



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA
FOR THE YEAR ENDED 31 MARCH 1962

NO. (2)
(REVENUE RECEIPTS)

GOVERNMENT OF MARYATA

03671



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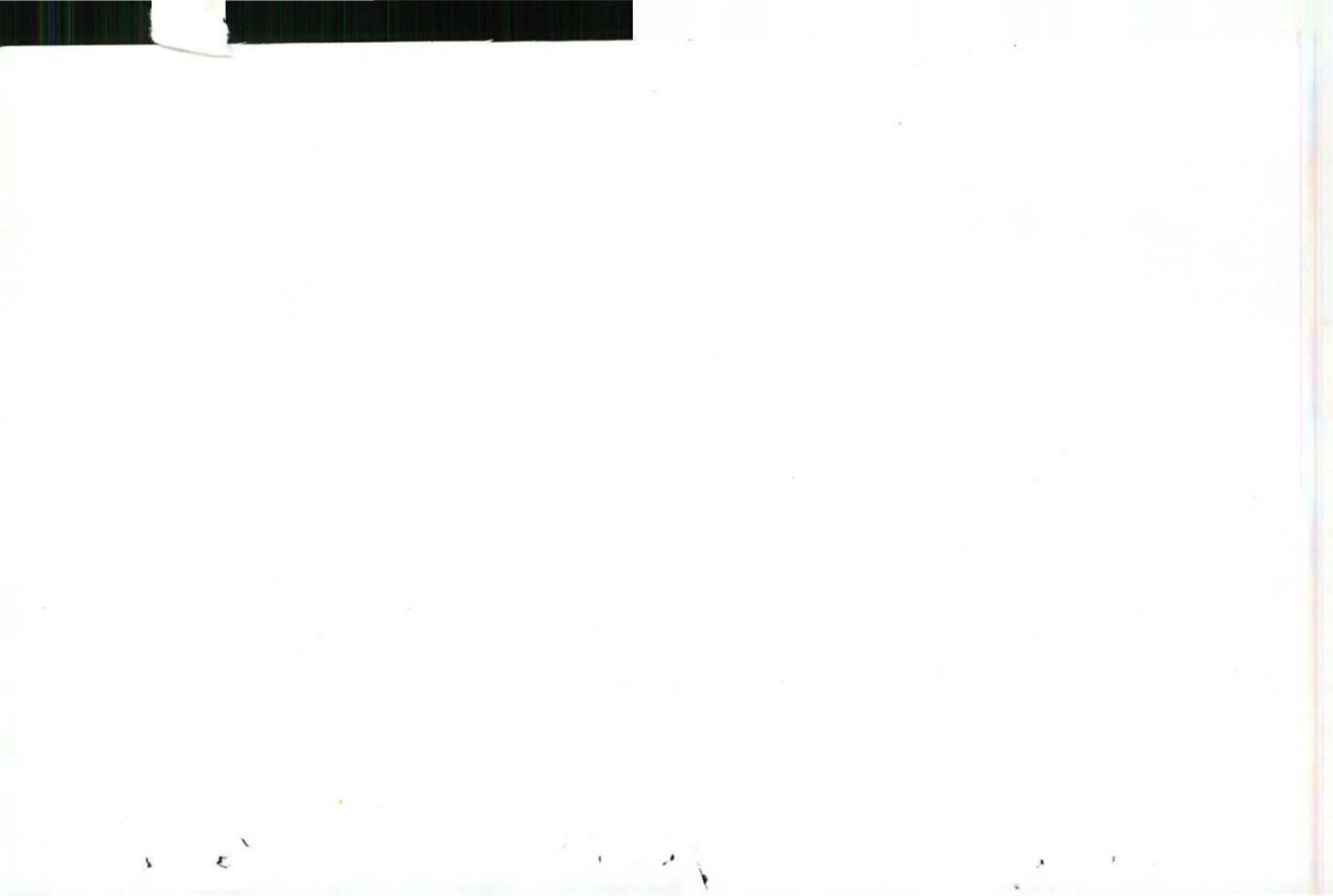
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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Haryana for the year 1991-92 is presented in this separate volume. The Report has been arranged in the following order :

- (i) Chapter I refers to trend of revenue receipts classifying them broadly under tax revenue and non-tax revenue, the variations between the Budget estimates and the actual receipts under principal heads of revenue, the revenue in arrears for collection, results of audit and the audit objections and inspection reports outstanding for settlement.
- (ii) In Chapters 2 to 5 are set out some of the important irregularities which came to the notice of Audit during test check of records relating to Sales Tax, Stamps and Registration Fees, Other Tax Receipts and Non-Tax Receipts.



OVERVIEW

1. General

- (i) During the year 1991-92, revenue raised by the State Government, both Tax (Rs. 1,300 crores) and Non-Tax (Rs. 546 crores) amounted to Rs. 1846 crores as against Rs. 1581 crores during the previous year. Receipts under Sales Tax (Rs. 620 crores) and State Excise (Rs. 342 crores) accounted for a major portion of receipts of Tax revenue. Under Non-Tax revenue, main receipts were from Road Transport (Rs. 172 crores), Interest Receipts (Rs. 140 crores) and Miscellaneous General Services (Rs. 133 crores).

Receipts from Government of India during the year, including grants-in-aid of Rs. 176 crores, aggregated to Rs. 395 crores.

(Para 1.1)

- (ii) 110549 assessment cases were pending finalisation under Sales Tax and Passengers and Goods Tax at the end of March 1992 as against 99,459 cases pending on 31st March 1991.

(Para 1.3)

- (iii) Arrears of revenue pending collection at the end of 1991-92 under some heads of accounts amounted to Rs. 142 crores, out of which Rs. 37 crores were outstanding for more than 5 years.

(Para 1.4)

- (iv) 1,727 inspection reports (issued up to December 1991) containing 4,792 audit objections with money value of Rs. 2,649 lakhs were not settled up to June 1992. Out of these, 413 inspection reports containing 854 objections with a value of Rs. 777 lakhs were outstanding for more than 5 years.

(Para 1.9)

(vii)

(viii)

- (v) As a result of test audit conducted during 1991-92, under-assessments and losses of revenue amounting to Rs. 20 crores were noticed in 29,996 cases and the department accepted under-assessment in 13,720 cases involving Rs. 13.30 crores. The under-assessments/losses of revenue relate to Sales Tax (Rs. 4.77 crores), Stamp Duty and Registration Fees (Rs. 1.41 crores), State Excise (Rs. 7.89 crores), Taxes on Motor Vehicles (Rs. 1.50 crores) and Non-Tax Receipts (Rs. 4.43 crores).

(Para 2.1, 3.1, 4.1 & 5.1)

- (vi) This report includes cases of non-levy/short levy of tax, duty, interest, penalty etc. and audit findings of two reviews involving a financial effect of Rs. 423.63 lakhs noticed during test check in 1991-92 and earlier years. Of this, under-assessment of Rs. 381.72 lakhs was accepted by the departments of which Rs. 74.70 lakhs was recovered till August 1992. In respect of one audit objection with monetary value of Rs. 0.58 lakh, the department had not accepted the audit point for which their refutation has been incorporated in the relevant paragraph. In remaining cases involving tax effect of Rs. 41.33 lakhs, replies of the departments have not been received.

2. Sales Tax

- (i) Irregular grant of exemption to non-manufacturers resulted in under-assessment of tax of Rs. 17.51 lakhs.
(Para 2.2)
- (ii) Under-assessment due to short/non-levy of purchase tax and incorrect deduction resulted in short levy of tax and interest amounting to Rs. ~~8.22~~ lakhs.
(Para 2.3 and 2.7)
- (iii) Grant of excess rebate resulted in under-assessment of tax and interest of Rs. 4.97 lakhs in 5 cases.
(Para 2.4(a) & (b))
- (iv) The application of incorrect rate of sales tax in 5 cases resulted in short levy of tax and interest amounting to Rs. 3.87 lakhs.
(Para 2.5(a) to (d))

3. Stamp Duty and Registration Fee

Short recovery of stamp duty and registration fee amounting to Rs. 9.82 lakhs was noticed in 13 cases due to under valuation of property, irregular exemption and misclassification of instruments etc.

(Para 3.2 to 3.7)

4. Other Tax Receipts

Taxes on Motor Vehicles

The review on taxes on motor vehicles revealed the following :

—Registration fee/transfer of ownership fee and hire purchase agreement fee amounting to Rs. 3.09 lakhs was either short recovered or not recovered from the owners of vehicles.

(Para 4.2.10)

—Permit fee/countersignatures of permit fee amounting to Rs. 2.02 crores was charged short in the offices of Regional Transport Authorities.

(Para 4.2.12)

—Improper maintenance of records/non-reconciliation of receipts with treasury in 16 offices test checked, resulted in presentation of 166 interpolated challans.

(Para 4.2.13)

5. Non-Tax Receipts

(A) Irrigation

The review on 'Receipts from Canal Waters' revealed the following aspects :

—Non-provision in the Act/Rules for levy of penal interest for non-payment/delayed payment of abiana (water rates) resulted in accumulation of huge arrears.

(Para 5.2.7)

(x)

—Lack of co-ordination and non-reconciliation of figures between the Irrigation and Revenue Departments resulted in non-recovery of revenue amounting to Rs. 72.72 lakhs in ten Irrigation Divisions test checked.

(Para 5.2.8)

—Incorrect application of rates resulted in short recovery of water charges amounting to Rs. 2.22 lakhs.

(Para 5.2.9)

(B) Mines and Geology

—Contract money and interest amounting to Rs. 4.24 lakhs was not recovered from the contractor.

(Para 5.3)

—Interest of Rs. 6.70 lakhs was not charged or short charged.

(Para 5.5)

(C) Agriculture

Purchase tax on sugar cane and interest amounting to Rs. 20.52 lakhs was not recovered from sugar mills.

(Para 5.6 and 5.7)

(D) Co-operation

Audit fee amounting to Rs. 5.14 lakhs was not demanded from co-operative societies.

(Para 5.8)

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1991-92, 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 :

	1989-90	1990-91	1991-92
	(In crores of rupees)		
I. Revenue raised by the State Government			
(a) Tax revenue	910.12	1069.54	1300.21
(b) Non-tax revenue	445.93	511.10	546.09
Total(I)	1356.05	1580.64	1846.30
II. Receipts from Government of India			
(a) State's share of net proceeds of divisible union Taxes	154.11	185.90	219.45
(b) Grants-in-aid	97.08	146.88	176.04
Total(II)	251.19	332.78	395.49
III. Total receipts of the State (I + II)	1607.24	1913.42	2241.79
IV. Percentage of I to III	84	83	82

(i) The details of the tax revenue raised during the year 1991-92, alongwith figures for the preceding two years, are given below and reflected in bar chart I :

	1989-90	1990-91	1991-92	Percentage of increase (+) or de- crease (—) in 1991-92 over 1990- 91
(In crores of rupees)				
1. Sales Tax	415.18	494.70	620.30	(+)25
2. State Excise	236.68	286.35	341.87	(+)19
3. Taxes on Goods and Passengers	100.88	102.10	119.83	(+)17
4. Stamps and Registration Fee	92.55	101.50	97.72	(—)4
5. Taxes on Vehicles	21.39	35.78	68.47	(+)91
6. Taxes and Duties on Electricity	29.42	34.36	38.49	(+)12
7. Land Revenue	00.73	00.94	01.09	(+)16
8. Other Taxes and Duties on Commo- dities and Services	13.29	13.81	12.44	(—)10
Total	910.12	1069.54	1300.21	(+)22

Reasons for variations, as stated by the respective departments, are given below :

(a) Increase (25 per cent) in receipts under Sales Tax was due to increase in trading activities, price escalation/checking

GROWTH OF REVENUE (TAX RECEIPTS) DURING THE PERIOD 1989-90 TO 1991-92

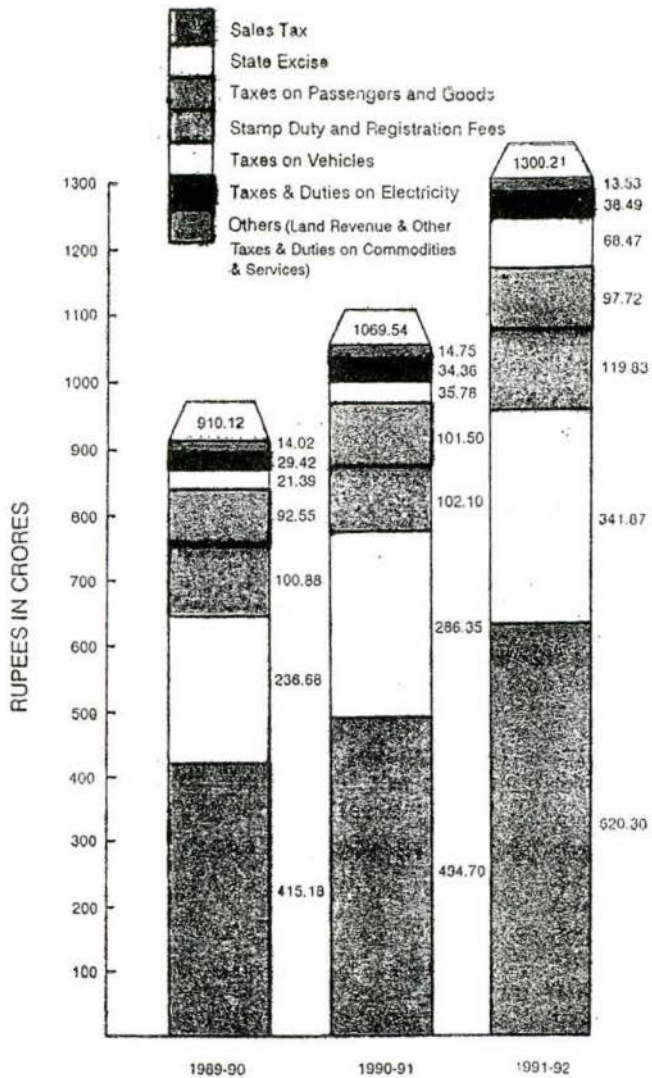


FIGURE 1
(Para 1.1)



of evasion of sales tax, checking of assessment cases by the assessing authorities at the higher side and due to normal growth rate during 1991-92.

(b) Increase (19 per cent) in receipts under State Excise was due to more auction money received during 1991-92 as compared to 1990-91 and more consumption of liquor.

(c) Increase (17 per cent) in receipts under Taxes on Goods and Passengers was due to general increase in annual growth rate. Hike in bus fares at the rate of 15 per cent is also the major factor in the increase in Passengers and Goods Tax during 1991-92.

(d) Increase (91 per cent) in receipts under Taxes on Vehicles was due to opening of three more offices of Regional Transport Authorities in the field and imposition of toll tax.

(e) Increase (12 per cent) in receipts under Taxes and Duties on Electricity was partly due to adjustment of old pending arrears during 1991-92 and sale of more power as compared to last year.

(f) Increase (16 per cent) in receipts under Land Revenue was due to recovery of deficiencies detected during audit of the field offices. Receipt on account of mutation fee and copying fee was more than estimated.

(g) Decrease (10 per cent) in receipts under Other Taxes and Duties on Commodities and Services was due to non-deposit of purchase tax by Sugar Mills.

(ii) The details of major non-tax revenue received during the year 1991-92, alongwith figures for the preceding two years are given below and reflected in the bar chart 2 :

	1989-90	1990-91	1991-92	Percentage of increase (+) or de- crease (-) in 1991-92 over 1990-91
	1	2	3	4
(In crores of rupees)				
1. Road Transport	142.69	146.13	171.62	(+)17

	1	2	3	4
2. Miscellaneous General Services	105.35	138.49	133.47	(-)-4
3. Interest Receipts	114.19	127.05	139.79	(+)-10
4. Non-ferrous Mining and Metallurgical Industries	8.40	9.15	9.90	(+)-8
5. Medical and Public Health	5.51	6.26	6.93	(+)-11
6. Others	69.79	84.02	84.38	(+)-4
	445.93	511.10	546.09	(+)-7

Reasons for variation as stated by the respective departments are given below :

(a) Increase (17 per cent) in receipts under Road Transport was due to revision of bus fares with effect from 1 December 1991 resulting in increase of revenue over last year.

(b) Increase (10 per cent) in receipts under Interest Receipts was mainly due to larger interest receipts from departmental commercial undertakings, Public sector and other undertakings, Co-operative societies and other receipts.

(c) Increase (8 per cent) under Non-Ferrous Mining and Metallurgical Industries was due to effective collection of royalty/contract money, enhancement in rates of royalty on major minerals with effect from 17 February 1992 and special efforts made in liquidating the past arrears.

(d) Increase (11 per cent) in receipts under Medical and Public Health was mainly due to intensive checking and inspection of field offices, expansion of X-ray plants and laboratories tests in medical institutions and effective realisation of medical fees from driving licenses under the Revised Motor Vehicles Rules, 1989.

NON TAX RECEIPTS

(DURING THE PERIOD 1989-90 TO 1991-92)



RUPEES IN CRORES

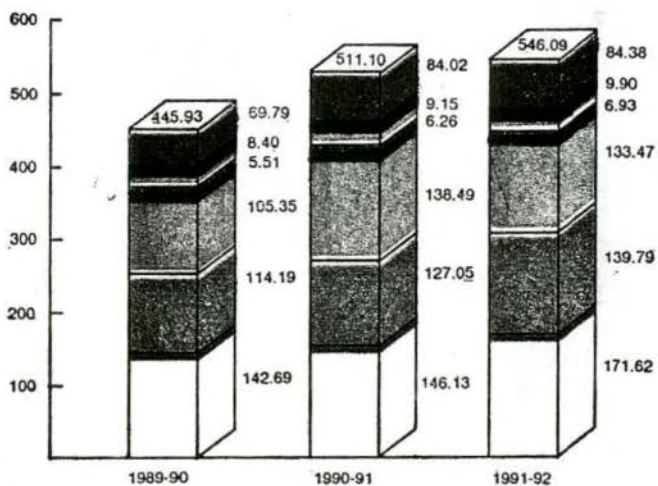
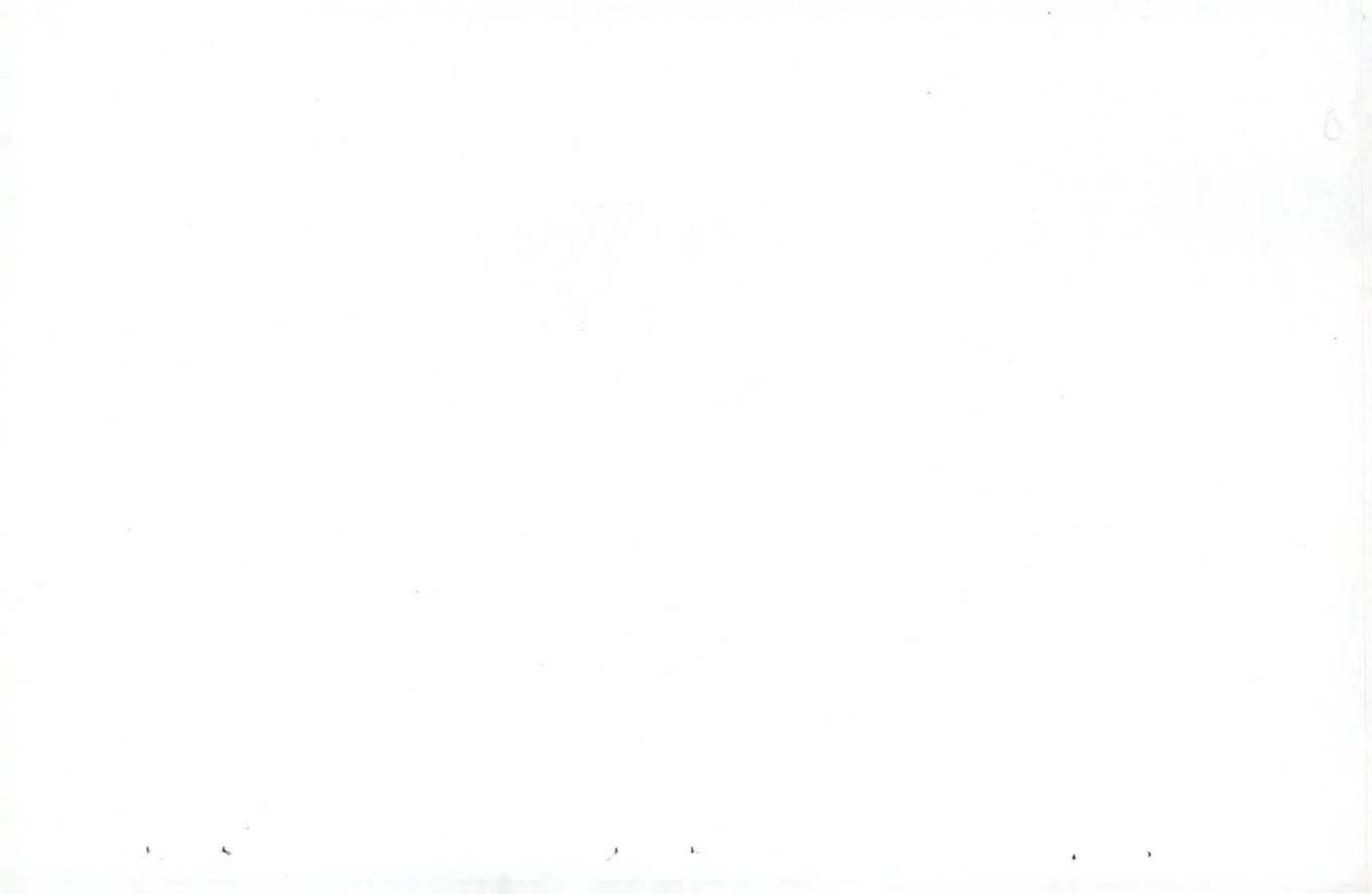


FIGURE 2
(Para 1.1)



1.2 Variations between Budget estimates and Actuals

The variation between the Budget estimates of revenue for the year 1991-92 and Actual receipts in respect of the principal heads of tax and non-tax revenue and the reasons thereof as stated by the respective departments are given below :

Serial Number	Heads of revenue	Budget estimates	Actuals	Variations In-crease (+) or De-crease (-)	Per-centage of varia-tions
1	2	3	4	5	6
(In crores of rupees)					
1.	Sales Tax	620.37	620.30	(---)0.07	Negligible
2.	State Excise	352.27	341.87	(---)10.40	(---)3
3.	Taxes on Goods and Passengers	120.00	119.83	(---)0.17	Negligible
4.	Stamps and Registration fee	110.00	97.72	(---)12.28	(---)11
5.	Taxes on Vehicles	63.92	68.47	(+)4.55	(+)7
6.	Taxes and Duties on Electricity	38.00	38.49	(+)0.49	Negligible
7.	Land Revenue	0.95	1.09	(+)0.14	(+)15
8.	Other Taxes and Duties on Commodities	13.66	12.44	(---)1.22	(---)9
9.	Road Transport	187.32	171.62	(---)15.70	(---)8

1	2	3	4	5	6
10.	Interest Receipts	140.36	139.79	(—)0.57	Negligible
11.	Non-ferrous Mining and Metallurgical Industries	10.00	9.90	(—)0.10	Negligible
12.	Medical and Public Health	7.07	6.93	(—)0.14	(—)2

(a) Decrease (11 per cent) in receipts under 'Stamps and Registration Fees' was due to less receipt of conveyance deeds.

(b) Increase (7 per cent) in receipts under Taxes on Vehicles was due to creation of more regional transport offices and due to opening of Audit cell and intensive checking.

(c) Increase (15 per cent) in receipts under Land Revenue was due to recovery of shortfall pointed out in audit and receipt on account of mutation fee and copying fee more than estimated.

(d) Decrease (9 per cent) in receipts under Other Taxes and Duties on Commodities was due to non-deposit of purchase tax by Sugar Mills.

(e) Decrease (8 per cent) under Road Transport was due to less coverage of kilometres due to delay in fabrication of bus bodies.

1.3 Assessments in arrears

The number of assessment cases finalised during the year 1991-92 and pending at the end of 1991-92 alongside figures for the preceding year, are given below :

Sales Tax		Passengers and Goods Tax	
1990-91	1991-92	1990-91	1991-92
1	2	3	4

- (i) Number of assessments due for completion during the year

	1	2	3	4
(a) Arrear cases	83619	107930	214	585
(b) Current cases	144220	149666	422	296
(c) Remand cases	1371	1796	5	3
(ii) Number of assessments completed during the year				
(a) Arrear cases	47908	68977	89	316
(b) Current cases	81257	79175	243	188
(c) Remand cases	895	1070	—	1
(iii) Number of assessments pending finalisation at the end of the year				
(a) Arrear cases	35711	38953	125	269
(b) Current cases	62963	70491	179	108
(c) Remand cases	476	726	5	2

Year-wise break up of the pending assessments as at the end of the year 1991-92 is given below :

		Number of cases	
		Sales Tax	Passengers and Goods Tax
Up to	1986-87	454	27
	1987-88	1648	20
	1988-89	10308	40
	1989-90	28286	96
	1990-91	69474	196
	Total	110170	379

1.4 Uncollected Revenue

As on 31st March 1992, arrears of revenue pending collection under principal heads of revenue, as reported by the departments, were as under :

Heads of revenue	Total arrears	Arrears outstanding for more than five years
(In crores of rupees)		
1. Sales Tax	94.37	23.93
2. Taxes and Duties on Electricity	24.34	6.97
3. State Excise	8.10	3.83
4. Other Taxes and Duties on Commodities and Services		
(i) Receipts under the sugar- cane (Regulations, Supply and Purchase Control) Act	3.32	0.21
(ii) Receipts under the Punjab Entertainment (Cinematog- raph Shows) Act	0.12	0.03
5. Stamps and Registration Fee	2.87	0.18
6. Non-ferrous Mining and Metallurgical Industries	✓ 1.84	✓ 0.76
7. Taxes on Goods and Passengers	4.07	0.49
8. Co-operation	2.29	0.82
9. Land Revenue	0.21	0.06
Total	141.53	37.28

Year-wise break up of uncollected revenue was as under :

	Amount (In crores of rupees)
Up to 1986-87	37.28
1987-88	13.46
1988-89	15.96
1989-90	15.58
1990-91	19.37
1991-92	39.88
Total	141.53

According to the information furnished by the departments (September 1992), the amount of arrears as on 31st March 1992 was in the following stages of action :

	Amount (In crores of rupees)
1. Recoveries stayed by appellate authorities/courts	43.43
2. Amount covered by recovery certificates	9.44
3. Amount likely to be written off	35.91
4. Other stages	52.75
Total	141.53

Analysis of arrears

(a) Sales Tax

Sales tax demand raised but not collected as on 31st March 1992 amounted to Rs. 94.37 crores as against Rs. 82.72 crores outstanding on 31st March 1991. The increase

in arrears by Rs. 11.65 crores (14.08 per cent) was stated to be due to increase in number of cases assessed and more dealers having left the State resulting in issue of recovery certificates. Year-wise break up of the outstanding amount as on 31st March 1992 is given below :

Year	Amount (In crores of rupees)
Up to 1986-87	23.93
1987-88	11.05
1988-89	9.19
1989-90	9.48
1990-91	14.26
1991-92	26.46
	94.37

Recovery of Government dues exceeding Rs. 2 lakhs was outstanding in respect of 377 cases involving a sum of Rs. 63.87 crores.

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

District	Number of cases	Amount (In lakhs of rupees)
Bhiwani	2	115.20
Faridabad(E)	21	306.29
Faridabad (W)	55	1,433.12
Gurgaon	5	90.61
Hisar	16	261.26

Jagadhari	16	140.47
Jind	7	104.34
Kaithal	5	33.88
Karnal	22	1,651.70
Kurukshetra	3	32.28
Rewari	13	841.13
Rohtak	13	274.37
Ambala	8	132.24
Panipat	4	284.71
	190	5,701.60

The arrears had also accumulated due to late finalisation of assessments. A few such cases are mentioned below by way of illustrations :

(i) The assessments of a dealer of Faridabad for the years 1986-87 and 1987-88 were finalised ex-parte in July 1990 and August 1990 creating additional demands of Rs. 10.75 lakhs and Rs. 38.33 lakhs respectively. The firm closed down its business and its assets were already sold by the Haryana Financial Corporation in July 1990. No other assets or property were left/available to recover the arrears of sales tax. Recovery of Rs. 36,000 was made from two sureties up to August 1992. Registration Certificate was not renewed from April 1990 as the dealer failed to furnish sureties for Rs. 50,000 each under both the Acts. The department did not take any action to get the amount recovered as arrears of land revenue.

Delay in assessment and failure to take action to recover the amount resulted in accumulation of tax arrears of Rs. 48.72 lakhs.

(ii) Assessment of a dealer of Sonipat for the years 1984-85, 1985-86 and 1986-87 were framed on best judgement basis in March 1990 creating an additional demand of Rs. 10.65 lakhs (Rs. 0.45 lakh for 1984-85, Rs. 7.14 lakhs for 1985-86 and Rs. 3.06 lakhs for 1986-87). Registration certificate was cancelled in December 1986. The amount could not be recovered as the firm was bogus and whereabouts of the dealer were not known to the department. The amount could also not be recovered from the sureties as the same were also not genuine. Recovery certificate issued to the collector, Delhi in August 1990 was received back with the remarks that the dealer was not available at the given address.

Failure to verify the genuineness of the dealer and sureties at the time of grant of registration certificate and delay in assessment resulted in non-recovery of tax amounting to Rs. 10.65 lakhs.

(iii) A dealer of Faridabad was granted registration certificate in July 1983 for trading in iron and steel. The registration certificate was cancelled in July 1986 as the dealer was found to be making clandestine transactions. He filed returns disclosing turnovers of Rs. 35.97 lakhs and Rs. 18.56 lakhs for the years 1983-84 and 1984-85 against his actual turnovers of Rs. 175.00 lakhs and Rs. 140.00 lakhs respectively. The assessments were finalised in December 1989 and March 1990 on turnovers of Rs. 175.00 lakhs and Rs. 140.00 lakhs and demands worth Rs. 7.00 lakhs and Rs. 5.60 lakhs were created against the dealer; however, the demands could not be recovered as the dealer was found to be bogus. A sum of Rs. 35,000 was recovered from the sureties.

Failure of the department to verify the genuineness of the dealer at the time of grant of registration certificate and delay in finalising the assessments soon after cancellation of registration certificate resulted in loss of revenue of Rs. 12.25 lakhs.

(b) Taxes and Duties on Electricity

The amount of arrears of taxes and duties on electricity to be realised at the end of March 1992 was Rs. 24.34 crores as against Rs. 20.63 crores outstanding at the end of March 1991. Year-wise details of the outstanding dues are given below :

	Year	Amount (In crores of rupees)
Up to	1986-87	6.97
	1987-88	1.28
	1988-89	4.92
	1989-90	4.12
	1990-91	3.32
	1991-92	3.73
		24.34

The arrears were stated to be outstanding against the Haryana State Electricity Board. Non-recovery in some cases was attributed to the following reasons :

(i) Deferred recovery of duty of Rs. 3.15 crores is likely to be written off due to weak financial position of the assessees.

(ii) Pendency of 3 cases involving duty of Rs. 0.26 crore in the civil courts and with the arbitrators.

(iii) The balance amount of Rs. 20.93 crores was outstanding partly due to non-adjustment of misclassified amount by the Haryana State Electricity Board.

(c) State Excise

Arrears of revenue relating to State Excise as on 31st March 1992 amounted to Rs. 8.10 crores as against Rs. 4.29 crores outstanding on 31st March 1991. Year-wise details of the outstanding dues are given below :

	Year	Amount (In crores of rupees)
Up to	1986-87	3.83
	1987-88	0.25
	1988-89	0.27
	1989-90	0.05
	1990-91	0.03
	1991-92	3.67
	Total	8.10

According to the information supplied (September 1992) by the department, the amount of arrears as on 31st March 1992 was in the following stages of action :

	Amount
	(In crores of rupees)
(i) Recoveries stayed by the appellate authorities/courts	4.13
(ii) In the process of recovery by issue of recovery certificates	0.44
(iii) Amount likely to be written off	0.34
(iv) Other stages	3.19
Total	8.10

1.5 Frauds and evasions of taxes

The table below indicates the amounts of taxes/receipts assessed during the year 1991-92 in cases of frauds and evasions of taxes/receipts detected by the departments concerned during 1991-92 and earlier years :

Nature of tax/ receipt	Cases pen- ding as on 1st April 1991	Number of cases detec- ted during the year	Number of cases finalised during the year		Number of cases pending as on 31st March 1992		Amount of tax, interest and penalty levied
			Out of Col. 2	Out of Col. 3	Out of Col. 2	Out of Col. 3	
(In lakhs of rupees)							
Sales Tax	251	2397	163	2238	88	159	142.68
Passen- gers and Goods Tax	208	1671	13	875	195	796	24.31
Medical	1	—	1	—	—	—	—
Entertain- ment Duty and Show tax	13	19	—	19	13	—	0.31
State Excise	—	60	—	60	—	—	1.61
Animal Husbandry	1	—	—	—	1	—	0.66
Stamp Duty and Registration fees	661	253	124	45	537	208	50.38

1.6 Refunds

Position of refunds allowed during the year 1991-92 is given below :

	Sales Tax		State Excise		Passengers and goods Tax		Entertainment duty and show tax		Animal Husbandry		Stamp duty and Registration fee	
	Number of cases	Amount of cases	Number of cases	Amount of cases	Number of cases	Amount of cases	Number of cases	Amount of cases	Number of cases	Amount of cases	Number of cases	Amount of cases
Claims outstanding as on 1st April 1991	421	49.77	1	0.12	—	—	1	0.12	1	0.33	—	—
Claims received during the year 1991-92	1909	297.40	9	0.80	83	1.54	1	0.10	—	—	4378	465.53
Refunds made during the year 1991-92	2,018	290.20	7	0.70	—	—	1	0.10	—	—	4377	462.74
Balance outstanding at the end of the year	312	56.97	3	0.22	83	1.54	1	0.12	1	0.33	1	2.79

(in lakhs of rupees)

1.7 Cost of Collection

Expenditure incurred on collection of the major revenue receipts during the year 1991-92 (with figures for the preceding two years) is given below :

Heads of Revenue	Year	Gross Collec- tion	Expen- diture	Per- cen- tage of ex- penditure to gross collec- tion	All India per- cent- age of cost of collec- tion for the year 1990- 91
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(In crores of rupees)

1. Sales Tax	1989-90	415.18	8.97	2.16	
	1990-91	494.70	9.60	1.94	
	1991-92	620.30	10.45	1.68	2
2. State Excise	1989-90	236.68	0.84	0.35	
	1990-91	286.35	0.93	0.32	
	1991-92	341.87	0.99	0.29	2
3. Stamp and Registration fee	1989-90	92.55	0.41	0.44	
	1990-91	101.50	0.65	0.64	
	1991-92	97.72	0.57	0.58	4
4. Taxes on Vehicles	1989-90	21.39	0.65	3.04	
	1990-91	35.78	0.85	2.37	
	1991-92	68.47	1.16	1.69	3

1.8 Results of Audit

Test check of the records of Sales Tax, Stamps and Registration Fee, State Excise, Motor Vehicles, Mines and Geology, Irrigation, Agriculture and Co-operation departments conducted during the year 1991-92 revealed under assessments/short levy/loss of revenue amounting to Rs. 20 crores in 29996 cases. During the course of the year 1991-92, the concerned departments accepted under-assessments etc. of Rs. 22.18 crores involved in 32897 cases of which 13720 cases involving Rs. 13.30 crores had been pointed out in audit during 1991-92 and the rest in earlier years. An amount of Rs. 17.73 lakhs in 563 cases had already been recovered.

48 draft paragraphs including two reviews involving an amount of Rs. 423.63 lakhs and relating to important mistakes/irregularities noticed during 1991-92 and earlier years, which were identified for possible mention in Audit Reports, were issued to Government of which 26417 cases involving Rs. 381.72 lakhs were accepted by the Departments. Recovery made in these cases amounted to Rs. 74.70 lakhs up to August 1992. An audit objection with a total revenue effect of Rs. 0.58 lakh in 1 case which has not been accepted by the department/Government but their contention has been found at variance with the facts or legal position has been appropriately commented upon in the relevant paragraph. No reply has been received in 10 cases involving Rs. 41.33 lakhs.

1.9 Outstanding Inspection Reports

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

(i) At the end of June 1992, 1,727 inspection reports (issued up to December 1991) containing 4792 audit objections with money value of Rs. 2,649.02 lakhs remained outstanding, out of which 413 inspection reports containing 854 objections with money value of Rs. 777.35 lakhs were outstanding for more than 5 years.

(ii) In respect of 159 inspection reports issued between April 1991 and March 1992, even the first replies had not been received (September 1992) despite issue of instructions by the Finance Department in February 1992 to all the Heads of Departments for sending replies to the Audit office within the prescribed period.

The matter regarding non-receipt of initial replies from the departments was reported to the Government in September 1992; their reply has not been received (October 1992).

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

1. Sales Tax

Year	Number of Inspection reports	Number of audit objections	Amount (In lakhs of rupees)
up to 1986-87	80	189	175.84
1987-88	21	164	26.06
1988-89	20	183	86.95
1989-90	23	231	254.20
1990-91	23	217	105.97
1991-92	14	189	344.91
	181	1173	993.93

2. Taxes on vehicles

Up to 1986-87	23	28	1.00
1987-88	18	30	9.39
1988-89	16	22	1.08
1989-90	30	70	1.78
1990-91	48	145	12.16
1991-92	23	81	0.83
	158	376	26.24

3. Stamps and Registration Fee

Up to 1986-87	82	115	24.50
1987-88	35	56	13.10
1988-89	52	123	45.44
1989-90	63	146	17.87
1990-91	70	163	36.63
1991-92	48	150	35.62
	350	753	173.16

4. State Excise

Up to 1986-87	36	51	112.38
1987-88	09	13	4.03
1988-89	11	15	42.63
1989-90	13	22	27.17
1990-91	13	57	25.30
1991-92	24	36	257.21
	106	194	468.72

5. Taxes on Goods and Passengers				
Up to	1986-87	24	39	4.82
	1987-88	12	26	2.12
	1988-89	13	40	2.09
	1989-90	16	54	8.38
	1990-91	18	74	6.46
	1991-92	20	83	0.69
		103	316	24.56
6. Major and Minor Irrigation				
Up to	1986-87	20	101	38.68
	1987-88	14	52	05.92
	1988-89	—	—	—
	1989-90	22	120	0.91
	1990-91	—	—	—
	1991-92	72	168	—
		128	441	45.51
7. Public Works (B & R)				
Up to	1986-87	9	45	27.42
	1987-88	21	27	4.99
	1988-89	—	—	—
	1989-90	34	84	22.89
	1990-91	26	46	—
	1991-92	—	—	—
		90	202	55.30

8. Non-ferrous Mining and Metallurgical Industries

Up to	1986-87	18	40	119.71
	1987-88	8	22	15.06
	1988-89	10	20	15.92
	1989-90	11	34	00.63
	1990-91	11	32	—
	1991-92	12	49	72.54
		70	197	223.86

9. Co-operation

Up to	1986-87	18	28	1.67
	1987-88	17	30	0.74
	1988-89	—	—	—
	1989-90	20	36	15.56
	1990-91	—	—	—
	1991-92	4	28	17.77
		59	122	35.74

10. Land Revenue

Up to	1986-87	9	10	1.25
	1987-88	—	—	—
	1988-89	4	8	0.26
	1989-90	8	10	12.85
	1990-91	8	16	3.95
	1991-92	6	5	2.72
		35	49	21.03

The more important types of irregularities noticed during local audit of Sales Tax (Yamuna Nagar and Hisar districts) and those relating to receipts under the heads, State Excise and Mines and Geology which are still (June 1992) to be settled, are given below :

(a) Sales Tax

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
1. Under-assessment under Central Sales Tax Act	33	21.70,
2. Incorrect computation of turnover	156	132.26
3. Non/short levy of penalty	41	124.45
4. Non-levy of interest	53	41.41
5. Application of incorrect rate of tax	25	17.08
6. Others	94	46.72
Total	402	383.62

These objections remained unsettled mainly due to :

	Number of cases	Amount involved (In lakhs of rupees)
(i) Non-submission of final replies	320	264.59
(ii) Delay in finalising assessments by the appellate authorities	23	27.79
(iii) Other reasons	59	91.24
Total	402	383.62

(b) State Excise Duties

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
1. Loss of excise duty due to excessive wastage	291	1926.36
2. Loss of excise duty on re-auction of vends	25	163.09
3. Non-recovery/short recovery of penalties	602	5.20
4. Non-recovery/short recovery of interest	155	3.07
5. Other irregularities	241	490.89
	1314	2588.61

These objections remained unsettled due to:

	Number of cases	Amount involved (In lakhs of rupees)
(a) Want of replies	437	1756.43
(b) Want of recoveries	626	464.66
(c) Other reasons	251	367.52
	1314	2588.61

(c) Mines and Geology

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
1. Short/non-realisation of royalty	3031	177.99
2. Non-recovery of contract/lease money	1170	290.66
3. Short/non-levy of interest/penalty	496	38.58
4. Un-authorized/illegal extraction of minerals	1860	170.90
5. Other irregularities	734	65.50
	7291	743.63

These objections remained unsettled due to :

	Number of cases	Amount involved (In lakhs of rupees)
Want of replies	1786	252.40
Want of recoveries	4806	409.34
Other reasons	699	81.89
	7291	743.63

1.10 Internal Control and Internal Audit

An Internal audit system exists in the Department of Excise and Taxation (Sales Tax) which administers the Acts relating to Sales Tax, State Excise Duty and Show Tax, Revenue Department, which administers Land Revenue and Stamp Duty and Registration Fee and the

Transport Department which deals with taxes on Motor Vehicles. However, the internal audit system is not effective as proper records were not being maintained for pursuance of inspection reports/paras. Government has intimated (September 1992) that setting up of their Internal Audit Organisation was still under consideration.

On the basis of information supplied by these departments, the position of audit conducted and objections raised with money value and objections cleared in respect of some of these heads of revenue is given below :

1.10.1 Performance of Internal Audit System

The number of units to be audited during each of the three years 1989-90 to 1991-92 and arrears in internal audit in respect of Stamp Duty and Registration Fees and Taxes on Motor Vehicles at the end of March 1992 are given below :

Year	Number of units (including units in arrears) to be audited	Number of units audited	Number of units remained un-audited at the end of the year
1989-90	176	139	37
1990-91	202	145	57
1991-92	205	80	125

The receipt-wise break up of the units in arrears was as under :

Receipt Head	Year		
	1989-90	1990-91	1991-92
1. Stamp Duty and Registration Fee	—	21	103
2. Taxes on vehicles	37	36	22

1.10.2 Outstanding audit objections in Internal Audit

The number of internal audit reports issued, objections raised and amount of revenue involved therein, objections cleared and those pending at the end of the year 1991-92 were as under :

Year	Number of Audit reports/objections issued with money value			Number of Audit reports/objections cleared up to 31st March 1992 with money value			Number of Audit reports/objections outstanding as on 31st March 1992 with money value		
	Audit reports	Objections	Money value	Audit reports	Objections	Money value	Audit reports	Objections	Money value
(In lakhs of rupees)									
1989-90	224	1188	283.02	23	147	14.90	201	1041	268.12
1990-91	181	1084	118.26	19	75	3.77	162	1009	114.49
1991-92	184	985	117.26	5	77	2.05	179	908	115.21
	589	3257	518.54	47	299	20.72	542	2958	497.82

1.10.3 Delay in issue of Internal Audit Reports

As per the normal practice, internal audit reports are required to be issued within 30 days of completion of audit. It was, however, noticed (September 1992) that there was delay in issuance of internal audit reports between April 1989 and March 1992 as detailed below:

Name of Head	Total number of audit reports	Number of audit reports issued late	Percentage of delayed reports to the total number of reports issued	Delay in issuance of reports
Taxes on Motor vehicles	179	97	54	3 days to 502 days

Despite considerable delay in the issue of internal audit reports, no monitoring mechanism had been devised by the Department to ensure that these were issued within the prescribed period. It was also noticed that no internal audit manual had been framed.

The respective departments stated (October 1992) that delay in issue of reports was due to shortage of staff.

CHAPTER 2

SALES TAX

2.1 Results of Audit

Test check of sales tax assessments and other records of 28 units conducted during the year 1991-92 revealed under-assessment of tax of Rs. 477.43 lakhs in 1131 cases, which broadly fall under the following categories :

Details	Number of cases	Amount (in lakhs of rupees)
1. Incorrect computation of turnover	305	170.21
2. Under-assessment under the Central Sales Tax Act	162	58.92
3. Interest not charged on non-payment/delayed payment of tax	158	54.53
4. Application of incorrect rate of tax	78	30.85
5. Non/short levy of penalty	70	88.64
6. Other irregularities	358	74.28
	<u>1131</u>	<u>477.43</u>

During the course of the year 1991-92 the department accepted under-assessment of Rs. 83.96 lakhs involved in 401 cases of which 389 cases involving Rs. 76.22 lakhs had been pointed out in audit during 1991-92 and the rest in earlier years, out of which an amount of Rs. 8.78 lakhs has been recovered. 28 draft paragraphs and

one review involving financial effect of Rs. 52.64 lakhs and bringing out major irregularities noticed during the year or earlier years were issued to the Government for their comments. The department has accepted the observations in 28 cases involving Rs. 52.64 lakhs of which Rs. 5.26 lakhs have been recovered up to August 1992. A few illustrative cases are given in the following paragraphs :

2.2 Under-assessment due to irregular grant of exemption to non-manufacturers

To encourage Tiny Rural Industries in Haryana, Government issued notifications dated 2 June 1979 and 5 August 1985 under section 13 of Haryana General Sales Tax Act, 1973, allowing exemption to Rural Tiny Industrial units from the payment of tax on the purchase or sale of goods. The entitlement of exemption was subject to the conditions that (i) the goods purchased are used in the manufacture/production of goods for sale within the State (ii) the capital investment on machinery and equipment of the unit should not exceed rupees one lakh (iii) a certificate of genuineness is issued by the Industries Department Haryana.

A dealer of Jind who was granted exemption certificate (valid from 20 March 1985 to 14 February 1987) for a rural tiny industrial unit for the manufacture of cattle feed, mustard oil and basan, made huge purchases of Khar, wheat, bajra, binola, pulses, sarson, dal, jowar, guar, gram, etc., without payment of tax from within the State during the years 1985-86 and 1986-87 and sold the goods as such without undertaking any manufacturing process. The assessing authority erroneously allowed (March 1989) exemption from payment of tax on his sales turnover of Rs. 201.44 lakhs (1985-86 : Rs. 195.53 lakhs and 1986-87 : Rs. 5.91 lakhs). As the dealer had sold the goods without undertaking any manufacturing process, the exemption from payment of tax was not admissible. Irregular grant of exemption resulted in short assessment of tax of Rs. 11.71 lakhs and interest of Rs. 5.80 lakhs. Besides, penalty not exceeding Rs. 17.56 lakhs for short payment of tax along with returns was also leviable.

The Department accepted the audit objection (September 1991 and December 1991) and raised an additional demand

of Rs. 11.71 lakhs (1985-86 : Rs. 10.10 lakhs and 1986-87 : Rs. 1.61 lakhs). Report on action to levy interest and penalty has not been received (August 1992).

2.3 Under-assessment due to short/non-levy of purchase tax

(a) Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the sale or purchase of goods made in the State at the stages specified in the Act. Besides, penalty not exceeding one and half times the amount of tax assessed, interest is also chargeable at one per cent per month for the first month and at one and a half per cent per month thereafter for non-payment of tax.

(i) A dealer of Faridabad transferred 1824 Nos. of air conditioners during the year 1986-87 to his branches outside the State of Haryana. Out of 1,824 air conditioners, 1,440 were manufactured from goods partly purchased from out of Haryana and partly from within Haryana and the remaining 384 air-conditioners were manufactured exclusively from the material purchased from Haryana. While framing assessment (March 1990), the assessing authority levied purchase tax on 1440 air conditioners only and the remaining 384 air conditioners escaped assessment. The mistake resulted in under-assessment of purchase tax of Rs. 1.77 lakhs and interest of Rs. 89,335. Besides, penalty up to Rs. 2.66 lakhs for short payment of tax due alongwith returns was also leviable.

On the omission being pointed out (February 1991) in audit, the department referred (June 1991) the case for taking suo moto action. Further report on action taken has not been received (August 1992).

The case was reported to Government in April 1991; their reply has not been received (August 1992).

(ii) A dealer of Jind purchased, without payment of tax, paddy chilka, waste paper, old gunny bags and other consumable stores valued at Rs. 45.90 lakhs during the year 1987-88 and used the same in the manufacture of paper sold within the State, as well as in the course of inter-State trade or

commerce or sent on consignment basis/branch transfers. While framing assessment (March 1989), the Assessing Authority did not levy purchase tax on purchases made in the State of Haryana. The mistake resulted in short levy of tax of Rs. 82,312, besides interest and penalty.

On the omission being pointed out (September 1989) in audit, the department referred the case (April 1990) to the Revisional Authority for taking suo moto action. After verification the Revisional Authority in his order (November 1991) determined purchases as made within Haryana State at Rs. 27.97 lakhs and created additional demand of Rs. 58,129. The balance purchases were either made from outside the State or related to purchase of machinery and as such were not taxable. Action to levy interest amounting to Rs. 9,296 and penalty up to Rs. 87,194 is awaited (August 1992).

The case was reported to Excise and taxation Commissioner in January 1990; their reply has not been received (August 1992).

(b) As per the provisions of the Haryana General Sales Tax Act, 1973, a dealer can purchase, on the strength of certificate of registration and by furnishing a declaration in the prescribed form ST-15 without payment of tax, goods (other than those on which tax is leviable at first stage) for re-sale in the State or sale in the course of inter-state trade or commerce or for use in the manufacture of goods (other than tax free goods) for sale in the State or sale in the course of inter-State trade or commerce or sale in the course of export out of territory of India. If a dealer, who has purchased goods without payment of tax, fails to use the goods, so purchased, for the specified purposes, he is liable to pay tax on the purchase value of such goods at the rates notified under section 15 of the State Act. Further, for failure to pay the tax due by the stipulated date, the dealer is liable to pay interest at the rate of one per cent for the first month and at one and a half per cent per month thereafter under the State Act.

A dealer of Hisar purchased wooden crates valued at Rs. 8.66 lakhs during the years 1985-86 and 1986-87 by furnishing declaration in form ST-15 without payment of tax. The items so purchased were neither sold nor used in the manufacture of goods. These were, thus, liable to be assessed to tax. While framing assessments (July 1989 and January 1990), the

assessing authority failed to levy tax on these purchases. The omission resulted in under-assessment of tax amounting to Rs. 70,671 and interest of Rs. 39,035.

On the omission being pointed out (May and June 1991) in audit, the department referred (May 1992) the case to the Revisional Authority for suo moto action.

The matter was reported to Government in January 1992; their reply has not been received (August 1992).

(c) Under the provisions of Haryana General Sales Tax Act, 1973, transfer of property in goods for cash or deferred payment or other valuable considerations including transfer of property in goods (whether as goods or in some other forms) involved in the execution of a works contract is a sale and is exigible to Sales Tax. Further, interest is also chargeable for short/non-payment of tax alongwith returns.

A dealer of Faridabad purchased raw material valued at Rs. 1.22 lakhs without payment of tax and used the same in the job work during 1984-85. While finalising assessment (November 1985), the assessing authority failed to levy tax on these purchases. The omission resulted in under-assessment of tax amounting to Rs. 9,992 and interest Rs. 11,950. Besides, penalty not exceeding Rs. 14,988 was also leviable.

On the omission being pointed out in Audit (August 1987), the department referred (April 1991) the case for suo moto action. The Revisional Authority on verification determined the purchases at Rs. 4.67 lakhs (including purchases valued at Rs. 3.50 lakhs made against 'C' form from outside the State) and created (June 1991) additional demand of Rs. 83,630 (tax Rs. 38,100 and interest Rs. 45,530). The dealer deposited Rs. 10,000 and filed an appeal against these orders. Further progress has not been intimated (August 1992).

(d) Under the provisions of Haryana General Sales Tax Act, 1973, oil seeds (Sarson) when imported, tax is leviable at the first sale by a dealer liable to pay tax under the Act. Further, interest at the prescribed rate is also chargeable for short/non-payment of tax alongwith the returns.

A dealer of Hisar purchased Sarson valued at Rs. 12.09 lakhs from outside the State of Haryana during 1986-87 which was partly sold as such to registered dealers and partly crushed to manufacture oil. While finalising assessment (February

1990), the assessing authority allowed rebate of tax on the entire purchases of Rs. 12.09 lakhs instead of restricting the same in proportion to sarson used in the manufacture of oil. No rebate was admissible in respect of imported oil seeds sold as such to registered dealers. The mistake resulted in under-assessment of tax of Rs. 39,464. Besides, interest of Rs. 19,355 was also chargeable for non-payment of tax along with the returns.

On the omission being pointed out (July 1991) in audit, the department referred (December 1991) the case to the Revisional Authority for taking suo moto action. Further report has not been received (August 1992).

The case was reported to Government in September 1991; their reply has not been received (August 1992).

(e) Under the provisions of Haryana General Sales Tax Act, 1973, every dealer is liable to pay tax under the Act on the sale or purchase of goods in the State at the stage specified in the Act. Further, interest at the rate of one per cent for the first month and one and a half per cent per month thereafter and penalty is also chargeable for non/short payment of tax along with returns.

A dealer of Rewari purchased goods valued at Rs. 2.60 lakhs from within the State during the year 1987-88 without payment of tax, and used them in the manufacture of tax free and taxable goods sold within the State, in the course of inter-State trade or commerce as well as in goods sent to branch offices. While framing assessment (November 1990), the assessing authority did not levy the purchase tax. The mistake resulted in under-assessment of tax of Rs. 20,529 and interest of Rs. 9,123 besides penalty not exceeding Rs. 30,794.

On the omission being pointed out (October 1991) in audit, the department referred (January 1992) the case to the Revisional Authority for taking suo-moto action. Further report has not been received (August 1992).

The case was reported to Government in December 1991; their reply has not been received (August 1992).

2.4 Under-assessment due to excess rebate

(a) Under the Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the

Act at the first stage of sale of goods purchased by him, from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-state trade or commerce, or in the course of export outside India. For non/short payment of tax alongwith the returns, however, interest at prescribed rates is chargeable from the dealer.

(i) A dealer of Faridabad purchased glass bottles (taxable at the stage of first sale) valued at Rs. 17.33 lakhs during the year 1988-89 after payment of tax. The bottles were used in the packing of taxable goods sold within the state, in the course of inter-state trade or commerce and in the course of export outside the territory of India as well as in goods sent on consignment basis/branch transfers. At the time of assessment (April 1991), the assessing authority allowed rebate of tax on the entire purchases of Rs. 17.33 lakhs, instead of limiting it in proportion of goods sold within the state or in the course of inter-state sale or export outside the territory of India. No tax rebate was admissible for manufactured goods sold on consignment basis/branch transfers. The mistake resulted in under-assessment of tax of Rs. 2.67 lakhs.

On the omission being pointed out (October 1991) in audit, the department referred (November 1991) the case to the Revisional Authority for suo moto action, who decided the case in March 1992 and created an additional demand of Rs. 2.95 lakhs (tax Rs. 1.85 lakhs and interest Rs. 1.10 lakhs) which was deposited by the dealer in April 1992. Penalty of Rs. 25000 was levied on 29 April 1992 under Section 47. Further report on recovery has not been received (September 1992).

The case was reported to Government in December 1991; their reply has not been received (August 1992).

(ii) A dealer of Dabwali purchased cotton seeds valued at Rs. 38.17 lakhs during the year 1983-89 from within Haryana State after payment of tax of Rs. 1.53 lakhs at first stage of sale. Cotton seeds valued at Rs. 15.37 lakhs were used by him in the manufacture of oil valued at Rs. 9.64 lakhs sent on consignment basis. While finalising assessment (March 1990), the assessing authority determined value of cotton seeds used in the manufacture of oil, sent on consignment basis as Rs 8.87

lakhs instead of Rs. 15.37 lakhs and worked out the refund to be allowed to the dealer as Rs. 35,717. It was, however, noticed in audit (November 1990) that the dealer was entitled to refund of Rs. 9,788 only. Thus refund of Rs. 25,929 was found to have been allowed in excess.

On the mistake being pointed out (November 1990) in audit, the Revisional Authority took the records from the assessing authority in December 1990 for taking suo moto action. The Revisional Authority while deciding the case in June 1991, held that the dealer mainly sent the cotton seed oil for sale on consignment basis outside the State of Haryana and disallowed the entire rebate and created additional demand of Rs. 85,387.

The dealer went in appeal before the Tribunal against the orders of the Revisional Authority after depositing (February 1992) fifty per cent of the additional demand so created viz. Rs. 42,720 and by submitting surety bond for the balance amount. Further report has not been received (August 1992).

The case was reported to Government in January 1991; their reply has not been received (August 1992).

(iii) A dealer of Hisar made tax paid purchases of hot rolled coils valued at Rs. 135.86 lakhs during the year 1988-89 from within Haryana State after payment of tax of Rs. 5.46 lakhs and used the same in the manufacture of goods sold within the State, in the course of inter-state trade or commerce as well as in the goods sent on consignment basis. While finalising (March 1990) assessment, the assessing authority, however, erroneously determined the value of tax paid purchases as Rs. 142.60 lakhs instead of Rs. 135.86 lakhs. The mistake resulted in under-assessment of tax of Rs. 26,959, besides interest of Rs. 6,750.

On the omission being pointed out (June 1991) in audit, the department referred (December 1991) the case to the Revisional Authority for suo moto action. Further report has not been received (August 1992).

The case was reported to Government in September 1991; their reply has not been received (August 1992).

(iv) A dealer of Karnal purchased maida, vegetable ghee, wrapper and refined oil (taxable at the stage of first sale) valued at Rs. 14.43 lakhs during the year 1989-90 from within Haryana State after payment of tax. The goods were used in the manufacture of bread sold within the State, sent on consignment basis and branch transfers. While finalising (December 1990) the assessment, the assessing authority erroneously allowed rebate of tax paid on the entire purchases, instead of allowing the same in proportion to the goods sold in the State, no rebate being admissible in respect of manufactured goods sold on consignment basis or transferred to branch offices. The omission resulted in under-assessment of tax of Rs. 28,585, besides interest of Rs. 3,289.

On the omission being pointed out (June 1991) in audit, the department referred (January 1992) the case to the Revisional Authority for suo moto action. Further report has not been received (August 1992).

The case was reported to Government in September 1991: their reply has not been received (August 1992).

(b) Under the Haryana General Sales Tax Act, 1973, on sale of rice, tax is leviable at the point of first sale in the State and on purchase of paddy at the point of last purchase in the State. The sales tax levied on rice is, however, reduced by the amount of purchase tax paid in the State on paddy out of which such rice has been produced. Further, for non/short payment of tax due as per returns interest at one per cent per month for the first month and at one and a half per cent per month thereafter is also leviable.

A dealer of Panipat husked 27,934 quintals of paddy valued at Rs. 56.53 lakhs during the year 1989-90. The average purchase price of paddy used in husking rice worked out to Rs. 202.38 per quintal. Out of rice obtained from the paddy, the dealer sold 15136.06 quintals of rice valued at Rs. 55.29 lakhs to the District Food and Supplies Controller (D.F.S.C.) and in the local market. While finalising assessment (December 1990), the assessing authority allowed rebate from the tax assessed on sale of rice by taking average purchase price of paddy at Rs. 225 per quintal instead of at Rs. 202.38 per quintal resulting in excess relief of tax of Rs. 21,557 to the assessee. Besides, interest of Rs. 4,752 for short payment of tax was also leviable.

On the omission being pointed out (April 1991) in audit, the assessing authority raised (February 1992) additional demand of Rs. 26,309 (tax Rs. 21,557 and interest Rs. 4,752).

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

2.5 Application of incorrect rate of tax

(a) As per Haryana Government notification issued in December 1987, 'accumulators' are taxable at the rate of twelve per cent up to 5 September 1989. The Excise and Taxation Commissioner, Haryana, issued clarification in December 1990 that batteries were covered by the term 'accumulators'. Further, for non-payment of tax due alongwith returns, the dealer is liable to pay interest at one per cent per month for the first month and at one and a half per cent per month thereafter.

A dealer of Rohtak sold batteries amounting to Rs. 63.13 lakhs during April 1989 to August 1989. While finalising (May 1990) the assessment for the year 1989-90, the assessing authority erroneously assessed the sales of Rs. 63.13 lakhs of batteries (accumulators) at the rate of ten per cent instead of the correct rate of tax of twelve per cent. The mistake resulted in short levy of tax amounting to Rs. 1.39 lakhs. Besides, interest of Rs. 16,436 was also chargeable for short payment of tax alongwith the returns.

On the omission being pointed out (December 1991) in audit, the assessing authority did not accept the objection and stated that the batteries were not covered under the term 'accumulators'. However, on a subsequent reference by Audit in April 1992, the department referred (April 1992) the case to the Revisional Authority for taking suo moto action. Further report has not been received (August 1992).

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

(b) Under the provisions of Haryana General Sales Tax Act, 1973, water coolers and electronic voltage correctors (E.V.C.) being electrical appliances are taxable at the rate of twelve per cent. Further, as per Haryana Government notification issued in December 1987, tax on electrical appliances

is leviable at the first stage of sale in Haryana and deduction from turnover on account of sale of such goods to registered dealers against declaration forms is not admissible.

In the case of a dealer of Faridabad, the assessing authority while finalising (March 1990) assessment for the year 1988-89, erroneously levied tax on the sale of water coolers valued at Rs. 2.41 lakhs at the rate of ten per cent instead of the correct rate of twelve per cent and also allowed deduction amounting to Rs. 1.63 lakhs from his gross turnover on account of sale of water coolers and electronic voltage correctors (taxable at the first stage of sale being electrical appliances) to registered dealers. The mistake on both the counts resulted in under-assessment of Rs. 33,486 (tax Rs. 26,786 and interest Rs. 6,700). Penalty up to Rs. 40,179 for short payment of tax due alongwith returns was also chargeable.

On the omission being pointed out (February 1991) in audit, the department referred (June 1991) the case for suo moto action to Revisional Authority who raised (December 1991 and January 1992) additional demand of Rs. 1.15 lakhs (tax Rs. 43,077, interest Rs. 23,893 and penalty Rs. 47,786). The dealer, however, filed an appeal before the Sales Tax Tribunal, Haryana who ordered (June 1992) to deposit the amount of tax of Rs. 43,077 by the end of August 1992 and stayed the recovery of interest and penalty. The dealer, however, deposited (June 1992) Rs. 14,500. Report on recovery of balance amount has not been received (August 1992).

The case was reported to Government in April 1991; their reply has not been received (August 1992).

(c) Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the sale or purchase of goods made in the State at the stage specified in the Act. Further, for short payment of tax due alongwith returns, the assessee is liable to pay interest at one per cent for the first month and at one and a half per cent per month thereafter in addition to the penalty not exceeding one and a half times the amount of tax assessed or liable to be assessed.

A dealer of Sonipat purchased, without payment of tax, chemicals valued at Rs. 8.90 lakhs during the year 1987-88 from within the State and used the same in the job work

(processing of goods). While finalising the assessment (November 1990), the assessing authority levied tax at the rate of 4 per cent instead of the correct rate of 8 per cent. The mistake resulted in under-assessment of tax of Rs. 36,820 and interest of Rs. 20,240. Besides, penalty for short payment of tax alongwith returns not exceeding Rs. 55,230 was also chargeable.

On the omission being pointed out (March 1992) in audit, the department referred (May 1992) the case to Revisional Authority for suo moto action. The Revisional Authority decided the case in August 1992 and created an additional demand of Rs. 36,820. Further report has not been received (August 1992).

The case was reported to Government in May 1992; their reply has not been received (September 1992).

(d) Under the Central Sales Tax Act, 1956, inter-State sales to Government departments are taxable at the concessional rate of four per cent when such sales are supported by valid declarations furnished by an authorised officer of the Government department. The concession is not admissible in respect of inter-State sales to autonomous bodies or other non-Government institutions. They are liable to pay tax at the full rate (ten per cent). Further, for short payment of tax the dealer is also liable to pay interest at one per cent per month for first month and at one and a half per cent per month thereafter so long as the default continues.

(i) On the inter-State sales valued at Rs. 4.90 lakhs, made by a dealer of Faridabad during the year 1989-90 to the Ganga Pollution Prevention Division, Uttar Pradesh Jal Nigam, Varanasi, tax was levied (February 1991) at the concessional rate of four per cent. Jal Nigam being an autonomous body tax was actually leviable at the rate of ten per cent. The mistake resulted in under-assessment of tax of Rs. 29,416. Besides, interest of Rs. 6,928 was also leviable for short payment of tax alongwith the returns.

On the omission being pointed out (January 1992) in audit, the department referred (June 1992) the case to Revisional Authority for suo moto action. Further report on action taken has not been received (August 1992).

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

(ii) A dealer of Gurgaon made inter-State sales valued at Rs. 2.60 lakhs during the year 1987-88 to the College of Technology and Agricultural Engineering, Udaipur (a constituent college of Rajasthan Agricultural University, Bikaner) and Rural Development Agency, Jaisalmer (Rajasthan) which are autonomous bodies and are not Government departments. The assessing authority, while finalising assessment (December 1989) levied tax on the sales at the concessional rate of four per cent instead of the correct rate of ten per cent considering the buyers as Government departments. The mistake resulted in under-assessment of tax of Rs. 22,328 (Tax Rs. 15,620 and interest Rs. 6,708).

On the omission being pointed out (November 1990) in audit, the assessing authority reiterated (June 1991) that these institutions were Government departments and were financed by State/Central Governments. The reply of the assessing authority was not tenable because both the institutions were constituents of autonomous bodies which were financed through grant-in-aid from Government but were not Government departments. The matter was reported to the Excise and Taxation Commissioner Haryana in July 1991 for comments who accepted the objection and directed (July 1992) the assessing authority to reassess the cases and submit the final findings. The assessing authority created additional demand of Rs. 23,194 (tax Rs. 18,030 and interest Rs. 5,164) in June 1992. Further report is awaited (August 1992).

The case was reported to Government in March 1991; their reply has not been received (August 1992).

2.6 Suppression of purchases

Under the provisions of Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales, purchases or stocks of goods or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act, any account, return or information which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax which he is

assessed or is liable to be assessed an amount, which shall not be less than twice and not more than ten times (five times from 17th April 1984 and 3 times from 1st January 1988) the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct.

A dealer of Rewari purchased (November 1988) copper valued at Rs. 8.17 lakhs without payment of tax by furnishing the prescribed declaration in form ST-15 from another dealer of the same district. The selling dealer was allowed deduction on the aforesaid transaction in assessment for the year 1988-89 but the purchasing dealer did not account for the purchases in his gross turnover for the year 1988-89. It remained undetected at the time of assessment finalised in January 1991. Failure to cross verify the transaction by the assessing authority resulted in short levy of tax by Rs. 71,899 besides minimum penalty of Rs. 1.44 lakhs for suppression of purchases.

On the omission being pointed out (October 1991) in audit, the department referred (January 1992) the case to the Revisional Authority for taking suo moto action. Further report has not been received (August 1992).

The case was reported to Government in December 1991; their reply has not been received (August 1992).

2.7 Under-assessment due to short levy of purchase tax and incorrect deduction

Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the sale or purchase of goods made in the State, at the appropriate stage specified in the Act. For non-payment of tax alongwith returns, the dealer is liable to pay interest at the rate of one per cent per month for the first month and one and a half per cent per month thereafter. Further a registered dealer may deduct from his gross turnover, sale value of goods sold to registered dealers after furnishing the prescribed declarations in form ST-15. The assessing authority, before allowing deduction, may examine the genuineness or otherwise of any such sale or declaration form, with reference among other things, to the financial position, capacity to make purchases, nature and extent of business and subsequent disposal of goods by the registered dealers to whom the

sale is shown to have been made against the declaration forms. Further, penalty not less than twice and not more than five times the amount of tax involved is leviable on the assessee for the offence of maintaining false or incorrect accounts with a view to suppressing his sales or purchases or for producing before the assessing authority any account return or information which is false or incorrect.

Out of purchases of Rs. 35.11 lakhs of chemicals made by a dealer of Hisar during the year 1986-87 from within the State, without payment of tax, chemicals valued at Rs. 16.70 lakhs were used by him in the manufacture of goods sent on consignment basis/branch transfers. While finalising assessment (July 1989), the assessing authority, however, determined the value of chemicals used in goods sent on consignment basis/branch transfers as Rs. 14.28 lakhs only. The mistake resulted in under-assessment of Rs. 14,495 (tax Rs. 9,840 and interest Rs. 4,655). Further, during cross verification, the assessing authority also noticed that sales of Rs. 5.24 lakhs made to a registered dealer of Rohtak were not supported by valid declarations as these forms were neither issued by the department to the purchasing dealer nor the purchases were accounted for by the purchasing dealer. The assessing authority instead of disallowing the claim, allowed the deduction. Thus, tax was neither paid by the selling dealer nor by the purchasing dealer resulting in loss of tax of Rs. 64,190. As the assessee had wilfully tried to evade tax by filing false returns and by showing bogus sales to a registered dealer of Rohtak, minimum penalty of Rs. 1.28 lakhs (twice of Rs. 64,190) was also leviable. The mistake on both the counts resulted in under-assessment of Rs. 2.07 lakhs (tax Rs. 74,030, interest Rs. 4,655 and penalty Rs. 1.28 lakhs).

On the omission being pointed out (July 1991) in audit, the department referred (November 1991) the case to the Revisional Authority for suo moto action. Further report on action taken has not been received (August 1992).

The case was reported to Government (September 1991); their reply has not been received (August 1992).

2.8 Incorrect deduction from turnover

(a) As per the Government notification issued (April 1989) under the Haryana General Sales Tax Act, 1973,

tax on components made whether wholly or principally of iron and steel when sold to a manufacturer for use in the manufacture of goods, is leviable at the first stage of sale in Haryana from 7 April 1989. Thus, deduction from turnover on account of sale of such goods to registered dealers against declarations is not admissible from 7 April 1989 onward.

In the case of a dealer of Panipat, the assessing authority, while finalising (February 1991) the assessment for the year 1989-90, erroneously allowed deduction amounting to Rs. 4.92 lakhs from his gross turnover on account of sale of iron and steel components to the registered dealers. The incorrect deduction resulted in short assessment of tax of Rs. 43,307. Besides, penalty not exceeding one and half times the amount of tax assessed, interest amounting to Rs. 10,176 for non-payment of tax alongwith the returns was also chargeable.

On the omission being pointed out (August 1991) in audit, the department referred the case for suo moto action to Revisional Authority who raised (January 1992 and March 1992) an additional demand of Rs. 78,007 (tax : Rs. 40,007 interest : Rs. 16,000 and penalty : Rs. 22,000). After depositing (May 1992) a sum of Rs. 21,000 the dealer filed an appeal before the Sales Tax Tribunal against the orders of the Revisional Authority. Report on recovery has not been received (August 1992).

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

(b) As per the Haryana Government notifications issued (May 1973 and December 1987) under the Haryana General Sales Tax Act, 1973, tax on paper (other than newsprint) card boards, straw boards and their products is leviable at the point of first sale in the State. Thus, deduction from turnover on account of sale of such goods to registered dealers against declaration is not admissible. Further, for non-payment of tax due, alongwith the returns, the dealer is liable to pay interest at the rate of one per cent per month for the first month and one and a half per cent per month thereafter. Penalty not exceeding one and a half times the amount of tax assessed is also leviable.

In the case of a dealer of Faridabad, the assessing authority while finalising the assessments (between March 1990 and December 1990) for the years 1986-87, 1987-88 and 1988-89 erroneously allowed deduction amounting to Rs. 3.46 lakhs from gross turnovers on account of sale of stationery (paper products) to the registered dealers. The incorrect deductions resulted in short assessment of tax of Rs. 29,409 and interest of Rs. 14,369. Besides, penalty not exceeding Rs. 44,114 for non-payment of tax due alongwith returns was also chargeable.

On the omission being pointed out (September 1991) in audit, the department referred (December 1991) the case to the Revisional Authority for taking suo moto action. Further report has not been received (August 1992).

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

2.9 Under-assessment due to misclassification of goods

Under Section 15 of Haryana General Sales Tax Act, 1973, aluminium wares being unclassified items are taxable at the general rate of eight per cent. Further, as per Haryana Government notification dated 30 December 1987, aluminium wares are taxable at the point of first sale. Besides, penalty not exceeding one and a half times the amount of tax assessed, interest at one per cent per month for the first month and at one and a half per cent per month thereafter was also chargeable for non/short payment of tax.

A dealer of Panipat (manufacturer of bottles of pesticides) sold aluminium bottles valued at Rs. 8.01 lakhs during the years 1988-89 and 1989-90. While finalising the assessments for these years in December 1989 and February 1991 respectively, the assessing authority levied tax at the rate of three per cent instead of the correct rate of eight per cent. The mistake resulted in under assessment of tax of Rs. 44,028 and interest of Rs. 9,607. Penalty not exceeding Rs. 66,042 for short payment of tax due alongwith returns was also leviable.

On the omission being pointed out (August 1991) in audit, the department referred (June 1992) the case to the Revisional Authority for suo moto action. Further report on action taken has not been received (August 1992).

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

2.10 Interest not charged

(a) Under the provisions of the Haryana General Sales Tax Act, 1973, and the Central Sales Tax Act, 1956, if the amount specified in any notice of demand, whether as tax or penalty, is not paid within the period specified in such a notice, or in the absence of any period being specified, within 30 days from the date of service of such notice, the dealer shall be liable to pay simple interest on the amount of tax due, at one per cent per month for the first month and at one and a half per cent per month thereafter so long as the default continues.

While finalising the assessments (June 1990) in respect of a dealer of Rohtak for the years 1983-84 and 1984-85, the assessing authority created additional demands of Rs. 63.04 lakhs and Rs. 74.74 lakhs respectively and the dealer was served demand notice to deposit the amount by September 3, 1990. The dealer, however, deposited the amount in instalments and the last instalment was paid in March 1991. For delayed payments of tax, an interest of Rs. 11.71 lakhs was chargeable but was not demanded.

On the omission being pointed out (February 1992) in audit, the department intimated (August 1992) that interest of Rs. 11.71 lakhs has been levied. Report on recovery has not been received (August 1992).

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

(b) Under the Haryana General Sales Tax Act, 1973 and Central Sales Tax Act, 1956, a dealer is required to pay the full amount of tax due according to his returns which are to be submitted by the prescribed dates. In the event of default, the dealer is liable to pay interest on

the amount of tax due at one per cent per month for the first month and at one and a half per cent thereafter, so long as the default continues. Further for failure to pay the tax due according to the returns, the prescribed authority after affording the dealer a reasonable opportunity of being heard, may impose a penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(i) In the case of a dealer of Rewari, the assessing authority while finalising (March 1991) the assessment for the year 1986-87 levied interest short by Rs. 24,687.

On the omission being pointed out (October 1991) in audit, the department informed (June 1992) that demand of Rs. 24,687 has been raised. Further report on recovery has not been received (June 1992).

(ii) A dealer of Rohtak did not pay full tax due along with the returns during the year 1986-87. While finalising assessment (August 1990), the assessing authority created additional demand of tax of Rs. 48,554 but interest of Rs. 28,917 for short payment of tax due along with returns was not demanded.

On the omission being pointed out (December 1991) in audit, the department referred (February 1992) the case to Revisional Authority for taking suo moto action. Report on action taken has not been received (August 1992).

The cases were reported to Government between December 1991 and April 1992; their reply has not been received (August 1992).

2.11 Short levy of penalty

Under the provisions of Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts with a view to suppress his sales, purchases or stocks of goods or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act, any account, return or information which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he

is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than ten times (five times from 17 April 1984 and three times from 1 January 1988) the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct.

(i) In the case of a dealer of Rewari, the assessing authority while finalising (August 1990) assessment for the year 1985-86 detected suppression of purchases and enhanced the gross turnover by Rs. 25.26 lakhs and levied additional tax of Rs. 2.06 lakhs and penalty of Rs. 3.72 lakhs only instead of the minimum leviable penalty of Rs. 4.12 lakhs. The mistake resulted in short levy of penalty of Rs. 40,300.

On the omission being pointed out (October 1991) in audit, the department referred (February 1992) the case to the Revisional Authority for taking suo moto action, who raised (March 1992) an additional demand of Rs. 40,300. Further report on recovery has not been received (September 1992).

The case was reported to Government in December 1991; their reply has not been received (August 1992).

(ii) In the case of a dealer of Faridabad, the assessing authority while finalising (March 1991) assessment for the year 1986-87, detected suppression of sales and enhanced the gross turnover by Rs. 4.00 lakhs and levied tax of Rs. 32,640 and imposed penalty of Rs. 32,640 only as against the minimum leviable penalty of Rs. 65,280. The mistake resulted in short levy of penalty of Rs. 32,640.

On the omission being pointed out (February 1992) in audit, the assessing authority raised (February 1992) additional demand of Rs. 32,640. Report on recovery has not been received (August 1992).

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

2.12 Non-production of assessment files

During the year 1991-92, out of 626 assessment files, relating to 26 units assessed by the assessing authorities during the year 1990-91 involving taxable turnover amounting to Rs. 13,436.58 lakhs, 524 files were not produced to Audit for

scrutiny. In the remaining 102 cases, taxable turnover was not found recorded in the disposal registers. No reasons were, however, assigned for non-production of these files. Production of these cases to Audit at a late stage would render audit scrutiny in certain cases ineffective and may result in loss to Government as recovery of under-assessment, if any, pointed out by Audit might become time-barred by the time these files are produced to Audit.

The matter was reported to the department between June 1991 and May 1992; their reply has not been received (August 1992).

CHAPTER 3

Stamps and Registration Fees

3.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1991-92, revealed short levy and non-levy of stamp duty and registration fee and other irregularities amounting to Rs. 141.13 lakhs in 1290 cases, which broadly fall under the following categories :

	Number of cases	Amount (In lakhs of rupees)
1. Loss of stamp duty and registration fee due to under-valuation of properties.	766	111.73
2. Irregular exemption of stamp duty and registration fee	357	9.57
3. Non/short levy of stamp duty and registration fee	123	2.17
4. Evasion of stamp duty and registration fee	25	8.62
5. Other irregularities	19	9.04
	<hr/> 1290	<hr/> 141.13

During the course of the year 1991-92, the department accepted under-assessment etc. of Rs. 183.90 lakhs involved in 1288 cases of which 488 cases involving Rs. 80.90 lakhs had been pointed out in audit during 1991-92 and the rest in earlier years, out of which an amount of Rs. 2.40 lakhs in 30 cases

has been recovered. 8 draft paragraphs containing 13 cases involving financial effect of Rs. 10.58 lakhs and bringing out major irregularities noticed during the year 1991-92 or earlier years were issued to the Government for their comments. The department has accepted the observations in 12 cases involving Rs. 10 lakhs of which Rs. 0.96 lakhs have been recovered up to August 1992.

A few illustrative cases are given in the following paragraphs.

3.2 Short levy of Stamp duty

Under the Indian Stamp Act, 1899, conveyance includes conveyance on sale and every instrument by which property, whether movable or immovable, is transferred inter vivos and which is not otherwise specifically provided for by Schedule I—A. Further, the Indian Registration Act, 1908, provides that immovable property includes land, building, hereditary allowances, rights to ways, lights, ferries, fisheries or any other benefit to arise out of land and things attached to the earth, but not standing timber, growing crops nor grass.

In Shahabad (Kurukshetra), a vendee purchased a factory for a consideration of Rs. 41.31 lakhs in auction conducted by the official liquidator attached to Delhi High Court. Out of the total auction cost of the factory, an amount of Rs. 6.91 lakhs was apportioned for land and building and the balance amount of Rs. 34.40 lakhs represented plant and machinery. While executing (October 1990) the sale deed in the office of Sub-Registrar, Shahabad, stamp duty was paid on Rs. 6.91 lakhs viz. on the cost of land and building instead of on the total cost of Rs. 41.31 lakhs. The omission resulted in short levy of stamp duty amounting to Rs. 5.33 lakhs on the cost of plant and machinery.

On the omission being pointed out (June 1991) in audit, the department referred (October 1991) the case to the Collector who upheld the view point of audit and ordered (January 1992) recovery of the balance stamp duty of Rs. 5.33 lakhs. The vendee has gone in appeal in the civil court against the judgement of the Collector. Further progress of the case has not been received (August 1992). The case was reported (June 1992) to the Government.

3.3 Under valuation of immovable property

Under Section 47 —A of the Indian Stamp Act, 1899 and the rules made thereunder, as applicable to Haryana, if the Registering Officer has reasons to believe that the value of the property or the consideration as the case may be, has not been truly set forth in the instrument of transfer, he may refer the same to the Collector for determination of the value or consideration of the property and the proper duty payable thereon. Further, Section 64 of the Indian Stamp Act, 1899, provides that any person, who with intent to defraud Government, executes any instrument, in which all the facts and circumstances required to be set forth in such instrument under the Act are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees.

(i) In 6 sale deeds registered in registering offices at Ferozpur Jhirkha, Rewari and Safidon during the period from June 1990 to May 1991, the value of the properties set forth in the sale deeds had been shown less than those agreed upon between the parties as per agreements to sell executed by them earlier and recorded with the document writers. This resulted in stamp duty being realised short by Rs. 1.95 lakhs.

On the omission being pointed out (June 1991, November 1991 and January 1992) in audit, the department raised (August, December 1991 and May 1992) the demand for recovery. Report on recovery has not been received (August 1992).

The cases were reported to Government between June 1991 and January 1992; their reply has not been received (August 1992).

(ii) In the office of the Sub-Registrar, Pehowa (Kurukshetra), a sale deed was executed during June 1989 on account of sale of agricultural land measuring 7.225 acres (57 Kanals 16 marlas). The value of land set forth in the sale deed was of Rs. 1.96 lakhs whereas, as per agreement executed between the affected parties in December 1988 and found recorded with the document writer, the sale value agreed upon works out to Rs. 3.61 lakhs at the rate of Rs. 50,000 per acre. This resulted in stamp duty being realised short by Rs. 20,690. Besides, penalty not exceeding Rs. 5000 for under-valuation done with intent to defraud Government was also leviable, but was not levied.

On the omission being pointed out (July 1990) in audit, the department recovered (between April 1991 and July 1992) Rs. 15,690 and intimated that efforts were being made to recover the balance amount.

The case was referred to Government in October 1990; their reply has not been received (August 1992).

3.4 Evasion of Stamp duty and registration fee through power of attorney

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

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

In Sub-Registry Panipat, an agreement to sell was executed (December 1990) after receiving full consideration and handing over possession of the property to the purchaser. Simultaneously power of attorney authorising the purchaser to dispose of the property in any manner and sign the sale deed was also given. Stamp duty and registration fee amounting to Rs. 1.01 lakhs was leviable on the consideration as applicable to sale deed, but was not levied.

On the mistake being pointed out (September 1991) in audit, the department issued (February 1992) notice of recovery. Further report has not been received (August 1992).

The matter was reported to Government in December 1991; their reply has not been received (August 1992).

3.5 Irregular exemption of stamp duty and registration fee

Under the Indian Stamp Act, 1899, as applicable to Haryana 'mortgage deed' includes every instrument whereby, for the purpose of securing money advanced, or to be advanced, by way of loan, or an existing or future debt or the performance of an engagement, one person transfers or creates, to or in favour of another, a right over or in respect of specified property. In cases where possession of property is not given, stamp duty is chargeable at one and a half percent of the amount of loan secured by such instrument. Government vide two notifications issued in October 1983 under the Indian Stamp Act, 1899 and Indian Registration Act, 1908, remitted levy of stamp duty and registration fee on the deeds of mortgage without possession which are executed by agriculturists in favour of Commercial Banks for securing loans for purposes specified in the said notifications.

One Pharmaceutical Private Limited Company secured cash credit limit of Rs. 38 lakhs from a scheduled Commercial Bank. Two agriculturists stood surety for the payment of loan by the company and got registered two mortgage deeds of Rs. 19 lakhs each (without transfer of possession of property) in Registry Offices at Pehowa and Thanesar in February 1991. Stamp duty and registration fee on these mortgage deeds was not levied on the plea that both the mortgagees only stood surety but they did not secure any loan for themselves. The plea of the department is not tenable because the purpose of mortgage did not fall under the items specified for exemption under aforesaid notifications. The irregular grant of exemption resulted in non-levy of stamp duty of Rs. 57,000 and registration fee of Rs. 1,000.

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

3.6 Misclassification of instruments

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

which indicates expression of the desire by the author of the trust to vest the property in a body administering the trust as per his directions contained in the deed itself.

In Sub-Registrar office, Rewari, two instruments (by which immovable property was donated to trusts created for educational and charitable purposes) were erroneously registered (May 1990) as deeds of declaration of trust, instead of as deeds of settlement and assessed to stamp duty at the lower rates. Stamp duty and registration fee levied short as a result of this misclassification amounted to Rs. 45,618.

On the mistake being pointed out (August 1991) in audit, the department issued (December 1991 and January 1992) notices for recovery. The affected persons filed (June 1992) a suit in the court of Senior Sub-Judge, Rewari against the notices for recovery. Final outcome of the case is awaited (August 1992).

The cases were reported to Government in November 1991; their reply has not been received (August 1992).

3.7 Misclassification of conveyance deed as memorandum of agreement

Under the Indian Stamp Act, 1899, conveyance includes a conveyance on sale and every instrument by which property, whether movable and immovable is transferred inter vivos, and which is not otherwise specifically provided for in schedule I—A.

Memorandum of agreement constitutes agreement executed between the parties for sale of property. The terms and conditions of sale and details of property to be sold are set forth in memorandum of agreement. In the case of conveyance deed stamp duty is leviable at twelve and a half per cent of the sale value of property. The memorandum of agreement is, however, registered on a non-judicial stamp paper of Rupees three.

In the Sub-Registry Office, Gurgaon, in one case a daughter, an exclusive owner and in possession of one moulder house purchased from a builder sold forty per cent of the undivided share of the house to her mother for a consideration of Rs. 1.90 lakhs. The document was registered as Memorandum of Agreement on 15 October 1990 on the plea

that possession of the said house would be handed over to the purchaser as and when the same was received from the builder. In the agreement it was stated that seller was the exclusive owner and in possession of the said house by virtue of registered sale deed executed in her name in March 1990. The sale deed was, thus, erroneously registered as memorandum of Agreement instead of Instrument of Conveyance. The misclassification resulted in short levy of stamp duty of Rs. 23,750.

On the omission being pointed out (June 1991) in audit, the department accepted the objection and issued notice for recovery in April 1992. Further progress has not been received (August 1992).

The case was reported to Government in June 1991; their reply has not been received (August 1992).

CHAPTER 4

OTHER TAX RECEIPTS

4.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1991-92, revealed short/non-recovery of taxes on vehicles and of excise duty amounting to Rs. 938.66 lakhs in 17,957 cases which broadly fall under the following categories :

	Number of cases	Amount (In lakhs of rupees)
A. Taxes on vehicles	17,818	149.95
B. State Excise	139	788.71
	<hr/>	<hr/>
	17,957	938.66

During the course of the year 1991-92 the departments accepted under-assessment etc. of Rs. 1668.20 lakhs involved in 29,395 cases of which 11,531 cases involving Rs. 996.51 lakhs had been pointed out in audit during 1991-92 and the rest in earlier years, out of which an amount of Rs. 1.22 lakhs in 36 cases has been recovered. One draft review and one draft paragraph containing 26,294 cases involving financial effect of Rs. 213.84 lakhs bringing out major irregularities noticed during the year 1991-92 or earlier years were issued to the Government for their comments. The department has accepted the observations in 26294 cases involving Rs. 213.84 lakhs of which Rs. 64.86 lakhs have been recovered up to August 1992.

A few illustrative cases including a review on "Taxes on Motor Vehicles" are given in the following paragraphs :

A—TAXES ON MOTOR VEHICLES

4.2 Review on taxes on motor vehicles

4.2.1 Introductory

Registration of motor vehicles, collection of fees on account of issue of permits, countersignatures of permits and licences issued to drivers and conductors are regulated under the Motor Vehicles Act, 1939, Punjab Motor Vehicles Rules, 1940 as applicable to Haryana, Motor Vehicles Act, 1988 and Central Motor Vehicles Rules, 1989. All motor vehicles, with certain exceptions, are required to be registered in the State in which, the owner of the vehicle has residence or place of business where the vehicle is normally kept. The levy and collection of road tax is governed by the Punjab Motor Vehicles Taxation Act, 1924 (as applicable to Haryana) and the Rules framed thereunder. The tax is leviable on every motor vehicle, except certain vehicles or class of vehicles specifically exempted under the Act/Rules and is recoverable in equal instalments for the quarterly periods commencing on the 1st day of April, July, October and January of each year at such rates, as the State Government may by notification prescribe from time to time. A rebate of five per cent is admissible if the vehicle owner pays all the four quarterly instalments in advance. A token in acknowledgment of tax paid or exemption granted is required to be issued by the department and displayed on the motor vehicle by the owner.

4.2.2 Scope of Audit

A test check of records for the years 1988-89 to 1990-91 was conducted in audit between March 1992 and May 1992 in the offices of 16 (out of 39) Registering Authorities and all the 6 Regional Transport Authorities in the State with a view to see the compliance of orders on the subject and maintenance of records.

4.2.3 Organisational set-up

The overall charge of the Transport Department vests in the State Transport Commissioner, Haryana. Six Regional

Transport Authorities have been set up in the State for regulating use of transport vehicles and collection of fees. Besides, the Sub-Divisional Officer (Civil) performs the functions of a 'Registering Authority' under the motor vehicles Act, 1939 and 1988 as well as of a 'Licencing Officer' under the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana. He ensures observance of rules and maintains the records of registration of motor vehicles and payments of taxes/fees. Enforcement of the regulatory provisions of the Acts/Rules and checking of the tax is carried out by Transport and Police Departments of the State. Road Check-Barriers under the charge of Transport Sub-Inspector were established on the borders of the neighbouring States in September 1983 which have been abolished and transferred to sales tax check barriers with effect from 1 August 1991.

4.2.4 Highlights

—Tax amounting to Rs. 2.49 lakhs was recovered short on private service vehicles owned by private companies or by individuals.

—Registration fee/transfer of ownership fee and hire purchase agreement fee amounting to Rs. 3.09 lakhs was short recovered or not recovered from the owners of vehicles.

—On 26 Haryana Roadways buses quarterly tax of Rs. 1.59 lakhs for various periods was not charged as the buses were stated to be off the road although the vehicles had actually been plied during the respective quarters.

—Tax amounting to Rs. 1.29 lakhs had not been recovered due to grant of irregular exemption of payment of token tax to vehicles.

—Permit fee/countersignatures of permit fee amounting to Rs. 2.02 crores was charged short in the offices of Regional Transport Authorities.

—Improper maintenance of records/non-reconciliation of receipts with treasury resulted in presentation of 166 interpolated challans amounting to Rs. 19,819.

4.2.5 Trend of revenue

The variations between budget-estimates and actual receipts of taxes on vehicles during the years 1988-89 to 1990-91 are given below :

Year	Budget estimates (in lakhs)	Actuals (in lakhs)	Increase(+) Decrease (—)	Percentage of variations
1988-89	1706.00	1911.41	(+)205.41	12.04
1989-90	2094.00	2138.86	(+) 44.86	2.14
1990-91	2996.00	3578.40	(+)582.40	19.44

Substantial increase in collection of taxes and fees in 1988-89 and also for wide variations between actuals and Budget Estimates during 1990-91 was due to increase in number of new registered vehicles, revision of rates of registration fee and permit fee, levy of toll tax on entry of vehicles in Haryana.

4.2.6 Short realisation of token tax on private service vehicles

(a) Under Motor Vehicles Act, 1988, "Private Service Vehicles" which inter-alia means a motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with his trade or business otherwise than for hire or reward but does not include a motor vehicle used for public purposes.

Government of Haryana vide notification dated 20 October 1989 introduced the new rates of token tax at the rate of Rs. 400 per seat per annum for such private service vehicles effective from 1 October 1989. Earlier it was covered under a common rate of Rs. 200 per seat per annum.

During the test check of records in the offices of five Registering Authorities* for the period 1989-90 to 1990-91, it was noticed that 42 buses owned by various private bodies and used exclusively for the carriage of their employees token tax of Rs. 2.00 lakhs was recovered short.

On the mistake being pointed out in audit between July 1990 and December 1991, the department recovered between January 1991 and May 1992 Rs. 87,255 in respect of 13 vehicles. In the remaining 29 cases notices were issued between April 1992 and May 1992 by the department to recover the balance amount of Rs. 1.13 lakhs.

(b) Short levy of tax due to application of incorrect rates

Under the Punjab Motor Vehicles Taxation Rules, 1925, as applicable to Haryana, token tax on contract carriages owned by any factory and used exclusively for the carriage of its personnel was chargeable at the rate of Rs. 200 per seat per annum (Rs. 400 per seat per annum from 1 October 1989).

During the test check of records of offices of five Registering Authorities**, it was noticed that eight vehicles owned by private bodies and used for the carriage of their employees, tax was charged at lesser rates than the prescribed rates, resulting in short recovery of Rs. 49,388 during 1988-89.

The department reported (May 1992) that notices were issued (between April 1992 and May 1992) to recover the amount of Rs. 49,388. Report on recovery has not been received (August 1992).

4.2.7 Non-deposit of token tax

The Punjab Motor Vehicles Taxation Act, 1924, and the Rules made thereunder, allow a person, exemption from payment of tax in respect of vehicles for a quarter if he proves to the satisfaction of the Licensing Officer that he

*Sonapat, Hisar, Bhiwani, Jagadhri and Ballabgarh.

**Ballabgarh (Faridabad), Safidon (Jind), Kurukshetra, Jagadhri and Ambala.

has not used or permitted the use of the vehicle throughout the said quarter and deposits the registration certificate with the Licensing Officer and also sends an advance intimation of his intention not to use the vehicle during the quarter for which exemption is claimed.

(i) During test check of records of five Registering Authorities**, it was noticed that Haryana Roadways had not deposited tax in respect of 26 buses between April 1988 to March 1991 on grounds of non-use of vehicles. Cross verification of receipt wise registers of these vehicles, in audit, however, revealed that vehicles continued to ply during the aforesaid period and tax amounting to Rs. 1.59 lakhs had not been demanded for the concerned quarter.

The department reported (May 1992) that Rs. 61,380 had been recovered between January 1992 and April 1992 in respect of 9 buses and for the remaining cases it was intimated (April-May 1992) that notices had been issued for recovery.

(ii) Haryana Roadways, Ambala had not deposited tax in respect of 4 buses for various quarters (between October 1988 and March 1989) on the plea that registration certificates of the vehicles were deposited with the Registering Authority on 29 September 1988. On verification (July 1990 and May 1992) it was found that the registration certificates of the buses were not deposited with Registering Authority, Ambala. This fact has been confirmed by the Registering Authority, Ambala. Thus, tax amounting to Rs. 45,045 had not been deposited for the quarter for which the vehicles had plied. The report on recovery has not been received so far (August 1992)

4.2.8 Irregular grant of exemption

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

**Hisar, Karnal, Ballabgarh, Kurukshetra and Ambala.

During test check of records of offices in four Registering Authorities*, it was noticed that tax amounting to Rs. 1.29 lakhs for various periods during the years 1988-89 to 1990-91 was not levied in respect of 15 vehicles belonging to autonomous bodies. The department reported that the Registering Authorities issued notices (between April 1992 and May 1992) to the vehicle owners to deposit the tax. Report on recovery has not been received (August 1992).

4.2.9 Non-realisation of Trade Certificate fee

Under Central Motor Vehicles Rules, 1989, a manufacturer or a dealer in motor vehicles is required to obtain Trade Certificate on payment of advance fee in respect of each vehicle which remains in possession of the dealer during the course of his normal trade as under :—

1. Motor Vehicle	Rs. 25 each
2. Invalid Carriage	Rs. 25 each
3. Others	Rs. 100 each

During test check of records of three Registering Authorities**, it was noticed that 23 dealers did not apply for trade certificates nor these were insisted upon by the department resulting in non-realisation of revenue amounting to Rs. 64,790 during the period 1989-90 and 1990-91.

The department reported (May 1992) that the Registering Authorities, Rewari and Ballabgarh recovered Rs. 11025 from 8 dealers and had issued notices (April 1992 and May 1992) to recover the balance amount of Rs. 53765.

4.2.10 Short realisation of registration fee/transfer of ownership fee/hire purchase agreement fee

(a) Under the Central Motor Vehicles Rules, 1989, an application for the registration of motor vehicles shall be made by the vehicle owners accompanied by a fee specified in Rule 81 of the Rules *ibid*.

*Ballabgarh, Hisar, Ambala and Panchkula.

**Rewari, Ballabgarh and Kurukshetra.

During test check of records of twelve offices of Registering Authorities*, it was noticed that in respect of 4949 vehicles, registration fee was charged at lower rates than specified under the rules *ibid* resulting in short realisation of fees amounting to Rs. 2.47 lakhs during the years 1989-90 and 1990-91.

The department reported (May 1992) that Rs. 11,675 recovered (between March 1991 and April 1992) in 235 cases and issued notices to recover the balance amount (April 1992 and May 1992). Report on recovery has not been received (August 1992).

(b) An application for transfer of ownership of motor vehicles under Central Motor Vehicles Rules, 1989 may be made by the transferee, accompanied by a fee specified in Rule 81 of the Rules *ibid*.

Test check of records of offices of ten Registering Authorities ** revealed that in respect of 923 cases of transfer of ownership in the offices of Registering Authorities, fee amounting to Rs. 34,223 was short realised during the period 1989-90 and 1990-91.

The department reported (May 1992) that Rs. 1115 recovered in 26 cases between September 1991 and March 1992 and issued notices to recover the balance fee (April 1992 and May 1992) for which report on recovery is awaited.

(c) An application for making entry of hire purchase agreement in certificate of registration of a motor vehicle required under sub section (21) of section 51 of Motor Vehicles Act, 1988 is to be accompanied by a fee specified in Rule 81.

Test check of records of the offices of the four Registering Authorities*** revealed that in 624 cases of hire purchase

*Sonipat, Gohana, Dabwali, Tohana, Safidon, Jind, Gurgaon, Rohtak, Bhiwani, Ballabgarh (Faridabad), Meham(Rohtak) and Hansi (Hisar).

**Gohana (Sonipat), Rewari, Jind, Sonipat, Jhajjar, (Rohtak), Dabwali(Sirsa), Bhiwani, Ballabgarh (Faridabad), Kurukshetra and Bahadurgarh (Rohtak).

***Sonipat, Karnal, Kurukshetra and Ballabgarh.

agreements, fee amounting to Rs. 28085 was realised short during the year 1989-90 because the department effected recovery at uniform rate of Rs. 5 instead of Rs. 50 in each case.

The department reported (May 1992) that Rs. 2700 have been recovered (between February 1991 and December 1991) and issued notices to recover the balance fee (April 1992 and May 1992).

4.2.11 Short payment of token tax by Haryana Roadways on account of reduction of Seats

Under Motor Vehicles Act, 1988, no owner of motor vehicle shall, so alter the vehicles that the particulars contained in the certificate of registration are no longer accurate, unless he has given notice to the Registering Authority. The State Government may, by notification authorise, subject to such conditions as may be specified in the notification, the owners of not less than ten transport vehicles to alter any vehicles owned by them.

Test check of records of four Registering Authorities* revealed that seating capacity of 29 buses belonging to Haryana Roadways were reduced without getting the sanction between April 1989 and November 1991 and tax amounting to Rs. 1.58 lakhs was realised short between April 1988 and March 1991.

The department recovered Rs. 9801 (February 1992) in one case and issued notices to recover the balance amount (April 1992 and May 1992).

4.2.12 Short realisation of permit/counter-signature fee

Under the Punjab Motor Vehicles Rules, 1940, as applicable to Haryana, fees at prescribed rates shall be payable for

*Hisar, Jind, Ballabgarh (Faridabad) and Karnal.

the issue and renewal of permits and countersignature of permits. The amount of fee is payable on the basis of number of regions included in permit in the State. Previously prior to July 1990 there were three Regional Transport Authorities at Ambala, Hisar and Faridabad. Later on, three more offices of Regional Transport Authorities were created at Karnal, Rohtak and Rewari vide Government notification dated 26 July 1990.

On creation of three more Regional Transport Authorities, the permit/countersignature fees (for a block of five years) was recoverable at Rs. 2625 and Rs. 1750 per heavy and light vehicle respectively but the same was charged at Rs. 1500 and Rs. 1000 resulting in short realisation of fees amounting to Rs. 202 lakhs in respect of 19484 cases between July 1990 and September 1991.

The department intimated (between April and May 1992) that a recovery of Rs. 63 lakhs (in 5757 cases) has been made. Further progress of recovery of balance amount of Rs. 139 lakhs has not been received (August 1992).

4.2.13 Interpolation in treasury challans

Fees and taxes leviable under the Motor Vehicles Act, 1939/1988 and the Punjab Motor Vehicles Taxation Act, 1924 and Rules framed thereunder are deposited into Government treasury/bank by owners of vehicles. The financial rules require that the departmental authorities should maintain a daily collection register. At the end of each month, credits as entered in the register are required to be reconciled with the treasury and certificate to this effect obtained from the treasury officer.

In the offices of sixteen Registering Authorities test checked (between April and May 1992), it was noticed that treasury challans were not kept month-wise and date-wise. Challan registers/daily collection registers were not maintained properly in these offices. Reconciliation of receipts with treasury records was not being done. Improper maintenance of challans register/daily collection register and non-reconciliation with treasury led to the presentation of 166 interpolated challans in the offices of Registering Authorities

Rewari, Tohana, Karnal, Sirsa and Jhajjar, amounting to Rs. 19,819 during 1988-89 and 1990-91 which remained undetected by the department till it was pointed out in audit (between December 1989 and February 1992). This shows lack of supervision by the departmental authority and of proper monitoring mechanism. Out of Rs. 19,819 a sum of Rs. 1200 was recovered by Registering Authority, Tohana. The remaining cases were reported to be under investigation with the police. Further progress in the matter has not been received (September 1992).

4.2.14 Other interesting cases

(i) Pending cases

Under the Motor Vehicles Act, 1988, any police officer or other person authorised by the State Government may, if he has reasons to believe that any identification mark carried on a motor vehicle or any licence, permit, document produced to him by driver or a person in charge of a motor vehicle is a false document within the meaning of Section 464 of the Indian Penal Code, seize the mark or document and call upon the driver or owner of the vehicle of such mark or document. The Secretary, Regional Transport Authority has been declared (December 1959) as an Authorised Officer for this purpose under the Act.

On 31st March 1992, 9190 cases (including 3178 cases pertaining to the Regional Transport Authorities, Faridabad and Ambala for the period up to 1988-89), where documents were impounded from 1988-89 to 1990-91, were pending with the Regional Transport Authorities, Faridabad, Hisar and Ambala. Non-disposal of the cases was attributed by the department to non-appearance of the offending vehicle owners/drivers. The department further stated that the vehicle owners manage to get the duplicate papers prepared from the concerned authority as they apprehend that the composition fee for challans would be of higher amount. The lacuna in law needs to be plugged and recurrence of such cases guarded against.

B —STATE EXCISE

4.3 Short recovery of composite fee

Under the Haryana Liquor Licence Rules, 1970, for grant or

renewal of a licence for retail vend of foreign liquor in a restaurant or in a bar attached to a restaurant, the Government of Haryana introduced a composite fee to be charged in four quarterly instalments payable by the 10th of the 1st Month of the quarter. As per excise policy for the year 1990-91, a revised graded scale depending on population of village/town was introduced vide notification dated 21 February 1990. In a town with population exceeding 75000, composite fee of Rs. 2.00 lakhs per annum is leviable for the grant of or renewal of a licence. Further, under the Punjab Excise Act, 1914 as applicable to Haryana, for contravention of any of the provisions of the Act, or of any rule, penalty to the extent of Rs. 200 is leviable.

On the basis of population, the composite fee of Rs. 2 lakhs at Panipat in the year 1990-91 was to be levied. A licensee thereof deposited the composite fee for the first three quarters amounting to Rs. 1.50 lakhs but failed to pay Rs. 50,000 for the last quarter ending 31 March 1991. The same was also not demanded by the department. No penalty for non-payment of the balance licence fee was levied.

On the omission being pointed out (August 1991) in audit, the department intimated (May 1992) that the amount would be deposited by the party shortly. Report on recovery has not been received (August 1992).

CHAPTER 5

NON-TAX RECEIPTS

5.1 Results of Audit

Test check of records of departmental offices dealing with assessment, collection and realisation of non-tax receipts, conducted in audit during the year 1991-92, revealed under-assessment or losses of revenue amounting to Rs. 442.79 lakhs in 9618 cases as indicated below :

Name of Department	Number of cases	Amount (In lakhs of rupees)
(A) Irrigation	8407	342.42
(B) Mines and Minerals	615	46.97
(C) Agriculture	8	19.97
(D) Co-operation	588	33.43
Total	9618	442.79

During the course of the year 1991-92 the department accepted under-assessment etc. of Rs. 282 lakhs involved in 1813 cases of which 1312 cases involving Rs. 176.68 lakhs had been pointed out in audit during 1991-92 and the rest in earlier years, out of which an amount of Rs. 5.33 lakhs in 333 cases has been recovered. One draft review and 10 draft paragraphs containing 93 cases involving financial effect of Rs. 146.57 lakhs bringing out major irregularities noticed during the year 1991-92 or earlier years were issued to the Government for their comments. The departments have accepted the observations in 83 cases involving Rs. 105.24 lakhs and recovered Rs. 3.61 lakhs up to August 1992. No reply has been received in 10 cases involving Rs. 41.33 lakhs.

A few illustrative cases including a review on "Receipts from canal waters" are given in the following paragraphs.

5.2 Receipts from canal waters

5.2.1 Introductory

Levy and collection of charges for canal water supplied for irrigation and non-irrigation purposes is governed by provisions of the Haryana Canal and Drainage Act, 1974 and the Rules framed thereunder. Extra supply of canal water for gardens and orchards is governed under the provisions of Punjab Government Rules, 1946 as applicable to Haryana and amended from time to time. Maintenance of revenue records are governed by the provisions contained in the "Revenue Manual". The rates charged for irrigation purposes are called 'water rates' (abiana) or 'occupier's rates' and those for non-irrigation purposes, 'water charges'. Besides, special charges (tawan) equal to 6 times the ordinary water rates are leviable on standing crops where canal water is unauthorisedly used for irrigation purposes or allowed to run to waste.

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

5.2.2 Scope of Audit

The records relating to receipts from canal waters in 23 irrigation divisions (out of 29 running divisions)

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

for the years 1987-89 and 1989-91 were test checked in audit during 1989-90 and 1991-92 respectively with a view to ascertaining correctness of levy and collection of the receipts from canal water and compliance of rules and orders on the subject.

5.2.3 Organisational set-up

For the purpose of canal administration, the state has been divided into 8 irrigation systems, each under the charge of a Chief Engineer who exercises control through Superintending Engineer/Divisional Canal Officer alongwith the supporting staff. Canal patwaris prepare the field measurement papers (Khasras) which include details of area of irrigation under different crops, liable to water rates. From Khasras, statements indicating demands for water rates (Khataunis) are prepared and sent to the Revenue Department for collection.

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

5.2.4 HIGHLIGHTS

—Lack of co-ordination between Irrigation Department and Revenue Department resulted in non-recovery of revenue amounting to Rs. 72.72 lakhs in 10 divisions test checked for the period 1987-88 to 1990-91.

—No reconciliation is being done by the Irrigation Department and Revenue Department in respect of recoveries of abiana demands and balance outstanding at the end of each year.

—There is no provision in the Act/Rules for levy of penal interest for non-payment/delayed payment of abiana (water rates). Details of the outstanding amount of water charges were not available with the Irrigation Department Haryana.

—Incorrect application of rates resulted in short recovery of water charges amounting to Rs. 2.22 lakhs.

—Huge variations in measurement of irrigated area between the figures adopted in the shudkar and final assessment resulted in loss of revenue amounting to Rs. 19.15 lakhs.

—In 49 cases of 5 divisions, extra supply of water continued to garden owners even though the gardens were either not planted or not maintained according to specifications. No action was taken to charge penal rates amounting to Rs. 12.20 lakhs.

—In 17 divisions, departmental receipts amounting to Rs. 182.09 lakhs collected during the year 1987-91 were not deposited into the treasury up to May 1992.

5.2.5 Trend of revenue

The table below indicates budget estimates, revenue realised and shortfall, separately for water rates and water charges during the last 5 years ending 1991-92 :

Year	Budget estimates	Water rates		Water charges			Other Miscellaneous		Total short-fall(-) excess (+)	Percentage	
		Actuals	Short-fall(-) excess (+)	Budget estimates	Actuals	Short-fall(-) excess (+)	Budget estimates	Actuals			
(In crores of rupees)											
1987-88	12.94	3.60	(-)9.34	0.72	—	(-)0.72	1.50	4.24	(+)2.74	(-)7.32	(-)48
1988-89	11.67	10.98	(-)0.69	1.20	1.14	(-)0.06	1.64	3.43	(+)1.79	(+)1.04	(+)7
1989-90	14.30	9.92	(-)4.38	0.67	0.54	(-)0.13	2.04	3.11	(+)1.07	(-)3.44	(-)20
1990-91	14.60	13.85	(-)0.75	0.58	—	(-)0.58	2.18	3.46	(+)1.28	(-)0.05	Negligible
1991-92	10.52	12.34	(+)1.82	3.07	—	(-)3.07	1.41	3.46	(+)2.05	(+)0.80	(+)5

Overall shortfall in revenue was attributed by the Irrigation Department to (i) postponement of abiana recoveries because of draught during 1987-88 and (ii) less recoveries of abiana made by the Revenue Department.

5.2.6 Financial results

The table below indicates the capital investment, targets for bringing additional land under irrigation, achievements, revenue collections and working expenses etc., for the last five years ending 1991-92.

Year	Capital Budget Estimates	Capital Expenditure	Targets for bringing additional land under irrigation	Achieved	Land already under irrigation	Total	Area actually covered	Revenue collection	Working expenses
	(In crores of rupees)		(In lakhs of hectares)		(In crores of rupees)				
1987-88	110.00	110.00	0.28	0.21	19.23	19.44	18.81	7.84	27.39
1988-89	78.00	78.35	0.28	0.15	19.44	19.59	19.58	15.55	32.12
1989-90	54.00	54.35	0.20	0.03	19.58	19.61	20.23	13.57	38.15
1990-91	72.75	76.21	0.08	0.06	19.61	19.67	19.72	17.31	41.78
1991-92	98.18	97.45	0.37	0.08	19.67	19.75	20.00	15.80	64.95

It would be seen that inspite of expending the entire capital budget estimate from year to year, the actual achievements of targets were much below the targets fixed by the department for itself. Though there has been progressive increase in the working expenses, yet there has been no corresponding increase in the revenue collections.

5.2.7 Arrears of Revenue

(i) Water rates

Section 35 of the Haryana Canal and Drainage Act, 1974, provides recovery of water rates and water charges as arrears of land revenue if these dues are not paid in time.

There is, however, no provision in the Act/Rules for levying penal interest for non-payment/delayed payment of water rates/water charges.

The details of progressive arrears of water rates as per figures supplied by the Irrigation and Revenue Departments were as under :

Year	As per Irrigation Department	As per Revenue Department
	(In lakhs of rupees)	
1987-88	1439	603
1988-89	1269	1124
1989-90	1150	1069
1990-91	934	965
1991-92	1047	846

It may be seen that there is huge variation between figures of arrears furnished by the Irrigation Department and Revenue Department. These variations are reported to be as a result of non-reconciliation of figures.

The department has not adopted adequate measures for enforcing the recoveries as arrears of land revenue from the

defaulters. Resultantly, arrears have been mounting from year to year. Lack of provision of any penal interest in the Act/Rules is another contributing factor in the accumulation of huge arrears. The department, however, attributed (August 1992) slow progress of recoveries of arrears to natural calamities.

(ii) Water charges

The amount of water charges in arrears and year-wise break up thereof though called for (April 1992) was not available with the department which indicated its failure to exercise effective control over the realisation of revenue.

5.2.8 Lack of Co-ordination between Irrigation and Revenue Departments

The demands for water rates are prepared by the Irrigation Department through 'Khataunis' and sent to the Tehsildars of Revenue Department for its collection.

(a) A comparison of the records in ten* irrigation divisions with tehsil records revealed that out of total demand raised through Khataunis for the period 1987-88 to 1990-91, demands amounting to Rs. 72.72 lakhs were omitted to be taken up for recovery by Tehsildars.

No system to compare the demands raised with recoveries made and review the outstanding recoveries at periodical intervals has been prescribed. Lack of co-ordination between the two departments resulted in non-recovery of revenue amounting to Rs. 72.72 lakhs.

The department admitted the lapse in five divisions in respect of Rs. 33.93 lakhs for not obtaining the confirmation in form VI from Revenue Department. Subsequently, it was confirmed that a sum of Rs. 6.45 lakhs relating to Hansi W.J.C. Division, Hansi and Kaithal I.B. Division, Kaithal had been

*Hansi W.J.C. Division, Hansi, Kaithal I.B. Division, Kaithal, W.J.C. Division, Jind, Rohtak and Delhi, Mohindergarh Canal Division, Dadri, Faridabad G.C. Division, Faridabad, I.B. Division, Bhiwani, A.B.C. Division, Hisar and I. B. Division, Bhattu.

got accounted for at the instance of audit. Confirmation for the balance amount of Rs. 27.48 lakhs is awaited (May 1992). In respect of remaining five divisions reply regarding non-incorporation of abiana demand amounting to Rs. 38.79 lakhs (Rs. 72.72 lakhs—Rs. 33.93 lakhs) was awaited (August 1992).

(b) Abiana demand amounting to Rs. 30.26 lakhs and a amount of Rs. 15.58 lakhs supported by Khataunis were sent to the Revenue Authorities of Delhi Administration and Revenue Authorities of Sonpat and Rohtak districts respectively but acceptance of demand in form VI is awaited (August 1992). The department also could not confirm the recovery position.

5.2.9 Under-assessment of water charges

As per provisions of the Act and Rules framed thereunder charges for canal water supplied to Fisheries Department and Tourism Corporation Haryana for the purpose of development of pisciculture and filling of lakes respectively are chargeable at the rate of Rs. 5 per 2500 cubic feet.

(i) In Rohtak W.J.C. Division, Rohtak, water charges for the supply of water to Fisheries Department during the period from March 1981 to January 1991 were charged at lower rates of Rs. 3 per 6000 cubic feet instead of Rs. 5 per 2500 cubic feet. This resulted in under-assessment of water charges amounting to Rs. 0.93 lakh. The department informed (September 1991) that revised bills were being issued.

(ii) The Irrigation and Power Department in their memo dated August 1984 conveyed the Government's approval of water charges at the rate of Rs. 3 per 6000 cubic feet for filling of lakes of the Tourism Department. As no Government notification was issued in this regard, the department could not reduce the statutory water charges. However, in Rohtak W.J.C. Division, Rohtak it was noticed that water charges at the rate of Rs. 3 per 6000 cubic feet instead of Rs. 5 per 2500 cubic feet were charged from September 1984 to March 1991 from Haryana Tourism Corporation. This resulted in short demand of Rs. 1.29 lakhs.

5.2.10 Irregular remission of special charges

Divisional Canal Officer Kurukshetra I.B. division,

Kurukshetra imposed (May-September 1988) penalty of Rs. 3.40 lakhs in seven cases of cuts in Rajaund distributory against the cultivators for irrigating their fields un-authorisedly (between August 1979 and May 1986). On appeal, the Superintending Canal Officer remanded back (May 1989) the cases to the Divisional Canal Officer for de-novo hearing. The Divisional Canal Officer decided (December 1989) the remanded cases by reducing the penalty to Rs. 86,378 in all the seven cases with the observation that on site inspection (August 1989) the banks of the channel on cut site were found to be weak. The very fact that the penalty has been imposed proves that cultivators had deliberately made cut(s) on the distributory. Moreover, it did not look plausible that the banks could be observed weak after a lapse of 3—10 years of the occurrence of event. Thus, the reduction in penalty resulting in loss of revenue amounting to Rs. 2.54 lakhs is not justified.

No reply has been received from the department (August 1992).

5.2.11 Less measurement of area irrigated

Under the provisions contained in "Revenue Manual" a very small variation (specific percentage not mentioned) in the figures of area irrigated as shown in the shudkar and those taken at the time of final measurement (on which abiana is assessed) has been allowed.

It was noticed (between March and May 1992) that in eight irrigation divisions, the variations in the figures of irrigation as shown in the Shudkar* for the month of September (kharif crop) and March (Rabi crop) and those of final measurements ranged between 6 per cent to 78.02 per cent (cases of variations up to 5 per cent ignored). This excessive variation between Shudkar and final measurements resulted in under-assessment of abiana amounting to Rs. 19.15 lakhs during the period 1987-91.

The department accepted the Audit point and the seven

*The initial record of irrigation maintained by the Patwaris for the crops sown. The book used for the purpose contains the initial and final measurement (Shudkar—khasrah).

Divisional Officers attributed reasons for variation to the following :

(i) Wrong judgement on the part of canal patwaris in arriving at correct figures of irrigated area at the time of writing of Shudkar and its subsequent reporting to the higher authorities.

(ii) Heavy load of work on patwaris and consequent failure on their part to make round of each field falling in their areas.

(iii) Filling in shudkar approximate figures just by adding some figures to figures of the previous year/month and

(iv) Shudkar figures are always tentative.

The reply of the department is not tenable because as per para 1.15 of revenue manual shudkar should always be written monthly by the canal patwari by visiting each field falling in his area.

5.2.12 Non-plantation and improper maintenance of gardens-non-levy of penalty

As per provisions of the Punjab Government Rules, 1946, as applicable to the State of Haryana as amended from time to time, for extra supply of canal water for gardens and orchards, an agreement is required to be entered into between the Government and the owner receiving extra supply for orchard in the prescribed form (stereo I.B. 463). The clause 5(C) of the agreement provides that penalty at 20 times of the water rates for garden in addition to water rates for such crops that may be cultivated in infringement of the rules is leviable in all cases where garden is not planted or maintained according to specification.

In five irrigation divisions, it was noticed in audit (between March and May 1992) that in 49 cases, gardens were either not planted or not maintained according to specification for 2 to 4 consecutive years. Though as per the recommendations made in the annual inspection reports submitted by the garden inspecting committee(s) notices for withdrawal of extra water were issued to the defaulting garden owners. Extra supply of water was withdrawn in only 14 cases. The

penalty amounting to Rs. 12.20 lakhs was neither levied nor demanded by the department. Action taken against 35 cases has not been reported (August 1992).

The department confirmed (June 1992) that all such cases would be reviewed and penalty imposed for which instructions had been issued to field offices.

5.2.13 Utilisation of departmental receipts towards expenditure

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

(a) In 17 irrigation divisions, it was noticed that departmental receipts amounting to Rs. 182.09 lakhs collected during the years 1987-91 were not deposited into the treasury/bank till April 1992 but were utilised to meet the departmental expenditure in contravention of the aforesaid rules.

(b) In 4 divisions, departmental receipts amounting to Rs. 9.94 lakhs collected during 1987-91 were deposited late into treasury/bank. The delays ranged between 3 to 9 months.

The Divisional Officers stated (May 1992) that departmental receipts were used on emergent works when adequate letter of credit (L.O.C.) was not received from the Government. The reply of the department was not tenable since it defeated the very object of L.O.C.

The above cases were reported to the Government in July 1992 ; their reply has not been received (August 1992).

B—MINES AND GEOLOGY

5.3 Non-realisation of contract money and interest

Under the Punjab Minor Minerals Concession Rules, 1964, as applicable to Haryana, a mining contract for quarrying is granted by auction or by inviting tenders to the highest bidder. The contractor is required to deposit 25 per cent of the

annual bid money as security and another 25 per cent (one twelfth of the bid money where contract exceeds Rs. 5 lakhs) as advance payment immediately on the allotment of the contract. The balance of the contract money is payable in advance in monthly/quarterly instalments. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract and forfeit the security and the instalments paid in advance, if any. Besides, interest at the rate of 15 per cent per annum is also recoverable for the period of default.

In Ambala, a contract for extraction of boulder bazri/sand in Dadupur Main Line (RD 69 to tail*) was granted to a contractor through auction for the period from 16 April 1988 to 31 March 1990 for an amount of Rs. 5.60 lakhs per annum. The contractor paid monthly instalments late for the period from 16 April 1988 to 15 June 1989 and failed to pay the contract money, due from him for the period from June 1989 onwards. The department, however, did not terminate the contract, which expired on 31 March 1990 and also failed to recover the contract money of Rs. 2.98 lakhs and interest of Rs. 1.26 lakhs (worked out up to April 1992) due on delayed/non-payments of contract money.

On the omission being pointed out (December 1990) in audit, the department issued demand notices (December 1990 and April 1992). Report on Recovery has not been received (August 1992).

The case was reported to Government in January 1991, their reply has not been received (August 1992).

5.4 Non-recovery of dead rent and interest thereon

Under the Mines and Minerals (Regulations and Development) Act, 1957, the holder of a mining lease is required to pay royalty at the rates specified in the second schedule to the Act on any mineral removed or consumed by him or his agent from the leased area by the dates stipulated in the lease deed. Further, as per lease agreement, the lessee shall pay royalty at such rates or dead rent in respect of that area whichever is higher. Under the Minerals Concession Rules, 1960, simple

*R.D. means reduced distance.

interest at 15 per cent per annum (24 per cent with effect from 1 April 1991) is chargeable in the event of default in payment so long as the default continues.

In Narnaul, the lease of Bayal Mining was granted for a period of ten years from April 1980 for the extraction of quartz. Subsequently in October 1985, the lease was transferred to another party on the request of previous lessee. The second lessee did not make payment of any royalty/dead rent from January 1989 onwards. The possession of the mine was handed over to the department on 22 April 1990. Dead rent not paid, worked out to Rs. 33,642. In addition, interest of Rs. 16,925 was also recoverable.

On the omission being pointed out (December 1990) in audit, the department stated (January 1992) that efforts were being made to recover the amount. Report on recovery has not been received (August 1992).

The case was reported to Government in December 1990; their reply has not been received (August 1992).

5.5 Interest not charged on delayed payments

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

(i) In Faridabad, three lessees paid instalments of royalty/contract money for the period April 1990 to May 1991 after the stipulated dates. Interest chargeable on belated payments amounted to Rs. 1.82 lakhs, which was not demanded.

On the omission being pointed out (August 1991) in audit, the department recovered Rs. 0.57 lakh in one case. Report on recovery of the balance amount of Rs. 1.25 lakhs has not been received (August 1992).

The case was reported to Government in December 1991; their reply has not been received (August 1992).

(ii) In Faridabad, a lessee who was granted mining lease for three quarries for the extraction of road metal and masonry stone for five years, paid dead rent after the stipulated dates during 1990-91. The delay ranged from 310 days to 329 days. On belated payments of amount due, interest amounting to Rs. 1.41 lakhs was chargeable, but was not demanded.

On the omission being pointed out (December 1991) in audit, the department stated (May 1992) that notices for recovery of interest had been issued (September 1991). Report on recovery has not been received (August 1992).

The case was reported to Government in December 1991 ; their reply has not been received (August 1992).

(iii) In Ambala, contract for extraction of boulder, gravel and sand was granted (April 1988) through auction for the period from 16 April 1988 to 31 March 1990. As the contractor failed to pay monthly instalments from 16 September 1988 onwards, the department terminated (July 1989) the contract and took over the possession of the quarry on 29 July 1989. The contract money amounting to Rs. 19.87 lakhs was payable by the contractor for the period from 16 September 1988 to 29 July 1989 and the same was deposited by him between September 1989 and April 1990. However, the department incorrectly worked out the recoverable amount of contract money at Rs. 18.97 lakhs and thus adjusted the amount of Rs. 0.90 lakh towards interest of Rs. 3.47 lakhs payable by the contractor for belated payments of contract money. The monthly instalments of contract money relating to the period from May 1988 to September 1988 were also deposited late by the contractor. The interest for belated payments of entire contract money (including Rs. 19.87 lakhs) worked out to Rs. 3.47 lakhs as against Rs. 2.49 lakhs calculated by the department and resulted in short demand of interest amounting to Rs. 0.98 lakh.

On the omission being pointed out (December 1990) in audit, the department rectified the mistake and intimated (January 1992) that notice for recovery of interest of Rs. 3.47 lakhs has been issued to the contractor. The recovery certificate was also issued (January 1992) to Collector Ambala for effecting recovery as arrears of land revenue. The department recovered

amount of rupees one lakh in February 1992. Report on balance amount of Rs. 2.47 lakhs has not been received (August 1992).

The case was reported to Government in January 1991 ; their reply has not been received (August 1992).

C—AGRICULTURE

5.6 Non-recovery of purchase tax and interest

The Punjab Sugarcane (Regulation of purchase and supply) Act, 1953 and the rules made thereunder as applicable to Haryana require the occupier or agent of a factory to pay tax not exceeding Rs. one and fifty paise per quintal on sugarcane purchased by him by the 14th of the following month. In the event of default, interest at the rate of fifteen per cent per annum shall be chargeable for the period of default.

In Panipat, a sugar mill purchased 493342.66 quintals and 580017.26 quintals of sugarcane in February and March 1991, respectively. Accordingly, the purchase tax of Rs. 7.40 lakhs and Rs. 8.70 lakhs was to be paid by the 14th March and April 1991. The same was neither paid nor was it demanded. Further, for default in payment, interest amounting to Rs. 2.83 lakhs (up to May 1992) was also chargeable. In addition, interest of Rs. 9108 was also recoverable for late payment of purchase tax for November 1990 and January 1991.

On the omission being pointed out in audit in April 1992, the department stated (May 1992) that sugar mill was being asked to deposit the purchase tax alongwith interest. Report on recovery has not been received (August 1992).

5.7 Interest not charged on belated payments

Under the Punjab Sugarcane (Regulation of purchase and supply) Act, 1953 and the Rules made thereunder, as applicable to Haryana, the occupier or agent of a factory has to pay tax on sugarcane purchased by him by the prescribed date. In the event of default, interest at the rate of fifteen per cent per annum shall be chargeable for the period of default.

In Karnal, during crushing season 1990-91, purchase

tax on sugarcane amounting to Rs.17.09 lakhs was paid by the co-operative sugar mill after the due dates. On belated payments of tax, interest amounting to Rs. 1.50 lakhs was chargeable but was not demanded.

On the omission being pointed out (November 1991) in audit, the department raised (December 1991) the demand. Report on recovery has not been received (August 1992).

The case was reported to Government in December 1991 ; their reply has not been received (August 1992).

D—CO-OPERATION

5.8 Short recovery of audit fee

Under the Haryana Co-operative Societies Rules, 1989, every co-operative society is liable to pay audit fee as prescribed by Government for audit of its annual accounts by the auditors of the Co-operative Department. The fee is charged as a percentage of the net profit of the society subject to certain minimum and maximum limits.

(i) In the office of Assistant Registrar, Co-operative Societies, Karnal, audit fee from one co-operative society was recovered on the basis of the net profits reflected in the accounts for the co-operative year 1989-90 and in three societies at minimum rate before these were audited by the department. Later, on completion of audit of accounts of these societies, additional fee amounting to Rs. 4.30 lakhs became recoverable on the basis of audited figures of profit, but the same was not demanded.

On the omission being pointed out (December 1991) in audit, the department recovered Rs. 2.04 lakhs. Report on the recovery of the balance amount has not been received (August 1992).

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

(ii) In the offices of Assistant Registrars, Co-operative Societies, Kaithal and Jhajjar, audit fees amounting to Rs.7000

on the basis of minimum limit was recovered from three societies on the basis of net profits reflected in the accounts for the co-operative year of 1990-91 before these were audited by the department. Later, on completion of audit of accounts of the societies, additional audit fees amounting to Rs. 84226 became recoverable on the basis of audited figures of net profits but the same were not demanded.

On the omission being pointed out (January and February 1992) in audit, the department stated (February and March 1992) that efforts were being made to recover the deficient amount. Report on recovery has not been received (August 1992).

The cases were reported to Government in January and February 1992 ; their reply has not been received (August 1992).

5.9 Incorrect computation of audit fee

Under the Haryana Co-operative Societies Rules, 1989 every co-operative society is liable to pay to the Government, a fee for audit of its annual accounts by the auditors of the Co-operative Department in accordance with the scales fixed by the department. Audit fee from a Primary Co-operative Agricultural and Rural Development Bank is recoverable at the rate of five per cent of its net profit subject to a minimum of Rs. 5000.

In the office of the Assitant Registrar Co-operative Societies, Kaithal, audit fee in respect of the Kalayat Primary Co-operative Agricultural and Rural Development Bank for the Co-operative year 1989-90 was wrongly assessed to Rs. 7002 on its annual profit of Rs. 14.00 lakhs instead of recoverable amount of Rs. 70021. The mistake resulted in short computation of audit fee of Rs. 63,019.

On the omission being pointed out (January 1992) in audit, the department intimated (February 1992) that efforts to recover the deficient audit fee were being made. Report on recovery has not been received (August 1992).

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

D

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