

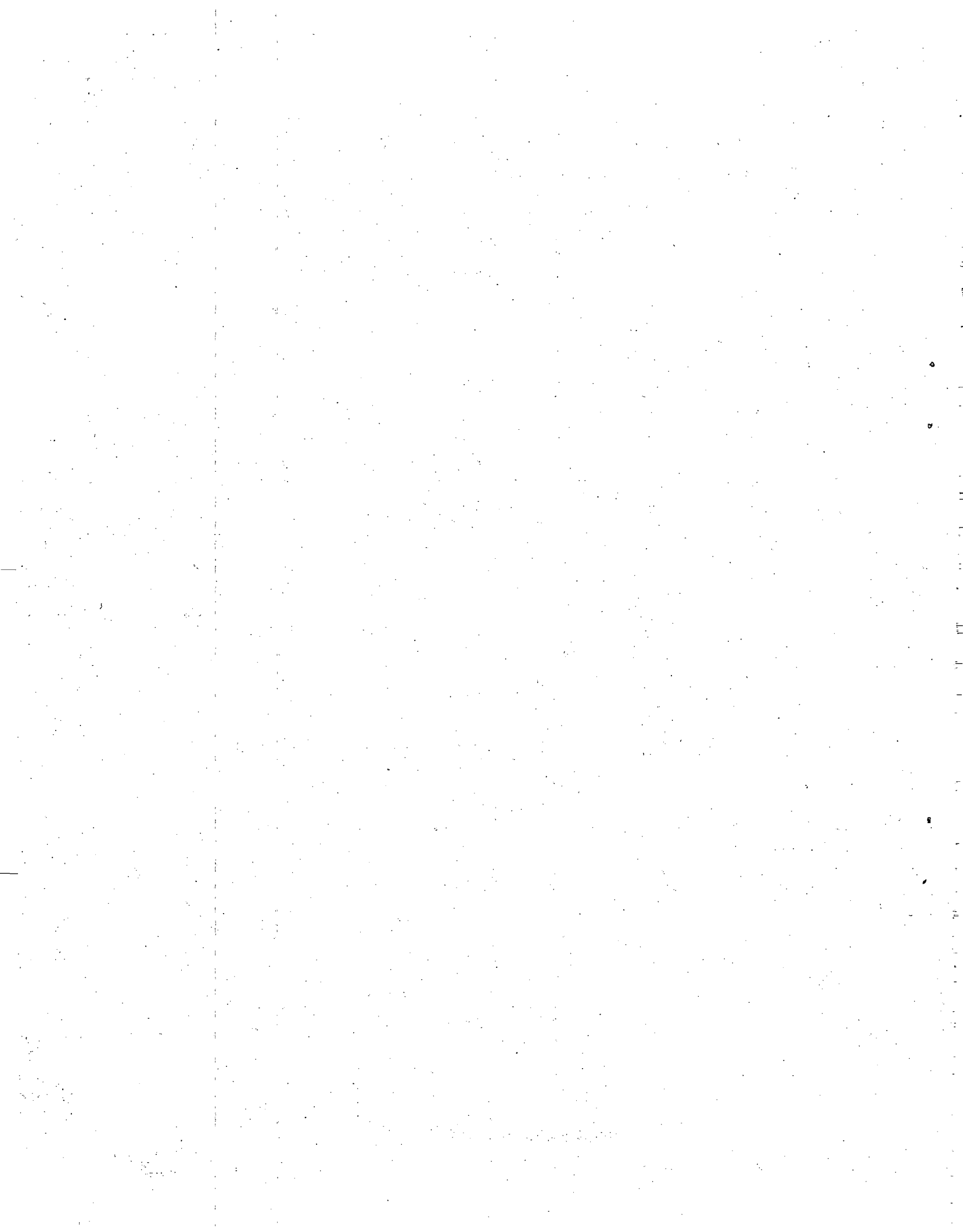
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**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 2002**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF HARYANA**



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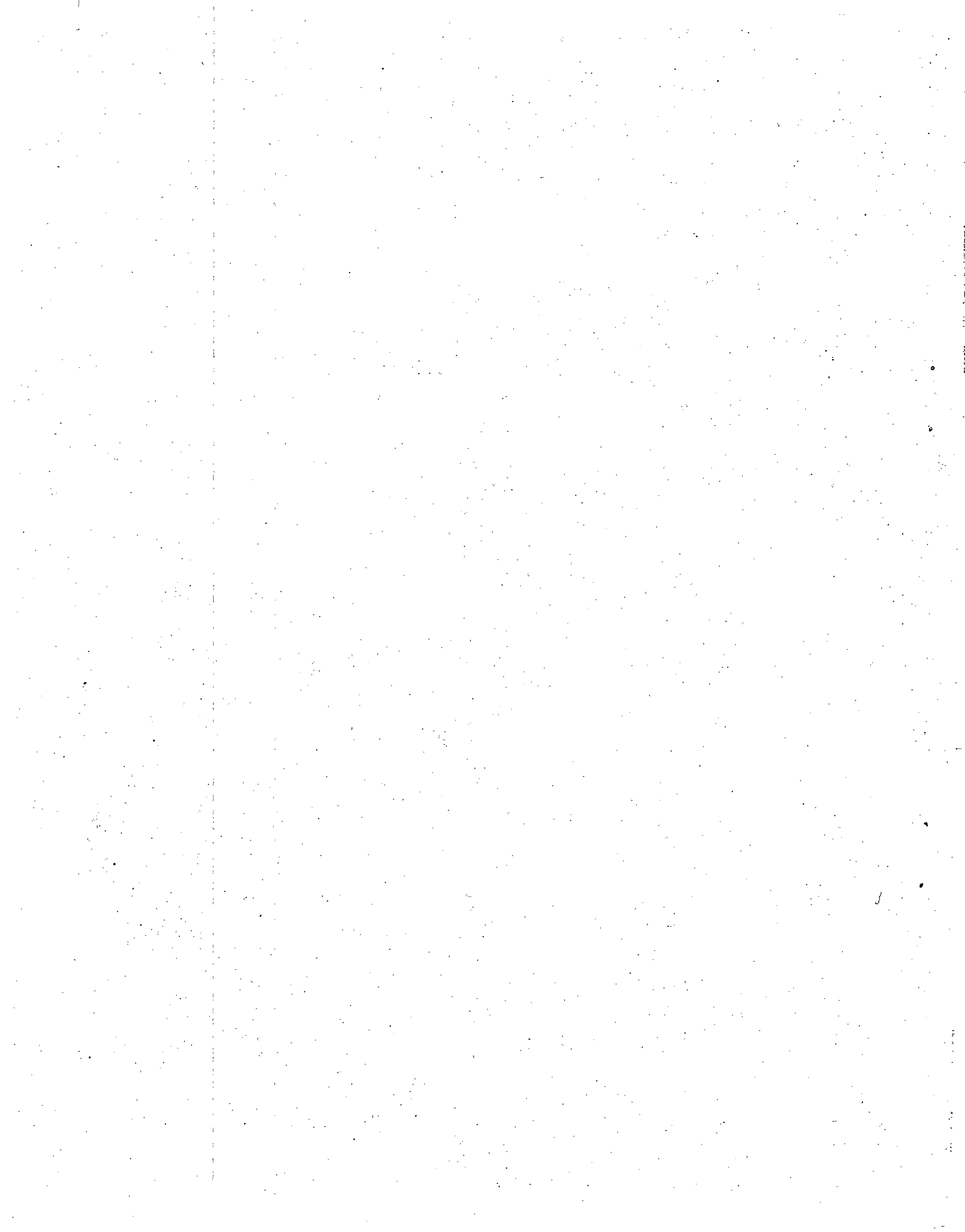
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## *Prefatory Remarks*

This Report for the year ended 31 March 2002 has been prepared for submission to the Governor under Article 151(2) of the Constitution of India.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade etc., stamp duty and registration fee, State excise duty, electricity duty, taxes on motor vehicles, passengers and goods tax, entertainment duty and show tax, agriculture (purchase tax, crop husbandry and horticulture), land revenue 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 2001-2002 as well as those noticed in earlier years but could not be included in previous Reports.





## OVERVIEW

This report contains 32 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalty etc., involving Rs.234.05 crore. Some of the major findings are mentioned below:-

### 1. General

- The total receipt of State Government for the year 2001-2002 was Rs.7,600.55 crore.
  - (a) Revenue raised by the State Government during the year was Rs.6,637.26 crore comprising tax revenue of Rs.4,971.19 crore and non-tax revenue Rs. 1,666.07 crore. Receipts under taxes on Sales, Trade etc. (Rs.2,944.81 crore) and State Excise (Rs.875.39 crore) constituted a major portion of receipts of tax revenue. Under non-tax revenue, major receipt was from road transport (Rs.410.74 crore).
  - (b) The State also received Rs.450.25 crore as its share of net proceeds of divisible union taxes, which had increased by Rs.104.44 crore from previous year. An amount of Rs.513.04 crore was received as grants-in-aid from Government of India. The increase of Rs.34.90 crore compared to previous year was mainly due to receipt of more grants under the Non-Plan, State Plan and Central Plan Schemes.

*(Paragraph 1.1)*
- Arrears of revenue at the end of March 2002 as reported in the major departments were Rs.515.74 crore.

*(Paragraph 1.4)*
- Test-check of records of taxes on sales, trade etc., stamp duty and registration fee, State excise duty, taxes on motor vehicles, passengers and goods tax, entertainment and show tax, agriculture (purchase tax, crop husbandry and horticulture), electricity duty, land revenue, public works (irrigation, public health and buildings and roads), home (police), mines and geology, forest, rehabilitation, co-operation, State lotteries, medical, food and supplies, animal husbandry and industries departments conducted during 2001-2002 revealed under-assessment of taxes and duties/loss of revenue etc. amounting to Rs.385.82 crore in 1,54,406 cases. The concerned departments accepted under-assessments etc. of Rs.60.51 crore of which Rs.59.17 crore

pertain to the year 2001-2002 and the rest to earlier years. An amount of Rs.5.46 crore in 195 cases had already been recovered.

*(Paragraph 1.7)*

- Inspection reports containing 6,863 audit observations with money value of Rs.556.19 crore (issued upto December 2001) were outstanding for want of final replies from the departments.

*(Paragraph 1.8)*

## **2. Taxes on Sales, Trade etc.**

- In 2 cases, exemption/deferment of Rs.26.38 crore was granted for expansion without fulfilling the conditions laid down in the rules.

*{Paragraph 2.2.7 (i)}*

- Due to incorrect computation of fixed capital investment, sales tax incentives of Rs.23.34 crore in 73 units were granted in excess by the Industries Department.

*{Paragraph 2.2.7 (iii)}*

- 8 units availed exemption of Rs.3.91 crore without obtaining eligibility/exemption certificates and 9 units availed deferment of Rs.2.41 crore in excess of the quantum prescribed in the eligibility certificates.

*{Paragraph 2.2.8 (a) and (b)}*

- In 48 cases, application of incorrect and concessional rate of tax resulted in under-assessment of tax of Rs.2.24 crore.

*{Paragraph 2.2.9 (i) and (ii)}*

- 68 dealers were allowed irregular deductions and the notional sales tax liability was calculated on taxable turnover instead of gross turnover, which resulted in under-assessment of tax of Rs.9.34 crore.

*{Paragraph 2.2.9 (iii)}*

- In 27 cases, notional sales tax liability of Rs.2.18 crore was under-assessed due to non-levy of purchase tax and calculation mistakes.

*{Paragraph 2.2.10(i) and (ii)}*

- Non-levy of purchase tax on cotton, paddy and spirit, purchased from within the State resulted in under-assessment of tax of Rs.1.18 crore including interest of Rs.9.66 lakh in 25 cases.

*(Paragraph 2.3)*

- Misuse of declaration Forms (STD-4) resulted in evasion of tax of Rs.47.24 lakh. Besides penalty of Rs.70.86 lakh was not levied.

(Paragraph 2.8)

- The sales tax department did not raise the demand for interest of Rs.30.01 lakh against the dealer, who had closed his business within a period of five years after expiry of the exemption period.

(Paragraph 2.10)

- The department did not realise the tax of Rs.26.30 lakh collected by an exempted dealer.

(Paragraph 2.11)

### 3. Stamp Duty and Registration Fee

- Under-valuation of immovable property with an intent to defraud the Government resulted in evasion of stamp duty of Rs.15.48 lakh and penalty of Rs.2.20 lakh.

(Paragraph 3.2)

- Stamp duty of Rs.10.02 lakh was short levied on 18 compromise decrees registered by the department.

(Paragraph 3.3)

- Inadmissible exemption allowed in 111 releases of ancestral properties resulted in evasion of stamp duty of Rs.1.44 crore.

(Paragraph 3.6)

### 4. State Excise Duty

- An amount of Rs.22.86 crore had been pending collection as on 31 March 2001, of which Rs.10.64 crore was outstanding for more than 5 years.

(Paragraph 4.2.6)

- Revenue of Rs.1.86 crore (licence fee: Rs.0.67 crore and interest: Rs.1.19 crore) was short recovered from licencees by 12 Deputy Excise and Taxation Commissioners.

{Paragraph 4.2.7 (i) and (ii)}

- Loss of revenue of Rs.8.73 crore due to re-auction of vends remained unrecovered.

(Paragraph 4.2.8)

- Short lifting of 5.54 lakh proof litres of quota of country liquor and non-levy of excise duty on excess lifting of additional quota of 16,171 proof litres of IMFL resulted in revenue loss of Rs.1.19 crore on account of excise duty.

*(Paragraph 4.3 and 4.4)*

## **5. Other Tax Receipts**

### **Electricity Duty**

- As on 31 March 2001, electricity duty of Rs.50.65 crore remained in arrears of which Rs.33.83 crore was recoverable from defaulting consumers.

*(Paragraph 5.2.7)*

- Electricity duty of Rs.9.21 crore was mis-classified as sale of power instead of electricity duty, which resulted in loss of interest of Rs.2.68 crore.

*(Paragraph 5.2.8)*

- Shortfall in statutory inspection of power installations resulted in revenue loss of Rs.1.31 crore on account of inspection fees.

*(Paragraph 5.2.11)*

- Excessive auxiliary consumption of power reduced the availability of power for sale depriving the Government from the electricity duty of Rs.7.52 crore.

*(Paragraph 5.2.12)*

### **Taxes on Motor Vehicles**

- Token tax of Rs.70.88 lakh was neither demanded by the department nor deposited by the Transport Co-operative Societies.

*(Paragraph 5.3)*

- Passing fee of Rs.79.42 lakh for grant or renewal of fitness certificate in respect of 1,53,603 Light Motor Vehicles (non-transport) was not charged.

*(Paragraph 5.4)*

- Permit fee/countersignature fee of Rs.3.30 crore was short charged in 24303 cases.

*(Paragraph 5.5)*

**Passengers and Goods Tax**

- Passengers tax of Rs.1.06 crore due from 166 Transport Co-operative Societies was neither deposited by the societies nor demanded by the department.

*(Paragraph 5.6)*

**Agriculture**

- Purchase tax of Rs.85.20 lakh and interest of Rs.12.42 lakh was not recovered from two sugar mills.

*(Paragraph 5.8)*

**6. Non-Tax Receipts**

**(A) Town and country planning**

- Delayed remittances of 116 bank drafts amounting to Rs.18.57 crore on account of scrutiny fee, licence fee, conversion charges and service charges etc. into bank/treasury resulted in loss of interest of Rs.15.99 lakh.

*(Paragraph 6.2)*

**(B) Public Works Department (Irrigation and Public Health) and Home Department (Police)**

- Departmental receipts amounting to Rs.62.36 lakh were utilised towards expenditure in contravention of codal provisions.

*(Paragraph 6.3)*

**(C) Mines and Geology**

- Short raising of demand against a contractor resulted in short recovery of bid money of Rs.4.49 lakh including interest of Rs.1.31 lakh.

*(Paragraph 6.4)*

**(D) Forest Department**

- Sales tax amounting to Rs.17.71 lakh was not levied/recovered on the sale of timber valued at Rs.2.21 crore sold to Haryana Forest Development Corporation.

*(Paragraph 6.5)*

**(E) Rehabilitation Department**

- Rent amounting to Rs.20.83 lakh for unauthorised occupation of evacuee land was not recovered from the occupants.

*(Paragraph 6.6)*

**(F) Co-operation Department**

- Dividend of Rs.80.70 lakh on share capital was not deposited into Government account by 6 Co-operative banks.

*{Paragraph 6.7 (i)}*

- Government share capital amounting to Rs.7.38 crore was not redeemed by 3 Co-operative societies.

*(Paragraph 6.8)*

## CHAPTER I: General

### 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 2001-2002, 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:

Sl.No	Particulars	1999-2000	2000-2001	2001-2002
(Rupees in crore)				
<b>I</b>	<b>Revenue raised by the State Government</b>			
(a)	Tax revenue	3517.61	4310.55	4971.19
(b)	Non-tax revenue	1259.06 (988.97)	1439.39 (1128.10)	1666.07 (1266.56)
	<b>Total (I)</b>	<b>4776.67</b> <b>(4506.58)</b>	<b>5749.94</b> <b>(5438.65)</b>	<b>6637.26</b> <b>(6237.75)</b>
<b>II</b>	<b>Receipts from Government of India</b>			
(a)	State's share** of net proceeds of divisible Union taxes	525.27	345.81	450.25
(b)	Grants-in-aid	464.81	478.14	513.04
	<b>Total (II)</b>	<b>990.08</b>	<b>823.95</b>	<b>963.29</b>
<b>III</b>	<b>Total receipts of the State (I + II)</b>	<b>5766.75</b> <b>(5496.66)</b>	<b>6573.89</b> <b>(6262.60)</b>	<b>7600.55</b> <b>(7201.04)</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>83</b> <b>(82)</b>	<b>87</b> <b>(87)</b>	<b>87</b> <b>(87)</b>

The non-tax revenue for 1999-2000, 2000-2001 and 2001-2002 includes gross receipts from State Lotteries amounting to Rs 255.10 crore, Rs 295.52 crore and Rs 388.29 crore, against which Rs 270.09 crore, Rs 311.29 crore and Rs 399.51 crore respectively were incurred on running of lotteries schemes. The net receipts from State Lotteries was in negative i.e. Rs.(-) 14.99 crore in 1999-2000, (-) Rs.15.77 crore in 2000-2001 and Rs. (-) 11.22 crore in 2001-2002. To make the figures comparable for three years, receipts from prize winning tickets have been accounted for net of expenditure on prize winning tickets and shown in brackets.

\*\* For details please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 2001-2002. Figures of "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.

(i) The details of the tax revenue raised during the year 2001-2002, alongwith figures for the preceding two years, are shown below:

Sl. No	Particulars	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-02 over 2000-2001
(Rupees in crore)					
1.	Taxes on Sales, Trade etc.	1967.38	2573.39	2944.81	(+) 14
2.	State Excise	765.36	840.56	875.39	(+) 4
3.	Taxes on Goods and Passengers	323.85	366.66	498.56	(+) 36
4.	Stamp Duty and Registration Fee	309.92	419.24	488.29	(+) 16
5.	Taxes on Vehicles	84.77	85.69	103.62	(+) 21
6.	Taxes and Duties on Electricity (ED)	46.08	*0.68	**29.48	(+) 4235
7.	Land Revenue	4.29	11.73	19.30	(+) 65
8.	Other Taxes and Duties on Commodities and Services	15.96	12.60	11.74	(-) 7
	<b>TOTAL</b>	<b>3517.61</b>	<b>4310.55</b>	<b>4971.19</b>	

Reasons for variations in receipts during the year 2001-2002 compared to 2000-2001 as supplied by the respective departments were as under:

(a) **Taxes on Sales, Trade etc.** The increase of 14 *per cent* was due to increase in procurement price of wheat and its heavy arrivals in the market, hike in prices of High Speed Diesel and petrol and effective check on tax evasion by introduction of Form ST-38 for regulating movement of goods in and out of the State.

\* The actual receipt during 2000-2001 was Rs.42.27 crore. The difference between actual realisation of duty and the amount accounted for in the books of AG (A&E) Haryana, was due to non-adjustment of subsidy of Rs.39.18 crore sanctioned in lieu of Electricity Duty and non-receipt of duty amounting to Rs.2.41 crore from collecting agencies.

\*\* During 2001-02 actual receipt was Rs.52.01 crore and the difference was due to adjustment of Electricity duty of Rs.22.53 crore against the Government dues by the UHBVNL and DHBVNL, which was not accounted for in Finance Accounts.



- (b) **Taxes on Goods and Passengers:** The increase of 36 *per cent* was due to imposition of Haryana Local Area Development Tax.
- (c) **Stamp Duty and Registration Fee:** The increase of 16 *per cent* was due to revision of rates of immovable property and more registration of documents in the State.
- (d) **Taxes on Vehicles:** The increase of 21 *per cent* was due to better enforcement and heavy checking of unauthorised vehicles by Senior Superintendent of Police Haryana, Highway Patrol and Road Safety.
- (e) **Taxes and Duties on Electricity:** Against receipt of Rs.0.68 crore and Rs.29.48 crore as shown in the Finance Accounts of 2000-2001 and 2001-2002, actual receipt was Rs.42.27 crore and Rs.52.01 crore respectively. The increase of 23 *per cent* over 2000-2001 was due to more recovery of duty and power charges.
- (f) **Land Revenue:** The increase of 65 *per cent* was due to more recovery of copying fee and mutation fee.
- (ii) The details of non-tax revenue received during the year 2001-2002, alongwith the figures for the preceding two years are given below:

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
(Rupees in crore)					
1.	Miscellaneous General Services				
	(i) State Lotteries	255.10	295.52	388.29	(+) 31
		{(-)14.99}	{(-)15.77}	{(-)11.22}	
	(ii) Other than Lotteries	(-)1.31	3.78	(-)0.73	
2.	Road Transport	336.40	378.56	410.74	(+) 9
3.	Interest Receipts	202.23	236.22	332.87	(+)41
4.	Non-ferrous Mining and Metallurgical Industries	84.80	105.35	139.87	(+) 33

\* The net receipts from lotteries shows negative flow of funds i.e. the Government is incurring more expenditure on lotteries than receipts accruing from it. Government may consider the need for continuing the lottery in these circumstances.

\*\* Receipts from Road Transport are gross receipts of Haryana Roadways.

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
(Rupees in crore)					
5.	Medical and Public Health	23.39	23.40	28.32	(+)21
6.	Others	358.45	396.56	366.71	(-)8
	<b>TOTAL</b>	<b>1259.06</b> <b>(988.97)</b>	<b>1439.39</b> <b>(1128.10)</b>	<b>1666.07</b> <b>(1266.56)</b>	

Reasons for variations in receipts during the year 2001-2002 as compared to those of 2000-2001 as intimated by the departments are as under:

- (a) **Miscellaneous General Services:** The increase was due to the reason that more lottery tickets were sold during the year 2001-02 as compared to 2000-01.
- (b) **Interest Receipts:** The increase was due to more interest received from Departmental Commercial Undertaking, Public Sector/other Undertakings and Co-operative Societies.
- (c) **Non-ferrous mining and metallurgical industries:** The increase was due to higher bids, grant of mining lease by public auction and strenuous efforts for recovery of Government dues by the department.
- (d) **Medical and Public Health:** The increase was due to upward revision in the rates of Hospital charges by the Government, allotment of MBBS seats to the Non-resident Indians against payment seats in the Post-Graduate Institute, Rohtak.

## 1.2 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 2001-2002 and actual receipts in respect of principal heads of tax and non-tax revenue and the reasons thereof as intimated by the respective departments are

given below:

Sl. No.	Heads of Revenue	Budget estimates	Actual receipts	Variations Increase (+) / Decrease (-)	Percentage of variation
(Rupees in crore)					
1.	Taxes on Sales, Trade etc.	3056.00	2944.81	(-) 111.19	(-)4
2.	State Excise	870.00	875.39	(+) 5.39	(+)1
3.	Taxes on Goods and Passengers	395.00	498.56	(+) 103.56	(+) 26
4.	Stamp duty and Registration fee	450.00	488.29	(+) 38.29	(+) 9
5.	Taxes on vehicles	100.00	103.62	(+) 3.62	(+) 4
6.	Taxes and Duties on Electricity	50.04	29.48	(-) 20.56	(-) 41
7.	Land Revenue	39.06	19.30	(-) 19.76	(-) 51
8.	Other taxes and duties on commodities	15.00	11.74	(-) 3.26	(-) 22
9.	Miscellaneous General Services	434.17	387.56	(-) 46.61	(-) 11
10.	Road Transport	397.80	410.74	(+) 12.94	(+) 3
11.	Interest Receipts	375.70	332.87	(-) 42.83	(-) 11
12.	Non-ferrous mining and metallurgical industries	150.00	139.87	(-) 10.13	(-) 7
13.	Medical and Public Health	26.16	28.32	(+) 2.16	(+) 8

The reasons for variations between the Budget estimates and the actuals as furnished by the departments are as under:

- (a) **Taxes on Goods and Passengers:** The increase of 26 per cent was due to imposition of Haryana Local Area Development tax.
- (b) **Taxes and Duties on Electricity Duty:** Against the budget estimate of Rs. 50.04 crore, the actual receipts during the year 2001-02 were Rs.52.01 crore of which, Rs.29.48 crore only had been accounted for in the Finance Accounts and Rs.22.53 crore were not received by the department from UHBVNL\* and DHBVNL\*\* as the amount was adjusted by them towards their dues receivable from the State Government.

\* Uttar Haryana Bijli Vitran Nigam Ltd.

\*\* Dakshin Haryana Bijli Vitran Nigam Ltd.

- (c) **Land Revenue:** The department stated that the decrease of 51 *per cent* was mainly due to less recovery of copying fee and mutation fee.
- (d) **Other taxes and duties on commodities:** The decrease of 22 *per cent* was due to reduction in rates of Entertainment Tax and total abolition of Show Tax and exemption from levy of entertainment duty on Swang, Nauntanki, Natak, Fish Aquarium etc.
- (e) **Miscellaneous General Services:** The decrease of 11 *per cent* was due to non-adjustment of prize-winning tickets.
- (f) **Interest Receipts:** The decrease of 11 *per cent* was due to lesser receipt of interest from Departmental Commercial Undertakings, Public Sector/other Undertakings, Local Bodies, etc.

### 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 years 1999-2000, 2000-2001 and 2001-2002 along with the relevant all India average percentage of expenditure on collection to gross collections for 2000-2001 are given below:

Sl. No.	Heads of Revenue	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 2000-2001
(Rupees in crore)						
1.	Taxes on Sales, Trade etc.	1999-2000	1967.38	30.37	1.54	1.31
		2000-2001	2573.39	35.21	1.37	
		2001-2002	2944.81	41.08	1.39	
2.	State Excise	1999-2000	765.36	12.47	1.63	3.10
		2000-2001	840.56	5.81	0.69	
		2001-2002	875.39	7.78	0.89	
3.	Stamp Duty and Registration Fee	1999-2000	309.92	3.85	1.24	4.39
		2000-2001	419.24	3.15	0.75	
		2001-2002	488.29	1.95	0.40	
4.	Taxes on Vehicles	1999-2000	84.77	2.72	3.21	3.48
		2000-2001	85.69	5.74	6.70	
		2001-2002	103.62	5.07	4.89	

It may be seen from the table that in respect of Sales Tax and Taxes on Vehicles, the percentage of expenditure to gross collection was higher than the all India percentage of cost of collection during 2000-2001.

#### 1.4 Arrears in revenue

As on 31 March 2002, arrears of revenue under the principal heads of revenue, as reported by the departments, were as under:

Sl. No.	Heads of revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in crore)				
1.	Taxes on sales, trade etc.	390.85	113.91	Demand for Rs.28.05 crore was covered by recovery certificates, Rs.72.91 crore was stayed by Courts and other Appellate Authorities, Rs.7.96 crore was held up due to dealers becoming insolvent and demand for Rs.11.36 crore was proposed to be written off. Specific action taken to recover remaining amount of Rs.270.57 crore was not intimated.
2.	Taxes and Duties on Electricity	52.69	29.49	Rs.0.38 crore was recoverable from M/s Rama Fiber, Bhiwani. Rs.0.30 crore from M/s Dadari Cement Factory, Charkhi Dadri, Rs. one crore from M/s Haryana Concast Hisar, Rs.0.16 crore from M/s Competent Alloys, Ballabgarh and a sum Rs.50.85 crore from consumers by Haryana Vidyut Prasaran Nigam
3.	State Excise	23.39	10.28	Rs.1.22 crore was covered under recovery certificates, Rs.13.86 crore was stayed by High Courts and other Judicial Authorities. Rs.0.33 crore was proposed to be written off. Action taken to recover the remaining amount of Rs.7.98 crore was not intimated by the department.
4.	Taxes on Goods and Passengers	32.33	7.63	Rs.0.12 crore was stayed by the courts. Specific action taken to recover the remaining amount of Rs.32.21 crore was not intimated by the department
5.	Non-ferrous mining and metallurgical industries	5.04	3.05	Rs.1.82 crore was covered under recovery certificates, Rs.0.22 crore was stayed by High Court and other Judicial Authorities, Rs.0.03 crore was held up due to pending rectification/review applications. Rs.0.01 crore was proposed to be written off and detailed break up of

Sl. No.	Heads of revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in crore)				
				remaining amount of Rs.2.96 crore was not available with the department
7.	Police	1.20	0.82	The amount was due from 6 States.
8.	Other taxes and duties on commodities and services: (i) Receipts under the Sugarcane (Regulation of Purchase and Supply) Act.	9.04	3.33	Three sugar mills (Yamunanagar: Rs. 3.58 crore, Panipat: Rs 3.18 crore, and Rohtak: Rs 2.28 crore) did not deposit the tax.
	(ii) Receipts under entertainment duty and show tax	1.20	0.19	Rs 0.17 crore was stayed by courts. Reasons for remaining amount of Rs 1.03 crore was not intimated by the department
	<b>Total</b>	<b>515.74</b>	<b>168.70</b>	

The arrears outstanding for more than 5 years constituted 33 per cent of total arrears.

### 1.5 Arrears in assessment

The details of assessment cases of Taxes on Sales, Trade etc. and Passengers and Goods Tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending at the end of each year during 1997-98 to 2001-2002 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
1997-98	ST**	160524	147059	307583	194116	113467	63
	PGT***	757	628	1385	688	697	50
1998-99	ST	113467	96544	210011	123595	86416	59
	PGT	697	775	1472	576	896	39
1999-2000	ST	86416	199560	285976	127082	158894	44
	PGT	896	651	1547	567	980	37
2000-2001	ST	158894	168142	327036	164418	162618	50
	PGT	980	472	1452	450	1002	31
2001-2002	ST	162618	159063	321681	114003	207678	35
	PGT	1002	693	1695	555	1140	33

\* Assam, Chandigarh (U.T.), Jammu & Kashmir, Rajasthan, Uttar Pradesh and West Bengal.

\*\* Taxes on Sales, Trade etc.

\*\*\* Passengers & Goods Tax.

The above table shows that number of pending cases in respect of Taxes on Sales, Trade etc. at the beginning of 1997-98 was 160524 which had gone upto 207678 at the end of 2001-2002 registering an increase of about 29 per cent while the percentage of finalisation of assessment cases decreased from 63 per cent in 1997-98 to 35 per cent in 2001-2002. The percentage of finalisation of assessment cases in respect of taxes on Passengers and Goods Tax decreased from 50 per cent during 1997-98 to 33 per cent in 2001-2002.

### 1.6 Frauds and evasions of taxes/duties

The cases of frauds and evasions of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 2002, as supplied (July 2002) by the respective departments, are given as under:

Name of tax/duty	Cases pending as on 31 March 2001	Cases detected during the year 2001-2002	Total (2+3)	Number of cases in which assessments/investigations completed and additional demand including penalty raised	Amount of demand (Rupees in crore)	Number of cases pending finalisation as on 31 March 2002 (4-5)
1	2	3	4	5	6	7
Taxes on Sales, Trade etc.	129	1736	1865	1694	2.78	171
Passengers and Goods Tax	62	6270	6332	6270	2.62	62
Entertainment Duty and Show tax	Nil	23	23	23	0.01	Nil

### 1.7 Results of Audit

Test-check of records of departmental offices relating to Taxes on Sales, Trade etc., Stamp Duty and Registration Fee, State Excise Duty, Taxes on Motor Vehicles, Passengers and Goods Tax, Entertainment and Show Tax, Agriculture (Purchase Tax, Crop Husbandry and Horticulture), Electricity Duty, Land Revenue, Public Works (Irrigation, Public Health, Buildings and Roads), Home (Police), Mines and Geology, Forest, Rehabilitation, Co-operation, State-Lotteries, Medical, Food and Supplies, Animal Husbandry and Industries conducted during the year 2001-2002 revealed under-assessments, non/short levy of taxes, duties and losses of revenue

amounting to Rs. 385.82 crore in 1,54,406 cases. During the year 2001-2002, the concerned departments accepted under-assessment etc. of Rs.60.51 crore involving in 5,383 cases. Out of these, 5292 cases involving Rs.59.17 crore were pointed out during 2001-02 and the rest in earlier years. An amount of Rs 5.46 crore was recovered in 195 cases during 2001-2002 of which Rs 2.82 crore recovered in 191 cases related to earlier years.

This report contains 32 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalty etc., involving Rs.234.05 crore. The department accepted audit observations involving Rs 55.37 crore out of which Rs 2.94 crore had been recovered up to July 2002. No replies had 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 2001 and which were pending settlement by the departments as on 30 June 2000, 2001 and 2002 are given below:

Particulars	At the end of June		
	2000	2001	2002
Number of inspection reports pending settlement	2517	2785	3043
Number of outstanding audit observations	6176	6560	6863
Amount of receipts involved (Rupees in crore)	650.03	461.36	556.19



(iii) Department-wise break-up of the inspection reports and audit observations issued upto December 2001 and outstanding as on 30 June 2002 is as follows:

Department	Number of outstanding		Amount of receipts involved (Rupees in crore)	Number of inspection reports to which even first replies had not been received
	Inspection reports	Audit observations		
Revenue Department	876	1634	28.39	7
Excise and Taxation	658	2726	297.09	15
Transport	386	671	17.03	3
Forest	69	142	7.29	13
Others	1054	1690	206.39	55
<b>Total</b>	<b>3043</b>	<b>6863</b>	<b>556.19</b>	<b>93</b>

The matter was brought to the notice of the Government in June/July 2002; replies regarding steps taken to settle the outstanding inspection reports and audit observations had not been received (July 2002).

### 1.9 Follow-up on Audit Reports - Summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt within various Audit Reports, the PAC recommended in 1982 that departments should furnish remedial/ corrective Action Taken Notes (ATNs) on all paragraphs contained therein within the prescribed period.

PAC took a serious view of the inordinate delays and persistent failures on the part of large number of departments in furnishing the ATNs within the prescribed time and recommended on 30 May 1995 that pending ATNs pertaining to Audit Reports should be submitted within three month from the laying of the Reports in the State Legislature.

\* This includes "Stamp Duty and Registration fee" and "Land Revenue".

\*\* This includes "Taxes on Sales, Trade, etc.", "Passengers and Goods Tax", "Entertainment Duty and Show Tax" and "Prohibition and Excise."

Review of outstanding ATNs on paragraphs included in Report of the Comptroller and Auditor General of India (Revenue Receipts) as on 31 March 2002 disclosed that departments had not submitted remedial ATNs on 34 paragraphs (May 2002).

Departments failed to submit ATNs within three months in respect of 65 paragraphs included in the Audit Reports upto and for the year ended March 1999. Of these, ATNs in respect of 13 paragraphs have not been received at all (July 2002). Though the Audit Report for the year ended March 2000 was laid on the table of Legislature on 13 March 2001 and time limit for furnishing the ATNs had lapsed on 12 June 2001, the departments did not submit ATNs on 21 paragraphs (July 2002)

#### **1.10 Response of the departments to Draft Audit Paragraphs**

Department of Finance issued directions to all departments on 5 January 1982 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded to the secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each paragraph included in the Audit Report.

41 Draft Paragraphs and 3 Reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2002 were forwarded to the secretaries of the concerned departments during January to July 2002 through demi-official letters. Except in 6 cases, the secretaries of the departments did not send replies thereto.

## CHAPTER II: Taxes on Sales, Trade etc.

### 2.1 Results of Audit

Test-check of sales tax assessments, refund cases and other connected records conducted during the year 2001-2002, revealed under-assessments etc. of sales tax amounting to Rs.198.00 crore in 666 cases, which broadly fall under the following categories:

Sl. No.	Particulars	Number of cases	Amount (Rupees in crore)
1.	Incorrect computation of turnover	205	10.29
2.	Application of incorrect rate of tax	83	3.83
3.	Non-levy of interest	54	3.08
4.	Non-levy of penalty	9	0.69
5.	Under-assessment of turnover under CST, Act	85	3.14
6.	Other irregularities	229	9.69
7.	Review on 'Exemption and deferment from payment of sales tax to new industrial units'	1	167.28
	<b>Total</b>	<b>666</b>	<b>198.00</b>

During the year 2001-2002, the department accepted under-assessment of tax of Rs.27.80 crore involved in 104 cases of which 13 cases involving Rs.26.46 crore had been pointed out in audit during 2001-2002 and the rest in earlier years. An amount of Rs.2.46 crore had been recovered in 52 cases during the year 2001-02, of which Rs.0.61 crore recovered in 48 cases related to earlier years.

A few illustrative cases involving Rs.3.28 crore and a review on "Exemption and deferment from payment of sales tax to new industrial units" involving Rs.167.28 crore are mentioned in the following paragraphs:

## **2.2 Exemption and Deferment from payment of Sales Tax to new industrial units**

### **2.2.1 Introductory**

In the interest of industrial development of the State, Government of Haryana introduced (May 1989) a new scheme for exemption/deferment of payment of sales tax in respect of new industrial units and the units undertaking expansion/diversification. This was applicable to those units which were established during the operative period starting from 1 April 1988 to 31 July 1997 under Rule 28 A of Haryana General Sales Tax Rules, 1975. The scheme was modified on 18 May 1999 effective from 1 August 1997 under Rule 28 B *ibid*. The salient features of the schemes are as under:

#### **Under Rule 28 A**

<b>(i) New industrial units</b>			
<b>Name of the zone and the area comprised therein</b>	<b>Small scale</b>	<b>Medium scale large scale</b>	<b>Time limit</b>
Zone A comprising Centrally and State notified backward areas	150% of fixed capital investment	125% of fixed capital investment	9 years
Zone B comprising areas other than Zones A and C	125% of fixed capital investment	100% of fixed capital investment	7 years
Zone C comprising Faridabad and Ballabgarh complex administration areas	100% of fixed capital investment	90% of fixed capital investment	5 years
<b>(ii) Unit undertaking expansion/diversification</b>			
Zone A comprising Centrally and State notified backward areas	100 % of additional fixed capital investment	90% of additional fixed capital investment	9 Years
Zone B comprising areas other than Zones A and C	100 % of additional fixed capital investment	90% of additional fixed capital investment	7 Years
Zone C comprising Faridabad and Ballabgarh complex administration areas	100 % of additional fixed capital investment	90% of additional fixed capital investment	5 Years

\* Rule 28 A and 28 B of Haryana General Sales Tax Rule, 1975 framed under section 13 B and 25 A of Haryana General Sales Tax Act, 1973.

**Under Rule 28 B**

<b>(i) Sales Tax Exemption</b>			
<b>Name of the zone</b>	<b>Small scale</b>	<b>Medium scale/ large scale</b>	<b>Time limit</b>
Low Potential Zone	150% of fixed capital investment	125% of fixed capital investment	9 years
Medium Potential Zone	125% of fixed capital investment	100% of fixed capital investment	7 years
High Potential Zone	Not applicable		
<b>(ii) Sales Tax Deferment</b>			
Low Potential Zone	175 % of fixed capital investment	150% of fixed capital investment	9 years
Medium Potential Zone	150 % of fixed capital investment	125 % of fixed capital investment	7 years
High Potential Zone	125 % of fixed capital investment	100 % of fixed capital investment	5 years
<b>(iii) Expansion/Diversification</b>			
Low Potential Zone	150% of fixed capital investment	125% of fixed capital investment	9 years
Medium Potential Zone	125% of fixed capital investment	100% of fixed capital investment	7 years
High Potential Zone	100% of fixed capital investment	75% of fixed capital investment	5 years

**2.2.2 Organisational set-up**

The overall control and superintendence of the sales tax organization vests with the Prohibition, Excise and Taxation Commissioner (PETC) who is assisted by the Deputy Excise and Taxation Commissioners (DETCs), Excise and Taxation officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Taxation Inspectors and other allied staff in the administration of the Acts.

Eligibility certificate in respect of small scale industry is issued at district level by the General Manager, District Industries Centre (GMDIC) after approval by the Lower Level Screening Committee (LLSC) comprising Additional Deputy Commissioner, General Manager District Industries Centre of the concerned district and Deputy Excise and Taxation Commissioner (DETC) incharge of the district. Eligibility certificate in respect of medium and

large-scale industry is issued at directorate level by the Additional Director of Industries after approval of proposal by the Higher Level Screening Committee (HLSC) comprising Director of Industries, Excise and Taxation Commissioner, Managing Director, Haryana Financial Corporation, Managing Director, Haryana State Industrial Development Corporation, representative of Finance Department not below the rank of Deputy Secretary and Additional Director of Industries. Exemption/entitlement certificate is issued thereafter by the Deputy Excise and Taxation Commissioner incharge of the district.

### **2.2.3 Scope of Audit**

With a view to ascertaining the correctness of system regarding eligibility of units for grant of exemption/deferment from payment of tax, promptness to assess the cases of exempted units and the possible loss of revenue due to various irregularities, records of 10 sales tax districts out of 21 sales tax districts alongwith records of concerned General Manager, District Industries Centres and Director of Industries for the period 1996-97 to 2000-2001 were test-checked from July 2001 to February 2002.

### **2.2.4 Highlights**

**In 2 cases, exemption/deferment of Rs.26.38 crore was granted for expansion without fulfilling the conditions laid down in the rules.**

*{Paragraph 2.2.7 (i)}*

**Due to incorrect computation of fixed capital investment, sales tax incentives of Rs.23.34 crore in 73 units were granted in excess by the Industries Department.**

*{Paragraph 2.2.7 (iii)}*

**8 units availed exemption of Rs.3.91 crore without obtaining eligibility/exemption certificates and 9 units availed deferment of Rs.2.41 crore in excess of the quantum prescribed in the eligibility certificates.**

*{Paragraph 2.2.8 (a) and (b)}*

**In 48 cases, application of incorrect and concessional rate of tax resulted in under-assessment of tax of Rs.2.24 crore.**

*{Paragraph 2.2.9 (i) and (ii)}*

**68 dealers were allowed irregular deductions and the notional sales tax liability was calculated on taxable turnover instead of gross**

turnover, which resulted in under-assessment of tax of Rs.9.34 crore.

{Paragraph 2.2.9 (iii)}

In 27 cases, notional sales tax liability of Rs.2.18 crore was under-assessed due to non-levy of purchase tax and calculation mistakes.

{Paragraph 2.2.10 (i) and (ii)}

### 2.2.5 Growth of industrial units under exemption/deferment scheme

The Industry Department/Sales Tax Department did not have the consolidated figures of benefit sanctioned to various units under exemption/deferment scheme. In the absence of this vital information, the revenue foregone by Government by way of exemptions/deferment could not be arrived at. However, as per information made available by field offices of Industry and Sales Tax Department the amount of sales tax incentives granted under the scheme as per eligibility/exemption certificates issued from 1996-97 to 2000-2001 to various industrial units were as given below:-

Year	New Industrial Units granted exemption/deferment				Total	
	Medium and Large scale units		Small Scale units		No. of units	Amount (Rupees in crore)
	No. of units	Amount (Rupees in crore)	No. of units	Amount (Rupees in crore)		
1996-97	33	178.42	360	147.91	393	326.33
1997-98	127	774.90	408	187.67	535	962.57
1998-99	60	296.08	125	43.18	185	339.26
1999-2000	49	288.13	259	244.11	308	532.24
2000-2001	26	158.63	77	54.71	103	213.34
<b>Total</b>	<b>295</b>	<b>1,696.16</b>	<b>1229</b>	<b>677.58</b>	<b>1,524</b>	<b>2,373.74</b>

#### Implementation of scheme by Sales Tax Department

The position of exemption/deferment certificates issued under various sales tax incentives schemes between the period from 1996-97 to 2000-2001 for the entire State was not available. However, in respect of 10 sales tax districts

test-checked the information was as under:-

Year	Exemption		Deferment		Total	
	No. of units	Amount (Rupees in crore)	No. of units	Amount (Rupees in crore)	No. of units	Amount (Rupees in crore)
1996-97	356	312.83	34	86.30	390	399.12
1997-98	335	318.31	45	297.27	380	615.58
1998-99	146	195.89	33	183.36	179	379.25
1999-2000	98	161.50	23	117.79	121	279.29
2000-2001	68	114.70	31	130.26	99	244.97
<b>Total</b>	<b>1,003</b>	<b>1,103.23</b>	<b>166</b>	<b>814.98</b>	<b>1,169</b>	<b>1,918.21</b>

During the years 1996-97 to 2000-2001, 193 units (large and medium scale: 13 units and small scale: 180 units) had been closed.

#### **2.2.6 Assessments in arrears**

Under the provisions of HGST Rules, 1975, the assessment of an eligible industrial unit holding exemption/entitlement certificate shall be framed in accordance with the provisions of the Act and Rules framed thereunder as early as possible and shall be completed by 31 December in respect of the assessment year immediately preceding thereto.

During test-check of records, it was noticed (between July 2001 and March 2002) that in 10 sales tax districts, 1120 assessment cases involving tax exemption/deferment of Rs.394.74 crore were pending assessment as on 31 March 2002 as detailed below:

Year	No. of cases	Amount of exemption/deferment (Rupees in crore)
1996-97	61	49.32
1997-98	140	43.04
1998-99	239	149.69
1999-2000	324	97.89
2000-2001	356	54.80
<b>Total</b>	<b>1,120</b>	<b>394.74</b>

#### **2.2.7 Irregularities in the grant of eligibility certificates**

The eligibility certificates are issued by the Industries Department on the basis



of recommendations of High Level Screening Committee (HLSC) and Lower Level Screening Committee (LLSC). Elaborate internal control mechanism comprising receipt of applications in the prescribed proforma, its scrutiny at various levels and decision by competent officers regarding grant of eligibility has been prescribed in the Act/Rules. Audit scrutiny revealed that the departmental authorities did not ensure the correct implementation of various provisions of the Act/Rules/Policy while granting eligibility certificates. A few illustrations of their failure are given below:

**(i) Incorrect exemption for expansion of industrial units**

As per Rule 28 (A) (2) (d), expansion of industrial unit for the purpose of exemption means a unit set up or installed during the operative period, which creates additional production/manufacturing facilities for manufacturer of the same product/products as of existing unit and (a) in which the additional fixed capital investment made during the operative period exceeds 25 per cent of the fixed capital investment (FCI) of the existing unit and (b) which results into increase in annual production by 25 per cent of the installed capacity of the existing unit in case of expansion. While granting eligibility certificates to the expanded units the department ignored the codal provisions which resulted in irregular benefit of Rs.26.38 crore. A few cases are discussed as under:

**(a)** Test-check of records of the Director of Industries, Haryana revealed (August 2001) that a firm at Rewari producing tempered safety glasses was granted (28 March 2000) eligibility certificate for the period from 1 September 1999 to 31 August 2006 for an amount of Rs.26.14 crore in respect of its expanded unit. The installed capacity of the existing unit was 15,75,000 square meters whereas the annual production of its expanded unit was 2,89,848 square meters. The increase in annual production works out to only 18.4 per cent and was less than 25 per cent as required under the HGST Rules. Thus, grant of eligibility certificate without fulfillment of the codal requirements resulted in irregular benefit of Rs.26.14 crore.

The matter was pointed out (August 2001) in audit but no reply had been received (November 2002) from the department.

**(b)** In Panchkula district, a firm manufacturing cement was granted eligibility certificate for its expanded unit for Rs.23.88 lakh for the period from July 1995 to 13 July 2004. It was noticed that during the year 1994-95, the annual production of the existing unit was 7,666 MT against its installed capacity of 15,000 MT and it further decreased to 6,316 MT during 1995-96. Thus, the firm was not achieving the production even upto the level of installed capacity and was thus incorrectly granted eligibility certificate resulting in irregular benefit of Rs.23.88 lakh.

On this being pointed out in audit, the GMDIC Panchkula stated

(December 2001) that the prescribed production level could not be achieved due to labour problems, machinery break down, power cuts, shortage of raw material and low working capital available in the unit. The reply of the department was not tenable as there is no provision in the Rules to issue eligibility certificate without fulfillment of codal requirements.

**(ii) *Erroneous exemption/deferment***

As per Rule 28 A (2) (f) (iv) of the Haryana General Sales Tax Rules 1975, rice mills, stone crushers, servicing units and units making steel and wooden furniture, in which the capital investment in plant and machinery including generating set exceeds Rs.5 lakh, are not eligible for the purpose of exemption/deferment from payment of tax.

During test-check of the records of 6\* DETC offices, it was noticed (between August 2001 and January 2002) that 17 industrial units whose capital investment exceeded Rs. 5 lakh (14 rice mills, one stone crusher, one wooden furniture manufacturer and one tyres retreading unit) were erroneously issued eligibility certificates. This resulted in incorrect exemption from payment of tax amounting to Rs.5.18 crore.

On this being pointed out in audit, the General Managers, District Industries Centre, Ambala, Karnal and Panchkula stated (August 2001 and January 2002) that these units were eligible as these fall under Rural Industrial Scheme having capital investment in plant and machinery below Rs.5 lakh. The reply was not tenable as it had worked out cost of capital investment incorrectly i.e. cost of generating set was not included in the cost of plant and machinery as required under Rule 28 A (2) (g). Replies from the remaining District Industries Centres had not been received (November 2002).

**(iii) *Incorrect computation of fixed capital investment***

As per Rule 28 A (2) (g) and 28 B (3) (g) of the Haryana General Sales Tax Rules 1975, fixed capital investment means investment in land under use, new building, new plant and machinery (including generating set) tools and equipment, directly imported second hand machinery and will cover all the assets of the unit as erected at site and paid for as on any day falling within 60 days after the date of commencement of commercial production.

During test-check of the records of 9\*\* offices for the period 1996-97 to 2000-2001, it was noticed (between July 2001 and January 2002) that while fixing the quantum of tax exemption/deferment of 73 units, ineligible articles/elements were included in the Fixed Capital Investment (FCI) for

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\* Ambala, Gurgaon, Karnal, Panchkula, Rewari and Yamunanagar.

\*\* Director of Industries and General Manager, Ambala, Bahadurgarh (Jhajjar), Gurgaon, Panipat, Panchkula, Rewari, Sonipat and Yamunanagar

allowing sales tax exemption/ deferment of tax. This resulted in excess grant of exemption/deferment of tax of Rs.23 34 crore as per details given below:-

Sl. No.	Name of Offices	No. of units	Name of inadmissible items/Nature of irregularities	Fixed Capital Investment excess allowed	Eligibility excess allowed	Departmental replies
(Rupees in lakh)						
1.	Director of Industries, Haryana, Chandigarh	30	Cost of old machinery (not imported), old building, travelling expenses, unapproved technical know-how, transformer, stamp duty, air tickets, payments beyond 60 days, telephone charges etc. were included in FCI.	1,715.71	1,913.94	In one case, Director of Industries, stated (March 2002) that the case will be placed in next HLSC and in another case stated (October 2001) that cost of old machinery (not imported) was allowed by the Secretary Industries. Reply was not tenable as there is no such provision for inclusion of the cost of machinery under the rule. Reply in the remaining 28 cases was awaited (November 2002).
2.	GMDIC, Ambala	4	Cost of thermic oil and cost of transformer were included in FCI. Besides calculation error was noticed.	15.30	23.04	Departmental reply was awaited (November 2002).
3.	GMDIC, Gurgaon	7	Cost of staff quarters, old machinery (not imported) and payment beyond 60 days were included in FCI. Calculation mistakes were also found.	53.91	87.13	GMDIC, Gurgaon stated (February 2002) that tax exemption of Rs.2.69 lakh has been reduced in two cases. Reply in the remaining 5 cases was awaited (November 2002).
4	GMDIC, Bahadurgarh (Jhajjar)	11	Cost of old machinery (not imported), transformer, old building and stamp duty were included in FCI.	55.63	77.88	GMDIC, Bahadurgarh stated (March 2002) that tax exemption of Rs.2.70 lakh has been reduced in one case. Reply in the remaining 10 cases was awaited (November 2002).
5.	GMDIC, Panipat	2	Cost of transformer was included in FCI.	3.24	3.80	GMDIC, Panipat stated (October 2001) that transformer was part of FCI. This was not tenable as transformer does not form part of FCI.

Sl. No.	Name of Offices	No. of units	Name of inadmissible items/Nature of irregularities	Fixed Capital Investment excess allowed	Eligibility excess allowed	Departmental replies
						under the Act.
6.	GMDIC, Panchkula	2	Cost of Transformer, Electric security and more than 50 per cent of cost of building were included in FCI.	3.68	6.02	GMDIC, Panchkula stated (December 2001) that one case will be placed before the LLSC meeting. The final reply in another case was awaited (November 2002).
7.	GMDIC, Rewari	3	Interest more than 5 per cent of plant and machinery, cost of idle land, security to HSEB, payment made after 60 days were included in FCI.	21.08	31.63	GMDIC, Rewari stated (January 2002) that 2 cases were being placed to the next lower level screening committee meeting whereas reply in one case was awaited (November 2002)
8.	GMDIC, Sonipat	5	Cost of staff quarters, old building, unapproved technical know-how and transformer were included in FCI.	35.63	48.50	GMDIC, Sonipat stated (January 2002) that quantum of tax exemption in 3 cases had been reduced by Rs.5.84 lakh. Reply in the remaining 2 cases was awaited (November 2002).
9.	GMDIC, Yamunanagar	9	Cost of old machinery (not imported), thermic fluid, transformer and more than 50% of cost of building, payment beyond 60 days were included in FCI. Calculation mistakes were also noticed.	111.51	142.16	Reply from GMDIC, Yamunanagar was awaited (November 2002).
	<b>Total</b>	<b>73</b>		<b>2,015.69</b>	<b>2,334.10</b>	

**(iv) Incorrect acceptance of applications**

As per Rule 28 A (5) (a) of the HGST Rules 1975, every eligible industrial unit shall make an application in prescribed Form\* to the General Manager, District Industries Centre alongwith attested copies of documents within 90 days of the date of its going into commercial production. No application shall be entertained if not preferred within time.

(a) During test-check of records, it was noticed that fifteen industrial units applied for tax benefits late by 1 day to 195 days but tax exemption/deferment

\* ST-70 Application form for the issue of eligibility certificate for exemption/deferment from payment of sales tax.

of Rs.40.05 crore was granted as per details given in the following table:

Sl No.	Offices	No. of units	Exemption/determent allowed (Rupees in lakh)
1.	Director of Industries, Chandigarh	4	3,580.35
2.	GMDIC, Ambala	4	44.02
3.	GMDIC, Gurgaon	1	61.22
4.	GMDIC, Karnal	1	14.46
5.	GMDIC, Panchkula	2	35.58
6.	GMDIC, Rewari	1	9.44
7.	GMDIC, Sonipat	1	215.82
8.	GMDIC, Yamunanagar	1	44.31
	<b>Total</b>	<b>15</b>	<b>4,005.20</b>

Thus entertainment of applications beyond the prescribed date resulted in irregular benefit of Rs.40.05 crore to the dealers.

(b) Test-check of records of DETCs, Panipat and Panchkula revealed that in case of 17 units, eligibility certificates were issued without obtaining the change of land use (CLU) certificates (prescribed in the application form) from the competent authority resulting in irregular monetary incentive of Rs.8.39 crore. Though the eligibility certificates were withdrawn (June 1997) in case of 6 units, the amount of exemption of Rs.22.87 lakh already availed by them was not recovered. In case of remaining 11 units, no reply had been received (November 2002) from the department.

(v) *Incorrect determination of zones*

During test-check of records of General Manager, District Industries Centre, Ambala for the year 1996-97, it was noticed that Ambala block was declared as backward with effect from 20 February 1996 and 3 units earlier located in Zone B were shifted to Zone A to give benefit from retrospective date which was irregular under Rule 28 A (4) A of HGST Act, 1975. This resulted in grant of excess exemption of Rs.11.94 lakh.

The matter was brought (August 2001) to the notice of the department; reply had not been received (November 2002).

(vi) *Grant of exemption without eligibility certificates*

As per Rule 28 A (5) (h) of the HGST Rules 1975, the eligibility certificate

which forms the basis of granting exemption/entitlement certificate is required to be issued by the Additional Director of Industries in cases approved by the Higher Level Screening Committee within a period of 45 days from the date of receipt of application in the office of the General Manager District Industries Centre.

A test-check of records in the Office of Director of Industries, Haryana revealed that in 3 cases, (two of Gurgaon and one of Yamunanagar), the eligibility certificates for Rs.6.01 crore were issued after a delay of 5 to 8.5 years from the date of receipt of application. In one case, the eligibility certificate was issued after expiry of operative period and till then the dealer had already availed the full amount of exemption of Rs.1.11 crore pending issue of exemption certificates. In another two cases the dealers had already availed exemption of Rs.3.41 crore against the total exemption of Rs.4.91 crore allowed to the units.

The matter was brought (August 2001) to the notice of the department; reply had not been received (November 2002).

#### ***2.2.8 Implementation of the Scheme by Sales Tax Department***

##### ***(a) Inadmissible availing of tax exemption***

As per HGST Rule 1975, the eligibility certificate is required to be issued within 45 days from the receipt of application in the office of the GMDIC. Further, the DETC will issue the exemption/entitlement certificate on the basis of eligibility certificate within 30 days from the receipt of application in his office.

In DETC, Gurgaon (East), it was noticed that 8 units applied (between May 1995 and September 1998) for sales tax exemption. In none of the cases, exemption certificate was issued but the units continued to avail of the benefit of exemption to the tune of Rs.3.91 crore from 1995-96 to 2000-2001. In one case, the eligibility certificate was cancelled by the department as the unit had closed down the business after availing exemption of Rs.33.98 lakh. In 3 cases, though eligibility certificate was issued, exemption certificate was not issued at all. In other 4 cases, no eligibility certificate was issued. Availing benefit without the exemption certificate was not permissible and resulted in inadmissible exemption of Rs.3.91 crore.

The matter was brought (November 2001) to the notice of department, but reply had not been received (November 2002)

##### ***(b) Excess availing of tax deferment***

As per HGST Rules, 1975, eligible industrial unit may avail the benefit of deferment upto the quantum and period as prescribed in the eligibility certificate.

During test-check of the records of Gurgaon (East) and Faridabad (West), it

was noticed that tax of Rs. 18.18 crore was due against which deferment of tax amounting to Rs.20.59 crore was availed by 9 units for the period from 1992-93 to 2000-2001. Though, deferment of tax of Rs.2.41 crore availed in excess of the quantum prescribed in the eligibility certificate was to be recovered by the department, no action had been taken to recover the amount.

The matter was brought (March 2002) to the notice of the department; reply had not been received (November 2002).

### 2.2.9 Irregularities in assessments of exempted/deferred units

The rates of tax leviable on different commodities have been prescribed under Haryana General Sales Tax Act, 1973 and Central Sales Tax Act, 1956. Rule 28 A of Haryana General Sales Tax provide that the amount of tax payable on the sale of finished products of the exempted units shall be computed at the maximum rates specified under the local sales tax law.

#### (i) Under-assessment due to application of incorrect rate of tax

During test-check of the records of 6 sales tax offices, it was noticed that in 25 cases of 16 units, the assessing authorities while finalising (between 1998-99 and 2000-2001) the assessments, calculated notional tax liability at lower rates. This resulted in under-assessment of notional sales tax liability of Rs. 153.43 lakh as per details in the following table:

Sr. No.	Name of District	No. of units/cases	Assessment year	Amount of tax involved (Rupees in lakh)	Nature of irregularities
1.	Ambala	6/11	Between 1996-97 and 1999-2000	55.49	Tax on mango drink, processed lime, refractory, plastic pipe and cotton seed oil was levied at a lower rate of 10, Nil, 8, nil and 1 per cent instead of correct rates of 20, 10, 10, 10 and 4 and 7 per cent respectively.
<b>Remarks:-</b> The matter was pointed out in audit (August 2001) but no reply had been received (November 2002).					
2.	Gurgaon (E)	3/3	Between 1995-96 and 1997-1998	25.21	Tax on desi ghee, TV cabinet and copper-wire was levied at a lower rate of 4, 4 and 1 per cent instead of correct rates of 5, 12 and 2 per cent respectively.
<b>Remarks:-</b> On being pointed out in audit (between July 1999 and May 2001) the department created a demand of Rs.1.14 lakh in one case and made (January 2001) rectification in another one case. In remaining one case ETC, Haryana issued (April 2002) instructions for rectification.					
3.	Gurgaon (W)	1/1	1995-96	9.51	Tax on forging was levied at a lower rate of 3 per cent instead of 4 and 7 per cent.
<b>Remarks:-</b> On being pointed out in audit (March 2000), the department created (August 2000) additional demand of Rs.9.51 lakh.					
4.	Jhajjar	3/4	1997-98 and 1999-2000	8.31	Tax on footwear and toughened glass was levied at a lower rate of 3 and 2 per cent instead of 5 and 4 per cent respectively.
<b>Remarks:-</b> On being pointed out in audit (September 2001) the department sent two cases for suo motu action. In remaining two cases, reply had not been received (November 2002).					

*Audit Report(Revenue Receipts) for the year ended 31 March 2002*

Sr. No.	Name of District	No. of units/cases	Assessment year	Amount of tax involved (Rupees in lakh)	Nature of irregularities
5.	Kurukshetra	2/5	1992-93 and 1996-97	51.76	Tax on solvent and cotton seed was levied at lower rate of 1 and 4 per cent instead of 6 and 10 per cent respectively.
<b>Remarks:-</b> On being pointed out in audit (between September 1999 and September 2000) the department sent (November 1999) two cases for suo motu action. In respect of remaining 3 cases, no reply was received (November 2002) from the department.					
6.	Panipat	1/1	1994-95	3.15	Tax on mahua oil was levied at lower rate of 1 per cent instead of 4 per cent.
<b>Remarks:-</b> On being pointed out in audit (January 2000), the department sent the case for suo motu action.					
	<b>Total</b>	<b>16/25</b>		<b>153.43</b>	

**(ii) Under-assessment due to application of concessional rate of tax**

During the test-check of the records of 6 offices, it was noticed that 15 exempted units in 23 cases sold their finished products against STD IV Forms during the years 1996-97 to 1999-2000, but the assessing authorities, while finalising (between April 1998 and March 2001) the assessments, calculated notional sales tax liability on sale of finished products against STD IV at concessional rates instead of at the maximum rates. This resulted in under-assessment of notional tax liability amounting to Rs.70.94 lakh as detailed in the following table.

Name of district	No. of units/cases	Tax assessed	Tax assessable	Under-assessment	Remarks
<b>(Rupees in lakh)</b>					
Ambala	7/15	9.82	68.96	59.14	In one case, demand of Rs.0.58 lakh was created and another case was sent (August 2001) for suo motu action. In remaining 13 cases reply was awaited (November 2002).
Faridabad (East)	1/1	1.73	3.46	1.73	Reply was awaited (November 2002).
Jhajjar	3/3	4.61	9.22	4.61	Reply was awaited (November 2002)
Karnal	2/2	Nil	3.36	3.36	One case was sent (December 2000) for suo motu action and in another case, demand for Rs.1.46 lakh was created (November 2000).
Kaithal	1/1	0.25	1.95	1.70	Reply was awaited (November 2002)
Panipat	1/1	Nil	0.40	0.40	Reply was awaited (November 2002).
<b>Total</b>	<b>15/23</b>	<b>16.41</b>	<b>87.35</b>	<b>70.94</b>	



**(iii) Under-assessment of tax due to irregular deduction**

During the test-check of the records of 15\* DETC offices, it was noticed that 68 dealers sold/exported finished goods out of India for Rs.252.28 crore against declaration ST-15 A/Form H during the years 1994-95 to 1999-2000. The assessing authorities, while finalising (between June 1996 and March 2001) the assessments, assessed the notional sales tax liability after allowing deduction for goods either exported out of India or against declaration in Form ST 15-A from gross turnover. This resulted in under-assessment of notional sales tax liability of Rs.9.34 crore.

On being pointed out (between June 1997 and December 2001) the department sent 30 cases for suo motu action, in 9 cases the sales tax liability was increased by Rs.69.96 lakh. However, the department in 2 cases of Panipat and Sonipat stated that no tax was leviable on goods exported out of India, which was not tenable because notional sales tax liability was to be calculated on gross turnover including sale price of goods exported out of India. No reply had been received in respect of remaining cases (November 2002).

**(iv) Under-assessment due to non-levy of tax on branch transfer/consignment sale**

Explanation given under Sub-Rule 2 (n) (ii) of Rule 28-A of Haryana General Sales Tax Rules, 1975, <sup>states that</sup> the branch transfers or consignment sales inside or outside the State of Haryana shall be deemed to be the sale within the State and in the course of inter-State trade or commerce. Further, as per condition No. (ii) of Sub-Rule 11 (a), of Rule 28 A ibid the beneficiary unit after having availed of the benefit shall not make sales outside the State for next five years by way of transfer or consignment of goods manufactured by it.

**(a)** Three dealers in three cases (2 cases of DETC, Gurgaon (West) and one case of DETC, Jhajjar) made branch transfers/consignment sales valued Rs.1.16 crore during the years 1994-95 to 1996-97. The assessing authority, while finalising (between January 1997 and May 2001) the assessments, allowed deduction of Rs.1.16 crore from gross turnover. This resulted in under-assessment of Rs.4.63 lakh.

On being pointed out (September 1997 and January 2002), DETC, Gurgaon (West) replied (June 2001) that proceedings for recovery of the exempted amount alongwith interest thereon are under progress and the reply in the other case was awaited. DETC, Jhajjar rectified the assessment and created a demand of Rs.1.83 lakh.

**(b)** In another case of DETC, Hisar, the dealer made branch transfer

\* Ambala, Faridabad (East), Faridabad (West), Gurgaon (East), Gurgaon (West), Hisar, Jhajjar, Jind, Karnal, Kaithal, Panipat, Panchkula, Rewari, Sirsa and Sonipat.

valued at Rs.54.02 lakh within five years after availing of the benefit of exemption of Rs.20.60 lakh and the assessing authority allowed (March 1998) deduction of Rs.54.02 lakh from the gross turnover. This resulted in non-recovery of exemption amount of Rs.20.60 lakh beside interest of Rs.15.36 lakh.

On being pointed out, the case was sent for suo motu action and the revisional authority increased (May 2001) notional sales tax liability by Rs.20.60 lakh.

### **2.2.10 Under-assessment of notional sales tax liability**

Under the HGST Act, 1973, goods when purchased within State without payment of tax and used in the manufacturing of taxable and tax free goods, are taxable at the stage of last purchase.

(i) During test-check of the records of 6 DETCs (Ambala, Hisar, Jhajjar, Kaithal, Panipat and Sonipat) it was noticed that nineteen units in 22 cases availing exemption from sales tax, purchased oil seeds/cotton (taxable at the stage of last purchase) and PVC and HDPE granules valued at Rs.54.74 crore from within the State without payment of tax on the strength of registration certificates during the years between 1994-95 and 1999-2000 and used the same in manufacturing of taxable and tax free goods. While finalising (November 1997 to May 2000) assessments, the assessing authorities failed to levy purchase tax. This resulted in under-assessment of notional sales tax liability of Rs.1.77 crore as under:

Sl. No.	Name of district	No. of units/cases	Assessment year	Name of goods	Value of goods (Rupees in crore)	Amount of tax short levied (Rupees in lakh)
1.	Ambala	6/6	Between 1996-97 and 1998-99	Oil-seeds	20.36	40.72
<p><b>Remarks:-</b> On being pointed out in audit (between March 2000 and September 2001), the department sent (August 2001) two cases for suo motu action and raised (March 2001 and January 2002) a demand of Rs.11.37-lakh in two cases. Reply in remaining 2 cases was awaited (November 2002).</p>						
2.	Hisar	½	1997-98 and 1998-99	Cotton	6.00	23.99
<p><b>Remarks:-</b> On being pointed out in audit (May and July 2000), the department sent one case for suo motu action. Reply in another case was awaited (November 2002).</p>						
3.	Jhajjar	1/1	1995-96	PVC	1.29	2.85
<p><b>Remarks:-</b> On being pointed out in audit (March 1998), the department rectified (June 1998) the assessment and created (June 1998) demand for Rs.2.15 lakh.</p>						

Sl. No.	Name of district	No. of units/cases	Assessment year	Name of goods	Value of goods (Rupees in crore)	Amount of tax short levied (Rupees in lakh)
4.	Kaithal	2/4	Between 1995-96 and 1996-97	Oil seed	14.23	56.90
<b>Remarks:-</b> On being pointed out in audit (May 2000), the department sent all the cases to revisional authority for suo motu action.						
5	Panipat	5/5	Between 1994-95 and 1999-2000	Cotton and HDPE granules	11.01	45.21
<b>Remarks:-</b> On being pointed out in audit (between January 2000 and October 2001), the department levied tax of Rs.1.94 lakh in one case and sent three cases for suo motu action. In one case, reply was awaited (November 2002).						
6.	Sonapat	4/4	Between 1996-97 and 1998-99	Cotton	1.85	7.37
<b>Remarks:-</b> On being pointed out in audit (between March 1999 and December 2000), the department created (September 2000 and January 2002) demand for Rs.7.37 lakh.						
	<b>Total</b>	<b>19/22</b>				<b>177.04</b>

(ii) Test-check of the records of DETCs, Panchkula, Gurgaon (West), Ambala and Panipat revealed that in five cases of 5 units, the notional sales tax liability was calculated short by Rs.40.56 lakh due to calculation mistake during the years 1995-96 to 1998-99.

On being pointed out (between March 2001 and February 2002), the DETCs, Gurgaon (West), Panchkula and Panipat rectified the assessments and increased (May, June 2001 and February 2002) the notional sales tax liability by Rs.37.77 lakh. Reply from DETC, Ambala in two cases had not been received (November 2002).

### 2.2.11 Non-monitoring of exempted/deferred units

To ascertain the amount of sales tax deferred/exempted, the Deputy Excise and Taxation Commissioner of each district was required to review the performance of each eligible industrial unit and to send a quarterly report to the Excise and Taxation Commissioner in the following month but none of the Commissioners of the 10 districts test-checked sent the quarterly performance reports to the Excise and Taxation Commissioner, Chandigarh. Thus, non-monitoring of exempted/deferred units resulted in non-recovery of tax of

Rs.37.32 crore as detailed below:

**(i) Disposal of fixed assets**

As per HGST Rules, 1975, the eligibility certificate granted to an industrial units shall be liable to be withdrawn at any time during its currency by the appropriate screening committee in case of disposal or transfer by the unit of any of its fixed assets.

Test-check of the records of DETCs, Jagadhari, Panchkula and Rewari revealed that in 4 cases (2 of Jagadhari, one each of Panchkula and Rewari), the industrial units had disposed of (between March 1990 and January 2000) fixed assets of Rs.1.36 crore during the currency of eligibility certificate. However, the exemption certificate in 2 cases of Jagadhari was cancelled in November 1997 and March 1998 (i.e. after a lapse of 7 years in one case and one year in other case). In the other case it was cancelled after being pointed out in audit in February 2002 and no action was taken in the remaining one. This resulted in non-realisation of Rs.57.93 lakh.

**(ii) Non-maintenance of production level**

As per HGST Rules, 1975, the benefit of tax exemption/deferment shall be subject to the condition that the beneficiary unit after having availed of the benefit, shall continue its production at least for the next five years and not below the level of average production for the preceding five years. In case the unit violates the condition, it shall be liable to make, in addition to the full amount of tax-benefit availed of by it during the period of exemption/deferment, payment of interest chargeable under the Act as if no tax exemption/deferment was ever available to it.

During test-check of records in the offices of 8 sales tax districts, it was noticed that 31 units after availing the exemption of Rs.14.36 crore, did not maintain the level of production to the extent of average production for the preceding five years and thus, they were liable to refund the full amount of tax benefit availed of by the units. Neither the units refunded the amount of exemption nor the department demanded/recovered the amount of Rs.14.36 crore from the units as per details given in the table below:

Sl. No.	Name of DETCs	No. of units	Amount of exemption/deferment availed (Rupees in crore)
1.	Ambala	1	0.65
2.	Gurgaon (E)	6	1.09
3.	Jhajjar	2	0.35
4.	Jagadhari	5	1.16
5.	Karnal	3	0.26

Sl. No.	Name of DETCs	No. of units	Amount of exemption/deferment availed (Rupees in crore)
6	Rewari	3	8.36
7	Sonipat	6	1.51
8.	Panipat	5	0.98
	<b>Total</b>	<b>31</b>	<b>14.36</b>

The matter was brought (August 2001 and March 2002) to the notice of the department, but their reply had not been received (November 2002).

*(iii) Non-recovery of tax*

Under Haryana General Sales Tax Rules, 1975, the exemption/entitlement certificate granted to an eligible industrial unit shall be liable to be cancelled by the Deputy Excise and Taxation Commissioner concerned either in the case of discontinuance of its business by the unit any time for a period exceeding six months or its closing down during the period of exemption/deferment. Further, under the rules ibid, on cancellation of eligibility certificate or exemption/entitlement certificate before it is due for expiry, the entire amount of tax exempted/deferred shall become payable immediately in lumpsum and the provisions relating to recovery of tax, interest and imposition of penalty shall be applicable in such cases.

(a) During test-check of the records in the 10 sales tax districts, it was noticed that 155 units after availing exemption of Rs.19.85 crore during 1996-97 to 2000-2001, discontinued their manufacturing process during the currency period of exemption/deferment. Though the concerned Deputy Excise and Taxation Commissioners cancelled (between June 1997 and September 2001) the exemption certificates of these units, they did not recover the amount of Rs.19.85 crore of exemption availed by the units as detailed below:

Sl.No.	Name of DETCs	No. of units	Amount of exemption availed (Rupees in crore)
1.	Ambala	3	1.62
2.	Gurgaon (E)	8	3.69
3.	Gurgaon (W)	6	0.11
4.	Jagadhari	11	0.53
5.	Jhajjar	35	1.41
6.	Karnal	48	3.72

Sl.No.	Name of DETCs	No. of units	Amount of exemption availed (Rupees in crore)
7.	Panipat	2	0.03
8.	Panchkula	16	2.31
9.	Rewari	10	4.61
10.	Sonipat	16	1.82
	<b>Total</b>	<b>155</b>	<b>19.85</b>

Out of 10 units of Rewari District, 4 units availing tax exemption of Rs.80.10 lakh had gone to Bureau of Industrial Finance Reconstruction (BIFR) and 2 units availing tax exemption of Rs.26.16 lakh had gone on liquidation.

(b) Further, in 9 cases (6 of Rewari and 3 of Yamunanagar), the industrial units after availing exemption/deferment of Rs.2.53 crore discontinued their manufacturing process during the currency period of exemption/deferment but the exemption certificates were not cancelled by the DETCs. Thus, the amount of Rs.2.53 crore of exemption availed by the units remained unrecovered (November 2002).

On being pointed out in audit, the ETC, Haryana issued (April 2002) instructions to all DETCs to furnish the quarterly returns regularly to him.

### 2.2.12 Conclusion

The main objective of this sales tax incentive scheme was over all industrial development of the State. It did not produce encouraging results as a large number of units were closed during the currency of the incentives. The progress made in industrial development was not watched, which was evident from the fact that consolidated figures for targets fixed under the scheme, achievement of target of units established or closed during currency of the incentive etc. were not available with the department.

The delay in finalization of cases, excess availment of tax exemption/deferment, incorrect computation of fixed capital investment and non-recovery of tax due to closure of business and disposal of fixed assets by units indicate that the department lacked internal control to monitor the scheme.

The functioning of the department needs strengthening so that loss on account of receipts to the Government in implementation of various provisions of the scheme issued under the Act is avoided.

The above cases were referred (April 2002) to Government; reply had not been received (November 2002).

### 2.3 Non-levy of purchase tax

Under the Haryana General Sales Tax Act, 1973, goods specified in schedule-D are taxable at the stage of last purchase when purchased within the State. No deduction from dealer's gross turnover is admissible if such goods

are indirectly exported out of India. Further, a dealer is liable to pay tax on the purchase of goods (other than those specified in Schedule B) which are purchased from within the State without payment of tax and used either in the manufacture of tax free goods or in taxable goods disposed of otherwise than by way of sale.

During test-check of records of 8 offices, it was noticed (between June 1999 and March 2002) that the assessing authorities did not levy purchase tax of Rs.1.18 crore including interest in 25 cases of 20 dealers during the years 1994-95 to 1999-2000 as detailed below:

Sl. No.	No. of DETCs	No. of dealers /cases	Assessment year/month of assessment	Nature of irregularities	Turnover involved	Purchase tax /interest non/short levied
					(Rupees in lakh)	
1	1	3/6	1995-96 to 1997-98 (between September 1997 and December 1998)	Purchased cotton from within State without payment of tax and exported the same out of India through exporters. There was no agreement between the dealers and foreign buyers for such export.	832.73	33.31
<p><b>Remarks:-</b> On this being pointed out (June 1999 and March 2000) in audit, the revisional authority created (between November 2000 and January 2001) an additional demand of Rs.33.31 lakh of which a sum of Rs.18.55 lakh in two cases had been recovered in February 2001. Report on recovery of balance amount was awaited (November 2002).</p> <p>The matter was referred (May 2002) to Government; reply had not been received (November 2002).</p>						
2	4**	8/9	Between 1994-95 and 1998-99 (between March 1998 and October 2000)	Purchased paddy from within the State without payment of tax and used the same in the manufacture of rice exported out of India through exporters. There was no agreement between the dealers and foreign buyers for such export.	860.33	34.41
<p><b>Remarks:-</b> On this being pointed out (between June 2000 and March 2002) in audit, the department created an additional demand of Rs.3.65 lakh against two dealers after adjusting Rs.0.15 lakh refundable to a dealer of Karnal. Further, the department also accepted the audit observation in respect of 5 cases of Jind and stated (November 2001) that proceedings had been initiated for revising the assessment orders. In case of 2 dealers of Panipat, the department intimated (March 2002) that both the cases had been sent (March 2002) to revisional authority for taking suo motu action. Further report on action taken had not been received (November 2002).</p> <p>The cases were referred (between October 2000 and April 2002) to Government; reply had not been received (November 2002).</p>						
3.	2***	4/5	1997-98 to 1999-2000 (between September 1999	Purchased paddy from within the State without payment of tax and sold the	584.54	23.41 9.66 (Interest)

\* ETO Mandi Dabwali.

\*\* DETCs: Hisar, Jind, Karnal and Panipat.

\*\*\* DETCs: Jind and Panipat.

Sl. No.	No. of DETCs	No. of dealers /cases	Assessment year/month of assessment	Nature of irregularities	Turnover involved	Purchase tax /interest non/short levied
			and August 2000)	same to exporters of rice outside the State. There was no agreement between the dealers and foreign buyers for such export.		
<p><b>Remarks:-</b> On this being pointed out (between February and August 2001) in audit, the department referred (March and September 2001) all the five cases to the revisional authority for taking suo motu action. Further report on action taken had not been received (November 2002).</p>						
4	2*	4/4	Between 1996-97 and 1999-2000 (between September 1999 and June 2000)	Purchased paddy from within the State without payment of tax and used it in the manufacture of rice exported out of India through exporters. The Assessing Authority levied tax on paddy but allowed a rebate from the tax payable on paddy, which was incorrect.	356.18	14.27
<p><b>Remarks:-</b> On this being pointed out (between June 2000 and November 2001) in audit, the revisional authority disallowed the rebate and created (May and October 2001 and February 2002) an additional demand of Rs.12.44 lakh, of which Rs.1.05 lakh had been recovered. Report on action taken in remaining one case of Narwana had not been received (November 2002). The matter was referred (April 2002) to the Government; reply had not been received (November 2002).</p>						
5	1**	1/1	1994-95 (January 1998)	Purchased spirit (taxable and used it in manufacture of IMFL (tax free goods/stock transfer). The assessing authority did not levy purchase tax on the spirit worth Rs.60.92 lakh.	60.92	2.68
<p><b>Remarks:-</b> On this being pointed out (March 2000) in audit, the department created (July 2001) an additional demand of Rs.7.87 lakh which included Rs.2.68 lakh as pointed out by audit and Rs.5.19 lakh (Tax: Rs.3.48 lakh and interest: Rs.1.71 lakh) on account of non-levy of tax on miscellaneous income. The department further stated that the dealer had preferred an appeal against the revisional order. The decision of appellate authority was awaited (November 2002). The case was referred to Government in July 2000; reply had not been received (November 2002).</p>						
	<b>Total</b>	<b>20/25</b>			<b>2,694.70</b>	<b>117.74</b>

#### **2.4 Non-levy of tax on lease rent**

Under the Haryana General Sales Tax Act, 1973, 'sale' means any transfer of property in goods for cash or deferred payment or other valuable consideration and includes transfer of right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

\* DETC Sonipat and ETO Narwana.

\*\* DETC Sonipat.



During test-check of records of the Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (June 2000) that a dealer dealing in cold drinks received a sum of Rs.1.13 crore as lease rent of empties from various customers during the year 1997-98. The assessing authority, while finalising (July 1999) the assessment did not levy tax on the amount of lease rent received for empty stocks (empty bottles). The omission resulted in non-levy of sales tax of Rs.11.34 lakh.

On this being pointed out (June 2000) in audit, the revisional authority created (June 2001) an additional demand of Rs.11.34 lakh. Report on recovery had not been received (November 2001).

The matter was referred (August 2000) to Government; reply had not been received (November 2002).

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

Under the Haryana General Sales Tax Act, 1973 and the Rules framed thereunder, tax leviable on a dealer on the sale of atta, maida and suji shall be reduced by the amount of tax paid in the State on the purchase of wheat at the first point and used in the manufacture of such atta, maida and suji. When no tax is payable on atta, maida and suji, full amount of tax already paid on wheat used in manufacture of these goods upto 14 August 1997 was refundable.

During test-check of records of the Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (March 1998) that a dealer exempted from payment of tax made purchases of 194121.36 quintals wheat from the Food Corporation of India (FCI) at the rate of Rs.360 per quintal during the year 1995-96. The assessing authority, while finalising (June 1996) the assessment, allowed a rebate of tax of Rs.29.52 lakh instead of Rs.27.83 lakh worked out for tax paid on wheat used in the manufacturing of atta, maida and suji. This resulted in excess refund of Rs.1.69 lakh.

On this being pointed out (March 1998) the department created (August 2000) an additional demand of Rs.3.76 lakh including the rebate in tax of Rs.2.07 lakh disallowed on the wheat used in manufacturing of tax free goods (wheat bran).

The case was referred (January 2002) to Government; reply had not been received (November 2002).

**2.6 Non-levy/under-assessment of purchase tax due to application of incorrect rate of tax.**

Under the Haryana General Sales Tax Act, 1973, the rates of tax leviable on different commodities are prescribed and notified by Government from time to time. The oil seeds (Sarson and Sunflower seeds) when purchased within State and used in manufacture of oil, being declared goods, are taxable at the rate of four *per cent* at the stage of last purchase.

During test-check of records of the Excise and Taxation Officer, Shahbad Markanda (District Kurukshetra), it was noticed (July 2001) that a dealer purchased oil seeds valued at Rs.2.00 crore (Sarson-seeds: Rs.69.84 lakh, Sunflower seeds: Rs.1.30 crore ) from within the State and used it in the manufacture of oil during the year 1995-96. The assessing authority, while finalising (March 2001) assessment, did not levy purchase tax of Rs.5.19 lakh on the value of Sunflower seeds and erroneously levied purchase tax of Rs.1.54 lakh instead of Rs.2.80 lakh on Sarson seeds resulting in short levy of tax of Rs.1.26 lakh. This resulted in under-assessment of purchase tax of Rs.6.45 lakh.

On this being pointed out (July 2001) in audit, the assessing authority referred (September 2001) the case to revisional authority for taking suo-motu action. Further progress had not been received (November 2002).

The case was referred (September 2001) to Government; reply had not been received (November 2002).

**2.7 Irregular deduction allowed against invalid declaration forms**

Under the Haryana General Sales Tax Act, 1973, the assessing authority is required to examine the genuineness or otherwise of any sale or declaration in Form ST-15 before allowing deduction from gross turnover to a registered dealer. Lost or stolen declaration forms are declared invalid by the concerned district officer and the fact circulated to all the assessing authorities in the State to prevent deduction against such invalid declaration forms being allowed. Further, penalty is also leviable for the offence of producing before the assessing authority, any false or incorrect account, return or information. As per notifications dated 29 March and 5 July 1996 issued under the Act, stone being unclassified goods, was taxable at the rate of nine *per cent* upto 4 July 1996 and at the rate of ten *per cent* thereafter.

During audit of records of the Deputy Excise and Taxation Commissioner, Gurgaon (West), it was noticed (March 2001) that a dealer was allowed (April 1999) deduction of Rs.21.41 lakh on account of sales of stone valued at

Rs.72.48 lakh during the year 1996-97 to registered dealers against declaration forms (ST-15) which had either been declared invalid (between January 1991 and March 1998) by district officers or were issued by the unregistered /non-existing purchasing dealers. Thus, the total deduction of Rs.21.41 lakh allowed against invalid declaration forms was incorrect. This resulted in under-assessment of tax of Rs.6.36 lakh including minimum penalty of Rs.4.24 lakh.

On this being pointed out (March 2001) in audit, the revisional authority created (November 2001) an additional demand of Rs.2.14 lakh with directions to issue separate show-cause notice for imposition of penalty. Further report on action taken/amount recovered had not been received (November 2002).

The matter was referred (April 2001) to Government; reply had not been received (November 2002).

## 2.8 Misuse of declaration Forms

Under the Haryana General Sales Tax Act, 1973, where goods taxable at first point of sale are sold by one registered dealer to another registered dealer, tax is liable at lower rate, if the purchasing dealer furnishes a declaration in Form STD-4 certifying that the goods are meant for use in manufacturing of goods for sale. In September 1998, PETC, Haryana issued instructions to all field offices to ensure that facility of STD-4 extended to manufacturers for concessional rate of tax is not allowed for transfer of goods to other States. Further, if the dealer availing of the lower rate of tax, violates any of the conditions or restrictions imposed, a penalty not exceeding one and half times of the tax involved may, after affording the dealer a reasonable opportunity of being heard, be imposed in addition to the tax payable.

During test-check of records of the Deputy Excise and Taxation Commissioner, Gurgaon (West), it was noticed (January 2002) that a dealer purchased goods\* (taxable at first point sale) valued at Rs.9.47 crore (including opening stock of goods) after payment of tax at lower rate of 4.4 and 5 per cent against declaration in Form STD-4 and used in manufacture of goods stock transferred otherwise than by way of sale during the year 1996-97. The assessing authority, while finalising (February 2001) assessment, omitted to levy the tax at higher rate of 8.8 per cent/10 per cent. This resulted in non-levy of tax of Rs.47.24 lakh and penalty of Rs.70.86 lakh.

The case was referred to the department and to Government in January 2002; replies had not been received (November 2002).

\* Air Conditioners and their parts.

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

Under the provisions of the Haryana General Sales Tax Act, 1973, and Central Sales Tax Act, 1956, a dealer is required to pay the full amount of tax due as per the returns required to be submitted by the prescribed dates. In the event of default, the dealer is liable to pay interest on account 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.

During test-check of the records of Deputy Excise and Taxation Commissioner, Panipat, it was noticed (between January and February 2002) that six dealers in seven cases did not pay full amount of tax due alongwith the returns during the years 1996-97 to 1998-99. The assessing authorities, while finalising (between January and March 2001) assessments, created additional demands of tax aggregated to Rs.20.48 lakh and pronounced in the assessment orders that penal action for levy of interest and penalty would be taken separately, but no such action was initiated till January 2002. This resulted in non-levy of interest of Rs.10.23 lakh besides penalty.

On this being pointed out (between January and February 2002) in audit, the department created (February 2002) demand for interest of Rs.2.32 lakh in two cases and stated in the order that penalty notice be issued. In two cases of two dealers, the department stated (February 2002) that proceeding for levy of interest and penalty were in progress. No reply was received in the remaining three cases of two dealers. Report on recovery and further action in respect of levy of penalty had not been received (November 2002).

The matter was referred (April 2002) to the Government; reply had not been received (November 2002).

### **2.10 Non-raising of demands for interest**

Under the Haryana General Sales Tax Rules, 1975, if a unit holding exemption certificate contravenes any provision of the Act under which exemption certificate has been granted, it shall be liable to repay the entire amount of the tax exempted alongwith the interest payable thereon.

During test-check of records of Deputy Excise and Taxation Commissioner, Fatehabad, it was noticed (January 2002) that a dealer of Tohana was granted (June 1992) exemption from payment of tax of Rs.42.53 lakh for the period from 27 November 1991 to 26 November 2000. The dealer, after availing benefit of full exemption during the year 1993-94 to 1997-98, closed down its business and disposed of its machinery. For contravention of the provisions of

Act/Rules by the dealer, the department cancelled (August 1999) the exemption certificate of the dealer and raised a demand of Rs.42.70 lakh but the demand for interest of Rs.30.01 lakh was not raised.

On this being pointed out (January 2002) in audit, the department stated that demand of Rs.42.70 lakh is pending against the dealer for which recovery proceedings are in progress. It was further stated that interest, if any, payable, shall be considered after clearance of the original demand. Reply of the department was not tenable as the firm had already gone in liquidation and assets stood disposed of by Haryana Financial Corporation (HFC). Thus due to non-raising of demand of interest, the department could not claim the amount of Rs.30.01 lakh from HFC.

The matter was referred (April 2002) to the Government; reply had not been received (November 2002).

#### **2.11 Non-realisation of tax**

The Haryana General Sales Tax Act, 1973 provides that no person shall collect any sum by way of tax in respect of sale or purchase of any goods on which no tax is payable under the Act. Further, Haryana Sales Tax Tribunal-II held (September 2000) that an exempted unit having collected purchase tax from the payer has no business to retain the same and convert it to its own use and it should come into State coffer.

During test-check of records of Deputy Excise and Taxation Commissioners, Sonipat and Panchkula, it was noticed (between February 1999 and December 2001) that in 6 cases, three dealers who were availing benefit of exemption from payment of tax under Rule 28 A sold rice procured from paddy valued at Rs.6.57 crore to the District Food and Supply Controller (DFSC) during the years 1995-96 to 1998-99. The sale price of rice charged by the dealers from the DFSC was inclusive of purchase tax of Rs.26.30 lakh payable on the paddy used in procuring of such rice. But the assessing authority, while finalising (between September 1997 and June 2000) the assessments, failed to notice the non-payment of purchase tax so collected by the dealer from the DFSC. This resulted in non-realisation of collected tax of Rs.26.30 lakh.

On this being pointed out (between February 1999 and December 2001) the department accepted (between February 1999 and January 2002) the audit observation in all the 6 cases; of this 5 cases were sent for suo motu action while in 1 case, an amount of Rs.3.33 lakh had been recovered (December 2001). The department further stated (April 2002) that revisional proceedings had not yet been finalised.

The cases were referred (June 1999 and May 2002) to Government; reply had not been received (November 2002).

## CHAPTER III: Stamp Duty and Registration Fee

### 3.1 Results of Audit

Test-check of records of various registration offices conducted in audit during the year 2001-2002 revealed non/short levy of stamp duty and registration fee amounting to Rs.8.37 crore in 981 cases which broadly fall under the following categories:

Sl. No.	Nature of irregularities	Number of cases	Amount (Rupees in crore)
1.	Evasion of stamp duty and registration fee	134	1.39
2.	Irregular/inadmissible exemption of stamp duty and registration fee on deeds/release deeds	211	1.80
3.	Non/short recovery of registration fee	157	0.63
4.	Loss of stamp duty due to under-valuation of properties	181	0.77
5.	Loss of stamp duty due to misclassification of deeds	298	3.78
	<b>Total</b>	<b>981</b>	<b>8.37</b>

During the year 2001-2002, the department accepted under-assessment of Rs.1.71 crore in 9 cases pointed out during the year 2001-02 and recovered Rs.10.61 lakh in 43 cases pertaining to the earlier years.

A few illustrative cases involving Rs.1.85 crore are mentioned in the following paragraphs:

### **3.2 Evasion of stamp duty due to under-valuation of immovable property**

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 duty with which it is chargeable, should be fully and truly set forth therein. Further, Section 64 of the Act provides that any person who, with intent to defraud the Government, executes an instrument in which all the facts and circumstances, required to set forth in such instrument under the Act, are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees per instrument.

During test-check of the records of 12\* Registering offices, it was noticed (between January and September 2001) that 44 conveyance deeds were registered (between May 1999 and May 2001) on account of sale of immovable properties. The total value of properties set forth in all these conveyance deeds was Rs.6.52 crore whereas the value of properties as per agreements executed between affected parties during the period from June 1990 to January 2001 and found recorded with the various document writers, worked out to Rs.7.70 crore. Thus, the conveyance deeds were got executed and registered at a consideration less than that agreed upon between the parties. Under-valuation of the properties in conveyance deeds resulted in evasion of stamp duty of Rs. 15.48 lakh. Besides, penalty not exceeding Rs. 2.20 lakh for under-valuation made with intent to defraud the Government was also leviable.

On this being pointed out (between February and September 2001) in audit, 8 registering authorities stated that notices were being issued to recover the amount. No reply had been furnished by remaining four registering authorities.

When referred (between March and December 2001) to Government, the Deputy Commissioner, Karnal was directed (April 2001) to effect the recovery within three weeks but report on recovery made had not been received (March 2002). Reply in respect of other cases had not been received (November 2002).

### **3.3 Non-levy of stamp duty on exchange of property**

As per Indian Stamp Act, 1899, as applicable to Haryana, stamp duty on exchange of property is chargeable as a conveyance deed. Government of

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\* Sub-Registrar Karnal, Joint Sub-Registrar Nissing, Sub-Registrars: Matenhail, Beri, Jhajjar, Nagina, Nuh, Pataudi, Gurgaon, Palwal, Thanesar and Joint Sub-Registrar Ismailabad.



Haryana further clarified (September 1996) that the compromise decrees which create for the first time right, title or interest in the said immovable property in favour of any party to the suit, the compromise decree or order would require registration and is also chargeable with stamp duty as an instrument or conveyance deed for a consideration equal to the value of the property or the value set forth in such instrument, whichever is higher.

During test-check of records in 8\* offices of the Sub-Registrars, it was noticed (between April and October 2001) that 18 compromise decrees registered between April 2000 and February 2001 created for first time right, title or interest in the said immovable property valued at Rs.78.06 lakh were registered for the exchange of property without levying stamp duty of Rs.10.02 lakh.

On this being pointed out (between April and October 2001) in audit, Sub-Registrars, Bhuna, Ballabgarh and Pataudi intimated (July 2001 and January 2002) that notices were being issued to effect the recovery. No reply was furnished in other cases.

The matter was referred (between August and December 2001) to Government who directed (September 2001) the Registrar, Kaithal to effect the recoveries within three weeks but further progress on recovery was awaited (November 2002); Reply in respect of remaining seven offices had not been received (November 2002).

#### **3.4 Evasion of stamp duty**

The Indian Stamp Act, 1899, as applicable to Haryana, provides that the consideration, if any, and all other facts and circumstances affecting the chargeability of an instrument with duty, or the amount of duty with which it is chargeable, should be fully and truly set forth therein. Under Section 47-A of the Act, *ibid*, if the registering officer has reasons to believe that the value of the property or the consideration, as the case may be has not been truly set forth in the instrument, he may, after registering such instrument refer the same to the Collector for determination of the value or the consideration and the proper duty payable, which will thereafter be decided by the Collector after giving an opportunity to the registering party.

During test-check of documents registered in the office of the Sub-Registrar, Gurgaon for the period 1996-1999, it was noticed (December 1999) that 27 sale deeds registered during 1996-99 were valued at Rs.49.81 lakh whereas the amount worked out to Rs.94.71 lakh calculated at the market rates

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\* Sub-Registrars: Bhuna, Ballabgarh, Guhla, Jagadhari, Jakhal, Kaithal, Nilokheri, and Pataudi.

approved by the Deputy Commissioner. The figures of stamp duty entered on these deeds were changed/alterd by overwriting, inter-polation or tampering for higher amounts than the stamp duty actually charged in each case so that the changed figures of stamp duty may look equivalent to the proper duty payable on the value of consideration based on the rates approved by the Deputy Commissioner. The stamp duty chargeable on the considerations of Rs.94.71 lakh works out to Rs.12.64 lakh against which stamps of Rs.6.60 lakh were actually purchased from the treasury. This resulted in evasion of stamp duty of Rs.6.04 lakh.

On this being pointed out (December 1999 and February 2000), Joint Sub-Registrar, Gurgaon intimated (July 2000) that F.I.R. had been lodged (May 2000) against the concerned officers/officials and connected records had been handed over to the vigilance department. Further, Sub-Registrar, Gurgaon intimated (February 2002) that a sum of Rs.0.01 lakh had been recovered (July 2001) and efforts were being made to recover the balance amount.

On the case being referred (February 2000) to Government, the Financial Commissioner and Secretary to Government of Haryana directed (March and July 2000) the Deputy Commissioner, Gurgaon to effect these recoveries. Further, report on recovery made and action taken against the defaulters had not been received (November 2002).

### **3.5 Short levy of stamp duty**

As per Indian Stamp Act, 1899, conveyance includes conveyance on sale and every instrument by which property, whether movable or immovable, is transferred. Further, the Indian Registration Act, 1908 provides that immovable property includes land, building and things attached to the earth. Government clarified (July 1994) that plant and machinery installed in the factory for permanent use when sold alongwith the factory land and building would constitute a part of immovable property.

During test-check of records of 8\* offices of Sub-Registrars for the years 1998-99 to 2000-2001, it was noticed (between December 1999 and October 2001) that 15 vendors purchased factories for a consideration of Rs.1.54 crore (Rs.1.00 crore for land and building and Rs.54.05 lakh for plant and machinery) in auction conducted by the Haryana Financial Corporation. While executing (between August 1998 and March 2001) the sale deeds, the registering authorities levied stamp duty of Rs.12.74 lakh on the cost of land and building valued at Rs.1.00 crore but did not levy stamp duty on the cost of plant and machinery valued at Rs.54.05 lakh. The omission resulted in short levy of stamp duty of Rs.7.24 lakh.

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\* Sub-Registrars: Hathin, Jind, Kalka, Narwana, Nuh, Panchkula, Sonipat and Tauru.

On this being pointed out (between December 1999 and December 2001) in audit, the department intimated that notices were issued/being issued to the concerned parties in 12 cases. No reply was furnished by the Sub-Registrars, Kalka and Panchkula in 3 cases.

The matter was referred (between February 2000 and December 2001) to the Government, who directed (March 2000 and July 2001) the Deputy Commissioners, Gurgaon and Sonapat to effect the recoveries within three weeks but further progress on recovery was awaited (June 2002). Deputy Commissioner Panchkula directed (June 2002) the Tehsildar, Kalka to effect the recovery immediately. Sub-Registrar, Hathin intimated (January 2002) that notices were issued to all parties for effecting recoveries. No reply from Sub-Registrars, Jind and Narwana had been received (November 2002).

### 3.6 Inadmissible exemption of stamp duty

As per provisions of the Article 55 of Schedule 1-A of the Indian Stamp Act, 1899 and further clarification/instructions issued in February and April 2000 by the Haryana Government, Revenue Department, stamp duty on any release of ancestral property made in favour of brother or sister (children of renouncer's parents) or son or daughter or father or mother or spouse or children or nephew or niece or co-parcener of the renouncer, is leviable at the rate of Rs.15. In any other case, the stamp duty shall be charged at the rate as applicable to a conveyance for the amount equal to the market value of the share, interest and part of claim renounced.

(i) During test-check of records of 16\* Registering offices for the year 2000-2001, it was noticed (between April and October 2001) that 55 releases of ancestral property for total consideration of Rs.5.07 crore were made in favour of relations other than those specified in Article 55 of Schedule 1-A of the Act by charging stamp duty of Rs.0.01 lakh instead of Rs.63.80 lakh leviable as a conveyance for the amount equal to the market value. This resulted in non-levy/recovery of stamp duty of Rs.63.79 lakh.

On this being pointed out (between April and December 2001) in audit, Sub-Registrar, Tauru (District Gurgaon) and Joint Sub-Registrar, Radaur intimated (January 2002) that the cases were referred to the Collector for decision. Sub-Registrars, Pehowa and Thanesar (District Kurukshetra), Sub-Registrar, Beri (District Jhajjar) intimated (August and September 2001) that notices were being issued to the concerned parties for effecting the recoveries.

\* Sub-Registrars: Barvala, Beri, Bhuna, Chhachhrauli, Farauknagar, Jagadhari, Kaithal, Pataudi, Pehowa, Pundri, Tauru and Thanesar.  
Joint Sub-Registrars: Dhand, Mustafabad, Radaur and Siwani.

No reply was furnished by remaining 11 offices.

On the matter being referred (between September and December 2001) to Government, the Deputy Commissioner, Kaithal was directed (October 2001) to effect the recovery. Further progress on recovery made, had not been received (March 2002). No reply in respect of other offices had been received (November 2002).

(ii) During test-check of records of 13\* Registering Offices, it was noticed (between January and October 2001) that 56 releases of other than ancestral immovable properties worth Rs.5.60 crore were made by charging stamp duty at the rate of Rs.15 per instrument for a total amount of Rs.0.01 lakh against the chargeable amount of stamp duty of Rs.80.39 lakh. This resulted in evasion of stamp duty of Rs.80.38 lakh.

On this being pointed out (between January and October 2001) in audit, to the Department, the Deputy Commissioners, Kaithal, Karnal, Jhajjar and Narnaul were directed (between May and October 2001) to effect the recoveries. Sub-Registrars, Bahadurgarh (Jhajjar), Pehowa and Thanesar, Joint Sub-Registrars, Ladwa and Babain (Kurukshetra) intimated (February and August 2001) that notices were being issued for effecting the recoveries. No reply was furnished by Sub-Registrars, Kalka, Jagadhari (Ambala) and Joint Sub-Registrars, Ismailabad (Kurukshetra).

The matter was referred (between April and December 2001) to Government; reply had not been received (November 2002).

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\* Sub-Registrars: Bahadurgarh, Gharaunda, Indri, Jagadhri, Kalka, Karnal, Mohindergarh, Pehowa, Thanesar.  
Joint Sub-Registrars: Babain, Ismailabad, Ladwa and Rajound.

## CHAPTER IV: State Excise Duty

### 4.1 Results of Audit

Test-check of records of various offices of State Excise Department conducted during the year 2001-2002, revealed non/short recovery of excise duty amounting to Rs.56.52 crore in 74 cases, which broadly falls under the following categories:

Sl. No.	Nature of irregularities	Number of cases	Amount (Rupees in crore)
1.	Review- "Receipts of Excise Duty from auction of vends"	1	21.51
2.	Short levy of excise duty on excess lifting of additional quota of IMFL	1	0.03
3.	Loss due to short lifting of quota of country liquor	2	1.16
4.	Non/short recovery of licence fee and interest on belated payment of instalments	12	0.18
5.	Non/short recovery of excise duty and surcharge	1	0.35
6.	Late deposit of security	8	20.63
7.	Miscellaneous irregularities	49	12.66
	<b>Total</b>	<b>74</b>	<b>56.52</b>

During the year 2001-2002, the department accepted short recovery of Rs.10.24 crore in one case pointed out during the year 2001-2002 of which Rs.0.79 crore had been recovered. Besides, Rs.0.35 crore recovered in 7 cases related to earlier years.

A few illustrative cases involving Rs.1.19 crore and a review relating to "Receipts of excise duty from auction of vends" involving Rs.11.02 crore highlighting important cases are mentioned in the following paragraphs:

## **4.2 Receipts of excise duty from auction of vends**

### **4.2.1 Introductory**

Excise duty on Alcoholic Liquors for human consumption and on medicinal and toilet preparations containing alcohol or opium, Indian hemp and narcotics in Haryana is levied and collected under the following Acts/Rules made thereunder:-

The Punjab Excise Act, 1914 and rules made thereunder, namely; the Punjab Excise Fiscal Orders, 1932, the Haryana Liquor licence Rules, 1970, the Punjab Liquor Permit and Pass Rules, 1932, the Punjab Distillery Rules, 1932, the Punjab Brewery Rules, 1956 and the Punjab Excise Bonded Warehouse Rules, 1957.

The revenue is mainly derived from fixed, assessed and auction fees for the grant of licenses of various vends under the Haryana Liquor licence Rules, 1970 and 'excise duties' levied on spirit and beer removed from distilleries and breweries and on that imported/exported to and from any other State under the Punjab Excise Fiscal Orders, 1932. Fees and duties are levied and accounted for in the offices of the concerned Deputy Excise and Taxation Commissioners (Excise).

### **4.2.2 Scope of audit**

Out of 19 Deputy Excise and Taxation Commissioners (DETCs) offices (Excise), records (excluding records pertaining to distilleries and breweries) of 10\* offices for the years 1995-96 to 2000-2001 were test-checked during October 2001 to March 2002 with a view to ascertain the extent of compliance of various rules and orders regarding levy and collection of excise duties. In addition, points noticed in regular audit for the years 1995-96\*\* to 2000-2001 were also included.

### **4.2.3 Organisational set-up**

The Excise Department in Haryana functions under the administrative control of Prohibition, Excise and Taxation Commissioner who is assisted by the Collector (Excise) at the Headquarters and DETCs (Excise), Excise and Taxation Officers (ETOs), Assistant Excise and Taxation Officers (AETOs),

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\* DETCs: Ambala, Faridabad, Fatehabad, Gurgaon, Hisar, Kaithal, Karnal, Kurukshetra, Rohtak, and Sonapat.

\*\* There was Prohibition in the State during the period from July 1996 to March 1998, so, period of six years has been taken.

Inspectors and other allied staff in the proper administration of the department in the field.

#### 4.2.4 Highlights

An amount of Rs.22.86 crore had been pending collection as on 31 March 2001, of which Rs.10.64 crore was outstanding for more than 5 years.

(Paragraph 4.2.6)

Revenue of Rs.1.86 crore (licence fee: Rs.0.67 crore and interest: Rs.1.19 crore) was short recovered from licencees by 12 Deputy Excise and Taxation Commissioners.

{Paragraph 4.2.7 (i) and (ii)}

Loss of revenue of Rs.8.73 crore due to re-auction of vends remained unrecovered.

(Paragraph 4.2.8)

#### 4.2.5 Trend of revenue receipts

The position of revenue realised from State Excise duty during the last six years from 1995-96 to 2000-2001 was as under:-

Year	Budget estimates	Revenue realized	Shortfall (-)/ increase(+) over budget estimates	Percentage of variation
(Rupees in crore)				
1995-96	530.00	552.96	(+) 22.96	(+) 4.33
1996-97	68.11	64.14	(-) 3.97	(-) 5.83
1997-98	12.00	49.62	(+) 37.62	(+) 313.50
1998-99	850.00	774.63	(-) 75.37	(-) 8.87
1999-00	894.70	765.36	(-) 129.34	(-) 14.45
2000-01	840.00	840.56	(+) 0.56	(+) 0.06

Low estimation and realisation in excise duty during 1996-97 and 1997-98 was due to prohibition enforced in the State from 1 July 1996 to 31 March 1998. As regards shortfall in revenue during 1998-99, the department stated that after lifting of prohibition, expected buoyancy in sale did not last throughout the year. The shortfall during the year 1999-2000 was due to loss in re-auction of vends in Fatehabad district and less sale of liquor than the estimation.

The percentage of revenue realised from auction of vends during 1995-96 to 2000-01 to the total revenue realised from State excise duty ranged between 46.63 and 99.95 *per cent* as detailed below:

Year	Total revenue of State excise duty	Revenue received from auction of vends and sale of liquor	Percentage to total revenue realised
(Rupees in crore)			
1995-96	552.96	389.04	70.36
1996-97	64.14	35.35	55.11
1997-98	49.62	23.14	46.63
1998-99	774.63	732.45	94.55
1999-2000	765.36	764.98	99.95
2000-2001	840.56	713.60	84.90

#### **4.2.6 Uncollected Excise Revenue**

As on 31 March 2001, uncollected excise revenue pending collection at the following stages was Rs.22.86 crore as under:

	Stages of action	Amount (Rupees in crore)
(i)	Property attached	1.01
(ii)	Under stay by Courts and other authorities	6.84
(iii)	Inter district arrears	2.27
(iv)	Inter-State arrears	0.47
(v)	Moved for writing off	0.47
(vi)	Under instalments	0.12
(vii)	Other stages	11.68
	<b>Total</b>	<b>22.86</b>



The year-wise break-up of the arrears was as under:-

Year	Amount (Rupees in crore)
Upto 1995-96	10.64
1998-1999	2.13
1999-2000	9.62
2000-2001	0.47
<b>Total</b>	<b>22.86</b>

Of the above, Rs.85.72 lakh remained unrecovered for more than 30 years, Rs.59.87 lakh for more than 20 years and Rs.1.45 crore for more than 10 years. The oldest amount pertained to the year 1967-68. One case involving Rs.1.23 crore remained outstanding since 1998-99. However, number of cases involved for the remaining amounts were not made available.

#### 4.2.7 Short recovery of licence fee and interest

As per provisions contained in Rule 36(26) of the Haryana Liquor Licence Rules, 1970 read with auction condition No. 6(iii) of the Excise Announcement made at the time of auction for the years 1995-96 and 1996-97 to 2000-2001, the successful bidder when granted a licence shall pay the license fee by the 15<sup>th</sup> of the month for 1995-96 and by 20<sup>th</sup> of the month thereafter in which he begins his business in monthly equal instalments. In case of default, the DETC may authorise the licensee to deposit amount of instalment or part thereof upto the last date of month in which the instalment is due alongwith interest at the rate of 18 *per cent* per annum for the period of delay. Further, the department is required to obtain and verify the genuineness of the particulars regarding name, residential and business addresses, financial position (bank accounts) of the bidder, partners and sureties before the licence is actually granted.

(i) In Fatehabad district, 15 and 20 vends for 1998-99 and 1999-2000 respectively were auctioned in favour of 2 licencees for Rs.7.65 crore and Rs.2.20 crore. Of this, the licencees deposited licence fee of Rs.7.61 crore and Rs.1.57 crore respectively till the end of licence period resulting in less deposit of Rs. 67.17 lakh.

On the omission being pointed out (June 1999 and May 2000), the DETC, Fatehabad stated (March 2002) that in one case, the amount could not be recovered as the main licensee was not a resident of the district and had no movable or immovable property. The contention of the department was not acceptable as the department was required to verify the particulars regarding name, residential and business addresses, details of unencumbered immovable property and bank accounts in the name of the bidder and affidavit of each partner submitted by them before the licence was actually granted. Moreover, the recovery could be effected as arrears of land revenue either from the bidder or from the partners and/or sureties for which no efforts were made by the department. In the second case the department stated that the action was being taken to recover the amount.

(ii) Test-check of records of 12 Deputy Excise and Taxation Commissioner Offices for the years 1995-96 to 2000-2001 revealed that interest amounting to Rs.1.19 crore for delay ranging between 1 and 221 days in payment of instalments of licence fee was short levied in 33 cases as detailed below:

Sl No.	Name of District	Year	Interest leviable	Interest levied	Interest short levied
(Rupees in lakh)					
1.	Bhiwani	1995-96 1996-97	3.39 2.55	2.59 1.45	0.80 1.10
2.	Faridabad	2000-01	23.66	20.80	2.86
3.	Fatehabad	1998-99 1999-2000	16.52 2.77	15.39 -	1.13 2.77
4.	Gurgaon	2000-01	4.11	2.48	1.63
5.	Hisar	1995-96	16.14	5.63	10.51
6.	Jagadhari	2000-01	1.80	0.84	0.96
7.	Kurukshetra	1995-96 1999-2000 2000-01	5.84 1.82 35.73	3.57 - 18.50	2.27 1.82 17.23
8.	Kaithal	1995-96 2000-01	2.36 57.20	0.31 -	2.05 57.20
9.	Karnal	2000-01	21.15	9.28	11.87
10.	Panipat	1995-96	2.41	0.44	1.97
11.	Panchkula	2000-01	4.05	3.39	0.66
12.	Rohtak	2000-2001	11.51	9.57	1.94
		<b>Total</b>	<b>213.01</b>	<b>94.24</b>	<b>118.77</b>

On the omission being pointed out (between June 1996 and February 2002), a sum of Rs.56.29 lakh was recovered by 6\* DETCs. Three\*\* DETCs intimated (between November 2001 and April 2002) that action was being taken to recover the amounts whereas final reply had not been received (April 2002) from remaining three DETCs.

#### **4.2.8 Loss of revenue due to re-auction of vends**

Under the Haryana Liquor Licence Rules, 1970, licenses of vends for Country Liquor and Indian Made Foreign Liquor are granted by auction. A successful bidder is required to deposit, by way of security, an amount equal to 5 per cent at the fall of hammer and the remaining 11-2/3 per cent within ten days from the date of auction or before 31 March whichever is earlier. The remaining licence fee is payable in monthly instalments equal to one eleventh of total annual licence fee by the 20<sup>th</sup> of each month. In case of failure to pay any instalment alongwith interest by due date, the licence for vend is liable to be cancelled and re-auctioned at the risk and cost of the defaulting licensee. The amount is recoverable from the original vendor as arrears of land revenue.

In Fatehabad district, 42 vends of Country Liquor and Indian Made Foreign Liquor (IMFL) were auctioned (March 1999) for Rs.24.42 crore for the year 1999-2000 to two licencees. Against the amount of Rs.17.76 crore payable by the licencees upto November 1999, only Rs.9.92 crore were deposited by them and on their failure to pay Rs.7.84 crore, the department cancelled their licenses on 24 November 1999 and re-auctioned the vends on 10 December 1999 for Rs.5.76 crore at their risk and cost. The re-auction of vends resulted in loss of revenue of Rs.8.73 crore which was neither paid by the earlier bidders nor recovered (April 2002) by the department.

On the omission being pointed out (May 2000), the department stated notices have been issued to the parties and sureties for recovery of the amount.

#### **4.2.9 Non-recovery due to incorrect adjustment of security**

Under Haryana Liquor Licence Rules, 1970, a successful bidder is required to deposit by way of security an amount equal to 16-2/3 per cent of the total annual licence fee by the prescribed date. The entire amount of security or its 90 per cent, shall be adjusted against the last instalment of licence fee payable by him unless the same or any part thereof is forfeited or adjusted against any amount of fee or penalty due from him. In case of adjustment of ninety per cent amount of security, the remaining ten per cent of the security shall be refundable to the licensee after deducting therefrom any kind of arrears, if any, due to the Government from him after the close of the financial year.

\* Bhiwani, Hisar, Kurukshetra, Karnal, Kaithal and Rohtak.

\*\* Fatehabad, Panipat and Panchkula.

A test-check of records of 3\* Deputy Excise and Taxation Commissioners (Excise) for the years 1999-2000 to 2000-2001, revealed (between January and August 2001) that penalty and interest of Rs.27.51 lakh was outstanding against three licencees at the end of the financial year. The department adjusted the whole amount of security deposit against the last instalment instead of retaining 10 *per cent* of security deposit of Rs.1.39 crore from which the amount outstanding on account of interest, penalty etc. could have been recovered. Besides, no demand for payment of Rs.27.51 lakh was raised. Thus, contravention of the rules resulted in non-recovery of Rs.27.51 lakh.

On this being pointed out (between January and August 2001), DETCs, Bhiwani and Jind recovered (between March and July 2001) Rs.17.79 lakh. Regarding outstanding recovery of Rs.4.59 lakh, DETC, Hisar stated (October 2001) that the adjustment of full amount of security is generally made towards the last instalment of licence fee. The reply of the DETC was contrary to the prescribed rules and resulted in non-realisation of the dues payable to the Government.

#### ***4.2.10 Loss due to late credit/realisation of demand drafts***

Financial Rules provide that departmental receipts should be deposited in Government account on the same day or latest by next working day. Any delay in remittance results in loss of interest to the Government.

Test-check of records of four\*\* Deputy Excise and Taxation Commissioners (Excise) for the year 1995-96 to 2000-2001 revealed that 66 bank drafts amounting to Rs 6.75 crore were credited late into Government account after a delay ranging from 1 to 99 days at the level of both department and bank. Had the bank drafts been remitted in time into the Government account, the department could have saved interest of Rs.3.95 lakh (calculated at the rate of 12 *per cent* per annum applicable to borrowings of the Government).

#### ***4.2.11 Non-recovery of penalties***

Under the Punjab Excise Act, 1914, as applicable to Haryana, penalty is imposed in the event of contravention of any of the provisions of the Act or of any rule, notification or order made, issued or given thereunder. The penalty amount was required to be recovered within 7 days but not later than the close of financial year.

Test-check of records of 5\*\*\* DETCs revealed that though penalties of Rs.11.53 lakh were imposed by the department in 196 cases during the period from 1995-96 to 2000-01, the amount was neither demanded by the

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\* Bhiwani, Jind and Hisar.

\*\* Ambala, Fariabad, Karnal and Rohtak.

\*\*\* Gurgaon, Hisar, Jind, Kaithal and Kurukshetra.

department nor deposited by the licencees. This resulted in non-recovery of penalty of Rs.11.53 lakh.

On this being pointed out (between August 1996 and July 2001) the department recovered (October 2000 and July 2001) Rs.4.86 lakh. Progress in recovery of balance amount of Rs.6.67 lakh had not been received (April 2002).

#### 4.2.12 Improper fixation of minimum licence fee/reserve bid money.

Under Rule 36 of the Haryana Liquor Licence Rules, 1970, the Collector shall determine the minimum licence fee/reserve bid money for each group of vends or vend on the recommendations of the Deputy Excise and Taxation Commissioner (Excise) incharge of the District, having regard to estimated sale and other incidental factors pertaining to each vend or group of vends, as the case may be and the minimum licence fee so determined shall be announced at the time of auction. No specific parameters/provisions have been made in the Act, Rules and Policy for fixing the reserve bid in respect of auction of country liquor.

Test-check of records of three districts revealed that the minimum licence fee/reserve bid money for the vend or group of vends put to auction for the year 2000-01 in the same location were determined/fixed lesser than that fixed for the previous year 1999-2000 as detailed below:

District	Year	No. of vends	Quota of Country Liquor	Reserve Bid	Final Bid	Revenue foregone
			(In proof litres)	(Rupees in lakh)		
Ambala	1999-2000	71	23,00,000	2,200.00	2,509.00	
	2000-2001	71	25,26,000	2,150.00	2,451.00	
	<b>Variation</b>	<b>Nil</b>	<b>(+) 2,26,000</b>	<b>(-) 50.00</b>	<b>(-) 58.00</b>	<b>50.00</b>
Fatehabad	1999-2000	31	19,50,000	1,875.00	2,101.15	--
	2000-2001	37	21,65,000	1,300.00	1,452.00	
	<b>Variation</b>	<b>6</b>	<b>(+) 2,15,000</b>	<b>(-) 575.00</b>	<b>(-) 649.15</b>	<b>575.00</b>
Gurgaon	1999-2000	43	18,50,000	2,755.00	3,158.00	---
	2000-01	47	19,89,000	2,407.00	3,082.00	
	<b>Variation</b>	<b>4</b>	<b>(+) 1,39,000</b>	<b>(-) 348.00</b>	<b>(-) 76.00</b>	<b>348.00</b>
<b>Total</b>						<b>973.00</b>

Above table shows that in all the three district, the reserve bid money fixed for

the year 2000-2001 was lesser than that of 1999-2000 by Rs.9.73 crore despite the fact that the number of vends had increased (two districts) and quota of country liquor had enhanced for the year 2000-01. Besides, the final bid for the year 1999-2000 was on higher side as compared to the reserve bids fixed for the year 2000-2001. In the absence of any parameters/provisions in the Act/Rules/Policy, the department failed even to conserve the reserve bid money equal to that fixed for the year 1999-2000.

Further, in Fatehabad district, though the quota of country liquor had enhanced from 19.50 lakh proof litres to 21.65 lakh proof litres during 2000-2001, the final bid (Rs.14.52 crore) accepted for the year 2000-2001 was even lesser by Rs.4.23 crore than the reserve bid (Rs.18.75 crore) fixed for the year 1999-2000.

#### **4.2.13 Non-reconciliation of departmental figures**

Test-check of records of Prohibition, Excise and Taxation Commissioner (PETC) revealed that there was difference between figures of receipts of excise duty for the years 1995-96 to 2000-2001 supplied by the department as well as that appeared in the Finance Accounts of the State Government as detailed below:-

Year	Figures furnished by the Department	Figures as per Finance Accounts	Difference
(Rupees in crore)			
1995-96	553.54	552.96	(+) 0.58
1996-97	Not furnished-	64.14	(-) 64.14
1997-98	49.63	49.62	(+) 0.01
1998-99	774.95	774.63	(+) 0.32
1999-2000	766.17	765.36	(+) 0.81
2000-2001	851.17	840.56	(+)10.61

Reasons for variations in figures were called for (February and March 2002) from the Excise and Taxation Commissioner, Haryana but reply had not been received (April 2002). The figures need reconciliation.

#### 4.2.14 Conclusion

The lapses enumerated above indicate short levy/non-recovery of excise revenue, loss of revenue due to re-auction of vends, improper fixation of reserve bid money, non-verification of antecedents of licensees/sureties, incorrect/irregular adjustment of security, delay in credit of revenue into Government account and non-reconciliation of remittances with treasury books. The department should develop a strong internal control system to check the deficiencies and lapses in implementation of the various provisions of the Act/Scheme so that the revenue receipts due to the Government are collected forthwith.

The department should prescribe specific parameters for fixation of reserve bid money in respect of country liquor so that the system becomes transparent and does not result in any loss of revenue to Government.

The cases were referred (May 2002) to the Government; reply had not been received (November 2002).

#### 4.3 Loss due to short lifting of quota of Country Liquor

Under the Haryana Liquor Licence Rules, 1970, for each vend, quota of country liquor, is announced before the vend is put to auction. The excise duty is charged as per excise policy announced for each year which was payable at the rate of Rs.21 per proof litre for the year 2000-2001.

Test-check of records of DETCs (Excise), Hisar and Kaithal revealed (September and November 2001) that for the year 2000-2001, the PETC Haryana allotted the Country Liquor quota of 63.46 lakh proof litres to two licencees in Hisar district and Kaithal district. Both the licencees lifted 57.92 lakh PLs country liquor resulting in short lifting of 5.54 lakh proof litres of country liquor quota. Thus short lifting of liquor not only defeated the very purpose of fixing the quota of country liquor but also resulted in a loss of Rs.1.16 crore on account of excise duty.

On this being pointed out (September and November 2001) in audit, the DETC, Kaithal intimated (March 2002) that the matter was under examination. Reply from the DETC, Hisar had not been received (November 2002).

The matter was referred (May 2002) to the Government; reply had not been received (November 2002).

#### 4.4 Short-levy of excise duty on excess lifting of additional quota of IMFL

As per amendment made (March 2000) in Punjab Excise Fiscal Orders, 1932, (effective from 1 April 2000) the excise duty on Indian Made Foreign Liquor (IMFL) shall be leviable at the rate of Rs.41 per proof litre up to the quantum of sale of the group equal to the sale of vends falling in the same area in the previous year and shall be at Rs. 25 per proof litre thereafter upto 25 per cent on additional lifting over previous year on month to month basis.

Test-check (May 2001) of records of DETC (Excise), Karnal for the year 2000-2001 revealed that an L-1 licensee had lifted 73017 proof litres IMFL in the month of October 1999. Consequently, he was entitled to lift an additional quota of 18254 proof litres of IMFL (25 per cent of 73017 PLs) on payment of excise duty at the concessional rate of Rs.25 per proof litre for the month of October 2000 against which he lifted 34425 proof litres of IMFL. The excise duty on the excess lifted quota of 16171 proof litres was charged at the rate of Rs.25 per proof litre instead of Rs.41 per proof litre. This resulted in short-levy of excise duty of Rs.2.59 lakh.

The omission was pointed out (May 2001 and February 2002) in audit but reply had not been received (November 2002).

The matter was referred (May 2002) to the Government; reply had not been received (November 2002).



## CHAPTER V: Other-Tax Receipts

### 5.1 Results of Audit

Test-check of records in departmental offices relating to revenues received from Taxes on Motor Vehicles, Passengers and Goods Tax, Entertainment duty and show tax, Purchase tax (Agriculture), Electricity Duty and Land Revenue revealed under-assessment of taxes and duties and loss of revenue amounting to Rs.54.77 crore in 65,584 cases as depicted below:

Sl. No.	Heads of revenue	Number of cases	Amount (Rupees in crore)
1.	Review on 'Receipts from Electricity duty'	1	39.76
2.	Taxes on motor vehicles	65,072	5.77
3.	Passengers and goods tax	424	2.06
4.	Entertainment duty and show tax	7	0.02
5.	Purchase tax (Agriculture)	40	7.13
6.	Land Revenue	40	0.03
	<b>Total</b>	<b>65,584</b>	<b>54.77</b>

In the cases of Purchase tax (Agriculture), Taxes on Motor Vehicles, Passengers and Goods Tax, Electricity Duty, the department accepted under-assessments etc. of Rs.7.47 crore involving 5215 cases which were pointed out during the year 2001-2002 and recovered Rs.8.13 lakh in 11 cases pertaining to earlier years.

A few illustrative cases involving Rs.6.86 crore and a review on "Levy and collection of electricity duty" involving Rs.31.56 crore highlighting important cases are mentioned in the following paragraphs:

## Electricity Duty

### 5.2 Levy and collection of electricity duty

#### 5.2.1 *Introductory*

Electricity duty is leviable under the Punjab Electricity (Duty) Act, 1958, as applicable to Haryana State, on the energy supplied to consumers or licensees by the Haryana State Electricity Board (HSEB) upto 14 August 1998, and thereafter by Uttar Haryana Bijli Vitran Nigam Ltd. (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Ltd. (DHBVNL) at the rates as the State Government may from time to time specify and is collected and paid to the Government by the HSEB upto 14 August 1998 and thereafter by UHBVNL and DHBVNL. Further, the State Government under the provisions of Section 12 of the Act, *ibid* may in public interest, by notification, exempt any licensee, consumer or person from the payment of the whole or part of the duty for such period and subject to such terms and conditions as may be prescribed.

#### 5.2.2 *Organisational set-up*

The Chief Electrical Inspector (CEI) assisted by the Executive Engineers, Assistant Engineers and Junior Engineers attached to field offices as well as Inspectorate Staff under the administrative control of Irrigation and Power Department administer the Punjab Electricity (Duty) Act, 1958 and the Rules made thereunder. CEI, Haryana is responsible for checking the assessments and calculation of duty, recovery of duty from the defaulters as arrears of land revenue and to watch the timely submission of prescribed return due to him. He is required to submit to the State Government a monthly statement in respect of assessments and realisation of duty. He is also responsible for conducting periodical inspections and testing of electrical installations except of low voltage and agriculture installations.

#### 5.2.3 *Scope of audit*

With a view to ascertaining that duty had correctly been assessed/levied and promptly paid and credited to Government accounts, the records of the office of the Chief Electrical Inspector (CEI), Haryana and 70 Sub-Divisions of the UHBVNL and DHBVNL and seven power generating plants in State for the period 1996-97 to 2000-2001 were test-checked (between October 2001 and March 2002). The procedural lapses detected in audit have also been highlighted in the review.

### 5.2.4 Highlights

As on 31 March 2001, electricity duty of Rs.50.65 crore remained in arrears of which Rs.33.83 crore was recoverable from defaulting consumers.

(Paragraph 5.2.7)

Electricity duty of Rs.9.21 crore was mis-classified as sale of power and the amount was not deposited into Government account, which resulted in loss of interest of Rs.2.68 crore.

(Paragraph 5.2.8)

Shortfall in statutory inspection of power installations resulted in revenue loss of Rs.1.31 crore on account of inspection fee.

(Paragraph 5.2.11)

Excessive auxiliary consumption of power reduced the availability of power for sale depriving the Government of electricity duty of Rs.7.52 crore

(Paragraph 5.2.12)

### 5.2.5 Trend of revenue

The budget estimates of duty (including inspection fee and other receipts) and the actual receipts for the last five years ending 2000-2001 are given below:

Year	Budget estimates	Actual realisation as per finance account	Variations Increase (+)/ Decrease (-)
		(Rupees in crore)	
1996-97	35.42	35.48	(+)0.06
1997-98	35.46	40.53	(+) 5.07
1998-99	35.00	44.53	(+) 9.53
1999-00	45.50	46.08	(+) 0.58
2000-01	46.56	0.68	(-) 45.88

The variation during the year 2000-2001 was mainly due to non-deposit of electricity duty by the UHBVNL and DHBVNL into Government account. Further, Government issued (March 2001) sanction for conversion of electricity duty amounting to Rs.39.18 crore into subsidy but it could not be adjusted in Government Account due to delay in receipt of account for adjustment from the Chief Electrical Inspector in the office of A.G. (A&E) Haryana, Chandigarh.

**5.2.6 Non-deposit of electricity duty in Government accounts**

Under the Punjab Electricity (Duty) Act, 1958 and the rules made thereunder, the electricity duty leviable on the energy supplied by the HSEB/UHBVNL/DHBVNL/HVPNL shall be collected through the bills issued for the energy supplied to the consumers and deposited into Government accounts in the treasury not later than 20th of the following month and submit to the Chief Electrical Inspector (CEI), a statement showing duty assessed, realised, deposited and the balance unrecovered or retained by the 20th of every month.

During test-check of the records for the period 1996-97 to 2000-2001, it was noticed that HSEB/HVPNL/UHBVNL/DHBVNL had collected electricity duty amounting to Rs.188.29 crore from the consumers alongwith the bills for energy supplied but did not deposit it into Government account. At the end of each financial year, the State Government adjusted the recoverable duty by way of granting loans to the Board/HVPNL for the years 1996-97 to 1999-2000 and subsidy for the year 2000-2001 as detailed below:

Year	Duty collected by Board	Duty deposited during the year	Amount of loan/subsidy sanctioned.	Duty adjusted towards loan/subsidy
(Rupees in crore)				
1996-97	34.14	Nil	35.00 (loan)	34.14
1997-98	34.54	Nil	40.00 (loan)	34.54
1998-99	36.50	Nil	44.00 (loan)	36.50

Year	Duty collected by Board	Duty deposited during the year	Amount of loan/subsidy sanctioned.	Duty adjusted towards loan/subsidy
(Rupees in crore)				
1999-00	41.52	Nil	45.00 (loan)	41.52
2000-01	41.59	Nil	(39.18)* (Subsidy)	39.18
<b>Total</b>	<b>188.29</b>	<b>Nil</b>	<b>203.18</b>	<b>185.88</b>

It can, thus, be seen that the electricity duty amounting to Rs.188.29 crore collected/realised during the period from 1996-97 to 2000-2001 but not deposited into treasury upto 20th of the following month from April to March of each year (upto the sanction/adjustment in loan) was utilised by the Board/HVPNL for its own use. Besides, balance amount of Rs.2.41 crore of electricity duty was pending against collecting agencies during the year 2000-2001 as it had neither been adjusted towards subsidy nor deposited (March 2002) into Government accounts. In the absence of any provision in the Act/Rules, interest to the tune of Rs.10.78\*\* crore could not be levied on the outstanding dues by the department.

### 5.2.7 Electricity duty in arrears

Arrears of Rs.50.65 crore remained outstanding as on 31 March 2001. Year-wise detail is given below:

Year	Outstanding amount (Rupees in crore)
Upto March 1996	25.49
1996-97	04.00
1997-98	05.55
1998-99	05.83
1999-2000	04.29
2000-01	05.49
<b>Total</b>	<b>***50.65</b>

The department stated (May 2002) that Rs.1.84 crore could not be recovered as the cases were pending in the courts, Rs.33.83 crore was recoverable from

\* The subsidy of Rs.39.18 crore was sanctioned by the Government to UHBVNL and DHBVNL in March 2001.

\*\* Interest calculated at the rates applicable on borrowings of the State Government.

\*\*\* Rs.0.89 crore have been adjusted from Rs.51.54 crore depicted in the Audit Report (Revenue Receipts) 2000-2001.

defaulting consumers, Rs.4.11 crore was recoverable on account of permanent disconnections and Rs.5.38 crore was adjusted by HVPNL against various Government departments. Details of the remaining Rs.5.49 crore pending collection were still awaited (May 2002) from the department.

### **5.2.8 Mis-classification of electricity duty**

Under the Punjab Electricity (Duty) Act, 1958 and the rules framed thereunder, the collecting agency is required to deposit the electricity duty into Government treasury/bank by 20th of the following month.

During the course of audit (July 2001) it was noticed that duty amounting to Rs.17.59 crore realised during the period from April 1996 to December 2000 was mis-classified as sale of power by HSEB/UHBNL/DHBNL instead of crediting it into Government accounts. Out of this Rs.8.38 crore was adjusted upto 31 December 2000 by crediting to electricity duty accounts for the years 1996-97 to 2000-2001, but the balance amount of Rs.9.21 crore remained (March 2002) unrecovered. No action was taken to recover the amount as detailed below:

Year	Duty Mis-classified	Duty adjusted	Outstanding duty
(Rupees in crore)			
1996-97	2.36	1.58	0.78
1997-98	1.99	1.27	0.72
1998-99	4.53	2.44	2.09
1999-00	4.93	2.37	2.56
2000-01	3.78	0.72	3.06
<b>Total</b>	<b>17.59</b>	<b>8.38</b>	<b>9.21</b>

Had the amount of Rs.9.21 crore been correctly classified and deposited in the Government account, Rs.2.68 crore could have been saved by way of interest calculated at the rates applicable on borrowings of the State Government.

### **5.2.9 Electricity duty not charged after expiry of exemption period**

Under the Punjab Electricity (Duty) Act, 1958, as applicable to Haryana, the State Government may in public interest, by notification exempt any licensee, consumer or person from the payment of the whole or part of the electricity duty for such period and subject to such terms and conditions as may be prescribed.

In three\* Sub-Divisions of Dakshin Haryana Bijli Vitran Nigam Ltd., and eight\*\* Sub-Divisions of Uttar Haryana Bijli Vitran Nigam Ltd., it was noticed

\* OPSD 1/A Gurgaon, Satrod Hisar and city Hansi.

\*\* OPSD (City) Panchkula, Kalka, Pipli, Karnal, SU Karnal, Panipat, SU Panipat and MT Sonapat.

in audit that exemption to 24 industrial units (consumers) continued for the period between May 1995 to February 2002 even after expiry of the exemption period from February 1995 to March 2001. This resulted in non-levy/ non-recovery of electricity duty of Rs.2.79 lakh.

On this being pointed out (between November 2001 to March 2002) in audit, the Chief Electrical Inspector accepted the audit observation (between November 2001 and March 2002) and directed the concerned Sub-Divisional Officer to take action to recover the amount.

#### ***5.2.10 Irregular Grant of Exemption***

Under the provisions of the Punjab Electricity Duty Act, 1958 electricity duty is not leviable on sale or consumption of energy, which is sold to the Government of India for consumption by the Government. This exemption is, however, not admissible on the energy used for staff quarters, departmental colonies, streetlights, canteens, etc.

Test-check of the records of the Sub-Urban, Sub-Division, Panchkula revealed (November 2001) that electricity duty was not charged for electricity supplied to the MES for staff quarters and other commercial establishments for 1996-97 and 1997-98. This resulted in non-levy of electricity duty of Rs.3.60 lakh calculated on the basis of monthly consumption assessed by the MES

On this being pointed out (November 2001) in audit, the department stated that necessary instructions had been issued in November 2001 to recover the amount. Further report on recovery had not been received (November 2002).

#### ***5.2.11 Shortfall in statutory inspection of electrical installations***

As per Haryana Government notification issued in July 1981 and 1983 the CEI is required to inspect all extra high/high voltage and medium voltage as well as small power installations (other than agriculture and low voltage installations) already connected to supply system once in a year and in three years respectively. The inspection fee for periodical inspection of small power installations (SPI) and medium power installations (MPI) high tension and extra high-tension installations (HTI) ranged between Rs.100 and Rs.1,000. The consumer is required to deposit the inspection fee in advance with the CEI.

During test-check of the records, it was noticed (July 2001) that out of 1,46,674 installations due for inspection during the years 1996-97 to 2000-2001, only 20,973 installations were inspected leaving the remaining 1,25,701 installations uninspected. The department neither demanded the inspection fee in advance nor it was paid by the consumers. Thus, apart from safety measures, this resulted in loss of revenue of

Rs. 1.31 crore as detailed below:

Year	No. of installations due but not inspected	Inspection fee recoverable in respect of SPI @ Rs.100 (Rs. in lakh)	Total No. of installations due for inspection	No. of installations inspected	Installations due but not inspected	Recoverable amount HTI/MPI @ Rs.500/Rs.200 (Rs. in lakh)	Total inspection fee (Col. 4 + Col. 8) (Rs. in lakh)
(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)
1996-97	24,687	24.69	2465 HTI 2387 MPI	2242 HTI 2129 MPI	223 HTI 258 MPI	1.12 0.52	26.32
1997-98	25,000	25.00	2631 HTI 2529 MPI	2369 HTI 2529 MPI	262 HTI	1.31	26.31
1998-99	23,352	23.35	2846 HTI 2930 MPI	2501 HTI 2685 MPI	345 HTI 245 MPI	1.72 0.49	25.56
1999-00	29,412	29.41	3063 HTI 2955 MPI	2786 HTI 2955 MPI	277 HTI	1.39	30.80
2000-01	21,613	21.61	465 HTI 339 MPI	438 HTI 339 MPI	27 HTI	0.13	21.75
<b>Total</b>	<b>1,24,064</b>	<b>124.06</b>	<b>22,610</b>	<b>20,973</b>	<b>1,637</b>	<b>6.68</b>	<b>130.74</b>

On this being pointed out (July 2001), the department stated (January 2002) that shortfall was due to shortage of staff and limited days of touring fixed by the Government.

#### **5.2.12 Loss of electricity duty due to excessive auxiliary consumption**

As per the Punjab Electricity (Duty) Act 1958, as applicable to Haryana, electricity duty shall be levied and paid to the State Government on the energy supplied by the Board to consumer or licensee at the rate fixed from time to time. Further, as per project report of thermal power plants, auxiliary consumption is permissible upto 8 per cent to a licensee generating energy himself.

Test-check of records of Thermal Power Project at Faridabad and Panipat for the years 1996-97 to 2000-01 revealed that these projects generated 17443.976 MUs power against which auxiliary consumption was 2146.807 MUs (12.31 per cent) on which no duty was paid. The percentage of the auxiliary consumption during these years ranged between 11.40 per cent and 31.93 per cent against the permissible norms of 8 per cent. Excessive

\* In relation to any period, auxiliary energy consumption means the ratio, expressed as percentage of energy in KWh generated at generator terminal minus energy in KWh delivered at the Generating Station Switchyard to gross energy in KWh generated at the generator terminal.



auxiliary consumption of 751.292 MUs deprived the Government of the electricity duty of Rs.7.52 crore.

### 5.2.13 Non-reconciliation with treasury books

During test-check of the records of the Chief Electrical Inspector, it was noticed that monthly reconciliation of challans received in proof of receipts and of other records of remittance with treasuries/sub-treasuries records was not done as required under the provision of Punjab Subsidiary Rules as applicable to Haryana.

On this being pointed out (July 2001) in audit, the department stated that reconciliation with effect from January 2001 had since been started and efforts were being made to reconcile the figures with the treasury records. Nothing was stated about the reconciliation of figures prior to January 2001. Further report on action taken had not been received (November 2002).

The matter was taken up (January 2002) with the Chief Electrical Inspector, but reply had not been received (November 2002).

The above points were brought to the notice of the department and to the Government between October 2001 and March 2002.

## Taxes on Motor Vehicles

### 5.3 Non-realisation of token tax

As per Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, tax shall be leviable on every motor vehicle in equal instalments for quarterly periods commencing on the first day of April, July, October and January at the rate of Rs.550 per seat per annum subject to maximum of Rs.35000 per vehicle per year. Any broken period in such quarterly periods shall, for the purpose of levying the tax, be considered as a full quarter. In case of omission to comply with the provisions, the Act further provides that the licencing officer may impose a penalty, which may extend to twice the amount of tax due.

During test-check of records of 7\* Regional Transport Authorities for the years 1999-2000 and 2000-2001, it was noticed (between August 2000 and September 2001) that token tax in respect of 310 buses of the Transport Co-operative Societies for the period from October 1997 to March 2001 was neither deposited nor demanded by the department. This resulted in

\* Regional Transport Authorities: Ambala, Faridabad, Gurgaon, Hisar, Jind, Karnal and Rohtak.

non-realisation of token tax of Rs. 70.88 lakh besides penalty leviable thereon.

On this being pointed out (between August 2000 and September 2001) in audit, the department intimated (between September 2000 and December 2001) that a sum of Rs.2.67 lakh had been recovered and efforts were being made to recover the balance amount of Rs.68.21 lakh. No reply has been received in other cases.

The matter was referred (between September 2000 and December 2001) to Government; reply had not been received (November 2002).

#### **5.4 Non/short charging of fitness fee (passing fee)**

Under the provisions of the Central Motor Vehicle Rules, 1989, fee for grant or renewal of certificate of fitness (passing fee) in respect of Light Motor Vehicles (Non-transport) was chargeable at the rate of Rs.50 per vehicle and it was revised to Rs.150 with effect from 22 October 1999. But the revised rates were withdrawn by Government of India with effect from 31 January 2000 and the passing fee was chargeable at old rates with effect from 1 February 2000.

During test-check of records of registering authorities (Motor Vehicle) in 42 offices for the years 1999-2000 and 2000-2001, it was noticed (between February and December 2001) that fitness certificates were granted in respect of 1,53,603 Light Motor Vehicles (non-transport) but no passing fee was charged by the registering authorities during the years 1999-2000 and 2000-2001. This resulted in non-charging of fee of Rs.79.42 lakh.

On this being pointed out (between February and December 2001), 29 registering authorities intimated that efforts were being made to recover the amount. Registering Authorities Rewari, Kosli and Fatehabad stated that they had started charging passing fee at revised rates w.e.f. October 2000 and March 2001 and notices were being issued to recover the fee in respect of cases registered before October 2000 and March 2001. Registering Authorities, Palwal and Faridabad intimated (August 2001) that the matter was being taken up with the State Transport Commissioner. No reply had been received (March 2002) in respect of remaining 8 cases.

The matter was referred (between March 2001 and January 2002) to Government; reply had not been received (November 2002).

### 5.5 Short realization of permits/countersignature fee

The Regional Transport Authority is required to issue permits under Motor Vehicle Act, 1988 for the region under its jurisdiction and countersign for each additional region of the State after charging countersignature fee at the rates prescribed under the Punjab Motor Vehicle Rules, 1940.

During the course of test-check of records of seven\* Regional Transport Authorities, it was noticed (between May and October 2001) that permit/countersignature fee for a block of 5 years from April 2000 to March 2005 and April 2001 to March 2006 for each Heavy and Light Transport Vehicle was recoverable at the rates of Rs.4,125 and Rs.2,750 respectively but the same was charged as per pre-existing rates (i.e. Rs.2,625 and Rs.1,750) from April 2000 to March 2001. This resulted in short realization of permit/countersignature fee of Rs.3.30 crore in 24,303 cases.

On this being pointed out (between May and October 2001) in audit, the department stated (between June and September 2001) that the permit fee at new rates would be charged on receipt of instructions from the Transport Commissioner/Government. The contention of the department is not tenable as no separate instructions were required to charge permit fee at enhanced rates.

The matter was also referred (between July and December 2001) to Government; reply had not been received (November 2002).

### Passengers and Goods Tax

### 5.6 Non/short realisation of passengers tax

As per notification issued in July 1996 under the Punjab Passengers and Goods Taxation Act, 1952, as applicable to Haryana, permit holders for plying buses on link routes of the State under the scheme of privatisation of Passengers Road Transport, are required to pay lump-sum passengers tax based on the seating capacity of the bus on monthly basis at the rate of Rs. 16,000 for 52/54 seater and Rs. 10,000 for 30 seater buses.

\* Regional Transport Authorities: Ambala, Faridabad, Gurgaon, Jind, Karnal, Rohtak and Sirsa.

During test-check of the records of 13\* offices of the Deputy Excise and Taxation Commissioners, it was noticed (between April 1999 and August 2001) that 166 Transport Co-operative Societies, which were granted permits for plying 166 buses on link roads, were required to deposit Rs.1.24 crore of passengers tax for the years 1998-99 to 2000-2001. However, they deposited only Rs.17.92 lakh and the remaining amount of Rs.1.06 crore was neither deposited by the Societies nor demanded by the department.

On this being pointed out (between April 1999 and August 2001), the department made recovery of Rs.22.83 lakh and intimated (between January 2000 and September 2001) that the balance amount was being recovered. Further progress on recovery of balance amount had not been received (November 2002).

The matter was referred (between May 1999 and December 2001) to Government; reply had not been received (November 2002).

### **Entertainment Duty and Show Tax**

#### **5.7 Non-recovery of entertainment duty**

Under the Punjab Entertainment 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 entertainment duty every quarter at the rates prescribed by the Government from time to time. Under Government notification issued in March 1989, the entertainment duty is payable on the basis of population of the town in which the video house is located. For towns with population below ten thousand and with population of twenty five thousand and above, duty is payable at the rate of Rs.10,000 and Rs.25,000 respectively per quarter. The latest census figures shall be the basis for determining the population of any place.

During the course of test-check of records of the Deputy Excise and Taxation Commissioner, Bhiwani, for the year 1999-2001 it was noticed (August 2001) that four proprietors of video houses exhibiting video-shows at Bhiwani, Khanak, Dhani-Phogat and Charkhi Dadri did not pay entertainment duty of

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\* Deputy Excise and Taxation Commissioners: Bhiwani, Faridabad (East), Faridabad (West), Hisar, Jhajjar, Jind, Karnal, Kaithal, Rewari, Rohtak, Sonapat, Sirsa and Yamunanagar.

Rs.1.33 lakh for different intervening quarters during the period from July 1999 to March 2001. The duty payable by them was also not demanded by the department. This resulted in non-recovery of entertainment duty of Rs.1.33 lakh.

On this being pointed out (August 2001) in audit, the department intimated (December 2001) that Rs.0.10 lakh had been recovered (October 2001) and efforts were being made to recover the balance amount.

The matter was referred (September 2001) to Government; reply had not been received (November 2002).

### Agriculture

#### 5.8 Non/short recovery of purchase tax and interest

As per notification issued (October 1977) under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 and the rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax at the rate of Rs.1.50 per quintal on purchase of cane, latest by 14<sup>th</sup> of the following month. In the event of default, interest at the rate of fifteen *per cent* per annum shall be charged for the period of default. The Act further provides that all sums payable to Government, but not paid by the due date, shall be recoverable as arrears of land revenue.

During test-check of records of Assistant Cane Development Officers (ACDO), Rohtak and Panipat for the year 2000-2001, it was noticed (between November and December 2001) that two assessees, (one each of Panipat and Rohtak) purchased 56,80,077.53 quintals of sugarcane between November 2000 and May 2001. However, purchase tax and interest of Rs.97.62 lakh though payable by them was not paid. This resulted in non-recovery of purchase tax of Rs.85.20 lakh besides interest of Rs.12.42 lakh (calculated upto February 2002).

On this being pointed out (between November and December 2001) in audit, ACDO, Panipat intimated (November 2001) that the matter would be taken up with the Cane Commissioner to recover the amount. ACDO, Rohtak intimated (February 2002) that the Sugar Mill has been asked to deposit the amount. The Cane Commissioner, Haryana, however, intimated (March 2002) that no tax had been deposited by the Sugar Mills, Panipat and Rohtak. Action to effect the recovery of tax due as arrears of land revenue under Section 17 (3) of the Act had not been initiated (November 2002).

The matter was referred to Government (December 2001 and February 2002);  
reply had not been received (November 2002).

## CHAPTER VI: Non-Tax Receipts

### 6.1 Results of Audit

Test-check of records in departmental offices relating to revenues of Town and country planning, Public Works (Irrigation, Public Health, Buildings and Roads), Home (Police), Mines and Geology, Forest, Rehabilitation, Co-operation, Finance (State Lotteries), Agriculture (Crop Husbandry and Horticulture), Medical, Food and Supplies, Animal Husbandry and Industries conducted in audit during the year 2001-2002, revealed under-assessments and losses of revenue amounting to Rs.68.16 crore in 87,101 cases as depicted below:

Sl. No.	Name of departments	Number of cases	Amount (Rupees in crore)
A.	Town and country planning	1	0.16
B.	Public Works Department		
	(i) Irrigation	120	46.04
	(ii) Public Health	84,770	2.89
	(iii) Buildings and Roads	258	0.09
	Home (Police)	266	1.73
C.	Mines and Geology	399	2.03
D.	Forest	329	4.86
E.	Rehabilitation	1	0.21
F.	Co-operation	611	5.02
G.	Finance (State Lotteries)	51	4.63
H.	Agriculture		
	(i) Crop Husbandry	7	0.05
	(ii) Horticulture	7	0.03
I.	Medical	30	0.05
J.	Animal Husbandry	124	0.20
K.	Food and Supplies	123	0.02
L.	Industries	4	0.15
	<b>Total</b>	<b>87,101</b>	<b>68.16</b>

The department accepted under-assessments/loss of revenue etc. of Rs. 13.29 crore in 54 cases which were pointed out during the year 2001-2002. Besides, an amount of Rs. 1.67 crore had been recovered in 82 cases pertaining to earlier years.

A few illustrative cases involving Rs. 11.01 crore are mentioned in the following paragraphs:

**A-Town and Country Planning Department**

**6.2 Loss of interest due to delayed remittances**

Financial Rules provide that departmental receipts should be deposited in Government account on the same day or latest by next working day.

A test-check of records in the office of the Director, Town and Country Planning revealed (January 2001) that 116 bank drafts involving Rs.18.57 crore, received by the department on account of scrutiny fee, licence fee, conversion charges and service charges etc. from private colonisers/contractors for development and construction of residential, commercial, industrial and group housing colonies etc. during March 1999 to March 2000, were deposited late in the treasury. The delay ranged between 2 and 21 days at the level of the department and between 4 and 61 days at the level of the banks excluding grace period of three days in case of departmental remittances and four days for clearance by banks respectively. Absence of any provision for levy of interest for delay in remittances and clearance of bank drafts resulted in loss of interest of Rs 15.99 lakh to the State Government calculated at the Government borrowing rate.

On this being pointed out (January 2001), the department admitted (September 2001) the facts and stated that utmost efforts were being made to minimise the procedural delay in future.

The matter was referred (August 2001) to Government; reply had not been received (November 2002).

**B-Public Works Department (Irrigation and Public Health)  
and Home Department (Police)**

**6.3 Utilization of departmental receipts towards expenditure**

Under the State Financial Rules, utilization of departmental receipts towards expenditure is strictly prohibited. All money received by or tendered to a Government servant on account of revenue of the State Government shall be paid fully into treasury or bank on the same day or on the next working day at the latest.



During test-check of the records of Public Works Department (Irrigation and Public Health) and Home Department (Police), it was noticed (between August 2000 and February 2002) that departmental receipts amounting to Rs.62.36 lakh collected between the years 1997-98 and 2001-02 were not deposited into treasury/bank but were utilized to meet the departmental expenditure as detailed below:

Sl. No.	Name of the Departments/offices	Period of collection of receipts	Amount (Rupees in lakh)
1.	PWD (Irrigation)/Water Services Divisions, Rohtak and Sonipat	1998-99 to 1999-2000	40.25
<p><b>Remarks:-</b> On being pointed out (February 2002) in the audit, the department intimated that the revenue receipts were utilised for emergency payments of electricity, telephone and labour etc. and the same would be deposited into Government accounts on receipt of LOC.</p> <p>The matter was referred (March 2002) to Government; reply had not been received (November 2002).</p>			
2.	PWD (Public Health) Public Health Divisions No. I and 2 Sirsa	1997-98 to 1999-2000 (upto December 1999)	6.52
<p><b>Remarks:-</b> On being pointed out (August and September 2000) in audit, the department intimated (April 2001) that disciplinary action was being taken against the officials/officers at fault.</p> <p>The matter was referred (September and October 2000) to Government; reply had not been received (November 2002).</p>			
3.	Home Department (Police) 4 <sup>th</sup> and 5 <sup>th</sup> Haryana Armed Police (HAP) Battalions at Madhuban (Karnal)	1997-98 to 2001-2002 (upto September 2001)	15.50
<p><b>Remarks:-</b> On being pointed out (October 2001) the commandants stated (February 2002) that the receipts were utilised to meet the departmental expenditure for the welfare of force, maintaining land for PT parades, training and recreation of the force and the facts were in the notice of senior officers.</p> <p>The departmental reply was not tenable as the utilisation of Government receipts towards the Government expenditure is against the financial standards and norms.</p> <p>The matter was referred (December 2001) to Government; reply had not been received (November 2002).</p>			

**C-Mines and Geology**

**6.4 Short recovery of contract money and interest.**

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

During test-check of records of the Mining Officer, Sonipat, it was noticed (September 2001) that the department inadvertently raised a demand of Rs.1.01 crore instead of Rs.1.04 crore payable by the contractor. This resulted in short recovery of bid money of Rs.4.49 lakh including interest of Rs.1.31 lakh.

On being pointed out (September 2001) in audit, the department intimated (March 2002) that notices had been issued for effecting recovery.

The matter was referred (December 2001) to Government; reply had not been received (November 2002).

**D-Forest Department**

**6.5 Non-realisation of Sales Tax**

Under the Haryana General Sales Tax Act, 1973, 'Sales' means any transfer of property in goods for cash or deferred payment or other valuable consideration. 'Goods' means all kinds of movable property other than newspapers, auctionable claims, money, stocks and shares or securities but include 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. Further, sale of

trees (timber) is taxable (with effect from 18 July 1997) at first stage at the rate of 8 per cent (with effect from 4 March 2000).

During test-check of records of Divisional Forest Officers (Territorial), Karnal, Rohtak, Bhiwani, Hisar and Jind it was noticed (between November 2001 and February 2002) that 76,338 trees (40170.62 cubic metre timber) valued at Rs.2.21 crore were sold by them to Haryana Forest Development Corporation (HFDC) during the year 2000-2001 on which sales tax amounting to Rs.17.71 lakh was not levied/realised.

On the omission being pointed out (between November 2001 and February 2002) in audit, the department stated (November 2001 and April 2002) that declaration in Form ST-15 was being collected from HFDC so that the amount could be recovered by them. Reply was not tenable as the timber (trees) is taxable at the stage of first sale. The collection of sales tax dues was required to be collected by the department and collection of ST-15 Forms after the goods have been sold does not serve any purpose.

The matter was referred (between January and April 2002) to Government; reply had not been received (November 2002).

#### E-Rehabilitation Department

#### 6.6 Non-recovery of rent

As per Displaced Persons (Compensation and Rehabilitation) Act, 1954 and instructions issued by State Government from time to time, Tehsildar Sales (TS) is empowered to assess and charge rent on the unauthorised occupation of evacuee land and is responsible for effecting recoveries of all outstanding dues regularly. In the event of non-payment by any person, the rent was recoverable as arrears of land revenue under the Act *ibid*.

It was noticed (August 2001) in audit that evacuee agriculture land measuring 697 acres was under the unauthorised occupation of occupants in Gurgaon districts. The department levied land rent of Rs.22.15 lakh for unauthorised use and occupation of the land. Out of this, demand of Rs.8.08 lakh was issued, of which Rs.1.32 lakh only was recovered. But no demand in respect of Rs.14.07 lakh was issued at all. Thus, lack of action on the part of the department resulted in non-recovery of Rs.20.83 lakh.

On the matter referred (December 2001), the Secretary and Commissioner, Rehabilitation Department stated (November 2002) that Government

liberalised (November 2001) the existing policy to transfer rural/urban evacuee lands to unauthorised occupants at market price determined by the Government on the recommendations of High Level Price Recommendation Committee and the rent of the land in question alongwith the cost of the land would be recovered from such un-authorised occupants at the time land was transferred. Further progress to realise the cost of land and the outstanding rent of Rs.20.83 lakh from the unauthorised occupants was awaited (November 2002).

**F-Co-operation Department**

**6.7 Non-deposit of dividend on share capital of State Government**

As per terms and conditions laid down in the sanction orders issued by the Registrar, Co-operative Societies, Haryana, Chandigarh from time to time, every Co-operative Society shall give a suitable return in the form of dividend on contribution of Haryana Government' share capital on the basis of resolutions passed by the Board of Directors. Under the provisions of Haryana Co-operative Societies Rules, 1989, the dividend shall not exceed 10 *per cent* per annum of the paid-up share capital of a Co-operative Society.

(i) During test-check of records of Assistant Registrars, Co-operative Societies, Bhiwani, Rohtak, Panipat and Faridabad for the years 1995-96 to 2000-2001, it was noticed (between November 2000 and March 2002) that 6 Co-operative banks had been running in profit. Their Board of Directors had passed (between February 2000 and October 2001) resolutions for payment of dividend amounting to Rs.80.70 lakh at the rates ranging between 1 *per cent* and 7 *per cent* for the years 1995-96 to 2000-01, but the same was neither deposited by any of the Societies into Government account nor demanded by the department. This resulted in non-recovery of Rs.80.70 lakh.

On this being pointed out (between November 2000 and February 2002), Assistant Registrar, Co-operative Societies, Panipat, Rohtak and Bhiwani intimated (March 2002) that dividend would be deposited on receipt of approval from the Registrar, Co-operative Societies, Haryana, Chandigarh. Assistant Registrar Co-operative Society, Faridabad intimated (March 2002) that efforts were being made to recover the amount.

The matter was referred (February 2001 and March 2002) to Government; reply had not been received (November 2002).

(ii) During test-check of records of the Assistant Registrar, Co-operative Societies, Hisar and Kurukshetra for the year 2000-2001, it was noticed (between October 2001 and January 2002) that 3 Central Co-operative Banks

at Hisar and Kurukshetra and one Co-operative Labour and Construction Union Ltd. at Hisar had been running in profit but their Board of Directors did not declare any dividend on share capital for the years 1996-97 to 2000-01. The maximum dividend that became payable to the Government amounted to Rs.1.61 crore.

On this being pointed out (between October 2001 and January 2002) in audit, Assistant Registrar, Co-operative Societies, Haryana, Hisar intimated (October 2001) that notices were being issued to the concerned Banks/Units to deposit the amount of dividend. Assistant Registrar Co-operative Societies, Kurukshetra intimated (March 2002) that the Kurukshetra Central Co-operative Bank Ltd., Kurukshetra had been asked to deposit the dividend. Further progress on deposit of dividend had not been received (November 2002).

#### 6.8 Non-redemption of Government share capital

The State Government contributes towards the share capital of Co-operative Societies registered with the Co-operative Department. The share capital so contributed by Government is required to be redeemed in accordance with the instructions/terms and conditions stipulated in the sanction issued by Co-operative Department/State Government. State Government further directed (March 1979) all the heads of departments that primary responsibility for maintenance of accounts relating to shares held by Government in various undertakings and their timely repayment rests with the Head of the Department.

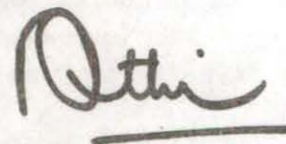
During test-check of records of Assistant Registrar, Co-operative Societies, Jind for the year 1997-2000, it was noticed (November 2000) that share capital of Rs.9.61 crore was invested by the Haryana Government during the years 1981-82 to 1988-89 in three Co-operative Sugar Mills (Jind: Rs.3.13 crore, Shahbad: Rs.3.47 crore and Palwal: Rs.3.01 crore) and amounts were released by the Registrar, Co-operative Societies, Haryana, Chandigarh without fixing terms and conditions in the sanction orders granting share capital to the Sugar Mills. The terms and conditions for redemption of the share capital were issued in November 2001. These stipulate that the share capital would be retired in 12 years and retirement would start from the expiry of 3rd year. Thus recovery should have been started with effect from 1984-85 to 1991-92. Further scrutiny revealed that share capital of Rs.2.23\* crore out of Rs.9.61 crore only had been redeemed by the Sugar Mills leaving thereby Rs.7.38 crore

\* Co-operative Sugar Mills Shahbad: Rs.2.00 crore, Jind: Rs.13.09 lakh and Palwal: Rs.10 lakh.

not redeemed as on 31 March 2002. The late issuance (November 2001) of the terms and conditions, thus resulted in blockage of revenue of Rs.7.38 crore.

On this being pointed out (November 2000) in audit, the Managing Director, Sugar Mills, Shahbad and Palwal intimated (March 2002) that no action was taken due to non-receipt of terms and conditions and Kisht bandi statements (repayment schedule) from the Government/Registrar Co-operative Societies. Assistant Registrar, Co-operative Societies, Haryana, Jind directed (December 2001) the Managing Director, Co-operative Sugar Mill Ltd., Jind to deposit immediately the amount of Rs.3 crore.

The matter was referred (December 2000 and March 2002) to Government; reply had not been received (November 2002).



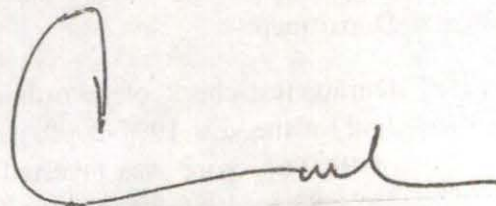
(ASHWINI ATTRI)

Accountant General (Audit) Haryana

Chandigarh

Dated: 75 FEB 2003

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi

Dated:

125 FEB 2003