

**REPORT**  
**OF THE**  
**COMPTROLLER AND**  
**AUDITOR GENERAL OF INDIA**

**FOR THE YEAR ENDED**  
**31 MARCH 1995**

**NO. 1**

**(REVENUE RECEIPTS)**



**GOVERNMENT OF HARYANA**

REPORT  
OF THE  
COMPTROLLER AND  
AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1985

NO. 1

(REVENUE RECEIPTS)



GOVERNMENT OF HARYANA

## Table of contents

	Reference to	
	Paragraph	Page(s)
Prefatory Remarks		v
Overview		vi to x
<b>Chapter - I</b>		
<b>General</b>		
Trend of revenue receipts	1.1	1-6
Variations between Budget estimates and actuals	1.2	6-7
Cost of collection	1.3	7-8
Arrears in revenue	1.4	8-11
Arrears in assessment	1.5	11-12
Frauds and evasion of taxes/duties	1.6	12-13
Results of Audit	1.7	13-14
Outstanding inspection reports and audit observations	1.8	14-16
Internal Audit	1.9	16-17
<b>Chapter - 2</b>		
<b>Sales Tax</b>		
Results of Audit	2.1	21-22
Internal Controls on disposal of remanded cases	2.2	22-32
Inadmissible deduction from turnover	2.3	32-34
Non/Short levy of tax	2.4	34-36
Under-assessment due to excess rebate	2.5	36-40

## Table of contents

	Reference to	
	Paragraph	Page(s)
Application of incorrect rate of tax	2.6	41-45
Under-assessment due to incorrect deduction	2.7	45-47
Non-levy of purchase tax	2.8	47-48
Irregular deduction allowed against invalid declaration forms	2.9	48-49
Irregular grant of exemption	2.10	50
Loss of revenue due to delay in finalisation of assessment	2.11	50-51
Under-assessment due to irregular refund	2.12	51-52
Non/short levy of interest and penalty	2.13	52-55
<b>CHAPTER-3</b>		
<b>Stamp Duty and Registration Fees</b>		
Results of Audit	3.1	59-60
Short recovery of stamp duty on mortgage deed	3.2	60-61
Irregular exemption of stamp duty	3.3	61-62
Evasion of stamp duty and registration fees through power of attorney	3.4	61-63
Evasion of Stamp Duty	3.5	63-65
Irregular refund	3.6	65-66
<b>CHAPTER 4</b>		
<b>Other Tax Receipts</b>		
Results of Audit	4.1	69-70

## Table of contents

	Reference to	
	Paragraph	Page(s)
<b>A - Taxes on Motor Vehicles</b>		
Receipts under National Permit Scheme	4.2	70-81
Utilisation of Departmental receipts towards expenditure	4.3	81
Non-deposit of token tax	4.4	81-82
<b>B - State Excise Duty</b>		
Low yield of spirit	4.5	82
Interest short charged	4.6	83
<b>C - Entertainments Duty and Show Tax</b>		
Short recovery of Entertainments Duty	4.7	83-84
<b>D - Passengers and Goods Tax</b>		
Under-assessment of Passengers Tax	4.8	84-85
<b>CHAPTER-5</b>		
<b>Non Tax Receipts</b>		
Results of Audit	5.1	89
<b>A - Mines and Geology</b>		
Non-recovery of dead rent and interest	5.2	90-91
Non-recovery of interest for late deposit of contract money	5.3	91
<b>B - Co-operation</b>		
Short recovery of audit fee	5.4	91-93

Financial Statement

Particulars	Debit	Credit
Balance b/d		1000
Income		2000
Expenses	1500	
Profit		500
Total	1500	3500

## *Prefatory Remarks*

This Report for the year ended 31 March 1995 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 Services) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, stamp duty and registration fees, taxes on motor vehicles, state excise duty, 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 1994-95 as well as those noticed in earlier years but could not be included in previous Reports.

Financial Review

The year for the year ended 31 March 1992 has been reported for submission to the Governor under Article 121 (2) of the Constitution.

The audit of revenue accounts for this financial year was conducted under section 16 of the Comptroller and Auditor General's (Powers and Conditions of Service) Act, 1951. The Report presents the result of audit of accounts comprising revenue, grants-in-aid and departmental accounts, and also the audit of the consolidated financial statements for the year.

The consolidated financial statements for the year are set out in the Report and the consolidated financial statements for the year are set out in the Report.

The consolidated financial statements for the year are set out in the Report and the consolidated financial statements for the year are set out in the Report.

Yours faithfully,



## OVERVIEW

*This Report includes 27 Paragraphs including 2 Reviews, relating to non/short levy of taxes, duties, interest, penalties etc. involving Rs.6.45 crores. Some of the major findings are mentioned below:*

*(Paragraph 1.7)*

### **1. General**

- *During the year 1994-95, revenue raised by the State Government, both Tax (Rs.1888 crores) and Non-Tax (Rs.3473 crores), amounted to Rs.5361 crores as against Rs.2929 crores during the previous year. Receipts under Sales Tax (Rs.890 crores) and State Excise (Rs.529 crores) accounted for a major portion of receipts of Tax revenue. Under Non-Tax revenue, main receipts were from Miscellaneous General Services (Rs.2565 crores), Interest Receipts (Rs.476 crores) and from Road Transport (Rs.272 crores).*

*Receipts from Government of India during the year, including grants-in-aid of Rs.204 crores, aggregated Rs.521 crores.*

*(Paragraph 1.1)*

- *Arrears of revenue at the end of 1994-95 under principal heads of revenue amounted to Rs.241.38 crores, out of which Rs.59.19 crores were outstanding for more than 5 years.*

*(Paragraph 1.4)*

- *190230 assessment cases were pending finalisation under Sales Tax (190113), and Passengers and Goods Tax (117) at the end of March 1995 as against 90498 cases (S.T. 90425, P.G.T. 73) pending on 31 March 1994.*

*(Paragraph 1.5)*

- *Test check of records of sales tax, stamp duty and registration fees, taxes on motor vehicles, state excise, entertainments duty and show tax, passengers and goods tax, mines and geology and co-operation departments conducted during 1994-95, revealed under-assessments/loss of revenue, etc. amounting to Rs.2765 lakhs in 4599 cases. The concerned departments accepted under-assessments etc. of Rs.184.22 lakhs of which Rs.113.71 lakhs pertain to the year 1994-95 and the rest to earlier years. An amount of Rs.66.50 lakhs in 559 cases had already been recovered.*

**(Paragraph 1.7)**

- *1918 inspection reports (issued up to December 1994) containing 4305 audit observations with money value of Rs.74.34 crores were not settled up to June 1995. Of these, 273 inspection reports containing 545 objections with money value of Rs.91 lakhs were outstanding for more than 5 years.*

**(Paragraph 1.8)**

## **2. Sales Tax**

**(i)** *A review on 'Internal Control of disposal of remanded cases' revealed the following:*

- *Due to failure to maintain the prescribed control registers by the authorities concerned, 1698 out of 4350 cases remanded by the appellate authorities were not accounted for by the sales tax offices.*

**(Paragraph 2.2.6 and 2.2.7)**

- *No specific time limit has been laid down in the Act/Rules for completing re-assessments of remanded cases. In 112 cases with revenue effect of Rs.665.30 lakhs, re-assessments were finalised during 1991-92 to 1993-94 after delays ranging from 3 to 29 months. 95 remanded cases involving tax effect of Rs.208.91 lakhs were still awaiting*

*finalisation even after delays ranging from 13 to 52 months.*

**(Paragraph 2.2.9)**

- *Refund of tax amounting to Rs.10.99 lakhs was allowed to 3 dealers even before the re-assessment of their remanded cases.*

**(Paragraph 2.2.10)**

- (ii)** *Inadmissible deduction from turnover resulted in short levy of revenue amounting to Rs.9.89 lakhs.*

**(Paragraph 2.3(i))**

- (iii)** *Non/short levy of tax on hire charges, sales/purchases received/made by the dealers resulted in loss of tax and interest amounting to Rs.7.47 lakhs*

**(Paragraph 2.4)**

- (iv)** *Under-assessment due to excess rebate resulted in loss of tax and interest amounting to Rs.7.03 lakhs*

**(Paragraph 2.5)**

- (v)** *Under-assessment due to application of incorrect rate of tax resulted in loss of tax and interest amounting to Rs.5.20 lakhs.*

**(Paragraph 2.6)**

**3. Stamp Duty and Registration Fees**

- *Misclassification of instruments resulted in short realisation of stamp duty amounting to Rs.3.20 lakhs.*

**(Paragraph 3.2)**

- *Evasion of stamp duty and registration fees resulted in loss of revenue aggregating Rs.2.52 lakhs.*

**Paragraphs 3.4 and 3.5)**

4. *Other Tax Receipts*

(A) *Taxes on Motor Vehicles*

(i) *A review on 'Receipts under National Permit Scheme' revealed the following:*

- ⊕ *7784 bank drafts amounting to Rs.49.19 lakhs on account of composite fee pertaining to the period 1991-92 to 1993-94 received by the Department and returned to other States for revalidation were neither received back nor proper pursuance was made resulting in loss of revenue.*

*(Paragraph 4.2.7 A(iii))*

- ⊕ *Rates of composite fee were revised from 1 September 1993 but the Department continued to accept the fee at old rates resulting in short realisation of revenue amounting to Rs.177 lakhs.*

*(Paragraph 4.2.8)*

(B) *State Excise*

- ⊕ *Shortfall in the yield of spirit from molasses involved loss of excise duty amounting to Rs.253.53 lakhs.*

*(Paragraph 4.5)*

5. *Non-Tax Receipts*

*A - Mines and Geology*

- ⊕ *Non recovery of dead rent and interest resulted in loss of revenue of Rs.1.70 lakhs.*

*(Paragraph 5.2)*

*B- Co-operation*

- ⊕ *Audit fee of Rs.6.80 lakhs was recovered short from various Co-operative Societies.*

*(Paragraph 5.4)*

## ***Chapter - I***

---

---

<b>General</b>		
<b><i>Paragraph</i></b>	<b><i>Particulars</i></b>	<b><i>Page(s)</i></b>
1.1	Trend of revenue receipts	1-6
1.2	Variations between Budget estimates and actuals	6-7
1.3	Cost of collection	7-8
1.4	Arrears in revenue	8-11
1.5	Arrears in assessment	11-12
1.6	Frauds and evasion of taxes/duties	12-13
1.7	Results of Audit	13-14
1.8	Outstanding inspection reports and audit observations	14-16
1.9	Internal Audit	16-17

Date	Description
1871	...
1872	...
1873	...
1874	...
1875	...
1876	...
1877	...
1878	...
1879	...
1880	...
1881	...

## CHAPTER 1

### GENERAL

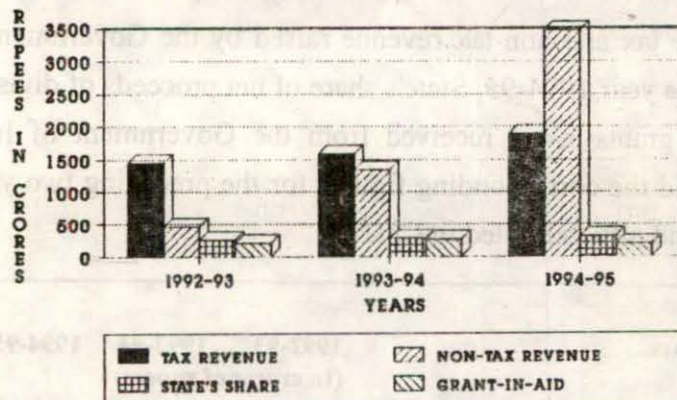
#### 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1994-95, 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 1:

S.No.	Particulars	1992-93	1993-94	1994-95*
		(In crores of rupees)		
<b>I.</b>	<b>Revenue raised by the State Government</b>			
(a)	Tax revenue	1446.87	1588.91	1887.85
(b)	Non-tax revenue	460.27	1340.55	3473.42
	<b>Total (I)</b>	<b>1907.14</b>	<b>2929.46</b>	<b>5361.27</b>
<b>II</b>	<b>Receipts from Government of India</b>			
(a)	State's share of net proceeds of divisible Union Taxes	261.94	282.45	317.14
(b)	Grants-in-aid	208.56	269.54	204.00
	<b>Total (II)</b>	<b>470.50</b>	<b>551.99</b>	<b>521.14</b>
<b>III</b>	<b>Total receipts of the State (I + II)</b>	<b>2377.64</b>	<b>3481.45</b>	<b>5882.41</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>80</b>	<b>84</b>	<b>91</b>

\* For details please see 'Statement No.11 - Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Haryana for the year 1994-95. 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.

**TREND OF REVENUE RECEIPTS  
DURING THE PERIOD 1992-93 TO 1994-95**



**CHART 1  
(Para 1.1)**

(i) The details of the tax revenue raised during the year 1994-95, along with figures for the preceding two years, are shown below and also exhibited in Chart 2:

S.No.	Particulars	1992-93	1993-94	1994-95	Percentage of increase(+) or decrease(-) in 1994-95 over 1993-94
(In crores of rupees)					
1.	Sales Tax	676.41	768.51	890.08	(+) 16
2.	State Excise	393.84	431.76	529.34	(+) 23
3.	Taxes on Goods and Passengers	141.02	161.52	194.80	(+) 21
4.	Stamp Duty and Registration Fees	104.72	119.64	163.81	(+)37
5.	Taxes on Vehicles	71.16	52.17	45.58	(-) 13
6.	Taxes and Duties on Electricity	43.43	39.06	48.00	(+) 23
7.	Land Revenue	01.35	01.35	01.34	Negligible
8.	Other Taxes and Duties on Commodities and services	14.95	14.90	14.90	
	<b>Total</b>	<b>1446.88</b>	<b>1588.91</b>	<b>1887.85</b>	



### GROWTH OF TAX REVENUE DURING THE PERIOD 1992-93 to 1994-95

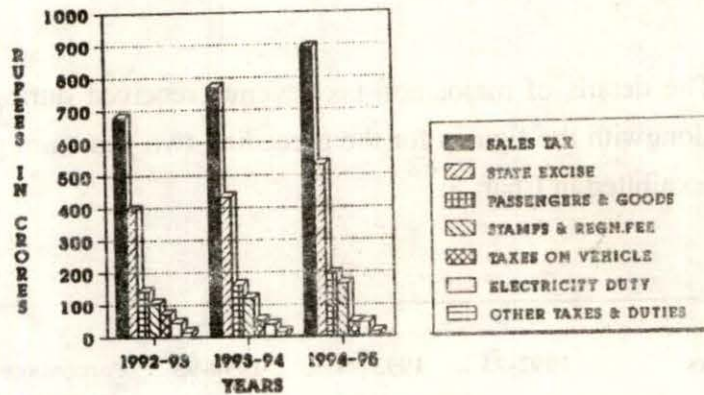


CHART - 2  
(Para 1.1)

Reasons for variations in receipts during 1994-95 compared to those of 1993-94, as intimated by the respective Departments, are given below:

- (a) **Sales Tax** - The increase of 16 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 Increase of 23 per cent was due to lifting of additional quota of country liquor, Indian made foreign liquor, and also due to higher realisation of licence fee.
- (c) **Taxes on Goods and Passengers** - The increase of 21 per cent was due to increase in the fleet of express buses with 25 per cent hike in fare and frequent on road checking of buses by the Department.
- (d) **Stamp Duty and Registration Fees** - The increase of 37 per cent was due to substantial increase in the value of immovable properties and recovery of deficient amount of stamp duty and registration fees.
- (e) **Taxes on vehicles** - The decrease of 13 per cent was due to abolition of toll tax from 31 August 1993.

(f) **Taxes and duties on electricity** - The increase of 23 per cent was due to realisation of arrears from Public Works Department (Public Health), Municipal Committees and Haryana State Electricity Board.

(ii) The details of major non-tax revenue received during the year 1994-95, alongwith the figures for the preceding two years are given below and also exhibited in Chart 3:

S.No.	Particulars	1992-93	1993-94	1994-95	Percentage of increase (+) or decrease (-) in 1994-95 over 1993-94
(In crores of rupees)					
1.	Miscellaneous General Services	36.08	841.24	2565.43	(+)205
2.	Road Transport	220.34	252.99	271.97	(+) 8
3.	Interest Receipts	95.09	116.53	476.09	(+) 309
4.	Non-ferrous Mining and Metallurgical Industries	15.28	18.41	22.65	(+) 23
5.	Medical and Public Health	6.13	12.45	8.62	(-) 31
6.	Others	87.35	98.93	128.66	(+) 30
	<b>Total</b>	<b>460.27</b>	<b>1340.55</b>	<b>3473.42</b>	<b>(+) 159</b>

**GROWTH OF NON TAX RECEIPTS  
DURING THE PERIOD 1992-93 TO 1994-95**

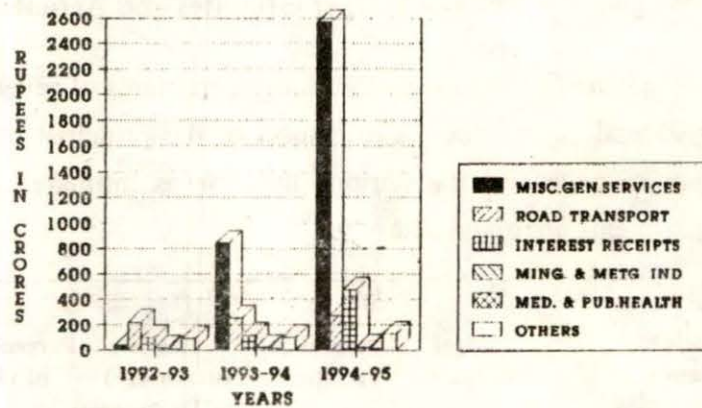


CHART - 3  
(Para 11)

Reasons for variations in receipts during 1994-95 compared to those of 1993-94 as intimated by the respective Departments are as follows:

- (a) **Miscellaneous General Services** - The increase of *205 per cent* was due to introduction of new lottery schemes and increase in the sale of lottery tickets under existing lottery schemes.
- (b) **Road Transport** - The increase of *8 per cent* was due to excess coverage of 72.90 lakh kilometers during 1994-95 as compared to 1993-94, revision of bus fares and increase in fleet strength from 3772 to 3800 buses.
- (c) **Interest Receipts** - The increase of *309 per cent* was due mainly to higher realisation of interest receipts from Commercial undertakings.
- (d) **Non-ferrous Mining and Metallurgical Industries** - The increase of *23 per cent* was due to better collection of royalty and contract money in respect of major minerals, higher bids in respect of fresh contracts and recovery of past arrears.

(e) **Medical and public health** - The decrease of 31 per cent was due to non-receipt of part amount due from Employees State Insurance Corporation, New Delhi, during the year.

## 1.2 Variations between Budget estimates and Actuals

The variations between the Budget estimates of revenue for the year 1994-95 and actual receipts in respect of the principal heads of tax and non-tax revenue and the reasons therefor as intimated by the respective Departments are given below :

S.No.	Heads of revenue	Budget estimates (In crores of rupees)	Actual receipts	Variations Increase(+) or Decrease(-)	Percentage of variation
1.	Sales Tax	897.00	890.08	(-) 6.92	(-)1
2.	State Excise	502.36	529.34	(+) 26.98	(+)5
3.	Taxes on Goods and Passengers	186.69	194.80	(+) 8.11	(+)4
4.	Stamp Duty and Registration fees	136.39	163.81	(+)27.42	(+) 20
5.	Taxes on Vehicles	34.40	45.58	(+)11.18	(+) 33
6.	Taxes and Duties on Electricity	47.00	48.00	(+) 1.00	(+) 2
7.	Land Revenue	2.14	1.34	(-)0.80	(-) 37
8.	Other Taxes and Duties on Commodities	15.15	14.90	(-) 0.25	(-) 2
9.	Miscellaneous General Services	3521.08	2565.43	(-)955.65	(-) 27
10.	Road Transport	262.50	271.97	(+) 9.47	(+) 4
11.	Interest Receipts	471.79	476.09	(+) 4.30	Negligible
12.	Non-ferrous Mining and Metallurgical Industries	20.25	22.65	(+) 2.40	(+) 12
13.	Medical and Public Health	11.05	8.62	(-)2.43	(-) 22

(a) **Stamp duty and registration fees** - The increase of 20 per cent was due to better realisation of stamp duty as a result of hike in the value of immovable properties and also due to recovery of deficient amount of stamp duty and registration fee.

(b) **Taxes on vehicles** - The increase of 33 per cent in 1994-95 over the budget estimates was due to introduction of one time Road Tax for light vehicles and income from issue of permits to Transport Co-operative Societies for plying buses on link roads.

(c) **Land Revenue** - The decrease of 37 per cent in 1994-95 over the budget estimates was due mainly to less recovery of mutation fee, revenue *talbana*\* and copying fee.

(d) **Miscellaneous General Services** - The decrease of 27 per cent in 1994-95 over the budget estimates was due mainly to ban imposed by the National Capital Territory of Delhi on sale of lottery tickets with effect from January 1995.

(e) **Non-ferrous Mining and Metallurgical Industries** - The increase of 12 per cent in 1994-95 over the budget estimates was due to better collection of royalty and contract money in respect of major minerals, higher bids from fresh contracts.

(f) **Medical and Public Health** - The decrease of 22 per cent in 1994-95 over the budget estimates was due to non-receipt of part amount due from Employees State Insurance Corporation, New Delhi.

### 1.3 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 year 1992-93, 1993-94 and 1994-95 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 1993-94 are given below:

---

\* Charge for serving a summons

S.No.	Heads of revenue	Year	Gross Collection	Expenditure	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1993-94
(In crores of rupees)						
1.	Sales	1992-93	676.41	12.51	1.85	1.3
	Tax	1993-94	768.51	14.28	1.86	
		1994-95	890.08	16.22	1.82	
2.	State	1992-93	393.84	1.16	0.29	2.7
	Excise	1993-94	431.76	1.30	0.30	
		1994-95	529.34	1.58	0.30	
3.	Stamp	1992-93	104.72	0.56	0.53	4.8
	Duty and	1993-94	119.64	1.26	1.05	
	Registration fees	1994-95	163.81	0.76	0.46	
4.	Taxes on	1992-93	71.16	1.32	1.85	2.6
	Vehicles	1993-94	52.17	1.78	3.41	
		1994-95	45.58	1.72	3.77	

#### 1.4 Arrears in revenue

As on 31 March 1995, arrears of revenue under the principal heads of revenue, as reported by the Departments, were as under:

S.No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
(In lakhs of rupees)				
1.	Sales Tax	18203.58	3694.11	Out of Rs.18,203.58 lakhs, demand for Rs.1824.90 lakhs had been certified for recovery as arrears of land revenue. Rs.12,058.32 lakhs and Rs.321.72 lakhs had been stayed by the Courts and other Appellate Authorities respectively. Rs.1,002.15 lakhs were held up due to rectification/review applications and demands for Rs.761.82 lakhs were proposed to be written off. Specific action taken to recover the remaining amount of Rs.2,234.67 lakhs though called for has not been intimated (July 1995).

S.No.	Heads of revenue	Total arrears (In lakhs of rupees)	Arrears more than five years old	Remarks
2.	Taxes on Goods and Passengers	841.62	107.28	Out of arrears of Rs.841.62 lakhs, demands for Rs.25.96 lakhs had been certified for recovery as arrears of land revenue. Rs.26.87 lakhs and Rs.107.47 lakhs had been stayed by the Courts and other Appellate Authorities respectively. Rs.5.40 lakhs were held up due to dealers becoming insolvent and demand for Rs.0.60 lakh was proposed to be written off. Specific action taken in respect of the remaining arrears of Rs.675.32 lakhs has not been intimated (July 1995).
3.	State Excise	1309.57	416.14	Out of arrears of Rs.1309.57 lakhs, demands amounting to Rs.154.24 lakhs had been certified for recovery as arrears of land revenue. Rs.534.38 lakhs and Rs.106.90 lakhs had been stayed by the Courts and other Appellate Authorities respectively and demand for Rs.9.30 lakhs was proposed to be written off. Specific action taken in respect of the remaining arrears of Rs.504.75 lakhs has not been intimated (July 1995).
4.	Taxes and Duties on Electricity	2,354.42	1,454.88	Out of Rs.2,354.42 lakhs, demands for Rs.16.00 lakhs were pending in the civil courts. The deferred recovery of duty of Rs.38.34 lakhs was being pursued for recovery and amount of Rs.130.00 lakhs was likely to be written off. Action taken to recover the remaining amount of Rs.2170.08 lakhs has not been intimated (July 1995).

S.No.	Heads of revenue	Total arrears (In lakhs of rupees)	Arrears more than five years old	Remarks
5.	Other Taxes and Duties on commodities and services			
(i)	Receipts under the sugarcane (Regulation) of purchase and supply Act	276.99		The arrears of Rs.276.99 lakhs was due to non deposit of purchase tax by three Sugar Mills of Karnal (41.84 lakhs), Rohtak (86.07 lakhs) and Panipat (149.08 lakhs). The Department stated in July 1995 that the sugarcane mill owners had been asked to deposit the arrears.
(ii)	Receipts under the Punjab Entertainments (Cinematograph Shows) Act	29.62	10.06	Out of Rs.29.62 lakhs, recovery of Rs.18.29 lakhs had been stayed by the Courts and Rs.1.26 lakhs were proposed to be written off. Action taken to recover the remaining amount of Rs.10.07 lakhs has not been intimated by the Department (July 1995).
6.	Non-ferrous Mining and Metallurgical Industries	306.27	108.58	Out of Rs.306.27 lakhs, Rs.168.16 lakhs were covered under certificate recovery process and recovery of Rs.36.41 lakhs had been stayed by courts. Action taken to recover the remaining amount of Rs.101.70 lakhs has not been intimated by the Department (July 1995).
7.	Stamp duty and Registration Fees	376.60		Out of Rs.376.60 lakhs, Rs.32.24 lakhs were covered under certificate recovery process. The recovery of Rs.31.88 lakhs had been stayed by the courts/judicial authorities and Departmental Appellate Authorities and Rs.32.70 lakhs were proposed to be written off. Specific action taken in respect of the remaining arrears of Rs.279.78 lakhs has not been intimated by the Department (July 1995).



S.No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
		(In lakhs of rupees)		
8.	Co-operation	427.45	127.71	Out of Rs.427.45 lakhs, a sum of Rs.345.37 lakhs was due from HAFED on account of audit fee. The case has been pending with the State Government for decision. The remaining amount of Rs.82.08 lakhs was outstanding against various Co-operative Societies.
9.	Land Revenue	10.57	0.41	Out of Rs.10.57 lakhs, recovery of Rs.0.17 lakh had been stayed by courts/Appellate Authorities and Rs.0.85 lakh were proposed to be written off. Remaining recovery of Rs.9.55 lakhs was under other stages of action.
10.	Animal Husbandry	0.97		Out of Rs.0.97 lakh, an amount of Rs.0.65 lakh had been stayed by Court. The remaining amount of Rs.0.32 lakh was outstanding against various parties.
	<b>Total</b>	<b>24137.66</b>	<b>5919.17</b>	

The arrears outstanding for more than five years constituted 25 per cent of the total arrears.

### 1.5 Arrears in assessment

The details of sales tax and passengers and goods tax (PGT) assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed off during the year and the

number of cases pending finalisation at the end of each year during 1990-91 to 1994-95 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)
1990-91	ST 83619 PGT 214	145591 427	229210 641	130060 332	99150 309	57 52
1991-92	ST 99150 PGT 309	159966 575	259116 884	148946 505	110170 379	57 57
1992-93	ST 110170 PGT 379	129510 322	239680 701	158640 501	81040 200	66 71
1993-94	ST 81040 PGT 200	136358 135	217398 335	126973 262	90425 73	58 78
1994-95	ST 90425 PGT 73	261613 191	352038 264	161998 74	190113 117	46 28

ST = Sales Tax, PGT = Passengers and Goods Tax

The above table shows that the number of pending cases in respect of sales tax at the beginning of 1990-91 was 83619 which went up to 190113 at the end of 1994-95, registering an increase of *127 per cent* while the percentage of finalisation of assessment cases which had gone up to *66 per cent* during 1992-93, declined to *46 per cent* in 1994-95. The Department had, however, taken no effective steps to check the increasing trend in arrears in assessment cases in Sales Tax Department.

### 1.6 Frauds and evasion of taxes/duties

The details of cases of frauds and evasion 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

1995, as supplied (July 1995) by the respective Departments, are given as under:

S.No.	Name of tax/duty	Cases pending as on 31 March 1994	Cases detected during the year 1994-95	Number of cases in which assessments/ investigations completed and additional demand including penalty raised	Amount of demand	Number of cases pending finalisation as on 31 March 1995
(1)	(2)	(3)	(4)	(5)	(6) (In lakhs of rupees)	(7)
1.	Sales Tax	146	7679	7594	194.07	231
2.	Passengers and Goods Tax	33	1126	1056	-	103
3.	Entertainments Duty and Show tax	-	-	10	10	0.24
4.	Animal Husbandry	1	-	-	0.65	1
5.	Stamp Duty and Registration fees	501	1802	1585	50.30	718

### 1.7 Results of Audit

Test check of the records of Sales Tax, Stamp Duty and Registration Fees, State Excise, Taxes on Motor Vehicles, Entertainments Duty and Show tax, Passengers and Goods Tax, Mines and Geology and Co-operation Departments conducted during the year 1994-95 revealed under assessments/short levy/loss of revenue amounting to Rs.2765 lakhs in 4599 cases. During the course of the year 1994-95, the concerned Departments accepted under-assessments etc. of Rs.184.22 lakhs involved in 1050 cases of which 911 cases involving Rs.113.71 lakhs had been pointed out in audit during 1994-95 and the rest in earlier years. An amount of Rs.55.45 lakhs was recovered in 387 cases pointed out during

1994-95 and Rs.11.05 lakhs recovered in 172 cases pointed out in earlier years.

The Report contains 27 paragraphs including 2 reviews relating to '*Internal controls on disposal of remanded cases*' and receipts under '*National Permit Scheme*' involving Rs.645.28 lakhs. The Departments accepted audit observations involving Rs.538.58 lakhs of which Rs.12.56 lakhs had been recovered up to July 1995. No reply has been received in other cases.

**1.8 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 1994 and which were pending settlement by the Departments as on 30 June 1993, 1994 and 1995 are given below:

Particulars	At the end of June		
	1993	1994	1995
Number of inspection reports pending settlement	1568	1650	1918
Number of outstanding audit observations	4370	3898	4305
Amount of revenue involved (In crores of rupees)	30.14	51.83	74.34

(iii) Year-wise break-up of the inspection reports and audit observations outstanding as on 30 June 1995 is given below:

Year	Number of outstanding		Amount of receipts involved (In crores of rupees)
	Inspection reports	Audit observations	
Upto 1989-90	273	545	0.91
1990-91	185	185	0.01
1991-92	427	874	1.96
1992-93	208	673	11.42
1993-94	504	1178	38.61
1994-95	321	850	21.43
<b>Total</b>	<b>1918</b>	<b>4305</b>	<b>74.34</b>

(iv) Department-wise break-up of the inspection reports and audit observations relating to the years 1987-88 to 1994-95 (upto December 1994) and outstanding as on 30 June 1995 is as follows:

Department	Number of outstanding		Amount of receipts involved (In crores of rupees)	Number of inspection reports to which even first replies had not been received
	Inspection reports	Audit observations		
Revenue Department*	479	852	3.80	-
Excise and Taxation	413	1584	41.42	46
Transport	226	324	0.75	29
Forest	120	295	3.96	25
Other Departments**	680	1250	24.41	60
<b>Total</b>	<b>1918</b>	<b>4305</b>	<b>74.34</b>	<b>160</b>

\* This includes stamp duty and registration fees and land Revenue

\*\* Agriculture (Cane Commissioner), Animal Husbandry, Co-operation, Electricity, Food and Supply, Horticulture, Industries, Lotteries, Medical, Mines and Geology, P.W.D. (B&R), P.W.D. (Irrigation), P.W.D. (Public Health).

The matter was brought to the notice of Government in June 1995; replies regarding steps taken to settle the outstanding inspection reports and Audit observations have not been received (July 1995).

### 1.9 Internal Audit

An internal audit system exists in (i) Excise and Taxation Department which administers the Acts relating to Sales Tax, State Excise Duty, Passengers and Goods Tax, Entertainments Duty and Show Tax, (ii) Revenue Department, which administers Land Revenue and Stamp Duty and Registration Fees and (iii) the Transport Department which deals with Taxes on Motor Vehicles. The internal audit in Excise and Taxation Department, however, is confined to audit of expenditure and has no assigned duties for looking into maintenance of registers, reporting to Excise and Taxation Commissioner, verification of assessment cases of Sales Tax, State Excise Duty, Passengers and Goods Tax and Entertainments Duty and Show Tax as intimated (July 1995) by the Department.

On the basis of information supplied by the Departments, the position of audit conducted and observations raised with money value thereof and observations cleared in respect of some of the Heads of revenue is mentioned in the succeeding sub paragraphs.

#### 1.9.1 Performance of Internal Audit

The number of units to be audited during each of the three years from 1992-93 to 1994-95 and arrears in internal audit in respect of Land Revenue, Stamp Duty and Registration Fees and Taxes on Motor Vehicles at the end of March 1995 were as follows:

Year	Number of units (including units in arrears) to be audited	Number of units audited	Units remaining un-audited at the end of the year	
			Number	Percentage
1992-93	401	239	162	40
1993-94	470	254	216	46
1994-95	519	213	306	59

### 1.9.2 Outstanding audit objections in Internal Audit

The number of internal audit reports issued, observations raised and amount of revenue involved therein, objections cleared during the years 1992-93 to 1994-95 and those pending at the end of the year 1994-95 were as follows:

Year	Audit reports/ objections issued vis-a-vis units audited			Audit reports/ objections cleared up to 31 March 1995			Audit reports/ objections- outstanding at the end of the year		
	Audit repo- rts	Objec- tions	Money value	Audit repo- rts	Objec- tions	Money value	Audit repo- rts	Obj- ec- tions	Money value
(Money value in lakhs of rupees)									
1992-93	239	11198	244.01	72	9244	70.43	167	1954	173.58
1993-94	254	16335	326.03	131	8648	63.82	123	7687	262.21
1994-95	213	11583	320.73	42	3016	114.53	171	8567	206.20
<b>Total</b>	<b>706</b>	<b>39116</b>	<b>890.77</b>	<b>245</b>	<b>20908</b>	<b>248.78</b>	<b>461</b>	<b>18208</b>	<b>641.99</b>

The Departments cleared 20908 objections out of 39116 objections (July 1995).

### 3.2. The number of solutions in natural numbers

The number of solutions in natural numbers of the equation  $x_1 + x_2 + \dots + x_k = n$  and subject to the conditions  $x_1 \leq a_1, x_2 \leq a_2, \dots, x_k \leq a_k$  is denoted by  $N(n, a_1, a_2, \dots, a_k)$ .

As can be seen

$n$	$N(n, a_1, a_2, \dots, a_k)$
0	1
1	1
2	1
3	1
4	1
5	1
6	1
7	1
8	1
9	1
10	1
11	1
12	1
13	1
14	1
15	1
16	1
17	1
18	1
19	1
20	1
21	1
22	1
23	1
24	1
25	1
26	1
27	1
28	1
29	1
30	1
31	1
32	1
33	1
34	1
35	1
36	1
37	1
38	1
39	1
40	1
41	1
42	1
43	1
44	1
45	1
46	1
47	1
48	1
49	1
50	1

It is clear that the number of solutions in natural numbers of the equation  $x_1 + x_2 + \dots + x_k = n$  is equal to 1 for all  $n \leq a_1 + a_2 + \dots + a_k$ .

Therefore, the number of solutions in natural numbers of the equation  $x_1 + x_2 + \dots + x_k = n$  is equal to 1 for all  $n \leq a_1 + a_2 + \dots + a_k$ .



## Chapter - II

<b>Sales Tax</b>		
<b>Paragraph</b>	<b>Particulars</b>	<b>Page</b>
2.1	Results of Audit	21-23
2.2	Internal Controls on disposal of remanded cases	22-32
2.3	Inadmissible deduction from turnover	32-34
2.4	Non/short levy of tax	34-35
2.5	Under-assessment due to excess rebate	35-40
2.6	Application of incorrect rate of tax	41-45
2.7	Under-assessment due to incorrect deduction	45-47
2.8	Non-levy of purchase tax	47-48
2.9	Irregular deduction allowed against invalid declaration forms	48-49
2.10	Irregular grant of exemption	50
2.11	Loss of revenue due to delay in finalisation of assessment	50-51
2.12	Under-assessment due to irregular refund	51-52
2.13	Non/short levy of interest and penalty	52-55

Sl. No.	Description	Amount	Percentage
1	...	...	...
2	...	...	...
3	...	...	...
4	...	...	...
5	...	...	...
6	...	...	...
7	...	...	...
8	...	...	...
9	...	...	...
10	...	...	...
11	...	...	...
12	...	...	...
13	...	...	...
14	...	...	...
15	...	...	...
16	...	...	...
17	...	...	...
18	...	...	...
19	...	...	...
20	...	...	...
21	...	...	...
22	...	...	...
23	...	...	...
24	...	...	...
25	...	...	...
26	...	...	...
27	...	...	...
28	...	...	...
29	...	...	...
30	...	...	...
31	...	...	...
32	...	...	...
33	...	...	...
34	...	...	...
35	...	...	...
36	...	...	...
37	...	...	...
38	...	...	...
39	...	...	...
40	...	...	...
41	...	...	...
42	...	...	...
43	...	...	...
44	...	...	...
45	...	...	...
46	...	...	...
47	...	...	...
48	...	...	...
49	...	...	...
50	...	...	...
51	...	...	...
52	...	...	...
53	...	...	...
54	...	...	...
55	...	...	...
56	...	...	...
57	...	...	...
58	...	...	...
59	...	...	...
60	...	...	...
61	...	...	...
62	...	...	...
63	...	...	...
64	...	...	...
65	...	...	...
66	...	...	...
67	...	...	...
68	...	...	...
69	...	...	...
70	...	...	...
71	...	...	...
72	...	...	...
73	...	...	...
74	...	...	...
75	...	...	...
76	...	...	...
77	...	...	...
78	...	...	...
79	...	...	...
80	...	...	...
81	...	...	...
82	...	...	...
83	...	...	...
84	...	...	...
85	...	...	...
86	...	...	...
87	...	...	...
88	...	...	...
89	...	...	...
90	...	...	...
91	...	...	...
92	...	...	...
93	...	...	...
94	...	...	...
95	...	...	...
96	...	...	...
97	...	...	...
98	...	...	...
99	...	...	...
100	...	...	...

## CHAPTER 2

### SALES TAX

#### 2.1 Results of Audit

Test check of sales tax assessments and other records of 28 units conducted during the year 1994-95, revealed under-assessment of tax of Rs.555.82 lakhs in 698 cases, which broadly fall under the following categories:

S.No.	Particulars	Number of cases	Amount (In lakhs of rupees)
1.	Under-assessment under the Central Sales Tax Act	48	129.37
2.	Application of incorrect rate of tax	53	43.20
3.	Incorrect computation of turnover	45	34.83
4.	Non/short levy of penalty	31	42.61
5.	Interest not charged on non-payment/delayed payment of tax	63	43.88
6.	Other irregularities	458	261.93
	<b>Total</b>	<b>698</b>	<b>555.82</b>

During the course of the year 1994-95, the Department accepted under-assessment of tax of Rs.90.82 lakhs involved in 387 cases of which 253 cases involving Rs.26.17 lakhs were pointed out in audit during 1994-95 and the rest in earlier years. Of these, an amount of Rs.15.51 lakhs has been recovered in 201 cases.

A few illustrative cases and findings of the review on *Internal Controls on disposal of remanded cases'* involving Rs.121.95

lakhs highlighting important observations are mentioned in the succeeding paragraphs.

## **2.2 Internal Controls on disposal of remanded cases**

### **2.2.1 Introduction**

Internal controls are intended to provide reasonable assurance for prompt and efficient service and for adequate safeguards against evasion of taxes and duties. They are meant to promote enforcement of compliance with laws, rules, Departmental instructions and help in prevention and detection of frauds and other irregularities. They 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.

The Haryana General Sales Tax Act, 1973 and Central Sales Tax Act, 1956 entitle a dealer to file an appeal within sixty days from the date of receipt of order appealed against, subject to the payment of whole or part of tax assessed or penalty imposed or interest levied and subject to further furnishing of a bank guarantee or adequate security to the satisfaction of the Appellate Authority for the unpaid amount. The Appellate Authority may either reject or accept the appeal and allow the relief sought or may remand the case back to the assessing authority for re-assessment as directed. Though no time limit has been prescribed in the Acts or Rules framed thereunder for re-assessment of remanded cases, the Excise and Taxation Commissioner issued instructions in October 1984 for expeditious disposal of cases within the financial year itself in which these were remanded.

Further in order to keep a watch and monitor the progress of clearance and position of arrears in the sales tax offices, monthly reports are sent to the Excise and Taxation Commissioner, Haryana. These, *inter-alia*, include information of receipt and disposal of remanded cases. Monthly reports showing the receipt and disposal of appeal cases and performance are also sent by the Appellate Authorities to the Excise and Taxation Commissioner office where these are consolidated and analysed to evaluate and monitor the working of the Department.

### **2.2.2 Scope of Audit**

Out of 4 Appellate Authorities and 17 districts, a test check of records of three Appellate Authorities of Ambala, Faridabad and Rohtak and eight\* sales tax districts for the years 1991-92 to 1993-94 was conducted in audit between December 1994 and April 1995 with a view to ascertaining the effectiveness and adequacy of internal controls, compliance of the provisions of law and of instructions issued by the Department from time to time for the re-assessment of remanded cases. The statistical information incorporated in the review, however, covers the entire State.

### **2.2.3 Organisational set up**

There are four Appellate Authorities in the State, one each in four of the sales tax divisions at Ambala, Faridabad, Rohtak and Hisar (from October 1993) who function as Joint Excise and Taxation Commissioners (Appeals) and are the first Appellate Authorities. Sales Tax Tribunal as second Appellate Authority and the Excise and Taxation Commissioner as the revisional authority may also remand the cases to the assessing authorities for re-assessment. Subject to overall control of the Excise and Taxation Commissioner, the administration of the District Sales Tax Offices is carried out by the Deputy Excise and Taxation Commissioner with the assistance of the assessing authorities and other allied staff.

### **2.2.4 Highlights**

**(i) Non-maintenance/improper maintenance of the prescribed control registers by the authorities concerned resulted in non-availability of accurate position of remanded cases. Out of 4350 cases involving original demand of Rs.4076.97 lakhs remanded by the Appellate Authorities, 1698 cases were not at all accounted for by the District Sales Tax Offices.**

**(Paragraph 2.2.6 and 2.2.7)**

---

\* Ambala, Yamuna Nagar, Panipat, Faridabad(East), Faridabad (West)  
Gurgaon, Rohtak and Sonapat

(ii) There was no specific time limit prescribed for the communication of the remand orders by the Appellate Authorities leading to delays ranging from 3-17 months in 319 cases.

(Paragraph 2.2.9)

(iii) No specific time limit has been laid down in the Act/Rules for completing re-assessment of remanded cases. Instructions issued by the Department to complete the re-assessment of cases in the same financial year, were also not complied with. In 112 cases with revenue effect of Rs.665.30 lakhs, re-assessments were finalised during 1991-92 to 1993-94 after delays ranging from 3-29 months. 95 remanded cases involving tax effect of Rs.208.91 lakhs were still awaiting finalisation even after delays ranging from 13 to 52 months.

(Paragraph 2.2.9)

(iv) Refund of tax of Rs.10.99 lakhs was allowed irregularly to 3 dealers of Gurgaon, Ambala and Yamuna Nagar even before the re-assessment of their remanded cases.

(Paragraph 2.2.10)

(v) The internal audit wing had no assigned duties for looking into maintenance of register, reporting to the Excise and Taxation Commissioner, monitoring of controls and evaluating adequacy of the existing system.

(Paragraph 2.2.11)

### 2.2.5 Trend of appeals filed by the dealers

The number of appeals and revision applications arising out of the assessments made by the assessing authorities in the State carried forward from year to year were as under:

S.No.	Particulars	1991-92	1992-93	1993-94
1.	Number of appeal cases brought forward	1988	1744	1561
2.	Number of appeal cases arising during the year	3346	3796	3801
3.	<b>Total</b>	<b>5334</b>	<b>5540</b>	<b>5362</b>
4.	Number of appeal cases finalised during the year:			
a.	Number of appeals dismissed	1182	1264	1703
b.	Number of appeals confirmed	1002	1147	861
c.	Number of appeals remanded/revenue involved in lakhs of rupees.	1406 (737.70)	1568 (1511.71)	1376 (1827.56)
d.	<b>Total (a to c)</b>	<b>3590</b>	<b>3979</b>	<b>3940</b>
5.	Number of appeal cases pending at the end of year	1744	1561	1422
6.	Percentage of remanded cases to total number of appeals preferred	26.3	28.3	25.7

### 2.2.6 Non-fixation of time limit for re-assessment of remanded cases

Under the Haryana General Sales Tax Act, 1973 and Rules made thereunder, no time limit has been laid down for completing re-assessment of remanded cases. Instructions issued by the Excise and Taxation Commissioner in October 1984, however, emphasise decision in the remanded cases within the financial year itself in which these are remanded.

During the three years 1991-92 to 1993-94, the Appellate Authorities at Ambala, Faridabad, Rohtak and Hisar remanded 4350 cases involving Rs.4076.97 lakhs back to the assessing authorities for re-assessment. In addition to this 476 remanded cases pertaining to the previous years were also pending with the assessing authorities. The break-up of these cases is given below:

	Particulars	1991-92	1992-93	1993-94
a.	Number of remanded cases brought forward	476	1148	1743
b.	Number of remanded cases arising during the year	1406	1568	1376
c.	Total number of remanded cases due for disposal	1882	2716	3119
d.	Number of remanded cases* disposed off	734	973	844
e.	Number of remanded cases pending at the end of the year	1148	1743	2275
f.	Percentage of remanded cases disposed off to the total number of remanded cases due for disposal (d to c)	39	35.8	27

The number of remanded cases pending finalisation due to non-fixation of time limit and non-observance of executive instructions has resulted in increase in pendency of remanded cases from 476 in the beginning of 1991-92 to 2275 in 1993-94 and decrease in percentage of disposal of remanded cases from 39 per cent in 1991-92 to 27 per cent in 1993-94.

### 2.2.7 Internal Control mechanisms

The Haryana General Sales Tax Rules, 1975, lay down that every assessing authority shall maintain a pendency-cum-institution register in the prescribed form for recording the details of each case

\* The information was not supplied by the District Sales Tax Offices Gurgaon (1991-92 to 1993-94), Rohtak (1991-92 and 1993-94) and Sonapat (1991-92 and 1992-93).



remanded for re-assessment. As an Internal Control measure the Excise and Taxation Commissioner, Haryana through executive orders issued in June 1992, directed the assessing authorities to prepare and complete the pendency-cum-institution registers including remanded cases during the first quarter of each financial year.

After the cases are entered in the control registers, the remand orders are passed on by the Deputy Excise and Taxation Commissioners to the assessing authorities, who enter them in their pendency-cum-institution registers to watch their disposal.

Instances of lack of proper control of supervision and improper maintenance of these prescribed registers, noticed during test audit are brought out in the following paragraphs:

(i) On scrutiny it was noticed that Control Registers were not maintained by the Deputy Excise and Taxation Commissioners Ambala, Karnal and Jind for the period from 1991-92 to 1993-94, Faridabad (West) from April 1991 to December 1992, Sonapat from April 1991 to December 1992 and November 1993 to March 1994 and Rohtak for 1991-92 and as such they could not indicate the number of remanded cases received and disposed off.

Control registers though maintained in 14 offices\* revealed that these did not contain complete particulars of remanded cases viz date of receipt, date of disposal, tax effect, etc.

(ii) Out of eight districts test checked pendency-cum-institution registers were also not maintained properly in six districts (Ambala, Gurgaon, Panipat, Jagadhari, Sonapat and Rohtak) in as much as these registers did not contain complete particulars of remanded cases such as date of remand, tax effect, date of receipt of remand orders and follow up action taken for their disposal.

As against 2275 remanded cases actually pending as on 31 March 1994 only 577 cases were shown pending by the District Sales Tax Offices. There was a discrepancy of 1698 cases. Audit scrutiny, however, revealed that out of these cases, 829 cases involving an

\* Gurgaon, Rohtak, Yamuna Nagar, Kaithal, Kurukshetra, Panipat, Sonapat, Bhiwani, Hisar, Sirsa, Faridabad (East), Faridabad(West), Narnaul and Rewari.

additional demand of Rs.9.06 crores though actually remanded were not found entered in the control registers maintained at district levels, as mentioned below:

Name of DETC office	1991-92	1992-93 (Number of cases)	1993-94
Gurgaon	30	67	36
Kaithal	11	3	5
Yamuna Nagar	23	9	6
Kurukshetra	1	4	4
Panipat	4	3	-
Rewari	16	35	19
Faridabad(East)	38	194	171
Sonepat	36	31	43
Rohtak	-	21	19
<b>Total</b>	<b>159</b>	<b>367</b>	<b>303</b>

Position of the balance 869 cases could not be explained as the Department had no information available in respect of these cases.

The above information was collected from the Appellate Authorities and the District Sales Tax Offices as the consolidated information of pending cases with tax effect for the State as a whole though called for, was not made available by the Excise and Taxation Commissioner.

### 2.2.8 Management Information System

At the apex level, the Excise and Taxation Commissioner is responsible for control, direction, monitoring and evaluation of the activities of the Sales Tax organisation and administration of the Sales Tax Act and the Rules made thereunder as amended from time to time. It is essential to develop at the headquarters an effective Management Information System (MIS).

In order to have proper control over the functioning of the Department at all stages, a working manual containing duties at various levels is essential. Contrary to this, it was noticed in test check that the

functioning of the existing system was based on administrative instructions issued from time to time.

A comparison of cases remanded as per Disposal Register maintained by the Appellate Authority Faridabad with that of monthly statements sent to the Excise and Taxation Commissioner revealed (January 1995) that there was difference of 78 cases during the years 1991-92 and 1992-93. In 1991-92, 628 cases were remanded as per Disposal Register whereas 560 cases were reported in the monthly statements. In 1992-93 the number as per Disposal Register was 748 whereas 758 cases were reported. Reasons for discrepancies could not be explained by the Department in the absence of proper data management.

#### **2.2.9 Monitoring of remanded cases**

Rule 58 of the Haryana General Sales Tax Rules, 1975 lays down that every order passed by the Appellate Authority under section 39 of Haryana General Sales Tax Act, 1973 shall be communicated to the appellant, the authority against whose order the appeal was preferred and the authority who passed the original order. No time limit has, however, been prescribed for communication of the orders passed in appeal.

In order to reduce the delay and prompt disposal of remanded cases, Excise and Taxation Commissioner, Haryana directed (August 1992) all the Joint Excise and Taxation Commissioners (Appeals) to frame a time schedule by which the assessing authority must decide the remanded case. They should also do regular monitoring thereof by making it a part of their monthly statement after collecting data relating to number of cases remanded during and upto the month, cases decided by assessing authorities and cases pending with reasons of pendency from all the Deputy Excise and Taxation Commissioners under their jurisdiction to whom copies of these instructions were also sent.

The assessing authorities who could not decide the remanded cases during the financial year itself were required to submit a report, in the prescribed proforma, about such cases to the Deputy Excise and Taxation Commissioners incharge of the districts who were to send

the same to the Excise and Taxation Commissioner alongwith their comments by 15 April every year.

In test check (January 1995) it was noticed that though the instructions were issued by Appellate Authority Ambala to all the Deputy Excise and Taxation Commissioners under its control in September 1992 and May 1994 to send the requisite information, it was supplied only by one district (Kurukshetra) and as such no consolidated report was sent to Excise and Taxation Commissioner. While the Appellate Authority Rohtak issued (March 1995) instructions to all the Deputy Excise and Taxation Commissioners under its control to intimate the position of remanded cases from April 1994, the Appellate Authority Faridabad was not even aware of Headquarter's instructions (August 1992). Appellate Authority Hisar had not furnished any reply as of July 1995.

As regards communication of remand orders, envisaged in the Act, the Appellate Authorities Ambala and Rohtak stated (January 1995 and April 1995) that there is no prescribed system of communication of orders but all the orders are communicated at the earliest and no orders were pending. The replies from Appellate Authorities Faridabad and Hisar have not been received.

It was, however, noticed that in 319 cases remanded by the Appellate Authorities, Ambala (37), Faridabad (165) and Rohtak (117) during the years 1991-92 to 1993-94, the delay in communicating remand orders ranged from 3 to 17 months.

Number of Cases	Period of Delay
263	3 to 6 months
42	7 to 12 months
14	13 to 17 months.

Delay in communication of remand orders resulted in non-finalisation of remanded cases within the same financial year in which these were remanded as required under executive instructions issued in October 1984 leading to blockage of revenue. Thus due to the failure of

the Department to fix reasonable time limit for communication of remand orders and to monitor/ensure timely communication thereof, there was abnormal delay in disposal of remanded cases.

Out of 934 cases test-checked in 11 offices re-assessments of 207 cases involving tax effect of Rs.874.21 lakhs (created at the time of original assessments) were not finalised within the same financial year in which these were remanded. Out of 207 cases, in 112 cases involving tax effect of Rs.665.30 lakhs, re-assessments were finalised in the succeeding financial years after delays ranging from 3 to 29 months and remaining 95 cases involving tax effect of Rs.208.91 lakhs were still (July 1995) awaiting finalisation though a period from 13 to 52 months had elapsed from the date of communication of remand orders.

#### **2.2.10 Other points of interest**

##### **(i) Refund allowed prior to decision of remanded cases**

Under Section 43 of the Haryana General Sales Tax, 1973, the assessing authority shall refund to a dealer the amount of tax paid by him in excess of the amount due from him after adjusting the recovery of any amount due from the dealer.

(a) An additional demand of Rs.69.17 lakhs was created against a dealer of Gurgaon for the years 1984-85 to 1990-91 between February 1990 and July 1993. Aggrieved with the assessments, the dealer deposited Rs.17.72 lakhs (Rs.7 lakhs in March 1991 and Rs.10.72 lakhs in May 1991) and went in appeal. The Appellate Authority remanded (July 1991) cases for the years 1984-85 to 1989-90 back to the assessing authority who re-assessed (January 1993) the same with additional demand of Rs.28.67 lakhs which was again challenged. The Appellate Authority remanded (March 1994 and September 1994) the cases for the years 1984-85 to 1988-89 for *denovo* assessments directing the assessing authority to decide the cases within two months and the cases for the years 1989-90 and 1990-91 within three months. As the assessing authority did not finalise the cases within the stipulated time, the assessee filed an application for refund of tax originally deposited by him. The assessing authority without verifying the facts regarding the claim,

irregularly refunded the amount of Rs.10.72 lakhs to the assessee though the cases remanded were still not finalised (July 1995).

(b) Assessments of two dealers of Ambala and Yamuna Nagar for the years 1987-88 and 1988-89 were framed (May 1993 and March 1992) creating additional demands of Rs.0.89 lakh. On appeal, assessment of Ambala dealer was quashed (November 1993) by Appellate Authority Ambala holding that assessment was barred by limitation of time but held that the Department would be at liberty to refer the case to the revisional authority for *suo motu* action. The case of Yamuna Nagar dealer was remanded (September 1992) as the dealer produced two declaration forms for Rs.0.61 lakh before the Appellate Authority. Neither the case of Ambala dealer was sent to the revisional authority for *suo motu* action inspite of passing such order by Deputy Excise and Taxation Commissioner Ambala on 9 March 1994 nor re-assessment of Yamuna Nagar dealer was framed (March 1995). Instead the dealers were irregularly allowed (July 1994 and March 1993) refund of Rs.0.27 lakh

#### **2.2.11 Internal audit**

The internal audit consisting of one Chief Accounts Officer and one Accounts Officer in Commissioner's Office and a Section Officer at District level exists in the Department. The duties being performed by internal audit wing mainly relate to checking of the functioning of Sales Tax Check Barriers (abolished w.e.f. 15 April 1994) and pre-audit of expenditure in district offices. They have no assigned duties for scrutinising the maintenance of registers, verification of report sent by field formations to the Excise and Taxation Commissioner, and for evaluating adequacy of the existing system of monitoring at different levels to ensure speedy assessments of remanded cases.

The above points were reported to Government in June 1995; their reply has not been received (July 1995).

#### **2.3 Inadmissible deduction from turnover**

According to notification issued in December 1987 under the Haryana General Sales Tax Act, 1973, tax on accessories of motor vehicles and on electrical appliances is leviable at the point of first sale in

Haryana with effect from 1 January 1988 and no deduction against declarations in form ST 15-A is admissible to registered dealers. Further for non/short payment of tax due alongwith the returns, 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. Besides, for failure to pay tax due according to the returns, the prescribed authority may after affording to the dealer a reasonable opportunity of being heard, impose a penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(i) During the course of audit of Deputy Excise and Taxation Commissioners, Gurgaon and Faridabad (West), it was noticed (February and May 1994) that in the case of two dealers of Gurgaon and Faridabad, the assessing authorities while finalising (May 1992, March and October 1993) the assessments for the years 1989-90, 1990-91 and 1991-92 erroneously allowed deduction amounting to Rs.40.26 lakhs from the gross turnovers of the dealers on account of sale of electric control panels to the registered dealers. Electric control panels being electrical appliances were taxable at the point of first sale. The inadmissible deduction resulted in short assessment of tax of Rs.4.60 lakhs and interest of Rs.2.79 lakhs.

On this being pointed out in February and May 1994 in audit, the Department referred the case for *suo motu* action to the revisional authority, who created (March 1994) additional demand of Rs.6.63 lakhs (tax: Rs.3,99,392 and interest: Rs.2,63,613) in the case of a dealer of Gurgaon. The Department further intimated (January 1995) that a penalty of Rs.2.50 lakhs (Rs.1 lakh for 1989-90 and Rs.1.50 lakhs for 1990-91) has been imposed upon the dealer in November 1994. In case of dealer of Faridabad further action taken by the revisional authority has not been intimated (July 1995). Report on recovery of the additional demand of tax, interest and penalty in these cases has also not been received (July 1995).

The cases were reported to Government in May and December 1994; their reply has not been received (July 1995).

(ii) During the course of audit of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (May 1992) that in the case of a dealer of Faridabad, the assessing authority while finalising (April 1991) the assessment for the year 1987-88 erroneously allowed deduction amounting to Rs.2.85 lakhs (included in total deduction of RD sale of Rs.77.19 lakhs) on account of sale of tool boxes made from 1 January 1988 to 31 March 1988 to the registered dealers. Tool boxes being accessories of motor vehicles were taxable at the point of first sale. The inadmissible deduction resulted in short assessment of tax of Rs.31,328. Besides penalty, interest was also leviable for non payment of tax due alongwith the returns.

On this being pointed out (May 1992) in audit, the Department referred the case to the revisional authority for taking *suo motu* action who created (November 1992 and February 1993) an additional demand of Rs.63,991 (tax: Rs.31,328; interest: Rs.25,663 and penalty: Rs.7000). The dealer filed an appeal before the Sales Tax Tribunal against the orders of the revisional authority. The Tribunal upheld (December 1994) the levy of tax and quashed levy of interest and penalty. Report on recovery of tax levied has not been received (July 1995).

The case was reported to the Government in June 1995; their reply has not been received (July 1995).

#### 2.4 Non/short levy of tax

Under the provisions of 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 goods for any purpose (whether or not for specified period) for cash, deferred payment or other valuable consideration. Goods means every kind of movable property other than newspapers, auctionable claims, money, stocks and shares or securities but includes growing crops, grass, trees and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale. Hire charges of machinery come under the purview of sale and are exigible to sales tax. Further for non-payment of tax alongwith the returns, besides penalty, interest is also 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 over the period of default.

(i) During the course of audit of records of Deputy Excise and Taxation Commissioner, Narnaul, it was noticed (May 1994) that a dealer of Narnaul received a sum of Rs.33.80 lakhs on account of hire charges of machinery during the years 1988-89 to 1990-91. The assessing authority while finalising assessments (between December 1992 and February 1994) did not treat these charges/income as sale. The omission resulted in under assessment of tax amounting to Rs.2.97 lakhs. In addition to penalty, interest of Rs.1.90 lakhs is also leviable for non-payment of tax alongwith the returns.

On this being pointed out (May 1994) in audit, the Department referred (September 1994) the case to the revisional authority for taking *suo motu* action, who created (December 1994) additional demand of Rs.5.24 lakhs (tax: Rs.2,97,452, interest: Rs.1,89,571 and penalty: Rs.37,000). Report on recovery of additional demand so created has not been received (July 1995).

The case was reported to Government in July 1994; their reply has not been received (July 1995).

(ii) During the course of audit of records of Deputy Excise and Taxation Commissioner Karnal, it was noticed (September 1993) that a dealer of Karnal purchased tread rubber and other consumable stores valued at Rs.19.25 lakhs during 1991-92 without payment of tax and used the same in job work of retreading tyres. The assessing authority, while finalising (February 1993) the assessment, erroneously levied purchase tax on the purchase value of goods amounting to Rs.16.57 lakhs instead of their sale value which worked out to Rs.19.79 lakhs. The omission resulted in under assessment of tax amounting to Rs.28,329 besides interest.

On this being pointed out (September 1993) in audit, the Department referred (December 1993) the case to the revisional authority for taking *suo motu* action. The revisional authority after verifying the facts, determined the sale value of goods used in the job work at Rs.19.79 lakhs and levied tax of Rs.32,729 which included tax of Rs.4,400 on

certain other items of sale which had escaped assessment at the time of initial assessment (February 1993) by the assessing authority. Besides, interest of Rs.13,795 was also levied by the revisional authority who created (April 1994) additional demand of Rs.46,524 (tax: Rs.32,729, interest: Rs.13,795). The Department further intimated (May 1995) that entire amount of Rs.46,524 has been recovered and deposited in the Government treasury in September 1994.

(iii) During the course of audit of records of Divisional Forest Officer, Morni Division, Pinjore, it was noticed (February 1993) that Divisional Forest Officer, sold by auction dead, dry and fallen trees valued at Rs.20.02 lakhs between the years 1989-90 and 1991-92 on which sales tax at a rate of **eight per cent plus ten per cent** surcharge amounting to Rs.1.76 lakhs was not realised from the purchasers resulting in loss of revenue to the State Government.

On this being pointed out (February 1993) in audit, the Department admitted (January 1995) the lapse. The matter was also taken up by the Department with the Government in August 1992 for granting exemption to pay sales tax for the above period (1989-92) which was refused by the Government in April 1993. The matter was again referred to the Government (February 1994) for exemption of sales tax. Neither the exemption from payment of sales tax has been granted by the Government so far, nor sales tax due on the transactions pending for collection from 1989-90 to 1991-92 has been realised (July 1995).

The case was reported to the Government in June 1995; their reply has not been received (July 1995).

## **2.5 Under assessment due to excess rebate**

(a) 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. For non/short payment of tax due alongwith the returns, interest is chargeable 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. Besides, for failure to pay tax due according to the returns, the prescribed authority may after affording the dealer a reasonable opportunity of being heard, impose a penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(i) During the course of audit of records of Deputy Excise and Taxation Commissioner, Kaithal, it was noticed (June 1994) that in the case of a dealer of Kaithal, the assessing authority while finalising (June 1993 and July 1993) assessments for the years 1989-90 and 1990-91 erroneously added the tax element of closing stock instead of subtracting while calculating rebate of tax on tax paid goods. This resulted in excess rebate of tax of Rs.4.45 lakhs.

On this being pointed out (June 1994) in audit, the Department accepted the objection and created (June 1994) an additional demand of Rs.4.45 lakhs which was recovered between July 1994 and January 1995 from the assessee after adjustment of refund of Rs.3.79 lakhs due to him in other cases.

(ii) During the audit of records of Excise and Taxation Officer, Panchkula, it was noticed (March 1995) that a dealer of Panchkula made tax paid purchases of raw material valued at Rs.22.54 lakhs during the year 1991-92 and used the same in the manufacture of taxable goods. Out of total sales of Rs.239.15 lakhs, sales valued at Rs.188.09 lakhs related to branch transfers which did not qualify for the rebate. While finalising (December 1993) assessment for the year 1991-92, the assessing authority allowed rebate of tax on the entire purchases of Rs.22.54 lakhs instead of limiting it in proportion of goods valued at Rs.4.82 lakhs sold within the State or in the course of inter-State trade. This resulted in under assessment of tax amounting to Rs.70,897 besides interest of Rs.26,233.

On this being pointed out (March 1995) in audit, the Department intimated (March 1995) that the case was being referred to the revisional authority for taking *suo motu* action. Further report has not been received (July 1995).

The case was reported to Government in May 1995; their reply has not been received (July 1995).

(iii) During the course of audit of records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (January 1994) that a dealer of Gurgaon made tax paid purchases valued at Rs.11.05 lakhs during the year 1990-91 and out of which he sold goods valued at Rs.10.08 lakhs (having purchase value of Rs.9.65 lakhs). He was thus, entitled for rebate of tax of Rs.5,600 at the rate of 4 per cent on balance tax paid purchases valued at Rs.1.40 lakhs which were used in the manufacture of taxable goods. While finalising (June 1992) the assessment, the assessing authority erroneously allowed rebate of Rs.44,189 instead of admissible rebate of Rs.5,600. The omission resulted in under assessment of tax of Rs.38,589. Besides, interest and penalty for non payment of tax alongwith the returns were also chargeable.

On this being pointed out (January 1994) in audit, the Department referred (February 1994) the case to the revisional authority for taking *suo motu* action who created (February 1994 and March 1994) additional demand of Rs.70,725 (tax: Rs.38,813, interest: 21,912 and penalty: Rs.10,000) which was deposited by the dealer (between April 1994 and August 1994).

(b) Under the Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the Act 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 the State or in the course of inter-State trade or commerce, or in the course of export outside India.

Further under the Central Sales Tax Act 1956, inter-State sales of goods (other than declared goods) not supported by valid declarations in the prescribed Form 'C' are taxable at the rate of ten per cent or at the rate applicable to the sale of such goods inside the appropriate State whichever is higher. For non/short payment of tax due alongwith the returns 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. Besides, under the provisions of Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts with a view to suppress his sales, purchases or stocks of goods, or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under

the Act or the rules made thereunder any account, return or information which is false or incorrect in any material particular, he is liable to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than three times the amount of tax which would have been avoided, if the turnover as returned by such dealer had been accepted as correct.

During the course of audit of records of Deputy Excise and Taxation Commissioner, Gurgaon it was noticed (December 1993) that a dealer of Gurgaon, purchased Firebricks/Refractories valued at Rs.1.44 lakhs during the year 1989-90 after payment of tax of Rs.12,649 and used the same in the manufacture of taxable goods. The goods purchased were taxable at the last stage of sale upto 26 November 1992 and thereafter at the first stage of sale as per notification issued by the Haryana Government. Further the dealer had also made inter-State sale of Rs.3.80 lakhs during the year 1989-90 and had claimed concessional rate of tax against declarations in Form 'C'. During scrutiny in audit, it was, however, noticed that the dealer had either not submitted any 'C' Forms or had submitted invalid 'C' Forms to the extent of Rs.1.51 lakhs to avail concessional rate of tax.

The assessing authority while framing the assessment (February 1993) for the year 1989-90 erroneously allowed rebate of tax of Rs.13,561 under rule 24-A of the Haryana General Sales Tax Rules, 1975 in respect of those goods which were not taxable at first stage of sale and also allowed concessional rate of tax in respect of transactions of Rs.1.51 lakhs for which either 'C' Forms were not submitted or invalid 'C' Forms were produced. This resulted in under-assessment of tax of Rs.21,134 and interest of Rs.17,066. Besides, penalty for maintaining false accounts was also leviable.

On this being pointed out (December 1993) in audit, the Department referred the case to the revisional authority for taking *suo motu* action who created (April 1994) an additional demand of Rs.62,200 (tax: Rs.21,134, interest: Rs.17,066) and penalty of Rs.24,000. The Department further intimated (July 1995) that the dealer filed an appeal before the Sales Tax Tribunal, who directed him to pay the amount of tax of Rs.21,134 and stayed the recovery of interest and penalty of Rs.41,066

and fixed 26 February 1996 as next date of hearing. Further report has not been received (July 1995).

The case was reported to Government in June 1995; their reply has not been received (July 1995).

(c) 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. The sales tax levied on rice is, however, reduced by the amount of purchase tax paid in the State on paddy out of which such rice has been husked. Further, 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 over the period of default.

A dealer of Narwana husked 46,552.76 quintals of paddy which was assessed to tax on its purchase value of Rs.70.43 lakhs during the year 1986-87. The average purchase price of such paddy, thus, worked out to Rs.151.29 per quintal. While finalising assessment (March 1989) the assessing authority allowed rebate from the tax assessed on the sale of rice by taking average purchase price of paddy at the rate of Rs.158.47 per quintal instead of at Rs.151.29 per quintal. The mistake resulted in under assessment of tax amounting to Rs.20,895. Besides penalty, interest of Rs.7,106 was also leviable.

On the omission being pointed out (June 1992) in audit, the Department referred (October 1993) the case to the revisional authority for taking *suo motu* action who created (December 1994) an additional demand of tax of Rs.20,895. The Department further intimated that entire amount of tax of Rs.20,895 has been recovered in March 1995. The Department, however, failed to levy penalty and interest for non-payment of tax alongwith the returns. Report on levy and recovery of penalty and interest has not been received (July 1995) despite reminder issued (July 1995).

The case was reported to Government in August 1992; their reply has not been received (July 1995).

**2.6 Application of incorrect rate of tax**

(a) Under the Central Sales Tax Act, 1956, on inter-State sales of goods (other than declared goods) not supported by valid declarations in Form 'C', tax is leviable at the rate of **ten per cent** or at the rate applicable to the sale of such goods inside the State, which ever is higher. Under the Haryana General Sales Tax Act, 1973, refrigerators are taxable at **ten per cent plus ten per cent** surcharge on the amount of tax payable. Further, tax on inter-State sale of oil produced from Sarson, Toria, Til and Taramira is leviable at the concessional rate of **one per cent** subject to production of valid declaration in Form 'C'. However, concessional rate of **one per cent** is not applicable on inter-State sale of oil produced from sun-flower. 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 Commissioner Faridabad (West), it was noticed (July 1994) that a dealer of Faridabad made inter-State sales of refrigerators valued at Rs.136 lakhs not supported by valid declarations in the prescribed Form 'C' during the year 1989-90. While finalising the assessment (March 1993), the assessing authority levied tax on these sales at the lower rate of **ten per cent**, instead of at the correct rate of **eleven per cent** (including surcharge) ignoring the element of surcharge. This resulted in short levy of tax by Rs.1.36 lakhs. Besides penalty, interest of Rs.70,460 was also leviable for short payment of tax due alongwith the returns.

On this being pointed out (July 1994) in audit, the Department raised (January 1995) additional demand of tax of Rs.1.36 lakhs. As regards interest and penalty for non payment of surcharge, the Department intimated (January 1995) that no action was called for as it was a clerical omission on the part of the assessing authority. Report on the demand so created has not been received (July 1995).

(ii) A dealer of Ambala City made inter-State sales of sun flower oil valued at Rs.11.61 lakhs during 1990-91. The assessing authority while finalising (March 1993) the assessment for the year 1990-91 levied tax on such sales of Rs.11.61 lakhs at the rate of **one per**

cent instead of at correct rate of **four per cent**. The omission resulted in short levy of tax by Rs.34,824. Besides, interest of Rs.23,154 was also chargeable for short payment of tax due along with the returns.

On this being pointed out (January 1994) in audit, the Department referred (June 1994) the case to the revisional authority for taking *suo motu* action, who created (July 1994) additional demand of Rs.57,978 (tax: Rs.34,824, interest: Rs.23,154). Report on recovery has not been received (July 1995).

The cases were reported to Government in April and December 1994; their reply has not been received (July 1995).

(b) As per Government notification issued in April 1989 under the Haryana General Sales Tax Act, 1973, tax on sale of components made whether wholly or principally of iron and steel when sold to a manufacturer for use in the manufacture of goods subject to furnishing of a certificate in form STD-4, is leviable at the rate of *four per cent* plus **ten per cent** surcharge on the amount of tax payable. Further, for non-payment of tax alongwith returns, interest is also 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. In addition, penalty not exceeding one and a half times the amount of tax is also leviable.

During the course of audit of the Excise and Taxation Officer, Panchkula, it was noticed (March 1995) that a dealer of Panchkula made sale of iron and steel components valued at Rs.174.35 lakhs against prescribed certificate in STD-4 during the year 1990-91. The assessing authority while finalising (February 1994) the assessment for the year 1990-91 levied tax on this sale at the rate of *4 per cent* instead of at the correct rate of *4.4 per cent* by ignoring the element of surcharge which constitutes part of the tax leviable in the State. This resulted in short levy of tax by Rs.69,741. Besides penalty, interest of Rs.35,199 was also chargeable for short payment of tax alongwith the returns.

On this being pointed out (March 1995) in audit, the Department intimated (March 1995) that the case was being referred to the



revisional authority for taking *suo motu* action. Further report has not been received (July 1995).

The case was reported to the Government in May 1995; their reply has not been received (July 1995).

(c) As per Haryana Government notification issued in September 1989, wheat products such as Atta, Maida and Suji are liable to sales tax at the rate of **three per cent plus ten per cent surcharge** on the amount of tax payable. It has been held by Supreme Court of India\* that wheat, products i.e. Atta, suji and maida are not declared goods. Further, for non payment of tax due alongwith returns, 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.

Two dealers of Hisar sold Atta, Maida and Suji valued at Rs.259.31 lakhs during the years 1991-92 and 1992-93. The assessing authority while finalising assessments for these years (April 1993 and September 1993) levied tax on these sales at the lower rate of **3 per cent** instead of the correct rate of **3.30 per cent** by ignoring the element of surcharge which constitutes part of the tax leviable in the State. The assessing authority while framing the assessments in both the cases held the view that surcharge on sale of such goods is not leviable being declared goods. However, even after receipt of clarification\*\*, the Department did not initiate any action to raise the demand on account of surcharge not levied earlier. The omission resulted in short levy of tax by Rs.77,792. Besides, interest of Rs.10,652 was also chargeable for short payment of tax alongwith the returns.

On this being pointed out (September 1994 and October 1994) in audit, the Department accepted (October 1994) the objection and raised (December 1994) additional demand of Rs.77,792. The Département further intimated (March 1995) that both the dealers (units)

---

\* Rajasthan Roller Flour Mills Association and another Vs State of Rajasthan and others, etc.-(1993) 91 STC 408.

\*\* Flour, maida and suji derived from wheat are not 'wheat' within the meaning of item (iii) of section 14(i) of the Central Sales Tax Act, 1956, they are different and distinct goods from wheat. In other words, they are not declared goods. Entry 54-Central Sales Tax Act (74 of 1956) Section 14(i).

are enjoying tax exemption/tax deferment under rule 28-A of the Haryana General Sales Tax Rules, 1975, and thus entire amount of Rs.77,792 has been adjusted against the amount of exemption of tax. Moreover, tax and surcharge which was to be recovered was not required to be paid in cash to the State exchequer and thus interest under Section 25(5) was not leviable.

The case was reported to Government in January 1995; their reply has not been received (July 1995).

(d) As per Government notification issued in December 1987 under the Haryana General Sales Tax Act, 1973, goods not otherwise specified therein, were taxable at the general rate of **eight per cent** with effect from 1 January 1988. Edible oils were liable to tax at the rate of **six per cent**. Cotton seed oil although a vegetable oil being not directly used for human consumption and thus was taxable at the rate of **eight per cent**, upto April 1990, when the Government vide another notification issued in April 1990 substituted the words "vegetable oils" in place of the words "Edible oils". Thus, cotton seed oil is taxable at the rate of **six per cent** with effect from 1 May 1990. Further, under the Haryana General Sales Tax Act, 1973, tax on oil seeds (other than cotton seeds), when purchased within the State, is leviable at the point of last purchase by a dealer liable to pay tax under the Act. Besides penalty, for non/short payment of tax due alongwith the returns, the dealer is 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 over the period of default.

(i) During the course of audit of Deputy Excise and Taxation Commissioner, Ambala, it was noticed (May 1994) that a dealer of Ambala Cantt. sold cotton seed oil valued at Rs.16.14 lakhs and also purchased 'sarson' valued at Rs.5.44 lakhs without payment of tax from within Haryana on the strength of registration certificate during the year 1989-90 out of which 'sarson' valued at Rs.3.58 lakhs was crushed to produce oil. While finalising (July 1993) assessment for the year 1989-90, the assessing authority erroneously levied tax on the sale of cotton seed oil at the rate of **six per cent** instead of at the correct rate of **eight per cent** and also omitted to levy purchase tax on the value of 'sarson' crushed for producing oil. This resulted in short assessment of tax amounting to

Rs.49,800. Besides penalty, interest of Rs.28,138 for short payment of tax due along with the returns was also leviable.

On this being pointed out (May 1994) in audit, the Department referred (June 1994) the case to the revisional authority for taking *suo motu* action. Report on action taken has not been received (July 1995).

The case was reported to Government in August 1994; their reply has not been received (July 1995).

(ii) During the course of audit of Deputy Excise and Taxation Commissioner Kaithal, it was noticed (June 1994) that in the case of a dealer of Kaithal, the assessing authority, while finalising (January 1994) the assessment for the year 1989-90, erroneously levied tax on the sale of cotton seed oil valued at Rs.15.96 lakhs at the rate of six *per cent* instead of the chargeable rate of **eight per cent**. The mistake resulted in short assessment of tax amounting to Rs.35,114. Besides penalty, interest of Rs.26,676 for short payment of tax due alongwith the returns was also leviable.

On this being pointed out (June 1994) in audit, the Department accepted the objection and raised (August 1994) additional demand of Rs.64,790 (tax: Rs.35,114, interest: Rs.26,676 and penalty: Rs.3,000). Report on recovery has not been received (July 1995).

The case was reported to Government in August 1994; their reply has not been received (July 1995).

## 2.7 Under-assessment due to incorrect deduction

Under the Haryana General Sales Tax Act, 1973, no sale of tax paid goods at a subsequent stage shall be exempt from tax unless the dealer effecting the sale at such subsequent stage furnishes to the assessing authority in the prescribed form and manner, a certificate duly filled in and signed by the registered dealer from whom the goods were purchased to the effect that the tax on such goods has been paid at the first stage. Further, for non-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.

During the course of audit of records of Deputy Excise and Taxation Commissioner, Faridabad (West), it was noticed (September 1994) that a dealer of Faridabad made tax paid purchases valued at Rs.18.39 lakhs during the year 1991-92 and produced declarations in form ST-14B. The dealer had opening stock of tax paid goods of Rs.86,000. Sale value of tax paid goods including opening stock worked out to Rs.20.80 lakhs after adding expenses and profit. While finalising (October 1993) the assessment for the year 1991-92, the assessing authority erroneously allowed deduction of tax paid sale of goods valued at Rs.30.62 lakhs instead of admissible deduction valued at Rs.20.80 lakhs. The mistake resulted in under-assessment of tax of Rs.39,257 besides interest of Rs.9,825 for non payment of tax due alongwith returns.

On this being pointed out (September 1994) in audit, the Department referred (September 1994) the case to the revisional authority for taking *suo motu* action who held (February 1995) that the claim of tax paid sales allowed by the assessing authority was improper and illegal and thus remanded back the case to the assessing authority with the instructions to decide the case within one month of the receipt of the order of revision. The assessing authority created (May 1995) additional demand of Rs.1,09,305 including interest and penalty of Rs.70,548. Further report on recovery of the additional demand so created has not been received (July 1995).

The case was reported to Government in December 1994; their reply has not been received (July 1995).

(ii) During the course of audit of records of Deputy Excise and Taxation Commissioner, Faridabad (East) it was noticed (July 1992) that in the case of a dealer of Faridabad, the assessing authority, while finalising (March 1992) the assessment for the year 1988-89, erroneously allowed deduction amounting to Rs.75.33 lakhs from his gross turnover on account of sale of tax paid goods instead of admissible deduction amounting to Rs.72.50 lakhs. The excess deduction of Rs.12.83 lakhs resulted in under assessment of tax of Rs.24,890 besides interest of Rs.26,394 for non-payment of tax due alongwith the returns.

On this being pointed out (July 1992) in audit, the Department referred the case to the revisional authority for taking *suo motu* action, who created (April 1994) an additional demand of Rs.51,284 (tax: Rs.24,890, interest: Rs.26,394). The Department further intimated in March 1995 that the dealer filed an appeal before the Sales Tax Tribunal who (December 1994) directed the dealer to deposit 50 per cent of the tax amount by 31 January 1995 together with surety bond for the balance amount, which was deposited by the dealer and the balance amount stayed against surety bond. Report on further developments has not been received (July 1995).

The case was reported to Government in March 1995; their reply has not been received (July 1995).

(iii) During the audit of the records of Deputy Excise and Taxation Commissioner, Hisar, it was noticed (October 1994) that while finalising assessment (January 1994) by the assessing authority, a dealer of Hisar was allowed deduction of Rs.44.06 lakhs on account of sales to registered dealers during the year 1992-93. Scrutiny in audit revealed that deduction of Rs.5.62 lakhs representing sales made to two dealers of Sirsa was not admissible as the registration certificate of one of the two purchasing dealers was cancelled by the Department in November 1991 i.e. prior to the dates of sales and the other purchasing dealer was not in existence. Thus, allowing incorrect deduction (January 1994) of Rs.5.62 lakhs resulted in under assessment of tax of Rs.49,425.

On this being pointed out (October 1994) in audit, the Department intimated (May 1995) that tax of Rs.49,424 had been levied. Further report on recovery has not been received (July 1995).

The case was reported to Government in January 1995; their reply has not been received (July 1995).

## 2.8 Non-levy of purchase tax

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 goods are disposed off otherwise than by way of sale. In Haryana, pesticides are taxable at the rate of two per cent plus surcharge at the rate of ten per cent

on the amount of tax. Further, for non payment of tax alongwith the returns, interest is also 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. In addition, penalty not exceeding one and a half times the amount of tax is also leviable.

During the audit of the Deputy Excise and Taxation Commissioner Hisar, it was noticed (October 1994) that a dealer of Hisar purchased pesticides valued at Rs.38.62 lakhs during the year 1990-91 without payment of tax from within the State and transferred them to his branch office outside the State. The assessing authority while finalising (December 1993) the assessment failed to levy tax on these purchases. This resulted in under-assessment of tax amounting to Rs.84,970. Besides penalty, interest of Rs.40,375 was also chargeable for non payment of tax alongwith the return.

The case was reported to the Department (October 1994) and to Government in January 1995; their replies have not been received (July 1995).

**2.9 Irregular 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, under the provisions of the Act *ibid*, 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 the assessments. 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.

(i) During the audit of the records of the Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (February 1994) that a

dealer of Gurgaon was allowed (March 1993) deduction of Rs.4.09 lakhs during 1989-90 on account of sales of goods made on 1 April 1989 to another dealer of Gurgaon whose registration certificate was valid only from 3 April 1989. The deduction thus allowed was not admissible as the purchasing dealer was not a registered dealer on the date of sale made to him. Thus, acceptance of invalid declarations resulted in non-levy of tax of Rs.38,460. Besides, interest of Rs.34,073 and penalty for non payment of tax alongwith the returns was also chargeable.

On this being pointed out (February 1994) in audit, the Department referred (March 1994) the case to the revisional authority for taking *suo motu* action, who created (June 1994) additional demand of Rs.72,533 (tax: Rs.38,460 and interest: Rs.34,073). Action to impose penalty was to be taken up separately. Report on recovery of the additional demand so created and action taken to impose penalty has not been received (July 1995)

(ii) During the audit of the records of Deputy Excise and Taxation Commissioner, Jagadhari, it was noticed (December 1994) that a dealer of Yamuna Nagar was allowed (September 1993 and April 1994) deduction of Rs.2.33 lakhs during 1991-92 and 1992-93 on account of sale of goods made to a registered dealer of Ballabgarh (District Faridabad) against declaration forms (ST-15) which had already been declared invalid (January 1991) by the assessing authority Faridabad(East) and for which an F.I.R. was also lodged with the Police besides circulating details of declaration forms to all the assessing authorities in the State. Allowing deduction against invalid declaration forms resulted in under assessment of tax amounting to Rs.25,237. Besides penalty, interest of Rs.12,492 was also leviable for non-payment of tax alongwith the returns.

On this being pointed out (December 1994) in audit, the Department accepted the objection and created (March 1995) an additional demand of Rs.41,229 (tax: Rs.25,237, interest: Rs.12,492 and penalty: Rs.3,500). Report on recovery has not been received (July 1995).

The case was reported to Government in February 1995; their reply has not been received (July 1995).

**2.10 Irregular grant of exemption**

Under the provisions of the Haryana General Sales Tax Act, 1973, to encourage cottage industries in Haryana, the State Government by a notification dated 9 August 1983 exempted from payment of tax all classes of Co-operative Societies or person(s) running cottage industries and other units located in rural areas so long as their gross turnover remains below seventy five thousand rupees a year. However, Co-operative Societies and persons running brick kilns or hydraulic Sulphur plants, were excluded from this exemption. Further, the ceiling on turnover was raised to Rs.5 lakhs in a year with effect from 1 January 1988 vide notification dated 30 December 1987. For non-payment of tax alongwith the returns, interest is also 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.

During the audit of the Deputy Excise and Taxation Commissioner, Kurukshetra, it was noticed (September 1994) that a dealer (a Co-operative Society) of Ladwa (Kurukshetra) was granted Exemption Certificate (valid from 6 December 1972 and was renewed upto 1988-89) from payment of tax. The turnover of the society for the year 1988-89 was Rs.12.57 lakhs and thus it was not entitled for exemption during this period. While finalising (May 1993) assessment for the year 1988-89, the assessing authority erroneously allowed exemption of Rs.5 lakhs. This resulted in under assessment of tax amounting to Rs.44,000. Besides, interest of Rs.36,080 was also leviable for non/short payment of tax.

On this being pointed out (September 1994) in audit, the Department referred (March 1995) the case to revisional authority for taking *suo motu* action. Report on action taken has not been received (July 1995).

The case was reported to Government in January 1995; their reply has not been received (July 1995).

**2.11 Loss of revenue due to delay in finalisation of assessment**

Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the sale or purchase of goods made in the State, at



the appropriate stage specified in the Act. Further, if a dealer has maintained false or incorrect accounts or documents with a view to suppress his sales, purchases or stocks or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act, any account, return, document or information which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than three times the amount of tax which would have been avoided on the basis of aforesaid circumstances.

During the course of audit of records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (February 1994) that a dealer of Gurgaon purchased goods valued at Rs.1.09 crores during the year 1988-89 from two dealers of Faridabad and Jagadhari, on the authority of his registration certificate. As the goods purchased by the dealer were not accounted for in his books of account, his registration certificate was cancelled w.e.f. 30.3.1990. The assessment proceedings for the year 1988-89 were started by the Department in October 1991 but by that time the dealer had closed his business and disappeared.

On this being pointed out (February 1994) in audit, the Department finalised (November 1994) the assessment for the year 1988-89 determining his turnover as Rs.1.17 crores and created an additional demand of Rs.31.28 lakhs (tax: Rs.10.28 lakhs, penalty: Rs.21.00 lakhs). The demand could not be recovered as the whereabouts of the dealer were not known. The failure of the Department to finalise the assessment early resulted in loss of revenue of Rs.31.28 lakhs.

The case was reported to Government in May 1994; their reply has not been received (July 1995).

## **2.12 Under assessment due to irregular refund**

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. The sales tax levied on rice is, however, reduced by the amount of purchase tax paid in the State on paddy out of which such rice has been procured. Difference of tax on

sale of rice is payable but purchase tax paid on paddy is not refundable if it happens to be more than tax payable on rice.

During the course of audit of records of Deputy Excise and Taxation Commissioner, Sirsa, it was noticed (November 1994) that a dealer of Sirsa sold rice valued at Rs.106.11 lakhs to the District Food and Supplies Controller and in the open market during the years 1987-88 and 1988-89 on which tax payable worked out to Rs.4.24 lakhs. The value of paddy from which such rice was procured worked out to Rs.119.01 lakhs on which purchase tax of Rs.4.76 lakhs was paid. Accordingly, the rebate of tax paid on paddy from tax payable on rice was to be limited to Rs.4.24 lakhs. The assessing authority while finalising (April 1991 and August 1991) assessments for the years 1987-88 and 1988-89 erroneously allowed refund of purchase tax of Rs.4.76 lakhs paid on paddy. The mistake resulted in excess rebate of Rs.51,606.

On this being pointed out (November 1994) in audit, the Department referred (March 1995) the case to the revisional authority for taking *suo motu* action who created (April 1995) additional demand of Rs.51,586. The Department further intimated (July 1995) that entire amount of additional demand so created has been recovered in July 1995.

### **2.13 Non-levy of interest and penalty**

(a) Under the Haryana General Sales Tax Act, 1973, and the Central Sales Tax Act, 1956, if a dealer fails to furnish to the assessing authority, his quarterly return within 30 days of the expiry of the relevant quarter, he is liable to pay by way of penalty, a sum calculated at a rate which shall not be less than five rupees or more than ten rupees for every day during which the default continues. Further, for non-payment of tax alongwith the returns, interest is also 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. In addition, penalty not exceeding one and a half times the amount of tax is also leviable for non-payment of tax alongwith the returns.

(i) During the course of audit of the records of Deputy Excise and Taxation Commissioner, Faridabad, it was noticed (September 1994) that a dealer of Faridabad did not pay full tax due alongwith the returns

during the year 1988-89, under the Central Sales Tax Act, 1956. While finalising assessment (November 1993), though the assessing authority created additional demand of tax of Rs.5.38 lakhs, penalty and interest of Rs.4.90 lakhs for short payment of tax due alongwith the returns was omitted to be charged.

On this being pointed out (September 1994) in audit, the Department referred (January 1995) the case to revisional authority for taking *suo motu* action. Report on action taken has not been received (July 1995).

The case was reported to Government in December 1994; their reply has not been received (July 1995).

(ii) During the audit of Excise and Taxation Officer, Panchkula, it was noticed (March 1995) that a dealer of Panchkula had not paid tax due alongwith the returns during the year 1988-89. The assessing authority while finalising (July 1993) the assessment, created a demand of tax of Rs.1.87 lakhs. Besides, penalty, interest amounting to Rs.1.64 lakhs chargeable for non-payment of tax alongwith the returns was, however, not demanded.

On this being pointed out (March 1995) in audit, the Department admitted (March 1995) the lapse and stated that the interest would be levied after proper service of notice to the dealer. No reply regarding leviability of penalty has been received (July 1995).

The case was reported to Government in May 1995; their reply has not been received (July 1995).

(iii) During the audit of the records of Deputy Excise and Taxation Commissioner, Sonapat, it was noticed (October 1993) that a dealer of Sonapat had furnished returns marked duplicate and had failed to furnish any proof of filing of original returns for the year 1988-89. The assessing authority, while finalising (March 1993) the assessment for the year 1988-89 passed orders that penal action for failure to file original returns would be taken separately but no such action had been finalised (October 1993). Minimum penalty leviable for non filing of returns in time worked out to Rs.62,670. Besides, penalty for non-payment of tax due alongwith quarterly returns was also leviable.

On this being pointed out (October 1993) in audit, the Department levied (April 1994) penalties amounting to Rs.1,00,720 (Rs.62,720: under Section 46 and Rs.38,000 under Section 47). The dealer filed (June 1994) an appeal before Joint Excise and Taxation Commissioner Rohtak who dismissed (November 1994) the appeal. Report on recovery of the penalties so imposed has not been received (July 1995).

(iv) During the audit of the records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (January 1994) that a dealer of Faridabad had failed to file returns for the 2nd, 3rd and 4th quarters during the year 1988-89. The assessing authority, while finalising (September 1992) the assessment for the year 1988-89 passed orders that penal action for failure to file returns/pay tax would be taken separately but no such action had been finalised (January 1994). Minimum penalty leviable worked out to Rs.39,270. Besides, interest of Rs.10,251 for non-payment of tax due alongwith quarterly returns was also leviable.

On this being pointed out (January 1994) in audit, the Department created (August 1994) demand of Rs.50,051 (penalty: Rs.39,300 u/s 46, interest: Rs.10,251 and penalty u/s 47: Rs.500). The Department further intimated (May 1995) that out of the above demand, a sum of Rs.10,000 had been recovered in March 1995 and the balance arrear was pending. Report on recovery of balance amount had not been received (July 1995).

The case was reported to the Excise and Taxation Commissioner Haryana in May 1994: their reply has not been received (July 1995).

(b) Under the provisions of Haryana General Sales Tax Act, 1973, every dealer whose gross turnover during the year exceeds the taxable quantum, is required to apply for registration. However, the taxable quantum is nil in the case of a dealer who is an exporter of goods. Further under the provisions of Central Sales Tax Act, 1973, if upon information which has come into his possession, the assessing authority is satisfied that any dealer was liable to pay tax under this Act in respect of any period but has failed to apply for registration, the assessing authority

shall, within five years after the expiry of such period, after giving the dealer a reasonable opportunity of being heard, proceed to assess, to the best of his judgement, the amount of tax, if any, due from the dealer in respect of such period and all subsequent periods. In case where a dealer has willfully failed to apply for registration, the assessing authority may direct that the dealer shall pay by way of penalty, in addition to the amount of tax so assessed, a sum equal to twice the amount of tax so assessed.

During the audit of Deputy Excise and Taxation Commissioner Sirsa, it was noticed (October 1994) that an unregistered dealer of Sirsa had exported goods valued at Rs.213 lakhs outside the State of Haryana in the course of inter-State trade during the year 1991-92. He was, therefore, liable for registration. The assessing authority finalised (August 1993) the assessment and created demand of Rs.17,166. As the dealer failed to apply for registration, he was liable to pay penalty of Rs.34,332 (twice the amount of tax) but the assessing authority erroneously levied (August 1993) penalty of Rs.5,000 only. This resulted in short levy of penalty of Rs.29,332.

On this being pointed out (October 1994) in audit, the Department referred (March 1995) the case to the revisional authority for taking *suo motu* action. The Department further intimated (July 1995) that penalty of Rs.29,332 was levied and recovered from the dealer in April 1995.



### **Chapter - III**

<b>Stamp Duty and Registration Fees</b>		
<b><i>Paragraph</i></b>	<b><i>Particulars</i></b>	<b><i>Page(s)</i></b>
<b>3.1</b>	Results of Audit	59-60
<b>3.2</b>	Short recovery of stamp duty on mortgage deed	60-61
<b>3.3</b>	Irregular exemption of stamp duty	61-62
<b>3.4</b>	Evasion of stamp duty and registration fees through power of attorney	62-63
<b>3.5</b>	Evasion of Stamp Duty	63-65
<b>3.6</b>	Irregular refund	65-66

Year	Stamp Duty and Registration Fees
1900	...
1901	...
1902	...
1903	...
1904	...
1905	...
1906	...
1907	...
1908	...
1909	...
1910	...
1911	...
1912	...
1913	...
1914	...
1915	...
1916	...
1917	...
1918	...
1919	...
1920	...
1921	...
1922	...
1923	...
1924	...
1925	...
1926	...
1927	...
1928	...
1929	...
1930	...
1931	...
1932	...
1933	...
1934	...
1935	...
1936	...
1937	...
1938	...
1939	...
1940	...
1941	...
1942	...
1943	...
1944	...
1945	...
1946	...
1947	...
1948	...
1949	...
1950	...
1951	...
1952	...
1953	...
1954	...
1955	...
1956	...
1957	...
1958	...
1959	...
1960	...
1961	...
1962	...
1963	...
1964	...
1965	...
1966	...
1967	...
1968	...
1969	...
1970	...
1971	...
1972	...
1973	...
1974	...
1975	...
1976	...
1977	...
1978	...
1979	...
1980	...
1981	...
1982	...
1983	...
1984	...
1985	...
1986	...
1987	...
1988	...
1989	...
1990	...
1991	...
1992	...
1993	...
1994	...
1995	...
1996	...
1997	...
1998	...
1999	...
2000	...

Stamp Duty and Registration Fees



## CHAPTER 3

### STAMP DUTY AND REGISTRATION FEES

#### 3.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1994-95, revealed short levy and non-levy of stamp duty and registration fees amounting to Rs.88.61 lakhs in 677 cases, which broadly fall under the following categories:

S.No.	Nature of irregularities	Number of cases	Amount (In lakhs of rupees)
1.	Loss of stamp duty due to under-valuation of properties	344	50.25
2.	Evasion of stamp duty and registration fees	91	13.89
3.	Irregular exemption of stamp duty and registration fees	57	40.72
4.	Non/short levy of stamp duty and registration fees	90	7.49
5.	Loss of stamp duty due to misclassification of deeds	4	4.19
6.	Other irregularities	91	2.07
	<b>Total</b>	<b>677</b>	<b>88.61</b>

During the course of the year 1994-95, the Department accepted under-assessment of Rs.17.32 lakhs involved in 83 cases which were pointed out in audit during 1994-95, out of which Department recovered Rs.68,935 in one case. Besides, the Department recovered an amount of Rs.4.93 lakhs in 73 cases pertaining to the earlier years.

A few illustrative cases involving Rs.6.85 lakhs highlighting important observations are given in the succeeding paragraphs.

### **3.2 Short recovery of stamp duty on mortgage deed**

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. In cases 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. Government vide notification issued in October 1983 under the Act remitted levy of stamp duty on the deeds of mortgage without possession which are executed by agriculturists in favour of Commercial Banks for securing loans up to the amount of rupees one lakh for specified purposes.

(i) During the audit of the records of Sub-Registrar Karnal, it was noticed (January 1995) that a mortgage deed was executed in January 1994 by a construction company of New Delhi after mortgaging its plant and machinery in favour of the Government of Haryana for securing a loan of Rs.2 crores. Stamp duty of Rs.3 lakhs was chargeable on this instrument. However, on the plea of the party that the case for exemption from levy of stamp duty on this instrument was under consideration with the Government, the registering authority instead of impounding the document and referring the case of short levy of stamp duty to Collector/Government in Revenue Department, irregularly registered this document with a stamp duty of Rs.40 only against the provisions of the Act resulting in short levy of stamp duty of Rs.2,99,960.

On the omission being pointed out (January 1995) in audit, the Sub-Registrar Karnal intimated (May 1995) that the Government has rejected the case for exemption of stamp duty and ordered to recover the difference of stamp duty short charged. The recovery orders were issued by the Department in March 1995 but no recovery has been made so far (July 1995).

The case was reported to Government in March 1995; their reply has not been received (July 1995).

(ii) During the course of audit of the records of Sub-Registrar Fatehabad (Hisar), it was noticed (March 1994) that a firm, dealing in seeds and chemicals, which is not covered under the specified purposes of the aforesaid notification secured various cash credit facilities of Rs.13.50 lakhs from a scheduled commercial bank by mortgaging the agricultural land of an agriculturist who stood surety for repayment of principal, interest and other charges due under various cash credit facilities availed of by the firm. The deed was got registered (March 1993) as a Security Bond in favour of the bank on a non-judicial stamp paper of Rs.15 only instead of as a mortgage deed. Stamp duty levied short as a result of this misclassification amounted to Rs.20,235.

On the omission being pointed out (March 1994) in audit, the Department issued notice for recovery in March 1995. Report on recovery has not been received (July 1995).

The case was reported to Government in September 1994; their reply has not been received (July 1995).

### **3.3 Irregular exemption of stamp duty**

Under the Indian Stamp Act, 1899, as applicable to Haryana, stamp duty in respect of an instrument of mortgage (where possession of the property or any part of the property comprised in such deed is not given) is chargeable at **one and a half per cent** of the amount of loan secured by such instrument. Further, Government issued notification in August 1981, exempting stamp duty chargeable on mortgage deeds (without possession) executed by small scale industrial concerns in favour of Haryana Financial Corporation. Government of India, however, clarified (August 1993) that tourist resorts/hotels did not qualify for incentives/concessions given to small scale industrial units.

During the course of audit of records of Sub-Registrar, Sohna (Gurgaon) it was noticed (June 1991) that one mortgage deed was registered in favour of Haryana Financial Corporation in June 1990 against a loan of Rs.60 lakhs obtained for setting up of a hotel resort

without the levy of stamp duty treating the unit as small scale industrial unit. Irregular exemption resulted in non-levy of stamp duty of Rs.90,000.

On this being pointed out (June 1991) in audit, the Department recovered the entire amount of Rs.90,000 (February and March 1995).

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

(i) During the audit of the records of Sub-Registrar Kaithal, it was noticed (August 1993) that an agreement to sell a house was executed (May 1992) and got registered with a document writer after receiving full consideration of Rs.5.60 lakhs. Besides, a power of attorney authorising the purchaser to dispose of the property in any manner and to sign the sale deed on the behalf of the seller was also given. Stamp duty and registration fees amounting to Rs.87,266 was leviable on the consideration as applicable to sale deed, but was not levied.

On the omission being pointed out (August 1993) in audit, the Department issued (November 1993) notice for recovery. Further report has not been received (July 1995).

The case was reported to Government in September 1993; their reply has not been received (July 1995).

(ii) In Registration office Kalka it was noticed (October 1993) that an agreement to sell a residential property was executed (April 1991) and possession of the property was handed over to the purchaser after full consideration of Rs.1.50 lakhs was received by the seller. A power of attorney authorising the purchaser to dispose off the property in any manner and sign the deed of conveyance was also given to the purchaser. As the agreement involved all the essential ingredients of a conveyance deed, non-execution thereof resulted in stamp duty of Rs.23,732 and registration fees of Rs.500 being evaded.

On the omission being pointed out (October 1993) in audit, the Department issued (February 1994) notice for recovery. Further report has not been received (July 1995).

The matter was reported to Government in January 1994; their reply has not been received (July 1995).

### **3.5 Evasion of Stamp Duty**

The Indian Stamp Act, 1899, as applicable to Haryana, provides that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of the duty with which it is chargeable, should be fully and truly set forth therein. Under Section 47-A of the Act, 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 as the case may be 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 in such instrument are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees.

(i) During the audit of the records of the Sub-Registrar Kaithal, it was noticed (November 1994) that three deeds of conveyance were executed (May 1993) on account of sale of property. The value of the property set forth in the instruments was Rs.4.35 lakhs whereas in agreement executed (January 1993) between the affected parties, the value of the property found recorded with the document writer was Rs.9.87 lakhs. As such the deeds of conveyance having been executed and registered at a lesser consideration resulted in evasion of stamp duty of Rs.68,935. Penalty not exceeding rupees five thousand in each case, leviable for understating the value of property with intent to defraud the Government was also not levied.

On the omission being pointed out (November 1994) in audit, the Government in Revenue Department intimated (June 1995) that amount of Rs.68,935 has been recovered in February and March 1995. Further report on levy of penalty and on its recovery has not been received (July 1995).

(ii) During the audit of the records of the Sub-Registrar Gohana, it was noticed (September 1994) that a deed of conveyance was executed (December 1992) on account of sale of property. The value of the property set forth in the instrument was Rs.1.48 lakhs whereas in the agreement executed (June 1992) between the affected parties and recorded with the document writer, the value of the property was shown as rupees 4.57 lakhs. As such execution of deed of conveyance at a lesser consideration resulted in evasion of stamp duty of Rs.38,688. Penalty not exceeding rupees five thousand leviable for understating the value of property with intent to defraud the Government was also not levied in this case.

On the omission being pointed out (November 1994) in audit, the Department accepted the observation (April 1995) and processed the case for recovery as arrears of Land Revenue. Further report on recovery has not been received (July 1995).

The case was reported to Government in (December 1994); their reply has not so far been received (July 1995).

(iii) In the office of the Sub-Registrar Jind a deed of conveyance was executed (April 1991) on account of sale of property. The value of the property set forth in the instrument was Rs.1.80 lakhs whereas in the agreement executed earlier between the parties (September 1990) the value of the property recorded with the document writer was Rs.4.41 lakhs. The deed of conveyance having been executed and registered at a lesser consideration resulted in evasion of stamp duty of Rs.32,594. Besides, penalty not exceeding Rupees five thousand for under-valuation of property done with intent to defraud Government was also leviable but was not levied.

On the omission being pointed out (June 1992) in audit, the Department issued notice for recovery (June 1992). Further report has not been received (July 1995).

The case was reported to Government in August 1992. Government has intimated (August 1994 and October 1994) that the reasons why the recovery could not be effected are being obtained from the Department. Final reply has not been received (July 1995).

### **3.6 Irregular refund**

As per the provisions of the Indian Stamp Act, 1899, as applicable to Haryana, the Collector may, on application made within the period prescribed in the Act *ibid* and if he is satisfied as to the facts, make allowance for impressed stamps spoiled in the cases namely, the stamps used for an instrument executed by any party there to 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.

A vendor purchased non-judicial stamp papers of the value of Rs.25,000 in November 1992 from Raipur Rani Sub-Treasury for executing a conveyance deed in respect of his land. The deed could not be

got registered and was cancelled for want of funds by the purchaser. Accordingly, the vendor applied in January 1993 to the Collector Naraingarh for refund of stamps valued at Rs.25,000. The Collector allowed the refund of Rs.22,500 after deducting **ten per cent** of the value of the stamps. As the vendor applied for refund of stamps after expiry of the prescribed period of two months, action of the Collector in allowing the refund was not in order.

On this being pointed out (August 1994) in audit, the Department accepted the omission and issued notice for recovery in January 1995 and March 1995. Report on recovery has not been received (July 1995).

The case was reported to the Government in December 1994; their reply has not been received (July 1995).



## Chapter - IV

<b>Other Tax Receipts</b>		
<i>Paragraph</i>	<i>Particulars</i>	<i>Page(s)</i>
4.1	Results of Audit	69-70
	<b>A-Taxes on Motor Vehicle</b>	
4.2	Receipts under National Permit Scheme	70-81
4.3	Utilisation of departmental receipts towards expenditure	81
4.4	Non-deposit of token tax	81-82
	<b>B-State Excise Duty</b>	
4.5	Low yield of spirit	82
4.6	Interest short charged	83
	<b>C-Entertainments Duty and Show Tax</b>	
4.7	Short recovery of entertainments duty	83-84
	<b>D-Passengers and Goods Tax</b>	
4.8	Under-assessment of passengers tax	84-85

Page	Paragraph	Section
66-70	4.1	Excise Tax on Motor Vehicle
70-81	4.2	Excise Tax on Motor Vehicle
81	4.3	Excise Tax on Motor Vehicle
81-82	4.4	Excise Tax on Motor Vehicle
82	4.5	Excise Tax on Motor Vehicle
83	4.6	Excise Tax on Motor Vehicle
81-84	4.7	Excise Tax on Motor Vehicle
	4.8	Excise Tax on Motor Vehicle
84-85	4.9	Excise Tax on Motor Vehicle

## CHAPTER 4

### OTHER TAX RECEIPTS

#### 4.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1994-95, revealed short/non-recovery of excise duty, taxes on vehicles and entertainments duty amounting to Rs.1,656.46 lakhs in 2015 cases as indicated below:

Heads of revenue	Number of cases	Amount (In lakhs of Rupees)
A. Taxes on Motor Vehicles	935	15.35
B. State Excise	452	1438.09
C. Entertainments duty and show tax	15	8.60
D. Passengers and Goods Tax	613	194.42
<b>Total</b>	<b>2015</b>	<b>1656.46</b>

(a) In the case of Taxes on Motor Vehicles, the Department accepted under-assessments etc. of Rs.2.30 lakhs in 74 cases which were pointed out in audit during 1994-95. Of these, the Department recovered Rs.0.81 lakh in 21 cases. Besides, an amount of Rs.0.90 lakh has also been recovered in 42 cases pointed out in earlier years.

(b) In the case of State Excise, the Excise Department accepted under-assessment of Rs.5.85 lakhs in 24 cases of which 22 cases involving Rs.4.92 lakhs were pointed out during 1994-95 and the rest in earlier years. Of these an amount of Rs.2.07 lakhs had been recovered in 6 cases pointed out in 1994-95 and Rs.2.90 lakhs in 14 cases pointed out in earlier years.

(c) In the case of Entertainments Duty and Show Tax, the Department accepted under-assessment of Rs.0.76 lakh in 2 cases, out of

which one case involving Rs.0.60 lakh was pointed out in audit during 1994-95 and another case in 1993-94. Of these, an amount of Rs.0.15 lakh had been recovered in one case out of the cases pointed out in 1994-95. Besides, an amount of Rs.0.73 lakh had also been recovered in 12 cases pointed out in earlier years.

(d) In the case of passengers and goods tax, the Department accepted under-assessment etc. of Rs.2.56 lakhs in 196 cases which were pointed out in audit during 1994-95. Of these an amount of Rs.0.61 lakh in 84 cases had been recovered. Besides, an amount of Rs.0.06 lakh in 22 cases had also been recovered during 1994-95 relating to earlier years.

A few illustrative cases arising out of a review on '*Receipts under National Permit Scheme*' and other important observations involving an amount of Rs.505.23 lakhs are given in the following paragraphs:

## **A - TAXES ON MOTOR VEHICLES**

### **4.2 Receipts under National Permit Scheme**

#### **4.2.1 Introduction**

In order to facilitate speedy and economical transportation of goods throughout the country, a National Permit Scheme under the provisions of the Motor Vehicles Act, 1939 ( as replaced by Motor Vehicles Act, 1988) was introduced by the Government of India in December 1975. Under this scheme , the States and Union Territories are authorised to grant permits to the owners of the public carriers for the carriage of goods throughout the territory of India or in such contiguous States not less than four in number including the home State.

For the issue of a National Permit, intending operators are required to pay to the home State, the prescribed Fee. A Composite Fee is also required to be paid to the States in which permission to operate the vehicle is granted. In addition, a permit holder is also required to pay taxes or fees, if any, levied by the State concerned. The Composite Fee payable to other States is required to be paid in advance by a crossed bank

draft, either for a period of six months or for a period of one year as indicated by the operator in the application.

The Composite Fee is received/collected by home State and remitted to the concerned States through bank drafts.

**4.2.2 Organisational set up**

The National Permit Scheme is administered and monitored by the State Transport Commissioner Haryana, who is assisted by six Regional Transport Authorities (Hisar, Rohtak, Rewari, Ambala, Karnal and Faridabad ). Enforcement of the regulatory provisions of Acts and Rules and checking of the tax is carried out by the Transport and Police Departments of the State. The Composite Fee collected by other States in respect of vehicles authorised to ply in Haryana is collected by the Deputy Excise and Taxation Commissioners, Ambala, Hisar, Faridabad and Karnal. The Statewise distribution for collection of composite fee is given below:

Name of the designated authority to receive bank drafts	Name of States from whom composite fee to be received
Deputy Excise and Taxation Commissioner, Ambala	Himachal Pradesh, Jammu and Kashmir, Chandigarh. Bihar, West Bengal, Orissa, Assam, Meghalaya, Nagaland, Dadra and Nagar Haveli, Arunachal Pradesh, Uttar Pradesh. (Upto 14 September 1993) and Manipur.
Deputy Excise and Taxation Commissioner, Hisar	Punjab and Rajasthan.
Deputy Excise and Taxation Commissioner, Faridabad	Sikkim, Lakshadweep, Andaman and Nicobar Islands, Delhi, Madhya Pradesh, Gujarat, Tamilnadu, Maharashtra, Karnataka, Andhra Pradesh, Kerala, Goa, Pondicheri, Daman & Diu, Tripura and Mizoram.
Deputy Excise and Taxation Commissioner, Karnal	Uttar Pradesh (w.e.f. 15 September 1993).

**4.2.3 Scope of audit**

With a view to verify the compliance of the provisions of the Acts, Rules and orders, the records relating to the National Permit Scheme maintained in the Offices of the State Transport Commissioner, Haryana, Chandigarh alongwith the six Regional Transport Authorities\* and three Deputy Excise and Taxation Commissioners\*\* in the State for the years 1991-92, 1992-93 and 1993-94 were test checked during December 1994 to March 1995.

**4.2.4 Highlights**

(i) Proper records were not being maintained by the departmental offices to monitor the collection of revenue. In the absence of appropriate records, correctness of the revenue due to the State and realisation there against could not be ensured.

(Paragraph 4.2.7)

(ii) 1183 bank drafts amounting to Rs.7.49 lakhs received from other States during 1992-93 by Deputy Excise and Taxation Commissioner, Ambala were credited to Government account after delays ranging from one to eight months, resulting in loss of interest to Government.

(Paragraph 4.2.7(A)(i))

(iii) 605 bank drafts amounting to Rs.9.68 lakhs pertaining to the period 1990-91 to 1993-94 received through bank drafts from other States by the Excise and Taxation Commissioner, Ambala were not credited to Government account.

(Paragraph 4.2.7(A)(ii))

(iv) 7,784 bank drafts amounting to Rs.49.19 lakhs pertaining to the period 1991-92 to 1993-94 received by Deputy Excise and Taxation Commissioners, Hisar, Ambala and Faridabad and

\* Hisar, Rohtak, Rewari, Faridabad, Karnal and Ambala.

\*\* Ambala, Hisar and Faridabad

returned for revalidation were neither received back from other States nor proper pursuance was made by the authorities.

(Paragraph 4.2.7(A)(iii))

(v) In the absence of instructions prescribing uniform procedure by State Transport Authorities to maintain records relating to receipt and credit of revenue received from other States there were instances of avoidable delays in realisation of revenue, drafts getting time barred and inordinate delays in revalidation of drafts.

(Paragraph 4.2.7(B))

(vi) Despite instructions issued by Government of Haryana to increase the rate of composite fee w.e.f. 1 September 1993 from Rs.1,500 to Rs.5,000, the Deputy Excise and Taxation Commissioner, Ambala, Hisar and Faridabad continued to accept the fees at lower rates as collected by different States resulting in short realisation of revenue by Rs.1.77 crores.

(Paragraph 4.2.8)

#### 4.2.5 Permits issued by Regional Transport Authorities

The number of National Permits issued by the six State Regional Transport Authorities, Haryana during the year 1991-92 to 1993-94 are given below:

Year	Name of Regional Transport Authority						Total	Decrease in percentage
	Karnal	Faridabad	Rohtak	Rewari	Hisar	Ambala		
1991-92	432	3675	1802	387	785	1219	8300	
1992-93	445	3669	1242	594	714	852	7516	9.45
1993-94	340	2486	940	230	611	564	5171	31.20

The total number of permits issued had decreased by **9.45 per cent** during 1992-93 and **31.20 per cent** during 1993-94 as compared to 1991-92 and 1992-93 respectively. The Department did not analyse the reasons for such sharp decline.

**4.2.6 Non observance of internal control mechanism**

(A) According to Government of India (Ministry of Surface Transport) notification dated 30 December 1993, it was incumbent upon the authority which grants the National Permit authorisation to inform the State Transport Authorities of the States concerned, registration number of the vehicle, name and address of the permit holder and validity period of the permit. Also, in order to keep watch over demand, recovery, computation of arrears and for taking follow up action to collect the composite fee due from the other States, the Department is required to maintain proper records after collecting necessary data from other States. However, it was noticed in audit that the necessary information was neither communicated by other States who issued authorisation for plying the vehicles in the State of Haryana nor was it ever called for by the State Excise and Taxation Department. Proper records were not maintained by the concerned officers to monitor the collection of the revenue due from other States. In the absence of the appropriate records, the Department could not vouchsafe the correctness of revenue realised on account of composite fee.

(B) At the apex level, State Transport Commissioner is responsible for control, direction, monitoring and evaluation of the activities of the Transport Department with regard to issuance of National Permits, maintenance of records thereof and to have a liason with other State Governments. Deputy Excise and Taxation Commissioners Ambala, Karnal, Faridabad and Hisar are responsible for collection of composite fee from other States and maintenance of connected records. It is essential for the Department to develop in the Headquarters an effective Management Information System (MIS) for the collection of revenue.

(C) Under the National Permit Scheme, the revenue receipt on account of Permit Fee/Composite Fee in the State of Haryana is being collected by the Regional Transport Authorities and Excise and Taxation



Department. Revenue collected by the Regional Transport Authorities is being credited and classified under the head '**0041-Taxes on Motor Vehicles**' whereas the fees collected by the Excise and Taxation Department is being credited and classified under the head '**0042-Passengers and Goods Tax**'.

No separate records distinctly showing revenue collected/remitted under the National Permit Scheme was being maintained by the Department. Thus total revenue realised and credited to Government during 1991-92 to 1994-95 was not available with the Department and the trend of revenue during the years could not be reflected.

#### **4.2.7 Irregularities in remittance of bank drafts to Government account**

(A) Financial Rules of the Government provide that all revenue collections are required to be accounted for in the Government accounts and remitted into treasury without undue delay. The bank drafts received from other States are remitted to the banks accompanied by challans with the instructions to credit the money into Government account. In order to ensure that the amount of bank drafts has actually been credited to Government account, monthly, reconciliation of the remittances made as per departmental records with those of the treasury records is obligatory.

Contrary to these provisions, no uniform procedure/system prescribed for receipt and disposal of bank drafts in the offices of the Deputy Excise and Taxation Commissioners entrusted with the work of collection of composite fee from other States under the Scheme was being followed. In the offices of the Deputy Excise and Taxation Commissioner, Faridabad and Hisar (with effect from 1993-94) bank drafts received were being entered in bank draft receipt register and after these were sorted out, these were being re-entered in bank wise registers for remittance/credit to Government account. In the office of the Deputy Excise and Taxation Commissioner, Ambala, bank drafts were not entered in any register but were sent to the bank alongwith challans for credit to Government account. No authority for adopting this procedure

was shown to audit; it was, however, stated that neither any instruction nor any format was prescribed for maintaining the records under this scheme. There was no system adopted by the Department, either to monitor timely credit of bank drafts to Government account or to review remittance challans in these offices. As a result of this actual number of bank drafts received and amount involved could not be ascertained both by the Department and in audit.

A few other instances of omissions/deficiencies noticed during the course of audit are given below:

(i) 1183 bank drafts amounting to Rs.7.49 lakhs received in the office of the Deputy Excise and Taxation Commissioner Ambala from other States on account of composite fee payable to Haryana during the year 1992-93 were not credited to Government account immediately on their receipts. The remittance of bank drafts was delayed from 1 to 6 months resulting in loss of interest to the Government.

(ii) 605 bank drafts for Rs.9.68 lakhs received from seventeen States relating to the period 1990-91 to 1993-94 were lying un-encashed in the office of the Deputy Excise and Taxation Commissioner, Ambala as detailed below and these had become time barred at the time of audit (December 1994).

Year	Number of Bank Drafts	Amount (in rupees)
upto 1990-91	36	27,000
1991-92	82	63,750
1992-93	49	47,300
1993-94	438	8,29,969
<b>Total</b>	<b>605</b>	<b>9,68,019</b>

The bank drafts are valid for six months unless revalidated, no action for their revalidation was taken by the Department. Thus failure of the Department to credit the bank drafts in time to Government account resulted in retention of Rs.9.68 lakhs out of Government account. The Department, however, intimated (March 1995) that action to clear the

outstanding bank drafts had been initiated. Final report of clearance has not been received (July 1995).

28 bank drafts for Rs.23,000 received by Deputy Excise and Taxation Commissioner Ambala pertaining to the period 1985 to 1992 were sent for revalidation only during 1992-93 but these were not credited to Government account despite revalidation after delays ranging between 2 to 9 years and these had again become time barred. Thus it was evident that the Department has not been taking any steps to streamline the procedure for receipt and timely encashment of bank drafts.

(iii) 7784 bank drafts involving Rs.49.19 lakhs detailed in the table given below received from other States had also become time barred as these were not sent to bank in time for credit to Government account.

Name of DETC office	Year	Number of bank drafts	Amount (In rupees)
Hisar	upto 1991-92	1940	14,61,183
	1992-93	1294	9,64,975
	1993-94	4397	23,40,695
Ambala	1992-93	14	11,250
	1993-94	89	98,194
Faridabad	1993-94	50	42,950
<b>Total</b>		<b>7784</b>	<b>49,19,247</b>

Although these drafts were returned to the concerned State authorities for revalidation/rectification between March 1990 and February 1994, these bank drafts were yet to be received back. Thus due to the failure of the Department to maintain proper records to watch the receipt of revalidated/rectified bank drafts and to develop a proper monitoring system to follow up with the concerned State Authorities, revenue amounting to Rs.49.19 lakhs remained to be credited to Government account.

(iv) In addition to this, it was noticed that 84 bank drafts for Rs.1.91 lakhs received between September 1990 and April 1994 from three States\* payable to the Deputy Excise and Taxation Commissioners Faridabad, Rohtak and Hisar were mis-sent by other States to the Deputy Excise and Taxation Commissioner, Ambala who failed to pass on the drafts to the concerned payees in time.

Thus due to absence of a proper system and as a result of inaction on the part of the Department to get the drafts received from other States credited to Government account immediately on receipt, as required under the rules, revenue to the extent of Rs.68.50 lakhs in all the above cases, though collected from the permit holders, was not credited to Government account.

(v) It was further noticed from the records of Deputy Excise and Taxation Commissioner, Ambala, that no reconciliation of remittances made into treasury was ever done. Thus short/non-accountal of Government revenue in the treasury cannot be ruled out. On being pointed out, the Department intimated (March 1995) that daily collection register is now being prepared and figures of remittances would be reconciled with the treasury records.

**(B) Delay in transmission of bank drafts to other States**

Bank drafts collected from owners of vehicles who opted to ply their vehicles in other States are required to be sent to the concerned States within a reasonable time from the date of receipt of drafts. However, 647 drafts collected by two Regional Transport Authorities were sent late to other States concerned by 2 to 10 months after the date of their receipt. As a result of this 294 bank drafts out of 647 forwarded to the concerned States had become time barred in the office of the Regional Transport Authorities at Faridabad (231) and Ambala (63).

**4.2.8 Short realisation of Composite Fee**

A meeting of Transport Development Council under the Ministry of Surface Transport (Transport wing) was held in October 1993 under the Chairmanship of Minister of State for Surface Transport in

\* Andhra Pradesh, Maharashtra and Tamil Nadu.

which representative of Haryana was also present. After discussion the Council resolved that a two-tier system of composite fee may be accepted. 17 participant States would keep the composite fee at Rs.3,000 per year whereas the 7 States (which included Haryana) could fix it up to Rs.5,000 per annum at their discretion. Consequently Government of Haryana issued a notification in October 1993 to Transport Commissioners/Directors of all States and Union Territories informing them to revise the composite fee in respect of goods carriers authorised to ply in Haryana covered under National Permit Scheme, from Rs.1,500 to Rs.5,000 for the States and from Rs.750 to Rs.2,500 for each Union Territory per annum retrospectively w.e.f. 1 September 1993.

It was, however, observed in audit that 9479 bank drafts were received in the offices of Deputy Excise and Taxation Commissioners, Faridabad, Ambala and Hisar at old rates from other States/Union Territories on account of composite fee on National Permits in respect of goods carriers authorised to ply in Haryana for the period from September 1993 to March 1994 resulting in short realisation of Rs.1.77 crores as per table below. On this being pointed out in audit (January to March 1995), the Department initiated action in February 1995 to recover the short realisation of composite fee through the concerned State Transport Authorities.

<b>Name of DETC office</b>	<b>Number of bank drafts</b>	<b>Fee due (In lakhs of rupees)</b>	<b>Fee charged</b>	<b>Short realisation</b>
Faridabad	4070	111.27	33.37	77.90
Ambala	4715	123.78	33.25	86.52
Hisar	694	17.35	4.83	12.52
<b>Total</b>	<b>9479</b>	<b>252.40</b>	<b>75.45</b>	<b>176.94</b>

Similarly in 205 cases of permits issued by six Regional Transport Authorities in Haryana during 1993-94 for vehicles operating in

West Bengal, composite fee was charged at old rates of Rs.1500 between September 1993 to March 1994 instead of the enhanced rate of Rs.5,000 as per the notification dated 30 August 1993 issued by the Government of West Bengal. This resulted in short realisation of composite fee of Rs.2.05 lakhs. On this being pointed out (between December 1994 and March 1995) the Department intimated (between January and March 1995) that short recovery of composite fee will be made good from the parties at the time of renewal of their permits and would be remitted to Government of West Bengal.

**4.2.9 Non furnishing of quarterly returns by the Permit Holders**

Under the Central Motor Vehicle Rules, 1989, in respect of Motor Vehicles covered by the National Permits, a quarterly return indicating summary of trips made during the quarter, distance covered in the opted States, total distance of operations etc. in prescribed form (Form 49) is required to be submitted to the permit issuing authority by the permit holders.

A test check of records of Regional Transport Authorities in Haryana State, however, revealed that neither returns had been furnished by the permit holders nor any action was taken by the Department to obtain these returns from them. As such the Department could not ensure whether the vehicle owners operated the vehicles only in States for which they filed declarations for obtaining the National Permits.

**4.2.10 Internal audit**

The receipt of bank drafts under National Permit scheme was entrusted to Deputy Excise and Taxation Commissioner, Ambala, Karnal, Hisar and Faridabad. Though internal audit is in existence in the Department but no audit of this scheme was ever conducted. This indicates that Department had no means of knowing the areas of improper functioning and therefore they had no opportunity of taking remedial action at the appropriate time.

The above points were brought to the notice of the Department between December 1994 and March 1995. The Department

had accepted the audit findings and stated that the necessary action was being taken.

The above findings were reported to Government (May 1995); their reply has not been received (July 1995)

**4.3 Utilisation of departmental receipts towards expenditure**

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.

During the course of audit of Regional Transport Authority Hisar, it was noticed (August 1994) that departmental receipts amounting to Rs.1.04 lakhs collected during the year 1993-94 were not deposited into the treasury/bank but were utilised to give advances to departmental staff in contravention of the aforesaid rules.

On the omission being pointed out (September 1994) in audit, the Department deposited Rs.0.55 lakh and stated (February 1995) that efforts are being made to deposit the balance amount. Further report has not been received (July 1995).

The case was reported to the Government in September 1994; their reply has not been received (July 1995).

**4.4 Non-deposit of token tax**

The Punjab Motor Vehicles Taxation Act, 1924 and the rules made thereunder, as applicable to Haryana, allow a person exemption from payment of tax in respect of vehicles for a quarter if he proves to the satisfaction of the Licensing Officer that he has not used or permitted the use of the vehicle throughout the said quarter and has deposited the registration certificate with the Licensing Officer provided that he sends an advance intimation of his intention not to use the vehicle during the quarter for which exemption is claimed. Further, when such a

vehicle is found to be plying even for a token period in a quarter, the tax has to be paid for the entire quarter.

Haryana Roadways (Sirsa Depot) did not deposit tax in respect of four buses for the quarters ending between July 1993 and July 1994 though these buses continued to ply after deposit of registration certificates beyond the period up to which tax had been paid, resulting in non-deposit of tax of Rs.22,275.

On the omission being pointed out (July 1994) in audit, the Registering Authority, Sirsa issued notice (July 1994) to the concerned depot for recovery. Further report on recovery has not been received (July 1995).

The case was reported to Government (October 1994); their reply has not been received (July 1995).

## **B-STATE EXCISE DUTY**

### **4.5 Low yield of spirit**

Mention was made vide para 4.2 of the Audit Report for the year 1993-94 regarding low yield of spirit from molasses against the prescribed norms provided in the rules resulting in loss of excise duty amounting to Rs.143.46 lakhs.

Subsequently during the audit of the records of Deputy Excise and Taxation Commissioner, Panipat, it was further noticed (July 1991) in a distillery at Panipat that 82,32,158.4 proof litres of spirit were manufactured in the year 1990-91 from 3,23,791 quintals of molasses as against 1,18,53,988 proof litres recoverable as per the norm laid down in the Rules resulting in shortfall of 3,62,829 proof litres involving a loss of excise duty amounting to Rs.253.53 lakhs. The Department stated (January 1993) that excise duty amounting to Rs.253.53 lakhs has been imposed on the distillery in December 1992. Further report has not been received (July 1995).

The case was reported to Government in August 1991 and June 1995; their reply has not been received (July 1995)



**4.6 Interest short charged**

The Haryana Liquor Licence Rules, 1970, provide for payment of monthly instalment of licence fee by the 20th of each month by a licensee holding licence for vending country liquor or Indian made foreign liquor. Failure to do so renders him liable to pay interest at the rate of **18 per cent** per annum for the period of delay from 20th of the month up to the end of the month. As per terms and conditions announced at the time of auction of licenses in the State for the financial year 1993-94, the date of payment shall be included in the period for which interest is to be charged. In case the instalment or any part thereof alongwith interest is not paid upto the end of the month, apart from closure of vend, interest shall be recoverable for the whole month.

During the audit of Deputy Excise and Taxation Commissioner, Rewari, it was noticed (September 1994) that five licensees in Rewari district failed to pay the monthly instalments of licence fee by the prescribed dates during 1993-94. On belated payments of licence fee, interest of Rs.2.14 lakhs was short charged.

On this being pointed out (October 1994) in audit, the Department recovered an amount of Rs.1.27 lakhs and stated (January 1995) that balance is being recovered. Report on recovery of the balance amount has not been received (July 1995).

The case was reported to Government in October 1994; their reply has not been received (July 1995).

**C - ENTERTAINMENTS DUTY AND SHOW TAX**

**4.7 Short recovery 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 a Government notification issued in March 1989, the Entertainments duty is payable on

the basis of population of town in which the video house is located. For towns with population of ten thousand 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.

During the course of audit of the records of Deputy Excise and Taxation Commissioner Jind, it was noticed (March 1995) that at Uchana (Jind District) with population exceeding ten thousand as per census of 1991, entertainments duty in respect of a Video house was erroneously recovered at the rate of Rs.10,000 per quarter instead of the correct rate of Rs.15,000 per quarter for 10 quarters between January 1991 and December 1992, July 1993 to September 1993 and October 1994 to December 1994. This resulted in short recovery of entertainments duty of Rs.50,000.

On this being pointed out (March 1995) in audit, the Department stated (March 1995) that whether the video house was running during the period of default would be confirmed and recovery would be made accordingly. The reply of the Department is not tenable as the video house owner continued to deposit entertainments duty partly for these quarters which indicated that the video house was functioning. Further reply has not been received (July 1995).

The matter was reported to Government in April 1995; their reply has not been received (July 1995).

## **D - PASSENGERS AND GOODS TAX**

### **4.8 Under-assessment of passengers tax**

Under the Punjab Passengers and Goods Taxation Act, 1952 and the rules framed thereunder, as applicable to Haryana, passenger tax is levied and charged on all fares and freights in respect of passengers and goods carried by a motor vehicle. The Act further provides that if the passengers are carried or goods transferred free of charge, the tax will be levied and charged on determined fare at the normal rates prevalent on the route. In Haryana, passenger tax is charged at the rate of **60 per cent** of the value of the fares or freights from 20 July 1973. Besides, penalty

not exceeding five times the amount of tax so assessed subject to a minimum of rupees two hundred is also leviable for non payment of tax.

In Sonapat, a company was plying buses for carrying its employees to and from their residences to the factory premises. The company was required to pay passenger tax on the determined fare at normal rate of **60 per cent**. The Excise and Taxation Officer (Enforcement)-cum-Assessing Authority while finalising (September 1993) the assessments for the years 1979-80, 1981-82 to 1987-88 levied tax at the rate of **50 per cent** instead of at correct rate of **60 per cent**. The omission resulted in under-assessment of passenger tax amounting to Rs.25,279.

On this being pointed out (December 1994) in audit, the Department informed (December 1994) that the company has been wound up and was under liquidation. Further reply has not been received (July 1995).

The case was reported to Government in January 1995; their reply has not been received (July 1995).

The undersigned, being duly sworn, deposes and says that the amount of the sum of \$100.00 was paid to the undersigned by the undersigned on the 1st day of January, 1957, for the purpose of the undersigned's release from the undersigned's custody. The undersigned further deposes and says that the undersigned is a duly licensed and bonded bail bondsman in the State of California, and that the undersigned is a resident of the County of Los Angeles, State of California. The undersigned further deposes and says that the undersigned is a resident of the County of Los Angeles, State of California, and that the undersigned is a resident of the County of Los Angeles, State of California.

The undersigned further deposes and says that the undersigned is a resident of the County of Los Angeles, State of California, and that the undersigned is a resident of the County of Los Angeles, State of California. The undersigned further deposes and says that the undersigned is a resident of the County of Los Angeles, State of California, and that the undersigned is a resident of the County of Los Angeles, State of California.

**Chapter - V**

<b>Non-Tax Receipts</b>		
<b><i>Paragraph</i></b>	<b><i>Particulars</i></b>	<b><i>Page(s)</i></b>
5.1	Results of Audit	89
	<b>A - Mines and Geology</b>	
5.2	Non-recovery of dead rent and interest	90-91
5.3	Non-recovery of interest for late deposit of contract money	91
	<b>B - Co-operation</b>	
5.4	Short recovery of audit fee	91-93

Non-Tax Receipt

Date	Description	Amount	Total

10/10/10

## CHAPTER 5

### NON-TAX RECEIPTS

#### 5.1 Results of Audit

Test check of records of departmental offices dealing with collection and realisation of non-tax receipts, conducted in audit during the year 1994-95, revealed non-recovery of loss of revenue amounting to Rs.464.16 lakhs in 1209 cases as follows :

	Heads of revenue	Number of cases	Amount (In lakhs of rupees)
A.	Mines and Geology	774	452.66
B.	Co-operation	435	11.50
	<b>Total</b>	<b>1209</b>	<b>464.16</b>

(a) In the case of Mines and Geology Department, under-assessment etc. of Rs.52.52 lakhs in 198 cases were accepted of which 197 cases involving Rs.49.78 lakhs were pointed out during 1994-95 and one case in 1992-93. Out of which an amount of Rs.28.95 lakhs in 28 cases has been recovered during 1994-95. Besides, an amount of Rs.0.12 lakh in two cases had also been recovered relating to earlier years.

(b) In the case of Co-operation Department, under-assessment etc. of Rs.12.09 lakhs in 86 cases were accepted of which 85 cases involving Rs.10.06 lakhs were pointed out in audit during 1994-95 and one case in 1993-94. An amount of Rs.6.66 lakhs had been recovered in 45 cases pointed out during 1994-95. Besides, an amount of Rs.1.41 lakhs had also been recovered during 1994-95 in 7 cases relating to earlier years.

A few illustrative cases involving an amount of Rs.11.25 lakhs are given in the succeeding paragraphs.

---

---

**A - MINES AND GEOLOGY**

**5.2 Non-recovery of dead rent and interest**

Under the Mines and Minerals (Regulations and Development) Act, 1957, the holder of a mining lease is required to pay royalty at the rates specified in the Second Schedule of the Act on any mineral removed or consumed by him or by his agent from the leased area by the dates stipulated in the lease deed. Further, as per lease agreement, the lessee shall pay royalty at such rates or dead rent which ever is higher in respect of that area, on 15 January and 15 July. The Mineral concession rules 1960 provide that simple interest at *15 per cent* per annum (*24 per cent* from April 1991) is chargeable for the period of default in payment so long as the default continues. Besides, if the lease permits the working of more than one major mineral in the same area, the State Government shall not charge separate dead rent in respect of each mineral. But in case of minor minerals Government may charge separate dead rent in respect of each minor mineral under the provisions of Punjab Minor Mineral Concession Rules, 1964.

During the audit of records of Mining Officer, District Industries Centre, Gurgaon, it was noticed (October 1992 and February 1995) that a mining lease for extraction of silica sand (major mineral) and ordinary sand (minor mineral) over an area of 414.45 hectares was granted to a public undertaking for the period of ten years from 13 September 1988. The lessee paid royalty/dead rent in respect of ordinary sand only. Dead rent payable in respect of silica sand for the period from August 1990 to December 1994 amounting to Rs.1.31 lakhs was neither recovered nor demanded by the Department. In addition, interest of Rs.39,414 was also recoverable for non-payment of dead rent by due dates.

On this being pointed out (between October 1992 and February 1995) in audit, the Department recovered (December 1992) Rs.53,878 and stated (February 1995) that efforts were being made to recover the balance amount. Further report on recovery has not been received (July 1995).



The case was reported to Government in November 1992; their reply has not been received (July 1995).

**5.3 Non-recovery of interest for late deposit of contract money**

Under the Punjab Minor Mineral concession Rules, 1964, as applicable to Haryana, a mining contract for quarrying is granted by auction or by inviting tenders to 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 in monthly/quarterly instalments. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract and forfeit the security and the instalments paid in advance, if any. Interest at the rate of **15 per cent** (**24 per cent** from 20 March 1992) is also recoverable for the period of default.

In Ambala, a contract for extraction of boulder, gravel and sand was granted to a contractor through auction for the period from 11 February 1991 to 31 January 1994 for an amount of Rs.18.52 lakhs per annum. The contractor paid monthly instalments late for the period from 11 February 1992 to 11 October 1993. Interest chargeable on belated payments amounted to Rs.2.75 lakhs, was not demanded.

On the omission being pointed out (February 1994) in audit, the Department intimated (February 1995) that efforts were being made to recover the interest. Further report on recovery has not been received (July 1995).

The case was reported to Government in March 1994; their reply has not been received (July 1995).

**B - CO-OPERATION**

**5.4 Short recovery of audit fee**

Under the Haryana Co-operative Societies Rules, 1989, every co-operative society is liable to pay audit fee for audit of its annual

accounts by the auditors of Co-operative Department. The fee is charged at the rate of 5 per cent of the net profit of the society subject to certain minimum limits in respect of Primary Co-operative Agriculture and Rural Development Banks (Rs.5,000) and House Building Societies (Rs.200) for each co-operative year.

(i) During the audit of the records of Assistant Registrar, Co-operative Societies, Palwal it was noticed (January 1995) that audit fee amounting to Rs.10,000 at minimum rates was recovered from two Primary Co-operative Agriculture and Rural Development Banks on the basis of net profits reflected in their accounts for the co-operative year 1992-93 before these were audited by the Department. Later, on completion of audit of accounts of these banks, additional audit fee amounting to Rs.3.57 lakhs became recoverable on the basis of audited figures of profits but the same was not demanded by the Department.

On this being pointed out (January 1995) in audit, the Department accepted the objection (January 1995) and intimated that efforts were being made to recover the amount. Report on recovery has not been received (July 1995).

The cases were reported to Government in February 1995; their reply has not been received (July 1995).

(ii) During the audit of the records of Assistant Registrar, Co-operative Societies, Ferozpur Jhirka, it was noticed (January 1994) that audit fee amounting to Rs.10,000 at minimum rates of Rs.5,000 was recovered from a Primary Co-operative Agriculture and Rural Development Bank on the basis of net profits reflected in the accounts for the co-operative years 1991-92 and 1992-93 before these were audited by the Department. Later, on completion of audit of accounts of the bank, additional audit fee amounting to Rs.2.03 lakhs became recoverable on the basis of audited figures of profits but the same was not demanded.

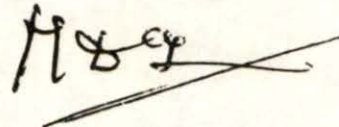
On this being pointed out (January 1994) in audit, the Department admitted (September 1994) the objection and initiated action for recovery. Report on recovery has not been received (July 1995).

The case was reported to Government in February 1994; their reply has not been received (July 1995).

(iii) During the course of audit of records in the offices of the Assistant Registrar of Co-operative societies, Kaithal and Gurgaon, audit fee amounting to Rs.15,200 at minimum rates was recovered from three banks and one House Building society on the basis of net profits reflected in the accounts for the co-operative year 1992-93 before these were audited by the Department. Subsequently on completion of audit of accounts of the societies, additional audit fee amounting to Rs.1.20 lakhs became recoverable on the basis of audited figures of profits but the same was not demanded.

On this being pointed out (February and March 1995) in audit, the Department intimated (March 1995) that an amount of Rs.96,480 has since been recovered from these co-operative banks. Report on recovery of the balance amount has not been received (July 1995).

The cases were reported to Government in March 1995; their reply has not been received (July 1995).

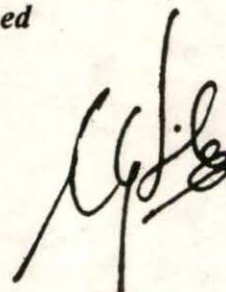


CHANDIGARH  
THE

15 NOV 1995

(M. DEENA DAYALAN)  
Accountant General(Audit) Haryana

*Countersigned*



NEW DELHI  
THE

17 NOV 1995

(C.G. SOMIAH)  
Comptroller and Auditor General of India

The case was reported to Government in February 1952  
their reply has not been received (July 1952)

(iii) During the course of audit of accounts the office of the  
Assistant Registrar of Co-operative Societies, Kanpur, and Chhannan, Kanpur  
Rs 15,200 at minimum was recovered from the  
banks and one House Building Society on the basis of the audit report  
by the accounts for the co-operative year 1950-51 but their  
audit by the Department. It equally on constitution of audit of  
accounts of the societies, additional audit is conducted for 1951-52. In  
became recoverable on the basis of audit figures of profit but the same  
was not demanded.

(iv) This being pointed out in February and March 1952 in  
audit the Department informed (March 1952) that an amount of  
Rs 86,480 has since been recovered from these co-operative banks.  
Report on recovery of the balance amount has not been received (July  
1952)

The case was reported to Government in March 1952  
their reply has not been received (July 1952)

*Handwritten signature*

THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
NEW DELHI  
12 NOV 1952  
M. DEVI DAS ALAM  
Accountant General (Audit) Jaipur

Commissioner

*Handwritten signature*

THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
NEW DELHI  
12 NOV 52  
(C. S. SOMANI)