



REPORT

OF THE

**Comptroller and Auditor General
of India**

for the year 1985-86

(Revenue Receipts)

Government of Himachal Pradesh

CONCLUSION OF THE

(B6A2000)

FOR THE

CONSTRUCTION

BY

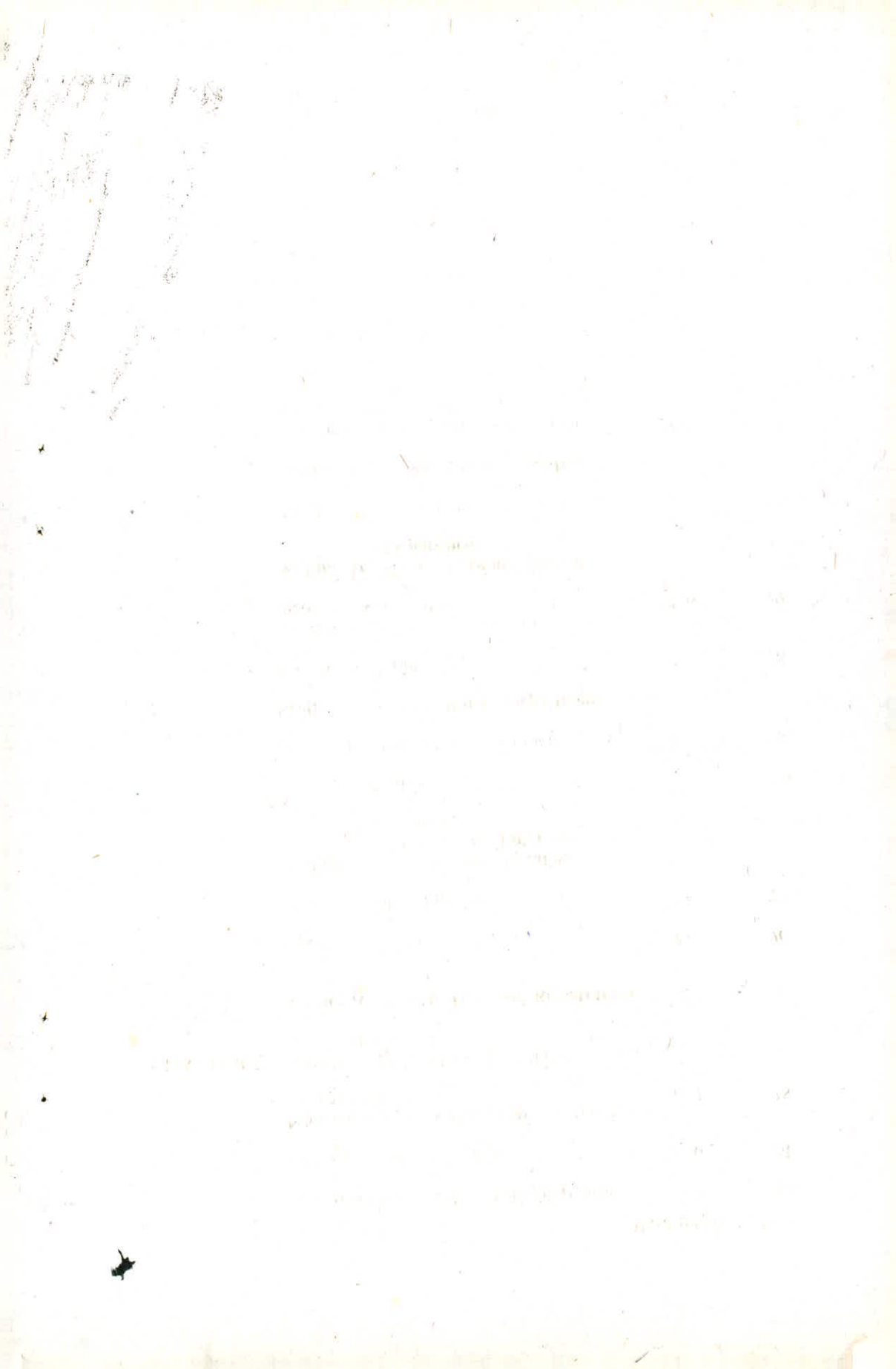
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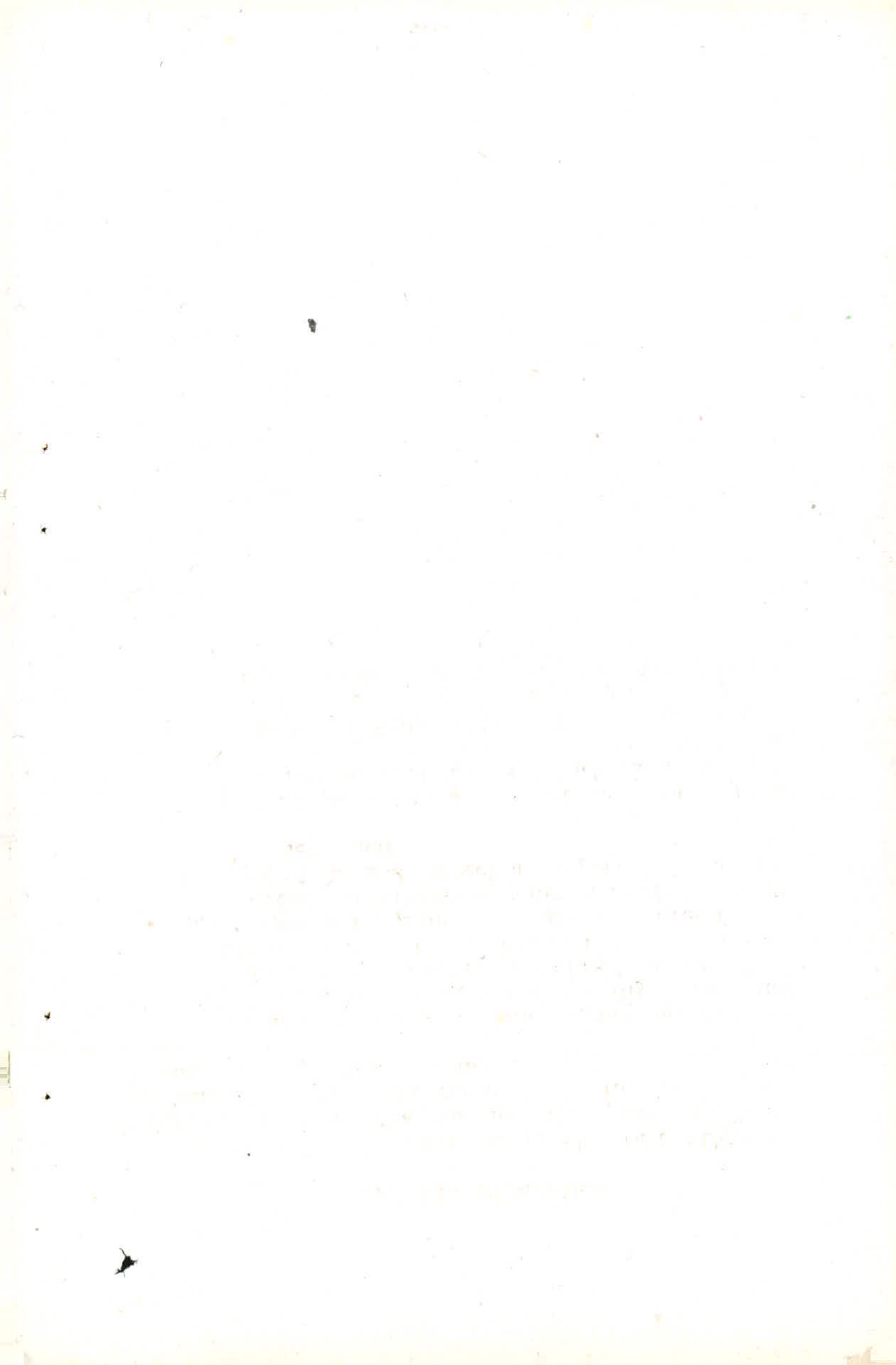
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PREFATORY REMARKS

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

- (i) Chapter 1 refers to the trend of revenue receipts, classifying them broadly under tax revenue and non-tax revenue, the variations between Budget estimates and the actual receipts under principal heads of revenue, the revenue in arrears for collection and the audit objections and inspection reports outstanding for settlement.
- (ii) In Chapters 2 to 7 are set out some of the interesting irregularities, which came to notice in audit during test check of records relating to Sales Tax, State Excise, Taxes on Vehicles, Passengers and Goods, Land Revenue, Forest Receipts and Other Tax and Non-Tax Receipts.



CHAPTER 1 GENERAL

1.1 Trend of revenue receipts

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

	1983-84	1984-85	1985-86
	(In crores of rupees)		
I. Revenue raised by the State Government			
(a) Tax revenue	54.24	61.34	73.65
(b) Non-tax revenue	48.38	43.57	65.48
Total	1,02.62	1,04.91	1,39.13
II. Receipts from the Government of India			
(a) State's share of divisible Union Taxes	30.04	33.00	1,01.30
(b) Grants-in-aid	1,84.32	2,43.82	2,78.78
Total	2,14.36	2,76.82	3,80.08
III. Total receipts of the State Government (I and II)	3,16.98	3,81.73	5,19.21
IV. Percentage of I to III	32	27	27

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

	1983-84	1984-85	1985-86	Percentage of increase (+) in 1985-86 over 1984-85
	(In crores of rupees)			
1. Sales Tax	22.25	24.23	30.30	(+)25
2. State Excise	17.18	20.53	23.18	(+)13
3. Taxes on Goods and Passengers	6.68	7.33	8.62	(+)18
4. Stamps and Registration Fees	2.71	3.04	3.83	(+)26
5. Taxes on Vehicles	2.08	2.25	2.53	(+)12
6. Land Revenue	0.42	0.47	0.47	..
7. Other Taxes and Duties	2.92	3.49	4.72	(+)35
Total	54.24	61.34	73.65	(+)20

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

	1983-84	1984-85	1985-86	Percentage of increase (+) or decrease (—) in 1985-86 over 1984-85
	(In crores of rupees)			
1. Forest	19.48	18.07	30.98	(+)71
2. Interest	2.18	1.87	3.89	(+)108
3. Water and Power Development	1.50	1.79	0.10	(—)94
4. Agriculture (including Horticulture)	1.04	1.02	1.28	(+)25
5. Mines and Minerals	0.74	0.90	1.08	(+)20
6. Education	0.53	0.54	0.85	(+)57
7. Others	22.91	19.38	27.30	(+)41
Total	48.38	43.57	65.48	(+)50

1.2 Variations between Budget estimates and actuals

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

Head of revenue	Budget estimates	Actual receipts	Variation increase(+) shortfall(—)	Percentage of variation
	(In crores of rupees)			
1. Sales Tax	31.72	30.30	(—)1.42	(—)4
2. State Excise	20.74	23.18	(+)2.44	(+)12
3. Taxes on Goods and Passengers	8.39	8.62	(+)0.23	(+)3

Head of revenue	Budget estimates	Actual receipts	Variation increase(+) shortfall(-)	Percentage of variation
	(In crores of rupees)			
4. Stamps and Registration Fees	3.00	3.83	(+)0.83	(+)28
5. Taxes on Vehicles	2.70	2.53	(-)0.17	(-)6
6. Land Revenue	0.52	0.47	(-)0.05	(-)10
7. Other Taxes and Duties	4.54	4.72	(+)0.18	(+)4
8. Forest	13.13	30.98	(+)17.85	(+)136
9. Interest	2.23	3.89	(+)1.66	(+)74
10. Agriculture (including Horticulture)	0.82	1.28	(+)0.46	(+)56
11. Mines and Minerals	0.72	1.08	(+)0.36	(+)50
12. Education	0.57	0.85	(+)0.28	(+)49

The reasons for variations between the Budget estimates and the actuals, as reported by the Excise and Taxation, Forest and Industries departments, were as under :—

- (a) The increase of 12 per cent in State Excise receipts was due to increase in the rate of excise duty on Indian-made foreign spirit and receipt of more licence fee as a result of higher bids received in annual excise auctions held in March 1986 for the licences for sale of country liquor and Indian-made foreign spirit during the year 1986-87.
- (b) The increase of 136 per cent in forest receipts was due to recoveries of outstanding dues relating to previous years.
- (c) The increase of 50 per cent under 'Mines and Minerals' was mainly due to collection of more royalty, mineral concession fee, etc.

The reasons for wide variations between the Budget estimates and the actuals under the heads 'Stamps and Registration Fees', 'Land Revenue', 'Interest', 'Agriculture' (including Horticulture) and 'Education' are awaited from the departments (February 1987).

1.3 Cost of collection

Expenditure incurred on collection of the major revenue receipts during the year 1985-86 and in the preceding two years is given below :—

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
(Rupees in lakhs)				
1. Sales Tax	1983-84	22,24 .94	39 .54@	2
	1984-85	24,23 .37	47 .17@	2
	1985-86	30,30 .19	59 .42@	2
2. State Excise	1983-84	17,17 .92	30 .53@	2
	1984-85	20,52 .60	39 .96@	2
	1985-86	23,18 .06	46 .32@	2
3. Taxes on Goods and Passengers	1983-84	6,67 .99	11 .87@	2
	1984-85	7,33 .08	14 .27@	2
	1985-86	8,61 .89	16 .88@	2
4. Stamps and Registration Fees	1983-84	2,70 .64	8 .74*	3
	1984-85	3,04 .04	14 .54*	5
	1985-86	3,83 .36	14 .69*	4
5. Taxes on Vehicles	1983-84	2,08 .29	6 .90*	3
	1984-85	2,25 .25	8 .62*	4
	1985-86	2,52 .93	9 .22*	4
6. Land Revenue	1983-84	42 .56	4,57 .76*	1,076
	1984-85	46 .91	5,56 .57*	1,186
	1985-86	47 .16	6,39 .87*	1,357
7. Forest	1983-84	19,48 .22	61 .68	3
	1984-85	18,06 .72	45 .78	3
	1985-86	30,98 .35	49 .50	2

@Represent *pro-rata* basis figures as intimated by the department in July 1986. Figures for 1983-84, 1984-85 have been revised by the department on *pro-rata* basis and figures for 1985-86 are tentative.

*In the Revenue and Transport Departments, the revenue collecting staff is engaged on other duties also. These departments were requested (June 1985) to work out the cost of collection on a *pro-rata* basis. This information is still awaited (February 1987).

1.4 Arrears in assessment of sales tax cases

As reported by the department, at the beginning of the year 1985-86, 12,169 sales tax assessments were pending finalisation. During the year 32,069 more assessments became due for completion. Out of the total of 44,238 cases, assessments were completed in 20,497 cases, leaving a balance of 23,741 cases pending finalisation at the end of the year 1985-86. The yearwise break-up of the pending cases (by reference to the year in which the dealers became due for assessment in respect of annual turnover) was not made available (February 1987).

1.5 Frauds and evasions of tax

According to the information furnished by the Excise and Taxation department, 1,058 cases of frauds and evasion of taxes (Sales Tax : 531; State Excise : 1 and Passengers and Goods Tax : 526) were detected by the departmental authorities during the year 1985-86. Besides, 1,766* such cases (Sales Tax : 690*; State Excise : 380 and Passengers and Goods Tax : 696) detected in earlier years were pending investigation with the department as at the close of the previous year 1984-85. Out of the total of 2,824 cases, investigations/assessments were completed in 1,027 cases only (Sales Tax : 512; State Excise : 195 and Passengers and Goods Tax : 320) during the year and demands (including penalty) for Rs. 3,14,313 (Sales Tax : Rs. 1,67,904; State Excise : Rs. 1,14,479 and Passengers and Goods Tax : Rs. 31,930) raised against the dealers concerned. The remaining 1,797 cases (Sales Tax : 709; State Excise : 186 and Passengers and Goods Tax : 902) were pending investigation/assessment at the end of the year 1985-86.

1.6 Uncollected revenue

As on 31st March 1986, arrears of revenue pending collection under principal heads of revenue, as reported by

*The reasons for the increase of 34 cases as compared with the closing balance of previous year 1984-85 are awaited (February 1987).

the departments, were as under :—

Sl. No.	Head of revenue	Arrears pending collection	Arrears more than five years old (Rupees in lakhs)	Remarks
1.	Forest	20,15.34	2,40.98	Out of Rs. 20,15.34 lakhs, demands for Rs. 1,00.70 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 42.05 lakhs were stayed by the Courts. Demands for Rs. 1.09 lakhs were likely to be written off. The remaining arrears of Rs. 18,71.50 lakhs were at other stages of action.
2.	Sales Tax	2,98.96	28.36	Out of Rs. 2,98.96 lakhs, demands for Rs. 0.98 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 4.38 lakhs and Rs. 2.61 lakhs had been stayed by Courts and Government respectively. Recoveries amounting to Rs. 0.56 lakh were held up due to insolvency of the dealers. Demands for Rs. 20.75 lakhs were likely to be written off. Arrears of Rs. 2,64.40 lakhs were at other stages of action. Break-up of the remaining arrears of Rs. 5.28 lakhs pertaining to the Excise and Taxation Office, Kinnaur is awaited (February 1987).
3.	State Excise	47.56	(awaited)	Out of Rs. 47.56 lakhs, demands amounting to Rs. 13.94 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 2.44 lakhs and Rs. 0.15 lakh had been stayed by the Courts and Government respectively. Recoveries for Rs. 1.50 lakhs were held up due to insolvency of the dealers. Demands amounting to Rs. 6.16 lakhs were likely to be written off. Demands for Rs. 22.92 lakhs were at other stages of action. Break-up of the remaining arrears of Rs. 0.45 lakh relating to the Excise and Taxation Office, Kinnaur is awaited (February 1987)
4.	Taxes on Goods and Passengers	16.37	(awaited)	Out of the arrears of Rs. 16.37 lakhs, demands for Rs. 0.18 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 0.10 lakh had been stayed by the Courts. Recoveries for Rs. 0.50 lakh were held up due to insolvency of the dealers. Demands for Rs. 0.07 lakh were likely to be written off. The remaining arrears of Rs. 15.52 lakhs were at other stages of action.
5.	Land Revenue	46.64*	(awaited)	(awaited)
6.	Industries (including village and small scale industries)	31.44	4.36	Out of the total arrears of Rs. 31.44 lakhs, demands for Rs. 0.08 lakh had been certified for recovery as arrears of land revenue. Demands for Rs. 0.15 lakh were likely to be written off. The remaining arrears of Rs. 31.21 lakhs were at other stages of action.

*Excludes figures in respect of Bilaspur district.

Sl. No.	Head of revenue	Arrears pending collection (Rupees in lakhs)	Arrears more than five years old (lakhs)	Remarks
7.	Mines and Minerals	14.07	6.08	Out of the total arrears of Rs. 14.07 lakhs, demands for Rs. 5.26 lakhs had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 4.15 lakhs had been stayed by the Courts. Demands for Rs. 0.11 lakh were likely to be written off. The remaining arrears of Rs. 4.55 lakhs were at other stages of action.
8.	Police	17.58	..	Out of Rs. 17.58 lakhs, a sum of Rs. 8.91 lakhs was recovered in April-May 1986. The remaining amount of Rs. 8.67 lakhs was recoverable from Government departments/undertakings/autonomous bodies on account of police guard supplied during 1985-86.
9.	Public Works	1,26.03	18.29	Out of Rs. 1,26.03 lakhs, demands amounting to Rs. 10.66 lakhs had been certified for recovery as arrears of land revenue. Recovery for Rs. 0.03 lakh was held up due to insolvency of a dealer. The remaining demands for Rs. 1,15.34 lakhs were at other stages of action.
10.	Taxes and Duties on Electricity	72.14	..	The arrears pertained to the year 1985-86 and were recoverable from the Himachal Pradesh State Electricity Board.
11.	Others	12.16	..	
	Total	26,98.29		

1.7 Remissions and writes off of revenue

In the Revenue department, land revenue amounting to Rs. 26,76,057 was remitted by Government during the year 1985-86.

In the Excise and Taxation department, demand for sales tax amounting to Rs. 23,74,614 was written off during the year 1985-86 in one case.

1.8 Internal audit

Working of Internal Audit Wing in Food and Supplies Department

An Internal Audit Wing under the administrative control of the Director, Food and Supplies was set up in 1972-73 in the Food and Supplies Department. The department has 12 auditable units, each headed by District Food and Supplies Controller. The department

deals with three heads of account viz. (i) 109—Food (ii) 088—Social Security and Welfare and (iii) 509—Capital Outlay on Food. The Internal Audit Wing comprises one Senior Accounts Officer and four Section Officers (S.A.S.) to cope with the internal audit work. Prior to 1972-73, the internal audit was being arranged by the department with a skeleton staff comprising two Section Officers (S.A.S.).

As per provision contained in the Departmental Accounts Manual, the Internal Audit Wing is required to conduct audit of the units after every six months. Instead of this, the procedure of conducting detailed audit annually was adopted, which was stated to be administratively convenient and working satisfactorily. Following is the position of inspection notes issued, objections raised and objections settled during the last four years :—

Year	Number of inspection notes issued	Objections raised		Objections settled	
		(i) Number	(ii) Amount involved (In lakhs of rupees)	(i) Number	(ii) Amount involved (In lakhs of rupees)
1982-83	2	19	0.64	17	0.04
1983-84	8	41	4.63	19	0.35
1984-85	11	67	21.06	27	0.29
1985-86	8	33	3.28	4	0.01
Total	29	160(A)	29.61	67(B)	0.69

Note :—No inspection was conducted during the years 1979-80 to 1981-82. The arrears pertaining to these years were cleared subsequently during the years 1982-83 to 1985-86.

As compared to the number of objections raised and recoveries pointed out, the number of objections settled and recoveries effected was insignificant.

(a) In addition to the audit work, the Internal Audit Wing has also been entrusted with the work relating to

(A) In addition to 160 objections, 125 other objections were raised but the financial implications were not worked out.

(B) In addition to 67 objections, 54 other objections without financial implications were also settled.

Public Accounts Committee matters, inspection reports of Accountant General (Audit), subsidy bills of sugar and other commodities, financial arrangements in respect of wheat being procured by the department and budget and compilation of accounts.

(b) The settlement by the Internal Audit Wing of the audit objections raised by the Accountant General (Audit) was slow. 17 audit objections (with money value of Rs. 87.72 lakhs) relating to the years 1971-72 to 1983-84 were outstanding as at the end of June 1986. Of these, 13 audit objections (with money value of Rs. 84.57 lakhs) were more than 5 years old.

(c) Normally, the audit by the Internal Audit Wing should be conducted before the audit by the Accountant General (Audit). The internal audit for 3 to 4 years always remained in arrears and the arrears were cleared during the years 1982-83 to 1985-86 by conducting the audit of units for 3 to 4 years at a time when the irregularity was pointed out in audit by the Accountant General (Audit). In the circumstances, the effectiveness of the internal audit could not be ascertained.

(d) The audit by the Internal Audit Wing was restricted to only one head of account, namely "509—Capital Outlay on Food; Foodgrains Trading Scheme". The receipt accounts relating to the head "088—Social Security and Welfare, Fees, Fines and Forfeiture" were never audited. The receipts on this account during the five years 1980-81 to 1984-85 are indicated below :—

Year	Amount (In lakhs of rupees)
1980-81	2.57
1981-82	2.44
1982-83	3.72
1983-84	4.56
1984-85	2.91

It was stated that no provision for auditing the receipt accounts of this head existed in the Departmental Accounts Manual and as such these accounts were not audited.

(e) Though no time limit for the issue of inspection notes by the Internal Audit Wing to the units concerned has been prescribed, the Internal Audit Wing took a period of 2 to 5 months to process and issue the inspection notes to the units concerned.

(f) The audit of five units for the year 1984-85 was in arrears as at the end of June 1986.

(g) As on 30th June 1986, there were 78 outstanding inspection notes containing 463 outstanding paragraphs pertaining to the years 1966-67 to 1984-85. The outstanding paragraphs involved recoverable amount of Rs. 64.37 lakhs, besides recoveries on account of shortage of wheat and rice weighing 1,136.80 M.T. worth Rs. 2.27 lakhs (approximately).

(h) The inspection notes for the years 1980-81 and 1981-82 in respect of District Food and Supplies Controller, Kullu were not produced to audit.

1.9 Outstanding inspection reports and audit objections

(i) Audit objections on incorrect assessments, short levy of taxes, duties, fees and other revenue receipts, as also defects in initial accounts noticed during audit and not settled on the spot are communicated to heads of offices and other departmental authorities through inspection reports. The more important irregularities are reported to the heads of departments and Government. The heads of offices are requested 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 objections relating to revenue receipts in respect of audits completed upto 31st March 1986, which were pending settlement by the departments as on 30th September 1986,

alongside corresponding figures for the preceding two years, is given below :—

	At the end of September		
	1984	1985	1986
Number of inspection reports pending settlement	1,561	1,719	1,848
Number of outstanding audit objections	6,547	6,891	6,838
Amount of receipts involved (In crores of rupees)	48.29	46.30	35.64

(iii) Yearwise break-up of the outstanding inspection reports and audit objections is given below :—

Year (in which inspection reports were issued)	Number of outstanding		Amount of receipts involved (In crores of rupees)
	inspection reports	audit objections	
Upto 1981-82	912	2,499	6.79
1982-83	169	736	4.01
1983-84	203	724	9.51
1984-85	268	1,280	7.11
1985-86	296	1,599	8.22
<u>1986-87</u> Total	<u>1,848</u>	<u>6,838</u>	<u>35.64</u>

Note:—Figures in the table have been shown according to the year of issue of inspection reports.

(iv) Department-wise break-up of inspection reports and audit objections outstanding as on 30th September 1986, is given below :—

Department	Number of inspection reports outstanding	Number of audit objections outstanding	Amount of receipts involved (In crores of rupees)	Years to which objections relate	Number of inspection reports to which even first replies had not been received
1. Revenue	617	2,088	3.19	1972-73 to 1985-86	44

Department	Number of inspection reports outstanding	Number of audit objections outstanding	Amounts of receipts involved (In crores of rupees)	Years to which objections relate	Number of inspection reports to which even first replies had not been received
2. Forest	186	707	17.93	1967-68 to 1985-86	6
3. Excise and Taxation	394	1,924	9.17	1970-71 to 1985-86	12
4. Transport	271	815	2.23	1970-71 to 1985-86	7
5. Other departments (Public Works, Agriculture, Horticulture, Co-operation, Food and Supplies and Soil Conservation)	380	1,304	3.12	1976-77 to 1985-86	13
Total	<u>1,848</u>	<u>6,838</u>	<u>35.64</u>		<u>82</u>

CHAPTER 2

SALES TAX

2.1 Results of Audit

Test check of sales tax assessments and other records, conducted in audit during the year 1985-86, revealed under-assessments of tax amounting to Rs. 89.99 lakhs in 313 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Incorrect grant of exemptions from tax	87	29.10
2. Application of incorrect rates of tax	64	4.04
3. Incorrect computation of turnover	67	30.84
4. Non-levy of interest	62	9.25
5. Other irregularities	33	16.76
Total	313	89.99

The above position was reported to the department and Government in September 1986; their replies are awaited (February 1987).

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

2.2 Exemptions/concessions to Small Scale Industries

2.2.1 Introductory

According to a notification dated 12th April 1971 issued by the Himachal Pradesh Government (Industries Department), small scale industrial units registered with

the Industries Department were granted exemption from the payment of sales/purchase tax, the tax holiday being available for three/five years in respect of existing/newly established industries. Accordingly, the Himachal Pradesh General Sales Tax Act, 1968 was amended in January 1974 retrospectively from 12th April 1971 to conform to the notification issued by the Industries Department. Subsequently, the Government in the Excise and Taxation Department issued notification dated 27th May 1974 granting exemption from the payment of sales/purchase tax to the eligible small scale industries (having capital investment in plant and machinery up to Rs. 7.5 lakhs) with effect from 12th April 1971 subject to the following conditions :—

- (i) Exemption from payment of sales/purchase tax for three/five years was admissible to the existing/newly established units which were in existence, as such, on 12th April 1971/came into existence after 12th April 1971 subject to the filing of certificate of genuineness granted by the Director of Industries with the Assessing Authority concerned by 30th April each year;
- (ii) The grant of exemption from the payment of sales tax was *inter-alia* admissible to those small scale industries as were registered under the Himachal Pradesh General Sales Tax Act, 1968 and continued to function for a further period for which the concession had already been availed of.

These conditions were, however, withdrawn subsequently by a notification dated 5th April 1976. In supersession of notifications dated 27th May 1974 and 5th April 1976, Government levied, by notification dated 5th July 1978, general sales tax at concessional rate on the products exclusively manufactured by small scale industries subject to the conditions specified below :—

- (a) & (b) Concessional rate of 2 per cent/ 3 per cent for the first five years and 4 per cent/5 per cent for the second span of five years was prescribed where the rate of tax leviable on goods was 7

per cent/more than 7 per cent, provided the manufactured goods were sold by manufacturers themselves or through registered dealers (added with effect from 14th May 1980 by a notification dated 25th April 1984);

- (c) No concession was available for finished goods imported for re-sale in Himachal Pradesh;
- (d) The concession would be available for second span of five years to those small scale industrial units in existence which had already availed tax holiday under the original scheme. Industrial units enjoying tax holiday under the original scheme were made liable to pay tax specified for the first span for the remaining period of tax holiday and thereafter at the rates prescribed for the second span;
- (e) & (f) Conditions of registration under the Sales Tax Act and production of genuineness certificate from the Director of Industries or by his nominee (added with effect from 14th May 1980 vide notification dated 25th April 1984) were made mandatory for the units to make them eligible for concession;
- (g) The units must continue to function for a further period for which concession had already been availed of, failing which such units were made liable to pay tax for the remaining period, equal to the amount which would have been paid during the said period but for such exemption.

The Government by another notification, issued on 28th July 1978, exempted for a period of five years, from payment of sales/purchase tax, such goods where sales tax at the rate of less than 7 per cent was leviable on similar conditions prescribed in notification dated 5th July 1978.

The notification dated 27th May 1974 providing that no exemption would be available from central sales tax to small scale industrial units was struck down on 27th December 1977 by the Hon'ble High Court, Himachal

Pradesh ruling that where goods are generally exempt from general sales tax, the central sales tax cannot be charged on inter-State transactions of such goods. After taking cognizance of this decision, the Himachal Pradesh Government levied concessional rate of tax under General Sales Tax Act vide notification dated 5th July 1978 referred to above and by another notification of the same date, prescribed tax under the Central Sales Tax Act at the rate of one per cent/two per cent on the taxable turnover for the first five years/second span of five years, provided the small scale industrial units are registered with the Industries Department and prescribed declarations in form 'C' (and 'D' added with effect from 15th January 1985) are produced. The notification was made applicable to all the existing as well as newly established small scale industrial units.

The units which were in existence and enjoying tax holiday in terms of notification dated 27th May 1974 challenged the notifications dated 5th July 1978 and 28th July 1978 on the ground, *inter-alia*, that the Government was estopped on the principle of equitable estoppel from backing out from the first notification granting incentives. The Hon'ble High Court held on 30th July 1980, that units which were registered prior to 5th July 1978 were entitled to exemption from payment of sales/purchase tax in view of the application of doctrine of 'Promissory Estoppel'. On the appeal filed by the State Government against the above judgement, Hon'ble Supreme Court granted (29th September 1981) stay of the operation of the judgement of High Court, pending disposal of appeal. Government gave an assurance that demand, if raised, will not be enforced till the disposal of appeal subject to furnishing of bank guarantee by the dealers. The appeal is still to be decided (February 1987).

Audit observations on the levy of sales tax relating to Small Scale Industrial Units are given in succeeding paragraphs.

2.2.2 *Short levy due to incorrect grant of exemption/ concessional rate of tax*

(i) In 11 cases, in Kangra, Sirmaur and Solan districts, either exemption was allowed in terms of notification dated 27th May 1974 or concessional rate of tax as

applicable to small scale industrial units under notification dated 5th July 1978 was levied for the period between 1976-77 and 1983-84, though the exemption/concessional rate allowed was not admissible to these units owing to the investment in plant and machinery by these units being more than Rs. 7.5 lakhs. Sales tax in respect of these units was, therefore, leviable at full rate.

The incorrect grant of exemption/concessional rate resulted in short levy of sales tax amounting to Rs. 6.24 lakhs, including surcharge at the rate of ten per cent leviable on the amount of tax with effect from 1st April 1979.

(ii) In 21 cases, in Kangra, Sirmaur and Solan districts, concessional rate of tax of one per cent and 2 per cent, applicable to small scale units, was levied on inter-State sales for the period between 1978-79 and 1983-84, even though these units were not eligible to be classified as small scale industrial units as their investment in plant and machinery was more than Rs. 7.5 lakhs. The mistake resulted in short levy of tax amounting to Rs. 6.96 lakhs.

2.2.3 *Bank guarantees not obtained/revalidated*

While granting special leave to appeal to the State Government against the judgement (dated 30th July 1980) of Hon'ble High Court of Himachal Pradesh, Hon'ble Supreme Court directed (29th September 1981) that the demand, if raised against the small scale industrial units enjoying tax holiday under the original scheme, will not be enforced till the final disposal of appeal subject to the furnishing of bank guarantees by the concerned industrial units.

(i) In 40 cases, in Sirmaur, Solan and Una districts, bank guarantees amounting to Rs. 3.48 lakhs (general sales tax : Rs. 3.22 lakhs; central sales tax : Rs. 0.26 lakh) were not obtained from the concerned units to safeguard the State revenue pertaining to the years between 1978-79 and 1982-83.

(ii) Further, 10 cases involving tax of Rs. 3.27 lakhs were not reviewed for obtaining bank guarantees

in terms of the orders (September 1981) of the Hon'ble Supreme Court.

- (iii) In one case, tax of Rs. 1.25 lakhs for the year 1981-82 was assessed on 17th December 1982, but the assessment order had not been released (June 1986). In this case also, bank guarantee was required to be obtained but this was not done.
- (iv) In two cases, validity of bank guarantees of Rs. 0.11 lakh obtained earlier had expired, but these were not got renewed. On this being pointed out in audit (September 1985), the department stated (December 1986) that the bank guarantees had since been got renewed (July 1986 and December 1986).

2.2.4 *Irregular grant of concession without obtaining genuineness certificates*

In Bilaspur, Kullu, Mandi, Shimla, Sirmaur and Solan districts, in 25 cases pertaining to the period 1976-77 to 1981-82, assessments were finalised without obtaining the certificate of genuineness granted by the Director of Industries or by his nominee within the stipulated period (by 30th April each year) or even at the time of finalising assessments. The units were not eligible for concessional rate of tax without furnishing the requisite certificates. As such the concession allowed to the tune of Rs. 1.50 lakhs was not justified.

On this being pointed out in audit (between February 1983 and June 1986), the department obtained the requisite certificates in 7 cases and in two cases, penalty of Rs. 100 each was also levied and recovered. Report on action taken in the remaining 18 cases is awaited (February 1987).

2.2.5 *Irregularities in assessment of small scale industrial units*

The Himachal Pradesh General Sales Tax Act, 1968 prohibits the dealer from collecting tax in excess or otherwise in contravention of the provisions of the Act. Violation of these provisions renders a dealer liable to pay a

penalty of an amount not exceeding five hundred rupees or double the amount so collected, whichever is greater. Where no specific provision for levy of penalty for any offence has been provided under the Central Sales Tax Act, the provisions of State law will apply.

- (a) A small scale industrial unit in Kangra district, which was exempt from purchase/sales tax, collected and deposited tax of Rs. 22,953 (1973-74), Rs. 26,582 (1974-75) and Rs. 14,254 (1975-76). While framing assessment in respect of these years, the Assessing Authority forfeited the amounts on the ground that the dealer had collected and paid tax into the treasury. On appeal by the dealer, the Appellate Authority upheld (1st September 1980) the forfeiture of tax deposited. The dealer went in revision before the Revisional Authority who accepted the revision and set aside the orders of Appellate Authority and remanded the case to the Assessing Authority for deciding the case in accordance with law. Assessing Authority, on 18th July 1982, allowed refund of Rs. 19,874 after adjusting Rs. 3,079 towards tax due for the year 1973-74, imposed penalty of Rs. 26,582 for the year 1974-75 and Rs. 14,254 for the year 1975-76, equal to the amount of tax collected and deposited by the dealer. Thus, by allowing refund of Rs. 19,874 for the year 1973-74 and levying penalty equal to the amount of tax unauthorisedly collected during the years 1974-75 and 1975-76, instead of levying penalty equal to double the amount of tax collected unauthorisedly, Government incurred a loss of Rs. 80,584.
- (b) Under the Himachal Pradesh General Sales Tax Act, 1968, surcharge is not leviable on goods of special importance specified under the Central Sales Tax Act. Two small scale industries in Kangra district deposited surcharge of Rs. 31,758 (Rs. 23,588 and Rs. 8,170) alongwith tax due as per quarterly returns furnished for the year 1981-82. While framing assessments on 7th May 1983 and 29th January 1983,

Assessing Authority allowed refund of Rs. 31,758 which was not permissible under the law and resulted in loss of revenue to the extent of Rs. 63,516 (being double the amount of penalty leviable for unauthorised collection).

2.2.6 *Short levy due to application of incorrect rates of tax*

One of the conditions of notification dated 5th July 1978 stipulates that general sales tax shall be levied on products manufactured by small scale industrial units at the rate of 2 per cent/3 per cent for the first five years and at the rate of 4 per cent/5 per cent for the next five years in respect of goods liable to general sales tax at the rate of 7 per cent/more than 7 per cent respectively.

In Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmaur, Solan and Una districts, in 22 assessments pertaining to years between 1978-79 and 1984-85, finalised between November 1980 and November 1985, the correct rate of general sales tax as contemplated above was not levied. Further enhanced rate of tax (4 per cent or 5 per cent) in 17 cases was not levied in second span of five years relating to the assessment years between 1979-80 and 1983-84. This resulted in short levy of tax of Rs. 0.60 lakh (including surcharge at the rate of 10 per cent leviable on the amount of tax with effect from 1st April 1979).

The omission was pointed out to the department between November 1982 and June 1986. In 12 cases, demand of Rs. 0.14 lakh was created, out of which amount of Rs. 0.06 lakh was recovered.

2.2.7 *Short levy due to inadmissible exemption/concession*

The exemption/concession was not available for finished goods imported by the small scale industrial units for re-sale in the State.

In Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Sirmaur and Una districts, in 36 cases of small scale industrial units, relating to the years 1976-77 to 1983-84, where assessments were finalised between January 1980

and February 1986, exemption was allowed or concessional rate of tax levied on the re-sale of the finished goods which were imported by them. The inadmissible exemption/concession availed by them resulted in short levy of tax of Rs. 0.47 lakh.

The omission was pointed out in audit between March 1983 and June 1986. In 12 cases, demand of Rs. 0.18 lakh was created, out of which Rs. 0.10 lakh was recovered between October 1983 and June 1985. Report on recovery of the balance amount and action taken in the remaining cases is awaited (February 1987).

2.2.8 *Non-registration of small scale industrial units*

As per condition in notifications dated 5th July 1978 and 28th July 1978, the concession/exemption would be admissible to those small scale industries which are registered under the Himachal Pradesh General Sales Tax Act, 1968 and comply with its provisions.

While co-relating the particulars of small scale industrial units (manufacturing taxable goods) registered with Industries Department upto 31st December 1982, with those registered under Himachal Pradesh General Sales Tax Act, it was noticed that out of 1,380 small scale industrial units registered with the Industries Department, only 634 units were registered (up to May 1986) under the Himachal Pradesh General Sales Tax Act, 1968 and remaining 746 units had not got themselves registered with Sales Tax Department.

The failure to register these units was pointed out to the department in June 1986 and they were advised to conduct special survey in consultation with the Department of Industries to bring the un-registered units in tax net where called for; their reply is awaited (February 1987).

The above points were reported to Government in July 1986; their reply is awaited (February 1987).

2.3 **Evasion of tax due to non-accountal of purchases**

(i) Under the Himachal Pradesh General Sales Tax Act, 1968 and the rules made thereunder, every dealer is

required to furnish a return of his turnover within 30 days from the expiry of the period to which it relates and pay sales tax due as per return. In case of default, he is liable to pay, by way of penalty, in addition to the amount of tax, a sum not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

Two dealers, one each in Solan and Sirmaur, had purchased watches valuing Rs. 82.75 lakhs and Rs. 18.30 lakhs during the years 1983-84 and 1985-86 from certain registered dealers of Chandigarh and Himachal Pradesh respectively. A scrutiny of the records of purchasing dealers revealed that they had neither filed any return nor deposited sales tax on the sale proceeds of the watches. No statutory notices had also been issued by the department calling for the wanting returns. The sale value of the watches worked out to Rs. 1,11.15 lakhs (after adding 10 per cent profit margin and freight) on which tax amounting to Rs. 12.23 lakhs was leviable. Besides, penalty upto one and a half times the amount of tax was leviable for default in submission of the returns and payment of tax.

The omissions were pointed out in audit in September 1985 and January 1986; reply of the department is awaited (February 1987).

The cases were reported to Government in April and May 1986; their reply is also awaited (February 1987).

(ii) Under the Himachal Pradesh General Sales Tax Act, 1968, on sale of vegetable ghee, tax is leviable at the rate of 7 per cent at the first stage of sale. If a dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than 10 per cent, but shall not exceed one and a half times the amount of tax to which he is assessed or is liable to be assessed.

In Sirmaur, assessment of a dealer for the year 1982-83 was finalised (May 1983) determining his gross turnover at Rs. 2.75 lakhs on the basis of account books produced by the dealer. However, a scrutiny in audit of the records of the Taxation Office revealed that the dealer had imported

vegetable ghee valuing Rs. 21.74 lakhs from a dealer of Chandigarh during 1982-83. These purchases had not been accounted for by the dealer in his account books. The sale value of the unaccounted purchases of vegetable ghee worked out to Rs. 23.91 lakhs (after adding 10 per cent towards profit and freight) having tax effect of Rs. 1,84,134. Minimum penalty amounting to Rs. 18,413 was also leviable.

The suppression of purchases and sales was pointed out in audit in January 1986; reply of the department is awaited (February 1987).

The case was reported to Government in May 1986; their reply is also awaited (February 1987).

(iii) Under the Himachal Pradesh General Sales Tax Act, 1968, while making an assessment, the assessing authority is required to satisfy himself that all purchases and sales made by the dealer have been properly accounted for in his books of accounts.

At Bilaspur, Chamba and Kangra, assessments of 6 dealers (Bilaspur: 3, Chamba: 1 and Kangra: 2) for the period 1980-81 to 1984-85 were completed, based on the turnovers indicated by them in their returns and the trading accounts. But the turnovers, shown in the supporting documents *viz.* declarations in form 'C', ST-XXIV and ST-XXVI-A (barrier chits), were more than those reflected by the dealers in their trading accounts. The assessing authorities' failure to link up the supporting documents with the dealers' trading accounts, resulted in escapement of turnovers amounting to Rs. 4,59,713 from assessment and consequent short levy of tax by Rs. 72,585 (Bilaspur: Rs. 9,631; Chamba: Rs. 11,394; Kangra: Rs. 51,560).

On the omission being pointed out in audit between July 1985 and October 1985, the Assistant Excise and Taxation Commissioner, Bilaspur stated (October 1986) that demand for Rs. 10,340 had since been raised and recovered. Report on action taken in the remaining 3 cases (Chamba: 1 and Kangra: 2) is awaited (February 1987).

The matter was reported to Government between October 1985 and April 1986; their reply is awaited (February 1987).

2.4 Interest not charged

Under the Himachal Pradesh General Sales Tax Act, 1968, if a dealer fails to pay the full amount of tax due from him according to the returns filed by him or the amount of additional tax assessed or penalty imposed by the assessing authority, within the period stipulated in the notice of demand or where no period is stipulated therein, within a period of thirty days from the service of such notice, interest is chargeable (with effect from 1st April 1979) at the rate of one per cent per month for a period of one month from the date immediately following the last date for submission of the return or from the last date specified in the notice of demand and at the rate of one and a half per cent per month thereafter, so long as the default continues.

In Bilaspur, Hamirpur, Kullu, Shimla and Sirmaur districts, in the case of 14 dealers, on belated payments of tax and penalties relating to various assessment periods between 1977-78 and 1983-84, interest amounting to Rs. 7.81 lakhs was chargeable, but was not charged.

The mistake was pointed out in audit between July 1985 and January 1986; reply of the department is awaited (February 1987).

The matter was reported to Government between October 1985 and May 1986; their reply is also awaited (February 1987).

2.5 Loss of revenue due to turnover escaping assessment

(i) Under the Himachal Pradesh General Sales Tax Act, 1968, 'turnover' includes the aggregate of the amounts of sales and purchases and parts of sales and purchases actually made by any dealer during the given period. It also includes any sum charged for anything done by the dealer in respect of the goods at the time of, or before, delivery thereof.

In Shimla, assessments of a wholesale dealer of Indian-made foreign liquor for the years 1982-83 and 1983-84 were finalised (February 1985) determining his turnover at Rs. 4.51 lakhs and Rs. 12.60 lakhs respectively. A scrutiny

in audit of the assessment records and trading accounts of the dealer and excise records of the District Office, however, revealed that the dealer had paid excise duty amounting to Rs. 10.05 lakhs (Rs. 2.61 lakhs in 1982-83 and Rs. 7.44 lakhs in 1983-84) on purchases of liquor, but the same had not been taken into account in determining his taxable turnover. Thus, turnover amounting to Rs. 10.05 lakhs had escaped assessment, resulting in under-assessment of tax by Rs. 2.76 lakhs.

On the mistake being pointed out to the department in July 1985 and to Government in April 1986, Government stated (January 1987) that in view of the revised trading accounts filed by the dealer, no suppression of purchases/sales had been found on re-assessment of the case in July 1986. However, a scrutiny of the revised trading accounts in audit revealed that the dealer had not shown the taxable sales correctly, which remained unnoticed by the assessing authority. Government/department were, therefore, asked (February 1987) to re-examine the case. Their reply is awaited (February 1987).

(ii) Under the Himachal Pradesh General Sales Tax Act, 1968, *bardana* (packing material) and containers are taxable at the general rate of seven per cent, except when sold by a dealer who deals exclusively in tax-free goods and sells packing material and containers only as incidental to his main business.

Three dealers of Shimla district, who were dealing both in tax-free and taxable goods, purchased *bardana*, amounting to Rs. 2.64 lakhs during the years 1975-76 to 1979-80. But the accounts, on the basis of which their assessments were finalised, did not show sale of *bardana* against these purchases. The sale value of the purchases which escaped assessment, worked out to Rs. 2.91 lakhs (after adding 10 per cent towards profit and freight). The mistake resulted in under-assessment of tax amounting to Rs. 20,603.

The mistake was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The matter was reported to Government in April 1986; their reply is also awaited (February 1987).

2.6 Non-levy of penalty

Under the Central Sales Tax Act, 1956, a registered dealer can purchase goods of the class or classes specified in his certificate of registration on payment of tax at a concessional rate, by furnishing a declaration in the prescribed form. In the event of a misdeclaration made by him, the dealer becomes liable to pay penalty, in lieu of prosecution, upto one and a half times the amount of tax, which would have been leviable on such inter-State sales made to an unregistered dealer.

In Shimla, a dealer purchased in the course of inter-State trade or commerce, goods valuing Rs. 12,68,074, at the concessional rate of tax during the years 1979-80 to 1982-83 by furnishing the prescribed declarations. The goods were not specified in the registration certificate of the dealer, and as such the dealer was liable for penal action for misdeclaration. The assessing authority while finalising his assessment, however, failed to detect the irregularity and to impose penalty therefor. Penalty upto Rs. 1,90,211 could be levied in this case.

The failure to impose penalty was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The matter was reported to Government in April 1986; their reply is also awaited (February 1987).

2.7 Loss of revenue due to suppression of purchases/sales

(i) Under the Himachal Pradesh General Sales Tax Act, 1968, a registered dealer can purchase goods from another registered dealer without payment of tax subject to his furnishing a declaration in the prescribed form. As per departmental instructions issued in April 1978, the assessing authorities are required to cross-check the deductions claimed by the selling dealers on the basis of such declarations with the purchases reflected in the accounts and returns of the purchasing dealers. If a dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay, by way of penalty, (in addition to the tax to which

he is assessed), an amount which shall not be less than 10 per cent, but which shall not exceed one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(a) In Shimla, assessments of a dealer for the years 1976-77, 1977-78 and 1981-82, were finalised (March 1983) determining his gross turnover at Rs. 6,000. However, assessment records of the selling registered dealers indicated that the said dealer had purchased from them *anardana* and walnuts valuing Rs. 4.32 lakhs (Rs. 1.47 lakhs in 1976-77; Rs. 2.39 lakhs in 1977-78 and Rs. 0.46 lakh in 1981-82) without payment of tax by furnishing the prescribed declarations. The corresponding sale value of the purchases suppressed by him amounted to Rs. 4.75 lakhs (after adding 10 per cent to purchase price towards profit and carriage etc.). The assessing authority's failure to cross-verify the deductions claimed by selling dealers with the purchasing dealer's accounts/returns had resulted in tax amounting to Rs. 33,140 not being demanded from the purchasing dealer on the suppressed turnover of Rs. 4.69 lakhs (Rs. 4.75 lakhs minus Rs. 0.06 lakh). A minimum penalty of Rs. 3,314 was also leviable on the dealer for suppression of purchases.

The failure was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The case was reported to Government in April 1986; their reply is awaited (February 1987).

(b) In Kinnaur, against local purchases of *Kiryana* goods valuing Rs. 5.51 lakhs made by a dealer during the year 1983-84, he accounted for purchases amounting to Rs. 2.09 lakhs only in his books. The sale value of the purchases suppressed amounted to Rs. 3.76 lakhs (after adding 10 per cent towards profit and freight). Due to the assessing authority's failure to cross-check the deductions claimed by the selling dealer with the accounts/returns of the purchasing dealer, the suppressed purchases/sales remained undetected, resulting in tax being levied short by Rs. 23,985 (calculated at the general rate of seven per cent). Minimum penalty amounting to Rs. 2,898 was also recoverable from the dealer for suppression of the turnover.

On the failure being pointed out to the department in October 1985 and to Government in April 1986, Government stated (November 1986) that on re-assessment of the case, an additional demand for Rs. 23,782 (including penalty and interest) had since been created and recovered from the dealer between November 1985 and January 1986.

(c) In Kinnaur, assessment of another *Kiryana* dealer for the year 1983-84 was finalised (July 1984) with gross turnover of Rs. 2.75 lakhs, against his local purchases of general goods worth Rs. 7.62 lakhs made without payment of tax on the prescribed declarations. The sale value of the local purchases worked out to Rs. 8.38 lakhs (after adding 10 per cent towards profit and freight). Thus, sales amounting to Rs. 5.63 lakhs (Rs. 8.38 lakhs minus Rs. 2.75 lakhs) had not been accounted for by the dealer (which fact had also not been noticed by the assessing authority), resulting in evasion of tax by Rs. 43,382 at the general rate of 7 per cent plus surcharge.

On the mistake being pointed out to the department in October 1985 and to Government in April 1986, Government stated (January 1987) that on re-assessment of the case, an additional demand for Rs. 31,009 (including penalty and interest) had since been created and recovered from the dealer between November 1985 and January 1986.

(ii) Under the Himachal Pradesh General Sales Tax Act, 1968, sale means any transfer of property in goods for cash or deferred payment or other valuable consideration. Sale also includes the supply of goods made to the Government department.

In Shimla, assessment of a dealer for the year 1982-83 was finalised (May 1983) with gross turnover of Rs. 2.69 lakhs. A scrutiny of assessment records, however, showed that against a supply order of August 1982, this dealer had supplied parched grams and parched ground nuts valuing Rs. 5.45 lakhs during the year 1982-83 to the District Welfare Office, Shimla, but this supply was not included in the gross turnover. The dealer had thus suppressed sales valuing Rs. 5.45 lakhs, resulting in tax and surcharge amounting to Rs. 25,455, not being levied.

On this being pointed out in audit (July 1985 and April 1986), the Government and the department stated

(September 1986) that an additional demand of Rs. 9,082 had since been created after allowing sales of Rs. 1.37 lakhs on account of sweet grams as tax-free. As the sales of sweet grams were not tax-free under the Act *ibid*, the department and the Government were requested (September-October 1986) to levy tax on its sales at general rate of 7 per cent. Final reply of the department and the Government is awaited (February 1987).

2.8 Application of incorrect rates of tax

(i) Under the Himachal Pradesh General Sales Tax Act, 1968, 'timber' has been defined to include trees when they have fallen, or have been felled or agreed to be felled and all wood, whether cut up or fashioned or hollowed out for any purpose or not. Therefore, timber also includes fuelwood. With effect from 25th September 1976, the rate of tax on sale of timber (taxable at first stage) was enhanced from 7 per cent to 10 per cent and from 1st February 1979 from 10 per cent to 25 per cent. Surcharge at the rate of 10 per cent of tax was also leviable from 1st February 1979.

(a) On sales of fuelwood amounting to Rs. 2.79 lakhs made by two dealers of Shimla district during the years 1979-80 to 1983-84 (upto September 1983), tax was erroneously levied at the rate of 7 per cent, instead of at 25 per cent. The mistake resulted in tax and surcharge being levied short by Rs. 55,289.

The mistake was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

(b) In Kullu, on sale of wood amounting to Rs. 4.03 lakhs made by a dealer during the period from October 1976 to March 1978, tax was incorrectly levied at the rate of 7 per cent, instead of at 10 per cent. The mistake resulted in under-assessment of tax by Rs. 12,085.

The mistake was pointed out in audit in December 1985; reply of the department is awaited (February 1987).

The above cases were reported to Government in April 1986; their reply is also awaited (February 1987).

(ii) Under the Himachal Pradesh General Sales Tax Act, 1968, on sale of radios, tape recorders, televisions and spare parts thereof, tax is leviable at the rate of 10 per cent. With effect from 1st April 1979, any dealer, who fails to pay tax due from him by the prescribed date, is liable to pay interest at the rate of one per cent per month for a period of one month and at the rate of one and a half per cent per month thereafter, so long as the default continues.

In Shimla, on sale of radios, tape recorders, televisions and spare parts thereof, amounting to Rs. 1,25,740, made by a dealer during the years 1978-79 to 1980-81, tax was incorrectly levied at the rate of 7 per cent, instead of at 10 per cent. The mistake resulted in tax being levied short by Rs. 4,149. Interest amounting to Rs. 5,474 was also not charged for delay in payment of tax by the dealer for the years 1978-79 to 1980-81.

On the mistakes being pointed out in audit (November 1983), the department re-examined the accounts of the dealer and raised (July 1984) an additional demand for Rs. 11,079. Report on recovery is awaited (February 1987).

The case was reported to Government in May 1986; their reply is awaited (February 1987).

2.9 Non-levy of purchase tax

As per a notification issued in October 1969 under the Himachal Pradesh General Sales Tax Act, 1968, a registered dealer can purchase goods from another registered dealer without payment of tax, provided the goods are covered by his certificate of registration and he furnished a declaration in the prescribed form to the effect that the goods are meant for re-sale in the State or in the course of inter-State trade or commerce or for use in the manufacture of taxable goods. If any such dealer, instead of using such goods for the purpose for which these were sold to him, despatches such goods or the goods manufactured therefrom, for consumption or sale outside Himachal Pradesh, to his branch or commission agent or any other person in any other State and such branch, commission agent or other person is a registered dealer in that State

and produces an affidavit to that effect, in the prescribed form, tax on such despatches is leviable at the rate of 2 per cent of the purchase value of goods.

(i) In the years 1978-79 to 1981-82, a dealer of Shimla district purchased, without payment of tax, *anardana*, walnuts and *Kiryana* valuing Rs. 13.44 lakhs from other registered dealers and transferred the same on consignment basis to his branch at Delhi. The assessing authority omitted to levy tax on the purchase value of the goods, resulting in tax and surcharge amounting to Rs. 28,233 not being realised.

On this being pointed out in audit (July 1985), the department stated (September 1986) that on re-examination of records, an additional demand for Rs. 22,325 had since been raised and that an amount of Rs. 3,000 had been recovered. Report on recovery of the balance amount is awaited (February 1987).

The case was reported to Government in April 1986; their reply is awaited (February 1987).

(ii) A small scale industrial unit of Sirmaur district was engaged in the manufacture of stainless steel goods. In the year 1983-84, it transferred manufactured goods valuing Rs. 7,89,526, on consignment basis, to its branch at Jagadhri (Haryana). These goods were manufactured from raw material purchased without payment of tax (against prescribed forms). Purchase value of goods used in the manufacturing of stainless steel goods worked out to Rs. 5,92,145, taking 25 per cent as manufacturing expenses. Tax not levied on the purchases of raw material amounted to Rs. 13,027.

The mistake was pointed out in audit in January 1986; reply of the department is awaited (February 1987).

The case was reported to Government in May 1986; their reply is also awaited (February 1987).

2.10 Non-levy of tax

(i) As per the Himachal Pradesh General Sales Tax Act, 1968, on coal including coke in all its forms (declared

goods), tax is leviable at the rate of 4 per cent at the point of first sale in the State from 23rd August 1969. A registered dealer cannot purchase these goods, free of tax, by furnishing declarations.

In Solan, on sales of soft coke amounting to Rs. 5,09,944 made by a registered dealer to another registered dealer during the year 1980-81, tax amounting to Rs. 20,398 was leviable, but was not levied.

The omission was pointed out in audit in September 1985; reply of the department is awaited (February 1987).

(ii) Under the Himachal Pradesh General Sales Tax Act, 1968, with effect from 5th June 1979, no tax is leviable on sale of fruit packing cases, provided these are manufactured from timber on which sales tax has been paid at first stage. However, prior to 5th June 1979, sales of fruit packing cases were taxable at the general rate of 7 per cent.

In Shimla, a co-operative society sold fruit packing cases valuing Rs. 1,92,694 to its members, on no profit and no loss basis, during the years 1977-78 and 1978-79. These sales were, however, not accounted for by the society and the assessing authority also failed to include these sales in the taxable turnover. The mistake resulted in tax amounting to Rs. 13,489 not being levied.

The mistake was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The above cases were reported to Government in April 1986; their reply is also awaited (February 1987).

2.11 Short levy due to non-accountal of stock

The assessees for income tax and sales tax are assessed by different authorities *viz.* Income Tax Officer and Excise and Taxation Officer respectively. The figures of stocks supplied to these authorities for any given period should always tally.

During the course of a raid conducted by the Income Tax Department on the premises of two dealers of Shimla

district during the years 1980-81 and 1981-82, excess unaccounted stock valuing Rs. 2.50 lakhs was surrendered by these dealers, and this was subsequently accounted for in their accounts. However, on cross-checking with the records of the Assistant Excise and Taxation Commissioner, Shimla, it was noticed in audit that unaccounted stock amounting to Rs. 2.50 lakhs of these dealers had not been taken into account by the assessing authority for purposes of levy of sales tax. The corresponding sale value of the unaccounted stock amounted to Rs. 2.75 lakhs (after adding 10 per cent as profit margin and freight). The mistake resulted in tax amounting to Rs. 21,175 not being levied.

The mistake was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The case was reported to Government in April 1986; their reply is also awaited (February 1987).

2.12 Non-levy of tax due to incorrect grant of exemption

Under the Himachal Pradesh General Sales Tax Act, 1968, sales of goods to the Himachal Pradesh State Electricity Board for use in the generation or distribution of energy, are exempt from levy of sales tax.

In Sirmaur district, the assessing authority did not levy tax on the sale of gas valuing Rs. 1,45,018 made by a dealer to the Himachal Pradesh State Electricity Board during the years 1979-80 to 1982-83, though the gas was not used in the generation or distribution of electricity. The omission to levy tax resulted in tax amounting to Rs. 11,166 not being realised.

The omission was pointed out in audit in January 1986; reply of the department is awaited (February 1987).

The case was reported to Government in May 1986; their reply is also awaited (February 1987).

CHAPTER 3

STATE EXCISE

3.1 Results of Audit

Test check of the records relating to State Excise, conducted in audit during the year 1985-86, revealed loss of revenue due to reauction of vends, non-recovery or short recovery of excise duty and other irregularities amounting to Rs. 36.43 lakhs in 49 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Loss due to reauction of vends	1	1.30
2. Non-recovery or short recovery of excise duty	18	12.52
3. Non-levy of interest	14	4.09
4. Other irregularities	16	18.52
Total	49	36.43

The above position was reported to the department and Government in October 1986; their replies are awaited (February 1987).

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

3.2 Non-recovery of interest, licence fee and penalties

Under the Punjab Excise Act, 1914 (as applicable to Himachal Pradesh) and the Excise Announcement for the year 1984-85, the successful bidder at an auction for sale of licence to vend liquor was required to deposit security or furnish a surety to ensure compliance with the terms and conditions of the licence. He was also required to pay 15 per cent of the bid money as advance licence fee, within

seven days from the date of acceptance of his bid or by 31st March, whichever was earlier. The balance amount of fee was payable in nine equal monthly instalments by the 10th of each month, starting from April 1984 or the month from which the period of contract started, whichever was earlier. On failure to pay 15 per cent of the advance licence fee or the monthly instalments by the stipulated dates, the licence was liable to be cancelled and re-sold at the risk and cost of the original licensee. Besides, interest at the rate of 15 per cent per annum was chargeable on the amount of unpaid instalment of licence fee from the due date to the date of its payment. The Collector could, at his discretion, revoke the cancellation of licence on the payment of such penalty as might be fixed by him.

(i) (a) In Hamirpur, Kangra, Mandi, Shimla and Solan districts, during the year 1984-85, licensees of 228 vends paid instalments of licence fee after the due dates, but interest was either not charged or was charged short from the licensees. Interest not realised amounted to Rs. 27,605.

The omissions were pointed out in audit between May 1985 and October 1985; reply of the department is awaited (February 1987).

(b) In 92 other cases, interest amounting to Rs. 5,22,720 was charged from licensees in the districts of Hamirpur, Mandi, Shimla, Sirmaur and Solan for belated payments of licence fee during the year 1984-85, but the department failed to recover the same.

On the omission being pointed out in audit between May 1985 and October 1985, the department stated (March 1986 and April 1986) that out of an amount of Rs. 5,22,720, a sum of Rs. 42,542 had since been recovered in Mandi and Sirmaur districts. Report on recovery of the balance amount is awaited (February 1987).

(ii) In Hamirpur, Sirmaur and Solan districts, licensees of 15 vends defaulted in payment of monthly instalments of licence fee during the year 1984-85, but no action to cancel the licences and to re-auction them at the risk and cost of the original licensees was taken by the department. Even after the licence period had expired, licence

fee amounting to Rs. 2,58,314 (excluding interest) was still due from the licensees.

On this being pointed out in audit in July 1985 and September 1985, the department stated (April 1986) that necessary proceedings had since been started to recover the balance amount of licence fee in respect of vends in Sirmaur district. Reply in respect of the vends in the remaining two districts is awaited (February 1987).

(iii) In Sirmaur district, Paonta unit, comprising five Indian-made foreign liquor vends for the year 1984-85, was sold to a party for Rs. 8.65 lakhs in an auction held in March 1984. The licensee defaulted in payment of monthly instalments of licence fee. The licence was, therefore, re-auctioned in August 1984, which resulted in loss of revenue amounting to Rs. 1,10,300. No steps were, however, taken by the department to recover this loss from the original licensee.

The loss was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

(iv) In Kangra, Mandi, Shimla and Solan districts, due to default in payment of instalments of licence fee, 87 licences (Kangra: 6; Mandi: 38; Shimla: 8 and Solan: 35) were cancelled during the year 1984-85. The licences could be restored on receipt of licence fee and additional licence fee by way of penalty as the competent authority may fix. The department levied a penalty of Rs. 1,26,622 for restoration of licences but the amount was not realised before restoring the licences.

On this being pointed out in audit between May 1985 and October 1985, the department stated (March 1986) that a sum of Rs. 6,910 had since been recovered in respect of four licences issued in Mandi district and that efforts were being made to recover the balance amount of penalty. Reply in respect of the licences in the remaining three districts is awaited (February 1987).

(v) In Kangra, Shimla and Solan districts, the Collector, Excise cancelled 41 licences (Kangra : 6; Shimla : 9 and Solan: 26) for violation of the conditions of licences during the year 1984-85. He, however, ordered that the

licences would be restored on payment of penalties amounting to Rs. 38,555 imposed by him. But, the licences were restored without realising the penalties.

The omissions were pointed out in audit between June 1985 and September 1985; reply of the department is awaited (February 1987).

The above cases were reported to Government between June 1985 and November 1985; their reply is awaited (February 1987).

3.3 Loss of revenue due to lacuna in the Rules

Under the Punjab Liquor Permit and Pass Rules, 1932 (as applicable to Himachal Pradesh), a licensed distillery or brewery is required to obtain a pass from the excise authority for exporting liquor to other States or Union Territories. The export pass is issued (after proper scrutiny of the documents attached to the application) on the basis of request made by the manager of the licensed distillery or brewery, who is required to enclose with his application for export pass, the import permit signed by the Collector or Chief Excise Authority of the State or Union Territory in which liquor is to be imported.

On 16th September 1982 and 4th November 1985, two passes for export of 8,032.500 proof litres of Indian-made foreign spirit to Mizoram and Punjab were issued by the excise authority of Una district (Himachal Pradesh). The export passes were issued on the basis of import permits stated to have been issued by the excise authorities of Mizoram and Punjab and enclosed with the applications for export passes made by the Manager of Rangar Breweries Limited, Mehatpur, district Una (Himachal Pradesh). However, later on in response to references made on 29th September 1982 and 4th November 1985, the excise authorities of Mizoram and Punjab informed (16th November 1982 and 13th November 1985) the excise authority of Himachal Pradesh that these import permits had not been issued by them. The export passes could be obtained on the basis of fake import permits due to lacuna in the rules which do not provide for prior verification of genuineness of import permits issued by the excise authorities of the importing States, before the issue of export passes. Issue

of export passes on the basis of fake import permits resulted in loss of excise duty amounting to Rs. 1,68,750. Besides, Government was deprived of sales tax and surcharge leviable on the sale value of the liquor illegally exported.

The lacuna in the Rules was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

The case was reported to Government in June 1986; their reply is also awaited (February 1987).

3.4 Non-levy of duty on excess wastage of spirit

Under the Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh, wastage of Indian-made foreign spirit during the process of bottling is allowed upto 1.5 per cent without levy of duty. As per Government orders (April 1983), for any excess wastages, the officers incharge of the distilleries/breweries/bonded warehouses concerned were required to make a report to the Collector (Excise) in respect of such wastages occurring in the preceding financial year, and the Collector was required to raise demands for excise duty against the licensees concerned by 30th April. Such demands were required to be collected by the concerned Excise and Taxation Officers by 30th June in the same year.

* In Una district, in a distillery at Mehatpur, excess wastage of 6,718.262 proof litres of Indian-made foreign spirit occurred in the process of bottling during the year 1984-85. The demand for excise duty amounting to Rs. 1.41 lakhs in respect of this excess wastage was required to be raised by 30th April 1985, but it was omitted to be raised.

The omission was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

The case was reported to Government in June 1986; their reply is also awaited (February 1987).

CHAPTER 4

TAXES ON VEHICLES, PASSENGERS AND GOODS

4.1 Results of Audit

Test check of accounts records in the departmental offices, conducted in audit during the year 1985-86, revealed non-levy/short levy of tax and fees amounting to Rs. 66.28 lakhs in 139 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy or short levy of token tax and fees	90	37.54
2. Non-levy of passengers and goods tax	28	14.33
3. Under-assessment of passengers tax	10	11.32
4. Other irregularities		
(i) Passengers and goods tax	4	2.84
(ii) Vehicles tax	7	0.25
Total	139	66.28

The above position was reported to the concerned departments and Government in October 1986; their replies are awaited (February 1987).

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

4.2 Working of National, North Zone and West Zone Permit Schemes

4.2.1 *Introductory*

Under the provisions of Motor Vehicles Act, 1939, with a view to encouraging long distance inter-State road transport of goods, National Permit Scheme was introduced by

Government of India in September 1975. Under this scheme, a permit may be granted by an appropriate authority, appointed by the respective States for this purpose, to an operator of public carrier to ply his vehicle throughout the territory of India or in such contiguous States not less than five in number including the home State. The Government of Himachal Pradesh also entered into multi-lateral reciprocal agreements relating to the operation of public carriers on inter-State routes under two zonal schemes, viz., North Zone and Western Zone Permit Schemes with other participating States and Union Territories in the respective zones. The agreements for North Zone and West Zone Schemes came into effect from **January 1974 and April 1981 respectively. Under both** the zonal permit schemes, the applicant for a composite permit has to choose a minimum number of three States including home State, for operation and the option once exercised is not to be allowed to be changed before a period of one year.

Under all the three schemes, a permit was to be issued on realisation of prescribed authorisation and composite fee. The composite fee payable to other States covered by the permit was required to be received by the home State in the form of crossed bank drafts payable to the designated authorities of those States. The home State was required to send these drafts to the States concerned as and when received. Under all the schemes, each State was authorised to issue a specified number of permits to the intending operators of public carriers for plying their vehicles throughout India under National Permit Schemes and within the territory of the signatory States under the Zonal Schemes.

4.2.2 *Delay in receipt, transmission and encashment of bank drafts*

Under the provisions of all the three schemes, the home State is required to recover, on behalf of other States, in advance the prescribed composite fees in full for the whole year on or before 15th March or, at the option of the operators, in two equal instalments payable on or before 15th March and 15th September each year in the form of crossed bank drafts and send the same to the States concerned as and when received alongwith a statement showing the

details of the vehicle number, bank draft number and date and amount, period for which paid, etc.

Test check (March 1986) of records relating to the bank drafts for the years 1982-83 to 1984-85 revealed the following irregularities:—

- (a) 695 bank drafts amounting to Rs. 3.58 lakhs collected by Haryana State and Union Territory of Chandigarh towards payment of composite fees for the years 1982-83 to 1984-85 due to the State of Himachal Pradesh in respect of the three schemes were not sent to the State Transport Authority, Himachal Pradesh, immediately after their receipt by the respective States. The delay in sending the bank drafts to the State of Himachal Pradesh ranged from three months to five months.
- (b) In 55,157 cases, bank drafts amounting to Rs. 2,24.65 lakhs received from different operators during 1982-83 to 1984-85 on account of composite fees payable to other States under the three schemes were not sent to the State concerned immediately after their receipt. The transmission of bank drafts was delayed by one month to five months.
- (c) Under the Himachal Pradesh Financial Rules, 1971, it is the duty of the Revenue or the Administrative Department concerned to see that dues of Government are promptly assessed, collected and paid into treasury.

1,358 bank drafts amounting to Rs. 6.49 lakhs, received during 1982-83 to 1984-85 from other States on account of composite fees in respect of the three schemes, were not deposited into Government account immediately after their receipt in the office of the State Transport Authority, Shimla. The delay in crediting these drafts to Government account ranged from one month to five months.

- (d) (i) 354 bank drafts amounting to Rs. 1.42 lakhs received on account of authorisation fee relating

to the years 1980-81 to 1983-84 were not encashed within the validity period and were, therefore, sent to the banks concerned for revalidation between April 1981 and August 1985. In the absence of proper registers of bank drafts being maintained in the office of the State Transport Authority, Shimla, it could not be verified as to whether these drafts had been received back after revalidation and credited to Government account or the drafts were still awaited from the banks concerned.

- (ii) Similarly, 91 bank drafts amounting to Rs. 0.53 lakh representing composite fees for the years 1982-83 to 1984-85 in respect of the three schemes received from other States were also sent for revalidation between August 1982 and January 1985 to the banks concerned in the States of Bihar, Haryana, Rajasthan, Uttar Pradesh, Jammu and Kashmir and the Union Territories of Delhi and Chandigarh, but there was nothing on record to show that these bank drafts had been received back after revalidation and credited to Government account or were yet to be received.

4.2.3 *Non-recovery of goods tax*

Under all the schemes, a composite permit holder is required to pay motor vehicles tax and goods tax obtaining in the home State, besides composite fees prescribed under each scheme in respect of each State opted for operation by such permit holder. In Himachal Pradesh, while the motor vehicles tax is administered by the Transport Department, passengers and goods tax is administered by the Excise and Taxation Department. Composite permit is granted to a vehicle by the Transport Department only after the verification of the payment of goods tax payable in the home State.

In Shimla, 37 vehicles, registered during 1982-83 to 1984-85 with the Registering and Licensing Authority were granted composite permits, but these were neither got registered under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, nor goods tax amounting to Rs. 1.30 lakhs recovered from the composite permit holders.

4.2.4 *Delay in issue of permits under the composite permit schemes*

Under the National Permit Scheme, Government of Himachal Pradesh was authorised to issue 200 permits in the first instance and this number was increased to 300 in 1978, to 600 in 1980, to 900 in 1982 and to 1,200 in 1984. Similarly, under the North Zone Permit Scheme, the number of permits was increased from 200 to 300 in 1979 and to 450 in 1980. Under the West Zone Permit Scheme, the number of permits was increased from 300 to 450 in 1981.

A test check of records of the State Transport Authority, Shimla revealed that the composite permits were not issued soon after the grant of additional quota of permits under the respective schemes but were delayed considerably and the delay was upto one year. Even after allowing a reasonable time of 3 months required in completing the formalities of inviting applications, scrutinizing them, publishing the lists and arranging the meetings of the State Transport Authority, these permits could have been issued within the same financial year in which the additional quota was granted, instead of stretching them into the next financial year. Due to non-issue of 251 permits (between 1979-80 and 1984-85) in the same respective financial year in which additional quota of permits was granted, Government lost revenue on account of authorisation fee amounting to Rs. 84,300.

4.2.5 *Non-levy/short levy of penalty under National and Zonal Permit Schemes*

The prescribed annual composite fee for national or zonal permits, under the National and Zonal Permit Schemes, is payable in advance by the composite permit holders either in full for the whole year on or before 15th March or at the option of the operator in two equal instalments on or before 15th March and 15th September every year. In the event of non-payment of the composite fee within the prescribed period, the operators, with effect from April 1981, are liable to pay, in addition to composite fee, penalty at the rate of Rs. 100 per month or part thereof till the default continues.

291 operators of Punjab, Haryana, Delhi and Chandigarh, who opted Himachal Pradesh as one of the States of

their operation, paid the composite fee late but penalty for belated payment was either not levied or levied at incorrect rates during 1981-82 to 1984-85. This resulted in short realisation of penalty amounting to Rs. 25,190.

4.2.6 Non-recovery of composite fee

A test check of the records of the State Transport Authority, Shimla revealed that bank drafts amounting to Rs. 6.61 lakhs for composite fees payable to Himachal Pradesh for the years 1982-83 to 1984-85 under the three schemes were still awaited from other States/Union Territories as per details given below:—

Sr. No.	Name of the Scheme	Amount of composite fees awaiting recovery in the form of crossed bank drafts (Rupees in lakhs)	State from which bank drafts were awaited
1	National Permit Scheme	3.65	Andhra Pradesh, Assam, Bihar, Haryana, Jammu and Kashmir, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and Union Territories of Chandigarh and Delhi.
2	North Zone Permit Scheme	2.03	Haryana, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh and Union Territory of Chandigarh.
3	Western Zone Permit Scheme	0.93	Haryana, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Union Territories of Chandigarh and Delhi.
Total		6.61	

The matter was reported to the department in December 1983, June 1985 and May 1986; their reply is awaited (February 1987).

4.2.7 Non-furnishing of quarterly returns

Under the Motor Vehicles (National Permits) Rules, 1975 and conditions for grant of composite permits under

Zonal Schemes, a composite permit holder is required to file quarterly returns in the prescribed proforma to the State Transport Authority of the home State who, in turn, shall furnish copies thereof to the State Transport Authorities of the other concerned States.

A test check of records of the State Transport Authority, Shimla revealed that the composite permit holders covered under the three schemes had not been furnishing the prescribed returns to State Transport Authority nor was any action to have these returns filed from the operators of Himachal Pradesh taken by the department. These returns had also not been received from the operators of other States, who opted Himachal Pradesh as one of the States of their operation.

The above points were brought to the notice of Government in July 1986; their reply is awaited (February 1987).

4.3 Pendency of assessments under Passengers and Goods Taxation Act

4.3.1 Introductory

Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, a tax on all fares and freights in respect of all passengers carried and goods transported by motor vehicles, at such rates not exceeding one-sixth of the fare or freight, as the case may be, shall be levied, charged and paid to the Government subject to a minimum of five paise in any one case, the amount of tax being calculated to nearest multiple of five paise. A surcharge at the rate of 20 per cent, subject to a minimum of five paise in any one case, on the tax payable by every passenger was also leviable with effect from 14th November 1977. The tax is collected and paid to the Government by the owner of the vehicle.

The tax may be paid in cash or by way of stamps. In the case of public or private carriers and stage or contract carriages, at the option of the owner of the vehicle, tax may be paid at lump sum rates. Stamping of tickets or receipts with prescribed stamps denotes that the tax due has been paid. Every owner paying tax by way of stamps

is required to maintain a daily account of tax stamps in the prescribed form and furnish to the assessing authority a monthly abstract of such account within ten days of the close of the month to which such account relates. The owners of vehicles paying tax otherwise than by way of stamps and owners of contract carriages paying tax in cash, except those who pay the tax at lump sum rates, are required to maintain registers in the prescribed form in respect of each vehicle and necessary entries of each trip are required to be made in these registers. The tax is required to be paid within seven days of the close of the month during which the tax has been collected.

The lump sum tax is required to be paid in equal quarterly instalments through challans within 30 days of the commencement of the quarter concerned. Every owner paying tax, otherwise than by way of stamps, is also required to submit to the assessing authority a return in the prescribed form, within ten days of the close of the month to which such payment relates, together with a copy of challan with which the tax has been deposited.

When tax is paid in cash, the assessing authority may, at any time, during the year and shall at the close of the year or after the close of the business, if it takes place during the year, assess the amount of tax due from the owner on the basis of returns filed by the owner of the vehicle.

4.3.2 Arrears in assessment of passengers and goods tax

The number of assessments finalised by the Excise and Taxation Department (except Chamba district) during 1984-85 and the assessments pending finalisation, as on 31st March 1985, as reported by the department, are indicated below:—

Year in relation to which cases were due for assessment	Number of cases due for assessment	Number of cases actually assessed	Number of cases pending assessments at the end of March 1985
Upto 1981-82	141	7	134
1982-83	34	Nil	34
1983-84	76	25	51
Total	251	32	219

Out of the total 251 cases due for assessment during the year 1984-85, the department could finalise only 32 cases (i.e. about 13 per cent of the total cases).

The oldest case pertains to the year 1958-59, which relates to the Himachal Pradesh Road Transport Corporation, Nahan. This is followed by Haryana Roadways, Ambala, the assessments of which have been in arrears from the year 1969-70 onwards. With the existing pace of finalisation of assessments and in the absence of a statutory time limit for their completion in the Act or Rules, the accumulation of the arrears in assessments is likely to further increase over the years.

In the office of the Excise and Taxation Officer, Shimla, it was noticed that the Himachal Road Transport Corporation had neither filed the prescribed returns nor furnished the details of the tax actually deposited for the years 1961-62 to 1972-73. It is not clear how the assessing authority finalised (January 1984) the assessments for this period without having any supporting records. The records of the department did not indicate any action having been taken to issue notices/call for the returns/details of deposit of tax during this long period of 22 years. The deposit of tax for this period also could not be verified from the departmental records.

The reasons for not filing the returns for this period by the Corporation were stated to be elimination and destruction of old records. In this regard, it is not clear how in the absence of basic information relating to deposit of tax and tax actually collected by the Corporation, the assessing authority had satisfied itself before finalisation of the assessments.

The matter was reported to the department in May 1985; their reply is awaited (February 1987).

4.3.3 *Delayed submission of returns*

Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955 and rules framed thereunder, every owner who pays tax in cash is required to submit to the assessing authority a return within ten days of the close of the month to which such return relates. In the Excise

and Taxation Offices, (except Chamba district), in 388 cases, the returns were not submitted on due dates during 1971-72 to 1984-85. The delay in 323 cases ranged between one week and 12½ years and in the remaining 65 cases, the delay was upto one week. In the case of the Himachal Road Transport Corporation, Bilaspur, the returns for the years 1975-76 to 1982-83 had not been submitted at all. The department has also not initiated any action to call for the required returns from the Corporation. In the absence of returns, it would become difficult for the department to finalise the assessments later on.

4.3.4 *Delayed payment of tax*

Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955 and rules made thereunder, every owner paying tax in cash, except those who pay tax on lump sum rates, is required to deposit the tax in the treasury within seven days of the close of the month during which the tax has been collected.

In the Excise and Taxation Offices (except Chamba district), in 167 cases, the owners of the vehicles had not deposited the passengers and goods tax on due dates. The delay in depositing the tax by various operators during 1981-82 to 1984-85 ranged between 2 days and 191 days.

4.3.5 *Other points of interest*

Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955 and rules framed thereunder, no passenger shall be allowed by the owner to travel in a motor vehicle unless he is issued a ticket in the prescribed form and no goods shall be carried in a motor vehicle unless the person incharge of the vehicle or a passenger, as the case may be, has in his possession a receipt in the prescribed form issued by the owner of the vehicle. The prescribed form (P.G.T.-4) of ticket/receipt *inter-alia* contains serial number, book number, motor vehicle number, from (place) to (place), number of seats, class of accommodation, fare charged, freight charged, tax charged, total and date of issue. This facilitates verification of fare or freight charged and tax and surcharge collected thereon and whether the fare or freight and tax and surcharge

have been collected in accordance with the schedule of rates prescribed by the Government.

In the Excise and Taxation Offices, it was noticed that the Himachal Road Transport Corporation (a Government Undertaking) had been issuing tickets according to their convenience without distinctly showing the fare/freight and tax and surcharge charged thereon. In the way bills, the Corporation depicts the fare charged during the period covered by the return and tax is calculated on the amount of the fare shown therein. Similar procedure is being followed by the Himachal Tourism Development Corporation. In the absence of details, required to be given in the prescribed form, the tax and surcharge realised and deposited are not susceptible of verification and possibility of evasion of tax and surcharge cannot be ruled out. The department has not taken any steps to ensure that prescribed details are given by the two Corporations.

The above points were brought to the notice of Government in July 1986; their reply is awaited (February 1987).

4.4 Non-levy of goods tax and penalty

(i) Under the Motor Vehicles Act, 1939 read with the Himachal Pradesh Motor Vehicles Taxation Act, 1972, all vehicle owners are required to get their vehicles registered with the Registering and Licensing Authority concerned and pay motor vehicles tax. Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, owners of public and private carriers are also required to get their vehicles registered with the Excise and Taxation Officer concerned and pay goods tax, which is leviable at such rates as may be prescribed, but not exceeding one-sixth of the amount of freight. Also, at the option of the owner, goods tax may be paid at compounded lump sum rates, depending upon the loading capacity of the vehicle. In case of failure to apply for registration, penalty of a sum not exceeding one and a half times the amount of tax is also leviable.

(a) One hundred and seventysix private transport vehicles were registered with the Registering and Licensing Authorities and motor vehicle tax in respect of them.

was realised. But they were not got registered with the Excise and Taxation Officers, Bilaspur, Chamba, Hamirpur, Kullu, Mandi, Sirmaur, Shimla, Kinnaur and Una during various periods falling between April 1980 and March 1986. Goods tax amounting to Rs. 4,73,750 (calculated at lump sum rates) was leviable but was not realised. Penalty upto Rs. 7,10,625 could also be levied for failure to apply for registration.

On the omission being pointed out in audit between May 1985 and April 1986, the department stated (July and October 1986) that an amount of Rs. 11,625 in respect of all the eight vehicles pertaining to Hamirpur district had since been recovered. Report on action taken in respect of the vehicles relating to the remaining districts is awaited (February 1987).

The cases were brought to the notice of Government between July 1985 and May 1986; their reply is awaited (February 1987).

(b) In Mandi and Sirmaur districts, during the period from 1st October 1983 to 31st March 1985, goods tax in respect of seven vehicles belonging to the Himachal Pradesh State Co-operative Milk Producers Federation Limited was not levied as these vehicles had not been registered with the Excise and Taxation Officer by the Federation. The department also failed to detect non-registration of these vehicles with the Excise and Taxation Officer. The tax evaded by the Federation amounted to Rs. 26,250 (at lump sum rates). Penalty upto Rs. 39,375 could also be levied for failure to apply for registration.

On the omission being pointed out to the department between October and December 1985 and to Government in January and February 1986, Government stated (February 1987) that an amount of Rs. 10,000 in respect of three vehicles had been recovered in April 1986 and June 1986. Report on recovery of the balance amount is awaited (February 1987).

(ii) Under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, where any fare or freight charged and paid by a person is a lump sum on account of a season ticket or as subscription or contribution for any privilege, right or facility, which is combined with the

right of such person being carried or his goods being transported by a motor vehicle without any further payment or at a reduced charge, the tax shall be levied on the amount of such lump sum or on such amount as appears to the prescribed authority to be fair and equitable having regard to the fare or freight fixed by a competent authority. The normal rate of tax under the Act is one-sixth of the fare or freight charged.

The Himachal Road Transport Corporation carried mail on behalf of the Posts and Telegraphs Department on various routes in Himachal Pradesh. For this, the Corporation received subsidy amounting to Rs. 58,215 from the Posts and Telegraphs Department during the year 1984-85. However, goods tax amounting to Rs. 9,703 recoverable on the subsidy, which was in lieu of freight, was not recovered from the Corporation by the department.

The omission was pointed out in audit in December 1985; reply of the department is awaited (February 1987).

The case was reported to Government in March 1986; their reply is awaited (February 1987).

4.5 Short levy of token tax

Under the Himachal Pradesh Motor Vehicles Taxation Act, 1972, with effect from 18th February 1978, token tax in respect of motor vehicles (other than motor cabs and stage carriages), having seating capacity of more than six persons, is leviable at the rate of Rs. 100 per seat per annum, subject to a maximum of Rs. 4,000 per annum. Prior to 18th February 1978, token tax was leviable on the basis of the unladen weight of such vehicles.

In Registering and Licensing Offices, Nichar, Joginder-nagar, Kullu, Chamba, Hamirpur and Una, in respect of 28 vehicles (other than motor cabs and stage carriages), each having seating capacity of more than six persons, tax for various periods falling between April 1978 and March 1986 was erroneously levied on the basis of unladen weights of the vehicles, instead of at the rate of Rs. 100 per seat per annum prescribed with effect from 18th February 1978. Further, in respect of 47 other vehicles in Registering and Licensing Offices, Dalhousie, Kullu,

Jogindernagar, Chamba, Hamirpur and Una, tax for various periods falling between **April 1978 and March 1986** was levied at incorrect rates. The mistakes resulted in tax being realised short by Rs. 65,565.

• On the short levy of tax being pointed out in audit between May 1985 and February 1986, the Commissioner, Transport stated (January 1987) that an amount of Rs. 28,673 had since been recovered in respect of 30 vehicles. Report on recovery of the balance amount is awaited (February 1987).

The cases were reported to Government between June 1985 and March 1986; their reply is awaited (February 1987).

CHAPTER 5

LAND REVENUE

5.1 Results of Audit

Test check of records of land revenue, conducted in audit during the year 1985-86, revealed non-recovery or short recovery of land revenue/local rate and other irregularities, involving revenue of Rs. 36.47 lakhs in 73 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery or short recovery of land revenue/local rate	25	18.25
2. Short realisation of <i>nazrana</i> (compensation) of land	7	1.66
3. Other irregularities	41	16.56
Total	73	36.47

The above position was reported to the concerned department and Government in October 1986; their replies are awaited (February 1987).

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

5.2 Short recovery or non-recovery of local rate

As per notification dated 21st December 1973, issued under the Himachal Pradesh Panchayati Raj Act, 1968, a local rate called cess is leviable at the rate of 35 per cent of land revenue in respect of all lands in the Himachal Pradesh. The local rate is required to be assessed by the Collector of the district concerned and the collection thereof is made by the *lambardars*, who are entitled to retain two

and a half per cent of the total collection of the local rate as their commission for the collection made. Remission of land revenue does not automatically imply remission of cess.

(i) In Mandi tehsil, on land revenue amounting to Rs. 34,925 assessed for the years 1981-82 and 1982-83, local rate amounting to Rs. 12,224 was recoverable from the land owners in respect of their lands falling within the municipal limits of Mandi town. But no demand for local rate was raised for the said years, resulting in loss of local rate amounting to Rs. 11,918 (Rs. 12,224 less Rs. 306 representing *lambardars'* commission).

On the loss being pointed out in audit in March 1986, the Deputy Commissioner, Mandi stated (August 1986) that the local rate was not required to be assessed in respect of the lands falling in the municipal limits. This reply was endorsed (September 1986) by Government. But, under the Himachal Pradesh Panchayati Raj Act, 1968, local rate is leviable in respect of all lands assessed to land revenue. The Government/department were requested (September 1986) to reconsider the matter; their reply is awaited (February 1987).

(ii) In seven tehsils of Sirmaur and Solan districts, land revenue for *Rabi* 1981, *Kharij* 1982 and *Rabi* 1983 harvests was remitted by Government due to damage to crops caused by hailstorm or drought. An amount of Rs. 74,651 on account of local rate was, however, required to be collected from the land holders and deposited into the treasury, but was not collected.

On the irregularities being pointed out in audit in October 1984 and May 1985, the Tehsildar, Arki (Solan district) stated (May 1986) that case for remission of the recovery had been sent to the Collector, Solan in February 1983 and June 1983, but orders were awaited. Reply in respect of six tehsils of Sirmaur district is awaited (February 1987).

The above cases were reported to Government in December 1984 and July 1985; their reply is awaited (February 1987).

5.3 Non-recovery of compensation amounts

Under the Himachal Pradesh Utilisation of Surplus Area Scheme, 1974 and the Himachal Pradesh Village

Common Lands Vesting and Utilization Scheme, 1975, payment of compensation in respect of allotted land is required to be made by the allottee either in lump sum or in equal six-monthly instalments not exceeding twelve and four under the respective schemes. If the allottee makes any default in payment of the amount due from him, he shall render himself liable for the cancellation of the allotment. Outstanding instalments can also be recovered as arrears of land revenue.

In Nurpur tehsil, compensation amounting to Rs. 27,327 and Rs. 5,036 in respect of land allotted under the Village Common Lands Scheme and the Surplus Area Scheme was outstanding for recovery (as on 30th June 1984) from 1,133 and 157 allottees respectively. However, no action had been taken by the department for cancellation of the allotment or for recovery of the dues as arrears of land revenue.

On this being pointed out in audit in July 1984 and March 1985, the department stated (July 1986) that compensation amounting to Rs. 8,142 and Rs. 1,769 had since been recovered from 300 and 50 allottees, leaving balances of Rs. 19,185 and Rs. 3,267 recoverable from 833 and 107 allottees, respectively.

The case was reported to Government in December 1984; their reply is awaited (February 1987).

5.4 Under-assessment of surcharge on land revenue

The Himachal Pradesh Land Revenue (Surcharge) Rules, 1974 provide that for collection charges, to which the *lambardars* shall be entitled for collecting the surcharge on land revenue, the rules framed under the Punjab Land Revenue Act, 1887 shall apply *mutatis mutandis*. Under the Punjab Land Revenue Rules, the collection charges, called *pachotra* (commission), for collecting land revenue is recovered from the land owners over and above the demand for land revenue. As such, the collection charges (*pachotra*) for collection of surcharge on land revenue levied under the Himachal Pradesh Land Revenue (Surcharge) Act, 1974 is also required to be collected from the land owners over and above the demand for surcharge and the whole amount of surcharge levied under the Act *ibid* is required to be credited to Government account.

In Hamirpur and Chamba tehsils, during the agricultural years 1978-79 to 1982-83, instead of realising the collection charges, payable to *lambardars*, over and above the amount of surcharge leviable under the Act, the remuneration of the *lambardars* (equal to five per cent of surcharge) for collection of the surcharge on land revenue was erroneously deducted from the amount of surcharge, for being retained by *lambardars*. The deduction was irregular inasmuch as the *lambardars'* remuneration equal to five per cent of surcharge was required to be recovered from the land owners over and above the demand for the surcharge, for being retained by the *lambardars*. The irregularity resulted in the surcharge being realised short by Rs. 13,476 during the agricultural years 1978-79 to 1982-83.

The irregularity was pointed out in audit in September 1985 and December 1985; reply of the department is awaited (February 1987).

The case was reported to Government in October 1985 and February 1986; their reply is also awaited (February 1987).

5.5 Non-resumption of nautor land for default in payment of nazrana

Under the Himachal Pradesh Nautor Land Rules, 1968, payment of first instalment of *nazrana*¹ in respect of *nautor*² land should be made by the grantee of the land within one month from the date of receipt of notice. In the event of his failure to pay any of the instalments punctually, the grant of land is liable to resumption by Government and the amount already paid to forfeiture.

In Kotkhai tehsil, as at the end of July 1984, an amount of Rs. 10,193 representing *nazrana* in respect of *nautor* land granted during the years 1975-76 to 1983-84,

¹'*Nazrana*' is the payment to be made (to Government) by the grantee of *nautor* land at concessional rate.

²'*Nautor* land' means the right to utilise, with the sanction of the competent authority, waste land owned by Government outside the towns, outside the reserved and demarcated protected forests and outside such other areas, as may be notified from time to time by the State Government in this behalf.

was outstanding against 81 grantees. In 70 cases involving *nazrana* amounting to Rs. 7,872, even the first instalment due on different dates between October 1971 and June 1983 had not been recovered from the grantees. No action had also been taken by the department for resumption of the *nautor* land in these cases.

On this being pointed out in audit in July 1984, the Deputy Commissioner stated (February 1987) that an amount of Rs. 3,090 had since been recovered from 29 grantees. Report on recovery of the balance amount is awaited (February 1987).

The case was reported to Government in December 1984; their reply is awaited (February 1987).

CHAPTER 6

FOREST RECEIPTS

6.1 Results of Audit

Test check of records of forest receipts, conducted in audit during the year 1985-86, revealed non-recoveries, short recoveries and losses of revenue amounting to Rs. 6,15.20 lakhs in 217 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery or short recovery of royalty and penalty	132	4,37.12
2. Loss due to administrative failure	36	38.89
3. Non-recovery or short recovery of sales tax and surcharge on royalty	10	5.14
4. Non-recovery of interest	4	9.61
5. Other irregularities	35	1,24.44
Total	217	6,15.20

The above position was reported to the department and Government in October 1986; their replies are awaited (February 1987).

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

6.2 Irregularities/failures relating to the State Forest Corporation

(i) *Illicit felling of trees*

The State Government, on the advice of a Pricing Committee set up by them, decided in October 1980 that the State Forest Corporation, which was entrusted with

the responsibility of working forest lots, would be treated at par with private forest lessees and all the clauses (except that relating to security deposit) of the standard agreement deed, as executed by the Department with the private forest lessees, would be applicable to the Corporation also. The standard terms of the agreement provide that in the event of illicit felling of trees, the lessee concerned would be liable to pay, in addition to the price of trees, penalty at 100 per cent of the price of trees illicitly felled. In case, the produce of the illicitly felled trees has got mixed with the legally extracted produce, the excess sawn timber in assorted sizes (attributable to illicit felling), as determined by the Forest Officer, shall be separated out and forfeited to the Government. For determining the volume of various species to be separated out, the out-turn percentage of standing volume will be taken as 65 per cent for *Deodar*; 50 per cent for *Kail* and *Chil* and 40 per cent for *Rai* and *Tosh* trees.

(a) (i) In Bharmaur forest division, a forest lot containing 394 trees was handed over to the Corporation for exploitation in June 1983. The lease period was upto 31st March 1984. The department noticed that during the course of felling operations, the Corporation had illicitly felled 15 *Kail* trees containing 15.13 cubic metres of timber. Accordingly, the department sent to the Corporation, a damage bill for Rs. 28,005 (price Rs. 12,310, sales tax and surcharge Rs. 3,385 and penalty Rs. 12,310) in December 1984, but the Corporation did not accept the damage bill on the plea that neither the illicit felling had been got verified by the Corporation staff when the work was in progress nor the damage bill had been preferred by the department within the lease period. The failure of the department to get the damage reports verified by the Corporation staff and to prefer the damage bill in time, thus, resulted in loss of revenue amounting to Rs. 28,005.

(ii) In another case, in Churah forest division, a forest lot containing 1,373 trees was handed over to the Corporation for exploitation in May 1982. The lease period was upto 31st March 1983. The department noticed (January 1984) that during the felling operations, the Corporation had illicitly felled 6 trees containing 10.05 cubic metres of timber. Accordingly, the department sent to the Corporation a damage bill for Rs. 23,448 (price Rs. 10,307, sales

tax and surcharge Rs. 2,834 and penalty Rs. 10,307) in January 1984, but the Corporation did not accept (February 1984) it and stated that no such illicit felling had been pointed out by the department during the working period of the lot, nor the bill had been preferred by it within the lease period. The failure of the department to point out the illicit felling and to send the bill to the Corporation in time, thus resulted in loss of revenue amounting to Rs. 23,448.

The losses were pointed out in audit in October 1985 and November 1985; reply of the department is awaited (February 1987).

The above cases were reported to Government in December 1985 and January 1986; their reply is also awaited (February 1987).

(b) In Rajgarh forest division, the Range Officer, Rajgarh reported to the Divisional Forest Officer in June 1983 that the Corporation had illicitly felled 6 *Chil* trees. Scrutiny of the divisional records showed that no damage bill had been raised by the department against the Corporation till the time of audit (June 1985). The failure of the department to raise the bill, thus, resulted in loss of revenue amounting to Rs. 13,018 (price of trees Rs. 5,722, sales tax and surcharge Rs. 1,574 and penalty Rs. 5,722).

The failure was pointed out in audit in June 1985; reply of the department is awaited (February 1987).

The case was reported to Government in September 1985; their reply is also awaited (February 1987).

(c) The terms of standard agreement for felling of *Khair* trees provide that the lessee would be held responsible for any damage done by his labour and employees in any forest even outside the leased area.

In Una forest division, a *Khair* lot containing 868 *Khair* trees was handed over to the Corporation for exploitation in October 1984. The department noticed in February 1985 that during the course of felling operations, the labour employed by the Corporation had illicitly felled 62 *Khair* trees outside the leased area. Accordingly,

the department raised (June 1985) against the Corporation a damage bill for Rs. 29,436 (comprising value of trees Rs. 20,656, sales tax and surcharge Rs. 5,680 and penalty Rs. 3,100). The demand raised was not correct as penalty imposed *viz.* Rs. 3,100 was not according to the terms of the agreement. It should have been Rs. 20,656, *i.e.*, 100 per cent of the price of the trees illicitly felled. Penalty levied short amounted to Rs. 17,556.

On the mistake being pointed out in audit (December 1985), the Conservator of Forests, Dharamsala stated (July 1986) that the Divisional Forest Officer, Una had been asked to raise demand for the balance amount also and effect the recovery. Report on recovery of the entire amount *viz.*, Rs. 46,992 (Rs. 29,436 plus Rs. 17,556) is awaited (February 1987).

The case was reported to Government in March 1986; their reply is awaited (February 1987).

(ii) *Non-recovery of royalty and penalty*

The work of tapping resin, which was being done departmentally by the Forest Department, was handed over to the State Forest Corporation in March 1974. Royalty for tapping and penalty in respect of illicitly tapped blazes or for blazes cut out of shape were payable by the Corporation at the rates fixed by a Pricing Committee set up by Government in May 1974.

(a) In eight forest divisions, as per details given below, during the years 1976 to 1985, 76,265 blazes were tapped illicitly and 10,04,021 blazes were cut out of shape by the Corporation. Accordingly, the department raised against the Corporation damage bills for Rs. 6,20,698 during the years 1983, 1984 and 1985.

Name of division	Years	No. of blazes tapped illicitly	No. of blazes cut out of shape	Month and year of raising damage bills	Amount of the bills (Rupees)
Hamirpur	1982 to 1984	9,437	3,86,930	February 1984, March 1985 and August 1985	1,47,345

Name of division	Years	No. of blazes tapped illicitly	No. of blazes cut out of shape	Month and year of raising damage bills	Amount of the bills (Rupees)
Kotgarh	1979 to 1981	2,384	1,04,212	May 1984	30,091
Dalhousie	1982 and 1983	1,460	63,028	June 1984 and March 1985	26,880
Palampur	1982 to 1984	1,867	17,026	October 1984, December 1984 and February 1985	15,475
Solan	1976 to 1984	46,936	1,59,183	September 1983, February 1984 and December 1984	3,17,455
Karsog, Bilaspur and Mandi	1978 to 1985	14,181	2,73,642	Between March 1984 and August 1985	83,452
	Total	76,265	10,04,021		6,20,698

The Corporation, however, did not accept the damage bills on the plea that the damages had not been got verified by the Corporation staff at the time of occurrence, and as such, it was not possible for the Corporation to accept/verify these bills at the belated stage. The failure of the department to get the damage reports verified and to raise the damage bills in time, thus, resulted in loss of revenue amounting to Rs. 6,20,698.

On the losses being pointed out in audit between September 1985 and March 1986, the department (in case of Dalhousie division) and Government (in case of Hamirpur and Solan divisions) stated (November 1986) that an amount of Rs. 4,74,749 (Hamirpur : Rs. 1,47,308; Dalhousie : Rs. 9,986 and Solan : Rs. 3,17,455), had since been recovered from the Corporation in January and March 1986. Report on recovery of the balance amounts and reply in respect of the losses pertaining to other divisions are awaited (February 1987).

(b) The standard terms of the agreement provide that in the event of avoidable damages to the trees not marked for felling, in addition to the price of trees, penalty at 50 per cent of the price of trees damaged is also leviable. However, in case of unavoidable damages, no penalty is leviable and only price of trees damaged is recoverable.

In Churah forest division, a forest lot of 3,826 trees containing 8,431.39 cubic metres standing volume of timber was handed over to the Corporation for exploitation in May 1982. The lease period was upto 31st March 1984. The department noticed that during the course of felling operations, the Corporation had caused damages to 167 trees containing 46.71 cubic metres standing volume of timber. Accordingly, the Forest Department raised against the Forest Corporation, a damage bill for Rs. 98,033 (comprising price, sales tax, surcharge and penalty) in May 1984, but the Corporation did not accept (September 1984) the damage bill on the plea that neither the damages were got verified by the department from the Corporation staff at the time when the work was in progress nor any damaged trees were marked and handed over to the Corporation. The failure of the department to get the damage reports verified from the Corporation at the time of occurrence, thus, resulted in loss of Rs. 98,033.

The loss was pointed out in audit in October 1985; reply of the department is awaited (February 1987).

The case was reported to Government in January 1986; their reply is also awaited (February 1987).

(iii) *Short recovery of price of trees due to application of incorrect rates*

The Himachal Pradesh State Forest Department decided (May 1983) that the State Forest Corporation would supply *Geltus* from their fixed sale depots to the saw millers engaged in the preparation of fruit packing cases all over the State. The rates of royalty to be charged from the Corporation for *Fir/Spruce* trees for conversion into *Geltus* were fixed at Rs. 40 per cubic metre for the year 1983-84.

(a) In Chopal forest division, during the year 1983-84, *Rai/Fir* trees containing 4,237.67 cubic metres standing volume of timber were sold to the Corporation for conversion into *Geltus* to be supplied to the saw millers for manufacture of fruit packing cases. Out of these trees, the Corporation converted and exported 1,203.290 cubic metres of timber for commercial purposes, instead of converting them into *Geltus* for supply to the saw millers. The Forest Department charged royalty in respect of 1,203.290 cubic

metres at the concessional rate of Rs. 40 per cubic metre, applicable for conversion of timber into *Geltus*, instead of at the normal lease rates applicable to forest lots sold for conversion of timber for commercial use. This resulted in short recovery of Government dues by Rs. 6,09,670 (including sales tax and surcharge).

The short recovery was pointed out in audit in August 1985; reply of the department is awaited (February 1987).

The case was reported to Government in December 1985; their reply is also awaited (February 1987).

(b) The standard terms of the agreement deed provide that the price of trees required to be removed from the ropeway alignments would be charged at 10 per cent above the lease rates or market rates fixed for the year and prevalent at the time of handing over such trees, whichever are higher. The agreement also provides that in cases where dry trees are handed over to the lessees in supplementary markings, the rates chargeable would be 75 per cent of the rates applicable to green trees.

In Mandi forest division, two lots of 178 trees (134 trees of lot No. 8/83-84 and 44 trees of lot No. 11/84-85) coming in ropeway alignments were handed over to the Corporation for exploitation in September 1984 and June 1985. It was observed that in the case of the first lot, though the price of 57 trees was charged at lease rates (being higher than market rates), yet it was not increased by ten per cent as required. The price of remaining 77 trees of this lot was charged at rates much lower than the lease rates applicable to aforesaid trees and the rates charged were also not increased by ten per cent. In the case of the other lot, the price of 44 trees was charged at the lease rates, instead of the market rates plus ten per cent thereon, which were higher. As against Rs. 3,34,462 (including ten per cent above the lease rates or market rates) chargeable as price of trees from the Corporation, the department charged Rs. 1,79,833 only. This resulted in short recovery of Rs. 1,97,152 (including sales tax and surcharge of Rs. 42,523).

The mistake was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

The case was reported to Government in May 1986; their reply is also awaited (February 1987).

(c) In Kotgarh forest division, 108 trees coming in the ropeway alignment were handed over to the Corporation for exploitation in May 1985. Price of these trees had been worked out and charged (Rs. 1,86,077) at the market rates (which were higher than the lease rates), although the rates to be charged were to be 10 per cent above the market rates. The amount recovered short from the Corporation amounted to Rs. 23,725 (including royalty of Rs. 18,608 and sales tax and surcharge of Rs. 5,117).

On the short recovery being pointed out in audit (September 1985), Government admitted the audit objection and stated (October 1986) that the department had raised (February 1986) the revised bill against the Corporation. Report on recovery is awaited (February 1987).

(d) The State Forest Corporation, which was entrusted with the responsibility of working forest lots, was to pay royalty on trees at the rates fixed by a Pricing Committee set up by the Government in May 1974.

In Nalagarh forest division, four salvage lots containing 2,616.48 cubic metres of timber were handed over to the State Forest Corporation for exploitation during the year 1984-85. Sale price was calculated wrongly by taking royalty rate as Rs. 188.20 per cubic metre, instead of Rs. 203.05 per cubic metre. The mistake resulted in price being charged short by Rs. 49,540 (including sales tax and surcharge).

On the short recovery being pointed out in audit (March 1986), the Divisional Forest Officer, Nalagarh stated (August 1986) that the revised bill had since been raised against the Corporation in April 1986. Report on recovery is awaited (February 1987).

The case was reported to Government in May 1986; their reply is awaited (February 1987).

(e) In Una forest division, ten lots of *Khair* trees containing 4,753.78 metres and 2,203.55 metres girth were handed over to the State Forest Corporation for exploitation during the years 1983-84 and 1984-85 respectively. Sale price of these trees was calculated, based on the royalty rates of Rs. 617.21 and Rs. 820.90 per metre girth, instead

of the correct rates of Rs. 619.71 and Rs. 824.22 per metre girth respectively. The mistake resulted in price being charged short by Rs. 24,480 (including sales tax and surcharge).

On the mistake being pointed out in audit (December 1985), Government admitted the short recovery and stated (September 1986) that the Corporation was being asked to make the payment. Report on recovery is awaited (February 1987).

(f) In Hamirpur forest division, 216 *Chil* trees containing 257.688 cubic metres volume of timber were handed over to the Corporation for exploitation in December 1983. Subsequently, 807 trees containing 733.399 cubic metres volume of timber were also marked and handed over to the Corporation in supplementary markings in November 1984 and February 1985. A scrutiny of the divisional records showed that the price of the trees marked and handed over in supplementary markings during the year 1984-85 was charged at the lease rate (Rs. 130 per cubic metre) fixed for the year 1983-84, though these were to be charged at the lease rate (Rs. 166.40 per cubic metre) for the year 1984-85 in which the trees were handed over. The mistake resulted in price being charged less by Rs. 34,037 (including sales tax and surcharge of Rs. 7,341).

On the mistake being pointed out in audit (January 1986), Government admitted the audit objection and stated (September 1986) that the department was being directed to raise the revised bill. Report on recovery is awaited (February 1987).

(iv) *Loss of revenue due to non-disposal of trees/timber*

The State Government, on the advice of a Pricing Committee set up by them, decided in October 1980 that the State Forest Corporation, which was entrusted with the responsibility of working forest lots, was bound to work all the forest lots allotted to it in a division without any choice.

(a) In Theog forest division, a salvage lot containing 85 trees was leased out to a party for Rs. 83,000 in February 1982. The lease period was upto 31st March 1983. On

failure of the lessee to take over possession of lot and to pay royalty, the department forfeited (June 1983) his security deposit amounting to Rs. 16,600. The lot was then proposed (July 1983) to be handed over to the State Forest Corporation with 66 trees, as against 85 trees contained in the original lot. However, the Range Officer later reported (August 1985) to the Divisional Forest Officer that the Corporation was not interested in taking over the lot, being uneconomical as almost all the trees had deteriorated and nothing could be extracted therefrom. Thus, the delay in disposal of the lot resulted in deterioration of trees and consequent loss of revenue amounting to Rs. 1,05,825 (including sales tax and surcharge of Rs. 22,825) to Government.

The loss was pointed out in audit in March 1986; reply of the department is awaited (February 1987).

The case was reported to Government in June 1986; their reply is also awaited (February 1987).

(b) In Lahaul forest division, the State Forest Corporation requested the Divisional Forest Officer, Lahaul in September 1983 for conversion of 66 snow damaged trees and 8 logs (containing 71,428 cubic metres of timber) departmentally on behalf of the Corporation. The Divisional Forest Officer, however, expressed (October 1983) his inability to convert these trees/logs due to non-availability of sawyers, but agreed to stack the trees/logs at a safe place to avoid loss. Later, in May 1984, the Corporation decided to convert these trees/logs themselves, but could not do so, as on an inspection by them it was found that the trees/logs had either been washed away in glaciers or were no longer fit for conversion. The department's failure to take timely action to hand over these trees/logs to the Corporation, which was primarily responsible for working the forest lots as per Government's decision, or to dispose of these trees/logs otherwise, thus resulted in an avoidable loss of Rs. 52,284 (including sales tax and surcharge).

The failure was pointed out in audit in July 1985; reply of the department is awaited (February 1987).

The case was reported to Government in August 1985; their reply is also awaited (February 1987).

(v) *Non-levy of extension fee*

The standard terms of the agreement deed provide that if a lessee fails to fell, convert and carry the produce outside the leased area within the contract period, he is required to seek extension in the working period, failing which he shall have no right on the standing/felled trees and scattered/stacked timber lying in the leased forest. For extension, the lessee is required to pay extension fee at the rate of two per cent per month on the balance amount of royalty payable by him to Government.

(a) In Chopal forest division, three forest lots were handed over to the Corporation for exploitation in March 1981. The lease period was upto 31st March 1982. A scrutiny of the divisional records showed that the Corporation could not complete even the felling operations within the lease period. The progress reports relating to these lots showed that the work in one lot was completed in November 1982 and in the remaining two lots in June 1983. The Corporation did not seek extension for working of the lots. The department also failed to forfeit the forest produce or to recover the extension fee, which amounted to Rs. 3,81,272 for delay in working of these lots from April 1982 to November 1982/June 1983.

The non-levy of extension fee was pointed out in audit in August 1985; reply of the department is awaited (February 1987).

The case was reported to Government in December 1985; their reply is also awaited (February 1987).

(b) In Karsog forest division, a forest lot of 4,454 trees containing 3,700.638 cubic metres standing volume of timber was handed over to the Corporation for exploitation in September 1983. In addition, 737 trees containing 1,013.116 cubic metres standing volume of timber were also handed over to the Corporation in supplementary marking in October 1983. The lease period was upto 31st March 1984. Scrutiny of the divisional records showed that the Corporation continued to work the lot till January 1985 without seeking any extension of time. However, the extension fee amounting to Rs. 1,55,680, recoverable from the Corporation for the period of overstay from

April 1984 to January 1985, was not levied by the department.

The omission was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

The case was reported to Government in May 1986; their reply is also awaited (February 1987).

(vi) *Non-recovery of price of trees*

In Hamirpur forest division, a salvage lot of 1,194 trees, containing 1,735.522 cubic metres of timber, was marked and handed over to the Corporation for exploitation in January and February 1985. In addition, 1,058 trees containing 1,699.561 cubic metres of timber were marked and handed over to the Corporation in supplementary marking in December 1985. While the department had raised (July 1985) against the Corporation a bill for Rs. 4,20,237 on account of price of 1,194 trees containing 1,735.522 cubic metres of timber, it did not raise bill for 1,058 trees containing 1,699.561 cubic metres of timber, handed over to the Corporation in supplementary marking. The omission resulted in non-recovery of price of 1,058 trees amounting to Rs. 5,24,943 (including sales tax and surcharge).

On the omission being pointed out to the department in January 1986 and to Government in March 1986, Government stated (November 1986) that demand for Rs. 5,24,943 had been raised in February 1986, out of which an amount of Rs. 1,06,754 had since been recovered from the Corporation in May 1986. Report on recovery of the balance amount is awaited (February 1987).

(vii) *Interest and penalty for belated payments not levied or recovered*

The standard terms of the agreement provide that in case of delay in payment of royalty, the State Forest Corporation would be liable to pay interest at 10 per cent per annum for delays within the contract period and at 15 per cent per annum thereafter. In case of delay in payment of sales tax, penalty at 18 per cent per annum is leviable.

(a) In Suket forest division, instalments of royalty and sales tax leviable thereon, due for payment, were not paid

by the Corporation on due dates during the years 1982 and 1983. On the belated payments, interest amounting to Rs. 1,67,381 and penalty amounting to Rs. 85,752 were chargeable from the Corporation, but these were not charged by the department.

On the omission being pointed out in audit in January 1986, the department stated (December 1986 and January 1987) that demand for the entire amount of interest and penalty had since been raised against the Corporation in November 1986 and January 1987. Report on recovery is awaited (February 1987).

The case was reported to Government in April 1986; their reply is awaited (February 1987).

(b) In Nachan forest division, the instalments of royalty and sales tax thereon, due for payment during the year 1981-82, were not paid by the Corporation on due dates. Accordingly, the department raised (May 1983) against the Corporation bills amounting to Rs. 2,37,532 on account of interest (Rs. 1,72,556) and penalty (Rs. 64,976) on belated payments of royalty and sales tax respectively. The Corporation, however, did not pay the amount despite repeated reminders. One of the units of the Corporation, to which part of the amount pertained, refused (November 1985) the payment on the ground that the Corporation had not executed any agreement with the department and was, as such, not liable to pay interest and penalty. This contention is not tenable because as per decision of the Pricing Committee, the provisions of the standard agreement deed were applicable and binding upon the Corporation also even if no formal agreement had been executed.

On the non-recovery being pointed out in audit (February 1986), Government stated (November 1986) that the entire amount on account of interest (Rs. 1,72,556) had since been recovered from the Corporation in February 1986 and that the matter regarding recovery of penalty was under correspondence with the Corporation. Outcome of the correspondence is awaited (February 1987).

(viii) *Short recovery or non-recovery of royalty on resin blazes*

The work of tapping resin, which was previously being done departmentally by the Forest Department, was

handed over to the State Forest Corporation in March 1974. Royalty for tapping resin was payable by the Corporation at the rates fixed by a Pricing Committee.

(a) In Kunihar forest division, during resin tapping season of 1984, 58,643 resin blazes were handed over by the department to the Corporation for tapping resin, but bill for royalty in respect of these blazes at the tentative rate of Rs. 9.85 per blaze applicable for the year 1984-85 had not been raised against the Corporation till the time of audit (March 1986). This resulted in non-recovery of royalty amounting to Rs. 5,77,634.

The omission was pointed out in audit in March 1986; reply of the department is awaited (February 1987).

(b) In Karsog forest division, during the resin tapping season of 1980, 4,50,671 resin blazes were handed over by the department to the Corporation for tapping resin. The department charged royalty in respect of these blazes at the rate of Rs. 4.55 per blaze, instead of at the correct rate of Rs. 5.70 per blaze fixed for the year 1980-81. The mistake resulted in short recovery of royalty amounting to Rs. 5,18,272.

The short recovery was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

(c) In Mandi forest division, during the resin tapping season of 1980, 2,09,603 resin blazes were handed over by the department to the Corporation for tapping resin. A bill for Rs. 11,94,737 on account of royalty (at the rate of Rs. 5.70 per blaze fixed for the year 1980-81) was raised by the department against the Corporation in May 1983. The Corporation, however, did not accept (August 1983) the bill on the plea that royalty amounting to Rs. 10,85,821 worked out on the basis of yield of resin obtained in the division had already been paid to the department and that it was not possible to accept a revised claim at the rate of Rs. 5.70 per blaze at this belated stage. Thereafter, no action was taken by the department to recover the balance of royalty amounting to Rs. 1,08,916 till the time of audit (February 1986).

The failure was pointed out in audit in February 1986; reply of the department is awaited (February 1987).

The above cases were reported to Government in May 1986; their reply is awaited (February 1987).

(ix) *Non-levy of penalty for short supply of fuelwood*

The standard terms of the agreement for the supply of fuelwood provide that in case of short supply, a penalty at the rate of Rs. 10 per quintal would be imposed on the lessee.

In Dharamsala and Dehra forest divisions, 14 coppice lots were handed over to the Corporation for supply of fuelwood during the years 1983-84 and 1984-85. The Corporation was to supply 34,000 quintals of fuelwood to the Forest Department in respect of these coppice lots. But the Corporation supplied only 13,655.74 quintals of fuelwood. For short supply of 20,344.26 quintals of fuelwood, penalty amounting to Rs. 2,03,443 was recoverable from the Corporation, but it was not demanded by the department.

On the omission being pointed out in audit (December 1985 and January 1986), Government accepted the audit objection in respect of Dharamsala forest division and stated (October 1986) that the bill for penalty of Rs. 1,50,100 had since been raised against the Corporation in May 1986. In respect of Dehra forest division, they stated (August 1986) that had the whole quantity of 8,000 quintals of fuelwood been supplied by the Corporation, it would have resulted in loss to department due to deterioration of the fuelwood during rainy season, as there was no requirement of the public. This reply was not tenable as this could have been foreseen by the department before handing over the lots to the Corporation and placing the demand for supply of fuelwood. Besides, the remaining quantity of fuelwood should have been demanded by the department after the rainy season was over but this was not done. The Government were, therefore, requested (October 1986) to review their reply. Their final reply is awaited (February 1987).

6.3 Short recovery of price of trees

In Kullu forest division, during the year 1983-84, 14 trees (*Deodar* 12 and *Kail* 2) were sold to certain non-right holders. But the sale price thereof was charged wrongly by applying the market rates for the year 1982-83, instead of the correct market rates applicable for the year 1983-84. The mistake resulted in price being charged short by Rs. 10,879 (including sales tax and surcharge).

The mistake was pointed out in audit in June 1985; reply of the department is awaited (February 1987).

The case was reported to Government in July 1985; their reply is also awaited (February 1987).

6.4 Non-levy of penalty

The terms of the standard agreement provide that in case of illicit felling of trees, the lessee is liable to pay, in addition to the price of trees, a penalty at 100 per cent of the price of trees illicitly felled.

In Nurpur forest division, two coppice lots comprising an area of 40.46 hectares were leased for Rs. 4,95,100 to two lessees for exploitation during the year 1980-81. But against the leased area of 40.46 hectares, the lessees exploited an area of 69.68 hectares. For excess exploitation, the department recovered (January and July 1982) from the lessees a sum of Rs. 42,526 as royalty. However, penalty for illicit exploitation (at 100 per cent of royalty) was not imposed and recovered, resulting in loss of revenue amounting to Rs. 42,526.

On the loss being pointed out in audit (December 1985), Government admitted the audit objection and stated (July 1986) that the department had been directed to recover the amount of Rs. 42,526 from the lessees or the official at fault. Report on recovery is awaited (February 1987).

6.5 Non-recovery of value of bhabbar grass

During 1983-84, the Himachal Pradesh Forest Department entered into an agreement with an industrial unit

for sale of specified quantity of *bhabbar* grass for making paper pulp, on payment of royalty at rates indicated in the agreement. For excess removal of grass, if any, the unit was to pay extra royalty.

In Nahan forest division, 13,613 quintals of grass was to be cut, collected and removed by the said industrial unit on payment of royalty of Rs. 3,68,182. The final progress report, however, showed that the unit had collected 14,490.80 quintals of grass and exported the whole quantity. The unit had thus, cut, collected and exported 877.80 quintals of grass in excess of the permissible quantity of 13,613 quintals. On the excess quantity of grass, a sum of Rs. 25,569 (including sales tax and surcharge) was recoverable, but was not recovered.

On the non-recovery being pointed out in audit in May 1985, Government stated (November 1986) that demand for Rs. 25,569 had since been raised in March 1986. Report on recovery is awaited (February 1987).

6.6 Loss of royalty and interest

As per standard terms of the agreement entered into by the department with a lessee, for delay in payment of royalty instalment, the lessee was liable to pay interest at 10 per cent per annum on the amount in default. If such failure exceeded 30 days without the written permission of the Conservator of Forests, the lessee was also to lose all claims to trees etc., in the leased area. For extension beyond the contract period (not exceeding 90 days), the rate of interest chargeable was to be 15 per cent. The overdue instalments of royalty and interest could be recovered from the security deposit of the contractor.

In Nurpur forest division, a lot comprising 651 *Khair* trees was leased out to a party in October 1982 for Rs. 2,28,000 plus sales tax and surcharge amounting to Rs. 62,700. The period of lease was upto 30th June 1983. The royalty was payable in four equal instalments due on 15th of February, March, April and May 1983. The lessee paid Rs. 2,43,000 (royalty: Rs. 1,82,400 and sales tax and surcharge: Rs. 60,600) only during the period from May to November 1983. On his failure to pay the balance of royalty (Rs. 45,600) and sales tax and surcharge (Rs. 2,100), the forest produce was to be seized by the department before the expiry of lease period. However, a scrutiny of the divisional records showed (December 1985) that out of

the total quantity of 35 quintals of *Katha* extracted by the lessee, 30 quintals of *Katha* had been removed by him during May 1983 and only the remaining 5 quintals of *Katha* were seized by the department as late as in January 1984. On enquiry by Audit (May 1986), the Divisional Forest Officer intimated (May 1986) that security deposit of the lessee amounting to Rs. 45,600 was adjusted (March 1986) towards the outstanding royalty of the lot, leaving the balance amount of Rs. 2,100 recoverable from the lessee. In addition to this, an amount of Rs. 49,265 was also recoverable from the lessee on account of interest on belated payments of royalty, penalty for belated payments of sales tax, damage bills, etc. However, after adjusting the sale proceeds (Rs. 27,500) of 5 quintals of *Katha* (sold in April 1986) and interest on security deposit (Rs. 1,008), the net amount recoverable from the lessee worked out to Rs. 22,857, which remained unrealised.

The department could have avoided this loss by seizing the entire produce or a substantial portion of it, which was lying at the leased area, immediately after the lessee had failed to make payment of the Government dues on the due dates.

On the loss being reported in audit (February 1986), Government stated (August 1986) that the lessee had been asked to clear the outstanding dues of Rs. 22,857, failing which action to recover the amount as arrears of land revenue would be taken. Report on recovery is awaited (February 1987).

6.7 Non-recovery of value of trees coming in road alignment

In Kullu forest division, 38 trees coming in the alignment of a road, under construction by the State Public Works Department, were authorised (April 1980) by the Conservator of Forests, Kullu to be handed over to the Public Works Department on payment of their price at the current market rates. Although the trees were handed over to that Department in June 1980, the price thereof amounting to Rs. 1,02,717 (including sales tax and surcharge) had not been recovered from the Public Works Department till the date of audit (June 1985).

The non-recovery was pointed out in audit in June 1985; reply of the department is awaited (February 1987).

The case was reported to Government in July 1985; their reply is also awaited (February 1987).

CHAPTER 7

OTHER TAX AND NON-TAX RECEIPTS

Section A—Stamp Duty and Registration Fees

7.1 Results of Audit

Test check of the records relating to stamp duty and registration fees, conducted in audit during the year 1985-86, revealed short realisation of stamp duty and registration fees amounting to Rs. 2.68 lakhs in 123 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Irregular grant of exemptions from payment of stamp duty and registration fees	18	0.54
2. Application of incorrect rates of stamp duty and registration fees	18	0.24
3. Short levy due to misclassification of documents	6	0.43
4. Non-imposition of fines and penalties	5	0.32
5. Other irregularities	76	1.15
Total	123	2.68

Out of the 123 cases pointed out in audit, 34 cases involving an amount of Rs. 71,343 had since been settled (in majority of the cases, the amounts pointed out in audit had been recovered) upto February 1987.

The above position was reported to the concerned department and Government in October 1986; their replies are awaited (February 1987).

An important case of irregularity is mentioned in the following paragraph.

7.2 Short levy of stamp duty

Under the Indian Stamp Act, 1899, as amended in its application to the Himachal Pradesh, where lease is granted for premium in addition to rent reserved, stamp duty is leviable for a consideration equal to the amount of such premium as set forth in the lease, in addition to the duty which would have been payable on such lease, if no premium had been paid or delivered. The stamp duty leviable on premium is thirty rupees for consideration not exceeding Rs. 1,000 and fifteen rupees for every Rs. 500 or part thereof in excess of Rs. 1,000. Where the lease purports to be for a term exceeding 20 years, but not exceeding 30 years, additional stamp duty is leviable at the same rates for a consideration equal to three times the amount or value of the average annual rent reserved. As per the Indian Stamp (Himachal Pradesh Amendment) Act, 1978, surcharge at the rate of 10 per cent of stamp duty is leviable on lease deeds also where the consideration is Rs. 10,000 or above.

In Sub-registry Office, Kullu, a lease (registered during the year 1984) for a period of thirty years was granted for a premium of Rs. 5,00,000 and annual rent of Rs. 15,000. The stamp duty leviable on premium worked out to Rs. 16,500, but owing to application of incorrect rate, duty amounting to Rs. 8,250 only was levied. Further, additional stamp duty amounting to Rs. 1,485 was also leviable on consideration equal to three times the amount of annual rent, but was omitted to be levied. The mistakes resulted in stamp duty being levied short by Rs. 9,735.

On the short levy being pointed out in audit in March 1986, the department recovered the amount from the party concerned and deposited the same into the treasury in September 1986.

The Government, to whom the case was reported in April 1986, confirmed the facts (November 1986).

Section B—Excise and Taxation Department (Entertainments Duty)

7.3 Results of Audit

Test check of records relating to entertainments duty, conducted in audit during the year 1985-86, revealed non-recovery of entertainments duty and other irregularities

amounting to Rs. 6.25 lakhs in 25 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery of entertainments duty	16	5.31
2. Other irregularities	9	0.94
Total	25	6.25

The above position was reported to the department and Government in October 1986; their replies are awaited (February 1987).

An important case of irregularity is mentioned in the following paragraph.

7.4 Non-realisation of entertainments duty

Under the Himachal Pradesh Entertainments Duty Rules, 1969, as amended with effect from 26th July 1983, the organisers of Video exhibition of films/pictures are required to pay entertainments duty monthly in advance.

In Kangra, entertainments duty amounting to Rs. 1,24,000, for the period from 1st April 1984 to 31st March 1985, was not recovered from 43 organisers of Video exhibition of films/pictures.

On the omission being pointed out in audit in June 1985, Government stated (February 1987) that (i) an amount of Rs. 38,000 had since been recovered, (ii) an amount of Rs. 24,000 had not been found recoverable as some Video houses had remained closed and (iii) a case for granting exemption in respect of demand for an amount of Rs. 4,000 was under process. Report on recovery of the balance amount is awaited (February 1987).

Section C—Public Works Department

7.5 Results of Audit

Test check of the records relating to receipts of the Public Works Department, conducted in audit during the

year 1985-86, revealed irregularities involving revenue amounting to Rs. 4.52 lakhs in 16 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Short levy of water charges	8	1.06
2. Other irregularities	8	3.46
Total	16	4.52

The above position was reported to the department and Government in October 1986; their replies are awaited (February 1987).

One important case of irregularity is mentioned in the following paragraph.

7.6 Short levy due to application of incorrect water rates

Under the Himachal Pradesh Water Supply Act, 1968, with effect from 21st December 1983, water rates for water supplied through private connections in rural areas were revised from Rs. 3 and Re. 1 per month to Rs. 10 and Rs. 5 per month for first and each subsequent tap respectively installed at a place. With effect from 1st April 1984, these rates were reduced to Rs. 5 and Rs. 3 per month for first and subsequent tap respectively.

In Irrigation-cum-Public Health Divisions, Bilaspur, Hamirpur, Jubbal, Mandi, Palampur, Rampur and Sundernagar, for water supplied through private connections in rural areas during the period from June 1983 to March 1985, recoveries were made at incorrect rates. This resulted in water rates being realised short by Rs. 38,240.

The mistake was pointed out in audit between August 1985 and December 1985; reply of the department is awaited (February 1987).

The cases were reported to Government between December 1985 and February 1986; their reply is awaited (February 1987).

Section D—General Administration Department

7.7 Short recovery of rent

According to Government orders issued in June 1976, Government employees, owning houses in their own names or in the names of their family members (including inherited houses) at places of their posting, were required to vacate Government accommodation, if any allotted to them, within three months from the date of issue of orders. If they did not vacate Government accommodation after the specified period, they were liable to pay rent at market rates.

(a) A test check of the accounts of the Estate Officer, Shimla, for the period 1979-80 and 1980-81 revealed that 25 employees, owning houses in Shimla in their own names or in the names of their family members, were issued notices to vacate Government accommodation by 7th July 1981. They, however, continued to occupy the said accommodation and paid rent at normal rates (even after July 1981), instead of at market rates. Short recovery of rent from these employees for the period from July 1981 to December 1983, amounted to Rs. 5,30,850. No effective steps had been taken by the department to recover this amount from the employees.

On the short recovery being pointed out in audit in September 1981, followed by reminders issued in December 1985, February 1986 and August 1986, Government stated (December 1986) that orders regulating such cases had been relaxed in January 1984. As the revised orders were not made applicable retrospectively, Government were requested (January 1987) to reconsider the matter. Their reply is awaited (February 1987).

(b) In another case, an employee was allowed to retain Government accommodation from September 1976 to August 1980 on payment of rent at normal rate, instead of at market rate, even though he owned a house in Shimla.

Short payment of rent in this case amounted to Rs. 48,960, which was not recovered even though the employee retired from Government service on 30th April 1980.

On the short recovery being pointed out in audit in September 1981, followed by reminders issued in December 1985, February 1986 and August 1986, Government stated (December 1986) that they had ordered (August 1980) to charge normal rent from the employee for the period he was eligible to retain the accommodation. As the employee was not eligible to retain the accommodation after August 1976, Government were requested (January 1987) to reconsider the matter and to recover the outstanding amount of Rs. 48,960. Their reply is awaited (February 1987).

Section E—Co-operation Department

7.8 Non-recovery or short recovery of interest/penal interest

(i) Under the Himachal Pradesh Co-operative Societies Act, 1968, the State Government grants interest bearing loans to eligible co-operative societies for purchase of vehicles, furniture and fixture and construction of godowns etc. The rate of interest on loans advanced during the year 1975-76 was enhanced from 8 per cent to 9 per cent in February 1977.

In Kullu, on loans advanced to 16 co-operative societies, the District Co-operative and Supplies Officer charged interest at the old rate of 8 per cent during the period from 1st April 1977 to 31st March 1985. This resulted in short recovery of interest amounting to Rs. 13,089.

On this being pointed out in audit (December 1985), the department stated (September 1986) that a sum of Rs. 4,860 had since been recovered from four co-operative societies. Report on recovery of the balance amount is awaited (February 1987).

(ii) In the event of default in making payment of instalments of loans or interest on prescribed dates, the benefit of normal rate of interest is not admissible to the loanees. In such cases, they are required to pay penal

interest at higher rates (from the dates of payment of last instalment) on the entire principal amount of loan outstanding.

In Shimla, 3 co-operative societies defaulted in repayment of instalments of loans or interest during the period from April 1980 to March 1984. Penal interest, not levied and demanded from these societies, amounted to Rs. 11,762.

On this being pointed out in audit (July 1985), the department stated (September 1986) that the amount of Rs. 11,762 had since been recovered from the societies.

The above cases were reported to Government in September 1985 and March 1986; their reply is awaited (February 1987).

Maheshwarayan

Shimla,
The

26 JUL 1987

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