in which no tax is leviable, there shall be levied a tax on the purchase of such goods at the appropriate rate prescribed in the state Act.

It has been held<sup>\*</sup> judicially that Section 5 (3) of the Central Act is not corollary of Section 5(1) and benefit of exemption from purchase tax, under Section 9 of Haryana Act to the purchase of certain goods which were used in the manufacture of other goods and the said manufactured goods were sold to foreign buyers, cannot be further extended to the purchase of goods sold to the exporters who exported them out of India.

(i) A dealer of Faridabad was allowed (December 1981) deduction of Rs. 89.64 lakhs on account of sale to registered dealers from his turnover of Rs. 2.52 crores during assessment for the year 1979-80. A scrutiny of records, however, revealed that the deductions aggregating Rs. 41.05 lakhs were not of the nature of sale to registered dealers, but these goods were exported out of India under Section 5(3) of the Central Act. Thus, tax on purchase of goods (valued at Rs. 18.78 lakhs, and used in the manufacture of goods (valued at Rs. 41.05 lakhs) exported out of India within the meaning of Section 5(3) of the Central Act, was leviable, but was not levied. This resulted in non-realisation of tax and interest amounting to Rs. 1.78 lakhs.

On the omission being pointed out (July 1984) in audit, the department referred (January 1987) the case to the Revisional Authority for *suo motu* action. The Revisional Authority accepted (October 1987) the objection and raised a demand for Rs. 1.78 lakhs (including interest of Rs. 1.02 lakhs). The dealer has gone (December 1987) in appeal before the Tribunal. Further report has not been received (December 1988).

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\* *Saraswati Udyog Vs State of Haryana and another* (1987) 65 STC 148 (Punjab and Haryana).

(ii) A dealer of Faridabad purchased, without payment of tax by furnishing declaration in Form ST-15, fish plates, distance pieces and rail clips valuing Rs. 6.14 lakhs during the year 1982-83 and exported them as such out of India. While assessing (November 1985) the tax, the assessing authority omitted to levy tax amounting to Rs. 24,560 on the purchase value of these goods. Besides, interest was also chargeable for failure to pay the tax due.

On the omission being pointed out (September 1986) in audit, the department referred (June 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

(b) Under the Haryana General Sales Tax Act, 1973, rice, one of the declared goods, is taxable at the point of first sale in the State effective from 7th September 1976. As per the Act, any amount collected by dealer by way of tax is not to be included in the turnover.

The assessing authority, while finalising (January 1987) the assessment for the year 1985-86 of a dealer of Yamuna Nagar, erroneously allowed the deduction of Rs. 2.58 lakhs, on account of tax collected by the dealer although the amount of tax was not included in the determined gross turnover of Rs. 78.58 lakhs. The incorrect deduction resulted in short levy of tax of Rs. 11,160. Besides, interest was also chargeable for non-payment of tax.

On the mistake being pointed out (May 1987) in audit, the department sent (February 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

The cases were reported to Government between February 1987 and May 1988; their reply has not been received (December 1988).

#### 2.4. Excess allowance of rebate on paddy

(a) Under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956, the rate of tax on the taxable turnover of rice and paddy is four per cent. However, in the case of rice produced out of paddy on the purchase of which tax has been levied inside the State, tax leviable on such rice is to be reduced by the amount of tax levied on such paddy.

(i) In the case of a paddy and rice dealer of Jind district, average purchase price of paddy was determined in March 1986 and March 1987 at Rs. 148.85 and Rs. 146.97 per quintal for the years 1984-85 and 1985-86 respectively by the assessing authority, but while allowing rebate of tax paid on paddy from the tax payable on rice, the purchase price of paddy per quintal was erroneously taken at Rs. 157.80 and Rs. 156.50 respectively. The allowing of excess rebate resulted in short levy of tax by Rs. 61,676.

On the mistake being pointed out (August 1987) in audit, the assessing authority referred (November 1987) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

(ii) In the case of rice dealer of Ambala Cantt., in computing the purchase tax on paddy, average purchase price of paddy was determined (March 1987) at Rs. 128.40 and Rs. 145.18 per quintal for the years 1982-83 and 1983-84 respectively, but while allowing rebate of tax paid on paddy from the tax payable on rice, the purchase price of paddy per quintal was erroneously taken at Rs. 137.24 and Rs. 156.81 respectively.

On the mistake being pointed out (November 1987) in audit, the department reviewed the case *de novo* and raised (April 1988) additional demand of Rs. 40,342. Interest for non-payment of tax alongwith returns was proposed to be charged separately. Report on recovery and on action taken to charge interest has not been received (December 1988).

(b) 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 tax levied on rice is, however, reduced by the amount of purchase tax paid in the State on paddy out of which rice is husked.

A dealer of Fatehabad sold 6,369 quintals (paddy consumed : 9,506 quintals) of rice valuing Rs. 15.41 lakhs to the District Food and Supplies Controller during 1984-85. The assessing authority, while finalising (August 1986) the assessment, allowed deduction amounting to Rs. 13.77 lakhs representing purchase value of paddy from which the rice was husked. In audit it was, however, observed (December 1987) that the dealer husked 12,168 quintals of paddy and was assessed to tax

on its purchase value at Rs. 13.51 lakhs (i.e. at the rate of Rs. 111 per quintal). Accordingly, the rebate of tax paid on paddy from the tax payable on rice was to be limited to Rs. 10.55 lakhs (9,506 multiplied by Rs. 111) against Rs. 13.77 lakhs allowed. The excess grant of rebate of Rs. 3.22 lakhs resulted in short levy of tax by Rs. 12,875. Similarly, the deduction on account of paddy sold to registered dealers and that remaining in stock was also allowed at the rate of Rs. 200 and Rs. 185 per quintal respectively against the average purchase price of Rs 133 per quintal. The mistake resulted in further short assessment of tax by Rs. 10,787.

On the mistake being pointed out (December 1987) in audit, the department referred (August 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

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

## 2.5. Incorrect computation of taxable turnover

(a) Under the Haryana General Sales Tax Rules, 1975, in calculating the taxable turnover, a registered dealer may deduct from his gross turnover the purchase value of goods, which have been subjected to tax at the first stage under Section 18 of the Haryana General Sales Tax Act, 1973, used by him in the manufacture of goods other than those specified in Schedule B for the purposes specified in Section 24 of the Act.

(i) A dealer of Karnal purchased light diesel oil (taxable at the stage of first sale) valuing Rs. 4.36 lakhs and Rs. 8.14 lakhs during the years 1984-85 and 1985-86 respectively after payment of tax and used it in the manufacture of steel products. While making assessments (February 1986 and December 1986), the assessing authority erroneously allowed deduction of tax of Rs. 35,463 and Rs. 66,542 from the tax assessed for the years 1984-85 and 1985-86, instead of the purchase value of light diesel oil from the gross turnover. The incorrect deduction resulted in under-assessment of tax amounting to Rs. 39,743, besides interest amounting to Rs. 6,193.

On the mistake being pointed out (October 1987) in audit, the department admitted (April 1988) the error and sent the

case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

(ii) A dealer of Faridabad purchased kraft paper (taxable at the stage of first sale) valuing Rs. 5.66 lakhs during 1982-83 after payment of tax and used it in the manufacture of paper and corrugated boxes valuing Rs. 1.17 crores, out of which manufactured goods valuing Rs. 35.63 lakhs were transferred to his branch offices outside the State. The assessing authority, while making assessment, allowed full deduction of Rs. 5.66 lakhs from the gross turnover instead of Rs. 3.82 lakhs being the proportionate value of kraft paper eligible for such deduction. The excess deduction of Rs. 1.84 lakhs resulted in short assessment of tax amounting to Rs. 13,138, besides interest of Rs. 7,991.

On the mistake being pointed out (February 1988) in audit, the department raised (March 1988) an additional demand of Rs. 21,129. Report on recovery has not been received (December 1988).

(iii) A dealer of Ambala City made purchases amounting to Rs. 65.39 lakhs from within the State without payment of tax on the strength of registration certificate during 1984-85. Further, goods valuing Rs. 6.41 lakhs were also purchased by the dealer after payment of tax of Rs. 48,355. The above goods were used in the manufacture of other goods valuing Rs. 226.22 lakhs, out of which goods valuing Rs. 106.18 lakhs were transferred to branches outside the State. The assessing authority, while computing tax on the purchase value of goods amounting to Rs. 34.17 lakhs (on proportionate basis) which were used in the goods transferred outside the State, erroneously allowed rebate of the entire amount of tax paid viz. Rs. 48,355 instead of allowing rebate only on the value of tax paid purchases used in the manufacture of goods transferred. This resulted in tax amounting to Rs. 24,651 being levied short, besides chargeable interest of Rs. 8,398 for short payment of the tax.

On the mistake being pointed out (December 1987) in audit, the department referred (March 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

(b) Under the Central Sales Tax Act, 1956, on inter-State sales of declared goods, not supported by valid declarations

from the purchasing dealers, tax is levied at the rate of 8 per cent. But when such sales are supported by the valid declarations, tax is leviable at concessional rate of 4 per cent.

As per quarterly returns for 1981-82, a dealer of Dabwali made inter-State sales amounting to Rs. 126.04 lakhs of which sales of Rs. 124.15 lakhs only were supported by valid declarations. The assessing authority, while finalising (February 1986) the assessment, however, assessed the gross inter-State sales of Rs. 124.15 lakhs only, thus turnover of Rs. 1.89 lakhs, not supported by declarations, escaped assessment and levy of tax of Rs. 14,875. Besides, interest for non-payment of above tax and short payment of tax due as per third and fourth quarterly returns was also chargeable but was not charged.

On the mistake being pointed out (May 1986) in audit, the department raised (January, 1988) the demand for tax of Rs. 37,296, interest of Rs. 11,114 and penalty of Rs. 762. On the discrepancy in the amounts of tax pointed out (June 1988) in audit and that demanded by the department, the department stated (June 1988) that action on rectification/re-assessment would be taken after the decision of the case pending before the Appellate Authority. Further report has not been received (December 1988).

(c) The Haryana General Sales Tax Act, 1973, provides that a dealer, on the authority of his certificate of registration, can purchase, without payment of tax, goods other than those on which tax is leviable at the first stage, *inter alia*, for use in the manufacture of other goods not being free of tax on sale, meant for sale in the course of inter-State trade or commerce or for sale in the course of export out of India. When such manufactured goods are disposed of, otherwise than by way of sale or resale under circumstances in which no tax is leviable, there shall be levied a tax on the purchase of such goods at the rate applicable under the Act.

A dealer of Faridabad purchased, without payment of tax, iron and steel valuing Rs. 153.98 lakhs and consumable stores valuing Rs. 7.76 lakhs during the year 1984-85 and used them in the manufacture of other goods valuing Rs. 1.80 crores, out of which goods amounting to Rs. 42.41 lakhs were transferred to other branches outside the State. However, the assessing authority, while computing (January 1987) taxable turnover, determined the proportionate value of iron and steel

and consumable stores used in manufacture of such transfers at Rs. 36.67 lakhs as against Rs. 38.09 lakhs worked out on proportionate basis. Besides, the stores goods were liable to tax at 8 per cent but were incorrectly taxed at 4 per cent. This resulted in short levy of tax amounting to Rs. 13,216. The interest and penalty for non-payment of tax along with the returns were also not charged.

On the omissions being pointed out (August 1987) in audit, the department re-examined the case and admitted the purchase value of goods used in stock transfer at Rs. 38.09 lakhs and raised (November 1987) an additional demand for Rs. 47,903, including interest (Rs. 33,687) and penalty (Rs. 1,000). Report on recovery has not been received (December 1988).

The cases were reported to Government between October 1986 and May 1988 ; their reply has not been received (December 1988).

## **2.6 Incorrect grant of exemption**

(a) Under the Haryana General Sales Tax Act, 1973, tax on paddy is chargeable at the last purchase in the State by a dealer liable to pay tax under the Act. Government by a notification (June 1979) exempted rural tiny industrial units from the payment of tax under the Act on the purchase or sale of any goods subject to such conditions as may be specified in such notification.

A rural tiny industrial unit of Panipat, engaged in the business of rice shelling, purchased paddy valuing Rs. 8.61 lakhs during 31st October 1984 to 24th November 1984 on the strength of his certificate of registration. He was also granted exemption certificate under the Act for a period of two years with effect from 26th November 1984 whereby he was not liable to pay tax. The assessing authority, however, while finalising the assessment (August 1986), did not levy tax though the paddy valuing Rs. 8.61 lakhs had been purchased prior to 26th November 1984 and was thus leviable to tax at the hands of the dealer, being last purchaser in the State. This resulted in non-levy of tax amounting to Rs. 34,460. Besides, interest and penalty were also chargeable.

On the omission being pointed out (October 1987) in audit, the department raised (March 1988) an additional



demand for Rs. 45,120 (including interest of Rs. 9,660 and penalty of Rs. 1,000). Report on recovery has not been received (December 1983).

(b) Under the Haryana General Sales Tax Act, 1973, a dealer can purchase, goods specified in his certificate of registration, *inter alia*, for use by him in the manufacture in the State of any goods other than those specified in Schedule B to the Act, for purpose of sale in the State or sale in the course of inter-State trade or commerce or sale in the course of export outside the territory of India within the meaning of Section 5(1) of the Central Sales Tax Act, 1956. When the manufactured goods are disposed of in any manner other than stated above, there shall be levied, subject to the provision of Section 17, a tax on the purchase of such goods at such rates as may be notified under Section 15, provided that no tax shall be levied on guar gum, manufactured in the State and also sold in the course of export outside the territory of India within the meaning of Section 5(3) of the Central Sales Tax Act, 1956.

A dealer of Faridabad purchased, without payment of tax, guar splits (seeds) from within the State during the year 1983-84 and used them in the manufacture of guar gum powder valuing Rs. 10.71 lakhs which was exported out of India within the meaning of Section 5(3) of the Central Sales Tax Act, 1956. While finalising the assessment in December 1984, the assessing authority allowed exemption from tax on the purchase value of goods used in the manufacture of guar gum powder treating it as the same commodity as guar gum. As guar gum powder is a different commodity from the guar gum, exemption allowed was not admissible. This resulted in non-levy of tax of Rs. 32,000, besides chargeable interest of Rs. 18,560.

On the mistake being pointed out (February 1986) in audit, the assessing authority referred the case to the Revisional Authority for *suo motu* action, who upheld the audit point and held (August 1987) that guar gum powder is not exempted from tax and raised a demand of Rs. 50,560 (including interest of Rs. 18,560). Report on recovery has not been received (December 1988).

(c) Under the Haryana General Sales Tax Act, 1973, goods specified in Schedule B to the Act, are exempt from levy of tax.

As per item 34 of Schedule B, fodder of every type (dry and green), but not including oil cakes, Gaur giri and chhilka of foodgrains, pulses and cotton seeds, is exempted from tax.

In the case of a dealer of Dabwali, exemption from levy of tax was incorrectly allowed on sale of chhilka of cotton seeds amounting to Rs. 3 lakhs during 1982-83 resulting in non-levy of tax of Rs. 12,000.

On the omission being pointed out (June 1986) in audit, the department raised (June 1988) an additional demand for Rs. 12,000. Report on recovery has not been received (December 1988).

The cases were reported to Government between October 1986 and April 1988; their reply has not been received (December 1988).

## **2.7. Short levy of tax on acceptance of invalid declarations**

The Haryana General Sales Tax Act, 1973, permits a dealer to claim deduction, from his gross turnover, on account of sale 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 (Form ST-15) obtained from the purchasing dealers.

In Faridabad, a dealer sold (June 1983) black steel tubes valuing Rs. 6.01 lakhs to a dealer of Bhiwani and claimed deduction thereof from his gross turnover for the assessment year 1983-84 by furnishing the prescribed declarations in Form ST-15 allegedly obtained from the purchasing dealer of Bhiwani. The deduction was allowed (August 1986) by the assessing authority. The declarations were stated to have been issued on 27th July 1983 under registration certificate No. 43,197 dated 19th August 1970. On enquiry by Audit, the assessing authority of Bhiwani stated (January 1988) that the registration certificate number given to the dealer of Bhiwani was BWN-2,210 and the declaration forms were issued on 27th September 1977. Reply regarding existence of Bhiwani dealer during 1983-84, account of purchases and its subsequent disposal by him was not given. The declarations in support of the deduction claimed were thus not genuine. The Faridabad dealer was, therefore, not entitled to the deduction. This resulted in short levy of tax of Rs. 24,050. Minimum penalty of Rs. 48,100 for wilful evasion of tax against invalid declarations also becomes leviable.

On the omission being pointed out (August 1987) in audit, the department admitted (August 1988) that the dealer had claimed deduction against improper ST-15 and stated that notice had been issued to him for further action. Further report has not been received (December 1988).

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

## 2.8. Suppression of sales

As per departmental instructions issued in October 1982, with a view to ensure that there was no evasion of tax, the assessing authority is required to verify, at the time of assessment, from the account books of the assessee, that all bills of lading received by the authority from the officer incharge of the sales tax check barrier have been properly taken in the accounts by the assessee. Further, under the Haryana General Sales Tax Act, 1973, if an assessee is found to have maintained false or incorrect accounts, and suppressed his sales or purchases or stock of goods or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act or the Rules made thereunder, 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.

In Sirsa district, in the assessment file of a dealer engaged in the business of manufacturing of straw board, 44 bills of lading in respect of inter-State sale of goods amounting to Rs. 7.31 lakhs and 46 bills of lading amounting to Rs. 7.89 lakhs for the years 1983-84 and 1984-85 respectively were on record. It was, however, noticed (May 1987) in audit that sales amounting to Rs. 5.93 lakhs and Rs. 7.35 lakhs only had been returned by the dealer during the years 1983-84 and 1984-85 respectively, which were accepted and assessed to tax by the assessing authority. Non-verification of sales with bills of lading and detection of suppression of sales by the dealer resulted in less determination of taxable turnover by Rs. 1.92 lakhs involving short levy of tax of Rs. 19,283, besides minimum penalty of Rs. 38,566 leviable for suppression of sales.

On the omission being pointed out (May 1987) in audit, the department referred (May 1988) the case to the Revisional Authority for *suo motu* action. Further report has not been received (December 1988).

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

## **2.9 Application of incorrect rate of tax**

In one case, involving under-assessment due to application of incorrect rate of tax, an amount of Rs. 10,430 was recovered on being pointed out in audit. Another case is mentioned below.

Under the Central Sales Tax Act, 1956, inter-State sales of goods, other than declared goods, which are not supported by the valid declarations in the prescribed form, are taxable at the rate of ten per cent or at the rate applicable to the sale of such goods inside the State, whichever is higher. Under the Haryana General Sales Tax Act, 1973, on sale of spare parts of motor vehicles, between April 1983 and August 1983, tax was leviable at twelve per cent.

On inter-State sales of motor spring leaves amounting to Rs. 6.25 lakhs (not supported by prescribed declarations) made by a dealer of Faridabad during April 1983 to August 1983, the assessing authority incorrectly levied (September 1986) tax at the rate of ten per cent instead of correct rate of twelve per cent. The mistake resulted in tax being levied short by Rs. 12,510.

The mistake was pointed out (August 1987) in audit, the reply of department has not been received (December 1988).

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

## **2.10 Short levy of tax due to incorrect classification**

Under the Haryana General Sales Tax Act, 1973, on sale of all types of yarn other than cotton yarn and knitting wool, tax is leviable at the rate of 2 per cent with effect from April 1979. It has been judicially held\* that woollen carpet yarn (kati) is neither yarn nor un-spun fibre used in weaving. As no specific rate has been provided for woollen

\*Commissioner of Sales Tax, Uttar Pradesh Vs Sarin Textile Mills (1975) 35 STC 634 (SC).

carpet yarn, it is taxable at the general rate of tax of eight per cent under the State Act and ten per cent (without 'C' forms) under the Central Sales Tax Act, 1956.

In the case of an assessee of Sonapat, it was noticed (September 1987) that, during 1984-85, turnover amounting to Rs. 1.49 lakhs representing inter-State sales of woollen carpet yarn was taxed at the rate of two per cent instead of at ten per cent. This resulted in short levy of tax amounting to Rs. 11,948, besides interest of Rs. 3,540.

The mistake was pointed out (September 1987) in audit, reply of department has not been received (December 1988).

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

#### **2.11. Less return of turnover**

Under the Haryana General Sales Tax Act, 1973, tax on paddy is leviable on last purchase in the State by the dealer liable to pay tax. The dealer is also required, under the Haryana General Sales Tax Rules, 1975, to file a list in Form ST-23-A showing particulars of goods purchased on the strength of certificate of registration within the State.

A dealer of Hisar returned purchases of paddy in the year 1985-86 at Rs. 57.05 lakhs, which was accepted and assessed (February 1987) to tax. It was, however, noticed (November 1987) in audit that the purchases actually amounted to Rs. 59.92 lakhs. This resulted in short determination of purchase value of paddy by Rs. 2.87 lakhs involving short levy of tax of Rs. 11,490 and interest of Rs. 3,048.

The department to whom the case was reported (July 1987) had referred the case (August 1987) to the Revisional Authority for *suo-motu* action. The Revisional Authority remanded (March 1988) the case for *de novo* assessment. Further report has not been received (December 1988).

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

#### **2.12. Irregular levy of tax at concessional rate**

Under the Central Sales Tax Act, 1956, on sales in the course of inter-State trade or commerce, tax is leviable at

four per cent provided a valid declaration, duly filled and signed by the purchasing dealer, is furnished to the assessing authority. In case the sales are not supported by the prescribed and valid declaration, tax is leviable at the rate of ten per cent (eight per cent in the case of declared goods) or at the rate applicable to the sale or purchase of such goods inside the State, whichever is higher.

(i) In Faridabad, in the case of a dealer, on inter-State sales of Rs. 1.90 lakhs, during 1982-83, tax was levied at concessional rate of four per cent against the declaration obtained from the purchasing dealer. A scrutiny in audit, however, revealed that the concessional rate was charged against the old and obsolete declaration which was valid upto 31st December 1980 only. Acceptance of invalid declaration resulted in under assessment of Central Sales Tax of Rs 11,415.

On the omission being pointed out (May 1987) in audit, the department, after affording an opportunity to the dealer for rectification, in review orders of 24th June 1988, raised additional demand for Rs. 11,415. Report on recovery has not been received (December 1988).

(ii) In the case of a dealer of Sonapat, sales turnover in course of inter-State sales during 1981-82 was assessed (October 1983) to tax at concessional rate of four per cent in respect of 58 transactions amounting to Rs. 3.82 lakhs which were supported with the prescribed declarations. On examination, it was, however, noticed in audit that in 11 cases involving sales of Rs. 83,322, the registration certificates granted under the Central Act to the purchasing dealer were valid from the date subsequent to the date of purchase and in 47 transactions amounting to Rs. 2.99 lakhs the concessional rate was charged against the old and obsolete declarations, which were valid upto 31st December 1980. The dealer, as such, was not entitled to concessional rate of tax.

On the mistake being pointed out (October 1984) in audit, the department afforded an opportunity to the dealer to rectify the mistake. As the dealer failed to replace 23 declarations valuing Rs. 1.64 lakhs and in respect of three declarations amounting to Rs. 22,837, failed to produce validity of declarations, the department in review orders of 1st September 1987 raised an additional demand of Rs. 11,231.

The cases were reported to Government in February 1988 and July 1988; their reply has not been received (December 1988).

### 2.13. Non-levy of penalty

Under the provisions of the Central Sales Tax Act, 1956, and 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.

In two cases, involving non-levy of penalty, an amount of Rs. 42,676 was recovered (October 1987 and December 1987) on being pointed out in audit. A few other cases are mentioned below.

(i) A dealer of Faridabad suppressed his sales amounting to Rs. 10.76 lakhs during the year 1983-84. While finalising (March 1985) the assessment, the assessing authority detected the suppression and assessed these sales to tax of Rs. 43,996. Though notice for levy of penalty was issued, but the same was not pursued. Minimum penalty of Rs. 87,992 was leviable. Besides, interest amounting to Rs. 11,000 for non-payment of tax was also chargeable, but was not demanded.

On the omission being pointed out (December 1985) in audit, the department raised (June 1987) the demand for Rs. 99,000 (including interest). Report on recovery has not been received (December 1988).

(ii) In the case of a dealer of Gurgaon, it was found that the bills of lading representing sales amounting to Rs. 1.96 lakhs were not accounted for in his books during the year 1983-84. The assessing authority, while finalising assessment (October 1986), enhanced gross turnover by Rs. 2 lakhs

(Rs. 20,180 under the State Act and Rs. 1,79,820 under the Central Act), assessed it to tax and stated that penal action for suppression of sales would be taken separately, but no such action was taken (February 1988).

On the omission being pointed out (March 1988) in audit, the department levied (March 1988) penalty amounting to Rs. 39,260. Report on recovery has not been received (December 1988).

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

#### **2.14 Interest not charged**

Under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956, a dealer is required to pay the full amount of tax due from him according to his return which is to be submitted by the prescribed date. On the basis of an audit observation made in August 1982, the department in consultation with the Law Department has held (July 1986) that there is a statutory liability to pay interest, wherever there is default in payment of tax within the period allowed by the law and that there was no difference between the words 'tax payable' and 'tax due'. It has also been judicially held\* that any doubt which an assessee may be entertaining about the liability to pay the tax, by either delaying the filing of the return or not filing the return at all or by filing a return wrongly, claiming that a certain part of the turnover is not taxable or by not disclosing a part of the taxable turnover, would not effect the liability to pay interest. Interest is chargeable in such cases, taking it as a default of the party at the first instance while filing the return. The State Act also provides that the amount specified in any demand notice is required to be paid within the period specified in such notice or in the absence of any period being specified, within thirty days from the date of service of such notice. 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

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\*Associated Cement Co. Ltd. Vs Commercial Tax Officer Kota (1981) 48 STC 466 (SC).



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.

In nine cases, involving non-charging of interest, an amount of Rs. 3.22 lakhs was recovered (between July 1987 and January 1988) on being pointed out in audit. Another case is mentioned below.

In eight districts, in respect of the assessment years 1974-75 to 1984-85 assessed between March 1979 and March 1987, 28 dealers either did not pay the tax due or paid short. The assessing authorities, however, failed to charge the interest. Interest not charged amounted to Rs. 17.37 lakhs as detailed in Appendix. Besides, penalty is also leviable.

On the omissions being pointed out (between May 1985 and October 1987) in audit, the department raised (between August 1986 and April 1988) additional demands for interest aggregating Rs. 11.81 lakhs in 26 cases and penalty of Rs. 2.36 lakhs in 10 cases. Out of this, interest of Rs. 51,664 was recovered between December 1987 and April 1988. Report on recovery and on action taken to levy interest and impose penalty in the remaining cases has not been received (December 1988).

The cases were reported to Government between July 1985 and March 1988; their reply has not been received (December 1988).

## 2.15. Exemptions allowed in assessments

Under the Haryana General Sales Tax Act, 1973 and the Rules made thereunder, exemption is allowed from the gross turnover of a dealer, if he makes sales to a registered dealer of goods other than those leviable to tax at first stage of sale or purchase under Section 17 or Section 18 of the Act, provided prescribed declaration is produced. A dealer claiming exemptions from payment of tax is required to file, alongwith return, lists in Form ST-12, ST-23A and ST-24A showing details of purchases/sales in respect of which exemption from payment of tax is claimed. The department issued instructions from time to time (August 1978, August 1981 and June 1987) requiring the assessing authorities to conduct cross verification of transactions exceeding Rs. 1,000 (Rs. 10,000 from June 1987) with

reference to the seller and purchaser records. The assessing authorities were also directed (July 1981) to verify sales shown by registered dealers to the rural industrial tiny units granted exemption under Section 13 of the Act and to ensure that these units are genuine and do not indulge in malpractices.

50,252 assessments were finalised during 1986-87 in 11 unit offices. In 816 assessments, test checked in audit, out of gross turnover of Rs. 672.89 crores, turnover aggregating Rs. 227.34 crores (34 per cent) was exempted from payment of tax, which should have been brought to tax at some stage or the other. Test check of 10,658 transactions each exceeding Rs. 50,000 involving Rs. 128.46 crores, however, revealed as under :—

(i) Out of 10,658 transactions, 10,496 transactions involving Rs. 126.74 crores were not referred to other unit offices for cross verification and the assessments were finalised (1986-87) in the absence thereof.

(ii) In respect of 163 transactions (each exceeding Rs. 50,000 involving Rs. 22.21 crores), lists in Forms ST-12, ST-23-A and ST 24-A and the prescribed declarations required to be filed alongwith the returns, were not filed by the dealers and the assessments were finalised (1986-87) in their absence.

(iii) Declarations in Form ST-14 filed by the dealers in respect of 361 items valuing Rs. 2.52 crores were accepted by assessing officers even though complete particulars of the dealers sales had not been given.

(iv) Results of cross verification in respect of 162 (out of 10,658) transactions (each exceeding Rs. 50,000) involving Rs. 1.72 crores initiated by the department were as under :—

(a) During 1982-83 and 1983-84, a dealer of Pehowa purchased paddy, without payment of tax, against declaration and the selling dealers were given exemption of Rs. 30.41 lakhs. The assessing authority in assessments for 1982-83 and 1983-84 (finalised in May 1986) did not charge tax from purchasing dealer, as the purchases being paper transactions only, were found ingenuine for which selling dealers were considered liable to pay tax. The assessing authority, however, made (June 1986) reference to his counterpart for levying tax on

selling dealers. It was, however, noticed (September 1988) in audit that tax of Rs. 1.22 lakhs leviable on the transactions was not levied either on the selling dealers or the purchasing dealers.

(b) A dealer of Sonapat made sales amounting to Rs. 23.51 lakhs during 1984-85 to a dealer of Panipat and claimed exemption therefor against Form ST-15. Cross verification of the transactions was initiated (November 1986) by the assessing authority, Sonapat from his counterpart at Panipat, who stated (November 1986) that the sales made by the Sonapat dealer to the Panipat dealer were not genuine. Though the assessment of the Sonapat dealer was finalised in March 1988, exemption on account of sales to Panipat dealer were not disallowed. This resulted in non-realisation of tax of Rs. 94,046.

(c) A dealer of Karnal district made sale of paddy valuing Rs. 9.42 lakhs during 1982-83 to a rural industrial tiny unit exempted under Section 13 and claimed exemption from payment of tax against the prescribed declarations obtained from him. The assessing authority rejected (March 1985) the sales and levied tax of Rs. 37,682 on the ground that purchasing dealer had no purchasing capacity and machinery for husking of paddy to the extent of purchases and no subsequent disposal of the goods was shown. On an appeal by the selling dealer, tax charged was refunded as he was not held responsible for non-verification of genuineness of the purchasing dealer. No action was, however, taken while assessing (March 1987) the purchasing dealer. This resulted in a loss of tax revenue of Rs. 37,682.

(d) A dealer of Faridabad made sale of iron and steel goods valuing Rs. 2.77 lakhs during 1982-83 to a dealer of Sirsa and claimed exemption against Form ST-15. Cross verification by the department revealed (June 1986) that the purchasing dealer had not accounted for the purchases. Accordingly, the exemption was disallowed (January 1987) and the sales were taxed. On appeal by the selling dealer, the Appellate Authority held (January 1988) that selling dealer was not responsible for non-accountal of purchases by the purchasing dealer when ST-15 Forms were issued by him. The exemption was, therefore, allowed (January 1988). It was noticed (August 1988) in audit that no action was taken to levy tax on the purchasing dealer resulting in non-realisation of tax of Rs. 11,075.

(v) Minimum penalty of Rs. 5.30 lakhs was also leviable under the Act in the cases involving tax of Rs. 2.65 lakhs mentioned in the sub-paras (a) to (d) above.

The above cases were pointed out to the department in July 1988 and were reported to Government in October 1988; their replies have not been received (December 1988).

#### **2.16. Non-production of assessment files**

At the time of local audit conducted during the year 1987-88, 1,607 assessment and refund cases, relating to 19 units assessed by the assessing authorities during the year 1986-87, were not produced to audit for scrutiny. No reasons were assigned for non-production of these assessment files. 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 department between May 1987 and June 1988 and to Government in September 1988; their replies have not been received (December 1988).

#### **2.17. Recovery at the instance of Audit**

In 51 cases (where money value of each case was less than Rs. 10,000), under assessments of tax and non-levy of interest and penalty amounting to Rs. 1.52 lakhs were accepted by the department and the amount was also recovered between July 1987 and May 1988.

## CHAPTER 3

### STAMPS AND REGISTRATION FEES

#### 3.1. Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1987-88, revealed short levy and non-levy of stamp duty and registration fee as also other irregularities in 985 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 of properties | 237             | 10.11                       |
| 2. Evasion of stamp duty and registration fee                                   | 145             | 7.50                        |
| 3. Short levy/non-levy of stamp duty and registration fee                       | 408             | 7.30                        |
| 4. Irregular exemption of stamp duty and registration fee                       | 151             | 5.44                        |
| 5. Other irregularities   | 44              | 0.83                        |
| Total   | 985             | 31.18                       |

Some of the important cases noticed in 1987-88 and earlier years are mentioned in the following paragraphs.

### 3.2. Under-valuation of immovable property

The Indian Stamp Act, 1899, as applicable to Haryana, requires that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of duty with which it is chargeable, should be fully and truly set forth therein. Under Section 47-A of the Act, as inserted in Haryana, if the Registering Officer, while registering any instrument transferring any property, has reason to believe that the value of the property or consideration has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector, for determination of the value or the consideration and the proper duty payable thereon, which will thereafter be decided by the Collector after giving an opportunity to the registering party. The Act further provides that any person who, with intent to defraud the Government, executes any instrument in which all the facts and circumstances required to be set forth in such instrument are not fully set forth, shall be punishable with a fine which may extend to five thousand rupees.

(i) In 18 registering offices in Faridabad, Kurukshetra, Karnal, Ambala, Hisar, Sonapat and Gurgaon districts, considerations in 91 sale deeds, registered between February 1985 and May 1987, were found to be much less than the values agreed upon between the parties and set forth in the agreements to sell, executed by them earlier and recorded with document writers. Stamp duty and registration fee were charged on the basis of considerations indicated in the sale deeds without comparing these with the considerations shown in the agreements to sell. The omission to refer the cases to the Collector for determination of considerations and proper duty payable resulted in stamp duty and registration fee being realised short by Rs. 3.13 lakhs. Besides, penalty for under-valuation done with intent to defraud the Government was also leviable, but was not levied.

On the omissions being pointed out (between August 1986 and November 1987) in audit, the department recovered (between September 1986 and April 1988) Rs. 7,922 (partly in 6 cases) and issued (between May 1987 and May 1988) notices for recovery of Rs. 92,399 in 31 cases. 30 cases involving revenue of Rs. 1.25 lakhs were referred to the Collector for determination of value of the property and proper

duty payable thereon. Report on recovery of Rs. 92,399, decision of Collector in 30 cases, action taken in the remaining 30 cases and penal action in all the 91 cases has not been received (December 1988).

(ii) On 23 sale deeds executed in five registering offices in Ambala and Gurgaon districts during April 1986 to January 1987, the considerations of the immovable properties (agricultural land) set forth in the sale documents were lower as compared to the average value of similar properties, registered during the previous five years in the same areas. The instruments were, however, not referred to the Collector for determination of proper value and duty payable thereon. This involved stamp duty and registration fee aggregating Rs. 62,497 being levied short.

On the omissions being pointed out (July 1987 and August 1987) in audit, the department recovered Rs. 1,381 (partly in one case) and referred 15 cases involving Rs. 44,284 to the Collector for determining the value of property and proper duty payable thereon. Report on action taken in respect of 8 cases involving Rs. 16,832 and on decision of the Collector (in 15 cases) has not been received (December 1988).

The above cases were reported to Government between November 1986 and March 1988; their reply has not been received (December 1988).

### 3.3. Irregular grant of exemption

By two notifications issued in October 1983, under the Indian Stamp Act, 1899 and the Indian Registration Act, 1908, Government remitted the stamp duty and registration fee leviable on deeds of mortgage (where possession of properties were not given) which are executed by agriculturists in favour of any commercial bank for securing loan upto Rs. 1,00,000 for the purchase of tractor with its accessories, tractor trolley and thresher, installation of tubewells based on diesel engine, boring and electrification of tubewell, laying in under-ground pipes, lining of water courses, levelling and reclamation of land and development of horticulture and for securing loan upto Rs. 60,000 for the purchase of pumping sets, cane crushers, bullocks or ploughs, spray equipments, sprinkler irrigation for agricultural purposes, dairy, piggery and crop loans or any other allied purpose.



In 10 registering offices in Sonapat, Kurukshetra, Karnal and Gurgaon districts, on 22 deeds of mortgage (without possession of the property) executed between April 1985 and March 1987 by agriculturists in order to secure loans from the banks, for purpose other than those specified in the notifications or on the amount of loan exceeding the prescribed limit, levy of stamp duty and registration fee was exempted. The irregular exemption resulted in stamp duty and registration fee amounting to Rs. 22,714 being not realised.

On the mistakes being pointed out (between April 1985 and September 1987) in audit, the department issued (February 1988) notices for recovery of Rs. 10,692 in respect of five cases. Report on recovery and action taken in remaining 17 cases has not been received (December 1988).

The cases were reported to Government in November 1987 and July 1988; their reply has not been received (December 1988).

### 3.4. Misclassification of instruments

(a) Under the Indian Stamp Act, 1899, a deed of settlement, *inter alia*, includes a non-testamentary disposition, in writing, of movable or immovable property, made for any religious or charitable purpose and is chargeable to stamp duty at a rate higher than that chargeable on a deed of declaration of trust.

In Sonapat, an instrument (by which movable and immovable property was donated to a trust created for charitable purposes) was registered (February 1983) as deed of declaration of trust instead of deed of settlement and assessed to stamp duty of Rs. 45 chargeable on trust deed. Value of movable and immovable properties donated to the trust were also not mentioned in the deed.

On the mistake being pointed out (October 1983) in audit, the Sub-Registrar referred the case to the Collector for determination of the duty payable on the properties donated to the trust. The Collector imposed a duty of Rs. 31,195 for which notice for recovery was issued to the party in June 1988. Report on recovery has not been received (December 1988).



(b) As clarified by Government in November 1986, tripartite agreement is a mortgage deed requiring compulsory registration and stamp duty thereon is payable in terms of Article 40 of the Schedule 1-A to the Indian Stamp Act, 1899.

In the office of Sub-Registrar, Faridabad, a mortgage deed was executed (March 1987) through a tripartite agreement between a firm, a Corporation and a bank (joint mortgagees) for securing a loan of Rs. 9 lakhs by the firm from the Corporation by depositing all title deeds and documents. The instrument was incorrectly viewed as memorandum of agreement and charged with stamp duty of Rs. 20 only instead of as a mortgage deed subjected to stamp duty of Rs. 13,500.

On the mistake being pointed out (November 1987) in audit, the department intimated (February 1988) that notice had been issued for recovery of Rs. 13,480. Further report has not been received (December 1988).

(c) The Indian Stamp Act, 1899 and the Indian Registration Act, 1908, as applicable to Haryana, require that where power of attorney is given for a consideration and it authorises the attorney to sell any immovable property, the deed is liable to stamp duty and registration fee as if it is an instrument of conveyance for the amount of consideration set forth therein.

Government instructed (October 1976) that where a person purchasing an immovable property for further sale did not get the conveyance deed executed in his favour and instead, on payment of sale consideration, obtained a power of attorney from the vendor authorising him to sell the property further to any party at his discretion on behalf of the vendor, the power of attorney should be subjected to stamp duty and registration fee for the sale consideration in terms of Article 48 (f) read with Article 23 of Schedule 1-A to the Indian Stamp Act, 1899.

Further, as per the Indian Stamp Act, 1899, when any instrument, whether executed or not and whether previously stamped or not, is brought to the Collector, the Collector shall determine the duty with which, in his judgement, the instrument is chargeable.

In Palwal, two agreements to sell were executed (June 1984 and November 1984) after receiving full consideration and handing over possession of properties to the purchasers. Simultaneously, power of attorneys authorising the purchasers

to dispose of property and sign sale deeds were given. Stamp duty and registration fee amounting to Rs. 10,452 was leviable on consideration as applicable for sale deed, whereas the deeds were charged with stamp duty and registration fee of Rs. 68 treating these as being of general power of attorney. The misclassification resulted in short levy of stamp duty and registration fee amounting to Rs. 10,384.

On the mistake being pointed out (March 1986) in audit, the registering officer referred (February 1987) the cases to the Collector for assessing the proper duty leviable. Further report has not been received (December 1988).

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

### **3.5. Short levy of stamp duty on lease deed**

Under the Indian Stamp Act, 1899, as applicable to Haryana, on instrument of lease, stamp duty is chargeable on the basis of period of lease and the amount of the average annual rent reserved.

In the office of Sub Registrar, Fatehabad, a lease deed, registered in October 1986 between two private parties, for a period of nine years set forth the value of annual rent reserved at Rs. 3 lakhs. Stamp duty leviable on the consideration of annual rent reserved and period of lease worked out to Rs. 18,750 against Rs. 5 levied by the department. This resulted in short levy of stamp duty of Rs. 18,745.

On the mistake being pointed out (December 1987) in audit, the Sub-Registrar stated (February 1988) that notice had been issued to the concerned party for effecting recovery. Further development has not been intimated (December 1988).

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

### **3.6. Non-levy of stamp duty on mortgage deed**

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

In Faridabad, an instrument of mortgage (without possession of the property) for securing loan of Rs. 11.45 lakhs from a bank against hypothecation of property, stocks of finished goods and raw materials, was executed (February 1987) on non-judicial paper of ten paise instead of that with stamp duty at one and a half per cent of the amount of loan secured. This resulted in non-levy of stamp duty of Rs. 17,175.

On the omission being pointed out (November 1987) in audit, the Sub-Registrar stated (February 1988) that notice for effecting recovery had been issued. Further report has not been received (December 1988).

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

### **3.7. Short recovery of stamp duty on exchange deeds**

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 *ibid* for a consideration equal to the value of the property of greatest value as set forth in such instrument.

In seven registering offices in Narnaul, Gurgaon, Karnal, Sirsa and Jind districts, on fifteen instruments of exchange of immovable properties, registered between June 1986 and March 1987, stamp duty was charged at lower rates as 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 stamp duty being levied short by Rs. 15,139.

On the mistake being pointed out (between July 1987 and May 1988) in audit, the department stated (between February 1988 and July 1988) that notices for the recovery of Rs. 10,328 had been issued in respect of nine cases. Report on recovery of Rs. 10,328 and also action taken in respect of remaining six cases has not been received (December 1988).

The matter was reported to Government in August 1988; their reply has not been received (December 1988).

### **3.8. Mistakes in calculations**

Under the Indian Stamp Act, 1899 and the Indian Registration Act, 1908, stamp duty and registration fee are leviable on the consideration set forth in the instruments.

In respect of 47 instruments of different nature registered in the offices of five Sub-Registrars of Faridabad district during the year 1986-87, stamp duty and registration fee amounting to Rs. 14,268 was realised short due to mistakes in calculations.

On this being pointed out (November 1987) in audit, the department stated (January 1988 and April 1988) that notices had been issued for recovery of Rs. 13,562 in 43 cases. Report on recovery and action taken in remaining 4 cases has not been received (December 1988).

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

### **3.9. Recovery at the instance of Audit**

In 60 cases (where money value of each case was less than Rs. 10,000) short levy of stamp duty and registration fee due to under-valuation of immovable properties, irregular grant of exemption and misclassification of instruments amounting to Rs. 1.21 lakhs was accepted by the department and the amount was recovered (between April 1987 and May 1988).

## CHAPTER 4

### A—TAXES ON VEHICLES

#### 4.1. Results of Audit

Test check of the records in departmental offices, conducted in audit during the year 1987-88, revealed under-assessment of tax as also other irregularities amounting to Rs. 43.60 lakhs in 14,559 cases, which broadly fall under the following categories :—

|  | Number of cases | Amount (In lakhs of rupees) |
|--|-----------------|-----------------------------|
| 1. Short-levy of token tax                               | 4,382           | 20.26                       |
| 2. Non-levy of token tax                                 | 209             | 8.79                        |
| 3. Non-renewal of registration of non-transport vehicles | 7,688           | 2.60                        |
| 4. Irregular exemptions                                  | 52              | 1.76                        |
| 5. Other reasons   | 2,228           | 10.19                       |
| Total  | 14,559          | 43.60                       |

Some of the important cases noticed in 1987-88 and earlier years and findings of a review on "Registration of motor vehicles and collection of fees and taxes on motor vehicles" are mentioned in the following paragraphs.

#### 4.2. Registration of motor vehicles and collection of fees and taxes on motor vehicles

##### 4.2.1. Introduction

Registration of motor vehicles, collection of fees on account of issue of permits, countersignature of permits and

licences issued to drivers and conductors are regulated under the Motor Vehicles Act, 1939, and the Punjab Motor Vehicles Rules, 1940, as applicable to Haryana. All motor vehicles, with certain exceptions, are required to be registered in the State in which the owner of the vehicle has residence or place of business where the vehicle is normally kept. The levy and collection of road tax is governed by the Punjab Motor Vehicles Taxation Act, 1924 (as applicable to Haryana) and the Rules framed thereunder. The tax is leviable on every motor vehicle, except certain vehicles or class of vehicles specifically exempted under the Act/Rules, and is recoverable in equal instalments for the quarterly periods commencing on the 1st day of April, July, October and January of each year at such rates as the State Government may by notification prescribe from time to time.

#### **4.2.2. Scope of Audit**

A test check of record relating to levy and collection of motor vehicles tax, during years 1984-85 to 1986-87, was conducted in audit, between March 1988 and May 1988 in the offices of 12 (out of 35) registering authorities in the State, with a view to see the compliance of orders on the subject and *inter alia*, maintenance of demand and collection registers and levy/collection of tax.

#### **4.2.3. Organisational set up**

The Sub-Divisional Officer (Civil) performs the functions of a 'Registering Authority' under the Motor Vehicles Act, 1939 as well as a 'Licensing Officer' under the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana. He ensures due observance of rules and maintains the records of registration of motor vehicles and payments of taxes/fees. Enforcement of the regulatory provisions of the Acts/Rules and checking of the tax is carried out by Transport and Police Departments of the State. Road Transport Check-barriers under the charge of Transport Sub-Inspector were established, on the borders of the neighbouring States, in September 1983. Besides, Regional Transport Authorities have been appointed in three divisions of the State for regulating use of transport vehicles and collection of fees. The overall charge of the Transport Department vests in the State Transport Commissioner, Haryana.



#### 4.2.4. Highlights

(i) Tax amounting to Rs. 4.88 lakhs was short recovered on contract carriages, owned by private companies or by individuals and used for carriage of parties or employees, during 1984-85 to 1986-87.

(ii) On 25 buses, tax was charged from the date later than that of their plying for carrying the passengers. Tax short recovered amounted to Rs. 1.62 lakhs.

(iii) On 24 Haryana Roadways buses, quarterly tax of Rs. 2.75 lakhs for certain period was not charged as the buses were stated to be off the road although the vehicles had actually been plied occasionally during the quarter concerned.

(iv) Arrears of revenue amounting to Rs. 1.55 crores, as at the end of March 1987, accumulated as recovery notices were not issued and action to recover these as arrears of land revenue was not initiated by department.

#### 4.2.5. Trend of revenue

The variations between Budget estimates and actual receipts of taxes on vehicles during years 1983-84 to 1987-88 are given below :—

| Year                  | Budget estimates | Actuals | Variations Increase(+) or Decrease(—) | Percentage of variations |
|-----------------------|------------------|---------|---------------------------------------|--------------------------|
| (In crores of rupees) |                  |         |                                       |                          |
| 1983-84               | 12.95            | 12.65   | (—)0.30                               | (—)2                     |
| 1984-85               | 13.58            | 14.15   | (+)0.57                               | (+)4                     |
| 1985-86               | 15.31            | 15.00   | (—)0.31                               | (—)2                     |
| 1986-87               | 17.14            | 15.57   | (—)1.57                               | (—)9                     |
| 1987-88               | 19.03            | 16.25   | (—)2.78                               | (—)15                    |

The shortfall in collection compared to Budget estimates during years 1983-84 and 1985-86 to 1987-88 ranged from 2 per cent to 15 per cent. The shortfall during 1986-87 and 1987-88 was due to lesser number of vehicles registered in the State and road tax of some vehicles registered in the previous years having been paid in other States.

#### **4.2.6. Loss due to delay in conveying the notification and levying tax**

By a notification issued on 28th September 1984, Haryana Government levied motor vehicle tax (effective from 1st October 1984) on contract carriages, owned by private companies/individuals and used for the carriage of parties or employees of the factories, at the rate of Rs. 200 per seat per annum. Further, as per the Taxation Act, on every vehicle not exempted under an inter-State agreement entered into under Section 63 of the Motor Vehicles Act, 1939, entering the State of Haryana against a temporary permit issued for a period not exceeding fifteen days, tax shall be levied equal to one-twenty-fifth of the tax payable per vehicle for a period of one year i.e. Rs. 8 per seat in the case of contract carriage.

(a) The above notification was, however, circulated by the Transport Department after delay of about 2 months (on 26th November 1984) and was received by the incharge Transport Check-barriers between 28th November 1984 and 7th December 1984 and the tax was not levied on contract carriages upto 14th December 1984. This resulted in short levy of tax amounting to Rs. 4.32 lakhs on 1,233 contract carriages with temporary permits crossing the barriers between 1st October 1984 and 14th December 1984.

On the omission being pointed out (February 1988 and March 1988) in audit, the department accepted (June 1988) the objection and stated that responsibility for the delay in issue of the instructions was being fixed. Further report has not been received (December 1988).

(b) In Karnal, Sonapat and Ballabgarh, on 18 contract carriage vehicles owned by the private companies/individuals and used for carriage of their employees, tax was recovered at rate lower than the prescribed rate during the years 1984-85 to 1986-87. The mistake resulted in tax being realised short by Rs. 56,232.



On the mistake being pointed out (between August 1985 and February 1988) in audit, the department recovered (between July 1987 and December 1987) Rs. 2,804 and issued notices (March 1988 and April 1988) to recover the balance amount. Report on recovery of balance amount of Rs. 53,428 has not been received (December 1988).

#### **4.2.7. Plying of buses before registration**

Under the Motor Vehicles Act, 1939, no person shall drive any motor vehicle nor cause or permit the vehicle to be driven in any public place or in any other place for the purpose of carrying passengers or goods unless the vehicle is registered. Further, under the Punjab Motor Vehicles Taxation Act, 1924, no vehicle, unless exempted by a specific order, can be put on road without payment of tax at the prescribed rate.

On 25 buses belonging to Haryana Roadways, Sonapat, Jagadhari, Karnal and Bhiwani, tax amounting to Rs. 1.62 lakhs had not been charged for the various periods between January 1986 and December 1986 during which the buses were plying before getting these registered between April 1986 and January 1987.

On this being pointed out (between January 1988 and March 1988) in audit, the department initiated action (March 1988 and April 1988) for recovery by issuing notices to Haryana Roadways. Further report has not been received (December 1988).

#### **4.2.8. Application of incorrect rate of tax**

Under the Punjab Motor Vehicles Taxation Act, 1924, and the Rules framed thereunder, stage carriage vehicles plying for hire and use for transport of passengers, excluding the driver and conductor, are subject to tax at Rs. 550 per seat per annum.

Haryana Roadways, Chandigarh deposited tax in respect of three stage carriage vehicles for the year 1987-88 at the rate of Rs. 200 per seat (applicable for contract carriage) instead of at the correct rate of Rs. 550 per seat. This resulted in short recovery of token tax amounting to Rs. 34,020.

On this being pointed out (March 1988) in audit, the department stated (May 1988) that notice had been issued for the recovery of deficient amount. Further report has not been received (December 1988).

#### **4.2.9. Non-realisation of tax**

The Punjab Motor Vehicles Taxation Act, 1924 and the Rules made thereunder, allow a person exemption from payment of tax in respect of vehicle for a quarter if he proves to the satisfaction of the licensing officer that he has not used or permitted the use of the vehicle throughout the said quarter and deposits the registration certificate with the licensing officer and also sends an advance intimation of his intention not to use the vehicle during the quarter for which exemption is claimed.

Haryana Roadways, Kaithal, Ambala, Gurgaon, Ballabgarh and Sonapat had not deposited tax in respect of 24 buses for various quarters ending between March 1984 and March 1987 on grounds of non-use of vehicles. Cross verification in audit of the records of the Haryana Roadways, however, revealed that the buses were plied by the Haryana Roadways beyond the date upto which tax had been paid. Certificates of registration were also not deposited in these cases. Thus, tax amounting to Rs. 2.75 lakhs had not been demanded for the quarter for which the vehicles had been plied.

On the omission being pointed out (November 1987 to March 1988) in audit, the department stated (between February 1988 and April 1988) that notices for the recovery had been issued. Report on recovery has not been received (December 1988).

#### **4.2.10. Irregular grant of exemption**

The Punjab Motor Vehicles Taxation Act, 1924, and the Rules made thereunder, provide for exemption from the liability to pay tax in respect of motor vehicles owned and kept for use by departments of Central or State Government. The exemption is, however, not admissible in respect of vehicles owned by the Government undertakings or autonomous bodies or local bodies.

In respect of combine harvesters used for hire and reward, tax is leviable at the rate of Rs. 1,500 per annum (based on the unladen weight of the vehicle effective from 1st April 1978).

(i) In Karnal, in respect of two combine harvesters used for hire and reward, tax amounting to Rs. 23,625 for the period from April 1978 to December 1987 was leviable, but was not levied.

On the omission being pointed out (February 1988) in audit, the department stated (April 1988) that notices had been issued for recovery of the amount. Further report has not been received (December 1988).

(ii) In Sonapat and Jagadhari, tax amounting to Rs. 13,215 for various periods during April 1983 to September 1987 was not levied in respect of 5 vehicles belonging to autonomous/local bodies.

On the mistake being pointed out (February 1988 and March 1988) in audit, the department issued (March 1988 and April 1988) notices for recovery of tax. Further report has not been received (December 1988).

#### 4.2.11. Non-realisation of trade certificate fee

Under the Punjab Motor Vehicles Rules, 1940, a manufacturer or a dealer in motor vehicles is required to obtain trade certificates on payment of fee of Rs. 100 upto ten certificates and Rs. 50 for each additional number of five or less certificates in respect of vehicles which remain in his possession in the course of the business of the manufacturer or dealer. The fee is payable annually in advance.

In respect of 56 dealers falling in the jurisdiction of registering authorities in Ballabgarh, Bhiwani, Gurgaon, Jind and Karnal, for issue of trade certificates, fee amounting to Rs. 19,960 was not realised during the years 1984-85 to 1986-87.

On this being pointed out (between March 1988 and May 1988) in audit, the department issued notices (March 1988 and April 1988) for recovery. Report on recovery has not been received (December 1988).

#### **4.2.12. Non-renewal of permits**

Registering authorities issue a permit, for plying a scooter-rickshaw within the municipal limit, on payment of a fee of Rs. 190, for a period of three years, after which the permit is required to be renewed on payment of the same amount of fee.

In Ballabgarh and Gurgaon, 113 permits issued to scooter-rickshaws were due to be renewed during 1986-87. These permits had not been renewed though the scooter-rickshaws had been plying during 1986-87 and 1987-88. Renewal fee of the permits not charged amounted to Rs. 21,470.

On this being pointed out (March 1988) in audit, the department issued (March 1988) notices to the scooter-rickshaws owners. Further report has not been received (December 1988).

#### **4.2.13. Other points**

##### **(a) Arrears of revenue and follow-up action towards recovery**

Every registered owner of the vehicles is required to pay tax quarterly at the rates laid down in the Schedule appended to the Punjab Motor Vehicles Taxation Act, 1924, before the due date and obtain a token. Payment of tax may be made by the owner of the vehicle at a place other than that where the vehicle is registered. Registering authority receiving the payment in such case shall intimate to the concerned registering authority regarding the payment of the tax. Note of payment of tax is made by the registering authority in the registration book of the vehicles and in a collection register, known as Token Register, maintained by him. The department does not raise any formal demand against the vehicle owner for the tax due. At the end of every month, the registering authorities are required to work out the arrears of tax in respect of vehicles on which the tax is leviable but not paid and issue notices to the owners of vehicles to pay the tax due. When a person neglects or refuses to pay any instalment of tax within one month from the expiry of the period fixed for such payment, the registering authority may forward to the Collector a certificate, under his signature, specifying the amount of arrear due from the person and the Collector on receipt of such certificate, shall proceed to recover from such person the amount specified therein as if it were arrears of land revenue.

It was, however, seen in audit that :

(i) Number and date of challans with which the quarterly instalments had been deposited into treasury were not entered into Token Register during the years 1984-85 to 1986-87 under proper attestation.

(ii) According to quarterly arrear report submitted by the registering authorities to the State Transport Controller, an amount of Rs. 1.55-crores (including Rs. 99 lakhs upto 1983-84) was outstanding and due for recovery at the end of March 1987. The department stated that arrears were due mainly to non-availability of owners of vehicles. The fact, however, remains that notices to the owners of vehicles, from whom the tax was due, had not been issued. Action to recover the amount as arrears of land revenue was also not initiated.

(iii) Registering authorities receiving the payment of tax in respect of vehicles not registered with them had not intimated the receipt of such tax to registering authority with whom the vehicle was registered during the years 1984-85 to 1986-87.

**(b) Non-reconciliation of remittances into treasury**

Fees and taxes, leviable under the Motor Vehicles Act, 1939, and the Punjab Motor Vehicles Taxation Act, 1924 and the Rules made thereunder, may be paid either in cash or in court fee stamps. The fees paid in cash are required to be deposited into Government treasury/banks through treasury challans prepared in duplicate. One copy of the challan is given by the bank to the depositor and the other is sent to the Treasury office. After payment of fee, the owner of the vehicle submits his copy of challan to the concerned registering authority. The financial rules require that the departmental officers should maintain a daily collection register. At the end of each month, credits as entered in this register are required to be reconciled with the treasury record and certificate to this effect obtained from the treasury officer.

In respect of all the 12 registering authorities test checked, it was noticed (March 1988 to May 1988) that the daily collection registers had not been maintained. The registering authorities stated that the register had not been maintained due to shortage of staff and no reconciliation had been done.

### (c) Pending cases

Under the Motor Vehicles Act, 1939, any police officer or other person authorised in this behalf by the State Government, may if he has reason to believe that any identification mark carried on a motor vehicle or any licence, permit, certificate of registration, certificate of insurance or other document produced to him by the driver or a person incharge of a motor vehicle is a false document within the meaning of Section 464 of the Indian Penal Code, seize the mark or document and call upon the driver or owner of the vehicle to account for his possession of or the presence in the vehicle of such mark or document. Secretary, Regional Transport Authority has been declared (December 1959) as an authorised officer under the Act.

On 31st March 1988, 25,121 (including 21,888 pertaining to period upto 1985-86) cases, where documents were impounded, were pending with Regional Transport Authorities, Ambala and Faridabad for decision. Non-disposal of the cases was attributed by the department to non-appearance of offending vehicle owners/drivers.

### (d) Mis-classification

It was noticed in audit that fee amounting to Rs. 1.06 crores realised on registration of vehicles during years 1983-84 to 1986-87 was credited to the head "Stamps and Registration Fees" instead of the correct head "Taxes on Vehicles" where Budget provision existed.

The foregoing paragraphs were reported to Government in August 1988; their reply has not been received (December 1988).

### 4.3. Short levy of penalty

Under the National and Zonal Permit Schemes and other bilateral agreements regulating inter-State vehicular traffic, vehicles registered in one State are authorised to ply in the other States on payment of prescribed composite fee and tax (in case of bilateral agreements). The amount of composite



fee is to be paid for the whole year, in advance, with an option to pay it in two instalments (before 15th March and 15th September respectively failing which there shall be levied penalty at the rate of Rs. 100 per month or part thereof for late payment of tax for each State.

The Regional Transport Authority, Ambala either did not charge or less charged penalty in respect of 19 public carrier vehicles for late payment of fee. Penalty not/less charged amounted to Rs. 15,100.

On the omission being pointed out (September 1986) in audit, the department recovered (July 1987) Rs. 5,100. Report on the recovery of the balance amount of Rs. 10,000 has not been received (December 1988).

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

#### 4.4 Recovery at the instance of Audit

In 32 cases (where money value of each case was less than Rs. 10,000), non-recovery/short recovery of tax amounting to Rs. 1.96 lakhs was accepted by the department and the amount was recovered between June 1987 and July 1988.

### B-PASSENGERS AND GOODS TAX

#### 4.5. Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1987-88, revealed short recovery and non-recovery of passengers and goods tax as also other irregularities in 1,105 cases, which broadly fall under the following categories :—

|  | Number of cases | Amount (In lakhs of rupees) |
|--|-----------------|-----------------------------|
| 1. Short assessment/non-recovery of passengers and goods tax | 519             | 9.21                        |
| 2. Non-levy of penalty                                       | 586             | 3.06                        |
| Total  | 1,105           | 12.27                       |

Some of the important cases noticed in 1987-88 and earlier years are mentioned in the following paragraphs.

#### **4.6. Irregular grant of exemption from goods tax**

The Punjab Passengers and Goods Taxation Act, 1952 and Rules made thereunder, as applicable to Haryana, provide for exemption from payment of passengers and goods tax in respect of vehicles owned or kept for use by departments of State Government for purely non-commercial purposes. This exemption is, however, not admissible in respect of the vehicles owned by Government undertakings and autonomous bodies.

In Gurgaon, in respect of three vehicles owned by Haryana State Electricity Board and two vehicles owned by Haryana State Minor Irrigation (Tubewells) Corporation (autonomous bodies), goods tax was not levied for various periods between January 1977 and September 1987. The mistake resulted in non-recovery of tax amounting to Rs. 54,674.

On the omission being pointed out (October 1987) in audit, the department recovered (May 1988) Rs. 14,562 and stated (June 1988) that efforts were being made to recover the balance amount. Further report has not been received (December 1988).

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

#### **4.7. Short realisation of passengers tax**

Under the Punjab Passengers and Goods Taxation Act, 1952, passengers tax is levied and charged at prescribed rates on fare on all passengers carried by a motor vehicle.

In one case involving short realisation of tax, an amount of Rs. 20,766 was recovered (between May 1987 and September 1987) on being pointed out (April 1986) in audit.



## CHAPTER 5

### OTHER TAX RECEIPTS

#### 5.1. Results of Audit

Test check of records of departmental offices dealing with the assessments, collection and realisation of other tax receipts, conducted in audit during the year 1987-88, revealed under-assessment of losses of revenue amounting to Rs. 308.82 lakhs in 409 cases as indicated below:—

| Name of tax revenue   | Number of cases | Amount (In lakhs of rupees) |
|-----------------------|-----------------|-----------------------------|
| (A) State Excise      | 238             | 306.26                      |
| (B) Land Holdings Tax | 171             | 2.56                        |
| Total                 | 409             | 308.82                      |

Some of the important cases noticed in 1987-88 and earlier years are mentioned in the following paragraphs.

#### A—STATE EXCISE

#### 5.2. Non-recovery of licence fee

Under the Haryana Liquor License Rules, 1970, licences for vending country liquor and Indian made foreign liquor are granted by auction. From 1st April 1983, a successful bidder is required to deposit, by way of security, an amount equal to sixteen and two-third per cent of the annual licence fee (bid money), of which 5 per cent is payable at the fall of hammer and the remaining eleven and two-third per cent within a period of ten days from the date of auction. The entire amount of security or its ninety per cent, as may be deemed proper by the Excise and Taxation Commissioner, is required to be adjusted against the last instalment of licence fee payable by him. The remaining licence fee is payable

in monthly instalment equal to one eleventh of the total annual licence fee by the 20th of the month. The Excise and Taxation Officer, incharge of the district, may authorise the licensee to deposit the amount of instalment or part thereof upto the last day of the month for which the instalment is due, on payment of interest at the rate of 15 per cent per annum for the period from the first day of the month to the date of payment of instalment or any part thereof deposited after the due date. In the event of failure to pay any instalment alongwith interest, where due, by the due date, the licence for vending is liable to be cancelled and re-auctioned at the risk and expense of the defaulting licensee.

In four cases, involving non-recovery of licence fee due to cancellation of vends and their re-auction at the risk and cost of the defaulting licensees, an amount of Rs. 1.73 lakhs was recovered on being pointed out in audit. A few other cases are given below.

In the year 1984-85, twelve licensees in Sonapat district were given licences for Rs. 49.93 lakhs for sale of country liquor and Indian made foreign liquor. After paying instalments and securities aggregating Rs. 29.60 lakhs, the licensees stopped making further payments. The department cancelled the licences and re-auctioned the vends for Rs. 15.47 lakhs at the risk and cost of defaulting licensees. The re-auction resulted in loss of Rs. 4.86 lakhs, which was recoverable from the defaulting licensees. In addition, an amount of Rs. 6,000, on account of expenses incurred on re-auction, was also recoverable from them. No action was, however, initiated to recover Rs. 4.92 lakhs by the department.

On this being pointed out (May 1985) in audit, the department stated (May 1988) that recovery proceedings against the defaulters had been started. Further report has not been received (December 1988).

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

### **5.3. Short realisation of excise duty**

The Punjab Chemical Works Rules, 1933, as applicable to Haryana, provide for monthly average allowance of 10 per cent towards wastage of rectified spirit issued for the manufacture of tinctures and other medicines made direct from crude drugs

and of 5 per cent wastage for manufacture of other tinctures and preparations for purpose of levy of excise duty. No separate rates for wastage have been prescribed in respect of Homeopathic medicinal preparations.

A Homeopathic Pharmaceutical unit in Faridabad was allowed (between June 1981 and March 1987) 10 per cent allowance towards wastage of rectified spirit issued for manufacture of medicinal preparations, on the quantity of spirit of original strength received in bond from time to time instead of on the quantity obtained after its dilution to the extent of strength being used for manufacture of medicinal preparations. The mistake resulted in short realisation of excise duty amounting to Rs. 34,534 on 2,874.974 proof litres of rectified spirit.

On the omission being pointed out (March 1988) in audit, the department recovered Rs. 9,546 in June 1988. Report on recovery of the balance amount of Rs. 24,988 has not been received (December 1988).

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

#### **5.4. Short levy of duty on excess wastage**

The Punjab Distillery Rules, 1932 prescribe wastage allowance of one and a half per cent of spirit during bottling operation. Further, the Punjab Liquor Permit and Pass Rules, 1932 provide for an allowance ranging from a half per cent to 2 per cent towards wastage of spirit in transit in metallic vessels.

In case of a brewery at Murthal, where wastage was allowed in excess of the prescribed percentage during 1986-87, an amount of Rs. 1.02 lakhs on account of short realisation of duty was recovered on being pointed out in audit in November 1987.

#### **5.5. Recovery at the instance of Audit**

In 67 cases (where money value of each case was less than Rs. 10,000), non-recoveries of interest and penalty amounting to Rs. 47,420 were accepted by the department. Out of which, an amount of Rs. 46,737 was recovered between May 1987 and February 1988.

**B—LAND HOLDINGS TAX****5.6. Short assessment of land holdings tax**

Under the Haryana Land Holdings Tax Act, 1973 and the Rules made 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 12 tehsils of Rohtak, Hisar and Sirsa districts, the classification of land had been changed in 980 cases during years 1977-78 to 1985-86, but assessment of land holdings tax was not revised by the department from the first day of May of the following year. The omission resulted in short realisation of tax by Rs. 58,352.

On the omission being pointed out (June 1985 and April 1987) in audit, the department recovered (between December 1985 and April 1988) Rs. 16,629 and demand for Rs. 25,363 had been raised. Report on recovery of Rs. 25,363 and also action taken to raise the demand for the balance amount of Rs. 16,360 has not been received (December 1988).

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

## CHAPTER 6

### NON-TAX RECEIPTS

#### 6.1. Results of Audit

Test check of records of departmental offices dealing with assessment, collection and realisation of non-tax receipts, conducted in audit during the year 1987-88, revealed under assessment or losses of revenue amounting to Rs. 101.69 lakhs in 1,770 cases as indicated below:—

| Name of department                    | Number of cases | Amount<br>(In lakhs of rupees) |
|---------------------------------------|-----------------|--------------------------------|
| Industries                            | 1,239           | 83.79                          |
| Public Works<br>(Buildings and Roads) | 303             | 15.52                          |
| Co-operation                          | 228             | 2.38                           |
| Total                                 | 1,770           | 101.69                         |

Some of the important cases noticed in 1987-88 and earlier years and findings of a review on "Recoveries of interest on loans and advances" are mentioned in the following paragraphs.

#### 6.2. Recoveries of interest on loans and advances

##### 6.2.1. Introduction

In pursuance of its policies and for achievements of various objectives, State Government gives loans and advances to various Public Sector Undertakings, Local Bodies, Co-operative Societies etc. and individuals (including Government employees). The loans granted usually carry interest, rate of which is fixed by the sanctioning authority keeping in view the purpose for

which the loan is provided. The period and manner of repayment of the loan is also settled before the grant of the loan and the same is indicated in the sanction to the grant of the amount. Interest earnings on such loans presently constitute a significant part of the non-tax revenue of the State. The table below indicates the position of total non-tax revenue, total interest receipts and interest realised on loans and advances during 1982-83 to 1986-87 :—

| Year                  | Total non-tax revenue | Total interest receipts | Interest realised on loans and advances* |
|-----------------------|-----------------------|-------------------------|--|
| (In crores of rupees) |                       |                         |  |
| 1982-83               | 159.88                | 46.95                   | 3.37                                     |
| 1983-84               | 179.54                | 53.03                   | 4.68                                     |
| 1984-85               | 214.48                | 67.93                   | 13.80                                    |
| 1985-86               | 258.12                | 73.86                   | 5.01                                     |
| 1986-87               | 296.62                | 80.71                   | 7.33                                     |

The rate of interest prescribed usually varies from 7 to 14 per cent depending upon the nature of loan, purpose and class of recipients and the period of repayment of loan. Penal rate of interest is chargeable on instalments of principal and interest not paid as per conditions of the loans; recovery thereof may be waived by Government.

### 6.2.2. Scope of Audit

During 1982-83 to 1986-87, State Government sanctioned loans amounting to Rs. 695.05 crores, of which loans amounting to Rs. 647.28 crores were sanctioned by departments of Co-operation, Industries, Irrigation and Power and Agriculture. A test check of recoveries of interest on loans and advances

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\* Exclusive of interest on investment of cash balances and interest from commercial undertakings.

sanctioned by these departments during the years 1982-83 to 1986-87 was conducted in the head offices of these departments and in 5 (out of 12) district industries centres in field offices (Panipat, Bhiwani, Hisar, Sirsa and Ambala) during period January 1988 to May 1988, with a view to verify the position regarding demand and recovery of interest.

#### 6.2.3. Organisational set-up

The proposals for sanction of loans and advances are processed by Heads of the Departments and are recommended to Administrative Department for sanction. Sanctions of loans and advances are issued by the Administrative Department with the concurrence of Finance Department. Recoveries of loans and advances alongwith interest are watched by administrative Head of the Department under the overall check of Finance Department.

#### 6.2.4. Highlights

(i) No control was being exercised by the Administrative Departments, over the maintenance of accounts records, furnishing of requisite returns and reconciliation of figures of receipts with those maintained by the treasuries and the Accountant General (A&E). Fourteen departmental officers were to furnish 93 returns regarding interest receipts during each of the years 1982-83 to 1986-87, but no return was furnished by any of them during the year 1982-83, whereas during 1983-84 to 1986-87, number of returns furnished varied between 23 and 27.

(ii) The liability of loans amounting to Rs. 64.24 crores being the share of Haryana State Electricity Board out of loans advanced to composite Punjab State Electricity Board remains to be settled. The Board has not repaid any part of the loan (Rs. 64.24 crores) and interest (Rs. 68.97 crores) thereon. Total amounts of loan and interest due at the end of 1986-87 were Rs. 898 crores and Rs. 303 crores respectively.

(iii) Loans amounting to Rs. 2.27 crores were granted without settling the terms and conditions. As a result, interest amounting to Rs. 86.24 lakhs (including penal interest of Rs. 68.71 lakhs) remained un-recovered.

(iv) Interest of Rs. 70.22 crores and penal interest of Rs. 19.01 crores remained un-recovered due to non-enforcement of recovery of interest/penal interest.

(v) Interest of Rs. 5.68 crores and penal interest of Rs. 2.28 lakhs were short charged due to incorrect calculations.

(vi) Interest free loans amounting to Rs. 8.80 lakhs granted to certain industrial units in contravention of terms and conditions of the scheme were recoverable in lump sum, but principal of Rs. 4.21 lakhs and interest of Rs. 7.17 lakhs were yet to be recovered.

(vii) Failure to initiate action for recovery as arrears of land revenue resulted in non-recovery of principal amount of Rs. 16.87 lakhs and interest of Rs. 11.14 lakhs from 657 industrial units, including 135 units closed subsequently.

(viii) Against loans granted to municipalities and improvement trusts, interest amounting to rupees three crores was outstanding at the end of March 1987.

#### 6.2.5. Lack of monitoring and control over recoveries of principal and interest

The State Government laid down (December 1961) the procedure and prescribed the form in which the ledgers of the loanes are to be maintained to keep watch over prompt assessment and recovery of interest on loans sanctioned. Field officers of each department entrusted with actual servicing of the loans are required to submit a monthly return by 10th of each month showing the receipts from interest to their controlling officers, who in turn, are required to send a consolidated return, each month, to the Accountant General (A&E). Finance Department had issued (December 1961) instructions that the departmental figures of receipts on account of loans and interest thereon should be regularly reconciled with receipts exhibited in the books of the treasury and the records of Accountant General (A&E). In respect of loans where the responsibility for maintenance of detailed records of loans devolves on the department, the administrative departments are required to intimate to the Accountant General (A&E), by the 10th of August every year, the arrears in recovery of principal and interest on the loans.



The State Government also laid down (March 1979) guidelines for watching recoveries of Government loans with interest from State undertakings and prescribed a loan register to be maintained by each Head of department to keep watch on loan disbursed and their timely repayment together with interest and penal interest. A reminder register is also to be maintained by the concerned Head of department in which reminder issued to loanee one month in advance of due date is to be entered. In order to ensure compliance, the investment cell in Finance Department is to scrutinise the register/records from time to time.

(a) During test check of records maintained by Co-operation, Industries, Agriculture and Irrigation and Power Departments, it was noticed that the loan registers were not maintained in Irrigation and Power Department whereas those maintained in Co-operation, Industries and Agriculture Departments were incomplete as these did not depict the position of principal/interest amount due/recovered/balance. No reminder registers were being maintained. No check was exercised on above registers by officials of Administrative/Finance Department. It was also noticed that neither any certificate of institutions not being in default was recorded by administrative departments while sending proposals for sanctioning loans nor any restraint was being exercised by Finance Department while accepting these proposals.

(b) There was a general lack of control by the administrative departments/Finance Department over the maintenance of complete records by field officers over the furnishing of requisite returns to prescribed authorities and over reconciliation of figures of receipt with those of treasuries and Accountant General (Accounts and Entitlements), as pointed out below :—

(i) Fourteen departmental officers were required to submit 93 returns concerning loans accounts maintained by them during each of the years 1982-83 to 1986-87 to the Accountant General (A&E), but no return was furnished during 1982-83, whereas during 1983-84 to 1986-87, number of returns furnished to the Accountant General (A&E) varied between 23 and 27.

(ii) The Haryana State Electricity Board, in their annual accounts for the years 1982-83 to 1986-87, had shown outstanding liabilities of interest on loans payable by the Board

to State Government, as under :—

| Year                  | Cumulative principal outstanding | Cumulative amount of interest payable |
|-----------------------|----------------------------------|---------------------------------------|
| (In crores of rupees) |                                  |                                       |
| 1982-83               | 510.25                           | 148.76                                |
| 1983-84               | 583.79                           | 178.40                                |
| 1984-85               | 659.61                           | 213.22                                |
| 1985-86               | 766.25                           | 254.47                                |
| 1986-87               | 898.13                           | 303.27                                |

Similarly, six financial trading institutions (undertakings) had loans outstanding against them during the years 1982-83 to 1986-87 and also paid certain amounts on account of interest thereon at one or the other time during these years, as under:—

| Year                  | Amount of loan outstanding against the undertakings at the end of the year | Amount of interest paid by one or more of these undertakings during the year |
|-----------------------|--|--|
| (In crores of rupees) |  |  |
| 1982-83               | 5.19   | —  |
| 1983-84               | 6.72   | 1.01   |
| 1984-85               | 6.78   | 0.66   |
| 1985-86               | 9.85   | 0.45   |
| 1986-87               | 10.26  | 0.25   |

However, no consolidated record indicating year-wise details of the arrears of interest and principal pending collection at the beginning of each year, amount realisable and demanded during the year, amount realised during the year and balance recoverable at the end of the year, was being maintained by any of the concerned departments despite instructions having been issued in December 1961 and March 1979.

(iii) Ledgers of loanes maintained in the offices of Registrar Co-operative Societies, Director of Industries, Director of Agriculture and Secretary to Government Haryana, Irrigation and Power Department and their field offices test checked (five districts) were incomplete, as the interest leviable on various loans had not been worked out from year to year. Rate of interest/penal interest chargeable was also not indicated therein.

(iv) The outstanding loans against industrial co-operatives and interest recoverable thereagainst at the end of years 1982-83, 1983-84, 1984-85, 1985-86 and 1986-87 were Rs. 52.11 lakhs, Rs. 56.76 lakhs, Rs. 57.95 lakhs, Rs. 57.95 lakhs and Rs. 63.01 lakhs respectively. No interest was received during these years. However, no records were shown to Audit to ascertain as to how details of these loans had been worked out. Reasons for non-recovery of interest were also not stated.

#### 6.2.6 Non-settlement of liability of loans and interest

Haryana State Electricity Board was constituted on 2nd May 1967 (on bifurcation from Punjab State Electricity Board). Loans aggregating Rs. 835.29 crores were outstanding as on 31st March 1987 against the Board, whereas as per Board's accounts, loans outstanding were to the tune of Rs. 898.13 crores. The difference of Rs. 62.84 crores is mainly due to the Board's share of assets and liabilities (Rs. 64.24 crores) of composite Punjab State Electricity Board accounted for by the Board in their accounts provisionally in the ratio fixed by Government of India pending settlement. The Board has neither repaid any part of these loans nor paid interest (Rs. 68.97 crores) due thereon from 1st May 1967 to 31st March 1987 due to non-settlement of the liability.

#### 6.2.7 Non-levy of interest due to non-settlement of terms and conditions of loans and non-enforcement of penal interest

Terms and conditions of loans laying down the period of repayment of loan and interest to be charged for repayment in time and penal rate of interest for delayed repayments are normally prescribed in the sanction itself.

(i) A loan of Rs. 22 lakhs was granted to Haryana State Small Industries and Export Corporation on 22nd March 1979 without settling terms and conditions of the

repayment of the loan. However, in November 1984, it was decided that the loan would be repayable in seven annual instalments with the first instalment becoming due from third anniversary of the drawal of loan, whereas interest was payable on 30th June and 31st December each year. Amount of loan of Rs. 9.43 lakhs, interest of Rs. 9.93 lakhs at the rate of 9 per cent and penal interest of Rs. 5.90 lakhs at the rate of 11 per cent remained unrecovered till finalisation of terms and conditions (November 1984).

(ii) The Punjab Financial Rules, as applicable to Haryana, provide for charging of interest at penal rate on all overdue instalments of principal and interest. Government issued instructions (March 1979) to charge penal interest at the rate of 2 per cent per annum over and above the normal rate of interest on all overdue instalments of principal and interest with effect from 1st June 1979, and to incorporate a clause in this regard.

Six loans aggregating Rs. 2.05 crores were sanctioned by Co-operation and Industries Departments during 1981-82 to 1983-84, but the clause of charging penal interest was not provided in the sanctions. This resulted in non-levy of penal interest of Rs. 62.81 lakhs. In addition, principal of Rs. 1.35 crores and interest of Rs. 7.60 lakhs had also become overdue (March 1987).

(iii) Sanctions of loans granted to Haryana State Electricity Board for Thermo-electric/Hydro-electric schemes and for repayment of loans to Haryana Urban Development Authority provided for charging of penal rate upto two times the rate of interest in case of default in repayment but Government could waive the penal interest if it was satisfied with the explanations tendered by the borrowing authorities. In respect of loans to Haryana State Electricity Board for inter-State transmission lines, there was a specific provision of rate of penal interest at the rates of 8.75 per cent to 10.5 per cent. However, loans granted to Irrigation and Co-operative units, penal interest was chargeable at the rate of 8.5 per cent to 12.5 per cent.

Neither the penal rate provision in respect of loans to Haryana State Electricity Board was waived by Government nor penal interest was recovered from the Board. On 139 loans of Rs. 523.88 crores granted between 1978-79 to 1986-87

to Irrigation and Power and Co-operation Departments, penal interest of Rs 19.01 crores (upto March 1987) for default in repayment of loans/interest was chargeable, but was neither worked out nor recovery enforced by the Government. Besides, overdue principal amount of Rs. 21.38 crores and interest of Rs. 70.22 crores was also recoverable from them.

#### 6.2.8. Short levy of interest/penal interest

Loans are granted by the State Government on stipulated terms and conditions and repayment of loans with interest is regulated through half-yearly or yearly instalments, as specifically provided for. Under the Punjab Financial Rules, as applicable to Haryana, the authority sanctioning the loan may on default in payment of interest on loan or advance on repayment of the principal, charge interest at penal rates.

It was noticed that in a number of cases, interest was not correctly calculated as detailed below :—

(i) The rate of interest for loans to Haryana State Electricity Board was raised from 5.5 per cent to 7 per cent per annum (effective from 1st April 1982) but in the sanctions accorded by Administrative department, rate of interest was continued to be mentioned as 5.5 per cent in respect of 17 loans of Rs. 92.30 crores sanctioned between April 1982 and September 1983. This resulted in short levy of interest of Rs. 5.42 crores (upto March 1987).

On this being pointed out (March 1988) in audit, the Finance Department directed (June 1988) Irrigation and Power Department to charge interest at the rate of 7 per cent.

(ii) In respect of four loans of Rs. 1.31 crores at the rate of 6.25 per cent to 8 per cent, granted between March 1983 and September 1986 to Haryana State Electricity Board for inter-State transmission lines, there was a provision in the sanctions that loans would be deemed to have been drawn prior to the date of sanction and interest would be charged accordingly. Interest of Rs. 35,033 was worked out from the date of actual drawal as against the amount of Rs. 4.29 lakhs chargeable (upto March 1987) on the basis of sanction.

(iii) As per sanctions of 33 loans to Haryana State Electricity Board, interest was payable half-yearly on 30th

September and 31st March each year. The interest was, however, calculated on total number of days upto end of the year instead of upto the first half year and the second half year separately. This resulted in short calculation of interest amounting to Rs. 1.10 lakhs (during 1982-83 to 1986-87).

(iv) On 18 loans of Rs. 57.30 crores and 6 loans of Rs. 3.65 crores, sanctioned (between April 1982 and June 1986) to Haryana State Co-operative Supply and Marketing Federation Limited and Haryana Land Reclamation Development Corporation respectively and repayable within 6 months from the date of drawal of loan in a single instalment, interest was chargeable at 6 per cent to 6.25 per cent with provision of penal interest at 8.25 per cent to 8.75 per cent. Although the entire amount of loans had been repaid, interest leviable thereon had been incorrectly calculated by charging interest for lesser period or allowing excess rebate for prompt payment of interest or by non-charging of penal interest on over due unpaid amounts to the end of March 1987 in these cases. This resulted in short recovery of interest amounting to Rs. 10.01 lakhs (including penal interest of Rs. 1.49 lakhs).

(v) A loan of Rs. 3.60 crores, repayable by 9th December 1985 in a single instalment together with interest, was advanced to Haryana Seeds Development Corporation on 10th June 1985. Interest at the rate of 6.25 per cent was chargeable. For prompt payment of loan/interest, rebate in interest at 0.25 per cent was admissible. In the case of default in repayments, penal interest at the rate of 8.75 per cent was chargeable.

The Corporation paid (October 1985 to January 1986) the principal of Rs. 2.60 crores and interest of Rs. 11.96 lakhs in 5 instalments in cash while the remaining loan of Rs. one crore was paid by adjustment against grant of fresh loan of Rs. one crore on 30th December 1985. The interest chargeable to the end of March 1987 actually worked out to Rs. 16.28 lakhs resulting in short recovery of interest of Rs. 4.32 lakhs. Further, penal interest of Rs. 46,412 was leviable on amount of interest short charged.

(vi) A loan of Rs. 3.50 crores was granted to Haryana Seeds Development Corporation on 10th May 1984. It was repayable within 6 months in a single instalment together with interest. The rate of interest chargeable was 6.25 per cent, but for prompt repayment of loan/interest, rebate of 0.25

per cent was admissible. In case of default in repayment of due amount of principal/interest, penal interest at 8.75 per cent was leviable.

The Corporation paid Rs. 1.50 crores in cash between October 1984 to November 1984 leaving a balance of Rs. two crores as outstanding. On 3rd January 1985, Government sanctioned another loan of Rs. two crores adjusting the outstanding balance of loan granted in May 1984. This fresh loan was also repayable at the end of 6 months, but it was repaid in two instalments in January 1985 (Rs. 25 lakhs) and March 1985 (Rs. 1.75 crores). Interest due upto 2nd January 1985 works out to Rs. 10.74 lakhs whereas it was worked out upto 30th November 1984 as Rs. 9.16 lakhs. This resulted in short payment of interest of Rs. 1.58 lakhs. Penal interest of Rs. 32,847 was also chargeable (March 1987).

On this being pointed out (March 1988) in audit, the department admitted (April 1988) short recovery in the above three cases (sub paras (iv), (v) and (vi)) and directed the Corporations to deposit the balance amount of Rs. 16.70 lakhs (including penal interest).

(vii) A loan of Rs. 40 lakhs was granted to Haryana State Industrial Development Corporation (HSIDC) on 21st March 1984. The loan was repayable in 10 equal annual instalments commencing from March 1986 with interest at the rate of 7 per cent. Industries Department, however, issued instructions (September 1984) that on all loans granted to HSIDC during 1983-84, the rate of interest would be 12 per cent as already fixed by the Finance Department in November 1983. But HSIDC continued to pay interest at the rate of 7 per cent. No action was taken by the department to enforce recovery of interest at the enhanced rate. Interest short charged and not demanded amounted to Rs. 6.68 lakhs (including compound interest to the end of March 1987).

#### 6.2.9. Loans to Haryana Agro-Industries Corporation

Eleven loans aggregating Rs. 14.04 crores were granted to Haryana Agro-Industries Corporation during years 1978-79 to 1983-84, which were either drawn in cash or through book adjustment for wiping out old loans or extinguishing interest liability. These carried simple rate of interest of 5.25 per cent to 6 per cent with penal interest provision of 7.75 per cent to 8.5 percent in case of default in payment. The loans were

repayable within 6 months from the date of drawal in a single instalment alongwith interest. These loans included five loans amounting to Rs. 3.50 crores (carrying interest of 5.25 per cent with penal rate provision of 7.75 per cent) disbursed in cash, as per details below :—

| Date of drawal        | Amount of loan<br>(In crores of rupees) |
|-----------------------|---|
| 1. 2nd August 1978    | 1.00                                    |
| 2. 18th November 1980 | 0.66                                    |
| 3. 4th February 1981  | 0.50                                    |
| 4. 4th July 1981      | 1.00                                    |
| 5. 23rd October 1981  | 0.34                                    |
|                       | <hr/> 3.50 <hr/>                        |

The Corporation neither repaid any part of the loans nor any amount of the interest due thereon. However, to adjust the above loans, fresh loans were granted by the State Government repeatedly to wipe out the old loans as under :—

| Amount<br>of loan<br>(In crores<br>of rupees) | Adjusted and re-adjusted<br>on   | Outstanding<br>balance on<br>31st March<br>1987 |
|---|--|---|
| 1.00  | 25th February 1981, 12th February 1982, 10th September 1982 and 11th March 1983. | Full amount.                                    |
| 0.66  | 20th July 1981, 10th September 1982, 11th March 1983.                            | Full amount.                                    |
| 0.50  | 12th February 1982, 10th September 1982, 11th March 1983.                        | Full amount.                                    |
| 1.00  | 12th February 1982, 10th September 1982, 11th March 1983.                        | Full amount.                                    |
| 0.34  | 10th September 1982, 11th March 1983.  | Full amount.                                    |
| <hr/> 3.50 <hr/>                              |  |   |



A loan of Rs. 98 lakhs was also sanctioned in November 1983 for adjustment towards the interest/penal interest due on the previous loans. At the end of March 1987, loan of Rs. 4.48 crores (Rs. 3.50 crores plus Rs. 98 lakhs) and interest of Rs. 1.50 crores (after adjustment of Rs. 98 lakhs) were outstanding.

#### **6.2.10. Irregular grant of interest free loans and non-realisation of interest.**

State Government grants interest free loans to certain categories of industries in lieu of Central sales tax paid under Central Sales Tax Act, 1956 subject to the provisions of the Punjab State Aid Industries Act, 1935 and the Rules made thereunder. Under the scheme, the pre-condition for the grant of interest free loan is that the loanee unit shall effect all inter-State sales of goods manufactured within its/their own premises from the State of Haryana. Government clarified (February 1985) that those industrial units who effect inter-State sales alongwith other types of sales, including consignment sales or branch transfers, would not be covered under the scheme. Further, under the Industries Act, in case of misutilisation of the loan, the loanee is required to refund the loan in lump sum together with interest at the rate of 12 per cent.

A test check of the records of General Manager, District Industries Centre, Hisar revealed that 22 loans aggregating Rs. 8.80 lakhs were granted to 11 industrial units during 1980-81 to 1982-83 as interest free loans in lieu of Central sales tax paid by them though these units were not eligible for the grant of interest free loans as they had despatched manufactured goods outside the State of Haryana for sale on consignment basis on which no Central sales tax was paid by the loanees and hence they were liable to refund the loan in lump sum alongwith interest at the rate of 12 per cent. Though in some cases, loan of Rs. 4.59 lakhs had been got refunded (July 1985 to March 1987), the interest at the rate of 12 per cent had not been charged and recovered. This resulted in non-realisation of loan amounting to Rs. 4.21 lakhs and interest of Rs. 7.17 lakhs (March 1987).

#### **6.2.11. Loan as seed money/margin money**

Loans in the shape of seed money/margin money given to industrial units, are recoverable alongwith interest

at the rate of 4 per cent/5½ per cent per annum. The Director of Industries directed (February 1985) the General Managers, District Industries Centres to exercise the powers of recovery of outstanding seed money/margin money as arrears of land revenue under Haryana Public Monies (Recovery of Dues) Act, 1979. Prescribed proformas for issuing notices under the above Act to loanees for default in repayment of principal/interest or misutilisation of loan and taking action for obtaining recovery certificate from Collector were also issued (May 1986).

(i) An amount of Rs. 1.20 crores was disbursed to 1,819 units in five district industries centres during years 1979-80 to 1986-87. In two districts (Sirsa and Hisar), the position of principal/interest due, paid and balance out of total amount of Rs. 41.86 lakhs disbursed to 740 units was not furnished. In the other three districts (Ambala, Bhiwani, Panipat), out of total amount of Rs. 77.96 lakhs disbursed to 1,079 units, principal of Rs. 14.78 lakhs and interest of Rs. 8.50 lakhs were due for recovery against which recovery of principal of Rs. 4.33 lakhs and interest of Rs. 1.77 lakhs was only made, leaving principal amount of Rs. 10.45 lakhs (71 per cent) and interest of Rs. 6.73 lakhs (79 per cent) unrecovered (March 1987) from 522 units. No action was taken to recover the outstanding dues as arrears of land revenue.

(ii) An amount of Rs. 7.29 lakhs was disbursed to 135 units during years 1979-80 to 1986-87 in three district industries centres (Ambala, Bhiwani and Panipat). These units had ceased to function in the year the loans were disbursed and as such whole amount alongwith 12 per cent interest was recoverable in lump sum. Against the principal amount of Rs. 7.29 lakhs and interest of Rs. 4.73 lakhs due (upto March 1987), principal of Rs. 86,655 and interest of Rs. 31,813 was recovered, leaving a balance principal of Rs. 6.42 lakhs (88 per cent) and interest of Rs. 4.41 lakhs (93 per cent) unrecovered (March 1987). No action was taken (March 1987) to recover the outstanding amount of Rs. 10.83 lakhs as arrears of land revenue.

#### 6.2.12. Loans for aerial spray

Aerial spray on cotton for combating insect pests was introduced in Hisar and Sirsa districts on voluntary basis during 1978-79. Part of the expenditure at the rate ranging

from Rs. 25 to Rs. 40 per acre incurred was treated as loan recoverable from farmers. Loanee files village-wise, after completion of aerial spraying on cotton, were to be submitted by field officers of Agriculture Department to revenue authorities by 30th November each year for recovery in lump sum along-with 12 per cent interest per annum.

As per records of Agriculture Department, loan of Rs. 1.93 crores was recoverable from beneficiaries as part of expenditure incurred on aerial spray during years 1982-83 to 1986-87.

It was, however, noticed that in Sirsa district, an amount of Rs. 98.30 lakhs was treated as loan by Revenue Department for recovery against loan amount of Rs. 99.57 lakhs created by Agriculture Department during 1982-83 to 1986-87, resulting in short creation of demand of Rs. 1.27 lakhs besides recoverable interest of Rs. 1.35 lakhs (upto March 1987). An amount Rs. 30.83 lakhs (including interest of Rs. 4.79 lakhs) was in arrears at the end of March 1987. Out of above, interest of Rs. 1.27 lakhs and Rs. 3.52 lakhs remained unrecovered for five to nine years and one to five years respectively.

#### 6.2.13. Arrears of loan and interest

(i) As detailed accounts of the interest realisable at the beginning of the year, interest due for recovery during the year and the balance outstanding for recovery at the end of the year, were not maintained properly by the departments, the outstanding arrears of interest in respect of loans could not be ascertained. However, a test check of records maintained in the field offices of departments of Co-operation, Agriculture and Industries revealed the following position of arrears of principal/interest.

(a) In Co-operation Department, the loans were granted for running Central Co-operative Consumers Stores in Haryana during years 1963-64 to 1981-82. In five districts, principal of Rs. 13.64 lakhs and interest of Rs. 12.18 lakhs was over due as on 31st March 1987. Out of this, principal of Rs. 10.08 lakhs (74 per cent) and interest of Rs. 6.03 lakhs (50 per cent) were outstanding for more than 20 years.

(b) Outstanding loans (*taccavi*) granted to farmers under Land Improvement Loans Acts of 1883 and 1884 for purchase of agricultural inputs were recoverable as arrears of land revenue

by revenue authorities. In four districts, it was noticed that a sum of Rs. 4.42 crores (including interest of Rs. 47.68 lakhs) was recoverable at the end of March 1987. Out of above interest, a sum of Rs. 11.76 lakhs (25 per cent) was lying unrecovered for 15 to 35 years.

(c) In case of loans granted under State Aid to Industries Act, 1935, a sum of Rs. 48.80 lakhs (including interest of Rs. 20.95 lakhs) was in arrears (as on 31st March 1987) in seven units, out of which Rs. 40.72 lakhs (including interest of Rs. 17.24 lakhs) were in arrears since 1950-51 onwards in five units.

(d) In respect of loans granted by Irrigation Department, an amount of Rs. 98.98 crores (including interest of Rs. 12.82 crores) was outstanding at the end of March 1987 against Haryana State Minor Irrigation (Tubewells) Corporation.

(ii) As per the accounts of loans granted to municipalities and improvement trusts, detailed accounts of which are kept by Accountant General (A & E), huge amounts of loans and interest thereon were overdue for recovery at the end of year, as detailed below :—

| At the end<br>of the year | Amount of principal<br>in arrears | Amount of<br>interest in<br>arrears |
|---------------------------|-----------------------------------|-------------------------------------|
|                           | (In crores of rupees)             |                                     |
| 1982-83                   | 33.71                             | 0.92                                |
| 1983-84                   | 57.07                             | 1.30                                |
| 1984-85                   | 80.04                             | 1.75                                |
| 1985-86                   | 109.21                            | 2.37                                |
| 1986-87                   | 139.70                            | 3.00                                |

The above points were reported to Government in June 1988; their reply has not been received (December 1988).

## A—INDUSTRIES

### (Mines and Minerals)

#### 6.3. Non-recovery/short recovery of royalty

Under the Punjab Minor Minerals 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. Royalty on brick-bats is recoverable at the rate of rupee one per thousand of brick-bats sold. He is also required to submit to the department, quarterly/half-yearly returns showing quantities of minor minerals (brick earth) extracted by him from the leased area or number of bricks sold by him.

(i) In District Industries Centres, Sonapat and Panipat, returns of brick earth extracted or bricks sold during the years 1984-85 to 1986-87 were neither submitted by 211 brick-kiln owners to the department nor were these returns called for by the department. One brick-kiln owner did not pay any royalty, whereas 210 brick-kiln owners had, on their own assessment, paid royalty amounting to Rs. 1.98 lakhs which was accepted by the department without verifying its correctness. A scrutiny in audit of the records in the offices of the District Food and Supplies Controllers, however, revealed (between March 1986 and November 1987) that 21.96 crores bricks and 90.15 lakhs brick-bats were reported as sold by 211 brick-kiln owners during 1984-85 to 1986-87 on which royalty amounting to Rs. 6.68 lakhs was payable. Royalty, thus, realised short amounted to Rs. 4.70 lakhs.

On the omission being pointed out (March 1986 and November 1987) in audit, the department recovered (between July 1986 and May 1988) Rs. 1.38 lakhs and initiated action for the recovery of balance amount of Rs. 3.32 lakhs. Further report has not been received (December 1988).

(ii) In District Industries Centre, Hisar, returns of brick earth extracted or bricks sold during the year 1985-86 were not submitted regularly by 35 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. 49,738 which was accepted by the department without verifying its correctness. A scrutiny in audit of the records in the office of the District Food and Supplies Controller, Hisar revealed that during 1985-86, 4.32 crores bricks had been sold by these brick-kiln owners, on which royalty amounting to Rs. 1.30 lakhs was recoverable. Royalty, thus, paid short amounted to Rs. 79,998.

On this being pointed out in audit (December 1986), the department recovered (between January 1987 and March 1988)

Rs. 50,130. Report on recovery of the balance amount of Rs. 29,868 has not been received (December 1988).

The cases were reported to Government between May 1986 and May 1988; their reply has not been received (December 1988).

#### 6.4. Non-levy/short levy of interest/royalty

In two cases involving non-levy of interest and short recovery of royalty, an amount of Rs. 40,112 was recovered (March 1988 and July 1988) on being pointed out in audit. A few other cases are given below.

(a) Industries Department allotted industrial sheds in the industrial estate, Ambala in 1976, on hire purchase basis, to persons whom these sheds were given on lease prior to January 1976. As per terms and conditions of the allotment letter, the allottees were required to pay 20 per cent of the cost of sheds fixed by Government as security and balance 80 per cent in ten equated annual instalments, commencing on 1st January 1977, alongwith interest at the rate of 7 per cent per annum. In the event of default in payment, interest at the enhanced rate of 9 per cent per annum is recoverable for period of default.

Four allottees paid the annual instalments after the stipulated dates during January 1977 and January 1986. On the belated payments, interest amounting to Rs. 61,093 (upto December 1986) was recoverable, but was not demanded.

On the omission being pointed out (March 1987) in audit, the department recovered (June 1988) Rs. 6,476 and stated (July 1988) that efforts were being made to recover the balance amount. Further report has not been received (December 1988).

(b) Under the Mines and Minerals (Regulations and Development) Act, 1957, a holder of a mining lease is required to pay royalty on any mineral removed or consumed by him or his agent from the leased area by the dates stipulated in the deed. Under the Minerals Concession Rules, 1960, simple interest at 15 per cent per annum is chargeable in the event of default in payment so long as the default continues.

In Faridabad, 5 contractors had not deposited the royalty in respect of silica sand quarries by the stipulated

dates during the year 1984-85. Interest chargeable on belated payment amounted to Rs. 26,991, which was not demanded.

On the omission being pointed out (March 1986) in audit, the department stated (February 1988) that a sum of Rs. 23,774 had been recovered. Report on recovery of the balance amount of Rs. 3,217 has not been received (December 1988).

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

#### **6.5. Non-recovery of contract money/interest**

The Punjab Minor Minerals Concession Rules, 1964, require a lessee to pay monthly instalment of contract money, in advance by the stipulated date. In the event of default, he is liable to pay interest at the rate of twelve per cent per annum so long as the default continues.

In three cases involving non-recovery of contract money/interest, an amount of Rs. 45,700 was recovered (April 1987 and January 1988) on being pointed out in audit.

#### **6.6. Recovery at the instance of Audit**

In 7 cases (where money value in each case was less than Rs. 10,000), short/non-recovery of interest amounting to Rs. 43,779 was accepted by the department and the amount was recovered between April 1987 and March 1988.

### **B—PUBLIC WORKS**

#### **(i) BUILDINGS AND ROADS BRANCH**

#### **6.7. Un-authorised retention of Government accommodation**

Under the Punjab Civil Services Rules, as applicable to Haryana, and as per Government instructions issued in September 1985, an official occupying Government accommodation is required to vacate the accommodation within 21 days of his retirement or transfer to an outstation, failing which rent at penal rate (ranging from 20 to 40 per cent of

pay) is recoverable from him upto four months. In case of non-vacation of the accommodation within four months, market rent is to be charged, besides initiating eviction proceedings in the court. Further, rent at prescribed rates is recoverable in respect of fans installed and maintained at the cost of Government in residential buildings.

Although two Government employees posted at Jind did not vacate the Government accommodation allotted to them within the prescribed 21 days from the dates of their transfer to other stations in September 1985 and June 1986, the department did not recover rent at penal rate for the periods of overstay. Besides, rent for fans was also not recovered from them. Penal rent and rent for fans not realised amounted to Rs. 22,582.

On the omission being pointed out (August 1987) in audit, the department recovered (between August 1987 and November 1987) Rs. 7,414 in one case and stated (May 1988) that efforts were being made to recover the balance amount of Rs. 15,168. Further report has not been received (December 1988).

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

#### **6.8. Non-recovery/short recovery of rent**

Under the Punjab Civil Services Rules, as applicable in Haryana, any official occupying/retaining Government accommodation unauthorisedly is required to pay penal rent for the period of such occupation. Further, as per Government instructions issued in February 1983, the Corporations and other autonomous bodies were to pay rent at market rates in respect of Government residential buildings allotted to the State Government employees on deputation with them. For this purpose, the concerned Public Works Division was required to send rent rolls by way of demand notice.

In respect of Government accommodation at Panchkula, allotted to two State Government employees on deputation to Boards, rent rolls were issued at normal rates of deduction instead of at market rent. Further, from one Government employee rent amounting to Rs. 8,095 was not recovered due to unauthorised retention of Government quarters at Medical Campus, Sonapat. The mistakes resulted in non-recovery/short recovery of rent amounting to Rs. 17,416.



On the mistakes being pointed out (April 1986 and May 1987) in audit, the department recovered (between July 1987 and June 1988) Rs. 10,727. Report on recovery of the balance amount of Rs. 6,689 has not been received (December 1988).

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

## (ii) PUBLIC HEALTH BRANCH

### 6.9. Non-recovery of water charges

As per provisions in the Punjab Civil Services Rules, as applicable to Haryana, every Government employee (other than Class IV Government employee and employees entitled to rent free accommodation), occupying a Government residential quarter with separate water connection, is required to pay water charges as fixed by the Public Health Department. The department prescribed (November 1971) recovery of water charges between one-half and one and a half per cent of the salary depending upon the salary drawn by the Government official every month, subject to minimum of Rs. 5 per month.

Cross verification (September 1986) in audit of the records in Public Health and Buildings and Roads Divisions, Narnaul, revealed that water charges amounting to Rs. 13,604 had not been realised from the Government servants in respect of residential accommodation provided to them during the period from February 1984 to March 1986.

On the omission being pointed out (November 1986) in audit, the department stated (April 1987) that the bills of water charges had been raised and recovery of Rs. 2,088 was reported in March 1988. Report on recovery of the balance amount of Rs. 11,516 has not been received (December 1988).

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

## C—CO-OPERATION

### 6.10. Incorrect application of rate of audit fee

Under the Punjab Co-operative Societies Rules, 1963, as applicable to Haryana, every co-operative society is liable to pay

to the Government a fee for the audit of its accounts for each co-operative year in accordance with the scale fixed by the department. From the co-operative year 1979-80, fee for the concurrent audit was prescribed at 5 per cent of net profit subject to a minimum of Rs. 4,000 and Rs. 6,000 in respect of co-operative marketing society and co-operative marketing cum-processing society respectively.

In the office of Assistant Registrar, Co-operative Societies, Panipat, fee for the concurrent audit of three co-operative marketing-cum-processing societies for the co-operative years 1979-80 to 1985-86 was levied and recovered at the rate of Rs. 4,000 against the prescribed rate of Rs. 6,000 per annum. This resulted in fee being realised short by Rs. 22,000.

On the mistake being pointed out (February 1988) in audit, the department recovered (between March 1988 and May 1988) Rs. 8,000 from two societies and stated (June 1988) that efforts were being made to recover the balance amount of Rs. 14,000. Further report has not been received (December 1988).

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

#### **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 as prescribed by Government for audit of its annual accounts by the auditors of the Co-operation Department. The fee is charged as a specified percentage of the net profit of the societies subject to certain minimum and maximum limits.

In the offices of the Assistant Registrars of Co-operative Societies, Panipat, Sonapat, Fatehabad, Karnal and Jind, audit fee from 108 societies was recovered on the basis of net profits reflected in the accounts for the co-operative years 1983-84 to 1986-87 before these were audited by the department. Later, on completion of audit of accounts of the societies between June 1984 and October 1986, additional fee amounting to Rs. 60,806 became recoverable on the basis of audited figures of profit, but the same was not demanded.

On the omission being pointed out (between April 1986 and February 1988) in audit, the department recovered (between July 1986 and March 1988) Rs. 27,560 from 52 societies. Report on recovery of the balance amount of Rs. 33,246 has not been received (December 1988).

The cases were reported to Government in February 1988 and May 1988; their reply has not been received (December 1988).

*D.C. Sahoo*

CHANDIGARH

(D.C. SAHOO)

The,

Accountant General (Audit) Haryana

5 MAY 1989

Countersigned

*T.N. Chaturvedi*

NEW DELHI

(T.N. CHATURVEDI)

The

25 MAY 1989

Comptroller and Auditor General of India



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## APPENDIX

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## APPENDIX

(Reference : Paragraph 2.14; Page 43)

## Details of interest not charged

| Name of district/<br>unit  | Number<br>of<br>dealers | Assess-<br>ment<br>year  | Date of<br>assess-<br>ment             | Amount of<br>tax not/<br>short<br>paid | Interest<br>chargea-<br>ble |
|----------------------------|-------------------------|--------------------------|--|--|-----------------------------|
| (In rupees)                |                         |                          |  |  |                             |
| 1. Sonapat                 | 7                       | 1978-79<br>to<br>1983-84 | March<br>1984<br>to<br>August<br>1986  | 12,24,026                              | 4,57,587                    |
| 2. Sirsa                   | 3                       | 1980-81<br>to<br>1982-83 | Novem-<br>ber 1984<br>to March<br>1987 | 5,72,524                               | 4,03,825                    |
| 3. Hisar                   | 5                       | 1980-81<br>to<br>1984-85 | March<br>1984 to<br>March<br>1986      | 8,72,784                               | 3,02,289                    |
| 4. Rohtak<br>(Bahadurgarh) | 1                       | 1980-81                  | August<br>1984                         | 2,58,263                               | 1,39,868                    |
| 5. Faridabad               | 6                       | 1977-78<br>to<br>1982-83 | March<br>1985 to<br>July 1986          | 5,80,422                               | 1,22,441                    |
| 6. Karnal<br>(Panipat)     | 4                       | 1978-79<br>to<br>1983-84 | March<br>1985<br>to<br>March<br>1986   | 3,42,263                               | 2,06,473                    |
| 7. Jind                    | 1                       | 1974-75                  | March 1979                             | 1,29,918                               | 88,030                      |
| 8. Ambala<br>(Jagadhari)   | 1                       | 1978-79                  | September<br>1985                      | 12,892                                 | 15,996                      |
| Total                      | 28                      |                          |  | 39,93,092                              | 17,36,509                   |

A





