



REPORT
OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1998

No.1
(REVENUE RECEIPTS)

GOVERNMENT OF HARYANA



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Prefatory Remarks

This Report for the year ended 31 March 1998 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade etc., stamp duty and registration fees, passengers and goods tax, land revenue, taxes on motor vehicles, entertainments duty and show tax and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 1997-98 as well as those noticed in earlier years but could not be included in previous Reports.



OVERVIEW

This Report includes 38 Paragraphs including 3 Reviews, relating to non/short levy of taxes, duties, interest, penalties etc. involving Rs.61.94 crores. Some of the major findings are mentioned below:

(Paragraph 1.9)

1. General

- ⊙ *During the year 1997-98, revenue raised by the State Government, both Tax (Rs.2,369 crores) and Non-Tax (Rs.2,631 crores), amounted to Rs.5,000 crores as against Rs.5,276 crores during the previous year. Receipts under Taxes on Sales, Trade etc. (Rs.1,553 crores), Taxes on Goods and Passengers (Rs.331 crores) and Stamp Duty and Registration Fees (Rs.302 crores) accounted for a major portion of receipts of tax revenue. Under Non-Tax revenue, main receipts were from Miscellaneous General Services (Rs.1,698 crores), Road Transport (Rs.320 crores) and Interest Receipts (Rs.237 crores).*
- ⊙ *Receipts from Government of India during the year, including grants-in-aid of Rs.359 crores, aggregated to Rs.898 crores.*

(Paragraph 1.1)

- ⊙ *During the year 1997-98, mobilisation of resources were estimated at Rs.5,742 crores against which actual collection of revenue was Rs.5,898 crores.*

(Paragraph 1.2)

- ④ *Arrear of revenue at the end of 1997-98 under principal heads of revenue amounted to Rs.256.71 crores, out of which Rs.84.55 crores were outstanding for more than five years.*

(Paragraph 1.6)

- ④ *313965 assessment cases were pending finalisation under Taxes on sales, trade etc. (313268) and Passengers and Goods Tax (697) at the end of March 1998 as against 361082 cases (TST:360325, PGT:757) pending on 31 March 1997.*

(Paragraph 1.7)

- ④ *Test check of records of taxes on sales, trade etc., stamp duty and registration fees, passengers and goods tax, taxes on motor vehicles, entertainments duty and show tax, co-operation, state lotteries, agriculture, irrigation, mines and geology, home (police) and public health departments conducted during 1997-98 revealed under assessment of taxes and duties/loss of revenue etc. amounting to Rs.125.64 crores in 22109 cases. The concerned departments accepted under assessments etc. of Rs.8.92 crores of which Rs.8.19 crores pertain to the year 1997-98 and the rest to earlier years. An amount of Rs.1.52 crore in 308 cases had already been recovered.*

(Paragraph 1.9)

- ④ *2229 Inspection reports (issued upto December 1997) containing 5718 audit observations with money value of*

Rs.721.67 crores were not settled upto June 1998. Of these 782 inspection reports containing 977 objections with money value of Rs.30.68 crores were outstanding for more than 5 years.

(Paragraph 1.10)

2 Taxes on Sales, Trade etc.

- *Large number of assessments were completed during last quarters of the years simply to achieve the norms which was in contravention of executive instructions.*

(Paragraph 2.2.6)

- *Non-fixing of time limit for disposal of appeal cases resulted in delay in realisation of revenue of Rs.20.63 crores.*

(Paragraph 2.2.7)

- *Delay in finalising assessments resulted in non-recovery of tax of Rs.5.28 crores.*

(Paragraph 2.2.8)

- *Delay in reassessments resulted in blockade of revenue of Rs.8.70 crores.*

(Paragraph 2.2.9)

- *Non-taking of effective steps for recovery resulted in accumulation of arrears of revenue of Rs.15.61 crores*

(Paragraph 2.2.10)

- *Non-pursuance of recovery certificates cases issued to Collectors resulted in non-recovery of revenue of Rs.3.86 crores.*

(Paragraph 2.2.11)

- *Tax of Rs.29.04 lakhs was short levied due to application of incorrect rates of tax.*

(Paragraph 2.3)

- *Calculation of notional tax liability on taxable turnover instead of on gross turnover resulted in under assessment of tax of Rs.24.77 lakhs.*

(Paragraph 2.4)

- *Misclassification of goods led to short assessment of tax of Rs.25.04 lakhs.*

(Paragraph 2.5)

- *Incorrect levy of concessional rate of tax resulted in short assessment of tax of Rs.17.05 lakhs.*

(Paragraph 2.6)

- *Non-adjustment of refund resulted in under assessment of tax of Rs.15.74 lakhs.*

(Paragraph 2.7)

- *Non-levy of tax on incidental charges resulted in short assessment of tax of Rs.8.91 lakhs.*

(Paragraph 2.8)

- *Incorrect deduction of sales resulted in short levy of tax/penalty of Rs.8.10 lakhs.*

(Paragraph 2.9)

3. Stamp Duty and Registration Fees

- *Charging of stamp duty on instruments of properties, situated in Haryana but registered in Central Registry Offices at Delhi and Mumbai, at lesser rates than at*

rates applicable in Haryana resulted in short levy of stamp duty of Rs.57.87 lakhs.

(Paragraph 3.2)

- ⊙ Stamp duty of Rs.16.49 lakhs was short levied due to incorrect exemption to a House Building Co-operative Society.

(Paragraph 3.3 (i))

- ⊙ Undervaluation of properties resulted in evasion of stamp duty of Rs.4.21 lakhs.

(Paragraph 3.4)

4. Other Tax Receipts

(A) Land Revenue

A review on "Internal Controls in Land Revenue Department for recovery of dues treated as arrears of land revenue" revealed the following:

- ⊙ Due to lack of proper scrutiny, time barred requisitions for Rs.27.93 lakhs and requisitions for Rs.230.22 lakhs not supported by details of property were accepted for declaration as arrears of land revenue.

(Paragraph 4.2.6 (A) I (b) & (c))

- ⊙ Due to lack of control, recovery of 120 Revenue Recovery Certificates (RRCs) sent to other collectorates was not monitored.

(Paragraph 4.2.6 (A) III)

- *625 RRCs for Rs.265.98 lakhs were not accounted for and another 106 RRCs for Rs.173.24 lakhs were accounted for late by tehsils.*

(Paragraph 4.2.6 (B))

- *514 cases for Rs.88.18 lakhs were found pending without action.*

(Paragraph 4.2.9(i))

- *In 6 cases involving amount of Rs.84.57 lakhs recoveries were not executed.*

(Paragraph 4.2.10)

5. Non-Tax Receipts

(A) Public Works Department (Irrigation)

A review on "Recovery of water rates from canal water" revealed the following:

- *Lack of co-ordination between Irrigation and Revenue Departments resulted in non-recovery of revenue amounting to Rs.44.98 lakhs.*

(Paragraph 5.2.8)

- *Due to variations in figures of measurement of irrigated areas as shown in shudkar and final measurement, Government was deprived of revenue of Rs.30.36 lakhs.*

(Paragraph 5.2.9)

- *Non-levy of penalty for unauthorised supply of water to garden owners led to loss of Rs.34.04 lakhs.*

(Paragraph 5.2.10)

- *Non-levy of additional charges on belated payments resulted in loss of revenue of Rs.113.70 lakhs.*

(Paragraph 5.2.11)

- *Departmental receipts of Rs.236.51 lakhs were utilised towards expenditure in contravention of Rules.*

(Paragraph 5.2.15)

(B) Agriculture

- *Purchase tax of Rs.83.79 lakhs on sugarcane was not deposited by two sugar mills.*

(Paragraph 5.5)

(C) Public Health

- *Penalty charges of Rs.9.31 lakhs were not levied/recovered for illegal installation of electric pumps on water supply lines.*

(Paragraph 5.6)

(D) Home Department (Police)

- *Non-realisation of cost of police deployed resulted in non-recovery of Rs.5.19 lakhs.*

(Paragraph 5.7)

(E) Mines and Geology

- *Non-levy of interest for belated payments of monthly instalments by quarry contractors resulted in short payments of Rs.2.48 lakhs.*

(Paragraph 5.8)

(F) Finance Department (Haryana State Lotteries)

- ⊙ Showing less sale of lottery tickets in final accounts resulted in short realisation of Rs.3.54 lakhs.

(Paragraph 5.9)

- ⊙ Penalty of Rs.2.86 lakhs was not levied on printers for short supply of lottery tickets.

(Paragraph 5.10)

(G) Co-operation

- ⊙ Audit fee of Rs.2.39 lakhs was short levied on two banks due to difference in profits shown in their annual accounts and audited accounts.

(Paragraph 5.11)

Chapter-I

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CHAPTER I

GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1997-98, State's share of net proceeds of divisible Union 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 and also exhibited in Chart I.

Sl.No	Particulars	1995-96	1996-97	1997-98
(Rupees in crores)				
I.	Revenue raised by the State Government			
(a)	Tax revenue	2168.96	2143.12	2368.62
(b)	Non-tax revenue	2186.81	3132.67	2631.11
	Total (I)	4355.77	5275.79	4999.73
II	Receipts from Government of India			
(a)	State's share of net proceeds of divisible Union taxes	360.47	431.89	539.31
(b)	Grants-in-aid	298.49	340.65	358.73
	Total (II)	658.96	772.54	898.04
III	Total receipts of the State (I + II)	5014.73	6048.33	5897.77
IV	Percentage of I to III	87	87	85

For details please see "Statement No. II-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 1997-98. Figures under the head "0021-Taxes on Income other than Corporation Tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's-share of divisible Union taxes in this Statement.

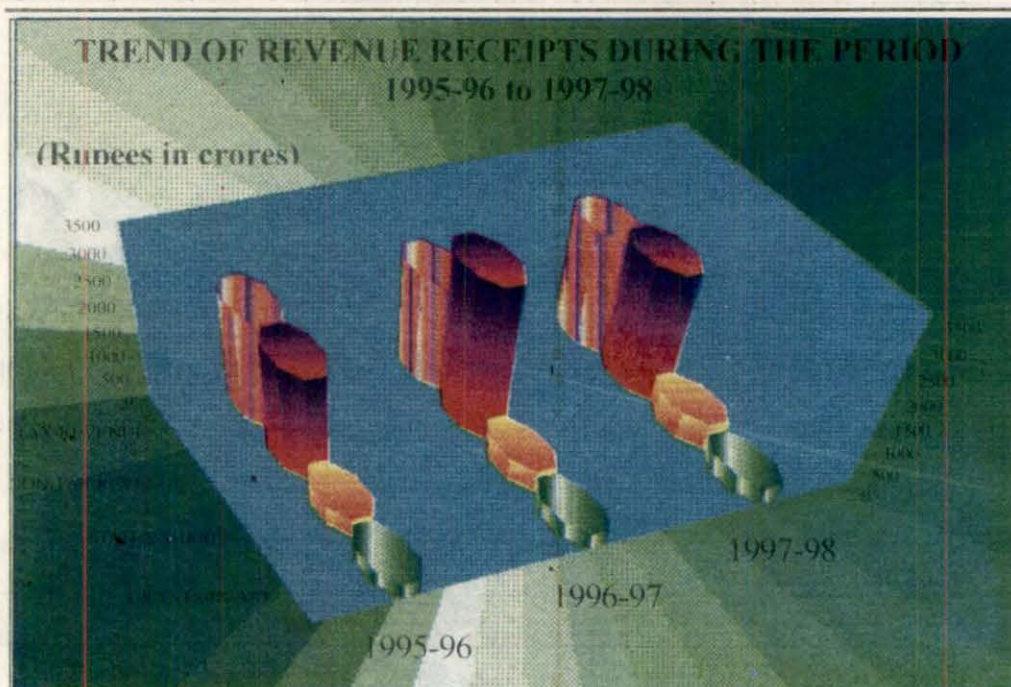


CHART I
(Para 1.1)

(i) The details of the tax revenue raised during the year 1997-98, alongwith figures for the preceding two years, are shown below and also exhibited in Chart 2:

Sl. No	Particulars	1995-96	1996-97	1997-98	Percentage of increase(+) or decrease (-) in 1997-98 over 1996-97
(Rupees in crores)					
1.	Taxes on Sales, Trade etc.	1055.41	1380.07	1552.69	(+)13
2.	State Excise	552.96	64.14	49.62	(-)23
3.	Taxes on Goods and Passengers	201.16	259.64	331.21	(+)28
4.	Stamp Duty and Registration Fees	244.63	273.10	301.67	(+)10
5.	Taxes on Vehicles	52.82	61.59	67.11	(+)9
6.	Taxes and Duties on Electricity	46.46	35.48	40.53	(+)14
7.	Land Revenue	1.31	2.42	3.93	(+)62
8.	Other Taxes and Duties on Commodities and Services	14.21	66.68	21.86	(-)67
	TOTAL	2168.96	2143.12	2368.62	

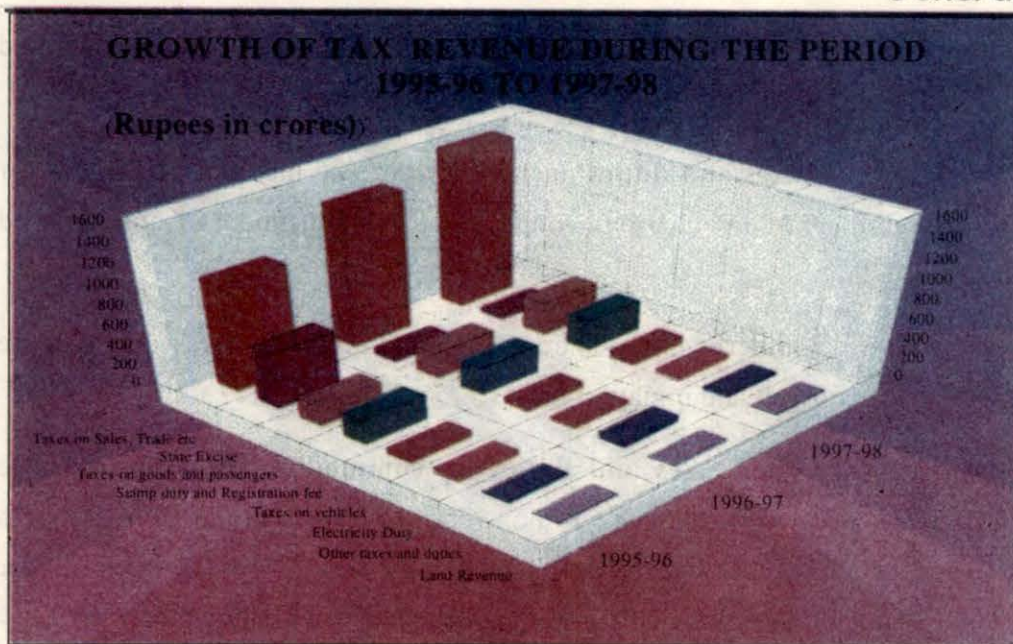


Chart 2
Para 1.1 (i)

Reasons for variations in receipts during year 1997-98 compared to those of 1996-97 as intimated by the respective departments are as follows:

(a) **Taxes on Sales, Trade etc.:** The increase of *13 per cent* was due to increase in business activities, check of evasion of sales tax and road side checking by the enforcement staff.

(b) **State Excise:** The decrease of *23 per cent* was due to enforcement of prohibition in the State during the whole year. All the excise licenses from which the major revenue was to come were withdrawn w.e.f. 1-7-1996.

(c) **Taxes on Goods and Passengers:** The increase of *28 per cent* was due to road side checking by the enforcement staff and imposition of tax on overloading of vehicles.

(d) **Stamp duty and Registration Fees:** The increase of *10 per cent* was due to the fact that the registration of sale deeds in respect of properties situated in Haryana in the presidency towns of Delhi, Mumbai,

and recovery of deficiency amount of stamp duty and registration fees pointed out in internal audit was also paced up.

(e) **Taxes and duties on Electricity:** The increase of 14 per cent was due to increase in electricity connections and adjustment of misclassified electricity duty.

(f) **Land revenue:** The increase of 62 per cent was due to more recovery of copying and mutation fee.

(g) **Other taxes and duties on commodities and services:** The decrease of 67 per cent was due to non receipt of any amount from Haryana Urban Development Authority (HUDA) during this year. During the year 1996-97, an amount of Rs 50 crores was deposited by HUDA under the Sub-head "800-Other Receipts"

(ii) The details of major non-tax revenue received during the year 1997-98, alongwith the figures for the preceding two years are given below and also exhibited in Chart 3.

Sl. No.	Particulars	1995-96	1996-97	1997-98	Percentage of increase (+) or decrease(-) in 1997-98 over 1996-97
(Rupees in crores)					
1.	Miscellaneous General Services	1489.38	2359.73	1697.83	(-)28
2.	Road Transport	272.62	307.36	319.60	(+)4
3.	Interest Receipts	256.93	237.56	237.07	(-)0.2
4.	Non-ferrous Mining and Metallurgical Industries	23.13	43.10	53.86	(+)25
5.	Medical and Public Health	10.24	13.79	20.67	(+)50
6.	Others	134.51	171.13	302.08	(+)77
	TOTAL	2186.81	3132.67	2631.11	

The details against "Others" have been shown in Appendix-I

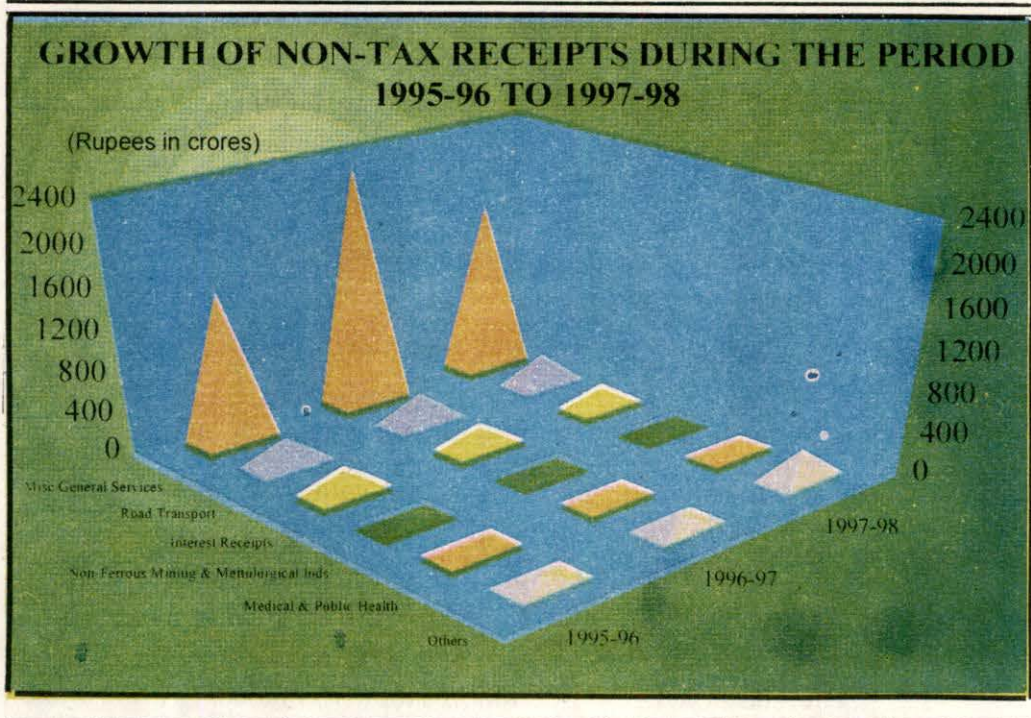


Chart-3
Para 1.1 (ii)

Reasons for variations in receipts during 1997-98 as compared to those of 1996-97 as intimated by the respective departments are as follows:

(a) **Miscellaneous General Services** -The decrease of **28 per cent** was due to ban on sale of lotteries by the Governments of Uttar Pradesh and Delhi and issue of ordinance regarding regulation of lotteries by the Government of India banning single digit lotteries w.e.f. 2 October 1997.

(b) **Non-ferrous mining and metallurgical industries**-The increase of **25 per cent** was due to revision of rates of royalty for minor minerals and also due to liquidation of old arrears.

(c) **Medical and Public Health** - The increase of **50 per cent** was due to receipt of its share due from Employees State Insurance Corporation, New Delhi during the year.

1.2 Mobilisation of resources

The non plan and plan requirements of the State are normally financed from three major sources:

- (i) Budgetary resources at current rates of taxation
- (ii) Extra budgetary resources of State enterprises and
- (iii) Additional resources mobilisation envisaged through enhanced rates of taxation, rationalisation of tax system, withdrawing of incentive where purpose has been fulfilled or return is not commensurate with the revenue loss and compression of non plan expenditure etc.

The additional resource mobilisation estimated by the State Government in the budget for the last five years ended March 1998 was as under:

Year	Budget estimates		Total	Actual collection of revenue	Excess(+)/shortfall (-)	Percentage
	Budgetary resources at current rate of taxation	Additional mobilisation of resources				
(Rupees in crores)						
1993-94	3541.43	41.60	3583.03	3481.45	(-) 101.58	2.84
1994-95	6836.56	152.66	6989.22	5882.41	(-) 1106.81	15.84
1995-96	5022.55	129.51	5152.06	5014.73	(-) 137.33	2.66
1996-97	6215.19	278.52	6493.71	6048.33	(-) 445.38	6.86
1997-98	5716.80	25.00	5741.80	5897.77	(+) 155.97	2.72

The sources from which additional revenue was proposed to be raised are given below:

Sr. No.	Sources of Revenue	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crores)						
1.	Taxes on goods and passengers	6.09	-	-	28.50	10.00
2.	Increase in bus fare	10.15	-	-	30.00	15.00
3.	Increase in Electricity tariff	25.36	152.66	129.51	121.92	-
4.	Sales Tax	-	-	-	76.10	-
5.	Increase in rates of copying fee and mutation fee	-	-	-	1.00	-
6.	Increase in Royalty rates from minerals	-	-	-	21.00	-
	Total	41.60	152.66	129.51	278.52	25.00

It would be seen that the collection of revenue receipts was less than the budget estimates for the year 1993-94 to 1996-97. Further, during the year 1993-94 to 1996-97 the State Government was not able to collect revenue even as envisaged in its revised budget estimates. This shows that the proposal of the Government to collect more revenue through additional resources mobilisation was unrealistic. Further, including estimated collection on account of electricity tariff in additional resources mobilisation was in itself incorrect as revenue on this account does not go to the State Government but to the Haryana State Electricity Board (HSEB).

1.3 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1997-98 and actual receipts in respect of principal heads of tax and non-tax revenue and the reasons thereof as intimated by the respective departments

are given below:

Sl. No.	Heads of Revenue	Budget estimates	Actual receipts	Variations Increase (+)/ Decrease (-)	Percentage of variation
(Rupees in crores)					
1.	Taxes on Sales, Trade etc.	1628.50	1552.69	(-) 75.81	(-) 5
2.	State Excise	12.00	49.62	(+) 37.62	(+) 314
3.	Taxes on Goods and Passengers	298.80	331.21	(+) 32.41	(+) 11
4.	Stamp duty and Registration fees	337.00	301.67	(-) 35.33	(-) 10
5.	Taxes on vehicles	72.00	67.11	(-) 4.89	(-) 7
6.	Taxes and Duties on Electricity	40.00	40.53	(+) 0.53	(+) 1
7.	Land Revenue	5.02	3.93	(-) 1.09	(-) 22
8.	Other taxes and duties on commodities	20.10	21.86	(+) 1.76	(+) 9
9.	Miscellaneous General Services	1206.44	1697.83	(+) 491.39	(+) 41
10.	Road Transport	332.00	319.60	(-) 12.40	(-) 4
11.	Interest Receipts	246.50	237.07	(-) 9.43	(-) 4
12.	Non-ferrous mining and metallurgical industries	58.00	53.86	(-) 4.14	(-) 7
13.	Medical and Public Health	19.81	20.67	(+) 0.86	(+) 4

(a) **State Excise**-The increase of 314 per cent in 1997-98 over the budget estimates was due to lifting of prohibition in the State and realisation of amount on account of auctioning of vends in March 1998.

(b) **Taxes on Goods and Passengers**: The increase of 11 per cent in 1997-98 over the budget estimates was due to road side checking by the enforcement staff and imposition of tax on overloading of vehicles.

(c) **Stamp Duty and Registration Fees**- The decrease of 10 per cent in 1997-98 over the budget estimates was due to lesser registration of documents than anticipated.

(d) **Land Revenue**-The decrease of 22 per cent in 1997-98 over the budget estimates was mainly due to less recovery of mutation/copying fees.

(e) **Miscellaneous General Services**-The increase of 41 per cent in 1997-98 over the budget estimates was due to more sale of lottery tickets than anticipated.

1.4 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1995-96, 1996-97 and 1997-98 along with the relevant all India average percentage of expenditure on collection to gross collections for 1996-97 are given below:

Sl. No.	Heads of Revenue	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1996-97
			(Rupees in crores)			
1.	Taxes on Sales, Trade etc.	1995-96	1055.41	17.90	1.70	
		1996-97	1380.07	20.69	1.50	1.19
		1997-98	1552.69	21.97	1.41	
2.	State Excise	1995-96	552.96	1.74	0.31	
		1996-97	64.14	3.84	5.99	3.53
		1997-98	49.62	5.02*	10.11	
3	Stamp Duty and Registration Fees	1995-96	244.63	0.81	0.33	
		1996-97	273.10	0.91	0.33	3.37
		1997-98	301.67	0.97	0.32	
4.	Taxes on Vehicles	1995-96	52.82	1.57	2.97	
		1996-97	61.59	1.49	2.42	2.60
		1997-98	67.11	1.42	2.12	

Increase in expenditure is consequent upon enhanced spending for enforcement of prohibition.

1.5 Impact of prohibition on Revenue of the State

The Government of Haryana vide its notification dated 1 June, 1996 prohibited :-

- (i) import or export of any intoxicant into or from the State of Haryana or any part thereof,
- (ii) transport, manufacture, sale, purchase, consumption and possession of any intoxicant w.e.f. 1 July 1996.

After remaining in force for 21 months, prohibition was lifted with effect from 1.4.1998. The State Government estimated excise revenue loss of Rs 375 crores for 1996-97 and Rs 495 crores for 1997-98 based on an average of 14 per cent annual increase in excise revenue from 1991-92 to 1995-96. No new taxes were levied by Government to offset the loss in revenue anticipated due to imposition of prohibition in the State. However, efforts were made to plug the leakage of revenue by better enforcement, intensive checking and by rationalisation of present tax structure. The anticipated loss of revenue as compared with enhanced actual collection is tabulated below :

Year	Anticipated Loss	Enhanced Collection
(Rupees in crores)		
1996-97	375	373.32
1997-98	495	10

Thus it can be seen that during the year 1996-97, the anticipated loss of revenue consequent upon prohibition was overcome by improving the efficiency of revenue administration and rationalising of tax structure in the State whereas during the year 1997-98 the prohibition policy led to a loss of revenue of Rs.485 crores.

1.6 Arrears in revenue

As on 31 March 1998, arrears of revenue under the principal heads of revenue, as reported by the departments, were as under:

Sl. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in lakhs)				
1.	Taxes on Sales, Trade etc.	18562.29	4930.34	Out of Rs. 18562.29 lakhs, demand for Rs.2142.64 lakhs had been certified for recovery as arrears of land revenue. Rs.6618.47 lakhs had been stayed by the Courts and other Appellate Authorities. Rs.772.31 lakhs were held up due to dealers becoming insolvent and demands for Rs.734.22 lakhs were proposed to be written off. Specific action taken to recover the remaining amount of Rs.8294.65 lakhs though called for has not been intimated (October 1998).
2.	Taxes and Duties on Electricity	3572.71	2569.82	Out of arrears of Rs.3572.71 lakhs, duty of Rs.100 lakhs due from Haryana Concast Limited was deferred by the Government due to weak financial position of the company. Duty of Rs.30 lakhs due from Dadri Cement Factory, Dadri is likely to be written off being a closed unit (now taken over by a Corporation of Central Government). Cases of duty amounting to Rs.70.34 lakhs are pending in the Civil/Arbitration Courts. Detailed break up of the remaining amount of Rs.3372.37 lakhs was not available with the department.
3.	Taxes on Goods and Passengers	1277.12	151.48	Out of arrears of Rs.1277.12 lakhs, demands for Rs.26.93 lakhs had been certified for recovery, Rs.41.08 lakhs had been stayed by the Courts, Rs.81.58 lakhs were held up due to rectification/review applications, Rs.05.40 lakhs were held up due to dealers becoming insolvent and demands for Rs.0.61 lakh were proposed to be written off. Specific action taken to recover the remaining amount of Rs.1121.52 lakhs though called for has not been intimated (October 1998) by the department.

Sl. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in lakhs)				
4.	State Excise	1211.22	396.81	Out of Rs.1211.22 lakhs demand of Rs.181.42 lakhs was covered under recovery certificate, recovery of Rs. 654.45 lakhs was stayed by High Court and other Judicial Authorities, Rs. 48.31 lakhs was proposed to be written off. Action regarding remaining amount of Rs.327.04 lakhs was not intimated by the department (October 1998).
5.	Other Taxes and Duties on Commodities and Services			
(i)	Receipts under the Sugarcane (Regulation of Purchase and Supply Act)	374.43	178.78	The arrears of Rs.374.43 lakhs were due to non-deposit of purchase tax by two Sugar Mills of Panipat (Rs.226.67 lakhs) and Rohtak (Rs.147.76 lakhs).
(ii)	Receipts under the Punjab Entertainments (Cinematograph Shows Act)	20.48	-	Out of Rs.20.48 lakhs, recovery of Rs.1.80 lakhs had been stayed by the Courts and Rs1.14 lakhs were proposed to be written off. Action taken to recover the remaining amount of Rs.17.54 lakhs has not been intimated by the department (October 1998). The same position was reported in the Report for the year 1996-97.
6.	Non-ferrous mining and Metallurgical Industries	491.66	155.14	Out of Rs.491.66 lakhs, Rs.283.57 lakhs were covered under recovery certificates, recovery of Rs.11.09 lakhs was stayed by High Court and other Judicial Authorities, Rs.3.12 lakhs were held up due to dealers becoming insolvent and demands for Rs.2.08 lakhs was proposed to be written off. Detailed break up of the remaining amount of Rs.191.80 lakhs was not available with the department (October 1998).
7.	Co-operation	121.76	42.70	The amount of Rs.121.76 lakhs was outstanding on account of audit fees against various Co-operative societies.

Sl. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in lakhs)				
8.	Land Revenue	4.81	-	Out of Rs.4.81 lakhs, recovery of Rs.0.97 lakh was proposed to be written off. Recovery of Rs.0.18 lakh was stayed by High Court and other Judicial Authorities, demand of Rs.0.17 lakh was covered under recovery certificates. Action regarding remaining amount of Rs.3.49 lakhs was not intimated by the department (October 1998).
9.	Animal Husbandry	34.88	30.26	Out of Rs.34.88 lakhs, a sum of Rs.1.52 lakhs was due from Chief Superintendent Government Live Stock Farm, Hisar. Rs.28.92 lakhs were due from Project Director, State Cattle Breeding Project, Hisar and Rs.4.44 lakhs were due from Director, Haryana Veterinary Vaccine Institute, Hisar.
	Total	25,671.36	8455.33	

The arrears outstanding for more than five years constituted 33 per cent of the total arrears.

1.7 Arrears in assessment

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending finalisation at the end of each year

during 1993-94 to 1997-98 as furnished by the department are given below:

Year		Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of Col.5 to Col.4
(1)		(2)	(3)	(4)	(5)	(6)	(7)
1993-94	ST	81040	136358	217398	126973	90425	58
	PGT	200	135	335	262	73	78
1994-95	ST	90425	261613	352038	161998	190113	46
	PGT	73	191	264	74	117	28
1995-96	ST	190113	269783	459896	158443	301453	34
	PGT	117	509	626	391	235	62
1996-97	ST	301453	228407	529860	169535	360325	32
	PGT	235	1213	1448	691	757	48
1997-98	ST	360325	147059	507384	194116	313268	38
	PGT	757	628	1385	688	697	50

The above table shows that the number of pending cases in respect of Taxes on Sales, trade etc. at the beginning of 1993-94 was 81040 which went up to 313268 at the end of 1997-98, registering an increase of 287 per cent while the percentage of finalisation of assessment cases which had gone up to 32 per cent during 1996-97, increased to 38 per cent in 1997-98. The department had, however, taken no effective steps to check the arrears in assessment cases.

1.8 Frauds and evasions of taxes/duties

The details of cases of frauds and evasions of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 1998, as supplied (July 1998) by the

respective departments, are given as under:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 1997	Cases detected during the year 1997-98	Number of cases in which assessments/ investigations completed and additional demand including penalty raised	Amount of Demand (Rupees in lakhs)	Number of cases pending finalisation as on 31 March 1998
1.	Taxes on Sales, Trade etc.	174	6373	6396	708.88	151
2.	Passengers and Goods Tax	49	2917	2925	90.61	41
3.	Entertainments Duty and Show tax	13	39	33	0.73	19
4.	Animal Husbandry	1	-	-	0.65	1

1.9 Results of Audit

Test check of the records of the departmental offices relating to revenues of Taxes on Sales, Trade etc, Stamp Duty and Registration Fees, Entertainments Duty and Show tax, Taxes on Motor Vehicles, Passengers and Goods Tax, Mines and Geology, Co-operation, Public Health, State Lotteries, Agriculture, Home (Police) and Irrigation conducted during the year 1997-98 revealed under assessment/noh/short levy of taxes and duties and losses of revenue amounting to Rs.125.64 crores in 22109 cases. During the course of the year 1997-98, the concerned departments accepted under-assessment etc. of Rs.8.92 crores involved in 2603 cases of which 2453 cases involving Rs.8.19 crores had been pointed out in audit during 1997-98 and the rest in earlier years. An amount of Rs.1.52 crores was recovered in 308 cases during 1997-98 of which Rs.0.67 crore recovered in 233 cases related to earlier years.

The Report contains 38 paragraphs including 3 reviews relating to "Delay in assessments, reassessments and their impact on revenue and delay in collection of sales tax demands in arrears", "Internal Controls in

Land-Revenue Department for recovery of dues treated as arrears of land revenue” and “Recovery of Water rates from canal water” involving Rs.61.94 crores . . . The departments accepted audit observations involving Rs.3.11 crores out of which Rs.0.26 crore had been recovered up to June 1998. No replies have been received in other cases.

1.10 Outstanding inspection reports and audit observations

(i) Audit observations on incorrect assessments, short levy of taxes, duties, fees etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the Heads of Offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the Heads of Departments and Government. The Heads of Offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 1997 and which were pending settlement by the departments as on 30 June 1996, 1997 and 1998 are given below:

Particulars	At the end of June		
	1996	1997	1998
Number of inspection reports pending settlement	2165	2447	2229
Number of outstanding audit observations	4982	5775	5718
Amount of revenue involved (Rupees in crores)	106.23	226.08	721.67

(iii) Year-wise break-up of the outstanding inspection reports and audit observations as on 30 June 1998 is given below :

Year	Number of outstanding		Amount of receipts involved (Rupees in crores)
	Inspection reports	Audit observations	
up to 1992-93	443	606	2.86
1993-94	339	371	27.82
1994-95	356	696	13.57
1995-96	400	1221	46.07
1996-97	397	1477	108.57
1997-98	294	1347	522.78
TOTAL	2229	5718	721.67

(iv) Department-wise break-up of the inspection reports and audit observations relating to the years 1988-89 to 1997-98 (upto December 1997) and outstanding as on 30 June 1998 is as follows:

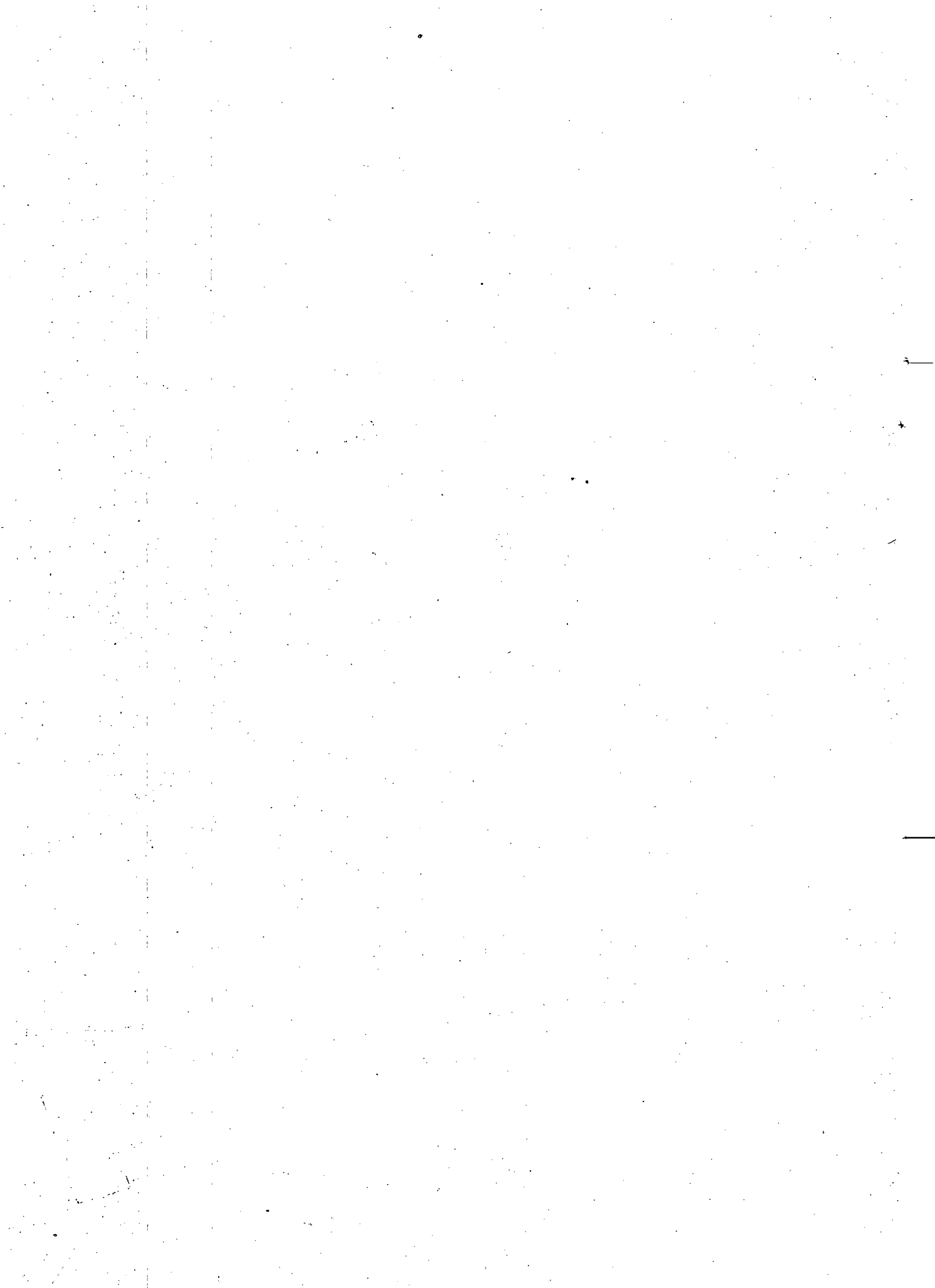
Department	Number of outstanding		Amount of receipts involved (Rupees in crores)	Number of inspection reports to which even first replies had not been received
	Inspection reports	Audit observations		
Revenue Department	554	885	10.75	69
Excise and Taxation	516	2595	120.83	34
Transport	227	285	1.79	13
Forest	186	518	475.77	5
Others***	746	1435	112.53	109
Total	2229	5718	721.67	230

The matter was brought to the notice of Government in June 1998; replies regarding steps taken to settle the outstanding inspection reports and Audit observations have not been received (October 1998).

* This includes "Stamp Duty and Registration Fees" and "Land Revenue".

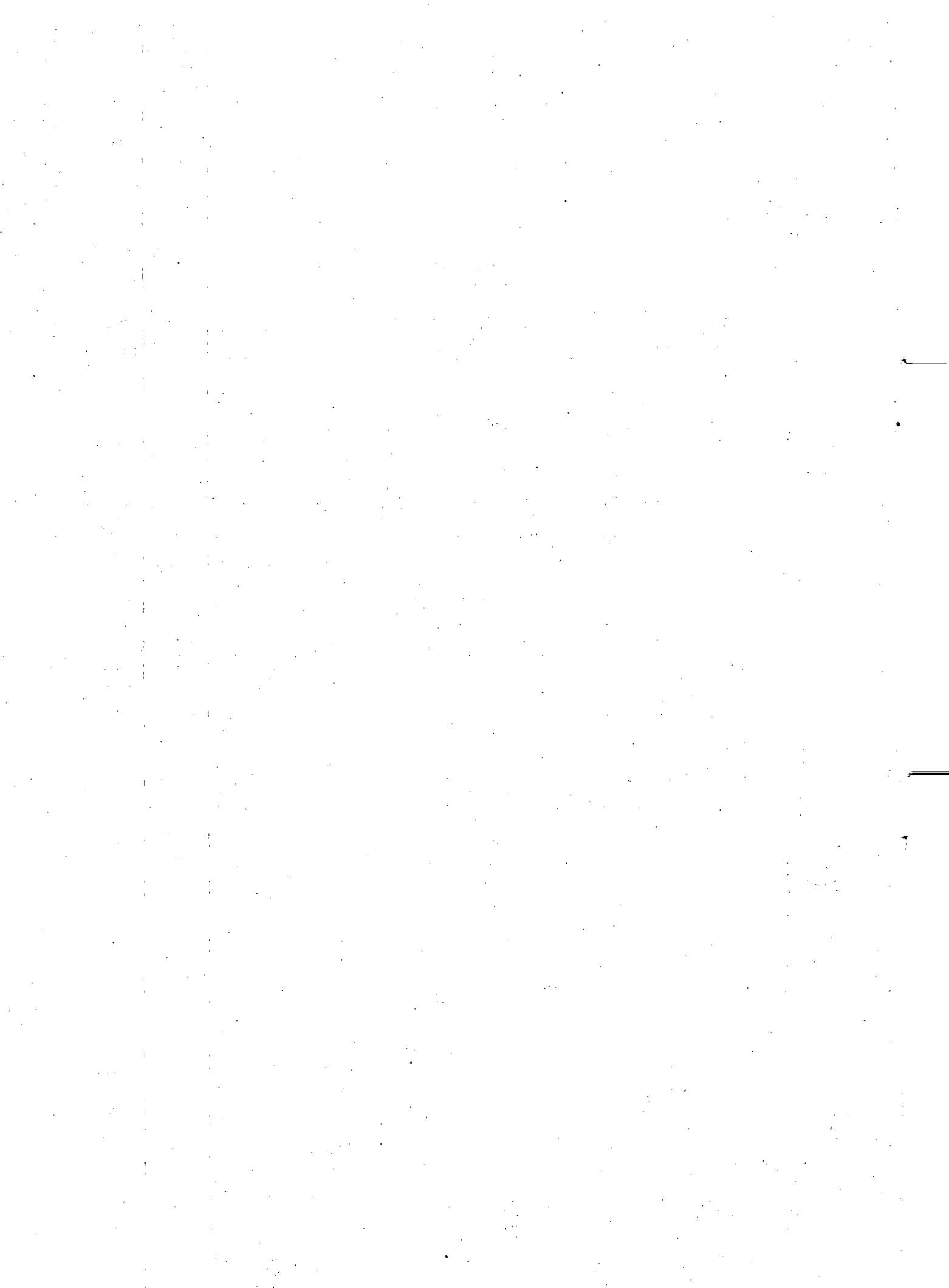
** This includes "Sales Tax", "Passengers and Goods Tax", "Entertainments Duty and Show Tax" and "Prohibition and Excise".

*** The details against "Others" have been shown in Appendix-II



Chapter-II

Taxes on Sales, Trade etc.		
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CHAPTER 2

Taxes on Sales, Trade etc.

2.1 Results of Audit

Test check of sales tax assessments, refund cases and other connected records of 29 units conducted during the year 1997-98, revealed under assessments of sales tax amounting to Rs 5,813.29 lakhs in 3,690 cases, which broadly fall under the following categories:

Sl.No.	Particulars	Number of cases	Amount (In lakhs of rupees)
1.	Incorrect computation of turnover	498	662.93
2.	Application of incorrect rate of tax	245	283.42
3.	Interest not charged on non-payment/delayed payment of tax	107	108.13
4.	Non/short levy of penalty	47	76.98
5.	Under assessment under the Central Sales Tax Act	30	24.19
6.	Other irregularities	923	810.36
7.	Impact of delay in assessments on collection of tax	1840	3847.28
	Total	3690	5813.29

During the course of the year 1997-98, the department accepted under assessment of tax of Rs 107 lakhs involved in 242 cases of which 92 cases involving Rs 33.91 lakhs were pointed out during the year 1997-98 and the rest in earlier years. Of these, an amount of Rs 53.14 lakhs has been recovered in 168 cases during the year 1997-98 of which Rs.37.01 lakhs recovered in 122 cases related to the earlier years.

A few illustrative cases involving Rs 157.00 lakhs and a review on "Delay in assessments, reassessments and their impact on revenue

and delay in collection of sales tax demands in arrears” involving Rs 3847.28 lakhs are mentioned in the following paragraphs:

2.2 Delay in assessments, reassessments and their impact on revenue and delay in collection of sales tax demands in arrears

2.2.1 Introductory

In Haryana, Sales Tax is levied and collected under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956 and the rules made thereunder. Dealers registered under the Acts, *ibid*, are required to submit returns periodically. If the assessing authority is satisfied that the returns furnished are correct and complete, he shall assess the amount of tax due from the dealer on the basis of such returns without requiring the presence of the dealer. Where the assessing authority is not satisfied with the returns, he shall serve on such dealer a notice in the prescribed manner requiring him on a date and at a place specified therein, either to attend in person or to produce or to cause to be produced any evidence on which such dealer may rely in support of such returns. The assessing authority, on the day specified in the notice or as soon afterwards as may be, after hearing such evidence as the dealer may produce, assesses the amount of tax due from the dealer. In case, the dealer fails to comply with the terms of notice, the assessing authority shall, within five years after the expiry of such period, proceed to assess, to the best of his judgement the amount of tax due from the dealer. Demand created as a result of assessment is payable by the dealer within thirty days from the date of service of notice. Each assessing authority is required to dispose of 600/750 units of assessments in a year as per departmental instructions issued in October 1993. No calendar for finalisation of old assessments has been prescribed in Haryana.

2.2.2. Organisational set up

The overall control and superintendence of the Sales Tax organisation vests with the Prohibition, Excise and Taxation Commissioner, who is assisted by the Deputy Excise and Taxation Commissioners, Excise and Taxation Officers, Assistant Excise and Taxation Officers, Taxation Inspectors and other allied staff in the administration of the State Sales Tax Act, 1973 and Central Sales Tax Act, 1956.

2.2.3. Scope of Audit

Out of the nineteen sales tax districts, records in respect of nine districts* for the year 1994-95 to 1996-97 were test checked (November 1997 to April 1998) with a view to ensure that there are not undue delays in assessments and in demanding tax and necessary provisions of Acts/Rules are being followed so as to avoid accumulation of assessment and reassessment cases.

2.2.4. Highlights

Non-fixing of time limit for the disposal of appeal cases by the Appellate Authority resulted in blockade of revenue of Rs 20.63 crores.

(Paragraph 2.2.7)

Delay in finalising assessments resulted in non-recovery of tax of Rs 5.28 crores in 29 cases due to closure of business.

(Paragraph 2.2.8)

Delay in reassessments resulted in blockade of revenue of Rs 8.70 crores in 479 cases.

(Paragraph 2.2.9)

Non-pursuance of cases where recovery certificates were issued to collectors resulted in blockade of revenue of Rs 3.86 crores in 120 cases.

(Paragraph 2.2.11)

Gurgaon, Panipat, Jagadhri, Kaithal, Karnal, Hisar, Sonipat, Faridabad (East) and Faridabad (West).

2.2.5. Norms for assessments

On the basis of decision taken in departmental officers meeting held in October 1993, Excise and Taxation Commissioner, Haryana issued (January 1994) instructions that assessing authorities would dispose of yearly 600/750 units by the end of February each year. They would be required to dispose of increased monthly quota in the relevant month itself and not in a haphazard manner. They were debarred to frame assessments in the month of March.

A test check of records in nine districts revealed that yearly norms fixed by the department were not adhered to by the assessing authorities during the year 1994-95 to 1996-97 as per details tabulated below:-

Year	No. of units required to be disposed of	No. of units disposed of	Shortfall	Percentage in shortfall
1994-95	79429	66882	12547	15.80
1995-96	76430	62385	14045	18.38
1996-97	73980	63135	10845	14.66

2.2.6. Trend of assessments

The trend of Sales Tax assessments completed in nine sales tax districts test checked during the last three years is tabulated below:-

Year	Assessments due for completion	Assessments completed	Assessments in arrears	Percentage of arrears
Up to 1994-95	88662	55106	33556	37.85
1995-96	92380	56095	36285	39.28
1996-97	97306	52625	44681	45.92

Of 44681 cases, 121 cases were pending for more than five years. The increasing trend in the pendency of assessments shows lack of monitoring to control timely completion of assessments. In spite of accumulation of arrears in assessment as above, there was no

schedule/calendar for quick disposal of assessment cases. Further department did not avail of summary assessment procedure as provided in Section 28(C) of the Act in the interest of quick disposal of cases.

Besides shortfall in assessments, it was noticed that in five districts* percentage of finalisation of assessments and audit objections raised during last quarter of the years were ranging from 36.84 per cent to 43.52 per cent and 42.76 per cent to 48.15 per cent respectively as compared to the total assessments finalised/audit objections raised during the year as tabulated below:-

Year	Total cases assessed/ Audit objections raised during the year	No. of assessments completed/ Audit objections raised during first three quarters (April to December)	No. of assessments completed/Audit objections raised during the last quarter (January to March)	Percentage of assessments / Audit objections mentioned in Col. No.4 w.r.t. Col. No. 2
1994-95	32401/442	20465/253	11936/189	36.84/42.76
1995-96	32338/405	18264/210	14074/195	43.52/48.15
1996-97	31537/648	18240/342	13297/306	42.16/47.22

The above table shows that large number of assessments were completed during last quarters of the years simply to achieve the norms. This was in contravention of executive instructions. It is also clear that with better monitoring the shortfall in arrears could have been avoided. Postponing assessments to the months of January and February every year resulted in delaying the collection of revenue arising out of assessment and also poor quality of assessments as the percentage of audit objections with reference to the assessments finalised during the last quarter was higher than the audit objections relating to the assessments finalised during the first three quarters.

* Gurgaon, Panipat, Jagadhri, Kaithal and Hisar

2.2.7. Disposal of appeal cases

Aggrieved with the decision of the assessing authority, the dealer is entitled to file an appeal before the Appellate Authority for the redressal

Non-fixing of time limit for disposal of appeal cases by Appellate Authority resulted in delay in realisation of revenue of Rs 20.63 crores

of grievances. No time limit has, however, been prescribed for finalisation of appeal cases by the Appellate Authority either in the Act or rules framed thereunder.

The position of appeal cases filed and disposed of in respect of all the four Appellate Authorities during the period 1995-96 to 1997-98 is detailed below:

Year	Opening Balance	No. of appeals filed during the year	Total	No. of appeals disposed of during the year	Balance at the close of the year	Percentage of cases disposed of to the total no. of cases
1995-96	989	2885	3874	2926	948	75.53
1996-97	948	3439	4387	3152	1235	71.85
1997-98	1235	3501	4736	2585	2151	54.58

The above table shows that the percentage of cases disposed of decreased from year to year. While the number of appeals filed from 1995-96 to 1997-98 increased, the number of their disposals fell considerably during the year 1997-98 as compared to the preceding years.

During the course of audit of records of two Appellate Authorities (Hisar and Faridabad), out of four, it was noticed (October 1998) that 1212 appeal cases were pending as on 31 March 1998. The detail of appeal cases received, disposed of and in balance for the years 1994-95 to

1997-98 is as under:-

Year	Appellate Authority	Number of Cases				
		Opening Balance	Received during the year	Total	Cases disposed of	Balance
1994-95	Hisar	307	321	628	469	159
	Faridabad	307	948	1255	960	295
	Total	614	1269	1883	1429	454
1995-96	Hisar	159	404	563	525	38
	Faridabad	295	1183	1478	949	529
	Total	454	1587	2041	1474	567
1996-97	Hisar	38	460	498	343	155
	Faridabad	529	1406	1935	1289	646
	Total	567	1866	2433	1632	801
1997-98	Hisar	155	583	738	457	281
	Faridabad	646	799	1445	514	931
	Total	801	1382	2183	971	1212

1212 cases involved disputed amount of tax of Rs 20.63 crores created at the time of finalisation of original assessments. Non-fixing of time limit for disposal of appeal cases by Appellate Authority has resulted in delay in realisation of revenue.

2.2.8. Delay in finalising assessments

As per provisions contained in Haryana General Sales Tax Act, 1973 and rules framed thereunder, the assessing authority if satisfied with the returns filed by the dealer, shall assess the amount of tax due from him. If not satisfied with the returns filed by the dealer, the assessing authority shall serve on such dealer a notice in the prescribed manner requiring him on a date and a place to attend in person or to produce or cause to be produced any evidence on which such dealer may

Delay in finalising assessments resulted in non recovery of tax of Rs 5.28 crores in 29 cases due to closure of business

rely. The assessing authority shall assess the amount of tax due from the dealer, after hearing such evidence as he may produce or required to be produced. If a dealer fails to comply with the terms of the notice, the assessing authority shall, within five years after the expiry of such period, proceed to assess to the best of his judgement the amount of tax due from the dealer.

Out of 923 cases test checked in nine sales tax districts, it was noticed (between November 1997 and April 1998) that in 144 cases involving tax demand of Rs 609.06 lakhs, there was an abnormal delay exceeding 12 to 48 months in the finalisation of assessments as tabulated below:-

Assessments taken up	No. of cases	Amount (Rupees in lakhs)
After 12 months but up to 24 months	47	92.77
After 24 months but up to 36 months	43	201.75
After 36 months but up to 48 months	33	93.51
After 48 months	21	221.03
Total	144	609.06

It was further noticed that in 29 cases pertaining to the assessment year 1988-89 to 1994-95, involving tax demand of Rs 528.42 lakhs (part of 144 cases), the dealers had closed down their business during the pendency of assessments and demand created could not be recovered. Some interesting cases are illustrated below:-

(i) Assessments of a dealer of Sonipat for the year 1988-89, 1989-90 and 1990-91 were framed ex-parte in December 1993, August 1995 and March 1996 creating additional demands of Rs 4.96 lakhs, Rs 7.42 lakhs and Rs 16.05 lakhs respectively under both Acts. It was noticed (March 1998) that assessment proceedings were initiated for the years 1988-89, 1989-90 and 1990-91 with the issue of first notice to dealer on 1 June 1991, 17 November 1994 and 5 December 1995 respectively. Additional demand of Rs 58.78 lakhs and

Rs 10.84 lakhs were further created on 18 May 1992 and 21 February 1997 in the provisional assessment decided for the period from April 1991 to December 1991 and regular assessment for the period from January 1992 to March 1992 respectively. Total demand of Rs 98.05 lakhs could not be recovered as the dealer had closed down his business during the pendency of the assessments. Recovery certificates for Rs 58.78 lakhs and Rs 7.40 lakhs relating to the period from April 1991 to December 1991 and assessment year 1989-90 were issued to the Collector, Delhi in November 1993 and December 1995 respectively. The detail of recovery certificates issued in respect of demands of Rs 4.96 lakhs, Rs 16.05 lakhs and Rs 10.84 lakhs for the years 1988-89, 1990-91 and 1991-92 (January 1992 to March 1992) was not available in the assessment files for the concerned period. A consolidated recovery certificate for Rs 98.05 lakhs under both the Acts was, however, issued to the Collector, New Delhi in January 1998. Further progress has not been received (October 1998). The abnormal delay in issuing first statutory notices as well as finalisation of assessments resulted in non-recovery of demand of Rs 98.05 lakhs due to closure of business of the dealer.

(ii) Ex-parte assessments of two dealers of Faridabad (East) for the year 1990-91 in case of one dealer and 1990-91 and 1991-92 in case of other dealer were finalised in February 1995, August 1994 and April 1995 respectively creating additional demands of Rs 6.88 lakhs and Rs 6.08 lakhs for both the dealers respectively.

Demand created could not be recovered in case of one dealer as he had closed down his business during the pendency of assessment and the company had gone in liquidation. Provision of recovery was called for (March 1998) but the same has not been intimated (October 1998). In case of other dealer, on being pointed out (April 1998) the department stated (April 1998) that out of total demand of Rs 6.08 lakhs, amount of Rs 4.08 lakhs could not be recovered as the company had gone in liquidation and the claim was lodged (January 1995 and

September 1995) with the official liquidator, Ministry of Company Affairs, Calcutta. Late finalisation of assessments resulted in non-recovery of revenue of Rs 10.96 lakhs.

(iii) Assessments of three dealers one each of Jagadhari, Karnal and Sonipat for the years 1988-89 to 1994-95 were framed (between April 1994 and March 1997) creating additional demand of Rs 33.30 lakhs under both the Acts (detail given below):

Name of district	Date of issue of first notice	Assessment year and date of order	Delay in finalisation of case (in months)	Additional demand created (Rupees in lakhs)
Jagadhari	16 October 1992	1988-89/27-12-1995	69	14.35
	15 December 1992	1989-90/27-12-1995	57	0.50
Karnal	10 March 1997	1992-93/27-3-1997	48	4.78
	10 March 1997	1993-94/27.3.1997	36	4.80
	11 March 1997	1994-95/27.3.1997	24	2.39
Sonipat	6 August 1992	1988-89/25-4-1994	49	2.57
	7 March 1994	1989-90/29.9.1994	54	2.22
	22 February 1994	1992-93/29-3-1996	36	1.69
			Total	33.30

The dealers had already closed down their business and their whereabouts were not known. It came to notice (December 1997) that the dealer of Jagadhari was doing job in a private firm on monthly salary of Rs 1500. Warrants of arrest were issued (September 1997) but the assessing authority did not execute them on humanitarian grounds. Further the dealer had no assets to effect recovery.

The delay in assessment resulted into non-recovery of revenue of Rs 33.30 lakhs.

(iv) Additional demands of Rs 5.30 lakhs and of Rs 0.66 lakhs were created under the Acts for the year 1990-91 to 1992-93 between September 1994 and March 1996 on best judgement basis against two dealers

of Faridabad (East) (one for 1990-91 to 1992-93 and other for 1991-92). Of two, one dealer had applied (June 1993) for cancellation of his registration certificate under both the Acts as he had closed down his business and also sold out plant and machinery besides stock of finished/semi finished goods. His registration certificate was cancelled (April 1994) with effect from 31 March 1993. Registration certificate of other dealer was also cancelled (October 1993) with effect from 31 March 1992. It was ascertained by the department that the former dealer left for Bihar on closure of his business. The recovery certificates for Rs 5.30 lakhs were issued (September 1996 and November 1996) to Collector, Siwan (Bihar). Position of recovery was called for (March 1998) and it was intimated (May 1998) by the department that no recovery could be made so far.

In case of one dealer, it was noticed (March 1998 and April 1998) that assessment proceedings for the years 1990-91, 1991-92 and 1992-93 were initiated in November 1992, March 1993 and January 1994 respectively and in the case of other dealer the proceedings to finalise the assessment for the year 1991-92, were initiated on 8 July 1994 (though his registration certificate was cancelled in October 1993). Neither any recovery was made from the dealers nor any recovery certificate was issued in respect of second dealer. The delay in initiating assessment proceedings as well as finalisation of cases resulted into non-recovery of revenue of Rs 5.96 lakhs.

(v) Ex-parte assessments of a dealer of Faridabad (West) for the years 1992-93 and 1993-94 were finalised (November 1996 and March 1997) creating additional demand of Rs 6.70 lakhs under both the Acts. The demand created could not be recovered as the dealer had closed down his business during the pendency of assessments. The recovery of Rs 6.70 lakhs was declared (February 1997) as arrears of land revenue but the details of sending recovery certificates to the Collector were not made available to audit. Assessment proceedings for the year 1993-94 were initiated late in

October 1996. Lapse of the department in not initiating assessment proceedings in time resulted in non-realisation of revenue of Rs 6.70 lakhs.

2.2.9. Delay in finalisation of remand cases

An appeal against every original order passed under HGST Act, 1973 and rules made thereunder, shall be filed before the Appellate Authority who may pass such order as it deems to be just and proper. The Appellate Authority can reject or decide the case after expiry of the period of notice issued to authority against whose order the appeal had been made. Every order passed by the Appellate Authority shall be communicated to the appellant and the authority against whose order the appeal was preferred. No time limit has been laid down either in the Act or in Rules for completing re-assessments of remanded cases. Instructions issued by the Excise and Taxation Commissioner in October 1984, however, emphasize decision in the remanded cases within the financial year itself in which these are remanded.

Delay in reassessments resulted in blockade of revenue of Rs 8.70 crores in 479 cases.

During the course of test-check of records in nine** districts, it was noticed (between November 1997 and February 1998) that out of total 2339 cases (including opening balance of 311 cases as on 1 April 1994) remanded by Appellate Authorities during the years 1994-95 to 1996-97, 479 cases were awaiting re-assessments (April 1998). The delay in re-assessments has resulted in blockade of revenue of Rs 870.22 lakhs as tabulated below:

Year	Opening balance	Remand cases received during the year	Total	Cases decided	Balance
1994-95	311	546	857	538	319
1995-96	319	501	820	414	406
1996-97	406	981	1387	908	479 (Rs 870.22 lakhs)

Gurgaon, Panipat, Jagadhari, Kaithal, Karnal, Hisar, Sonapat, Faridabad (East) and Faridabad (West).

The assessment of three dealers of Faridabad (East) for the year 1991-92 to 1992-93 and 1994-95 were framed in March 1996 and April 1996, creating additional demand of Rs 93.97 lakhs (Rs 2.34 lakhs, 88.85 lakhs and 2.78 lakhs respectively). In the case of one dealer, additional demand was reduced (July 1996) from Rs 88.85 lakhs to Rs 48.98 lakhs in rectification. On appeal all the three cases were remanded by appellate authority in November 1996 with the directions to assessing authority to decide the first two cases within two months and third one within one month. It was, however, noticed (March-April 1998) that the remand cases were not decided though a period of over 14 months had elapsed. The delay in decision of remand cases resulted in non recovery of Rs 54.10 lakhs created at the time of original assessments.

2.2.10. Collection of sales tax demands in arrear

The arrear of sales tax demands showing various stages of action as on 31 March 1997 was as under:

Non-taking of effective steps for recovery resulted into accumulation of arrears of revenue of Rs 15.61 crores

Sr. No.	Stage	Amount (in lakhs of rupees)
1	Arrear of land revenue	2587.86
2	Stay by Court	8506.42
3	Liquidation	687.68
4	Written off	754.68
5	Under recovery	3077.83
	Total	15614.47

Out of total arrear of Rs 15614.47 lakhs, arrears of Rs 4317.56 lakhs were for more than five years old.

Two interesting cases of sales tax demands in arrear are illustrated below:

(i) Assessment of a dealer of Faridabad (West) for the year 1992-93 was framed (January 1996) ex-parte creating additional demand of Rs 1.21 crores under both the Acts (Rs 0.06 crore under Haryana General Sales Tax Act and Rs 1.15 crore under Central Sales Tax Act). A demand of Rs 2.51 lakhs was also created (May 1996) on the basis of audit objection raised in May 1996. The dealer had closed his business in the year 1993-94 during the pendency of the assessment. On being pointed out (April 1998), the assessing authority stated (April 1998) that no recovery had been made as the case was pending before Board for Industrial and Financial Reconstruction (BIFR) for recovery. A reminder to intimate the latest position in the case was issued in September 1997. Further progress has not been received (April 1998). Late finalisation of the case by 32 months between May 1993 to December 1995 resulted in non-collection of Rs 1.24 crores.

(ii) On receipt of information from various quarters, the assessing authority held that a dealer of Faridabad (East) was indulging in Uchanti Sales (unaccounted) in connivance with the local transporters. Consequent upon raiding of one transport company and examination of some documents impounded therefrom as well as cross-examination of the account books of the dealer, the assessing authority finally held that the dealer had conducted Uchanti Sales of Rs 4.32 crores in the course of inter-State trade or commerce. An additional demand of Rs 1.40 crores was accordingly created (August 1994) by making re-assessment under Sections 31 of HGST Act, 1973 and 9 (2) of CST Act, 1956. Aggrieved with the decision of the assessing authority, the dealer went in appeal before the Appellate Authority for stay of recovery and entertainment of appeal without payment of tax. The Appellate Authority did not entertain the appeal without payment of tax and the dealer was directed (January 1995) to deposit the entire sum by 31 January 1995. It was noticed (April 1998) that no recovery was made. The department was asked to intimate the latest position of the case which was not

intimated. Non recovery of additional demand despite lapse of over 38 months from the orders of the Appellate Authority resulted in delay in collection of demand of Rs 1.40 crores.

2.2.11. Recovery certificate cases

Section 34 of Haryana General Sales Tax Act, 1973 provides that the amount of any tax, interest and penalty levied under the Act, which remains unpaid after the due date, shall be

Non pursuance of recovery certificates cases issued to collectors resulted in non-recovery of revenue of Rs 3.86 crores in 120 cases

recoverable as arrears of land revenue. Against 144 recovery certificates issued up to 1996-97 (including 126 cases for Rs 3.52 crores outstanding as on 1 April 1994) for Rs 4.33 crores in six districts, an amount of Rs 3.86 crores in 120 cases remained unrecovered (March 1997) as detailed below:

Year	Opening balance		Recovery certificates issued during the year		Cases decided during the year		Cases pending at the end of the year	
	Number of cases	Amount of tax (In lakhs of rupees)	Number of cases	Amount of tax (In lakhs of rupees)	Number of cases	Amount of tax (In lakhs of rupees)	Number of cases	Amount of tax (In lakhs of rupees)
1994-95	126	351.62	5	34.03	12	43.86	119	341.79
1995-96	119	341.79	7	15.38	7	3.05	119	354.12
1996-97	119	354.12	6	32.34	5	0.82	120	385.64
Total			18	81.75	24	47.73		

The above table indicates that pace of recovery was very slow which shows non-pursuance of cases effectively with the concerned Collectors.

The above points were reported to Government in May 1998; their reply has not been received (October 1998).

2.3 Under assessment due to application of incorrect rates of tax

(a) As per Government notification issued in December 1987 under the Haryana General Sales Tax Act, 1973, cement is liable to sales tax at the rate of **twelve per cent plus ten per cent** surcharge on the amount of tax. Further, Additional Excise and Taxation Commissioner cum Revisional Authority, Haryana held (December 1997) that bags packed with cement are exigible to tax at the rate applicable to cement.

Tax of Rs 29.04 lakhs short levied due to application of incorrect rates of tax.

(i) During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (September 1995) that during the year 1990-91, a dealer of Panchkula made sale of cement bags packed with cement and the assessing authority, while finalising (February 1995) assessment, determined the value of the bags at Rs 1.52 crores treating it as a sale of packing material and levied tax at the lower rate of **four per cent** plus surcharge instead of correct rate of **twelve per cent** plus surcharge. This resulted in short levy of tax of Rs 13.41 lakhs.

On the omission being pointed out (September 1995), the assessing authority referred (May 1997) the case to revisional authority for taking *suo motu* action. Further report has not been received (October 1998).

(ii) During the audit of records of Deputy Excise and Taxation Commissioner, Faridabad (West), it was noticed (February 1998) that a dealer of Faridabad sold cement valued at Rs 1554.37 lakhs packed in bags during the year 1992-93. While finalising (March 1997) assessment, the assessing authority determined value of the bags at Rs 136.08 lakhs and levied tax at the rate of **four per cent** plus surcharge instead of the correct rate of **twelve per cent** plus surcharge on the value of bags. This resulted in short levy of tax of Rs 11.98 lakhs.

On this being pointed out (February 1998), the assessing authority created (July 1998) an additional demand of Rs.11.98 lakhs. Further report on recovery has not been received (October 1998).

The cases were reported to Government in April 1996 and April 1998; their replies have not been received (October 1998).

(b) Under the Central Sales Tax Act, 1956, sanitary goods and fittings are taxable at the rate of **ten per cent plus** surcharge and acrylic yarn at the rate of **two per cent up to 10 October 1995** at the rate of **eight per cent plus** surcharge thereafter up to 31 March 1996.

During the audit of records of Deputy Excise and Taxation Commissioners, Jind, Kurukshetra, Karnal, Panipat and Excise and Taxation Officer, Fatehabad, it was noticed (April 1993 to December 1996) that eight dealers made sales of S.W. Pipes (Sanitary goods) and acrylic yarn valued at Rs 95.90 lakhs during the years 1991-92 and 1995-96. However, while finalising assessments (April 1993 to December 1996), the assessing authorities levied tax at the lower rates than prescribed under the Act. This

resulted in short levy of tax of Rs 3.65 lakhs as detailed below:-

Sl. No.	Name of Office	Period/month of assessment	Name of commodity	Value of goods	Tax leviable	Incorrect rate of tax levied	Tax short levied*	Remarks
1	DETC Jind	1991-92/ April 1993	S.W. Pipes Sanitary goods.	60.98	11%	8.8%	1.34	The department created (January 1996) an additional demand of Rs 1.34 lakhs. Report on recovery has not been received. (October 1998)
2	DETC Kurukshetra	1995-96 (10/95 to 3/96)/ November 1996 -do- 1995-96 (10/95 to 3/96)/ August 1996	Acrylic Yarn	7.44	8.8%	2.2%	0.49	Department stated (April 1998) that the cases have been sent to revisional authority for taking <i>suo motu</i> action. Further report on action taken has not been received (October 1998)
				4.85	8.8%	2.2%	0.32	
				3.21	8.8%	2.2%	0.21	
3	DETC Karnal	1995-96 (10/95 to 3/96)/ July 1996	Acrylic Yarn	4.38	8.8%	2.2%	0.29	Department stated (September 1997) that the cases have been sent to revisional authority for taking <i>suo motu</i> action. Further report on action taken, has not been received (October 1998).
				2.36	8.8%	2.2%	0.16	
4	DETC Panipat	1995-96 (10/95 to 3/96) October 1996	Acrylic Yarn	4.36	8.8%	2.2%	0.29	Departmental reply has not been received (October 1998)
5	ETO Fatehabad	1995-96 (10/95 to 3/96)/ December 1996	Acrylic Yarn	8.32	8.8%	2.2%	0.55	Department created (March 1998) an additional demand of Rs.0.55 lakh. Report on recovery has not been received (October 1998)
				95.90			3.65	

The cases were reported to Government in September 1994 and September and December 1997; their replies have not been received (October 1998).

2.4 Under assessment of notional sales tax liability

(a) As per provisions of the Haryana General Sales Tax Rules, 1975, as amended from time to time, in the case of exemption, the benefit shall extend to tax on gross turnover and in case of deferment, it shall extend to tax on the

Calculation of notional tax liability on taxable turnover instead of on gross turnover resulted in underassessment of Tax of Rs 24.77 lakhs.

Rupees in lakhs.

taxable turnover of goods manufactured by the unit.

During the audit of records of four Deputy Excise and Taxation Commissioners, it was noticed (August 1997 to November 1997) that assessing authorities, while finalising the assessments of four dealers availing exemption from tax, were allowed deductions of Rs 136.66 lakhs as sales to registered dealers against declarations in ST-15; ST-15A; and sales in inter-state trade or commerce during the years 1993-94 to 1995-96 and calculated notional sales tax liability on taxable turnover instead of on gross turnover. This resulted in under assessment of Rs 13.21 lakhs as detailed below:

Sl. No.	Name of Office	Period/month of assessment	Name of Commodity	Amount of inadmissible deduction allowed	Rate of tax	Amount of Notional Sales Tax Liability short assessed*	Remarks
1	DETC Karnal	1994-95/ December 1996	Polythene bags	8.50	8.8%	0.75	Departmental reply has not been received (October 1998).
		1995-96/ December 1996	Polythene bags	3.33	8.8%	0.29	
2	DETC Rohtak	1994-95/ May 1996	Acid sellery	28.22	8.8%	2.48	Department stated (October 1997) that the case has been sent to revisional authority for taking <i>suo-motu</i> action. Further report on action taken has not been received (October 1998). Departmental reply has not been received (October 1998).
		1994-95/ May 1996	PF Resin	4.26	8.8%	3.75	
3		1995-96/ January 1997	Formal Dehyde	22.95	8.8%	2.02	The department created (October 1997) an additional demand of Rs 2.02 lakhs. Report on recovery has not been received (October 1998).
4	DETC Gurgaon (West)	1993-94/ March 1997	Machinery	45.53 (CST)	4%	1.82	The departmental reply has not been received (October 1998).
			Machinery	23.87 (HGST)	8.8%	2.10	
Total				136.66		13.21	

The cases were reported to Government in October 1997 to February 1998; their replies have not been received (October 1998).

(b) Under the provisions of Haryana General Sales Tax Rules, 1975, amended from time to time, notional sales tax liability means the amount of tax

Rupees in lakhs.

payable on the sales of finished products of the eligible industrial unit under the local sales tax law but for an exemption computed at the maximum rates specified therein. Tax payable under the Central Sales Tax Act, 1956 shall be computed at the rate of tax applicable to such sales as if these were made against certificate in Form 'C'.

During the audit of records of Deputy Excise and Taxation Commissioners, Jind, Rohtak and Sonipat, it was noticed (July 1993, July 1994 and September 1997) that four units, availing exemptions, made inter-state sales of finished products valued at Rs 264.49 lakhs during the years 1990-91 to 1995-96. While finalising (September 1992 to March 1997) assessments, the assessing authorities calculated notional sales tax liability at the lower rates instead of correct rates prescribed under the Act. This resulted in underassessment of Rs 11.56 lakhs as per details given in the following table:-

Sl. No.	Name of Office	Period / month of assessment	Name of commodity	Value of goods	Tax leviable	Incorrect rate of tax leviable	Tax short levied*	Remarks
1	DETC Sonipat	1993-94/ March 1997	Mustard oil	139.12	6.6%	1.1%	7.65	The assessing authority created (September 1997) an additional demand of Rs 7.65 lakhs.
		1995-96/ January 1997	P.U. Foam	44.51 (HGST)	11%	8.8%	0.98	The Assessing Authority created (September 1997) an additional demand of Rs 1.01 lakhs
2	DETC Jind	1990-91/ September 1992	S.W. Pipe	15.03 (HGST)	11%	8.8%	0.53	For the year 1990-91 no departmental reply has been received (October 1998).
		1991-92/ May 1993	-do-	29.51 (HGST)	11%	8.8%	0.65	For the year 1991-92 an additional demand of Rs 1.61 lakhs was created (January 1996). Report on recovery has not been received (October 1998).
			-do-	13.75 (CST)	11%	4%	0.96	
3	DETC Rohtak	1995-96 / August 1996	Iron beams and slate blocks etc.	22.57 (HGST)	8.8%	4.4%	0.99	The assessing authority stated (June 1998) that an additional demand of Rs 0.99 lakh was created (September 1997). Further report on recovery has not been received (October 1998).
Total				264.49			11.56	

The cases were reported to Government between July 1993 and September 1997; their replies have not been received (October 1998).

* Rupees in lakhs.

2.5 Under assessment due to misclassification of goods

Under the Haryana General Sales Tax Act, 1973, oil cakes and de-oiled cakes of oil seeds as defined in Section 14 of the Central Sales Tax Act, 1956, are exempt from levy of sales tax. Oil cake and de-oiled cake obtained from rice bran are not covered under tax free goods but are taxable at the rate of **four per cent** plus surcharge under Local Act and at the rate of **ten per cent** without 'C' form under the Central Act as clarified (March 1997) by the Commercial Taxation Commissioner Haryana. Photostat copies being unclassified item are taxable at the general rate of **eight per cent** plus surcharge under the Local Act.

Misclassification of goods led to short assessment of tax of Rs 25.04 lakhs

(i) During the audit of records of the Deputy Excise and Taxation Commissioners, Karnal, Kaithal and Sonipat, it was noticed (June 1997, July 1997 and November 1997) that three dealers (one each of Karnal, Kaithal, and Sonipat) made inter-State sales and Local sales of rice bran de-oiled cakes valued at Rs 393.42 lakhs during the years 1993-94 and 1995-96. While finalising assessments (April 1996, June 1996 and January 1997), the assessing authorities erroneously treated the goods as tax free resulting in short assessment of tax of Rs 24.06 lakhs.

On this being pointed out (June 1997, July 1997 and November 1997), the assessing authorities of Karnal and Sonapat stated (June and November 1997) that exemption was allowed on the basis of a Tribunal's judgement (April 1994). The replies of the assessing authorities were not tenable as the goods sold were not covered under the Central Act. However, the assessing authority Kaithal created (October 1997) additional demand of Rs 1.64 lakhs by calculating tax on commodity at the rate of **two per cent** plus surcharge instead of at **four per cent** plus surcharge and adjusted the same against notional sales tax liability. For short levy of tax, reference has been made to the

Department in February 1998. Further reply has not been received (October 1998).

(ii) During the audit of records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (November 1995) that a dealer of Gurgaon had sold photo-stat copies valued at Rs 11.12 lakhs during the years 1989-90 to 1993-94. The assessing authority while finalising (between August 1994 and November 1994) assessments for the years 1989-90 to 1993-94, failed to levy tax on such sale treating it as tax free goods being photographs. The mistake resulted in short assessment of tax of Rs 0.98 lakh.

On the mistake being pointed out (November 1995), the department referred (November 1997) the cases to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 1998).

The cases were reported to Government in December 1995, September, November and December 1997; their replies have not been received (October 1998).

2.6 Incorrect levy of concessional rate of tax

As per Government notification issued in January 1972 under the Central Sales Tax Act, 1956, tax on inter-State sales of oils produced from sarson, toria, til and taramira but not in hydrogenated form is leviable at the concessional rate of **one per cent** when these sales are supported by valid declarations in Form 'C'. However, concessional rate of one *per cent* is not admissible in respect of inter-State sales of sunflower oil and oil produced from mustard oil cakes (i.e. oil cakes of sarson, toria, til and taramira) and these are taxable at the rate of **four per**

Incorrect levy of concessional rate of tax resulted in short assessment of tax of Rs 17.05 lakhs

cent against Form 'C'. It has also been held* (April 1993) by the Hon'ble High Court of Punjab and Haryana that oil cake is a raw material used for producing a different kind of oil which is used for different purposes than the oil produced straight from sarson. Besides penalty, for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **one per cent** for the first month and at the rate of **one and a half per cent** per month thereafter so long as the default continues.

(a) (i) During the audit of records of Excise and Taxation Officer, Ambala City, it was noticed (February 1997) that a dealer extracted oils from sarson seeds as well as from sarson oil cakes and made inter-State sales of those oils valued at Rs 412.90 lakhs during the years 1992-93 and 1993-94. The sales included sale of oil produced from mustard oil cakes valued at Rs 165.35 lakhs. While finalising (December 1995 and January 1996) assessments, the assessing authority erroneously levied tax at the rate of **one per cent** instead of at the correct rate of **four per cent**. This resulted in short assessment of tax of Rs 4.96 lakhs.

On this being pointed out (February 1997), the assessing authority stated that the cases were referred for taking *suo motu* action to revisional authority who created (July 1997) an additional demand of Rs 4.96 lakhs and the recovery was being made in monthly instalments of Rs.20,000 each.

(a) (ii) During the audit of records of Deputy Excise and Taxation Commissioner, Rewari, it was noticed (April 1997) that a dealer of Rewari extracted oil from mustard oil cakes and made inter-State sales of that oil valued at Rs 89.29 lakhs during the year 1993-94. While finalising (October 1995) assessment for the year 1993-94, the assessing authority erroneously levied tax at the rate of **one per cent** instead of at the correct rate of **four per cent**. This resulted in short assessment of tax of Rs 2.68 lakhs.

* M/s Chattar Chemicals Limited, Karnal Vs. State of Haryana-STC-1994 Vol. 93.

On this being pointed out (April 1997), the department intimated (June 1998) that an additional demand of Rs 2.68 lakhs has been created in January 1998. Further report on recovery has not been received (October 1998).

The cases were reported to Government in May 1997; their replies have not been received (October 1998).

(b) During the audit of records of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (July 1997) that a dealer of Karnal extracted oil from sunflower seeds and made inter-State sale thereof valued at Rs 102 lakhs during the years 1991-92 and 1992-93. While finalising (September 1996 and November 1996) assessments for the years 1991-92 and 1992-93, the assessing authority erroneously levied tax at the rate of *one per cent* instead of at the correct rate of *four per cent*. This resulted in short assessment of tax of Rs 3.06 lakhs besides interest of Rs 2.11 lakhs.

On this being pointed out (July 1997), the department intimated (May 1998) that case has been sent to revisional authority for taking *suo motu* action notice. Further report on action taken has not been received (October 1998).

The case was reported to Government in September 1997; their replies have not been received (October 1998).

(c) Under the Central Sales Tax Act, 1956, tax on inter-state sales of declared goods shall be calculated at twice the rate applicable to the sale or purchase of such goods inside the state and in the case of goods other than declared goods, tax shall be calculated at the rate of *ten per cent* or at the rate applicable to the sale or purchase of such goods inside the state, whichever is higher, when such sales are not supported by Form 'C'.

During the audit of records of Deputy Excise and Taxation Commissioners, Sonipat, Rewari, Jind, Hisar, Sirsa and Excise and Taxation

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Officer, Fatehabad, it was noticed (July 1994 to February 1998) that seven dealers made inter state sales of goods valued at Rs 554.87 lakhs without Form 'C' during the years 1991-92 to 1995-96. While finalising assessments (April 1993 to March 1997), the assessing authorities levied tax on these sales at the lower rates instead of correct rates. This resulted in short levy of tax of Rs 7.30 lakhs as detailed below:-

Sl. No.	Name of Office	Period/ month of assessment	Name of commodity	Value of goods	Tax leviable	Incorrect rate of tax levied	Tax short levied*	Remarks
1	D.E.T.C. Sonapat	1992-93/ June 1995	Mustard oil	13.67	10%	1%	1.23	The department created (July 1997) an additional demand of Rs 1.96 lakhs including interest and penalty and recovered (September 1998) the whole amount.
2	D.E.T.C. Rewari	1991-92/ February 1995	Air Conditioners	316.89	11%	10%	3.17	The department created (February 1998) an additional demand of Rs 3.17 lakh. Report on recovery has not been received. (October 1998).
3	D.E.T.C. Jind	1991-92/ April 1993	S.W. Pipes Sanitary goods	8.48	11%	10%	0.81	The department created (January 1996) an additional demand of Rs 0.81 lakh. Report on recovery has not been received (October 1998).
4	D.E.T.C. Hisar	1995-96/ August 1996	Sarson	21.82	8%	4%	0.87	The department created (January 1998) an additional demand of Rs 0.87 lakh. Report on recovery has not been received. (October 1998).
5	DETC Sirsa	1994-95 January 1997	Gram Dal	38.49	2%	1%	0.38	No reply from the department/ assessing authority has been received (October 1998)
		1995-96/ March 1997	Gram Dal	71.92	2%	1%	0.72	
6.	E.T.O Fatehabad	1993-94 September 1995	Gram Dal	11.60	2%	1%	0.12	The assessing authority stated (July 1998) that the case was being sent to revisional authority. Further report on action taken has not been received (October 1998).
	Total			554.87			7.30	

The cases were reported to Government between September 1994 and April 1998; their replies have not been received (October 1998).

Rupees in lakhs.

2.7 Short assessment of tax due to non-adjustment of refund

Under the Haryana General Sales Tax Rules 1975, a registered dealer may reduce the amount of tax paid under the Act in respect of goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the state or in the course of inter-State trade or commerce or in the course of export outside India.

Non adjustment of refund resulted in under assessment of Rs 15.74 lakhs

During the audit of records of the Deputy Excise and Taxation Commissioner, Rohtak, it was noticed (September 1997) that a dealer of Rohtak used tax paid material valued at Rs 612.76 lakhs in the manufacturing of goods sold in the State and in the course of inter-State trade or commerce during the year 1994-95. The assessing authority allowed refund of Rs 15.74 lakhs in June 1996. The refund of Rs 15.74 lakhs was worked out after calculating tax on inter-State sales valued at Rs 35.95 crores at the rate of **ten per cent** without 'C' forms. The dealer filed an appeal against the orders before the revisional authority who remanded (January 1997) the case for acceptance of such 'C' forms as were produced before him. The assessing authority while finalising (March 1997) the remand case did not adjust refund of Rs 15.74 lakhs already allowed to the dealer. This resulted in under assessment of Rs 15.74 lakhs.

On the mistake being pointed out (September 1997) the assessing authority stated (October 1997) that the case has been sent to revisional authority for taking *suo motu* action. Further report has not been received (October 1998).

The case was reported to the Government in December 1997; their reply has not been received (October 1998).

2.8 Non levy of tax on incidental charges

Under the Haryana General Sales Tax Act, 1973, gross turnover means the aggregate of the amounts of sales and purchases including any sum charged for any thing done by the dealer in respect of goods at the time of or before delivery thereof. Incidental charges like dami, dalali and labour being pre-delivery charges are assessable to tax. Excise and Taxation Commissioner Haryana, Chandigarh also clarified (August 1995) that incidental charges are assessable to tax.

Non levy of tax on incidental charges resulted in short assessment of tax of Rs 8.91 lakhs

During the audit of records of Deputy Excise and Taxation Commissioner, Panipat and Kaithal, it was noticed (March & July 1997) that while finalising (January, March & November 1996) assessments of three dealers (two of Panipat and one of Kaithal) for the years 1991-92 to 1993-94, the assessing authorities levied tax on wheat valued at Rs 90.38 crores after excluding incidental charges of Rs 2.23 crores. The omission resulted in under assessment of tax of Rs 8.91 lakhs.

On this being pointed out (March & July 1997), the department created an additional demand of Rs 7.30 lakhs in two cases (one each of Panipat and Kaithal) of which Rs 1.23 lakhs were recovered in April 1998 from Kaithal dealer and Rs 6.07 lakhs in March 1998 from Panipat dealer. In respect of third dealer of Panipat, no reply has been received (October 1998).

The cases were reported to Government in January and May 1998; their replies have not been received (October 1998).

2.9 Incorrect deduction allowed against invalid declaration forms

Under the Haryana General Sales Tax Act, 1973, a registered dealer may deduct from his gross turnover, sale value of goods sold to registered dealers after furnishing the prescribed declaration forms (ST-15). Further,

Incorrect deduction of sales allowed against invalid declaration forms resulted in short levy of tax/penalty of Rs 8.10 lakhs.

under the provisions of the Act, the assessing authority is required to examine the genuineness or otherwise of any such sale or declaration before allowing deduction. Lost or stolen declaration forms are declared invalid by the concerned district office and the fact circulated to all the assessing authorities in the State to prevent deductions against such invalid declaration forms being allowed. The department had also issued (December 1991) instructions for checking of invalid declaration forms while framing assessments. Further, besides penalty for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **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.

(i) During the audit of records of Deputy Excise and Taxation Commissioners, Sirsa, Karnal and of Excise and Taxation Officer, Tohana, it was noticed (March 1995, June 1997 and July 1997) that five dealers (three of Sirsa and one each of Karnal and Tohana) were allowed (between February 1995 and March 1997) deductions of Rs 259.52 lakhs on account of sales made to registered dealers against declaration forms (ST-15 and ST-14) during the years 1989-90 to 1994-95. However, it was found that declaration forms involving sales valued at Rs 115.30 lakhs were those which had either been stolen/lost from the office stores of Deputy Excise and Taxation Commissioners, Faridabad (East) and Bhiwani and had been declared (January 1991 and February 1993) invalid by district offices or submitted by

bogus dealers. The deduction allowed against those declaration forms was not in order. Incorrect deduction allowed resulted in under assessment of tax of Rs 5.92 lakhs.

On this being pointed out (March 1995 and July 1997), additional demand of Rs 1.77 lakhs (including demand of Rs 46197 for 1995-96) was created (June 1996 and August 1996) in respect of a dealer of Tohana and cases of two dealers of Sirsa were referred (December 1997) to revisional authority for taking *suo motu* action. In respect of the dealer of Karnal, it was stated (June 1997) that case was being referred to revisional authority for taking *suo motu* action. As regards reply in respect of remaining one dealer of Sirsa, the assessing authority intimated (February 1997) that neither the declaration forms submitted by the purchasers were declared stolen by any of the offices nor those were bogus and thus deduction allowed was valid and genuine. The reply of the assessing authority was not tenable as the firms who submitted the declaration forms to the assessee were declared bogus and their registration certificates stood cancelled by the department.

(ii) During the audit of records of Deputy Excise and Taxation Commissioners, Gurgaon and Karnal, it was noticed (January to July 1996) that four dealers (Karnal-3, Gurgaon-1) were allowed (between February 1995 and March 1996) deductions of Rs 120.65 lakhs during the years 1992-93 to 1994-95 on account of sale of goods made to registered dealers against declaration forms (ST-15). However, it was found that declaration forms involving sales valued at Rs 17.90 lakhs were those which had been declared (January 1991 and February 1993) invalid by assessing authorities Faridabad (East) and Bhiwani. In the case of Faridabad (East) F.I.R. was also lodged with the Police besides circulating details of declaration forms to all the assessing authorities in the State. Allowing deductions against invalid

declaration forms resulted in under assessment of tax of Rs 1.79 lakhs besides interest of Rs 0.39 lakh and penalty.

On this being pointed out (June 1996 and July 1996), the department admitted the objection and created (October 1996 and November 1996) additional demand of Rs 1.14 lakhs including interest and penalty in three cases of Karnal, out of which an amount of Rs 0.46 lakh was recovered (between October 1996 and March 1997) in two cases. In the third case, monthly instalments of Rs 6000 were allowed (February 1997) by revisional authority and amount of Rs 36,685 (out of Rs 66,685) had been recovered upto June 1997. Further report on recovery of the balance amount has not been received (October 1998). In the case of dealer of Gurgaon, the assessing authority referred (May 1996) the case to the revisional authority for taking *suo motu* action who created (October 1997) additional demand of Rs 1.04 lakhs. Interest and penalty was, however, not levied for which reference was made (December 1997) and the department created (March 1998) an additional demand of Rs.0.97 lakh. Report on recovery has not been received (October 1998).

The cases were reported to Government between March 1996 and November 1997; their replies have not been received (October 1998).

2.10 Inadmissible deduction from turnover

As per Government notifications issued in December 1987, April 1989 and November 1992 under the Haryana General Sales Tax Act, 1973, tax on petroleum products, components made whether wholly or principally of iron and steel when sold to a

*Inadmissible deduction
allowed from turnover
resulted in under
assessment of tax of
Rs 3.99 lakhs*

manufacturer for use in the manufacture of goods; and consumer plastic goods is leviable at the first stage of sale in the State with effect from 1 January 1988, 7 April 1989 and 27 November 1992 respectively.

The Commercial Taxation Commissioner, Haryana clarified (January 1993 and February 1998) that plastic containers are covered under consumer plastic goods. Further, Sales Tax Tribunal Haryana in a case of Faridabad clarified (April 1997) that petroleum product remains petroleum product even after its use. Thus black oil which is petroleum product is taxable at the first stage of sale. The deduction from turnover on account of sale of such goods to registered dealers against declarations in Form ST-15 is not admissible. Besides penalty, for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **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.

(i) During the audit of records of the Deputy Excise and Taxation Commissioners, Karnal and Faridabad (East), it was noticed (between June 1997 and December 1997) that four dealers (two each of Karnal and Faridabad) were allowed (between May 1996 and March 1997) deduction of Rs 22.24 lakhs during the years 1993-94 to 1995-96 on account of sale of goods made to registered dealers against declaration forms (ST-15). Out of Rs 22.24 lakhs deduction of Rs 21.47 lakhs related to sale of 'used oil' (black oil) and components made of iron and steel sold to manufacturer for use in the manufacturing of goods which were not admissible as used oil remained petroleum product even after its use and was taxable at the first stage of sale. Incorrect deduction resulted in under assessment of Rs 2.01 lakhs.

On this being pointed out (between June and December 1997), the assessing authority Faridabad stated (July 1998) that the case have been sent for taking *suo motu* action. In the case of one dealer of Karnal, the

assessing authority intimated (August 1997) that the item of waste used oil has not been defined in the list of goods leviable to tax at the first stage of sale in the State. The reply of the assessing authority is not tenable in view of Tribunal decision dated 17 April 1997. The case of another dealer of Karnal was referred (September 1997) to revisional authority for taking *suo motu* action. Further report on action taken has not been received (June 1998). The reply in respect of remaining one dealer of Faridabad has not been received (October 1998).

(ii) During the audit of records of Deputy Excise and Taxation Commissioners, Gurgaon and Yamunanagar it was noticed (December 1997 and January 1998) that in the cases of two dealers (one each of Gurgaon and Yamunanagar) the assessing authorities, while finalising (January 1997 and March 1997) assessments for the years 1992-93 to 1994-95 allowed deduction of Rs 15.24 lakhs (in respect of sales made from 27 November 1992 onwards) from the gross turnovers on account of sale of plastic containers to registered dealers against declarations in Form ST-15. The inadmissible deduction resulted in short assessment of tax of Rs 1.34 lakhs besides interest of Rs 0.64 lakh.

On this being pointed out (December 1997 and January 1998), the department replied (December 1997) in the case of Gurgaon dealer that deduction on account of sales made to registered dealers was rightly allowed but the reply was not tenable in view of clarification given by Commercial Taxation Commissioner. As intimated (June 1998), the case of Yamunanagar dealer has been sent (May 1998) to revisional authority for taking *suo motu* action.

The cases were reported to Government between September 1997 and February 1998; their replies have not been received (October 1998).

2.11 Short levy of tax on sales to Non-Government bodies

Under the Haryana General Sales Tax Act, 1973, sales to Government departments are taxable at the concessional rate of **four per cent** when such sales are supported by valid declarations in form STD-I furnished by the authorised officers of the Government departments. The concession is not admissible in respect of sales made to autonomous bodies or other non-Government institutions. These are liable to pay tax at the full rate. Further, for short payment of tax along with the returns, besides penalty, the dealer is also liable to pay interest 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.

Acceptance of STD I Forms issued by Non Government bodies led to under assessment of tax of Rs 3.05 lakhs

(i) During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (January 1997) that a dealer constructed residential houses for Haryana Police Housing Corporation during the year 1993-94 and used therein building material valued at Rs 58.37 lakhs. The assessing authority, while finalising (March 1996) assessment for the year 1993-94 levied tax at the concessional rate of **four per cent** plus surcharge instead of at the correct rate of **eight per cent** plus surcharge though Haryana Police Housing Corporation is not a Government department. This resulted in under assessment of tax of Rs 2.57 lakhs besides interest and penalty.

On this being pointed out (January 1997), the department accepted the observations and referred (October 1997) the case to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 1998).

(ii) During the audit of records of Deputy Excise and Taxation Commissioner Panchkula, it was noticed (January 1997) that a dealer made sales of Karyana goods valued at Rs 1.45 lakhs and Rs 9.40 lakhs during the years 1993-94 and 1994-95 to Officer Commanding, Army Wives Welfare Association, Chandimandir (Panchkula). The assessing authority, while finalising (January 1996) assessments for the years 1993-94 and 1994-95, levied tax at the concessional rate of **four per cent** plus surcharge against the production of declaration forms instead of at the correct rate of **eight per cent** plus surcharge as the Army Wives Welfare Association is not a Government department. The mistake resulted in under assessment of tax of Rs 47,733 besides interest and penalty.

On this being pointed out (January 1997), the department admitted the objection and referred the case (October 1997) to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 1998).

The cases were reported to Government in June 1997; their replies have not been received (October 1998).

2.12 Short levy of interest

Under the Haryana General Sales Tax Act, 1973, a dealer is required to pay the full amount of tax due from him according to his returns required to be submitted by the prescribed dates. In the event of default, the dealer is liable to pay interest on the amount of tax 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.

Incorrect computation of interest resulted in short levy of interest of Rs 2.95 lakhs

During the audit of records of the Deputy Excise and Taxation Commissioner, Karnal, it was noticed (July 1997) that a dealer did not pay

full amount of tax due alongwith returns during the year 1991-92 and 1992-93. While finalising assessments (September 1996 and October 1996) the assessing authority levied interest of Rs 4.73 lakhs and Rs 0.81 lakh for assessment year 1991-92 and 1992-93 against the actual amount of interest leviable at Rs 7.42 lakhs and Rs 1.07 lakhs respectively. This resulted into short levy of interest of Rs 2.95 lakhs.

On this being pointed out (July 1997), the assessing authority stated (July 1997) that notice for rectification was being issued to the dealer. Further report on action taken has not been received (October 1998).

The case was reported to Government in September 1997; their reply has not been received (October 1998).

2.13 Non-levy of tax

Under the Haryana General Sales Tax Act, 1973, 'Sale' means any transfer of property in goods for cash or deferred payment or other valuable consideration and includes transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration. Import replenishment licenses (REP licenses) which are granted by the Chief Controller of Imports and Exports in recognition of export of certain products can be transferred by way of sale without endorsement by the licensing authority and taxed accordingly.

Non levy of tax on sale of license resulted in under assessment of tax of Rs 2.18 lakhs

During the audit of records of Deputy Excise and Taxation Commissioner, Rewari, it was noticed (February 1997) that a dealer received income of Rs 21.85 lakhs from the sale of import licence during the year 1993-94. The assessing authority, while finalising (October 1995) assessment, did not levy tax on the sale of the import licence. The omission resulted in non levy of tax of Rs 2.18 lakhs.

On this being pointed out (February 1997), the department informed (July 1998) that revision proceedings had been undertaken by the revisional authority who created (January 1998) an additional demand of Rs.4.86 lakhs but the recovery could not be effected as the unit had been closed. Further report on action taken has not been received (October 1998).

The case was reported to Government in May 1998; their reply has not been received (October 1998).

2.14 Excess refund due to incorrect exemption from payment of tax

Under Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the Haryana General Sales Tax Act, 1973, at the first stage of sale of goods purchased by him, from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within state or in the course of inter-State trade or commerce, or in the course of export outside India. Further, the full amount of tax paid at the first stage, if the sale is exempt from tax, shall be refundable to the dealer.

Incorrect determination of purchase value of tax paid wheat resulted in excess rebate of Rs 2.60 lakh.

During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (January 1997) that a dealer, who was granted exemption from payment of tax on goods manufactured from tax paid wheat, made purchases of 13850 MT wheat from Food Corporation of India for a total value of Rs 549.85 lakhs during the year 1994-95. The procurement price of wheat fixed by Government of India during the year 1994-95 was Rs 3500 per MT. Thus the first purchase value of wheat on which tax was paid by Food Corporation of India worked out to Rs 484.75 lakhs. While finalising (May 1995) the assessment, the assessing authority, for the purpose of allowing refund on account of tax paid on wheat,

determined the first purchase value at Rs 549.84 lakhs instead of the correct value at Rs 484.75 lakhs. The mistake resulted in excess refund of Rs 2.60 lakhs.

On the mistake being pointed out (January 1997), the assessing authority referred (October 1997) the case to revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 1998).

The case was reported to Government in June 1997; their reply has not been received (October 1998).

2.15 Short levy of purchase tax and under assessment due to excess rebate

Under the Haryana General Sales Tax Act, 1973, tax on purchase of goods, which did not suffer any tax earlier, from within the State is leviable at the stage of their last purchase provided the manufactured goods are disposed of otherwise than by way of sale. Further, a registered dealer may reduce the amount of tax paid under the Act in respect of goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce, or in the course of export outside India. For non/short payment of tax alongwith the returns, interest is chargeable on the amount of tax 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.

Incorrect computation of purchase tax and rebate resulted in under assessment of Rs 3.92 lakhs.

During the audit of records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (December 1995 and January 1996)

that two dealers purchased goods valued at Rs 8539.78 lakhs from within the State without payment of tax during the year 1989-90 and used the same in the manufacture of goods sold within the State, in the course of inter-State trade or commerce, export outside the territory of India, stock transfers and for self use. While finalising (March 1995) assessment of one dealer, the assessing authority erroneously levied purchase tax of Rs 37.75 lakhs instead of Rs 39.09 lakhs in respect of goods purchased and used in stock transfers and for own use. Further rebate of tax of Rs 18.33 lakhs instead of Rs 20.41 lakhs on tax paid goods used in the manufacture of goods sent on stock transfer and for own use was disallowed.

In other case the assessing authority allowed (October 1994) tax rebate of Rs 1.01 lakhs on tax paid purchases of wire valued at Rs 16.13 lakhs against the admissible rebate of Rs 51,600 as the purchases were made from third seller. The mistake in both cases resulted in short levy of tax of Rs 3.92 lakhs besides interest and penalty.

On this being pointed out (December 1995 and January 1996), the assessing authority referred (October and November 1997) the cases to the revisional authority for taking *suo motu* action. Further report on action taken has not been received (October 1998).

The cases were reported to Government in March 1996, November 1997 and March 1998; their replies have not been received (October 1998).

2.16 Under assessment due to excess rebate

Under the Haryana General Sales Tax Act, 1973, tax on sale of rice 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. Sales tax levied on rice is,

Incorrect computation of tax on purchases resulted in excess rebate of Rs 2.37 lakhs.

however, reduced by the amount of purchase tax paid in the State on paddy out of which such rice has been husked. Further, besides penalty, the dealer is liable to pay interest on the amount of tax 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.

(a) During the audit of records of the Deputy Excise and Taxation Commissioner, Panipat, it was noticed (March 1997) that a dealer of village Jatal (Panipat) purchased 10425.28 quintals of paddy valued at Rs 40.29 lakhs from outside the State of Haryana and 2404.72 quintals valued at Rs 8.95 lakhs from within the State during the year 1993-94. The entire quantity of paddy was milled. While finalising (March 1996) the assessment for the year 1993-94, the assessing authority erroneously allowed tax rebate on paddy valued at Rs 41.51 lakhs instead of on paddy valued at Rs 8.95 lakhs. The mistake resulted in excess rebate on Rs 32.56 lakhs involving tax of Rs 1.30 lakhs besides interest and penalty.

On this being pointed out (March 1997), the department admitted the objection and intimated (August 1997) that the case has been referred to the revisional authority for taking *suo motu* action who remanded (January 1998) to the assessing authority for framing the assessment afresh. Further report on action taken has not been received (October 1998).

The case was reported to Government in March 1998; their reply has not been received (October 1998).

(b) During the audit of records of Deputy Excise and Taxation Commissioner, Hisar, it was noticed (July 1997) that a dealer of Hisar made inter-State sale of wheat valued at Rs 135.18 lakhs during the year 1995-96. The assessing authority while finalising (November 1996) the assessment, worked out the rebate on total sale value of wheat instead of actual purchase

value of Rs 108 lakhs. The mistake resulted in under assessment of tax of Rs 1.07 lakhs (over assessment of rebate).

On this being pointed out (July 1997), the case was referred to revisional authority for taking *suo motu* action who created (November 1997) additional demand of Rs 1.07 lakhs. Report on recovery has not been received (October 1998).

The case was reported to Government in November 1997; their reply has not been received (October 1998).

2.17 Incorrect exemption of tax

Under the Haryana General Sales Tax Act, 1973, and the Rules framed thereunder, an industrial unit (registered dealer) holding exemption certificate under the provisions of Rule 28-A is exempt from payment of tax on the sale of finished products of the unit. Tax on the sale of by-products, such as scrap, is however, payable by the unit. The unit is also liable to pay tax on the raw material purchased on the strength of registration certificate and used in the job work or sold as such. Besides penalty for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **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.

Incorrect exemption of tax resulted in short levy of tax of Rs 2.27 lakhs.

During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (January and February 1997) that an industrial unit holding exemption certificate under Rule 28-A and engaged in the manufacture of steel fabrication parts, Die fixtures etc. for supply to Rail Coach Factory, sold during 1991-92 and 1993-94 scrap (by product) valued at Rs 8.53 lakhs and Rs 8.40 lakhs respectively obtained in the process of manufacturing railway parts. While finalising (June 1994 and June 1995)

assessments for the years 1991-92 and 1993-94, the assessing authority included the amount of tax of Rs 34,100 and Rs 33,610 on the sale of scrap in the total amount of exemption for these years though tax on the sale of scrap was payable by the unit. The mistake resulted in incorrect exemption of tax of Rs 67,710 besides interest of Rs 40,933.

Apart from the above, the dealer had purchased lavatory doors and chutes during the year 1993-94 on the strength of his registration certificate and sold the same as such for Rs 17.36 lakhs to Rail Coach Factory, Kapurthala and exemption of tax of Rs 69,453 on that sale was allowed by the assessing authority (June 1995) which was incorrect.

On the omissions being pointed out (January and February 1997), the revisional authority created (August 1997) additional demand of Rs 2.27 lakhs for the years 1991-92 to 1993-94 and recovered Rs 2.25 lakhs in September 1997.

The case was reported to Government in June 1997; their reply has not been received (October 1998).

2.18 Incorrect computation of rebate

Under the Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the Act in respect of goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce, or in the course of export outside India.

*Incorrect calculations
resulted into excess rebate
of Rs 1.96 lakhs*

During the audit of records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (December 1997) that while

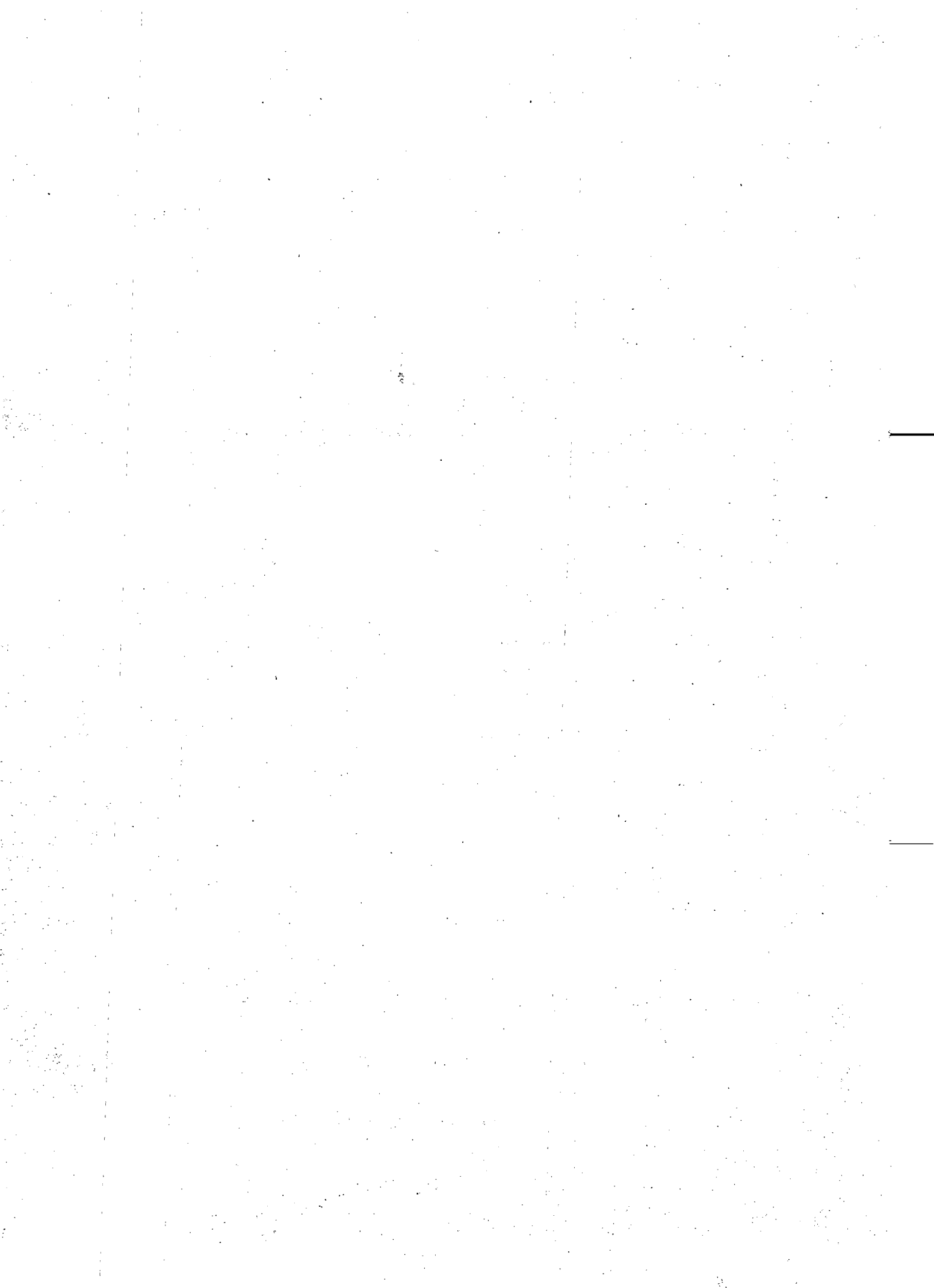
finalising (August 1996) assessment of a dealer of Faridabad for the year 1993-94, the assessing authority adopted opening balances of tax paid goods of iron and components at Rs 1.77 lakhs and Rs 44.60 lakhs against actual closing balances of these goods at Rs nil. and Rs 1.77 lakhs respectively during the year 1992-93. The mistake resulted in excess rebate of Rs 1.96 lakhs.

On the omission being pointed out (December 1997), the department intimated (June 1998) that against the demand of Rs 1.96 lakhs created (February 1998) a sum of Rs 0.86 lakh (Rs 18,770 plus Rs 66,787) has been adjusted against the refund and the balance amount of Rs 1.10 lakhs has been recovered in March 1998.

The case was reported to Government in June 1997; their reply has not been received (October 1998).

Chapter-III

Stamp Duty and Registration Fees		
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CHAPTER-3

STAMP DUTY AND REGISTRATION FEES

3.1 Results of Audit

Test check of records of the District Registrars and Sub-Registrars conducted in audit during the year 1997-98 revealed short levy and non-levy of stamp duty and registration fees amounting to Rs.518.12 lakhs in 1353 cases, which broadly fall under the following categories :

Sl.No.	Nature of irregularities	Number of cases	Amount (In lakhs of rupees)
1.	Irregular exemption of stamp duty and registration fees	692	340.07
2	Loss of stamp duty due to under valuation of properties	310	83.76
3	Non/short levy of stamp duty and registration fees	158	26.61
4.	Evasion of stamp duty and registration fees	99	26.00
5	Loss of stamp duty due to misclassification of deeds	46	23.90
6.	Other irregularities	48	17.78
	Total	1353	518.12

The department accepted under assessments of Rs 253.66 lakhs in 161 cases which were pointed out in audit during 1997-98. Out of which the department recovered an amount of Rs 4.17 lakh in 10 cases. Besides, an amount of Rs 3.32 lakhs in 59 cases had also been recovered during 1997-98 relating to earlier years.

A few illustrative cases involving Rs 86.68 lakhs highlighting important observations are given in the following paragraphs:

3.2 Non/short recovery of stamp duty

(a) The Indian Stamp Act, 1899, as applicable to Haryana and the Registration Act, 1908, provide that where any instrument relating to properties situated in Haryana has become chargeable, in any part of India other than Haryana, with duty under the Act or under any other law for the time being in force in any part of India and thereafter becomes chargeable with a higher rate of duty in the State, the amount of duty chargeable on such instruments shall be the amount chargeable on it in the State less the amount of duty, if any, already paid on it in any part of India. Government of Haryana in Revenue Department also clarified (March 1994) that difference of stamp duty in respect of the documents registered at Delhi pertaining to the properties situated in Haryana is to be recovered. In Haryana, stamp duty on conveyance deeds is chargeable at the rate of **twelve and a half per cent** of the amount of consideration. Additional stamp duty at the rate of **three per cent** is also leviable on transfer of immovable properties situated within the limits of Municipalities.

*Stamp duty of
Rs 57.87 lakhs levied
short*

During the audit of records of 16* registering offices, it was noticed (between August 1997 and December 1997) that 213 instruments relating to properties situated in Haryana were registered in the Central Registry offices at Delhi and Mumbai between April 1992 and September 1996 and the same were subsequently received in the respective registering offices of the State. On scrutiny of those instruments it came to notice that stamp duty was charged by the Registering Authorities at Delhi and Mumbai at lesser rates than at rates applicable in Haryana. In all the 213 cases, stamp duty amounting to Rs 33.42 lakhs was charged instead of chargeable amount

* Panipat, Karnal, Nilokheri, Gharaunda, Nissing, Assandh, Faridabad, Ballabhgarh, Gurgaon, Kurukshetra, Bhiwani, Sonipat, Jind, Narwana, Saffidon and Hisar.

Stamp Duty and Registration Fees

of Rs 90.28 lakhs resulting in non-recovery of stamp duty of Rs 56.86 lakhs levied less at the time of initial registration of instruments from the concerned parties. Further, instead of initiating action for recovery of deficient amount of duty, the rights of properties in 36 cases (out of 213 cases) have also been transferred on the basis of mutations.

On this being pointed out (between August and December 1997), three sub-Registrars intimated (September and October 1997) that notices for recovery in 64 cases (Sonipat: 2, Karnal: 10 and Narwana: 52) were issued to the concerned parties. Sub-Registrars Faridabad, Karnal and Sonipat also intimated (September 1997, February 1998 and June 1998) that amount of Rs.4.65 lakhs (Faridabad: Rs.3.99 lakhs in 10 cases, Karnal: Rs.46,425 in 2 cases and Sonipat: Rs.20,000 in one case) has been recovered. Sub-Registrars Gurgaon, Kurukshetra, Faridabad, Ballabhgarh and Saffidon intimated (between August and December 1997) that efforts were being made to recover the deficient amounts of stamp duty in remaining cases. Further report on action taken/amount recovered has not been received (October 1998).

The cases were reported to Government in December 1997 and January 1998; their replies have not been received (October 1998).

(b) The Indian Stamp Act, 1899, as applicable to Haryana, provides that if in an instrument, immovable property is transferred or sold by one person to another, the stamp duty is chargeable as a conveyance deed on the consideration equal to the value of immovable property as set forth in such instrument. An additional duty at the rate of **three per cent** of the consideration is also leviable on instruments of conveyance in respect of property falling within the limits of Municipal Corporation.

During the audit of records of the Sub-Registrars, Sohna (Gurgaon), Faridabad and Rania (Sirsa), it was noticed (between July 1997 and January 1998) that immovable properties in four cases were sold/transferred for a consideration of Rs 11.22 lakhs for which conveyance deeds were registered between April 1996 and January 1997. The property situated in Faridabad was falling under Municipal Corporation limits. As the documents evidenced sale of immovable property, stamp duty was leviable on all the four conveyance deeds but the same were exempted or were levied short without recording any reasons. The omission resulted in short-levy of stamp duty amounting to Rs 1.01 lakhs in all the four cases.

On this being pointed out (between July 1997 and January 1998), the department accepted the audit observations. In two cases of Sohna, Sub-Registrar stated (July 1997) that notices for recovery of stamp duty would be issued. Sub-Registrar, Faridabad recovered (February 1998) the whole amount of Rs 31,000 and Sub-Registrar, Rania issued (March 1998) notice for recovery of stamp duty. The reasons as to why the stamp duty was not levied in the first instance have been enquired (May 1998) from the Sub-Registrars but replies have not been received (October 1998).

The cases were reported to Government between November 1997 and March 1998 who have directed the concerned Sub-Registrars (between December 1997 and April 1998) to recover the amount of stamp duty not levied earlier; their reply has not been received (October 1998).

3.3 Incorrect exemption of stamp duty

The Haryana Government vide notification issued in August 1995, remitted stamp duty leviable on the deeds of conveyance to be got executed by the farmers whose land is acquired by

the Government for public purpose and who purchase agricultural land in the

*Stamp duty of
Rs 18.73 lakhs short
levied due to incorrect
exemption to House
Building Co-operative
Societies.*

Stamp Duty and Registration Fees

Haryana State within one year of the amount of compensation received by them for the acquired land. The Government in Revenue Department further clarified (March 1998) that the benefit of exemption of stamp duty was not available for House Building Co-operative Societies.

(i) During the audit of records of the Sub-Registrar, Hisar, it was noticed (May 1997) that a House Building Co-operative Society of Barwala (Hisar), whose land was acquired by Government in May 1995, purchased (May 1996) agricultural land within the same district against the amount of compensation received by them in June 1995. Two conveyance deeds were got executed by the society in May 1996 without the levy of stamp duty under the impression that purchase of agricultural land by the House Building Co-operative Societies is also exempt from stamp duty under the notification of August 1995. As per clarification issued in March 1998, agricultural land purchased by the House Building Co-operative Societies against the compensation received by them for their acquired land was not exempt from levy of stamp duty. The incorrect exemption granted to the society resulted in non-levy of stamp duty of Rs 16.49 lakhs.

The case was pointed out to the department in May 1997 and reported to Government in August 1997; their replies have not been received (October 1998).

(ii) During the audit of records of Sub-Registrar Chhachhrauli and Nuh, it was noticed (April and July 1997) that two farmers whose land was acquired by the Government, received compensation in September 1993/February 1994 and June 1995 respectively, purchased agricultural land in the State and got the conveyance deeds registered in August 1996 and September 1996 respectively without payment of stamp duty i.e. after one year from receipt of compensation. This resulted in loss of stamp duty of Rs 1.24 lakhs.

On this being pointed out (April 1997 and July 1997), the department intimated (April 1997 and July 1997) that notices of recovery were being issued to the concerned parties.

The cases were reported to Government in June 1997 and November 1997; their replies have not been received (October 1998).

3.4 Evasion of stamp duty due to undervaluation of immovable property

The Indian Stamp Act, 1899, as applicable to Haryana, provides that the consideration, if any, and all other facts and circumstances affecting the chargeability of an 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, *ibid*, if the registering officer has reasons to believe that the value of the property or the consideration, as the case may be, 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, 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 are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees.

Under valuation of properties resulted in evasion of stamp duty of Rs 4.21 lakh.

During the audit of records of 9* registering offices, it was noticed (between July 1994 and October 1997) that twelve conveyance deeds were registered (between May 1993 and January 1997) on account of sale of immovable properties. The total value of properties set forth in all conveyance deeds was Rs 29.73 lakhs whereas as per agreements executed

* Ferozpur Jirkha, Rewari, Pehowa, Indri, Nilokheri, Karnal, Pillukhera, Palwal and Rohtak.

between the affected parties during the period from November 1992 to July 1996 and found recorded with the various document writers, the total sale value in all these cases worked out to Rs 63.44 lakhs on the basis of rates agreed upon in the agreements for sale of properties. The conveyance deeds were thus got executed and registered at a consideration less than that agreed upon between the parties. Under valuation of properties in conveyance deeds resulted in evasion of stamp duty of Rs 4.21 lakhs. Besides, penalty not exceeding Rs 60,000 for under valuation done with intent to defraud the Government was also leviable in all 12 cases.

On this being pointed out (between July 1994 and October 1997), the department accepted the objections and stated (between July 1994 and October 1997) that notices for recoveries in 12 cases were being issued. Report on recovery has not been received (October 1998).

The cases were reported to Government between November 1994 and January 1998; their reply in all except two cases has not been received (October 1998). The Government intimated (February 1998) that the whole amount of Rs 0.49 lakh in two cases of Sub-Registrar, Ferozpur Jirkha has been recovered.

3.5 Short levy of stamp duty due to misclassification of instruments

Under the Indian Stamp Act, 1899, as applicable to Haryana 'mortgage deed' includes every instrument whereby for the purpose of securing money advanced, or to be advanced, by way of loan or an existing or future debt, or the performance of an engagement, one person transfers or creates, to or in favour of another, a right over or in respect of specified property. Subject to the exemptions contained in Schedule I-A of the Act, *ibid*, every instrument is chargeable with duty at the rates prescribed therein. The correct classification of instrument, keeping in view the nature of transaction is, therefore, essential with a

view to avoid loss of stamp duty etc. In case where possession of property is not given, stamp duty is chargeable at **one and a half per cent** of the amount of loan secured by such instrument. Further under the Act, *ibid*, a collateral or auxiliary or additional or substituted security or by way of further assurance for the above mentioned purposes where the principal or primary security is duly stamped, is also chargeable at the rate of **one rupee fifteen paise per thousand rupees** for every sum secured.

During the audit of records of Sub-Registrar, Gurgaon, it was noticed (August 1997) that two industrial firms of Gurgaon secured loans/cash credit facilities of Rs 92.97 lakhs and Rs 45.66 lakhs from two scheduled banks at Gurgaon and New Delhi respectively after mortgaging their properties in favour of the banks. Stamp duty of Rs 40 (Rs 20+Rs 20) was levied instead of leviable duty of Rs 2.08 lakhs on both the deeds. As both the instruments were executed (July 1996 and November 1996) with consideration for securing loans/cash credit facilities against security of immovable properties, these were correctly classifiable as mortgage deeds without possession and were chargeable with stamp duty at the rate of **one and a half per cent** of the amount of loan/cash credit facility. The misclassification of instruments as security bond/indemnity bond instead of as mortgage deeds resulted in short levy of stamp duty of Rs 2.08 lakhs.

On the omissions being pointed out (August 1997), the Sub-Registrar, Gurgaon intimated (August 1997) that notices for recovery were being issued to the concerned parties. Further reply in the matter has not been received (October 1998).

The cases were reported to Government in November 1997, who have further directed (December 1997) the Registrar, Gurgaon to expedite reply after effecting recoveries of short levy of stamp duty. Further reply has not been received (October 1998).

(ii) Similarly, during the audit of records of Sub-Registrar, Fatehabad (Hisar), it was noticed (April 1995) that an industrial concern secured (November 1991) a loan/cash credit facilities of Rs 24.90 lakhs from a scheduled bank by mortgaging immovable property of an agriculturist family of Fatehabad. Subsequently the loanee further secured an enhanced limit of loan/cash credit facilities of Rs 13.40 lakhs aggregating to total loan of Rs 38.30 lakhs from the same scheduled bank by further mortgaging the same property. Simultaneously, another agriculturist family of Fatehabad stood additional surety by binding herself for the payment to the bank the sum of Rs 38.30 lakhs being the aggregate of the above said loan/cash credit facilities and created a collateral security thereon by mortgaging her agricultural land situated in village Basti Bhiwan, district Hisar. All the three deeds (one for the original loan and other two for enhanced limit as well as for additional surety) were got registered in November 1991 and October 1994 respectively as security bonds in favour of the bank by paying stamp duty of Rs 50 (20+15+15) instead of as mortgage deeds (two principal securities) and a deed of collateral (additional) security respectively. Stamp duty levied short as a result of this misclassification on both the counts amounted to Rs 61,805.

On this being pointed out (April 1995), the department intimated (April 1995) that notices would be issued to the concerned parties for effecting recovery.

The case was reported to the Government in July 1995, who accepted the audit observation and directed (May 1996) the Registrar, Hisar to recover the stamp duty levied short. Further report on the action taken has not been received (October 1998).

3.6 Incorrect refund of stamp duty

As per provisions of the Indian Stamp Act, 1899, as applicable to Haryana, the Collector may, on application made within the period prescribed in the Act and if he is satisfied as to the facts, make allowance for impressed stamps spoiled in the cases namely the stamp used for an instrument executed by any party thereto which by reason of the refusal of any person to act under the same, or to advance any money intended to be thereby secured, or by the refusal of any person to execute the document. The application for relief shall be made within two months of the date of instrument. Further, in any case where allowance is made for spoiled or misused stamps, the Collector may give in lieu thereof at his discretion, the same value in money deducting **ten paise** for **each rupee**, or fraction of a rupee.

During the audit of records of Sub-Divisional Officer (Civil) Gurgaon and Bahadurgarh (Rohtak), it was noticed (August and July 1997) that three vendors purchased non-judicial stamp papers of the value of Rs 1,12,502, Rs 18,750 and Rs 55,000 on 25.8.1995, 6.9.1996 and June 1996 from Gurgaon and Bahadurgarh Treasuries respectively for executing conveyance deeds in respect of their land. The deeds were executed but could not be got registered and were cancelled as land in the one case of Gurgaon was sold to some other party; deal for purchase of land could not be materialised in the second case and the land, in Bahadurgarh case was under litigation. Accordingly, the vendors applied on 9.11.1995, 10.1.1997 and September 1996 respectively for refund of stamps valued at Rs 1,86,252. The Collectors allowed refund of Rs 1,18,126 (Rs 1,01,251+ Rs 16,875) in two cases of Gurgaon and Rs 49,500 to vendor of Bahadurgarh after deducting **ten per cent** of the value of stamps. As the vendors applied for refund of stamps

after the expiry of the prescribed period of two months, action of the Collectors in allowing the refund was not in order.

On this being pointed out (August 1997 and July 1997), the department intimated (December 1997 and July 1997) that the entire amount of Rs 1,18,126 has been recovered from the vendors of Gurgaon in November 1997 and notice was being issued to vendor of Bahadurgarh. Report on further action taken has not been received (October 1998).

The cases were reported to the Government in October 1997 and March 1998; their reply has not been received (October 1998).

3.7 Evasion of stamp duty and registration fees through power of attorney

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

Stamp duty of Rs 1.23 lakhs not levied on power of Attorney given for consideration.

During the audit of records of Sub-Registrars, Rewari and Panchkula, it was noticed (December 1997) that two agreements to sell immovable properties were registered in July 1996 and October 1990 after receiving full considerations of Rs 3.25 lakhs and Rs 6.50 lakhs respectively by sellers and handing over the possession to the purchasers. Simultaneously, power of attorneys authorising the family members of the purchasers to dispose of the properties in any manner and to sign the sale deeds were also given (July 1996 and October 1990) by the sellers. Stamp duty of Rs 15 only was levied on the instrument of power of attorney in one case instead of leviable stamp duty and registration fees of Rs 1,22,875. This resulted in evasion of stamp duty and registration fees of Rs 1.23 lakhs.

On the omissions being pointed out (December 1997), the concerned Sub-Registrars intimated (December 1997) that notices for recovery would be issued. Further reply in the matter has not been received (October 1998).

The Government in one case directed the department to recover the amount and reply in another case has not been received (October 1998).

3.8 Short recovery of stamp duty on exchange deeds

As per article 31 of Schedule I-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 I-A of the Act, *ibid*, for a consideration equal to the value of the property or the greatest value as set forth in such instrument as clarified (September 1985) by Haryana Government in Revenue Department.

During the audit of records of Sub-Registrars, Palwal (Faridabad) and Pehowa (Kurukshetra), it was noticed (October 1997 and February 1998) that three instruments of exchange of properties registered in May 1996 and December 1996 were charged to stamp duty at the rates applicable to 'other conveyances' instead of at the rates applicable to conveyance by sale of immovable properties. The mistake resulted in short levy of stamp duty of Rs.1.26 lakhs.

On the mistakes being pointed out (October 1997 and February 1998), the department intimated (October 1997 and February 1998) that notices for deposit of stamp duty would be issued to the concerned parties. Further reply on action taken has not been received (October 1998).

The cases were reported to Government in January 1998 and March 1998 which directed (February 1998 and April 1998) the department to recover the amount.

Chapter-IV

Other Tax Receipts		
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Other Tax Receipts

CHAPTER-4

OTHER TAX RECEIPTS

4.1 Results of Audit

Test check of records in departmental offices, relating to revenues of Passengers and Goods Tax, Taxes on Motor Vehicles, Entertainments Duty and Show Tax and Land Revenue revealed under assessment of taxes and duties and loss of revenue amounting to Rs 1548.30 lakhs in 5958 cases as depicted below:

	Heads of revenue	Number of cases	Amount (In lakhs of rupees)
A.	Land Revenue	2627	1241.63
B.	Passengers and Goods Tax	1920	239.66
C.	Taxes on Motor Vehicles	1386	59.90
D.	Entertainments Duty and Show Tax	25	7.11
	Total	5958	1548.30

(a) In the case of land revenue, 2627 cases involving non recovery of arrears of land revenue amounting to Rs 1241.63 lakhs were pointed out. No recovery was made during the year 1997-98.

(b) In the case of Passengers and Goods Tax, the department accepted under assessments etc. of Rs 3.46 lakhs in 28 cases which were pointed out during the year 1997-98. Besides, an amount of Rs 0.45 lakh has also been recovered during 1997-98 in 9 cases pointed out in earlier years.

(c) In the case of Taxes on Motor Vehicles, the department accepted under assessments etc. of Rs 10.12 lakh in 191 cases which were pointed out during the year 1997-98. An amount of Rs 0.09 lakh has also been recovered during 1997-98 in 9 cases pointed out in earlier years.

(d) In the case of Entertainments Duty and Show tax, the department accepted under assessments and recovered Rs 0.96 lakh in 2 cases which were

pointed out during the year 1997-98. Besides, an amount of Rs 0.83 lakh had also been recovered during 1997-98 in 8 cases pointed out in earlier years.

A few illustrative cases involving Rs 4.07 lakhs and a review on "Internal controls in Land Revenue Department for recovery of dues treated as arrears of Land Revenue" involving Rs 1240.32 lakhs highlighting important observations are mentioned in the following paragraphs:

A-Land Revenue

4.2. Internal Controls in Land Revenue Department for recovery of dues treated as arrears of land revenue

4.2.1. Introductory

Internal Controls are intended to provide reasonable assurance for prompt and efficient service and adequate safeguards against evasion of taxes and duties. These are meant to promote enforcement of compliance with laws, rules and departmental instructions and help in prevention and detection of frauds and other irregularities. These also help in creation of reliable financial and management information system. It is, therefore, the responsibility of the department to ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective.

Arrears of land revenue is the first charge upon the rents, profits and produce of the land. Under the provisions of the Punjab Land Revenue Act, 1887, any sums recoverable as arrears of land revenue under various fiscal Acts can be recovered by effecting service of writ of demand, arrest and detention of defaulter, distress sale of movable property and crops, attachment of estate or holding, annulment of the assessment of the estate or holding, sale of the estate or holding and by proceeding against other immovable property of the defaulter.

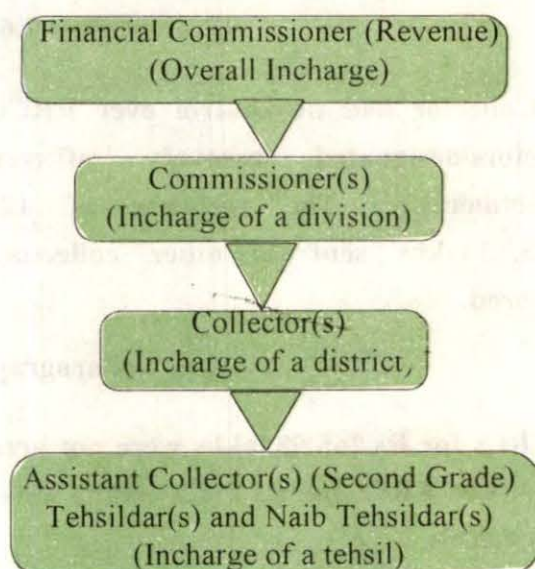
4.2.2. Scope of Audit

With a view to ascertain the effectiveness and adequacy of internal controls, compliance of the rules and instructions and to evaluate the activities of land revenue department, a test check of records of twenty one tehsils in eight* collectorates (out of seventeen collectorates) covering a period of five agricultural years (October-September) from 1992-93 to 1996-97 was conducted between November 1997 and April 1998.

4.2.3. Organisational set-up

The overall superintendence and control of Land Revenue Department vests with the Financial Commissioner (Revenue) who makes rules, fixes recovery charges, prescribes procedure, for submission of periodical returns and issues instructions on arrears of land revenue. For the purpose of recovery of arrears of land revenue, the State has been divided into four commissioneries of divisions and seventeen districts, each under the charge of a Commissioner and a Collector (Deputy Commissioner) respectively. The Collector exercises the control through Assistant Collectors second grade (Tehsildars and Naib Tehsildars) and other staff in his district.

Chart of Organisational Set Up Of Land Revenue Department



* Ambala, Kurukshetra, Panchkula, Yamunanagar, Kaithal, Panipat, Sonipat and Faridabad

4.2.4 Highlights

- Recovery of arrears ranged between 6 and 17 percent during the five years from 1992-93 to 1996-97. Agewise pendency of arrears was not being monitored at apex level. 132 cases involving recoveries of Rs 10.98 lakhs were pending in 7 tehsils for more than five years.

(Paragraph 4.2.5)

- There was no well defined procedure for receipt and recording of requisitions for recovery. Requisition for Rs 5.17 lakhs were not accounted for in Ambala and Kurukshetra collectorates.

(Paragraph 4.2.6 (A) I (a))

- Due to lack of proper scrutiny time-barred requisitions for Rs 27.93 lakhs (315 cases) and requisitions for Rs 230.22 lakhs not supported by details of property, were accepted for declaration as arrears of land revenue.

(Paragraph 4.2.6 (A) I (b) & (c))

- The Collector had no control over RRCs sent to other Collectors/designated recovery officers of other departments. The recovery of 120 RRCs for Rs 103.13 lakhs sent to other collectorates was not monitored.

(Paragraph 4.2.6 (A) III)

- 625 RRCs for Rs 265.98 lakhs were not accounted for and another 106 RRCs for Rs 173.24 lakhs were accounted for late by tehsils.

(Paragraph 4.2.6 (B))

- Yearwise position of demand, recovery and balances as well as number of pending cases for the State as a whole was not available with the Financial Commissioner (Revenue).

(Paragraph 4.2.6 (C))

- 1737 RRCs for Rs 669.23 lakhs were returned without any valid reasons.

(Paragraph 4.2.7)

- Part payments were being accepted without obtaining the approval of Financial Commissioner. In 102 cases, part recovery of 23 lakhs (out of 75.51 lakhs) had been effected.

(Paragraph 4.2.8 (i))

- Recourse to coercive processes was taken only in 6 percent of the cases received. 514 cases for Rs 88.18 lakhs were found pending without action.

(Paragraph 4.2.9)

- In 6 cases involving amount of Rs 84.57 lakhs recoveries were not executed.

(Paragraph 4.2.10)

- Recovery charges for Rs 5.29 lakhs deductible from the recoveries effected on behalf of Boards/Corporations were realised short by tehsils.

(Paragraph 4.2.11)

4.2.5. Demand in arrears

Year-wise position of recoverable demand, cases returned without recovery, recovery made and arrears during the five years ending 1996-97 obtained from the eight districts, test-checked, is tabulated below:-

In eight Collectorates, 49 per cent cases of higher amounts were returned without recovery and 21 per cent cases of lower amounts were pending.

(a) In terms of numbers/monetary terms

Year	Opening balance	Fresh demand	Recoverable demand	Cases returned	Recoveries made	Balance
1992-93 Number of RRCs (%age) Amount (Rs in lakh) (%age)	4153 620.62	4097 1280.68	8250 1901.30	2095(25) 1146.37 (60)	1112 (14) 140.92(8)	5043 (61) 614.01(32)
1993-94 Number of RRCs (%age) Amount (Rs in lakh) (%age)	5043 614.01	5865 2204.86	10908 2818.87	3351(31) 2165.26 (77)	2068(19) 183.87(6)	5489(50) 469.74(17)
1994-95 Number of RRCs (%age) Amount (Rs in lakh) (%age)	5489 469.74	4808 1405.43	10297 1875.17	3386(33) 1171.18(62)	1716(17) 189.64(11)	5195(50) 514.35(27)
1995-96 Number of RRCs (%age) Amount (Rs in lakh) (%age)	5195 514.35	4160 1433.33	9355 1947.68	2298(25) 1046.53(18)	1703(18) 280.09(14)	5354(57) 621.08(32)
1996-97 Number of RRCs (%age) Amount (Rs in lakh) (%age)	5354 621.08	4586 1680.76	9940 2301.84	2377(24) 1290.24(6)	1743(17) 380.34(17)	5820(59) 631.26(27)
Total Number of RRCs (%age) Amount (Rs in lakh) (%age)	4153 620.62	23516 8005.08	27669 8625.70	13507 (49) 6819.58 (79)	8342(30) 1174.86 (14)	5820(21) 631.26 (7)

The above table shows that in terms of cases, the rate of recovery has been quite low in comparison to cases returned without

recovery. In terms of money, the rate of recovery was still lower (6 per cent and 17 per cent) as compared to cases returned without recovery (54 per cent and 77 per cent). The reasons for higher rate of return of cases without recovery could not be ascertained as in majority of the cases no reasons were recorded for return either in tehsils or in collectorates.

Age-wise pendency of arrears of land revenue in tehsils was not available, either with Financial Commissioner (Revenue) or with respective Collectors. In 7 out of the 21 tehsils, test-checked, 132 cases involving recovery of Rs 10.98 lakhs (including 19 cases of Rs 0.93 lakh relating to the year 1982-83) were pending recovery for more than five years. Thus due to lack of proper monitoring mechanism, recovery cases remained lingering on without tangible action and the higher authorities had no check on such pending cases.

4.2.6. Procedure for receipt and disposal of revenue recovery cases

The Collector, or any other officer to whom powers have been delegated, either on receipt of a request from the Government departments, local bodies, boards, corporations, banks and other institutions or on receipt of a revenue recovery certificate from a Collector of another district, after satisfying himself that the revenue or sum has fallen due and has not been paid, may order recovery of any sums due as arrears of land revenue from a person declared as defaulter who either as principal or as surety, is liable to make the payment under any Act for the time being in force.

The Revenue Recovery Certificates (RRCs) are issued and processed by the Collector and Tehsildar respectively after recording them into Running Register II required to be maintained sub headwise such as Education, Ligh/Migh, Stamp, Industry, Sales Tax, Bodies, Corporations, Banks, etc. at district as well as tehsil levels.

The test check of records of revenue recovery revealed the following deficiencies at various levels:

(A) In collectorates

I Receipt of requisitions

(a) Absence of prescribed procedure

There was no well defined procedure for the maintenance of records relating to receipt and recording of the requisitions. Requisitions received in five collectorates were being entered in a register meant for recording miscellaneous papers. Institutions like banks, Haryana Harijan Kalyan Nigam, Haryana Housing Board, Municipal Corporations etc. used to send more than one requisition under a single covering letter. However, a single diary number was allotted to these requisitions by the department instead of diarising them requisitionwise. In the remaining three collectorates, the requisitions were not recorded in any register. It was noticed that deficiencies in diarising in Ambala and Kurukshetra led to non-accounting of thirteen requisitions worth Rs 5.17 lakhs received in the month of March 1995, October 1996 and February, March and July 1997.

(b) Entertainment of invalid requisitions

Section 8-A of the Haryana Agricultural credit Operations and Miscellaneous Provisions (Banks) Act, 1973 provides that where any amount of financial assistance granted by a bank to an agriculturist on personal security is not paid together with interest on the due date, the bank would forward to the Collector a certificate specifying the amount due from the agriculturist within a period of three years from the date the amount fell due and the Collector, on its receipt, would proceed to recover the amount as arrears of land revenue. In Faridabad

*315 invalid
requisitions for
Rs 27.93 lakhs were
declared as arrears
of land revenue*

* Panipat, Kurukshetra, Yamunanagar, Panchkula and Ambala (except bank dues)

collectorate, it was noticed that banks had forwarded recovery certificates for Rs 27.93 lakhs in 315 cases late by 3 months to more than 9 years after the prescribed period of three years. It was further noticed that inspite of clear provisions in the Act, Collector Faridabad acted upon these requisitions and declared dues as arrears of land revenue.

(c) Entertaining requisitions without documents of property

The requisitions for recovery of dues as arrears of land revenue should be supported by relevant documents to enable the Collector to effect recovery. A test check of records in Panipat tehsil revealed that in 10 cases involving recovery of Rs 230.22 lakhs, requisitions for recovery were sent by Haryana Financial Corporation (HFC) between March 1991 and November 1996 without copies of mortgage deeds as well as full and complete particulars of properties. These were, however, declared as arrears of land revenue. Later, on verification, the properties were found to be non-existent.

II Recording of RRCs

The requisitions, after orders of the Collector declaring the sums as arrears of land revenue, are entered in Running Register-II maintained under prescribed sub-heads separately for each tehsil in the jurisdiction of each Collector. These are allotted serial No.(RRC No.) and sent to tehsils for recovery.

It was noticed that in 11,253 RRCs worth Rs 3258.58 lakhs issued by the Collectors Sonipat and Faridabad during the five years from 1992-93 to 1996-97 were not recorded in the Running Register-II tehsil-wise or sub-head wise. As such recovery on behalf of a particular department/undertaking etc. could not be ascertained and monitored by the

department. Monthly Goswaras* were also not prepared tehsil-wise because of which check on accuracy of figures of demand, recovery, return and balances as shown in the returns furnished by the tehsils was not possible.

(i) In a statement for the year 1996-97, prepared at the instance of audit by District Revenue officer, Faridabad, there were huge differences between demand raised by Collector and accounted for by tehsils as tabulated below:-

*Demand of
Rs 233.82 lakhs
remained unreconciled
in Faridabad in the year
1996-97 only*

Year	Demand as per Collector		Demand as per Tehsil	
	Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)
1996-97 (Misc)	666	307.59	613	491.87
1996-97 Banks	536	63.96	1695	113.50
Total		371.55		605.37

(ii) In Hathin Tehsil total amount of demand during the year 1996-97 was worked out as Rs 10.51 lakhs (226 cases) against the figure of Rs 32.97 lakhs (471 cases) intimated by Tehsil in a statement furnished to audit. Similarly, the Running register II shows a closing balance of Rs 27.51 lakhs at the end of the year 1996-97 where as the statement sent to collectorate indicated a balance of Rs 46.50 lakhs. The reasons for the discrepancies, though called for (April 1998), were not intimated (October 1998).

(iii) It was noticed that 38 cases amounting to Rs 11.25 lakhs were sent by the Collector Sonipat to tehsils without entry in Running Register (Sadar) whereas 12 cases amounting to Rs 4.73 lakh were not found entered in Running Register of the relevant tehsils.

* Goswara is a monthly abstract prepared by Tehsildars and Distt. Revenue Officers to indicate position of RRCs at the end of the month.

Thus, there was, no system to monitor or enforce the raising of demand and proper accountal of receipts.

III Issue of RRCs

Lack of Control over RRCs sent to other Collectors.

A test check revealed that the land Revenue Department had no control over the RRCs sent to other Collectors and officers of other departments delegated with the powers of Assistant Collector. 98 RRCs worth Rs 83.52 lakhs were sent by the Collector, Ambala to other Collectors during the five years from 1992-93 to 1996-97. However, 48 cases for Rs 61.79 lakhs were not received back so far (December 1997) after recovery. Similarly, the fate of 72 RRCs worth Rs 41.34 lakhs issued by the Collector, Panipat to the designated Recovery Officers of other departments was not known to the Collector as no recovery was reported back by the officers concerned. However, in the remaining 6 collectorates no register for recording outward RRCs was maintained due to which recovery thereof could not be watched.

(B) Non/delayed accounting of RRCs in Tehsils

The codal provisions require immediate accountal of Revenue Recovery Certificates (RRCs) by tehsils where these are received for initiating the recovery process.

*Non-accountal of 625
RRCs for
Rs 265.98 lakhs in
tehsils resulted in non-
creation of demands*

The following discrepancies in the accountal of RRCs were noticed during test check:

In the records of Faridabad collectorate, 387 RRCs for Rs 229.68 lakhs under Miscellaneous head (excluding Banks) were shown as issued to Faridabad tehsil during the year 1996-97 whereas only 7 RRCs for

Rs 24.74 lakhs were found recorded in the records of the tehsil resulting in non-accounting of 380 cases for Rs 204.94 lakhs.

In Faridabad, Ballabgarh, Palwal and Hodal tehsils, 234 RRCs for Rs 57.55 lakhs were pending without entry in Running Register-II. In Panipat tehsil, 11 RRCs for Rs 3.49 lakhs were not accounted for in Running Register II though, in district records, these were shown as issued to the tehsil.

There was a delay ranging from two months to over a year in the accountal of RRCs in 106 cases involving Rs 173.24 lakhs pertaining to seven tehsils.

The above discrepancies were not pointed out to the tehsils by the respective Collectors which attributed to lack of internal controls in the collectorates.

(C) Financial Commissioner (Revenue)

There was no effective system of monitoring of the cases at Government/Financial Commissioner level except compiling the monthly statements of demand recovery and balances received from the Collectors. However the monthly returns in respect of bank dues were not received regularly from all the collectorates. The yearwise position of demand, recovery and balances of the state as a whole, though called for (November 1997) , was not supplied (October 1998).

4.2.7. Return of RRCs

No procedure has been laid down for return of RRCs without effecting recovery but as per prevalent practice RRCs are returned when requisitioning authority

*1737 RRCs for
Rs 669.23 lakhs were
returned without valid
reasons*

withdraws the requisition or the defaulter becomes insolvent. During test check of records, it was noticed that in majority of the cases, reasons for return of RRCs without recovery were not recorded. In a few cases, as discussed below, the reasons for return of RRCs, though recorded, were not valid:

(i) Court cases

52 cases involving recovery of Rs 196.16 lakhs were returned to the requisitioning authority due to grant of stay (mainly on arrest) by Civil Courts although no provision for return of recovery certificates in stay cases exists in the Punjab Land Revenue Act, 1887, Revenue Recovery Act, 1890 or Standing orders of the Land Revenue Department.

(ii) Non availability of defaulters

Provisions of the Punjab Land Revenue Act, 1887, with respect to any sum recoverable as arrears of land revenue, can be made applicable to a person standing surety for the principal defaulter in case the defaulter is not traceable or has no property. However, 64 cases involving Rs 319.09 lakhs were returned on this account without initiating recovery process against the surety.

(iii) Return after part recovery

153 cases involving recovery of Rs 49.32 lakhs were returned to the requisitioning authorities after effecting part-recoveries amounting to Rs 15.06 lakhs. No reasons for returning the cases, before the recovery was completed, were found on record.

(iv) Return of LIGH/MIGH* cases

In Jagadhari tehsil, 141 cases for recovery of LIGH/MIGH loans totalling Rs 17.06 lakhs were returned without action (except issuing summons once at the time of their receipt) after a lapse of one to three years. No reason for the return was found recorded in Running Register.

Three RRCs issued prior to 1992-93 by Collector, Ambala for recovery of LIGH/MIGH dues of Rs 7.30 lakhs from co-operative housing societies were shown as returned (September 1997) without recovery. On inquiry it was stated (December 1997) that these RRCs were sent to Sub-Divisional Officer (Civil), Naraingarh for eviction of the tenants but the files had been misplaced in that office.

(v) Return of RRCs to banks *enbloc*

It was noticed during test-check that 1324 RRCs worth Rs 80.30 lakhs relating to recovery of bank dues pending in four¹ tehsils were returned to the concerned banks at the end of financial years 1996-97 and 1997-98 (Palwal-1141 cases) without recording any reasons in Running Registers-II. These RRCs were returned *enbloc* bringing the outstanding balances to 'Nil'.

4.2.8 Recovery procedure

As per procedure laid down in standing orders issued by the Financial Commissioner (Revenue), recovery made on behalf of Government is accounted for in day book as well as Running register-II and remitted into treasury under relevant head of account. The day book is reconciled daily with treasury. No procedure has, however, been prescribed for the mode of

¹ Low Income Group Housing Scheme/Middle Income Group Housing Scheme Barara, Sonipat, Ganaur and Palwal.

recovery as well as remittance of recoveries made on behalf of boards, corporations etc.

(i) Recoveries in instalments

In accordance with provisions of Land Revenue Act, Financial Commissioner may allow recovery in instalments and fix the number and amount of instalments and the time, place and manner in which land revenue is to be paid.

It was noticed that arrears, amounting to Rs 23 lakhs out of Rs 75.51 lakhs in 102 cases, were recovered in parts in 14 tehsils without approval of the Financial Commissioner. The number of instalments ranged from 2 to 14 and the time gap between two consecutive instalments ranged between one month and twenty months. Moreover, part-payments received in tehsils of Sonipat and Faridabad collectorates were not being recorded in the Running Register II of the respective tehsils/collectorates. The acceptance of part-payments made by defaulters without Financial Commissioner's approval resulted in delay in recovery of arrears as well as lack of control of the tehsil/collectorates over recoveries.

(ii) Embezzlement of collections

Improper maintenance of Day Book and non reconciliation of its figures with treasury records facilitated embezzlement of part recoveries of Rs 0.65 lakh effected (June 1992 to November 1997) from defaulters of LIGH/MIGH dues in Gohana tehsil. The embezzlement was detected (November 1997) in internal audit on public complaints. In Sonipat and Faridabad collectorates, none of the tehsils was getting the Day Book verified from the treasury. It was ascertained from

Failure to observe the prescribed procedure led to embezzlement of Rs 0.65 lakh in Gohana Tehsil

Tehsildar Gohana (July 1998) that monthly reconciliation of Day Book with treasury has been started from December 1997.

4.2.9. Coercive Processes

Punjab Land Revenue Act, 1887 provides for recovery of arrears of land revenue by taking recourse to coercive processes which are recorded and watched through 'Talana

Out of 27669 cases, coercive processes were adopted in 1580 cases only

Register'. A test-check of records of 21 tehsils revealed that during the period 1992-93 to 1996-97 coercive action was taken only in 1580 cases out of 27669 cases received during this period. The process-wise break up is as under:-

Process	No of cases	Amount recoverable	Amount recovered	Percentage of recovery
(Amount in lakhs of Rupees)				
Writ of Demand	168	29.74	4.49	15
Warrant of arrest	1251	326.85	63.73	20
Distress sale of moveable property	66	39.68	7.41	19
Attachment of Estate or holding	88	104.38	4.08	4
Sale of Estate or holding	7	0.39	0.39	100
Total	1580 (5.7%)	501.03	80.10	

As evident from the table, the writ of demand was issued only in 168 cases. In other cases, the power to summon defaulters by Revenue Officer, a non-coercive and unrecorded action, was taken resulting in poor recovery and non-monitoring of recovery cases.

A scrutiny of RRCs pending in the tehsils, test-checked, revealed as follows:

(i) RRCs pending without action

In nine* tehsils, 514 cases for Rs 88.18 lakhs received between September 1988 and September 1997 were pending without action. No reasons were advanced for the lack of action.

(ii) Summons refused by defaulters

In 45 cases involving recoveries of Rs 8.29 lakhs in Ambala, Thanesar, Panipat and Hodal tehsils, the defaulters were reported to have refused to receive the summons. However, no coercive action as envisaged under the Act was taken and the recoveries were pending (April 1998).

(iii) Summons not delivered

Summons issued by the Revenue Officers between October 1994 and September 1996 in 38 cases involving Rs 9.83 lakhs in Thanesar, Kaithal, Panipat and Hodal tehsils were not returned (April 1998) after compliance.

4.2.10. Recoveries not executed

(i) Registrar, Punjab and Haryana High Court forwarded (September 1994) to the Collector, Ambala, orders of the Supreme Court (February 1994) to recover Rs 14 lakhs

*Recoveries for
Rs 84.57 lakhs were not
executed in 6 cases
inspite of vacation of
stay*

relating to Mines and Geology Department as arrears of land revenue from an assessee. Recovery was kept pending by Collector Ambala till June 1996 when the case was transferred to Collector, Panchkula due to change of jurisdiction. The Collector, Panchkula sent (July 1996 to February 1997) the case to the payee department for clarification and subsequently to the District

* Kaithal, Thanesar, Jagadhri, Ambala, Faridabad, Ballabgarh, Palwal, Hodel and Samalkha

Attorney (March 1997 and June 1997) for legal advice. The Revenue Recovery Certificate was issued only in September 1997 i.e. after a lapse of three years.

The RRC was again sent (November 1997) for confirmation to the payee department which confirmed the recoverable amount as Rs 8.76 lakhs and also informed that the land against which the recovery was ordered by the Supreme Court had been acquired by Haryana Urban Development Authority. The department further advised that the amount could be recovered from compensation payable by HUDA to the defaulter. There was nothing on record to show that directions to this effect were issued by the Collector. No recovery was made (December 1997). Reasons for reducing the recoverable amount, though called for (May 1998) were not intimated (October 1998).

(ii) On receipt of requisition from Haryana State Industrial Development Corporation, Collector, Faridabad issued (October 1991) a recovery certificate for recovery of dues amounting to Rs 63.26 lakhs from M/s. Surekha Coated Tubes and Steels, Faridabad. Warrant of attachment issued (December 1992) by the Collector, could not be executed as the defaulter preferred an appeal against the recovery. The case was dismissed (August 1993) but no report on recovery has been received (October 1998).

(iii) On receipt of requisition from HFC the Collector, Karnal (now Panipat) directed (September 1991) Assistant Collector, Panipat to recover the amount of Rs 2.22 Lakhs plus interest at 18 per cent per annum from the proprietor of Rohilla Textile Industries as arrears of land revenue. When summoned (November 1991), the defaulter promised to pay but at the same time moved the court and obtained (April 1992) stay on arrest. Meanwhile, Assistant Collector made efforts to verify the properties shown in the certificate by HFC and found (March 1993) that these were not existing in the

name of defaulter. Subsequently, the case was dismissed (May 1994) in favour of the State. The recoverable amount accumulated (September 1997) to Rs 3.88 lakhs but the recovery was awaited (October 1998).

(iv) A recovery certificate of HFC dues for Rs 2.57 lakhs was issued (December 1995) by Collector, Panipat against the proprietor of Deshwal Textile Mills, Smalkha. The defaulter moved the court which stayed (March 1996) the arrest subject to payment of dues by April 1996. The case was finally dismissed (January 1997) in favour of the State. The defaulter had paid (September 1996) Rs 0.04 lakh. The Assistant Collector, Smalkha did not initiate any action against the defaulter although details of attachable property were available (February 1998) with the department.

(v) Under the provisions of Revenue Recovery Act, 1890, the Collector, Solan (H.P.) forwarded (April 1990) a Revenue Recovery Certificate to Collector, Ambala (now Panchkula) for recovery of Rs 2.65 lakhs from J.P. Traders, Kalka. In response to the summons issued by Assistant Collector, Kalka the defaulter furnished (November 1990) an affidavit that a petition against the recovery was pending in Himachal Pradesh High Court. On receiving back the RRC, the Collector, Solan informed (February 1991) that no stay was in force and the defaulter was trying to delay the recovery. However, the RRC was returned on various grounds to Collector, Solan many times between October 1994 and July 1996. No report on recovery has been received (October 1998).

(vi) Section 6(i) of Revenue Recovery Act, 1890 lays down that when the Collector of a district receives a certificate under the Act, he may issue a proclamation prohibiting the transfer or charging of any immovable property belonging to the defaulter in the district. It was noticed that on receipt of requisition from Haryana Financial Corporation(HFC), Collector, Faridabad issued (March 1995) a revenue recovery certificate for

Rs 5.39 lakhs against the promoter and guarantor of M/S Supreme Enterprises, Faridabad. The case was returned (July 1995) to the corporation on the grounds that the principal defaulter had filed a case (January 1994) in court. Court decided the case in July 1996 in favour of the corporation. The recovery certificate was again sent (December 1996) to Assistant Collector, Ballabhgarh. But by the time action for attachment was initiated (June 1997), the defaulter i.e. guarantor had sold out (May 1996) the properties liable for attachment. In spite of this, the defaulter was allowed the facility of payment in instalments, without approval of the Financial Commissioner. Amount of Rs 1.90 lakhs had been realised in instalments upto March 1998. Lapse of the department in issuing proclamation prohibiting the defaulter to transfer or charge the mortgaged property enabled him to sell out his property.

4.2.11 Short realisation of Recovery Charges

The Financial Commissioner and Secretary to Government of Haryana Revenue Department, issued (May 1988) instructions to all the Collectors to deduct

Recovery charges for Rs 5.29 lakhs short realised due to non-maintenance of records

recovery charges at the rate of five percent of the amount collected, as arrears of land revenue, on behalf of boards/banks/corporations. These charges are also recoverable from Haryana State Minor Irrigation Tubewell Corporation (HSMITC) when its dues are recovered as arrears of land revenue.

During test check of records in six tehsils for the period from 1992-93 to 1996-97, it was noticed (between December 1997 and April 1998) that a sum of Rs 255.11 lakhs was recovered as arrears of land revenue on behalf of banks/boards/corporations etc. and departmental charges amounting to Rs 12.76 lakhs were recoverable from them but only a sum of Rs 7.98 lakhs was recovered. Besides, recovery charges of Rs 0.51 lakh were

not deducted from recoveries made on behalf of HSMITC as arrears of land revenue. This resulted in short recovery of Rs 5.29 lakhs during these years.

It was also noticed that Recovery Charges register, required to be maintained to watch the realisation of 5 per cent recovery charges due to the Government, was not being maintained in any of the tehsils except those under Ambala and Kurukshetra collectorates.

The Assistant Collector, second grade performs the duty of collecting agency on behalf of HSMITC and is required to maintain Day Book and Khatunis in respect of dues of the corporation collected by him. It was, however, noticed that neither any day book for recovery of dues nor Khatunis of the individuals were being maintained in tehsils of Faridabad collectorate.

B-PASSENGERS AND GOODS TAX

4.3 Short realisation of passengers tax

As per notification issued (July 1994) under the Punjab Passengers and Goods Taxation Act, 1952, as applicable to Haryana, permit holders for plying buses on link routes of the State under the scheme of privatisation of Passengers Road Transport are required to pay lump sum passengers tax based on the seating capacity of the bus on monthly basis at the rates of Rs 13,380 for 54 seater, Rs 12,890 for 52 seater and Rs 7,440 for 30 seater buses. These rates were revised to Rs 16,000 for 54/52 seater buses and Rs 10,000 for 30 seater buses by Government in July 1996.

*Passengers tax of
Rs 1.46 lakh short/non-
realised from 18 Co-
operative Societies*

During the audit of records of the Deputy Excise and Taxation Commissioner, Jagadhari for the year 1996-97, it was noticed (June 1997) that 18 Transport Co-operative Societies, who were granted route permits for

plying buses on link routes deposited passengers tax of Rs 5.88 lakhs at pre-revised rates or at lesser rates instead of Rs 7.34 lakhs for the period between July 1996 and March 1997. This resulted in short realisation of passengers tax of Rs 1.46 lakhs.

On this being pointed out (June 1997 and August 1997), the department recovered part recovery of Rs 31,450 in four cases and intimated (November 1997) that efforts were being made to recover the balance amount. Further report on recovery has not been received (October 1998).

The case was reported to Government in August 1997; their reply has not been received (October 1998).

C-ENTERTAINMENTS DUTY AND SHOW TAX

4.4 Incorrect levy of entertainments duty

Under the Punjab Entertainments Duty Act, 1955 and the Rules framed thereunder, as applicable to Haryana, the proprietor of a video House exhibiting video shows on payment is required to make advance payment of entertainments duty every quarter at the rates prescribed by the Government from time to time. Under section 17 of the Act, *ibid*, arrear of unpaid entertainments duty shall be recoverable as arrears of land revenue. Further Government notification issued in March 1989 provides that entertainments duty is payable on the basis of population of the town in which the video house is located. For towns with population of ten thousand and above but less than twenty five thousand, duty is payable at the rate of Rs 15,000 per quarter. The latest census figures shall be the basis for determining the population of any place.

*Non-raising of
Entertainments duty as
per census of 1991
resulted in short
recovery of Rs 1.50 lakh*

Other Tax Receipts

During the audit of records of Deputy Excise and Taxation Commissioners, Jind and Karnal, it was noticed (March 1995 and April 1997) that two video house owners exhibiting video shows at Julana (Jind) and Nissing (Karnal) both with population exceeding ten thousand as per census of 1991, paid entertainments duty at the rate of Rs 10,000 instead of Rs 15,000 per quarter for six and fifteen quarters respectively between the period January 1991 and September 1994. Besides, the owner of video house at Julana (Jind) did not pay duty at all for three quarters. The proper duty payable by them was also not demanded by the department. This resulted in short recovery of duty amounting to Rs 1.50 lakhs.

On this being pointed out (May 1995 and April 1997), Deputy Excise and Taxation Commissioner, Jind admitted (June 1997) the objection and stated that the amount has been declared (June 1996) as arrears of land revenue and the proceedings to recover amount under Land Revenue Act were in progress. Further report on recovery has not been received (June 1998). However, Deputy Excise and Taxation Commissioner, Karnal stated (February 1998) that the census report was made public in 1995 and by that time the video house was closed and revised rates of entertainments duty could not be applied. The reply of the department is not tenable as the census report was published in 1992 and arrear of entertainments duty could be recovered as arrears of land revenue even after closure of the video house in July 1994.

The cases were reported to Government in May 1995 and June 1997; who in the case of Julana had further directed (May 1996) the Excise and Taxation Commissioner (now Commercial Taxation Commissioner) Haryana to expedite reply. Their reply in other case has not been received (October 1998).

D-TRANSPORT DEPARTMENT

4.5 Non-deposit of token tax

As per provisions of the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, tax shall be leviable on every motor vehicle in equal instalments for quarterly periods commencing on the first day of April, July, October and January at such rates not exceeding rupees 35,000 (thirty five thousand only) per vehicle for a period of one year, as the State Government may by notification direct. Provided that any broken period in such quarterly periods shall for the purposes of levying the tax, be considered as a full quarter. Arrear of tax can be recovered as arrears of land revenue.

During the audit of records of Regional Transport Authority, Rohtak and Hisar, it was noticed (July 1997 and November 1997) that token tax for four quarters each of two buses of Haryana Roadways, Rohtak and for eight quarters of a bus of a Transport Co-operative Society of village Bass (Hisar) between the period from April 1995 to September 1997 was neither deposited by them nor demanded by the department. This resulted in non-deposit of token tax amounting to Rs 1.11 lakhs.

On this being pointed out (July 1997 and November 1997), the department intimated (November 1997 and February 1998) that notice for deposit of token tax has been issued to Haryana Roadways, Rohtak and in respect of the co-operative society, this was being issued. Report on recovery has not been received (October 1998).

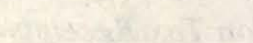
The cases were reported to Government in August 1997 and January 1998; their reply has not been received (October 1998).

Chapter-V

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Non Tax Receipts

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 THE BANK OF AMERICA

CHAPTER 5**NON-TAX RECEIPTS****5.1 Results of Audit**

Test check of records in departmental offices relating to revenues of Irrigation, Agriculture, Public Health, Home (Police), Mines and Minerals, State Lotteries and Co-operation conducted in audit during the year 1997-98 revealed under assessments and losses of revenue amounting to Rs 4684.73 lakhs in 11108 cases as depicted below:

	Heads of revenue	Number of cases	Amount
			(In lakhs of rupees)
A	Public Works(Irrigation)	1042	2425.60
B	Agriculture	9	349.58
C	Public Health	9412	272.13
D	Home (Police)	94	825.84
E	Mines and Geology	380	479.70
F	Finance (State Lotteries)	61	288.09
G	Co-operation	110	43.79
	Total	11108	4684.73

(a) In the case of Irrigation, the department accepted under assessments etc. of Rs 100.01 lakhs in 32 cases which was pointed out in audit during 1997-98. An amount of Rs 1.52 lakhs has also been recovered during 1997-98 in 2 cases of which Rs 0.39 lakh in one case related to earlier years.

(b) In the case of Agriculture, the department accepted loss of revenue of Rs 138.79 lakhs in 3 cases which were pointed out in audit during 1997-98, out of which, the department recovered an amount of Rs 58.14 lakhs in 1 case.

(c) In the case of Public Health, the department accepted non/short recovery of Rs 16.10 lakhs in 1885 cases which were pointed out in audit during 1997-98. An amount of Rs 0.26 lakh has also been recovered during 1997-98 in 1 case pointed out in earlier years.

(d) In the case of Home (Police), the department accepted non/short recovery of Rs 135.79 lakh in 13 cases which were pointed out in audit during the year 1997-98 and out of which an amount of Rs 0.91 lakh in 10 cases has been recovered. Besides, an amount of Rs 4.18 lakhs in 3 cases, pointed out in earlier years, has also been recovered during the year 1997-98.

(e) In the case of Mines and Geology, the department accepted under assessment etc. of Rs 5.53 lakhs in 5 cases which were pointed out in audit during 1997-98, out of which, the department recovered an amount of Rs 3.23 lakhs in 5 cases. Besides, an amount of Rs 16.32 lakhs has also been recovered during 1997-98 in 19 cases pointed out in earlier years.

(f) In the case of State Lotteries, the department accepted loss of revenue of Rs 120.44 lakhs in 32 cases which were pointed out in audit during 1997-98. An amount of Rs 0.54 lakh has also been recovered during 1997-98 in 1 case pointed out in earlier years.

(g) In the case of Co-operation, the department accepted under assessments etc. of Rs 0.49 lakh in 9 cases which were pointed out in audit during 1997-98. An amount of Rs 3.60 lakhs has also been recovered during 1997-98 in 1 case pointed out in earlier years.

A few illustrative cases involving Rs 143.46 lakhs and a review on "Recovery of water rates from canal water" involving Rs 714.85 lakhs highlighting important observations are mentioned in the following paragraphs:

**A-PUBLIC WORKS DEPARTMENT
(Irrigation)**

5.2 Recovery of water rates from canal water

5.2.1 Introductory

Levy and collection of charges for canal water supplied for irrigation and non-irrigation purposes is governed by provisions of the Haryana Canal and Drainage Act, 1974 and the Rules framed thereunder. Extra supply of canal water for gardens and orchards is governed under the provisions of relevant Punjab Government Rules, 1946, amended from time to time, as applicable to Haryana. Maintenance of revenue records are governed by the provisions contained in the "Revenue Manual". The rates charged for irrigation purposes are called 'water rates' (*abiana*) or 'occupiers rates' and those for non-irrigation purposes, 'water charges'. Besides, special charges (*tawan*), equal to six times the ordinary water rates, are leviable on standing crops where canal water is unauthorisedly used for irrigation purposes or allowed to run waste.

The public works department (Irrigation Branch) supplies water from canals both for irrigation and non-irrigation purposes. In respect of lands irrigated by flow irrigation and lift irrigation, demands for water rates (*abiana*) are raised by the public works department (Irrigation Branch) through *Khatauni**. These are collected by the Revenue Department through *lambardars* (Headmen of the villages) who are paid three *per cent* of the amount so collected as remuneration called *Lambardari fee*. The demand for water charges are raised and collected by the Irrigation Department.

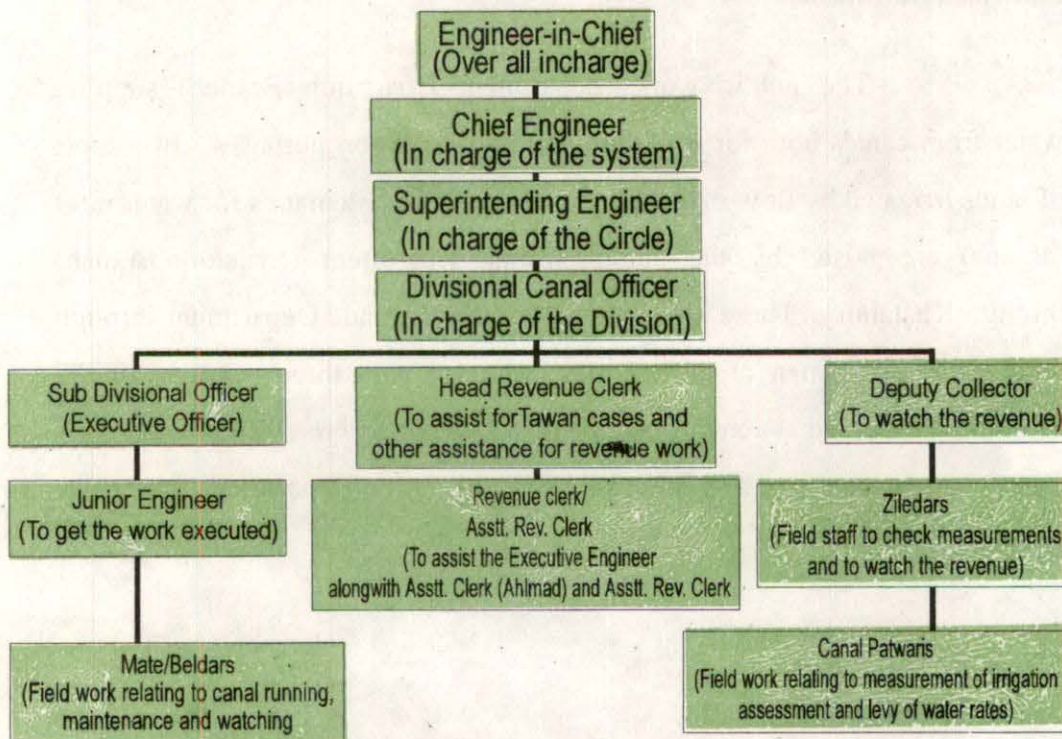
* *Khatauni* is a statement prepared by the Irrigation Department to show demand for water rates for irrigation purposes.

5.2.2. Organisational set up

For the purpose of canal administration, the state has been divided into eight irrigation systems, under overall incharge of Engineer-in-Chief and each system under the charge of a Chief Engineer who exercises control through the Superintending Engineer (S.E.), Divisional Canal Officer, Sub-Divisional Officer (S.D.O.) along with the supporting staff. Canal Patwaris prepare the field measurement papers (khasras) which include details of area of irrigation under different crops, liable to water rates. From *khasras*, statements indicating demands for water rates (*khataunis*) are prepared and sent to the Revenue Department for collection.

For the purpose of revenue administration, the State has been divided into four *Commissionery* of divisions and nineteen districts, each under the charge of a Commissioner and a Deputy Commissioner (Collector) respectively. The Deputy Commissioner exercises control through Tehsildars, Niab-Tehsildars and other staff in his district. Recovery of water rates from the cultivators is made through the village *Lambardar* (Headmen).

The organisational set up of irrigation branch



Source Tabulated, based on departmental records in audit

5.2.3. Scope of Audit

Mention was made in paragraph 6.9 and 5.2 of the Reports of the Comptroller and Auditor General of India (Revenue Receipts) for the year ending 31 March 1987 and 31 March 1992 highlighting the shortcomings during the years from 1982-83 to 1985-86 and from 1987-88 to 1990-91 respectively regarding receipts from canal water. These reviews were discussed in the Public Accounts Committee (PAC) and it was desired (January 1992 and February 1997) by the PAC that special efforts should be made to recover the arrears of water rates, responsibility be fixed for short recovery of water charges/stern action be taken against the officers/officials at fault.

With a view to further ascertain the correctness of levy and collection of receipts from canal water and compliance of rules and orders on the subject, the records of twenty four divisions (out of forty seven water services divisions) for the years 1993-94 to 1996-97 were test-checked in audit between November 1997 and March 1998.

5.2.4. Highlights

During the period from 1993-94 to 1996-97, the shortfall in revenue amounted to Rs 919 lakhs vis-a-vis estimates.

(Paragraph 5.2.5)

In six divisions, there was shortfall in area irrigated as compared to C.C.A. of the divisions. Alternate uses of water to utilize water worth Rs 473.12 lakhs had not been explored.

(Paragraph 5.2.6)

Details of outstanding amount of water rates (abiana) and water charges and their year-wise break up were not available with the Irrigation Department, Haryana. This was indicative of lack of control over realisation of revenue not collected.

(Paragraph 5.2.7)

Lack of co-ordination between Irrigation and Revenue Departments resulted in non-recovery of revenue amounting to Rs 44.98 lakhs.

(Paragraph 5.2.8)

The Government was deprived of revenue of Rs 30.36 lakhs due to variations in measurement of irrigated area between the figures adopted in the *shudkar* and final measurement.

(Paragraph 5.2.9)

Agreements for the supply of water to garden owners were not executed/renewed in 224 cases. In 204 cases joint annual inspection was not conducted whereas in 104 cases gardens were found not planted or not maintained according to specifications. No action was taken to charge the penal rates amounting to Rs 34.04 lakhs.

(Paragraph 5.2.10)

Additional charges amounting to Rs 113.70 lakhs were not levied on delayed/non-payment of water charges bills.

(Paragraph 5.2.11)

Incorrect application of rates resulted in short recovery of water charges amounting to Rs 8.96 lakhs.

(Paragraph 5.2.12)

Departmental receipts in 20 divisions amounting to Rs 236.51 lakhs were utilized in contravention of rules, towards expenditure instead of crediting into treasuries.

(Paragraph 5.2.15)

5.2.5. Trend of revenue

The table below indicates estimated (revised) receipts revenue realised and shortfall, if any, in revenue under the head 'Major and medium Irrigation' during the last four years ending 1996-97.

Year	Budget estimates	Actuals	Shortfall (-) Excess (+)	Percentage of shortfall/ excess
(In lakhs of rupees)				
1993-94	2151	2038	(-) 113	(-)5.25
1994-95	2460	1919	(-) 541	(-)21.99
1995-96	2006	2100	(+) 094	(+)4.68
1996-97	2789	2430	(-) 359	(-)12.87

In the year 1995-96, budget estimates were revised from Rs 2581 lakhs to Rs 2006 lakhs which were lower by Rs 575 lakhs. Lower estimates were due to non-realisation of revised water rates in view of heavy floods and rainfall in the State. Less realisation of Rs 113 lakhs and Rs 541 lakhs during the years 1993-94 and 1994-95 was due to less realisation of receipt on account of sale of water for irrigation purposes. No reasons for shortfall during the year 1996-97 have been intimated by the department (October 1998).

5.2.6. Shortfall in demand

Under the Haryana Canal and Drainage Act, 1974, culturable command area (CCA) is the portion of the culturable irrigated area which is commanded by flow or lift irrigation from an irrigation canal. It was noticed (between November 1997 and March 1998) that out of 16 divisions, in 6 divisions there had been decrease in area irrigated during both the cropping seasons as compared to the CCA available during the years 1994-95 to 1996-97.

Yearwise/division-wise shortfall was as under:

Shortfall in irrigation in thousand/hectares					
Sr. No.	Name of the division		1994-95	1995-96	1996-97
1	Kaithal Water Services Division, Kaithal	CCA	104	104	104
		Area Irrigated	38	37	39
		Shortfall	66	67	65
2	Gohana Water Services Division, Gohana	CCA	58	58	50
		Area Irrigated	44	44	41
		Shortfall	14	14	9
3	Nardak Water Services Division, Karnal	CCA	104	104	103
		Area Irrigated	63	63	67
		Shortfall	41	41	36
4	Rohtak Water Services Division, Rohtak	CCA	125	125	133
		Area Irrigated	98	88	107
		Shortfall	27	37	26
5	Faridabad Water Services Division, Faridabad	CCA	52	52	52
		Area Irrigated	7	7	7
		Shortfall	45	45	45
6	Mohindergarh Canal Water Services Division, Charkhi Dadri	CCA	36	36	36
		Area Irrigated	2	3	4
		Shortfall	34	33	32

Water Services Division Gohana, Karnal, Kaithal and Rohtak attributed the reasons to installation of more tubewells, use of diesel pumping sets, development of new colonies and sufficient rainfall. The reasons furnished were not adequate as in case of less demand alternative uses of water could have been explored to utilize water worth Rs 473.12 lakh. No reasons for shortfall were given by Water Services Division Faridabad and Charkhi Dadri.

Non-exploration of alternative potential of water due to shortfall in irrigation in CCA resulted into non-use of water worth Rs 473.12 lakhs

5.2.7. Arrears of revenue

Drainage Act 1974 provides recovery of water rates and water charges as arrears of land revenue if these dues are not paid in time. There is, however, no provision in the Act/Rules for levying penalty for non payment/ belated payment of water rates/water charges.

The position of arrears as well as year-wise breakup of arrears was not available with the department as no periodical returns have been prescribed for the field offices to furnish the details of revenue assessed, realised in arrears and arrears accumulated year wise.

The position of arrears of water rates (abiana) for supply of water for irrigation purposes and arrears of water charges for water supplied for purposes other than irrigation in respect of 15 water services divisions* as collected in audit for the year 1993-94 to 1996-97 was as under:

Year	Amount of water rates	Amount of water charges	Total
(In lakhs of rupees)			
1993-94	543.26	235.62	778.88
1994-95	447.81	577.24	1025.05
1995-96	666.47	793.02	1459.49
1996-97	630.61	1083.45	1714.06

From the above table it would be seen that there was increasing trend of arrears of water rates/charges at the end of each year. The increasing trend was despite specific recommendations of the PAC to make special efforts to recover the arrears.

The department has not initiated action for enforcing recoveries as arrears of land revenue from the defaulters (October 1998).

* Water Services Division Charkhi Dadri, Dadupur, Delhi, Fatehabad, Faridabad, Hansi, Hisar, Jhajjar, Jind, Kaithal, Panipat, Rohtak, Rai, Sonipat and Tohana

5.2.8. Lack of co-ordination between Irrigation and Revenue Departments

The demand for water rates are prepared by the Irrigation Department through 'khataunnis' and sent for collection to the Tehsildars of Revenue Department who acknowledges the same in Form VI and send it to Irrigation Department for verification. A comparison of records of 15 irrigation divisions with tehsil records revealed that in seven divisions, demand of Rs 44.98 lakhs was not accounted for recovery by Tehsildars as detailed in the table:

Lack of Co-ordination between Irrigation and Revenue Departments resulted in non-recovery of revenue of Rs 44.98 lakhs

Sr. No.	Name of Division	Period	Total demand as per 'khataunnis'	Total demand as per Tehsil records	Difference
(In lakhs of rupees)					
1.	Nardak Water Services Division, Karnal	Rabi 1994-95	1.32	Nil	1.32
		Rabi 1996-97	1.25	Nil	1.25
		Kharif 1996	24.15	9.03	15.12
2.	Jhajjar Water Services Division, Jhajjar	Kharif 1996	8.54	7.53	1.01
		Rabi 1996-97	5.73	4.67	1.06
3.	Rohtak Water Services Division, Rohtak	Kharif 1996	36.61	32.40	4.21
4.	Panipat Water Services Division, Panipat	Rabi 1995-96	4.29	Nil	4.29
5.	Fatehabad Water Services Division, Fatehabad	Rabi 1994-95	42.63	39.22	3.41
6.	Sirsa Water Services Division, Sirsa	Kharif 1995	35.39	32.83	2.56
		Rabi 1995-96	41.93	35.79	6.14
7.	Bhiwani Water Services Division, Bhiwani	Rabi 1994-95	20.18	19.67	0.51
		Kharif 1996	4.10	Nil	4.10
Total					44.98

The irrigation department took no effective action to ensure raising of demand by Revenue Department for the amounts indicated in the *Khataunnis*. This led to non-realisation of demand amounting to Rs 44.98 lakhs. Reply has not been received (October 1998).

5.2.9. Less measurement of area irrigated

Under the provisions contained in "Revenue Manual" a very small variation (specific percentage not mentioned) in the figures of area irrigated as shown in the 'shudkar' and those taken at the time of final measurement (on which abiana is assessed) has been allowed. The Irrigation Department adopted variation allowable in figures of *Shudkar* with final measurement at 5 per cent. Further it is provided that *shudkar* should be written monthly by Canal Patwari by visiting each field falling in his area.

During test check of records of 16** divisions, it was noticed (between November 1997 and March 1998) that in eight divisions, the variation in the figures of irrigation as shown in the 'shudkar' for the month of September (Kharif crop) and March (Rabi crop) and those of final measurement ranged between 6 per cent and 41 per cent (cases of variations up to 5 per cent ignored). This excessive variation between 'shudkar' and final measurements resulted in under assessment of abiana amounting to Rs 30.36 lakhs during the period 1993-97.

Excessive variations between 'Shudkar' and final measurements resulted in short assessment of abiana of Rs 30.36 lakhs.

The department stated that 'shudkar' figures were always tentative. The reply of the department is not tenable as the Canal patwaris are required to write *shudkar* monthly by visiting each field falling in their areas. Reasons for excessive variations were called for (February 1998) but not given by the department (October 1998).

* The initial record of irrigation maintained by the Canal Patwaris for the crops sown.

** Water services division Bniwani, Faridabad, Fatchabad, Hansi, Jhajjar, Jind, Karnal, Kaithal, Narwana, Panipat, Rohtak, Sirsa (3) and Sonipat (2)

5.2.10. Non-imposition of penalty for unauthorised supply of water

As per provisions of the Punjab Government Rules, 1946, amended from time to time as applicable to the State of Haryana for extra supply of canal water for gardens and orchards, an agreement is required to be entered into between Government and the owner receiving extra supply for gardens/orchards in the prescribed form. The agreement provides that penalty at six times of the water rates for garden in addition to water rates for such crops that may be cultivated in infringement of the rules is leviable in all cases where garden is not planted or maintained according to specifications. Rules also provide for conducting joint inspection of the gardens annually.

In eight irrigation divisions, it was noticed (February-March 1998) that 224 garden owners were being supplied water without any agreement. In 204 cases joint annual inspection was not conducted and in 104 cases, gardens were not found planted or maintained according to specifications. Thus in these cases water was being supplied unauthorisedly. Despite issue of notices for withdrawal of water supply, neither the supply of water was stopped nor any action to charge penalty which could be imposed upto Rs 34.04 lakhs was taken. This was persisting despite of issuance of specific instructions in this regard by the PAC.

Non-levy of penalty for unauthorised supply of water led to loss of Rs 34.04 lakhs.

The omission was pointed out (between February and March 1998) to the department; their reply has not been received (October 1998).

* Water services division Bhiwani, Fatchabad, Narwana, Sirsa (4) and Tohana

5.2.11. Non-levy of additional charges

Under the provisions of the Haryana Canal and Drainage Act, 1974 and the rules framed thereunder, agreement for the supply of canal water is required to be entered into between the department and the consumer. Clause 6(i) of the agreement provides that the consumer shall make payment of the charges within a period of one month from the date of presentation of the bill by the supplier which will ordinarily be presented within 10 days after expiry of the month in which the supply has been made and on failure to make the payment within stipulated period, an additional charges at the rate of half *per cent* of the amount of the bill per month or part thereof till the payment is made will be recovered from the consumer.

In order to ensure the receipts of water charges timely and regularly, Engineer-in-Chief, Irrigation Department instructed (May 1992) all the Superintending Engineers to levy additional charges at the rate of half *per cent* on the delayed receipts.

During test-check of records of Executive Engineers, Water Services Divisions, Panipat, Rai, Sonipat, Faridabad, Sirsa, Bhiwani and Jind, it was noticed (between December 1997 and March 1998) that water bills on account of bulk supply of canal water for various purposes remained unpaid and additional charges amounting to Rs 113.70 lakhs calculated at the rate of half *per cent* on the outstanding amount at the end of each month were leviable but these were not demanded.

Non-levy of additional charges on belated payments resulted in loss of revenue of Rs 113.70 lakhs

The details are tabulated below:

Sr. No.	Name of the division	Period of supply	Amount of additional charges at the rate of half per cent (Rupees in lakhs)
1	Water Services Division, Panipat	August 1993 to September 1997	62.04
2	Water Services Division, Panipat, Sirsa, Bhiwani and Sonipat	Between April 1993 and February 1998	32.05
3	Water Services Division, Faridabad	April 1993 to December 1997	16.59
4	Water Services Division, Rai at Sonipat	February 1994 to November 1997	2.40
5	Water Services Division, Jind	April 1993 to December 1997	0.62
	Total		113.70

On being pointed out (between December 1997 and March 1998) in audit, Executive Engineer, Jind Division stated (February 1998) that demand has been raised. Executive Engineers, Panipat and Faridabad Divisions stated that demands were being raised. Replies from remaining divisions are awaited (October 1998).

5.2.12. Under assessment of water charges

Under the Haryana Canal and Drainage Rules, 1976, charges for supply of canal water for various purposes were revised as under:

Sr. No.	Purposes	Rates applied	Revised rates applicable	Date of revision
1.	Bulk supplies to industries and Power Plants	Rs 5/2500 cubic feet	Rs 50/2500 cubic feet Rs 55/2500 cubic feet	2 December 1994 8 May 1996
2.	Water supplies for drinking purposes to Public Health Department	Rs 3/6000 cubic feet	Rs 3/2500 cubic feet Rs 3.30/2500 cubic feet	2 December 1994 8 May 1996
3.	Bulk supplies to brick kilns	Rs 55/2500 cubic feet	Rs 100/2500 cubic feet Rs 110/2500 cubic feet	2 December 1994 8 May 1996

It was noticed in nine water services divisions that the supply of canal water were assessed at pre-revised rates by the department. This

resulted in under assessment of water charges amounting to Rs 8.96 lakhs as detailed below:

Sr. No.	Name of office (Nine divisions)	To whom canal water supplied	Period of supply	Rates at which water bills		Under assessment (Rupees in lakhs)
				Assessable	Assessed	
1.	Executive Engineer (E.E.) Nardak Water Services Division, Karnal	Tourism Corporation	October 1994 to September 1995 (Bills were raised on crop basis)	Rs 50 per 2500 cubic feet	Rs 10 per 2500 cubic feet	3.20
2.	E.E. Water Services Division, Jhajjar, Hisar and Gohana	Private Pisciculture	December 1994 to July 1996	-do-	-do-	2.31
3.	E.E. Rohtak Water Services Division, Rohtak	Tourism Corporation	December 1994 to October 1996	-do-	Rs 5 per 2500 cubic feet	1.27
4.	E.E. Water Services Division, Hansi and Jind	Public Health Department	November 1995 to December 1996	Rs 3 per 2500 cubic feet	Rs 3 per 6000 cubic feet	0.80
5.	E.E. Rori Water Services Division, Sirsa	Brick kiln owner	October 1996 to March 1997	Rs 110 per 2500 cubic feet	Rs 55 per 2500 cubic feet	0.49
6.	E.E. Mewat Water Services Division, Nuh	Private Pisciculture	October 1994 to April 1996 (Bills were raised on crop basis)	Rs 50 per 2500 cubic feet	Rs 5 per 2500 cubic feet	0.89
					Total	8.96

On being pointed out (between January 1996 and February 1998), the department stated (between February 1996 and March 1998) that in case of six divisions revised bills had been issued; particulars of recoveries are awaited (October 1998). The Executive Engineer, Gohana division informed (November 1997) that defaulting agencies were being traced out. The Executive Engineer Sirsa division stated (March 1998) that sub-divisional officer has been asked to raise revised bill. The Executive Engineer, Nuh division stated (December 1997) that notification regarding declaring pisciculture as industry was received late in July 1996. The contention of the department is not tenable as orders to this effect were issued

Billing at old rates resulted into short levy of water charges of Rs 8.96 lakhs.

as back as in October 1987. The division was asked (January 1998) to raise the revised bills; their reply has not been received (October 1998).

5.2.13. Short raising of demand

(i) During checking of bill register and water bills raised by the Executive Engineer, Bhiwani Water Services Division, Bhiwani, it was noticed (March 1998) that during the year 1996-97 a demand of Rs 21.79 lakhs instead of Rs 27.79 lakhs was raised against public health department on the supply of bulk canal water to a water works tank. This resulted in raising of short demand by Rs 6 lakhs.

Short levy of demand led to non-recovery of water charges of Rs 6.61 lakhs

On the mistake being pointed out (March 1998) the department accepted (March 1998) the objection for raising the demand against the public health department. Further report has not been received (October 1998).

(ii) In test-check of demand and collection register with bills raised by the Executive Engineer, Panipat Water Services Division, Panipat for supply of canal water to Panipat Thermal Plant, Panipat, it was noticed (December 1997) that during the year 1993-94 an amount of Rs 4,25,379 was paid by the consumer leaving an outstanding balance of Rs 79,64,809. Against this, the divisional office took Rs 79,03,377 as balance outstanding on 1 April 1994 recoverable from the thermal plant. This resulted in short demand of water charges bills amounting to Rs 61,432.

On this being pointed out (December 1997), the department accepted (December 1997) the objection for raising the escaped demand. Further report on recovery has not been received (October 1998).

5.2.14 Excess credit to an industrial unit

During the checking of records of Executive Engineer, Water Services Division, Jind it was noticed (January 1998) that water charges amounting to Rs 3.08 lakhs were deposited between 1988 and January 1989 by an industrial unit against its dues raised by the division for the period from December 1987 to September 1988. However, a verification of records revealed that this amount was also deducted (March 1995) from the outstanding arrears of the unit. The double credit allowed to the unit resulted in short recovery of water charges amounting to Rs 3.08 lakhs.

Excess credit to a consumer resulted in short recovery of Rs 3.08 lakhs

On the omission being pointed out (January 1998), the department stated (February 1998) that the consumer has been asked to deposit the dues. Report on recovery has not been received (October 1998).

5.2.15. Utilisation of departmental receipts

Under the State Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited. Under the Treasury Rules, all moneys received by or tendered to Government servant on account of the revenue of the State Government shall without undue delay be paid fully into treasury or bank.

Departmental receipts of Rs 236.51 lakhs were utilised towards expenditure in contravention of Rules

In twenty irrigation divisions,^{***} departmental receipts amounting to Rs 236.51 lakhs collected during 1993-94 to 1997-98 were not deposited into the treasury/bank but were utilised to meet the departmental expenditure in contravention of the Rules and also instructions issued

^{***} Water services divisions, Kamal, Gohana, Rohtak, Jhajjar, Sonipat, Panipat, Hisar, Hansi, Jind, Narwana, Fatchabad, Sirsa (3), Bhiwani (2), Dadupur, Kaithal, Delhi and Tohana.

Non-Tax Receipts

(January 1997) by the Engineer-in-Chief, Irrigation Department. Yearwise break-up in respect of 15 divisions was as under:

Year	Utilisation of receipts towards expenditure (in lakhs of rupees)
Prior to 1993-94	101.57
1993-94	39.37
1994-95	20.09
1995-96	31.14
1996-97	10.01
1997-98	8.17
Total	210.35

No yearwise break up was available with 5 divisions (one each of Kaithal, Delhi and Tohana and two of Sirsa) in respect of receipts of Rs 26.16 lakhs.

The department stated (between November 1997 and March 1998) that the departmental receipts were used on urgent petty works when adequate letter of credit (L.O.C.) was not received from Government. The reply of the department was not tenable since it defeated the very object of LOC. The departmental receipts utilised towards departmental expenditure were not deposited into the treasuries even on receipt of L.O.C. by the divisional officers.

5.3 Short recovery of lease rent

A meeting of departmental officers of district level was held in May 1993 and October 1994 regarding allotment of land of Ottu lake on lease basis and for fixation of lease rates for the years 1993-94 and 1994-95 respectively. The lease rates for the land inside the bundh were fixed at Rs 1900 per acre for the year 1993-94 and Rs 2000 for 1994-95. No rates were fixed for the year 1995-96

Levy of lease rent at old rates led to short recovery of Rs 2.54 lakhs

During the course of audit of records of Ghaggar Water Services Division, Sirsa, it was noticed (November 1995 and January 1998) that the lease rent for the years 1993-94 to 1995-96 was not being recovered according to the rates fixed for that year but was continued to be charged at the rate of Rs 1200 per acre fixed for the year 1992-93. Charging of lease rent at lower rates resulted in short recovery of Rs 2.54 lakhs.

On the omission being pointed out (January 1996 and January 1998), the department stated (March 1998) that recovery of Rs 1.13 lakhs had been made (between April 1997 and December 1997) and efforts were being made for the recovery of balance amount. Further progress of recovery has not been received (October 1998).

5.4 Non-realisation of rent of rest house

Stay in Government rest houses is eligible on the production of permit issued by the competent authority on the basis of application/request of the officers intending to stay. These permits are issued for specific period. The officer so staying in the rest house is required to pay charges fixed by Government.

Non-raising of rent bill resulted into non-recovery of Rs 3.64 lakhs

During the test-check of records of Executive Engineer, J.L.N. Division No. I, Rewari, it was noticed (November 1996) that possession of the irrigation rest house was given to civil authorities for the residence of Superintendent of Police in November 1989. The rent of the building was assessed (November 1992) at Rs 3680 per month by the department. The claim for the recovery of rent amounting to Rs 3.64 lakhs for the period from November 1989 to January 1998 was not raised by the department.

The omission was pointed out (December 1996 and February 1998); their reply has not been received (October 1998).

B-AGRICULTURE

5.5 Non-recovery of purchase tax and interest

As per notification issued (October 1977) under the Punjab Sugarcane (Regulation of purchase and supply) Act, 1953 and the rules made thereunder, as applicable to Haryana, a sugar factory is required to pay tax at the rate of Rs 1.50 per quintal on purchase of cane latest by the 14th of the following month. In the event of default, interest at the rate of **fifteen per cent** per annum shall be charged for the period of default.

*Purchase tax of
Rs 83.79 lakhs on
sugarcane short
deposited by sugar
mills.*

During the audit of records of two Assistant Cane Development Officers, Rohtak and Panipat, it was noticed (August 1996) that two Sugar Mills purchased 55,85,877.05 quintals of sugarcane between November 1995 and June 1996 but did not deposit purchase tax amounting to Rs 83.79 lakhs (sugar mill Rohtak: Rs 54.99 lakhs and Panipat: Rs 28.80 lakhs) which was due to be paid by the 14th of the month following the month of purchase. Interest amounting to Rs 26.37 lakhs (Rohtak: Rs 17.21 lakhs and Panipat: Rs 9.16 lakhs) was also required to be charged thereon for non-payment of tax.

On this being pointed out (August 1996), the department intimated (November 1997) that Sugar Mill, Panipat has been asked (May 1998) to deposit the amount of tax whereas in respect of Sugar Mill, Rohtak, the department stated (July 1997) that the deposits by the Sugar Mill between January 1997 and May 1997 actually related to the crushing year 1995-96 but were inadvertently adjusted against the purchase tax payable on the purchases of sugarcane made between November 1996 and May 1997. The reply of the department is not tenable as the Form X clearly shows that the purchase tax was worked out and deposited according to actual purchases effected during the period between November 1996 and May 1997. Purchase tax including

interest thereon amounting to Rs 110.16 lakhs due on purchases effected between November 1995 and June 1996 remained undeposited.

The cases were reported to Government in April 1998; their replies have not been received (October 1998).

C-PUBLIC HEALTH

5.6 Non-recovery of penalty charges

As per Government instructions issued in July 1994, electric pumps installed direct on supply lines should, in no case, be allowed to continue and were to be removed and water supply disconnected. In the cases of those consumers, who were detected with such type of installations, penalty at the rate of Rs 1200 per installation, by way of past misuse, was to be levied. Besides, penal charges at the rate of Rs 100 per month were to be levied in addition to usual water charges till the pump is removed.

Penalty charges for illegal installation of electric pumps on water supply lines not levied/recovered

During the audit of records of Executive Engineer, Public Health Division, Narwana, it was noticed (January 1997) that 776 consumers who had installed electric pumps direct on supply lines were identified by the department but no action was taken to recover the penalty charges amounting to Rs 9.31 lakhs leviable by way of past misuse of water.

On this being pointed out (January 1997), the department first intimated (January 1997) that case for remission of penalty was being taken up with Government but subsequently intimated (May 1998) that no penalty charges are recoverable because pumps were installed prior to issue of instructions by Government in July 1994. The reply of the department is not tenable as Government had not prohibited recovery of penalty vide its *ibid* letter.

The case was reported to Government in February 1997; their reply has not been received (October 1998).

D-HOME DEPARTMENT (POLICE)

5.7 Non-realisation of cost of Police

Under the provisions of the Punjab Police Rules 1934, as applicable to Haryana, Superintendents shall require to prefer bills on account of cost incurred in deployment of Police against parties and corporate bodies supplied with the Police (Guards) month by month in advance. Cost included pay and allowances, other expenses, leave salary and pension contributions etc. If the duty period be likely to last less than a month, cost for such entire period for which police is likely to be deployed shall be recovered. Additional police shall not be supplied until the advance payment required under the rules has been received.

(i) During the audit of records of the office of the Superintendent of Police, Panchkula, it was noticed (January 1997) that Police Guard was deployed to Government Printing Press, Panchkula between April 1996 and December 1996. The bills on account of cost which were required to be issued in advance for recovery of Government dues were not issued to the Manager, Printing Press. The omission resulted in non-realisation of cost of Police amounting to Rs 3.80 lakhs.

On this being pointed out (January 1997), the department recovered (April 1997) the entire amount of Rs 3.80 lakhs.

(ii) During the audit of records of the office of the Superintendent of Police, Karnal, it was noticed (July 1997) that police guard was deployed with three scheduled banks during the period from April 1995 to February 1997. While preferring bills on account of cost which included pay and allowances, other expenses, leave salary and pension charges etc., recovery on account of enhanced dearness allowance revised by Government from time to time between 1995-96 and 1996-97 escaped notice of the department resulting in non-recovery of Government dues amounting to Rs 1.39 lakhs.

On this being pointed out (July 1997), the department stated (July 1997) that outstanding amount would be recovered from the concerned

banks shortly. Further report on recovery has not been received (October 1998).

The case was reported to Government in August 1997; their reply has not been received (October 1998).

E-MINES AND GEOLOGY

5.8 Short recovery of contract money and interest

Under the Punjab Minor Minerals Concession Rules, 1964, as applicable to Haryana, a mining contract for quarrying is granted by auction or by accepting tenders from the highest bidder. The contractor is required to deposit **25 per cent** of the annual bid money as security and another **25 per cent** (one twelfth of the bid money where value of contract exceeds Rs 5 lakhs) as advance payment immediately on the allotment of the contract. The balance of the contract money is payable in advance either in monthly or quarterly instalments. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract, forfeit the security and the instalments paid in advance, if any. Interest at the rate of **24 per cent** per annum is also recoverable for the period of default in payment of instalments of contract money.

(i) During the audit of records of the Assistant Mining Engineer (Department of Mines and Geology), Panchkula, it was noticed (January 1998) that a contract for extraction of mineral from a quarry in village Fatehpur Diwanwala was granted to a contractor through auction for the period from 23 March 1996 to 31 March 1999 for an amount of Rs 1,10,03,000 per annum. As per terms of the contract, the contractor paid Rs 9,16,917 at the time of contract and the balance amount of contract money was payable in monthly instalments each of Rs 9,16,917. The contractor paid Rs 8,16,917 on 1 October 1996 on account of monthly instalment due from him instead of Rs 9,16,917. This resulted in short recovery of contract money

of Rs 1 lakh. Besides, interest of Rs 34,520 (calculated prior to the date of payment) was also recoverable.

On this being pointed out (January 1998), the department recovered Rs 1.30 lakhs (contract money Rs 1 lakh and interest Rs 0.30 lakh) on 9 March 1998. Further progress regarding recovery of balance amount of interest has not been received (October 1998).

The case was reported to Government in February 1998; their reply has not been received (October 1998).

(ii) During the audit of records of offices of Mining Officers (Department of Mines and Geology) Sonipat and Yamunanagar, it was noticed (December 1996 and January 1998) that two contracts for extraction of sand etc. from 'Khatkar Zone' and 'Kohliwala' quarries were granted (March 1993 and February 1996) through auction for the period from 8.4.1993 to 31.3.1996 and 8.4.1996 to 31.3.1999 respectively. The contractors paid monthly instalments of contract money late by 14 to 237 days. In the case of Sonipat contractor, the department calculated interest of Rs 4,85,333 for belated payments against actual recoverable amount of Rs 5,73,203. No interest was levied in the case of Yamunanagar contractor. This resulted into short payment of interest amounting to Rs 2.48 lakhs.

On the omission being pointed out (December 1996 and January 1998), the department accepted the omission and recovered the full amount (Rs.1.60 lakhs) of interest in the months of March and April 1998 from Yamunanagar contractor. In the case of Sonipat contractor, it was intimated (February 1997) that the Collector Sonipat has been requested to recover the additional amount of interest alongwith the earlier demand of Rs 4,85,333 made in July 1996. Further reply in the matter has not been received (October 1998).

The cases were reported to Government in January 1997 and February 1998; their replies have not been received (October 1998).

**F-FINANCE DEPARTMENT
(Haryana State Lotteries)**

5.9 Short realisation of sale proceeds of lottery tickets

As per accounting procedure of the Haryana State Lotteries Department, the accounts of sale proceeds of lottery tickets are required to be sent to the Directorate office of the State Lotteries by each sales officer immediately after the close of the sale of tickets of each draw or on the date of the draw whichever is earlier. The accounts so received are required to be checked within a week. The Section Officer (Incharge) at Headquarters Office (State Lotteries) would ensure that Prize Winning Tickets (PWT's) Book transfers (BT's), vouchers, demand drafts and contingent vouchers tally with the value of lottery tickets sold by each sales officer in that draw. In case the accounts so received are found to be short, he would bring the facts to the notice of the higher authorities and simultaneously take up the matter with the sales officer concerned for rendering complete accounts by pointing out the shortcomings and the recovery of the amount so detected as a result of checking. Sales Officer (concerned) would go through the recovery letter so issued to him and arrange to deposit the amount within 10 days positively failing which the recovery can be effected from his pending dues.

During the audit of records of the office of the Director, Haryana State Lotteries, Chandigarh, it was noticed (April 1996) that a sales officer in Ghaziabad Camp (U.P.) while rendering final accounts in respect of draw numbers 678, 679 and 682 held on 1 June, 2 June and 5 June 1995 respectively of Hari Om daily lottery scheme showed number of tickets sold as 38000, 33200 and 33000 against the actual sale of 39000, 38000 and 34000 tickets respectively. Showing suppressed sale in the final accounts has resulted in short realisation amounting to Rs 3,53,600.

On this being pointed out (April 1996), the department recovered the entire amount of Rs 3,53,600 in September 1996 and June 1997. Amount of Rs 3 lakhs remained outside the government accounts from June 1995 to September 1996 and Rs 53,600 from June 1995 to June 1997.

5.10 Non-levy of penalty for short supply of lottery tickets

For printing of lottery tickets of various lottery schemes run by Haryana State Lotteries Department for the year 1995-96, an agreement was executed (February 1995) by the department through the Director, Haryana State Lotteries, with a printing company (hereinafter referred to as the 'printers') of New Delhi. According to the agreement the printed tickets were to be delivered within the stipulated period of delivery in the camp office of Lottery Department at Delhi from where the tickets were distributed to various sales officers in different parts of the country. The printers were responsible for the shortage of tickets found in the packets. In case the supply of tickets of any particular draw was found short, penalty equal to the face value of the tickets of the draw supplied short was to be imposed on the printers and such penalty would be recovered from their pending bills.

During the course of audit of records of the office of Director, Haryana State Lotteries, it was noticed (April 1996) that tickets for face value of Rs 2.86 lakhs relating to five lottery schemes were short supplied (between April 1995 and February 1996) by printers to the sales officers. However, the department made no efforts to impose penalty of Rs 2.86 lakhs equal to the face value of the tickets.

On this being pointed out (April 1996), the department stated (February 1998) that the matter was being investigated and factual position will be intimated in due course of time.

The matter was reported to Government in June 1996; their reply has not been received (October 1998).

G-CO-OPERATION

5.11 Short recovery of audit fee

Under the Haryana Co-operative Societies Rules, 1989, framed under the Haryana Co-operative Societies Act, 1984, every Co-operative Society is required to pay to Government audit fee for the audit of its annual accounts by the auditors of Co-operative Department for each Co-operative year in accordance with the scales and rates fixed by the Registrar with prior approval of the State Government. The Primary Co-operative Agricultural and Rural Development Banks registered under the Act, *ibid*, is liable to pay audit fee at the rate of five per cent of the net profit subject to minimum limit of Rs 5,000 for each Co-operative year.

During the audit of records of Assistant Registrar, Co-operative Societies, Narnaul, it was noticed (February 1998) that a separate branch namely, the Ateli Primary Co-operative Agricultural and Rural Development Bank Ltd., Ateli, was created out of the Narnaul Primary Co-operative Agricultural and Rural Development Bank Ltd., Narnaul in November 1994. Annual accounts for the period from January 1995 to March 1995 were prepared separately by both the banks and audit fee was recovered on the basis of net profits earned from January 1995 to March 1995 only ignoring the element of net profit of Rs 42.52 lakhs earned from April 1994 to December 1994. This resulted in short levy of audit fee of Rs 2.13 lakhs.

Further, audit fee amounting to Rs 5,000 at minimum rate was recovered from the Ateli Primary Co-operative Agricultural and Rural Bank Ltd., Ateli on the basis of their unaudited accounts for the year 1995-96. Later, on completion of audit of accounts of the bank, additional audit fee amounting to Rs 26,341 became recoverable on the basis of audited figures of

Non-Tax Receipts

profits but was not demanded by the department. This resulted in short recovery of audit fee amounting to Rs 2.39 lakhs (Rs 2.13 lakhs plus Rs 0.26 lakh).

On the omission being pointed out in February 1998, the department intimated (July and September 1998) that whole amount of Rs.2.39 lakhs of audit fees has been recovered (June and August 1998).

The case was reported to Government in April 1998; their reply has not been received (October 1998).

Chandigarh
Dated:

24 DEC 1998

Rita Mitra

(RITA MITRA)
Accountant General (Audit) Haryana

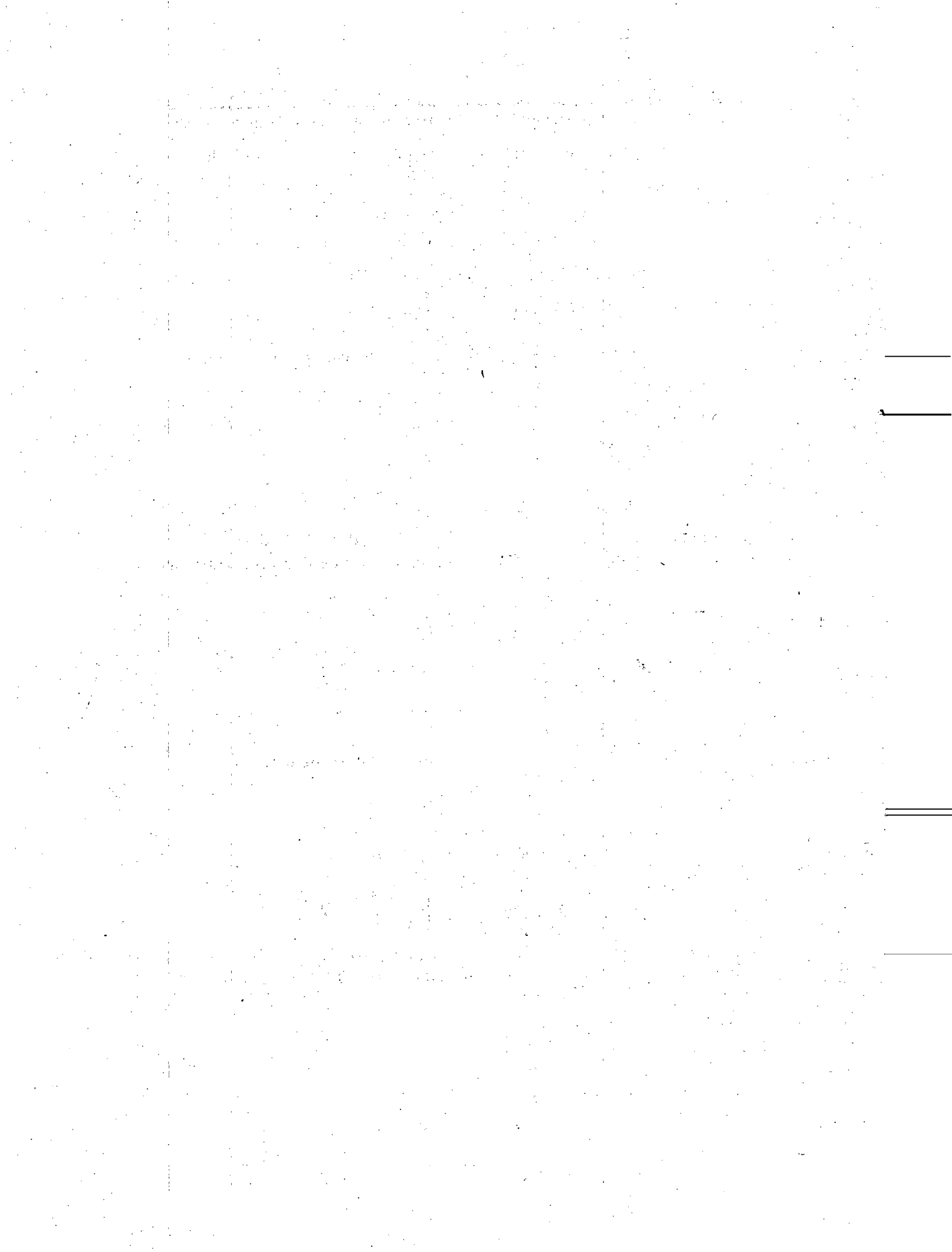
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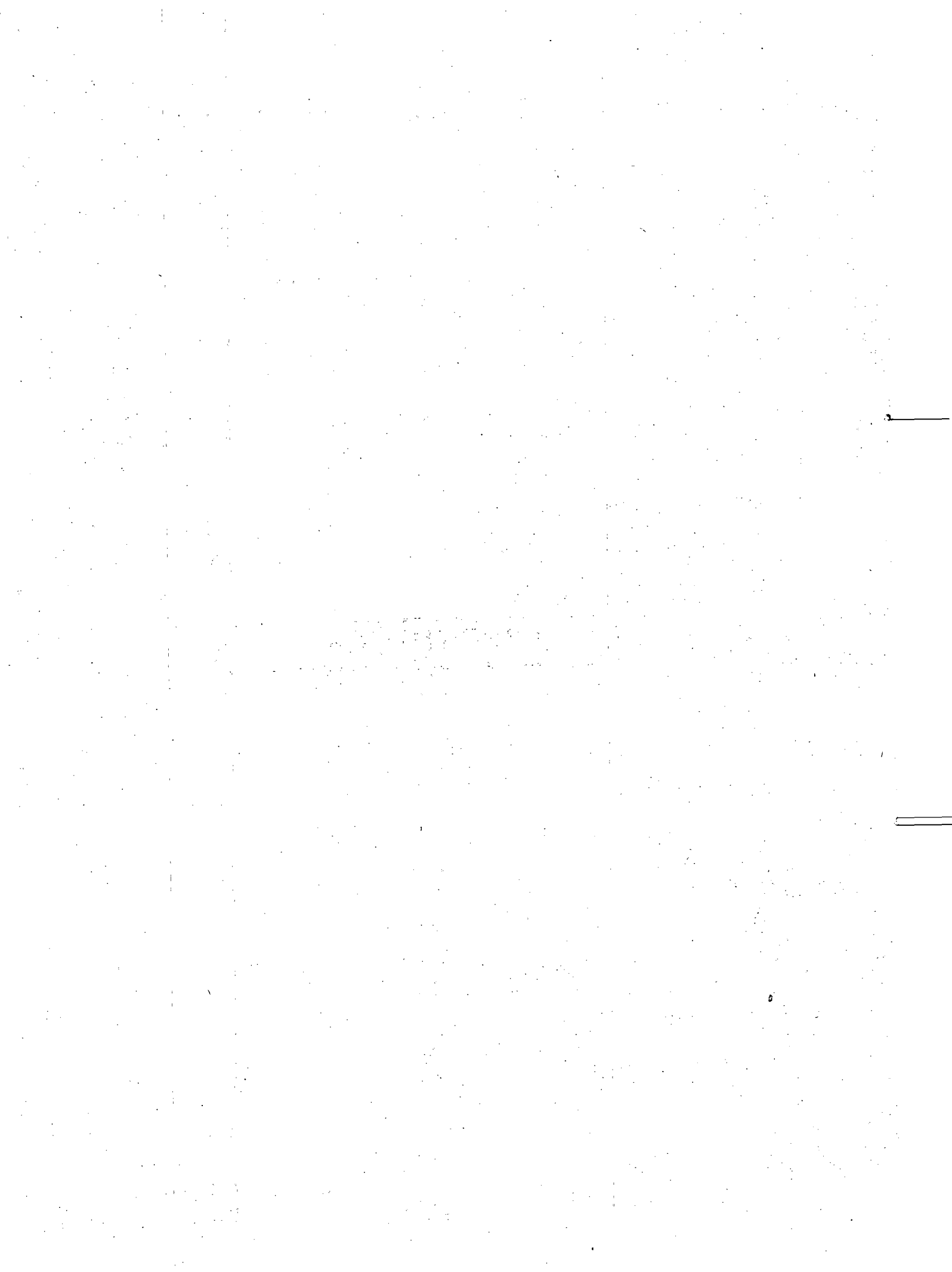
31 DEC 1998

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India



APPENDICES



Appendix-I
(Refer para 1.1 (ii))

(Collection of non-tax revenue)

Sr. No.	Particulars	1995-96	1996-97	1997-98	Percentage of increase (+)/Decrease (-) in 1997-98 over 1996-97
		(Rupees in lakh)			
1.	Dividends & Profits	314.60	452.89	237.74	(-)48
2.	Public Service Commission	12.31	52.09	113.09	(+)117
3.	Police	382.30	1105.44	762.14	(-)31
4.	Jails	122.82	55.38	68.87	(+)24
5.	Supplies & Disposals	841.02	3.16	3.03	(-)4
6.	Stationery & Printing	125.17	133.45	148.44	(+)11
7.	Public Works	211.28	267.92	235.07	(-)12
8.	Administrative Services	1240.70	1182.25	9572.08	(+)710
9.	Contribution & Recoveries towards Pension etc.	224.63	320.32	296.28	(-)8
10.	Education, Sports & Culture	1353.66	1832.19	1842.98	(+)1
11.	Family Welfare	6.99	11.14	6.04	(-)46
12.	Water Supply and Sanitation	1305.40	1822.79	1929.23	(+)6
13.	Housing	97.10	104.50	108.76	(+)4
14.	Urban Development	720.05	1333.23	7068.29	(+)430
15.	Information & Publicity	7.70	15.63	12.66	(-)19
16.	Labour & Employment	210.56	216.36	455.04	(+)110
17.	Social Security & Welfare	283.26	563.39	389.28	(-)31
18.	Other Social Services	221.22	71.68	57.84	(-)19
19.	Crop Husbandry	211.36	190.38	238.19	(+)25
20.	Animal Husbandry	689.29	296.78	585.85	(+) 97
21.	Dairy Development	1.64	2.35	0.12	(-)95

Appendices

Sr. No.	Particulars	1995-96	1996-97	1997-98	Percentage of increase (+)/Decrease (-) in 1997-98 over 1996-97
		(Rupees in lakh)			
22.	Fisheries	73.71	137.35	109.75	(-)20
23.	Forestry and Wild Life.	1780.07	2159.91	1743.24	(-)19
24.	Co-operation	215.66	1067.45	404.32	(-)62
25.	Agriculture Programme	277.24	383.05	438.54	(+)14
26.	Land Reforms	-	0.01	-	Negligible
27.	Rural Development Programme	138.99	258.77	183.68	(-)29
28.	Major & Medium irrigation	2100.25	2429.96	2738.04	(+)13
29.	Minor Irrigation	5.71	306.48	7.05	(-)98
30.	Village and Small Industries	126.33	113.06	167.71	(+)48
31.	Industries	15.45	69.82	9.20	(-)87
32.	Civil Aviation	6.54	3.56	3.13	(-)12
33.	Roads & Bridges	11.33	7.50	118.50	(+)1480
34.	Scientific Research	0.02	0.04	1.44	(+)3500
35.	Tourism	8.65	4.08	7.25	(+)78
36.	Other General Services	108.34	138.17	145.20	(+)5
	Total	13451.35	17112.53	30208.07	

Appendix-II
(Refer para 1.10 (iv))

(Outstanding Inspection Reports and Audit Observations)

Department	Number of Outstanding		Amount of receipts involved (Rupees in crores)	Number of Inspection reports to which even first replies had not been received
	Inspection Reports	Audit observations		
1. Co-operation	73	105	5.16	13
2. Agriculture	50	116	0.27	-
3. P.W.D.(B&R)	25	47	1.60	11
4. P.W.D. Irrigation	190	383	19.85	13
5 Cane Commissioner	37	37	12.78	10
6. Medical	79	160	0.46	6
7. Industries	24	29	0.68	4
8. Public Health	55	126	5.57	16
9. Animal Husbandry	58	80	1.73	13
10. Lotteries	8	31	5.49	-
11. Electricity	10	27	47.92	-
12. Mines and Metallurgical Industries	85	203	7.31	8
13. Horticulture	13	35	0.06	-
14. Police	24	30	3.63	15
15. Food & Supplies	15	26	0.02	-
Total	746	1435	112.53	109

