

**Report of the
Comptroller and Auditor General
of India**

For the year ended 31 March 2004

**(REVENUE RECEIPTS)
GOVERNMENT OF UTTAR PRADESH**

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Preface

This Report for the year ended 31 March 2004 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

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

The cases mentioned in the Report are among those which came to notice in the course of test audit of records during the year 2003-04 as well as those which came to notice in earlier years but could not be included in previous years' Reports.

OVERVIEW

This report contains 25 paragraphs including 3 reviews relating to non-levy/short levy of tax, penalty, interest etc., involving Rs. 473.20 crore. Some of the major findings are mentioned below:

I. General

- During the year 2003-04 revenue raised by the State Government, both tax (Rs. 13601.23 crore) and non tax (Rs. 2,282.08 crore) amounted to Rs.15,882.83 crore as against Rs. 14,697.30 crore during the previous year.

(Paragraph 1.1.1)

- Test check of records of Trade Tax, State Excise, Taxes on Vehicles, Goods and passengers, Stamp Duty and Registration Fees, Land Revenue, and Other Departmental Receipts conducted during 2003-04 revealed under assessment, short levy, loss of revenue etc. amounting to Rs. 799.81 crore in 4,210 cases. During the course of the year 2003-04, the concerned departments accepted under assessment and short levy etc. of Rs. 2.98 crore in 122 cases of which 59 cases involving Rs. 16.10 lakh had been recovered upto March 2004.

(Paragraph 1.7)

- Inspection Reports numbering 8412 issued up to 31 December 2003 containing 17,506 audit observations with money value of Rs. 4,296.86 crore were not settled up to June 2004.

(Paragraph 1.8)

II. Trade Tax

A review on "Inter state sale and branch transfer of goods under CST Act" revealed as under:-

- Incorrect allowance of concessional rate without production of Form 'C' through a Government order resulted in short levy of tax of Rs. 23.94 crore.

(Paragraph 2.2.6)

- Incorrect grant of concessional rate of CST on defective Form 'C' in case of 30 dealers resulted in undue tax benefit of Rs. 6.91 crore.

(Paragraph 2.2.8)

- Incorrect grant of exemption on export sale on the basis of defective Form 'H' resulted in non-levy of tax of Rs. 2.55 crore.

(Paragraph 2.2.10)

Other irregularities noticed in audit include:

- Due to excess allowance of set off, tax amounting to Rs. 12.95 crore (including interest) was not levied.

(Paragraph 2.3.2)

- Irregular grant of moratorium by the Department resulted in undue financial benefit of Rs. 3.55 crore.

(Paragraph 2.3.3)

- Short computation of tax in respect of 15 units in nine Trade Tax Offices resulted in short adjustment of tax of Rs. 23.32 crore.

(Paragraph 2.4)

- Misclassification of goods resulted in short levy of tax amounting to Rs. 7.37 crore.

(Paragraph 2.7)

- Due to non levy of tax/additional tax resulted in short levy of tax amounting to Rs. 8.09 crore.

(Paragraph 2.8)

III. State Excise

- Due to low production of alcohol by 11.12 lakh AL from molasses resulted in loss of excise duty of Rs. 5.34 crore.

(Paragraph 3.2)

IV. Taxes on vehicles, goods and passengers

- Non assessment of additional tax on maxi cab resulted in loss of Rs. 59.24 lakh.

(Paragraph 4.3)

V. Other Tax Receipts

A review on "Stamp duty" revealed the following:

- Discrepancy of Rs 133.63 crore between figures of receipts as shown in Finance Account and the Department for the year 1993-94 to 2002-03 was noticed.

(Paragraph 5.2.6)

- The excess and short receipt of stamps from ISP Nasik to the tune of Rs. 390 crore and Rs. 807.90 crore respectively was not reconciled during 1993-2003.

(Paragraph 5.2.8)

- Cross verification of stamp papers sold by treasuries with the value of stamp papers registered in registering offices showed that there was excess utilisation of stamp papers worth Rs. 404.68 crore in execution of documents in forty six districts and judicial stamps worth Rs. 48.17 crore in eighteen districts.

(Paragraph 5.2.9)

- In adequate security arrangements during transportation of stamps resulted in loss in transit of Rs. 20.74 crore worth of stamp papers.

(Paragraph 5.2.10)

- There was loss of revenue of Rs. 19.03 crore to the State Government due to procurement of insurance stamps from unauthorised agencies located in other states.
(Paragraph 5.2.11)
- Total lack of internal control facilitated excess usage of stamp papers over sales from treasuries.
(Paragraph 5.2.14)
- Under valuation of property resulted in short levy of stamp duty and registration fees of Rs. 19.76 crore.
(Paragraph 5.3)
- Non levy of additional stamp duty resulted in loss of Rs. 90.13 crore.
(Paragraph 5.5)
- Short levy of stamp duty due to misclassification of documents resulted in loss of Rs. 1.79 crore.
(Paragraph 5.6)

VI. Other Departmental Receipts

A review on "Receipt from Mines and Minerals" revealed the following:

- Acceptance of bid lower than minimum reserve price in Hamirpur and Fatehpur Tehsil resulted in loss of Rs.12.09 crore.
(Paragraph 6.2.8)
- Non levy of stamp duty on royalty and misclassification resulting in loss of Rs.1.44 crore on account of stamp duty.
(Paragraph 6.2.11)
- The DDOs of divisions of PWD/RES/DRDA had neither verified payment of royalty on collection of stone boulders nor realised royalty from contractors which resulted in loss of revenue of Rs.7.23 crore.
(Paragraph 6.2.16)

CHAPTER-I – GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Uttar Pradesh during the year 2003-04, State's share of divisible Union taxes and grants-in-aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
I. Revenue raised by the State Government					
(a) Tax revenue	9400.91	10979.97	10388.82	12783.81	13601.23
(b) Non tax revenue	2011.74	1944.65	1787.07	1913.49	2282.08
Total	11412.65	12924.62	12175.89	14697.30	15883.31
II. Receipts from the Government of India					
(a) State's share of divisible Union taxes	7478.90	9045.47	10130.49	10814.87	13272.97 [*]
(b) Grants-in-aid	2603.57	2773.18	3291.53	2309.02	2481.69
Total	10082.47	11818.65	13422.02	13123.89	15754.66
III. Total receipts of the State (I + II)	21495.12	24743.27	25597.91	27821.19	31637.97
IV. Percentage of I to III	53	52	48	53	50

1.1.2 The details of tax revenue for the year 2003-04 along with the figures for the preceding four years are given in the following table :

(Rupees in crore)

Revenue Head	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase or decrease with reference to 2002-03
1. Trade Tax	3703.59	5436.52	5052.40	6850.93	7684.13	(+) 833.20	(+) 12.16
2. State Excise	2126.33	2238.54	1961.38	2555.05	2472.37	(-) 82.68	(-) 3.23
3. Stamp Duty and Registration Fees	1177.57	1269.75	1429.29	2078.68	2296.06	(+) 217.38	(+) 10.45
4. Taxes on Goods and Passengers	100.26	85.81	76.65	77.33	80.21	(+) 2.88	(+) 3.72
5. Taxes on Vehicles	512.10	543.08	503.04	618.84	676.96	(+) 58.12	(+) 9.39
6. Taxes and Duties on Electricity	126.41	136.30	9.22	145.29	174.72	(+) 29.43	(+) 20.26
7. Land Revenue	116.09	69.85	72.93	64.23	117.67	(+) 53.44	(+) 83.20
8. Other Taxes and Duties on Commodities and Services	135.89	504.58	152.34	100.02	92.78	(-) 64.23	(-) 40.90
9. Other (Hotel receipts and corporation tax, etc.)	5.29	4.49	3.67	3.70	6.33	(+) 2.63	(+) 71.08
Total	9400.91	10979.97	10388.82	12783.81	13601.23	(+) 1050.17	(+) 8.21

^{*} For details, please see statement No. 11- detailed accounts of revenue by Minor Heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2003-04 figures under the majors "0020 – Corporation Tax, 0021, Other taxes on income and Expenditure, 0028, Taxes on Income other than Corporation Tax, 0032 – Taxes on Wealth, 0037- Customs, 0038 – Union Excise Duties, 0044 – Service Tax and 0045- Other taxes and duties on commodities and services- share of net proceeds assigned to states booked in the Finance Accounts under 'A-Tax Revenue' have been excluded from Revenue raised by the state and included in 'State's share of divisible Union taxes' in this statement.

The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the State Government, have not been received (March 2005).

1.1.3 The details of non-tax revenue for the year 2003-04 along with the figures for the preceding four years are exhibited in the following table :

(Rupees in crore)

Revenue Head	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase/decrease with reference to 2002-03
1. Misc. General Services	126.80	55.48	39.44	48.28	41.80	(-) 6.48	(-) 13.42
2. Interest Receipts	476.68	525.17	543.49	515.38	658.09	(+) 142.71	(+) 27.69
3. Forestry and Wild Life	160.52	76.86	68.31	86.27	60.96	(-) 25.31	(-) 29.34
4. Major and Medium Irrigation	40.16	282.13	115.76	90.12	136.10	(+) 45.98	(+) 51.02
5. Education, Sports, Art and Culture	137.63	177.24	137.66	255.35	227.68	(-) 27.67	(-) 10.84
6. Other Administrative Services	103.70	61.51	131.47	110.95	116.91	(+) 5.96	(+) 5.37
7. Non-ferrous Mining and Metallurgical Industries	180.17	196.44	190.19	262.54	251.05	(-) 11.49	(-) 4.38
8. Police	53.17	85.29	67.38	95.40	75.91	(-) 19.49	(-) 20.43
9. Crop Husbandry	16.51	58.36	75.77	25.58	188.73	(+) 163.15	(+) 637.80
10. Social Security and Welfare	26.37	23.53	36.33	19.59	33.65	(+) 14.06	(+) 71.77
11. Medical and Public Health	34.97	31.74	31.14	41.44	42.69	(+) 1.25	(+) 3.02
12. Minor Irrigation	36.61	18.96	17.73	12.11	18.53	(+) 6.42	(+) 53.01
13. Roads and Bridges	24.30	29.93	16.27	17.97	41.79	(+) 23.82	(+) 132.55
14. Public Works	26.77	26.94	14.66	25.26	19.92	(-) 5.34	(-) 21.14
15. Co-operation	17.76	6.54	5.23	6.18	7.57	(+) 1.39	(+) 22.49
Others	549.62	288.53	296.24	301.07	360.70	(+) 59.63	(+) 19.81
Total	2011.74	1944.65	1787.07	1913.49	2282.08	(+) 368.59	(+) 19.26

The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the state Government, have not been received (March 2005).

1.2 Variations between Budget estimates and actuals

The variations between Budget estimates and actuals of tax and non-tax revenues during the year 2003-04 are given in the table below:

(Rupees in crore)

Revenue Head	Budget estimates	Actuals	Variation Increase (+) short fall (-)	Percentage of variations
1	2	3	4	5
A. Tax Revenue				
1. Trade Tax	8138.49	7684.13	(-) 454.36	(-) 5.58

1	2	3	4	5
2. State Excise	2850.00	2472.37	(-) 377.63	(-) 13.25
3. Stamp duty and Registration fee	2200.00	2296.06	(+) 96.06	(+) 4.37
4. Taxes on Goods and Passengers	529.92	80.21	(-) 449.71	(-) 84.86
5. Taxes on Vehicles	455.97	676.96	(+) 221.01	(+) 48.47
6. Other Taxes and Duties on Commodities and Services	175.61	92.78	(-) 82.83	(-) 47.16
7. Taxes and Duties on Electricity	169.32	174.72	(+) 5.40	(+) 0.31
8. Land Revenue	75.00	117.67	(+) 42.67	(+) 56.89
B. Non-Tax Revenue				
1. Misc. General Services	81.10	41.80	(-) 39.30	(-) 48.45
2. Interest Receipts	438.97	658.09	(+) 219.12	(+) 49.92
3. Forestry and Wild Life	67.06	60.96	(-) 6.01	(-) 8.96
4. Major and Medium Irrigation	196.50	136.10	(-) 60.40	(-) 30.73
5. Education, Sports, Art and Culture	160.02	227.68	(+) 67.66	(+) 42.28
6. Non Ferrous Mining & Metallurgical Industries	250.00	251.05	(+) 1.05	(+) 0.42

The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the state Government, have not been received (March 2005).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and percentage of such expenditure to the gross collection during the years 2001-02, 2002-03 and 2003-04 along with the relevant All India Average percentage of expenditure on collection to gross collection for 2002-03 are given below:

(Rupees in crore)					
Revenue head	Year	Gross Collection	Expenditure on Collection	Percentage of expenditure to gross collection	All India Average for the year 2002-03
Trade Tax	2001-02	6158.55	139.99	2.3	1.18
	2002-03	6850.93	167.40	2.4	
	2003-04	7684.13	197.13	2.6	
Taxes on Vehicles, Goods & Passengers	2001-02	644.10	11.27	1.7	2.86
	2002-03	696.17	11.76	1.7	
	2003-04	757.17	^q 12.71	1.7	
State Excise	2001-02	1963.89	24.67	1.3	2.92
	2002-03	2555.05	25.75	1.0	
	2003-04	2472.37	28.51	1.2	
Stamp Duty and Registration Fees	2001-02	1473.88	19.82	1.3	3.46
	2002-03	2078.68	36.63	1.8	
	2003-04	2296.06	50.59	2.2	

It would be seen from the above that the expenditure on collection under the head 'Trade Tax' is higher as compared to the National average.

1.4 Arrears in assesment

The number of assessments pending at the beginning of the year, cases becoming due during the year, cases disposed of during the year and the cases pending finalisation at the end of the year, as reported by the Trade Tax Department for the years 1998-99 to 2003-04 are given in the table:

^q As intimated by Department.

Year	Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
1998-99	442379	466899	909278	489535	419743	53.84
1999-2000	457508	489838	947346	489357	457989	51.66
2000-01	457989	461697	919686	490853	428833	53.37
2001-02	428833	524561	953394	485771	467623	50.95
2002-03	467623	529858	997481	521969	475512	52.33
2003-04	475512	483428	958940	476263	482677	49.67

It was seen that the opening balance of the year 1999-2000 differs from the closing balance of the preceding years. The department stated that this was due to information received from other departments during the year and rectification of mistakes. The department needs to correct the system of maintenance of records to ensure consistency and correctness of statistics.

1.5 Collection of Trade Tax per assessee

Number of assesses, Trade Tax revenue and revenue per assessee during the years 1999-2000 to 2003-04 as intimated by the Department are given in table:

(Rupees in lakh)

Year	No. of assessee	Trade Tax revenue	Revenue / Assessee
1999-2000	3.99	378474.00	0.95
2000-01	3.83	582892.00	1.52
2001-02	3.85	615855.00	1.59
2002-03	4.07	710393.00	1.74
2003-04	4.52	765135.00	1.69

During the year 2000-01, number of assesses decreased due to their transfer in Uttaranchal State and Trade Tax revenue increased subsequently due to levy of entry tax on Petrol/Diesel, which was transferred from State Excise Department to Trade Tax Department.

1.6 Arrears of revenue

As on 31 March 2004, arrears of revenue under principal heads of revenue as reported by the concerned Departments were as under:

(Rs. in crore)

Sl. No.	Heads of revenue	Arrears pending collection		Amount of deferred tax not due for recovery	Remarks
		Total	More than 5 years old		
1	2	3	4	5	6
1	Trade Tax	6297.09	Not available	3505.66	Out of Rs. 6297.09 crore, demand for Rs. 504.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 918.19 crore and Rs. 274.62 crore and Rs. 146.55 crore had been stayed by the courts, Government and administrative authorities respectively. Recoveries amounting to Rs.2166.30 crore were held up due to rectification / review applications. Demand for Rs. 1077.12 crore was likely to be written off Rs. 209.96 crore was outstanding against sick industrial units. Demand of Rs. 1000.26 crore is outstanding different categories of dealers and Government/ Semi-government Department. Specific action taken in respect of remaining arrears had not been intimated by the Department.

1	2	3	4	5	6
2	Entertainment Tax	9.36	3.29	Nil	Department stated that concerned authorities had been directed to realize the arrears as early as possible.
3	State Excise	59.12	Nil	19.03	Out of Rs. 59.12 crore demand for Rs. 40.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 16.81 crore had been stayed by the courts and Rs. 2.22 crore declared insolvent.
4	Forestry and wild life	10.82	9.06	0.27	Out of Rs. 10.82 crore, demand of Rs. 7.91 crore had been certified for recovery as arrear of land revenue. Recovery amounting to Rs. 0.27 crore had been stayed by the court. Specific action taken in respect of remaining arrears of Rs. 2.64 crore had not been intimated by the department.

1.7 Results of audit

Test check of records of Trade Tax, State Excise, Taxes on Vehicles, Goods and Passengers, Stamp Duty and Registration Fee, Land Revenue, and Public Works Department etc. conducted during the year 2003-04 revealed under-assessments/short levy/loss of revenue amounting to Rs. 799.81 crore in 4210 cases. During the course of the year 2003-04 the concerned departments accepted under-assessments etc. of Rs. 2.98 crore involved in 122 cases, of which 59 cases involving Rs. 16.10 lakh had been recovered upto March 2004.

This report contains 25 paragraphs including 3 reviews relating to non levy, short levy of tax, duty, interest, penalty etc. involving Rs. 473.20 crore. The Departments/Government have accepted audit observations during discussion between September and October 2004 involving Rs. 104.01 crore in 32 cases. No replies have been received in remaining cases (November 2004).

1.8 Outstanding Inspection Reports and audit observations

Audit observations on incorrect assessments, short levy of taxes, duties, fees, etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. The more important irregularities are reported to the heads of departments and Government. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of two months.

The number of inspection reports and audit observations relating to revenue receipts issued up to 31 December 2003 which were pending settlement by the departments as on 30 June 2004, along with corresponding figures for the preceding two years are as given below:

Sl. No.		2002	2003	2004
1.	Number of inspection reports pending settlement	9323	9308	8412
2.	Number of outstanding audit observations	17168	15741	17506
3.	Amount of revenue involved (Rs. in crore)	5196.31	2727.30	4296.86

Department-wise break-up of the inspection reports and audit observations outstanding as on June 2004 is given in the following table:

Audit Report (Revenue Receipts) for the year ended 31 March 2004

Sl. No.	Nature of receipts	Number of outstanding inspection reports	Number of outstanding audit observations	Amount of revenue involved (in crores of rupees)	Year to which the observations relate
1	Forestry and Wild life	1023	2133	1566.61	1991-92 to 2003-04
2	Trade Tax	910	4830	1573.82	1984-85 to 2003-04
3	State Excise	759	1132	245.71	1984-85 to 2003-04
4	Land Revenue	917	1231	42.72	1987-88 to 2003-04
5	Taxes on Vehicle, Goods and Passengers	1142	2410	66.35	1984-85 to 2003-04
6	Public Works	469	765	26.26	1985-86 to 2003-04
7	Irrigation	412	708	341.88	1984-85 to 2003-04
8	Taxes on purchase of sugarcane	121	137	59.31	1985-86 to 2003-04
9	Stamp Duty and Registration Fee	1669	2889	33.93	1984-85 to 2003-04
10	Agriculture	226	346	111.88	1985-86 to 2003-04
11	Electricity Duty	353	393	196.35	1985-86 to 2003-04
12	Food and Civil supplies	127	179	19.83	1991-92 to 2003-04
13	Cooperation	114	123	5.91	1985-86 to 2003-04
14	Entertainment Tax	170	230	6.30	1986-87 to 2003-04
Total		8412	17506	4296.86	

This was brought to the notice of Government in November 2004 and January 2005; intimation regarding steps taken by the Government to clear the outstanding inspection reports and audit observations has not been received (January 2005).

1.9 Audit Paragraphs/Reviews outstanding for discussion by Public Accounts Committee as on 30 November 2004

The details of audit paragraphs and reviews awaiting discussion by the Public Accounts Committee are as follows:

Year	Trade Tax	State Excise	Taxes on Vehicle, Goods and Passengers	Stamp Duty and Registration Fees	Land Revenue	Other Tax Receipts	Forest Receipts	Other Departmental Receipts
1984-85	10	Nil	09	09	02	Nil	11	09
1985-86	11	07	16	04	05	07	11	14
1986-87	12	04	23	04	03	05	11	14
1987-88	14	10	17	05	05	06	08	Nil
1988-89	19	11	09	04	04	05	07	16
1989-90	12	10	09	02	06	04	11	20
1990-91	17	06	07	02	04	05	11	16
1991-92	13	06	05	04	02	05	06	11
1992-93	13	09	11	03	02	05	09	14
1993-94	15	07	12	03	02	04	06	13
1994-95	09	07	12	03	02	NIL	08	NIL
1995-96	05	03	05	01	NIL	05	08	03
1996-97	13	06	08	03	01	04	01	05
1997-98	NIL	NIL	NIL	NIL	NIL	04	NIL	04
1998-99	03	NIL	NIL	05	NIL	02	NIL	NIL
1999-2000	08	01	08	04	04	NIL	03	NIL
2000-01	05	04	01	02	01	02	01	05
2001-02	14	02	05	02	01	04	02	04
2002-03	13	02	03	03	01	02	01	01
Total	206	95	160	63	45	69	115	149
Grand Total								902

CHAPTER-II - TRADE TAX DEPARTMENT

2.1 Results of audit

Test check of assessments and other records of Trade Tax Offices, conducted in audit during 2003-04 revealed under assessment of tax, non-levy or short-levy of penalty/interest, irregular exemption of tax etc. amounting to Rs. 163.24 crore in 2,272 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Non-levy or Short-levy of penalty/interest	516	16.80
2	Irregular exemption	500	25.47
3	Non-levy of additional tax	65	1.47
4	Incorrect rate of tax	143	2.49
5	Misclassification of Goods	167	7.45
6	Turnover escaping tax	140	18.29
7	Irregularities relating to Central Sales Tax	146	1.05
8	Under assessment of tax	223	28.08
9	Review on Inter state sale and branch transfer of goods under CST Act	1	42.86
10	Other irregularities	371	19.28
	Total	2,272	163.24

2.2 Review on Inter state sale and branch transfer of goods under CST Act

During the year 2003-04, the department accepted under assessment etc. of Rs.2.09 crore involved in 32 cases out of which a sum of Rs.9.78 lakh involved in 12 cases had been recovered upto March 2004.

A few illustrative cases and one review on **Inter state sale and branch transfer of goods under CST Act** involving Rs. 122.35 crore are given in the succeeding paragraphs:

Highlights

- Incorrect allowance of concessional rate without production of Form 'C' through a Government order resulted in short levy of tax of Rs. 23.94 crore.

(Para 2.2.6)

- Incorrect grant of concessional rate of CST on defective Form-'C' in case of 30 dealers resulted in undue tax benefit of Rs. 6.91 crore.

(Para 2.2.8)

- Incorrect exemption on account of incorrect sale by transfer of documents resulted in loss of revenue amounting to Rs. 0.38 crore.

(Para 2.2.9)

- Incorrect grant of exemption on export sale on the basis of defective Form'H' resulted in non levy of tax of Rs. 2.55 crore.

(Para 2.2.10)

- Penalty for false declaration amounting to Rs. 96.37 lakh was not imposed.

(Para 2.2.13)

Introduction

2.2.1 Trade tax is levied and collected under the Uttar Pradesh Trade Tax (UPTT) Act, 1948 and Central Sales Tax (CST) Act, 1956. Principles, to determine when a sale or purchase of goods take place in the course of inter-state trade or commerce or outside a state or export from India, provision for the levy, collection and distribution of taxes on sale of goods in the course of inter-state trade or commerce, are laid down in the different provisions of the Act. Under the provisions of CST Act and rules made thereunder, in order to claim exemption/concession from the liability of payment of tax, the dealer is required to furnish to the assessing authority, within the prescribed time, declarations in prescribed forms/certificates duly filled in and signed by the dealer to whom goods are sold in the course of inter-state trade or commerce.

Organisational Set Up

2.2.2 Overall control, direction and superintendence of Trade Tax Department vests with the Commissioner Trade Tax (CTT) with headquarters at Lucknow. There are 14 Zones each under the charge of an Additional Commissioner, Trade Tax (ACTT) in the state. The zones have been divided into 36 administrative ranges each headed by Joint Commissioner (Executive). The range is further divided into circles and sectors each under the charge of departmental assessing authority i.e. Deputy Commissioner, (Assessment) [D.C (A)] and Assistant Commissioner (AC).

Audit Objectives

2.2.3 A review was conducted with a view to ascertain:

- whether adequate system and procedures exist for proper assessment and realization of receipts in case of inter-state sale and branch transfer of goods and
- whether the provisions of the Act/Rules and order/instructions issued with regard to inter state sale and branch transfer are serving the purpose for which they are intended.

Scope of Audit

2.2.4 Test check of records of 12* out of 36 ranges was conducted from July 2003 to June 2004 for the period from 1998-99 to 2002-03. The findings are given in succeeding paragraphs.

Non-verification of stock transfer/consignment

2.2.5 Under the CST Act read with the CST Registration & Turnover (R&T) Rules, 1957, where a dealer claims that he is not liable to pay tax under this Act, in respect of any goods on the ground that movement of such goods from one state to another was occasioned by reason of transfer of such goods by him to any other place of his business or his agent or principal as the case may be and not by reason of sale, the burden of proving that the movement of those goods was so occasioned shall be on the dealer and for this purpose he may furnish to the assessing authority a declaration in Form – 'F' duly filled and signed by the consignee for availing exemption from tax. Further, under UPTT

* Agra, Ghaziabad, Kanpur (A,B,C), Lucknow (A,B), Meerut, Moradabad, Muzaffar Nagar, NOIDA and Saharanpur.

Act if a dealer has deliberately furnished inaccurate particulars of his turnover, he shall pay by way of penalty, in addition to tax, a sum not less than 50 per cent of tax but not exceeding 200 per cent. CTT vide circular dated 21 December 1996 had directed all assessing authorities to submit details of stock transfer of each quarter in prescribed form to the respective Joint Commissioner/ Special Investigation Branch (JC/SIB) for verification of transactions relating to stock/branch transfer.

During test check of records of 12 ranges, it was noticed that the assessing authorities had finalised between April 1998 to March 2003 assessment of 2,065 dealers involving stock/branch transfer of goods of Rs. 24,296.21 crores. However details in prescribed form for stock/branch transfer in cases of 198 dealers (9.6 per cent) involving goods of Rs. 358.47 crore (1.5 per cent) only were submitted to the concerned JC/SIB. In the absence of submission of requisite information to JC/SIB in remaining 1867 cases involving stock/branch transfer of goods of Rs. 23937.74 crore, short levy of tax/penalty could not be ruled out in audit. The details are given as under:-

Sl. No.	Range	Total stock/branch transfer		Stock transfer referred to JC/SIB		Stock transfer not sent for verification to JC/SIB	
		No. of cases	Amount (Rs. in crore)	No. of cases	Amount (Rs. in crore)	No. of cases	Amount (Rs. in crore)
1.	Agra	240	1,906.18	27	234.55	213	1,671.63
2.	Ghaziabad	228	2,777.56	02	12.12	226	2,765.44
3.	Kanpur (A,B & C Ranges)	372	2,063.87	169	111.80	203	1,952.07
4.	Lucknow (A&B Ranges)	74	1,563.72	--	--	74	1,563.72
5.	Meerut	103	864.28	--	--	103	864.28
6.	Moradabad	42	480.40	--	--	42	480.40
7.	Muzaffar Nagar	109	110.69	--	--	109	110.69
8.	Noida	840	14,161.28	--	--	840	14,161.28
9.	Saharanpur	57	368.23	--	--	57	368.23
	Total	2,065	24,296.21	198	358.47	1,867	23,937.74

- Cross-verification of Forms 'F' in audit pertaining to stock transfer by the dealers of Uttar Pradesh (UP) with utilisation account of declaration forms/details of goods received through stock transfer by the dealers of Delhi, Chandigarh (UT), Punjab and Haryana revealed that five dealers of Kanpur and Meerut had claimed and allowed between 1998-99 to 2000-01 stock transfer of Rs. 16.06 crore and Rs. 12.19 crore as against actual stock transfer of Rs. 11.24 crore and Rs. 16.08 crore respectively to other states. Incorrect allowance of excess branch/stock transfer of goods of Rs. 4.82 crore, comes under Intra-State sale and was taxable within UP state. This resulted in short levy of tax of Rs. 1.32 crore including penalty as detailed in Appendix-I.
- The value of goods transferred by UP dealers short by Rs. 3.89 crore to the dealers of other states comes under escape of turnover by the UP dealers resulted in short levy of tax amounting to Rs. 1.19 crore including penalty as detailed in Appendix-II.

Incorrect levy of tax at concessional rate

2.2.6 Under the provisions of the CST Act, the State Government, by way of a notification in the official gazette may reduce the rates of tax for such goods as specified in the notification.

Test check of records of Lucknow Range revealed that in four cases, tax at the concessional rate of four percent (without Form-'C') of Rs. 5.99 crore was incorrectly levied on sale of petroleum products valuing Rs. 149.63 crore to Uttaranchal during the period from December 2000 to March 2001 merely on the strength of a Government order of December, 2000 instead of correct rate of 20 percent. This resulted in short levy of tax of Rs. 23.94 crore.

Incorrect allowance of concessional rate of CST

2.2.7 Under the CST Act and the rules made thereunder, a dealer should be registered before making any transaction in the course of inter state trade or commerce.

Test check of records of Kanpur (A,B & C) and Noida Ranges it was noticed that two dealers were incorrectly allowed concessional rate of CST on the strength of Form- 'C', on turnover of Rs. 1.48 crore during 2000-2001 in the course of interstate sale of goods to the dealers of other state prior to their obtaining registration certificates in those states. This resulted in short levy of tax of Rs. 12.00 lakh.

Defective 'C' Forms

2.2.8 As per CST (UP) Rules, 1957, Form 'C' marked 'Original' and complete in all respect i.e. bearing central registration number and date of issuing dealer, purchase order number and date etc. should be recorded on assessment records to avail concessional rate of CST.

Test check of records of 10 Ranges⁷ revealed that during 1998-99 to 2000-2001, assessing authorities allowed concessional rate of CST to 30 dealers on the strength of defective Form 'C' on which requisite details like central registration number and date of issuing of Form 'C' and purchase order number and date was not recorded on inter state sale of goods of Rs. 101.62 crore. Incorrect allowance of concessional rate of tax in these cases has resulted in short levy of tax of Rs. 6.91 crore.

Incorrect exemption by irregular sale by transfer of documents

2.2.9 Under the provisions of the CST Act, where a sale of any goods in the course of inter-state trade or commerce has either occasioned the movement of such goods from one state to another or has been effected by a transfer of documents of title to such goods during their movement from one state to another, any subsequent sale during such movements effected by a transfer of documents of title to such goods shall be exempted from the tax, if a certificate duly filled and signed by the registered dealer from whom the goods were purchased is furnished by the selling dealer to the assessing authority.

Test check of records of four ranges⁸ revealed that intra-state sale of Rs. 10.35 crore effected by six dealers between 1998-99 to 2000-2001 on transfer of documents of title to such goods during their movement from one place to other place in the state was treated as interstate sales and allowed the same as exempted from payment of tax. Since the movement of goods had taken place within the state instead of inter-state, the exemption from levy of tax was not

⁷ Ghaziabad, Kanpur (A, B & C), Lucknow (A&B) Meerut, Muzaffar Nagar, Noida and Shaharanpur.

⁸ Kanpur (A, B & C) and Muzaffar Nagar.

admissible. The incorrect allowance of exemption resulted in short levy of tax of Rs. 38.00 lakh.

Irregular grant of exemption on export sale on the basis of defective Form 'H'

2.2.10 Under the provisions of the CST Act read with the rules made thereunder and CTT circular of March 2001, sales of goods made by one registered dealer to another registered dealer for export are to be allowed as a deduction from turn over of the selling dealer on his furnishing complete Form 'H' duly filled in and signed by the exporter alongwith evidence of export of such goods. Export sales shall be deemed to take place only if the sale was effected after the date of purchase order/agreement of foreign purchaser.

During test check of records of 11 Ranges, it was noticed that 20 dealers were allowed exemption on the turnover of Rs. 35.77 crore during the years 1999-2001 treating the sale as export out of India, though the declaration forms 'H' in these cases were not complete as requisite details like date of purchase order/agreement were not mentioned. Allowance of exemption on the turnover on the strength of incomplete declarations resulted in short/non-levy of tax of Rs. 2.55 crore as detailed in Appendix-III.

Registration Certificates

2.2.11 Under the CST Act and the rules made thereunder, a dealer seeking registration is required to specify in his application the places of his business in the other states alongwith the address of such place and particulars of registration so that the same are mentioned in the registration certificate.

- **Incorrect allowance of transfer of goods to places not included in the registration certificate**

In assessment cases of 13 dealers it was noticed that goods were exempted from payment of tax by assessing authority on branch transfer of goods supported by Form 'F' amounting to Rs. 70.81 crores during 1996-97 to 2000-2001 to places other than those specified in the registration certificates of the dealers. This resulted in non-levy of tax of Rs. 5.07 crore as per details in Appendix-IV.

- **Transfer of goods to agents prior to registration**

In four assessment cases of Ghaziabad, Noida and Kanpur ranges it was noticed that dealers were allowed deduction aggregating Rs. 3.15 crore during 1999-2000 to 2000-2001 from the turn over of sales on account of goods consigned to agent outside the state prior to their obtaining registration certificates in those states. This resulted in under assessment of tax of Rs. 28.44 lakh.

Irregular exemption under CST Act

2.2.12 Under CST Act, export of goods is exempted from tax, provided that the goods are of same nature which were purchased by the dealer to fulfill his export obligation. It has judicially been held* that any change in the purchased goods by way of processing, disqualifies the dealer from getting the benefits

* M/s Vijay Laxmi Cashew company and other V/s Deputy Commercial Tax Officer and other (S.C. -32 STI 1996).

of exemption from tax. It has also been held^{*} that small chips obtained from logs of sandalwood is manufacturing under the provisions of Sales Tax Law.

Audit of assessment records of DC (A)-16 TT, Kanpur, conducted in October 2002 revealed that a dealer had purchased sandalwood valued at Rs. 91.86 lakh in 1996-97 against Form 'H' and exported the goods after manufacturing chips from it in 1999-2000. Thus the goods, agreed to be supplied to the foreign buyer, were different from that which was actually purchased for export. This was contrary to the provisions of CST Act. The dealer was, therefore, not entitled to get exemption from tax and was liable to pay tax amounting to Rs. 13.78 lakh.

After this was pointed out in audit, the Department raised demand of tax of Rs. 13.78 lakh in May 2004. The position of recovery was awaited.

The case was reported to the Department and the Government in June 2003; replies have not been received (May 2004).

Non-imposition of penalty

2.2.13 Under section 10-A read with 10 (d) of the CST Act, if a registered dealer purchases any goods from out side the state at concessional rate of tax on the strength of declaration in form 'C', by falsely representing that such goods are covered by his central registration certificate or if goods purchased from out side the state at concessional rate of Tax, are used for a purpose other than that on which registration was granted, the dealer is liable to be prosecuted. However, in lieu of prosecution, if the assessing authority deems it fit, he may impose penalty upto one and a half times of tax payable on sale of such good.

Audit of assessment records of 13 TTOs^{*} revealed that 14 dealers assessed between December 1999 to July 2003 for the year 1995-96 to 2000-01, had purchased goods Rs. 5.71 crore against declaration in form 'C' which were either not covered by their certificates of registration, or were used for purpose other than that for which registration was granted. The dealers were therefore, liable to pay penalty of Rs. 96.37 lakh.

After this was pointed out in audit, the Department imposed penalty of Rs. 2.57 lakh in two cases. Replies in other cases were awaited (May '2004).

Internal control

2.2.14 The exemptions and reductions of Tax in course of inter-state trade and branch transfer is primarily based on submission of correct declaration Forms by the trader. The Department should get these forms verified and satisfy itself that the trade indeed arises as a result of branch transfer and inter-state sale.

Although control mechanism exist in the Department to some extent it is not functioning effectively. Which is indicative of weak and inefficient internal control mechanism. The circulars of commissioner, Trade Tax were not

^{*} M/s Mahadev Prasad and Shambhu Dayal and Co V/s CST (STI 1992 All H.C. 417) (1993 STJ 26) (1992 UPTC 1226).

^{*} AC (A) -III Trade Tax Aligarh, (2) TTO Sector-2 Hardoi, (3) AC (A) -III Noida, DC(A)-I, TT Allahabad, AC(A)-III TT, Noida, DC(A)-III Noida, DC(A)-8, TT Lucknow, AC(A) TT Nazimabad, AC(A)-3 TT Allahabad, AC(A)-3 TT Saharanpur, TTO Sec-I Barabanki, DC(A)-4 TT Allahabad, AC(A) Khurja and DC (A) TT Lucknow.

scrupulously followed and no action was taken to verify the authenticity of transactions from other states.

The internal audit organisation functions independently under overall control of Commissioner Trade Tax (CTT) who is being assisted by an Additional Commissioner/Joint Commissioner (Accounts). There were shortage of 13 Audit Officers and 41 Sr. Auditors/Auditors.

Information in respect of target and achievement up to March 2003 was not supplied by CTT office. No control and monitoring over field parties was done at Headquarter level. Department accepted (November 2004) that due to shortage of manpowers, audit work could not be conducted as per prescribed norms. Test check of internal audit reports revealed that it raised individual observations of non-levy/short levy of tax rather than focusing on systemic and control failures.

Conclusion

2.2.15 From the audit findings as above it is evident that due to non-observance of the provisions of the Act / Rules in adequate and proper check of the forms by the Assessing Authorities and weak internal control mechanism, the Department suffered a loss of revenue amounting to Rs. 42.86 crore during the five years from 1998-99 to 2002-03. Further, if the directives of the commissioner would have been complied with, more fraudulent / fictitious cases of stock transfers might have come to light.

Recommendations

It is recommended that:

- Government may consider putting in place a strong and effective internal control mechanism in the Department to avoid lapses such as grant of irregular exemption on account of deficient / incomplete certificates / Forms.
- System for complete (100 *per cent*) cross-verification of the transactions relating to stock transfer within the stipulated time frame may be constituted.
- Internal audit wing needs to be strengthened.

The omissions were reported to the Government in July 2004; reply was awaited (November 2004).

2.3 Irregular allowance of exemption/set off/moratorium

Irregular grant of exemption to units undertaking expansion or diversification

2.3.1 By issue of notification (March 1995) under section 4-A of the UPTT Act and under section 8 (5) of the CST Act 1956, the State Government declared that new industrial units and the existing units which had undertaken expansion, diversification, modernization after 31 March 1995 would be

granted exemption/reduction in rate of tax on the turn over of sales for the period as specified or till the maximum amount of tax relief as specified is achieved, whichever is earlier. The monetary limit of exemption in the cases of existing units undertaking expansion or diversification was to the extent of additional fixed capital investment (FCI). It has been judicially held^{*} that for the units undertaking expansion, modernization or diversification after 31 March 1995, the limit of exemption was only to the extent of additional (FCI). In the light of above decision, Department issued a circular in November 2000 instructing assessing officers to act accordingly.

In eight Trade Tax Circles it was, however, noticed between August 2003 to December 2003 that 15 units which had undertaken expansion or diversification programme after 31 March 1995 were granted Eligibility Certificate allowing exemption/reduction in tax amounting to Rs. 1,305.34 crore, varying between 150 to 250 percent instead of restricting it to 100 percent of the additional FCI of Rs. 813.14 crore. The excess grant of exemption limit of Rs. 492.20 crore was, therefore, irregular. Details are as per Appendix-V.

After this was pointed out in audit, the Department stated in respect of four units of D.C. (A)-I, TT, Ghaziabad (October 2004) that amendment has been made in Government notification of March 1995 vide notifications dated 28 January 2004. Reply of the Department is not tenable as there is no provision of issuing notification retrospectively under section 4 A of the U.P.T.T. Act and 8 (5) of the CST Act.

The matter was reported to the Department and the Government (May 2004); their replies have not been received (November 2004).

Excess allowance of set off

2.3.2 Under section 4-BB of the Act read with notification dated 22 October 1996 and 22 May 1998 issued thereunder, a set off of the tax paid on the purchase of raw material shall be allowed against the tax payable on the sale of the goods notified under section 4-BB in the State or in the course of interstate trade or commerce subject to certain conditions and restrictions. Iron and steel is a notified good under the above section with effect from 1 June 1998.

Audit of assessment records of DC (A)-I, TT, Ghaziabad conducted in October-2003 revealed that a dealer sold C.R. Strips/sheets upto base production within the State and in the course of interstate trade or commerce for the sales turnover of Rs. 291.04 crore during the assessment years 1998-99 to 2000-01. While making assessments between February 2001 and October 2002, assessing officer allowed set-off amounting to Rs. 8.63 crore upto the extent of tax payable on the sale of such goods instead of allowing set-off Rs.2.21 crore which had been paid on the purchase of the raw materials used in manufacturing of goods. This resulted in excess set off of tax of Rs. 6.42 crore. Besides, interest of Rs. 6.53 crore is also chargeable.

The matter was referred to the Department/Government in May 2004; their replies have not been received (November 2004).

^{*} M/s Kajaria Ceramics Ltd. Vs. Commissioner of Trade Tax (2000 UPTC-154)

Irregular grant of moratorium

2.3.3 Under U.P. TT Act, read with rules made thereunder, the Commissioner, on application of a manufacturer may in lieu of exemption granted under section 4-A, grant a moratorium for payment of tax admittedly payable by such manufacturer on the sale of his manufactured goods beyond the prescribed period as stipulated in Rule -41 subject to certain conditions. As per conditions laid down under Rule-43, and the Deferment Scheme (October 1995), the facility will not be available to those manufacturers who had availed the facility of exemption/reduction scheme u/s 4A, where the manufacturer has submitted application for grant of moratorium after six months from the date of commencement of facility, and where the manufacturers had discontinued the business during the period of exemption/reduction in the rate of tax. It has been judicially held^r that new unit after availing benefit of exemption is not entitled for grant of moratorium. Moratorium is granted by Commissioner, Trade Tax and after grant of moratorium interest free loan is sanctioned by State Government through PICUP, a government agency.

Audit of assessment records of DC (A)-12 TT, Agra, revealed in December 2003 that a dealer was granted moratorium for Rs. 38.15 crore for the period from 20.12.99 to 19.12.2009, on sales turnover. The dealer was not entitled for grant of moratorium as he had availed the facility of exemption/reduction scheme under section 4-A of UPTT Act and had submitted his application after six months from the date of commencement of facility which is contrary to the provisions of the UPTT Act/Rules. Due to irregular grant of moratorium by the Department, the release of interest free loan of Rs. 3.55 crore to the dealer in lieu of payment of tax for the period of 1999-2000, 2001-2002 and 2002-03 through PICUP®- a State Government agency was irregular. This resulted in undue financial benefit to the dealer amounting to Rs. 3.55 crore.

The matter was reported to the Department/Government in May 2004; their replies are awaited (November 2004).

2.4 Short computation/adjustment of tax

The State Government, by notification (March 1995) declared that exemption from or reduction in rate of tax to new units and also to units which had undertaken, expansion, diversification, modernization or backward integration shall be computed on the turnover of sales at the rate of tax normally applicable to the goods concerned under the State/Central Acts.

Audit of assessment records of 15 unit in nine TTOs conducted between August 2003 and January 2004 revealed that while assessing between September 1998 and December 2003 cases for the assessment years 1996-97 to 2000-01, the Assessing Officers allowed amount of exemption from tax by calculating the tax at concessional rate instead of normal rate of tax applicable to the goods under the State/Central Act. This resulted in short adjustment of tax of Rs. 23.32 crore as detailed in Appendix-VI.

The matter was reported to the Department/Government in May 2004; their replies are awaited (November 2004).

^r Bindal Batteries (P) Ltd. Vs State of U.P. & Anr (2003(33) STJ-220)

® PICUP Provincial Industrial Investment Corporation of Uttar Pradesh.

2.5 Short determination of Turnover

2.5.1 Under Explanation II to Section 2(i) of the UPTT Act, any cash or any other discount on the price allowed in respect of any sale shall not be included in the turnover. In order that a deduction may be allowed as a discount the dealer has to show that such discount was paid on sale price. It has been judicially held^{*} that the rebate or bonus discount is not deductible discount as they did not directly or indirectly go to reduce the predetermined sale price which is prerequisite for allowable deduction from the turnover. The Hon'ble Apex Court has also held the view, that circuitous method for sale of goods is nothing but a sale and the same is liable to tax.^Σ

Audit of records of three Trade Tax Circles, conducted between August 2003 and January 2004 revealed that bonus/quantity discounts amounting to Rs. 14.02 crore were excluded from the sales turnover although these discounts were not allowed on the price of sale and did not reduce directly or indirectly the predetermined sale price. This resulted in short determination of turn over of Rs. 14.02 crore with consequent short levy of tax of Rs. 1.07 crore, as per details given in Appendix-VII.

The cases were reported to the Department/Government in May 2004; their replies are awaited (November 2004).

2.5.2 Under the UPTT Act, sale of spirit and spirituous liquors of all kinds is taxable at the rate of 32.5 percent from 20 May 1998. It has been judicially held^T that forwarding charges and sales promotion are part of the turnover.

Audit of records of DC (A)-2 TT, Rampur, conducted in December 2003 revealed that while determining the turnover of a dealer engaged in the manufacturing and selling of Indian Made Foreign Liquors (IMFL) for the years 1998-99 to 2000-01, forwarding charges and sales promotion amounting to Rs. 49.94 crore were not included in the turnover of the dealer. Thus turnover of Rs. 49.94 crore was under stated and resulting in short levy of tax of Rs. 16.23 crore.

The case was reported to the Department and the Government in May 2004; their replies are awaited (November 2004).

2.6 Acceptance of irregular declaration forms

Under the UPTT Rules 1948 as amended from 21 April 2001, no single form shall cover the transaction of purchase or sale of more than one assessment year and of value more than rupees five lakh.

Audit of records of DC(A)-8 TT, Agra conducted in December 2003 revealed that a dealer sold lubricants worth Rs. 1.67 crore against the declaration forms during the assessment year 2000-01. Although these forms were issued by the purchasing dealers after 21 April 2001 and contained the value of transactions more than rupees five lakh, yet the assessing officer accepted the declaration forms and allowed concession in rate of tax which resulted in incorrect concession of tax of Rs. 25.77 lakh.

^{*} Hyderabad Chemicals & Fertilizers Vs State of A.P. (1978) 22STC 298(AP)

^Σ State of Tamilnadu Vs Srinivas Sales circulation 1996 (NTN) (SC)-157.

^T Modi Industries Ltd. Vs. CST (2000 UPTC-149)

The matter was reported to Department and Government in May 2004; their replies are awaited (November 2004).

2.7 Short levy of tax due to misclassification of goods

Under the UPTT Act 1948, tax is levied as per the schedule of rates notified by the Government from time to time. Besides, additional tax is also leviable at the rate of 25 percent of the tax with effect from 1 August 1990.

Audit of 13 TTOs, conducted between August 2001 and January 2004 revealed that due to misclassification of goods correct rate of tax was not applied, which resulted in short levy of tax amounting to Rs. 7.37 crore as per in Appendix-VIII.

The cases were reported to the Department and the Government between September 2002 and May 2004; their replies have not been received (November 2004).

2.8 Non levy of tax/additional tax

2.8.1 Under the UPTT Act, Tax on goods is leviable at different rates as per Schedule of rates based on their classification. Further the goods which are not specified elsewhere in the schedule of rates of tax, are taxable at the rate of 10 percent with effect from 1 December, 1998.

Audit of Two TTOs,* conducted between November 2000 and October 2002 revealed that two dealers sold self manufactured timber products, fire wood and imported Mulberry raw silk valued at Rs. 2.98 crore during the year 1997-98 and 1999-2000, while making assessment between February 2000 and March 2002 the Assessing Authorities instead of levying tax at the rate of seven and a half percent, five percent and 10 percent respectively treated them as exempted items. This resulted in non-levy of tax amounting to Rs. 29.23 Lakh.

After this was pointed out in audit, the Department revised the assessment order in January 2002 and raised demand of tax of Rs 1.62 lakh in one case. Reply in other cases was awaited (May 2004).

The cases were reported to the Department and Government in March 2001 and May 2003; their replies have not been received (November 2004).

2.8.2 Under the UPTT Act, the tax on sale of lottery tickets is 25 percent. As per UPIT Act a dealer who makes purchases from any dealer not liable to pay tax on his sale is treated as manufacturer. Further, if any dealer defaults in depositing the admitted tax within the prescribed time, is liable to pay interest at the rate of two percent per month on the unpaid amount. Besides, if a dealer deliberately furnishes incorrect particulars of his turnover, is liable to pay penalty of not less than 50 percent, but not exceeding 200 percent of the amount of tax which would thereby have been avoided.

Audit of records of TTO, Sector-4, Varanasi, conducted in July 2001 revealed that a dealer disclosed purchases of lottery tickets worth Rs. 12.38 crore from a local registered dealer during the year 1998-99. On cross verification with the assessment records of selling dealer it was noticed that lottery tickets worth Rs. 1.50 crore were sold by him during the year 1998-99. This shows that remaining lottery tickets worth Rs. 10.88 crore were purchased by him

* TTO Grade- I, Auraiya TTO Sec-3, Varanasi.

from unregistered dealers. This resulted in non-levy of tax of Rs. 7.67 crore inclusive of interest and penalty.

The matter was reported to the Department and Government in August 2001; their replies have not been received (November 2004).

2.8.3 Under UPTT Act, every dealer liable to pay tax is required to pay additional tax also at the rate of 25 percent of tax with effect from 1 August 1990.

Audit of records of three TTOs conducted between May 2001 and August 2002 revealed that Assessing Authorities while assessing three dealers between March 2000 and March 2001 for the assessment years 1992-93 and 1994-95 to 1998-99 levied tax of Rs. 49.90 lakh on the turnover of Rs. 10.00 crore instead of leviable tax including additional tax of Rs. 62.38 lakh. This resulted in non levy of additional tax of Rs. 12.48 lakh as detailed below:

(Rupees in lakh)							
Sl. No.	Name of office	Assessment year month of assessment	Item	Turnover	Rate of tax leviable Rate of tax levied (in percent)	Amount of tax leviable levied	Non levy of Additional Tax
1	TTO Chandpur Bijnore	1997-98 September 2000 1998-99 March 2001	Menth a Oil	115.00	12.5 10	14.38 11.50	2.88
2.	TTO Sector-II Moradabad	1992-93 February 2001	Brass Art ware	50.00	12.5 10	6.25 5.00	1.25
3	TTO Khatauli	1994-95 February 2001 1995-96 February 2001 1996-97 March 2000 1997-98 March 2000	Lease rent	835.00	5 4	41.75 33.40	8.35
		Total		1,000.00		62.38 49.9	12.48

After this was pointed out by audit, the Department raised demand of additional tax of Rs. 4.13 lakh in two cases (between March 2002 and May 2003).

The matter was reported to Government (between July 2001 and January 2003); their reply had not been received (November 2004).

2.9 Short levy of tax due to application of incorrect rate of tax

Under the UPTT Act, tax on goods is leviable at prescribed rate as per schedule of rates based on their classification. Besides, additional tax is also leviable at the rate of 25 percent of the tax with effect from 1 August 1990.

Audit of records of 12 TTOs, revealed that the Assessing Authorities due to application of incorrect rate of tax short levied tax of Rs 1.93 crore in case of twelve dealers as detailed below: -

(Rupees in lakh)						
Sl. No.	Name of Office	Assessment year month of assessment	Name of commodity	Taxable Turnover	Tax leviable levied (in percent)	Tax short levied
1	2	3	4	5	6	7
1.	AC(A)-I, TT, Orai	1996-97 February 1999	Imported iron and steel	50.31	4 2	1.00

1	2	3	4	5	6	7
2.	AC(A)-III, TT, Noida	1999-00 January 2002	Self manufac- tured telephone sub- assembly	408.06	5 2.5	10.20
3.	AC(A)-III, TT, Allahabad	1998-99 January 2001 1999-00 February 2002 2000-01 December 2002	Water Pump	29.89	7.5 & 8 5	0.79
4.	DC(A)-I, TT, Lucknow	1991-92 February 2003	Fragrance	28.68	15 10	1.43
5.	DC(A)-8TT Noida	2000-01 February 2003	Computer System	2967.71	8 4	118.71
6.	DC(A)-5 TT Kanpur	2000-01 February 2003	Acrylic/ Polyurethin	1127.17	12 10	22.54
7.	DC(A)-1 TT Kanpur	2000-01 January 2003	Rubber solution	68.38	12 10	1.37
8.	DC(A)-9 TT Ghaziabad	2000-01 February 2003	Old discarded biscuit	56.54	8 5	1.70
9.	DC(A)-8 TT Ghaziabad	2000-01 June 2003	Cream milk mixes	215.96	10 8	4.32
10.	DC(A)-8 TT Agra	1995-96 March 98 1996-97 January 99 1997-98 March 2000 1998-99 March 2001	Grease	393.05	15 10	19.65
11.	DC(A)-5TT Agra	1999-00 March 2002 2000-01 March 2003	Plastic scraps	149.57	10 5	7.48
12.	DC(A)-2 TT Rampur	1998-99 March 2000 1999-2000 March 2001 2000-01 March 2003	Waste broken glass, waste polyfilm/ polythene	71.53	10 5	3.58
			Total	5566.85		192.77

After this was pointed out in audit, the Department stated that demand of tax of Rs. 1.00 lakh had been raised in one case. Replies in other cases were awaited (November 2004).

The matter was reported to the Department and Government between September 1999 and May 2004; their replies have not been received (November 2004).

2.10 Misuse of declaration forms

Section 3-B of the UPTT Act provides that if a person issues a false or wrong declaration, by reason of which tax on sales or purchase ceases to be leviable or becomes leviable at concessional rate, the dealer shall be liable to pay a sum equal to the amount of relief in tax secured by him on purchase of such material. Interest at the rate of two percent is also chargeable.

Audit of records of seven TTOs,[∇] conducted between May 2003 and January 2004 revealed that eight dealers had purchased goods valued at Rs. 8.60 crore

[∇] DC(A) TT Dhampur, AC(A)-II TT Sitapur, DC (A) TT G. B. Nagar, DC (A)-IV, TT Noida, DC (A) IX, TT Noida, DC(A)-IX, TT Agra, DC (A) -VI, TT Lucknow.

at concessional rate of tax by issuing prescribed declaration forms. As the dealers were not authorized to purchase these goods as per their recognition certificates, they were liable to pay tax of Rs. 80.18 lakh equal to relief in tax secured by them against these purchases. Besides, interest of Rs. 70.78 lakh is also leviable as detailed in following table:

(Rupees in lakh)							
Sl. No.	Name of office	Year of assessment month of Assessment	Goods purchased	Value of Goods purchased Differential rate of tax (in percent)	Amount of tax involved	Interest	Total (Col. 6+7)
1.	DC(A) TT G.B. Nagar	<u>2000-01</u> February 2003	Carpet	<u>234.23</u> 10	23.42	17.33	40.75
2.	DC(A)-4 TT Noida	<u>2000-01</u> February 2003	Guarantee Cards/Scotch brite	<u>17.65</u> 7.5	1.32	0.98	2.30
3.	DC(A)-9 TT Noida	<u>2000-01</u> February 2003	Electrical Goods	<u>313.64</u> 7.5	23.52	17.40	40.92
4.	DC(A)-9 TT Agra	<u>1996-97</u> March 1999 <u>1997-98</u> March 2000 <u>1998-99</u> February 2001 <u>1999-00</u> January 2002 <u>2000-01</u> January 2003	Paint/ Chemicals	<u>224.86</u> 12.5 9.5 7.5	25.07	29.80	54.87
5.	DC(A)-6 TT Lucknow	<u>1999-00</u> February 2002 <u>2000-01</u> February 2003	Electrical Goods	<u>11.58</u> 7.5	0.87	0.73	1.60
6.	DC (A) TT Dhampur	<u>1999-00</u> December 2002	Cement Transformer	<u>21.76</u> 10 <u>13.96</u> 7.5	3.22	2.77	5.99
	-do-	<u>2000-2001</u> November 2002	Molasses	<u>18.68</u> 12	2.24	1.39	3.63
7.	AC (A)-II Sitapur	<u>1999-2000</u> December 2001	Paints	<u>4.12</u> 12.5	0.52	0.38	0.90
			Total		80.18	70.78	150.96

After this was pointed out in audit the Department levied a sum of Rs. 0.51 lakh in one case in March 2003. Reply in other cases were awaited (November 2004).

The cases were reported to the Department and Government between February 2003 and March 2004; their replies have not been received (November 2004).

2.11 Incorrect grant of concession

Section 3-G of U.P TT Act provides for levy of tax at concessional rate of five percent on sales (supported by prescribed declarations) made to a department of Central Government or of a State Government or to a Corporation or Undertaking owned or controlled by Central or State Government provided the goods are not resold or used in manufacture or packing of any goods for sale. For breach of these conditions, the department, corporation or undertaking shall be liable to pay purchase tax equal to the difference between the tax leviable and the tax paid on such goods. Jal Nigam is not entitled for concession under Section 3G vide Commissioner of Trade Tax, U.P., Circular dated 21.8.93 for transferring the raw material to other agencies.

Audit of records of two TTOs,* conducted between June 2002 and February 2003, revealed that three divisions^z of U.P. Jal Nigam (JN) had purchased cement, PVC Pipe, Hand pump parts worth Rs. 2.78 crore during the period 1999-2000 against Form 3D at concessional rate of five percent. The raw material so procured was used in installation of hand pumps on behalf of other agencies which is in contravention of instructions issued by the Commissioner. This resulted in incorrect availment of concession of tax amounting to Rs. 12.41 lakh.

After this was pointed out in audit, the Department replied that demand of tax of Rs. 12.41 lakh has been raised in all three cases in March 2003 and June 2003. The report of recovery is awaited (November 2004).

The cases were reported to Government during September 2002 to May 2003; reply of the Government is awaited (November 2004).

2.12 Non levy of interest

Under the U.P. TT Act, every dealer, liable to pay tax, is required to deposit the amount of tax due, within the prescribed time. The tax admittedly payable by the dealer, if not paid by the due date, attracts levy of interest at the rate of two percent per month on the unpaid amount till the date of deposit.

Audit of assessment records of seven TTOs, conducted between July 1999 and July 2003 revealed that in case of seven dealers assessed between March 1998 and May 2003 for the assessment year 1995-96 to 2000-01 admitted tax of Rs. 1.41 crore was deposited late after delay ranging from 2 to 1065 days, on which interest of Rs. 9.38 lakh was leviable but not levied by the Department.

After this was pointed out in audit, the Department raised demand of interest amounting to Rs. 3.48 lakh in four cases between March 2000 and March 2002, of which Rs. 2.86 lakh has been recovered.

The cases were reported to the Department and Government between August 1999 and February 2004; reply of the Government in all the cases and of the Department in three cases are awaited (November 2004).

2.13 Non-imposition of penalty

- Under the U.P. Trade Tax Act, in case of use of the raw material for a purpose other than that for which recognition certificate was granted or otherwise disposed of, the dealer shall be liable to pay, by way of penalty, a sum which shall not be less than the amount of relief in tax so secured by him, but shall not exceed three times of such relief.

Audit of records of Trade Tax Noida and Agra circles revealed that two dealers holding recognition certificate for the manufacture of notified goods purchased raw materials worth Rs. 3.71 crore at concessional rate of tax during the period 1998-99 to 2000-01 and utilised them for other purposes. The dealers were, therefore, liable to pay penalty of Rs. 79.41 lakh.

* TTO Sec.-I Allahabad, TTO Sec. II ShahJahanpur

^z E.E.VI Construction Division U.P. Jal Nigam Allahabad, E.E Construction Division, U.P., Jal Nigam, L.L. Rai Road Allahabad, E.E Construction Division, U.P., Jal Nigam, Shahjahanpur,

After this was pointed out in audit the Department imposed penalty of Rs. 4.03 lakh in one case.

- Under Section 15-A (1)(a) of the Act if a dealer without a reasonable cause fails to deposit the tax due before furnishing the return or along with the return, he would be liable to pay, by way of penalty in addition to the tax, payable by him, a sum which shall not be less than 10 percent but not exceeding 25 percent of the tax due if the tax is upto ten thousand rupees and 50 percent if the tax is due above ten thousand rupees.

Audit of assessment records of Two TT^③ Circles of Ghaziabad, conducted in August 2003 and November 2003 revealed that two dealers liable to pay the tax due amounting to Rs. 2.79 crore had deposited tax late ranging from 15 days to two month for which the dealers were liable to pay penalty of Rs. 1.40 crore which was not imposed.

After this was pointed out in audit the Department imposed penalty of Rs. 26.52 lakh in one case.

The cases were reported to the Department/Government in May 2004; their replies have not been received (November 2004).

- Under Section 15 A (1) (C) of the UPTT Act, if the Assessing Authority is satisfied that a dealer has concealed his turnover or has deliberately furnished incorrect particulars of his turnover, he may direct such dealer to pay by way of penalty, in addition to tax, a sum not less than 50 percent but not exceeding 200 percent of the amount of tax which would thereby have been avoided.

Audit of assessment records of six TTOs⁺ conducted between April 2002 and January 2004 revealed that seven dealers had concealed sales turnover of Rs. 12.70 crore during the year 1997-98, 1999-2000, 2000-01 and 2001-02. During assessment the Department levied tax of Rs. 1.01 crore on them, but failed to impose the penalty of Rs. 50.59 lakh.

After this was pointed out in audit, Department imposed penalty of Rs. 50.57 lakh in three cases between November 2002 to March 2003. Replies in other cases were awaited (November 2004).

The cases were reported to the Department and Government between July '2002 and May '2004; their replies have not been received (November 2004).

- Under Section 8D(6) of UPTT Act, every person responsible for making payment to any contractor for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of works contract, shall deduct an amount equal to four per cent of such sum payable under the Act on account of such works contract. In case of failure to deduct the amount or deposit the amount so deducted into the Government Treasury before the expiry of month following the month in which the deduction was made, the Assessing Authority may direct that such person shall pay by way of penalty a sum not exceeding twice the amount so deducted.

^③ DC (A)-IV TT, Ghaziabad, DC (A)-XII TT, Ghaziabad.

⁺ (1) AC (A)-II, Gorakhpur, (2) TTO Sector-III, Jhansi, (3) TTO Sector-8, Allahabad, (4) TTO Kaushambi, (5) DC (A)-12 TT Ghaziabad, (6) DC (A)-II, TT Rampur.

Audit of assessment records of DC (A)-III TT, Varanasi conducted between July 2002 and July 2003 revealed that a dealer^x deducted an amount of Rs. 14.67 lakh from payment made to contractors between April 1999 to March 2001, but was not deposited in Government Treasury within time. As the dealer failed to deposit the deducted amount within the prescribed time limit, he was liable to pay penalty upto Rs. 29.34 lakh which was not imposed.

After this was pointed out in audit the Department imposed penalty of Rs. 0.67 lakh in one case.

The case was reported to the Department and Government between May 2003 and November 2003; their replies have not been received (November 2004).

^x Diesel Locomotive Works, Varanasi.

CHAPTER-III - STATE EXCISE DEPARTMENT

3.1 Results of audit

Test check of records of State Excise Offices conducted in Audit during the year 2003-04 revealed non-levy or short levy of duties and fees amounting to Rs. 57.09 crore in 108 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl.No.	Categories	Number of cases	Amount
1	Excess transit/storage wastage	08	0.96
2	Short levy of export pass fee	20	21.60
3	Non levy of interest	01	0.02
4	Non levy of compounding fee/penalty	12	0.13
5	Other irregularities	67	34.38
	Total	108	57.09

A few illustrative cases involving financial effect of Rs. 6.02 crore are given in the succeeding paragraphs:

3.2 Low production of alcohol from molasses

Under the U.P. Excise working of Distilleries (Amendment) Rules, 1978, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 alcoholic litre (A.L.). For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Alcohol Technologist. Failure to maintain the minimum yield of alcohol from molasses consumed entails cancellation of licence and for-feiture of security deposit besides other penalties.

During test check of records of three Distilleries,[#] it was noticed (between March and December ' 2002) that 45 composite samples of molasses were sent to Alcohol Technologist during the period between January '2001 and October ' 2002. Based on the reports of the Alcohol Technologist, out of 3.17 lakh quintal of fermentable sugar content present in molasses, 166.43 lakh AL should have been produced, against which actual production of alcohol was 155.31 lakh AL. Less production of alcohol by 11.12 lakh AL resulted in loss of Excise duty of Rs. 5.34 crore. Besides neither the licence of the distilleries were cancelled nor the security deposit was forfeited for the production of alcohol.

After this was pointed out in audit, the Department/Government accepted low recovery of alcohol and stated (September 2004) that question of levy of excise duty on unproduced quantity of alcohol does not arise. The reply is not tenable because Government was deprived of revenue due to low recovery of alcohol.

3.3 Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

U.P. Excise Rules do not provide for any loss of Total Reducing Sugar (TRS) present in molasses during transit. Further, as per the Excise Commissioner's circular (May 1995) a maximum 12 percent non-fermentable sugar is present

[#] Dhampur Distillery, Dhampur, K.M. Sugar Mills and Distillery, Masaudha, Faizabad and Mohan Meakin Distillery, Lucknow.

in TRS and as such 46.20 Alcoholic litre of spirit can be produced from 1 quintal of TRS.

During test check of records of four Distilleries*, it was noticed (between June and November '2002) that during the month of April to June '2002, while transporting molasses there was a loss of TRS which ranged between 1 to 4 percent as compared to the TRS shown in the transport passes issued by the sugar factories, which is contrary to the provisions of the Act. Further, the distilleries received 3069.01 quintal of TRS less from which 141788.34 AL spirit could have been produced. Thus, the Government was deprived of excise duty of Rs. 68.06 lakh as detailed below:

(Rupees in Lakh)

Name of Unit	Month/ Year	Quantity of TRS dispatched (in Qtl.)	Quantity of TRS Received (in Qtl.)	Quantity of TRS loss in transit (in Qtl.)	Quantity of FS lost in transit (in Qtl.)	Alcohol which could be produced as per norms (in AL)	Excise duty @ Rs. 48/- per AL
Zubilient Organosis J.P. Nagar	4/2002	36,878.19	35,054.22	1,823.97	1,605.09	84,267.23	40.45
N.I.C. Distillery, Moradabad	4/2002 & 5/2002	5,165.40	4,922.46	242.94	213.79	11,223.98	5.39
Pilkhani Distillery, Saharanpur	4/2002 & 5/2002	14,685.74	13,864.83	820.91	722.40	37,926.00	18.20
Rampur Distillery, Rampur	6/2002	2,838.74	2,657.55	181.19	159.45	8,371.13	4.02
Total:		59,568.07	56,499.06	3,069.01	2,700.73	1,41,788.34	68.06

After this was pointed out in audit, the Department/Government stated (September 2004) that any difference in grade of TRS may be tested by the laboratory under Excise Department, the result of which will be final. However, notices for difference in grade of TRS were being issued to distillers. Further progress is awaited (November 2004).

* Jubilient Organosis Ltd., J.P. Nagar , National Industrial Corporation Ltd., Distillery, Moradabad, Pilkhani distillery, Saharanpur and Rampur Distillery, Rampur.

CHAPTER-IV - TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1 Results of audit

Test check of records of various offices of the Transport Department conducted in audit during 2003-04 revealed non-levy or short-levy of taxes, under assessment of road tax, Goods tax and other irregularities amounting to Rs.22.83 crore in 366 cases which broadly fall under the following categories:

(Rupees in crore)			
Sl.No	Category	Number of cases	Amount
1	Short-levy or non-levy of passenger tax/additional tax	190	17.66
2	Under-assessment of road tax and good tax	25	0.38
3	Other irregularities	151	4.79
	Total	366	22.83

During the year 2003-04, the Department accepted under-assessment etc. of Rs. 41.86 lakh involved in 10 cases.

A few illustrative cases involving financial effect of Rs. 72.39 lakh are given in the succeeding paragraphs:

4.2 Short levy of temporary permit fees

Motor Vehicle Taxation Act, 1988 and U.P. M.V.T. Act provide that, vehicles required for the conveyance of passenger on special occasion such as religious gathering, marriage parties and tourist parties etc. are issued temporary permits. The minimum fee for temporary permit was enhanced from Rs. 110 to Rs. 300 per permit for three days vide Government notification of December 1998.

Scrutiny of the records of SRTTO, Bahriach, revealed that during the period from April 1999 to September 2002, 3130 temporary permits were issued by the Department at pre revised rate. Thus, due to short levy of permit fees the Department deprived of revenue of Rs. 5.95 lakh.

The matter was reported to the Department and the Government (February 2003); their reply has not been received (November 2004).

4.3 Non-Assessment of Additional tax

Under the provision of the U.P. Motor Gadi (Yatrikar) Adhiniyam and notification dated 21 November, 1996, additional tax in respect of maxi cab was fixed as Rs. 2350 per month which was revised to Rs. 4500 per quarter, per vehicle from 9 November 1998, Rs. 4950/- per quarter from 10th March '2000 and to Rs. 10,000/- per quarter from 6th October ' 2001 on wards.

Test check of records of 10 RTO/SRTTOs*, revealed that additional tax on 152 maxi-cabs plying during the period April, 1998 to March, 2003 was neither

* RTO- Allahabad, Mirzapur, Varanasi, ARTTO- Kaushambi, Mathura, Chitrkoot, Barabanki, Bahraich, Pratapgarh and Auraiya.

assessed at old rate nor at new rates. This resulted in non-assessment of additional tax amounting to Rs. 59.24 lakh.

The cases were reported to the Department and Government (between May '2002 and Jan '2004); their replies have not been received (November 2004).

4.4 Loss of revenue due to non-levy of penalty

Under U.P. MVT Act, no transport vehicle shall ply in state under a temporary permit granted by an authority having jurisdiction outside the state without payment of tax or additional tax payable under the Act. If such vehicle is found plying in the state without payment of tax or additional tax, a penalty equivalent to ten times of the tax or additional tax due shall be charged.

Test check of records of RTO, Faizabad and ARTO, Kushinagar revealed that enforcement squad of the Department intercepted 13 vehicles having jurisdiction of other state plying in the state without payment of any tax of the state during the period from January '2001 to March '2002. Though, the Department realized tax and additional tax amounting to Rs. 0.72 lakh on them, yet failed to impose a penalty of Rs. 7.20 lakh, thereby resulting in loss of Rs. 7.20 lakh.

The matter was reported to the Department/Government (October '2002 and May '2003); their replies have not been received (November 2004).

CHAPTER-V - OTHER TAX RECEIPTS

5.1 Results of audit

Test check of records of concerned departmental offices, conducted in audit during the year 2003-04, disclosed short realisation or losses of revenue of Rs. 498.50 crore in 1,435 cases under the following broad categories:

(Rupees in crore)			
Sl.No	Categories	Number of cases	Amount
	Stamp Duty and Registration Fee		
1	Short levy of stamp duty and Registration fee due to under valuation of properties	1,147	39.74
2	Short levy due to misclassification of documents	114	187.59
3.	Incorrect computation of lease period	48	1.09
4.	Non levy of additional stamp duty	4	90.13
5.	Non recovery of stamp duty	21	0.63
6.	Other irregularities	8	0.01
7.	Review on "Stamp duty"	1	173.66
	Total:	1,343	492.85
	Land Revenue		
1.	Non/short realisation of collection charges	47	3.19
2.	Non-recovery of fees for supplying Kishan Bahis	8	0.30
3.	Non/short realisation of land revenue	17	1.72
4.	Other irregularities	20	0.44
	Total:	92	5.65
	Grand Total	1,435	498.50

During the year 2003-04, the Department accepted under-assessment etc of Rs. 47.00 lakh in 80 cases of which Rs. 6.32 lakh has been recovered in 47 cases of land revenue.

A few illustrative cases and one review on "Stamp duty" involving Rs. 286.76 crore are given in the succeeding paragraphs:

5.2 Review on Stamp duty

Highlights

- Discrepancy of Rs 133.63 crore between figures of receipts and those shown in Finance Account and the department for the year 1993-94 to 2002-03 was noticed.

(Paragraph 5.2.6)

- The excess and short receipt of stamps from ISP Nasik to the tune of Rs. 390 crore and Rs. 807.90 crore respectively wa not reconciled during 1993-2003

(Paragraph 5.2.8)

- Cross verification of stamp papers sold by treasuries with the value of stamp papers registered in registering offices showed that there was excess utilisation of stamp papers worth Rs. 404.68 crore in execution of documents in forty six districts and judicial stamps worth Rs. 48.17 crore in eighteen districts.

(Paragraph 5.2.9)

- There was loss of revenue of Rs. 19.03 crore to the state government due to procurement of insurance stamps from unauthorised agencies located in other states.

(Paragraph 5.2.11)

- Total lack of internal control facilitated excess usage of stamp papers over sales from treasuries.

(Paragraph 5.2.14)

Introduction

5.2.1 The Indian Stamp Act, 1899 read with Uttar Pradesh Stamp (UPS) Rules, 1942 and the notifications issued by Government from time to time provide for levy of stamp duty on various instruments specified in the schedule to the Act. The stamp duty is paid either using impressed stamps or affixing adhesive stamps of proper denominations, which are available in form of labels. The stamp duty may also be paid in cash to treasury under the provisions of the Act where the Collector is satisfied that there is temporary shortage of stamps or where stamps of required denomination are not available. Stamps are procured from India Security Press (ISP), Central Stamp Depot (CSD), Nasik by treasuries who sell them to vendors and individuals. Rajaswa Parishad (BOR) is the nodal authority for sending the annual forecast of indent and the quarterly requirement of stamps to ISP, Nasik. IGR who is also Upar Sachiv, Rajaswa Parishad is responsible for periodic inspection of treasuries and user departments. The overall responsibility of demand and supply management and control vests with BOR. For the purpose of procurement, eleven treasuries¹ have been designated as nodal treasuries who receive and transfer stamps to other treasuries as per their requirement besides selling locally. Kanpur treasury has been solely authorised for receiving and distributing stamps holding denomination of Rs. five thousand and above.

A flow-chart showing the entire process of indent, receipt and sale of stamps and stamped papers and collection of stamp duty in registration offices is given in Appendix-IX.

Organisational set up

5.2.2 The Inspector General of Registration (IGR)/Commissioner of Stamps/Joint Secretary, Board of Revenue (BOR) is the administrative head of Stamp and Registration Department. He is assisted by 15 Deputy Inspector General (DIG) of Registration/ Deputy Commissioner of Stamps at divisional level, 56 Assistant Inspector General (AIG) of Registration/Assistant Commissioner of Stamps, 70 District Stamp Officers/District Registrars (DR's) at district level and 461 Sub-Registrars (SR's) at Sub-district (Tehsil) level. The Collector through District Stamp Officers issues licenses for purchase and sale of stamps to vendors. The treasuries designated as depot for stocking and sale of stamps, functions under the control of Director of Treasuries. The detailed organizational chart alongwith functions are given in Appendix-X.

¹ Allahabad, Agra, Bareilly, Faizabad, Gorakhpur, Jhansi, Kanpur, Lucknow, Meerut, Moradabad and Varanasi

Scope of audit

5.2.3 The review was conducted between February 2004 and August 2004 covering the period from 1993-94 to 2002-03 during which records of stamps and registration department and treasuries of 28² districts were test checked. Statistical data were collected for ten years from 1993-94 to 2002-03 to assess the extent of variation between value of stamp papers sold by treasuries and those registered in the registration department. Data from Life Insurance Corporation of India (LIC) and Judicial Department were also obtained for the purpose.

Audit objectives

5.2.4 In order to evaluate the efficiency of Department and effectiveness of system and procedure adopted by Department in indenting, sale and utilisation of stamps besides locating failure in internal control system, a review was conducted to:

- ascertain how the annual demand for stamps were assessed;
- ascertain whether adequate supply of stamp papers to/from treasuries was maintained;
- examine flaw in the system of assessment of requirement/indenting/accounting of stock, sale proceeds etc. that could enable detection of fraud, if any, and
- ascertain leakage of revenue under stamp duty.

Trend of revenue

5.2.5 The position of budget estimates (BEs) and actuals under stamp duty during the years 1998-99 to 2002-2003 is given below:

(Rupees in crore)				
Year	Budget Estimates	Actuals	Shortfall	Percentage of shortfall
1	2	3	4	5
1998-1999	1,350.00	1,031.78	318.22	23.57
1999-2000	1,450.00	1,177.57	272.43	18.79
2000-2001	1,472.42	1,269.75	202.67	13.77
2001-2002	1,750.50	1,429.29	321.21	18.35
2002-2003	2,084.04	2,078.68	5.36	0.26

It would be seen from the above that the actual receipts against the BEs was less in all the years and the shortfall ranged between 23.57 and 0.26 *per cent*. Reasons for shortfall though called for has not been received. (November 2004).

Discrepancies between departmental figures of receipts (actuals) and per Finance Account

5.2.6 As per information furnished by Department, revenue worth Rs. 10849.70 crore was realised during the year 1993-94 to 2002-03 whereas as per Finance Account revenue realised by Department was Rs. 10716.07 crore as detailed below:

² Agra, Aligarh, Azamgarh, Bareilly, Bijnore, Bagpat, Barabanki, Chitrakut Deoria, Faizabad, Fatehpur, Ghaziabad, Ghazipur, Gorakhpur, G.B. Nagar, Hameerpur, Kanpur, Kannauj, Kheri, Lucknow Meerut, Mainpuri, Moradabad, Pratapgarh, Sonbhadra, Sant Kabir Nagar, Sitapur, Shahjahanpur

(Rupees in crore)			
Year	Revenue realised as per department	Revenue realised as per Finance Account	Difference Shortfall (-) Excess (+)
1993-94	521.62	531.62	(+) 10.00
1994-95	631.00	631.54	(+) 0.54
1995-96	751.82	734.78	(-) 17.04
1996-97	882.40	875.06	(-) 7.34
1997-98	972.70	956.00	(-) 16.70
1998-1999	1,074.61	1,031.78	(-) 42.83
1999-2000	1,239.44	1,177.57	(-) 61.87
2000-2001	1,264.01	1,269.75	(+) 5.74
2001-2002	1,473.88	1,429.29	(-) 44.59
2002-2003	2,038.22	2,078.68	(+) 40.46
Total	10,849.70	10716.07	(-) 133.63

Above table indicates that sales of Rs. 133.63 crore were either not accounted for in the Government Account or treasuries challans were actually not routed through the Bank. As such, possibility of short accounting of sale proceeds in Government Account cannot be ruled out.

Unrealistic assessment and indenting of requirement and short supply of stamps

5.2.7 The Commissioner of Stamps has designated 11 nodal treasuries at division level in the state to assess requirement of various types of stamps and submit quarterly indents to the Commissioner of Stamps who in turn prepares consolidated indents and sends it to ISP for supply of stamps direct to these nodal treasuries. ISP supplies stamps with a denomination of Rs. five thousand and above only to Kanpur treasury which transfers them to other 10 nodal treasuries/points as per their requirement. Similarly each nodal treasury transfers stamps to all the treasuries in their division according to the requirements.

Under the provisions of UPS Rules, a consolidated annual forecast on the basis of forecasts received from treasuries will be forwarded by Joint Secretary, BOR to Controller of Stamps, Nasik by 15 June each year. All forecasts shall show in a separate column for each denomination of stamps, whether a supply is required or not, the actual issues during each of the preceding three years, the average annual consumption based on the issues of the preceding three years, balance in hand on 01 April each year, estimated issues for the current year and the forecast of stamps which the CSD will be required to supply during the ensuing year. Under the UPS Rules, quarterly indents based on consumption of last year should be sent to Joint Secretary, BOR by nodal treasuries in time.

It was noticed in audit that no annual forecast was prepared and sent to CSD by the BOR. The nodal treasuries had submitted quarterly indents in time but these were also found not based on the prescribed procedure. BOR did not supply indent figure prior to 2000-01 indicating that this vital document was not maintained. As can be seen from the table below the indents were not based on actual consumption of the preceding year. Moreover, BOR placed huge indents with ISP Nasik even though there was adequate stock available in the treasury making the whole exercise of indenting and supply futile.

The department accepted the lapse for not sending the forecast.

The figures of indents as per records of BOR and those figures in statement of indents and supply obtained from ISP did not reconciled as can be seen from the table below. This indicates that department did no reconciliation and there was no co-ordination between department and ISP in managing the demand and supply.

A comparison of copies of indents sent by Commissioner of Stamps and the indents shown by ISP in their statement with the supply position during the period from 1993-1994 to 2002-03 revealed that supply as compared to indent intimated by Commissioner varied from 26 to 48 *per cent* whereas comparison of supply with quantum of indent shown by ISP ranged from 10 to 94 *per cent* and comparison of supply with consumption of stamp papers ranged from 47 to 160 *per cent*.

(Rupees in crore)

Year	Indent as per ISP	Indent as per BOR	Difference between column 2 and 3	Value of stamps supplied by ISP	Value of stamps used in state	Opening balance	Closing balance
1993-94	N.A.	N.A.	-	N.A.	531.62	742.86	576.88*
1994-95	N.A.	N.A.	-	N.A.	631.54	532.34*	370.14*
1995-96	5,304.34	N.A.	-	1,162.23	734.78	393.42*	970.01*
1996-97	5,227.24	N.A.	-	573.63	875.06	909.88*	953.45*
1997-98	4,553.09	N.A.	-	1,490.84	956.00	945.27*	1,620.12*
1998-99	2,345.70	N.A.	-	743.30	1,031.78	1,654.16*	1,681.23*
1999-00	1,762.94	N.A.	-	1,668.25	1,177.57	1,719.97*	2,387.17
2000-01	1,885.40	2,045.00	(-)159.60	602.49	1,269.75	2,387.17	2,003.78
2001-02	4,569.50	4,571.30	(-) 1.80	1,190.58	1,429.29	2,002.16	2,013.94
2002-03	7,049.64	6,916.63	133.01	3,317.38	2,078.68	2,013.94	3,459.52

Non-reconciliation of stamps with ISP

5.2.8 Under the UPS Rules, nodal treasuries are required to send a copy of invoice duly acknowledged to ISP in support of the receipt of stamps within 15 days of the receipt. In case of any discrepancy officer in charge of the local depot shall enter the shortage in red ink on the invoice and shall attach a certificate noting therein the number and date of the invoice with full detail of the discrepancy before forwarding copy of the invoice to ISP. A test check of records in all the nodal treasuries revealed that there were wide variations between figures of supply of General Stamp Papers as intimated by ISP and figures of receipt of stamps shown at treasuries as detailed below: -

(Rupees in crore)

Year	Value of supply intimated by ISP	Actual receipt at nodal treasuries	Difference
1993-94	Not available	178.06	
1994-95	Not available	224.34	
1995-96	1,162.23	765.81	(-)396.42
1996-97	573.63	668.06	(+) 94.43
1997-98	1,490.84	1,624.06	(+) 133.22
1998-99	743.30	860.81	(+) 117.51
1999-00	1,668.25	1,592.76	(-) 75.49
2000-01	602.49	647.33	(+) 44.84
2001-02	1,190.58	1,040.06	(-)150.52
2002-03	3,317.38	3,131.91	(-)185.47
		Total	(+) 390.00 (-)807.90

Scrutiny of records further revealed that the treasuries had submitted the copy of invoice in support of receipt of stamps after a delay ranging between 20 and

* Difference in opening and closing balance is due to non availability of records and discrepancies in Plus and Minus memorandum.

700 days and in case of Allahabad treasury, acknowledgement pertaining to July 2001 has not been sent till date. This resulted in non-reconciliation of figures of Rs. 58 crore. As verified from the records supplied by ISP, treasuries reported no loss in transit to them for the year 2001-02 and 2002-03.

As is evident from the above table, excess or short receipt was never reported to ISP and no efforts were made to reconcile the difference. This resulted in excess and less receipts of stamps of Rs. 390 crore and Rs. 807.90 crore.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that Director of Treasury had been requested for reconciliation with ISP, Nasik. Further progress is awaited (November 2004).

5.2.9 Excess uses of stamp papers over sale

• General stamp paper (Registered)

As per UPS Rules, the sale position of stamp and stamped papers by treasuries was received by the IGR in form of Plus and Minus Memorandum. DRs / SRs provide an annual report on total value of stamp duty collected. But no reconciliation of the sale of the stamp papers with the sale of stamps used in the registration offices at the level of IGR was being done thereby detection of fake stamp papers could not be conducted. Cross verification of the value of stamp papers sold by treasuries in forty six districts with the value of stamped paper registered in registering offices revealed that there was excess uses of stamp papers of Rs. 404.68 crore over sale of stamp papers by the treasuries as detailed below. The treasury wise details are given in Appendix-XI.

(Rupees in crore)			
Year	Sale from treasury	Usage in Registration Deptt.	Excess
1993-94	91.16	108.46	17.30
1994-95	88.07	123.41	35.34
1995-96	130.31	175.81	45.50
1996-97	171.02	292.35	121.33
1997-98	130.01	167.60	37.59
1998-99	209.93	270.81	60.88
1999-00	141.54	149.64	8.10
2000-01	100.00	111.59	11.59
2001-02	189.86	238.07	48.21
2002-03	240.23	259.07	18.84
Total	1492.13	1896.81	404.68

Since the stamp paper sold is used for both registered and non-registered documents, the difference would further increase, if the value of unregistered documents also is taken into account. The use of take stamp papers could not be ruled out.

After this was pointed out in audit, the IGR stated that the mater will be investigated and results thereof will be intimated to audit.

• General Stamp Paper (non – registered)

Non-registered stamp papers are used in departments other than registration department. Scrutiny of records at P W Division, Basti revealed that stamp papers worth Rs. 3.19 lakh were used that were not traceable in vendors' sale register indicating that these stamp papers were purchased from sources other than treasury.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that action was being taken. Further progress is awaited (November 2004).

• Judicial Stamps

In case of court fee stamps, Department of judicature is the sole user. During audit, consumption figures from District Courts of 42 districts were obtained. In eighteen districts³ out of 42, it was found that usage of court fee stamps exceeded sales by Rs 48.17 crore during the year 1993-94 to 2002-03, as given below: -

(Rupees in crore)				
Year	No. of districts	Sale from treasuries	Consumption in judicial department	Excess uses of court fee stamps
1993-94	4	1.12	11.39	10.27
1994-95	3	0.68	2.08	1.40
1995-96	4	2.18	3.72	1.54
1996-97	5	2.14	15.58	13.44
1997-98	2	3.22	3.44	0.22
1998-99	4	3.83	15.00	11.17
1999-00	7	4.93	7.34	2.41
2000-01	4	4.63	7.81	3.18
2001-02	4	4.52	6.53	2.01
2002-03	4	5.63	8.16	2.53
Total	41	32.88	81.05	48.17

The excess usage of court fee stamps over sale indicated, possible circulation of fake court fee stamps.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that the figures of cash deposit was not intimated. As such excess use of stamps could not be ascertained. The reply is not tenable as Department did not intimate amount paid in cash.

• Discrepancies in plus minus memoranda

The plus minus memorandum is a consolidated monthly return showing therein the monthly transaction of stamps by way of sale/transfer and receipt at a treasury. During test check of plus minus memorandum of Chitrakoot, Raibareli and Lalitpur treasuries it was noticed that there was a difference in the closing balance and opening balance of the subsequent year whereas the closing balance becomes the opening balance of the next year. This resulted in short accounting of stock of stamps of Rs. 3.64 crore as detailed below.

(Rupees in crore)			
Name of treasury	C.B. / Year	O.B. / Year	Difference
Chitrakut	4.61(2000-01)	3.00 (2001-02)	-1.61
Raibareli	3.86(1997-98)	1.93(1998-99)	-1.93
Lalitpur	5.74(2000-01)	5.64(2001-02)	-0.10
Total			-3.64

No reply in this regard was received from the Department.

Loss of revenue due to inadequate security arrangements in transportation of stamps

5.2.10 Under the UPS Rules, consignment of non-postal stamps should ordinarily be sent uninsured by goods train. In case of emergency, however, stamps may be sent by passenger train. As per government order (August 1998), transportation of stamps was to be done by road from September 1998.

³ Allahabad, Aligarh, Azamgarh, Agra, Ballia, Bulandshahar, Chitrakut, G.B.Nagar, Ghaziabad, Gorakhpur, Hardoi, Mathura, Mahoba, Meerut, Muzaffarnagar, Shahjehanpur, S.R.Nagar and Sultanpur

Further, the consignment becomes the property of the state as soon as ISP dispatches it. As such it is exclusive responsibility of the consignee to protect against any loss in transit.

During test check of records of eight treasuries⁴ it was noticed that stamps/ stamp papers of Rs. 20.74 crore were lost in transit. The claim for compensation was rejected. The department did not treat the stamps at par with cash and transported the stamps packed in paper packet/gunny bags which provided easy opportunity for occurrence of losses by way of theft/ pilferage/damage or short delivery as detailed below:

(Rupees in crore)					
Year	GSP	Revenue	Court fee	Share Transfer	Total
93-94	0.85	0.001	0.003	-	0.854
94-95	0.41	0.001	0.10	-	0.511
95-96	2.46	-	0.11	-	2.57
96-97	6.66	0.001	0.02	-	6.681
97-98	2.75	0.15	-	-	2.90
98-99	3.94	0.45	0.76	0.32	5.47
99-00	1.32	-	-	-	1.32
01-02	0.006	-	-	-	0.006
02-03	0.43	-	-	-	0.43
Total (A)	18.826	0.603	0.993	0.320	20.742

The Department accepted the lapse and issued instructions to Director of Treasuries in October 2004 to intimate the action taken in this regard.

Loss of Revenue due to purchase of insurance stamps from unauthorised agencies located outside the states

5.2.11 Under Article 268 of the constitution of India, insurance stamps are to be collected from agencies within the state. The Life Insurance Corporation of India informed that insurance stamps worth Rs. 19.03 crore from unauthorised agencies located in other states during 1994-95 to 2002-03 resulting in loss of revenue of Rs. 19.03 crore to state exchequer as per details given below:-

(Rupees in crore)										
Name of vendor	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	Total
GG Guddeti (Pune)	-	-	-	-	0.19	0.87	0.99	-	-	2.05
PH Godiya, Pune	-	-	-	-	-	-	-	0.07	-	0.07
NP Gore, Pune	-	-	-	-	0.10	-	-	-	0.22	0.32
Rajesh K Tatkar Pune	-	-	-	-	0.39	0.75	0.90	0.36	-	2.40
VS Upalkar, Mumbai	-	-	0.10	0.87	0.79	1.16	2.36	0.32	-	5.60
Somal Enterprises, Pune	0.12	0.03	0.10	0.61	0.60	0.31	0.06	-	-	1.83
US Vallal, Sholapur	0.21	0.01	-	0.20	-	-	-	0.12	-	0.54
MA Phoolwale, Pune	-	-	0.25	0.55	0.23	0.07	0.10	0.04	-	1.24
Amol Enterprises, Pune	0.94	0.80	1.12	-	-	-	-	-	-	2.86
Divl. Office, Meerut*	-	-	-	0.35	0.43	0.39	0.71	0.24	-	2.12
Total	1.27	0.84	1.57	2.58	2.73	3.55	5.12	1.15	0.22	19.03

Further audit scrutiny revealed that in two cases sales did not match procurements of these vendors.

After this was pointed out in audit, the department accepted the observations and stated (October 2004) that necessary instructions have been issued to Insurance Companies to purchase the stamps within the state and to lodge FIR's against defaulters, further progress is awaited (November 2004).

⁴ Allahabad, Agra, Bareilly, Gorakhpur, Kanpur, Moradabad, Meerut and Varanasi
* vendor wise details were not available

Irregularities in vendor's sale register

5.2.12 Under UPS Rules a licensed vendor shall maintain a sale register in the prescribed form and record details of each transaction therein. He will also endorse on the back of stamp paper the serial number, the value of stamp in full in words, the name, parentage and address of the purchaser, nature and value of instrument or document for which the stamps were sold.

- A comparison of vendors' sale account with details endorsed on the back of stamp papers used in registration department revealed that against a particular serial number stamp papers of a lower denomination was shown to be sold. In a few cases details of stamp paper used in registration department were not traceable in vendor sale register. The same serial number of vendors sale register stamp paper were sold to more than one purchaser as detailed under:

District	Value of stamp papers not traceable in sales register	Value of stamp papers with the same sl. No. sold to more than one person	Value of stamp papers under stated in sales register	Total (Rupees)
Aligarh	8,920	-	-	8,920
Varansi	37,250	-	-	37,250
Moradabad	41,820	-	68,700	1,10,520
Bareilly	500	-	1,700	2,200
Lucknow	10,720	-	-	10,720
Kanpur N.	1,400	-	7,550	8,950
Agra	-	9,060	-	9,060
G.B. Nagar	-	31,550	18,100	49,650
Meerut	-	-	15,230	15,230
Muzaffarnagar	-	-	10,290	10,290
Basti	3,18,721	-	-	3,18,721
Total	4,19,331	40,610	1,21,570	5,81,511

- All instruments chargeable with duty and executed by any person in India shall be stamped before or at the time of execution under section 17 of the Indian Stamp Act. Audit scrutiny revealed that stamp papers worth Rs. 19.83 lakhs were purchased after the date of execution/registration of the relevant deed, which indicates that they were, in fact, fakes as detailed below:

S.R.	1998-99	1999-00	2000-01	2001-02	2002-03	Total (Rupees)
S.R. II Aligarh					(2)-8000	(2)-8000
S.R. II Bulandshahar					(4)-66700	(4)-66700
S.R. Hathras	(1)-8900	(2)-2420		(2)-17280	(1)-100	(6)-28700
S.R. Sikandrara			(2)-13700		(2)-46800	(4)-59500
S.R. Budaun			(1)-5360	(8)-52600	(6)-19040	(15)-77000
S.R. I Noida				(3)-65270	(4)-99500	(7)-164770
S.R. II Noida				(6)-548650	(8)-369310	(14)-917960
S.R. III Noida			(1)-16650	(20)-509780		(21)-526430
S.R. Dadri			(1)-600	(8)-118223		(9)-118830
S.R. Faizabad					(1)-15000	(1)-15000
S.R. Unnao		(1)-100				(1)-100
Total	(1)-8900	(3)-2520	(5)-36310	(47)-1311810	(29)-623550	(85)-1983090

Note :- Figures in () denote number of documents involved.

- Under UPS Rules, licensed vendors shall be allowed to sell court fee stamps or non-judicial stamps not exceeding the aggregate value of Rs

15000 for one document or instrument as the case may be, and to an individual member of the public. Audit found cases of violation in the Bareilly district where fourteen vendors sold stamp papers worth Rs. 1,28,720 (Rs. 3,38,720-Rs. 2,10,000) in excess of limit were involved in such irregularity as given below:

Year	Number of cases	Stamp paper sold in each case	Limit prescribed (case x Rs.15000)	Excess (Rupees)
1998-99	2	44,000	30,000	14,000
1999-00	1	17,000	15,000	2,000
2000-01	1	17,000	15,000	2,000
2001-02	2	33,100	30,000	3,100
2002-03	8	2,27,620	1,20,000	1,07,620
Total	14	3,38,720	2,10,000	1,28,720

After this was pointed out in audit, the Department accepted the observations and stated (October 2004) that instructions has been issued to DSOs for settlement of irregularities. Further progress is awaited (November 2004).

Procedural Deficiencies

5.2.13 Cross checking of records of registration department and stock account of vendors available in the office of DSO, following procedural irregularities were noticed.

As per provisions of rule 178 of U. P. Stamp Rules, 1942 every vendor shall endorse on the back of each impressed sheet sold by him to public in English, Hindi or Urdu character, the serial no., the value of stamp in full (in words), the name, parentage and residence of the purchaser, the nature and value of the instrument or document for which the stamp is sold. Audit found that these instructions were not strictly followed by the vendors prior to the year 2002-03.

Under rule 179 in cases of sale of stamps holding denomination of Rs. 5 or more, signature of the purchaser in column 5 of sale register must be obtained. Audit found that prior to the year 2002-03, the vendors did not take signatures of purchaser.

Sale registers of vendors should have been deposited at the DSO office at the close of each year regularly. But this was not done prior to 2002-03. Serial numbers were not provided on stamp papers on denominations of Rs.5000 and below by the treasury and DSO did not take notice of it. Though there is no provision in the rule for this the treasuries are now doing the numbering manually. If this had been done earlier, it would have facilitated tracing of the fake stamp papers.

Lack of Internal Control

5.2.14 Control over indenting, procurement, sale and usage of stamps is exercised at three levels; collector's level, DSO's level and IGR's level.

- During test check in 28 districts it was found that no inspections of the various record rooms of the district were carried out by the DSOs. No records of inspection were maintained by these DSOs.
- Under Rule 327 of ISR, IGR through his subordinate officers was required to make periodical inspection of user departments, stamp vendors and treasuries. It was found in audit that no inspection was

carried out from 1993-94 to 2002-03 in any of the districts test checked.

No internal audit wing exists in stamps and registration department indicating that this vital aspect of internal control mechanism.

At the instance of State Government in July 2002, Commissioner of stamps organised a Task Force in March 2003 to examine the use of fake and forged stamp paper in various user departments. The findings of the task force revealed that fake stamp papers worth Rs 6.13 Crore were used in many user departments. The task force consisted of the authorities responsible for inspection of the stamps as their regular duty. Had the officers inspected the user departments as part of their regular duty, use of forged stamps would have been detected much earlier.

Recommendations

5.2.15 In order to eliminate the irregularities/deficiencies as pointed out above, the State Government may consider taking following measures.

- There should be proper and realistic assessment of requirement of stamps and placement of indent to ISP, Nasik in time.
- Close monitoring of indenting and receipt of stamps must be ensured in order to avoid any short receipt, detect loss of stamps and it's reporting thereof to ISP, Nasik and police authorities.
- Effective reconciliation mechanism should be devised to point out excess usage of stamps over sales at the district level to detect usage of fake stamps at an early stage.
- Appropriate security arrangements should be ensured while transporting stamps from ISP, Nasik.
- Inspection wing should be strengthened in order to have an effective check on the records of treasuries and the stamp paper users.
- Steps should be taken to stop purchase of insurance stamp by LIC authorities from outside the state.

5.3 Short levy of stamp duty due to under valuation of property

Under the Indian Stamp (IS) Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of consideration set forth therein, whichever is higher. As per Uttar Pradesh Stamp (Valuation of Property), Rules 1997 (UPS-VOP), market rates of various categories of land/property situated in a district are to be fixed biennially by the Collector concerned for the guidance of the Registering Authorities.

Audit of 49 Sub-Registrar Offices (SROs),[▼] conducted between July 2002 and April 2004 revealed that 1,031 deeds of conveyance relating to non-

▼ S.R., Firojabad, Talbehath (Lalitpur), Amroha, Bagpat, Akbarpur (Ambedkar Nagar), Jhansi., SR Sadar Allahabad, SR-I, II, III, IV Kanpur Nagar, SR-I, II, III Aligarh, SR-III, IV Lucknow, SR Azamgarh, SR-I, II, Buland Shahar, SR-I, II Gorakhpur, SR-III, IV Ghaziabad, SR-I, III Saharanpur, SR Grater Noida, SR Sultanpur, SR Badohi- SRD Nagar, SR Deoria, SR Jaunpur, SR-I, II Barailly, SR-I, II Varanasi, SR-I, II Mathura, SR-I, II Meerut, SR-I, II M. Nagar, SR Rampur, SR Badaun, SR-I, II, III Noida, SR Raibareli, SR Faizabad, SR Mirzapur and SR Pratapgarh.

agricultural land/property were registered between April 1998 and March 2003 for a consideration of Rs. 39.52 crore at rates as shown in documents instead of at Rs 238.54 crore at non-agricultural/commercial rates fixed by the Collector. This resulted in short levy of stamp duty and registration fee of Rs. 19.76 crore. A few illustrative cases are given in Appendix-XII.

5.4 Incorrect computation of lease period

Under the Indian Stamp Act, the stamp duty on a lease or on an agreement to lease is chargeable at the same rates. While computing the period of lease, the expressed period of lease and period of agreement to lease is to be clubbed for the purpose of levy of stamp duty. Further where the lease purporting to be for a term exceeding 30 years or in perpetuity or not purporting to be for any definite term, the same duty as a conveyance for consideration equal to the market value of the property which is the subject of the lease is leviable.

- During test check of records of 19 SRs[~] between July 2002 and April 2004 it was noticed that 33 lease deeds were registered during the years 1998-99 to 2002-03 in favour of certain individuals/institutions but the registering authorities had failed either to add the expressed extension period of lease while computing the total period of lease and/or did work out the consideration taking into account the total area covered under the leases as per the provisions of the Act. This has resulted in short levy of stamp duty and registration fees of Rs. 63.75 lakh. A few illustrative cases are given in the following table:

Unit	Document No. Year	Area Location	Consideration set forth in document (in Rupees)	Market value as per rate list (in Rupees)	Stamp Duty/Reg. Fee		Total Short levy (Rupees in lakh)
					Leviable (in Rupees)	Levied (in Rupees)	
SR Sultanpur	586 2002	1,036 Sqr Fit Jaishingh Pur Sultanpur	44,000	6,02,71,000	48,21,680 5,000	3,520 880	48.22
SR-III Kanpur Nagar	6,047 1999	1,731 Sqr Fit Latoosh Road Kanpur	1,00,000	29,85,000	2,98,500 5,000	10,000 5,000	2.89
SR-II Meerut	3,309 2001	2,500 Sqr Fit Sotiganj Meerut	15,00,000	37,50,000	3,75,000 5,000	1,50,000 5,000	2.25

- Test check of records of nine SRs,^{*} conducted between July 2002 and March 2003 revealed that in 15 lease deeds executed between 2000-01 and 2002-03, extension period of agreement to lease was not clubbed with the original period of lease while computing the total period of leases for the purpose of levy of stamp duty as on a conveyance. Incorrect application/non-observance of the provision of the Act, as

[~] SR Sadar Allahabad, SR-I,III Kanpur Nagar, SR-I,III Aligarh, SR-IV Lucknow, SR-I, Buland Shahar, SR-III Ghaziabad, SR-III Noida, SR Deoria, SR Sultanpur, SR Badohi (SRD Nagar), SR-I,III Saharanpur, SR-I,II Meerut, SR-I,II M Nagar and SR Faizabad.

^{*} SR Sadar Allahabad, SR-I,III Kanpur, SR-III Aligarh, SR-IV Lucknow, SR-I Buland Shahar, SR-III Ghaziabad, SR-I,III Saharanpur.

above, resulted in short levy of stamp duty and registration fees of Rs. 45.48 lakh. A few illustrative cases are given in the table.

Unit	Document No./Year	Area Location	Consideration set forth in document (in Rupees)	Market value as per rate list (in Rupees)	Stamp Duty/Reg. Fee		Total Short levy (Rupees in lakh)
					leviable (in Rupees)	levied (in Rupees)	
SR. Sadar, Allahabad	1,866 2003	522.76 SqMTR Gulati Buildings Chauk, Alld.	15,40,000	1,41,15,000	14,11,500 5,000	1,54,000 3,080	12.59
SR-III, Ghaziabad	4,000 2002	1264.16 SqMTR Mohalla-Baunjua	21,62,000	75,85,000	7,58,500 5,000	2,16,200 5,000	5.42
SR-I, Saharanpur	2,912 2001	1.3161 Hect. or 13161 SqMTR Mauja Dara Ali Swad Bairoon	9,000	59,23,000	5,92,300 5,000	900 100	5.96

5.5 Non levy of additional stamp duty

Under Uttar Pradesh Urban Planning and Development Act, 1973 read with UPS-VOP, development charges at the rate of two percent was leviable in the form of additional stamp duty over and above the stamp duty imposed by the Indian Stamp Act on any deed of transfer of immovable property situated within the area of any development authority on the amount of value of consideration with reference to which the duty is calculated.

During test check of records of three Sub-Registrars at NOIDA and one at Greater NOIDA, it was noticed that additional stamp duty was not levied on the deeds of transfer of immovable property situated in the development areas of NOIDA and Greater NOIDA executed between April 1998 and March 2003 except in revenue villages-Hasanpur, Bhanpur, Mohiuddinpur Kanwasi, Chhajarssi and Makanpur. This resulted in non levy of additional stamp duty of Rs. 90.13 crore as detailed below:

Sl. No.	Name of the unit	Years/Amount of non-levy					Total
		1998-99	1999-00	2000-01	2001-02	2002-03	
1	Sub-Registrar-I, NOIDA	3.40	5.28	3.27	5.18	11.91	29.04
2	Sub-Registrar-II, NOIDA	2.49	3.32	2.83	4.13	7.21	19.98
3	Sub-Registrar-III, NOIDA	1.68	1.28	4.72	4.48	7.22	19.38
4	Sub-Registrar, Greater NOIDA	2.57	2.00	3.59	7.42	6.15	21.73
	Total	10.14	11.88	14.41	21.21	32.49	90.13

After this was pointed out in audit, the SRs stated that no instruction has been received from the Collector/Government for levy/realization of two percent additional development duty. The reply is not tenable as the orders are still in force. Final reply has not been received.

5.6 Short levy of stamp duty due to misclassification of documents

Under the provisions of the Indian Stamp Act, 1899 the stamp duty on an instrument depends upon the real nature or substance of the transaction recorded in the instruments and not on any title, description or nomenclature

given to it by the parties which execute the instrument. Under Section 156 of U.P. Zamindari Abolition and Land Reforms Act, 1950, unrestricted transfer of Bhumidhari (Ownership of land) right by way of lease is not permissible. Further Article 23 of schedule 1-B of Indian Stamp Act provides that stamp duty shall be charged on documents relating to transfer of property right as "Conveyance".

- Audit of four SROs,[▼] conducted between March '2002 and November '2003, revealed that four lease deeds were registered for consideration of Rs. 7.13 lakh for a period of 30 years or less with levy of stamp duty/registration fees of Rs. 0.78 lakh. But the recital of deeds, however, show that ownership rights were transferred to the leasees. This attracts chargeability of stamp duty and registration fees under Article 23 of Schedule 1 B of the Act, which works out to Rs. 6.68 lakh. Thus mis-classification of instruments resulted in short-levy of stamp duty and registration fees amounting to Rs. 5.90 lakh.
- In audit of records of 25 SRs[◇] between July 2002 and March 2003 it was noticed that 25 deeds of conveyance of Bhumidhari land during the years 1998-99 to 2002-03 were registered as 'lease'. Misclassification of the documents resulted in short levy of stamp duty and registration fee of Rs. 1.73 crore. A few illustrative cases are given in Appendix-XIII.

The foregoing observations were reported to the Department and Government in June and August 2004; their replies have not been received (November 2004).

LAND REVENUE

5.7 Non-recovery of collection charges

As per Uttar Pradesh Public Money (Recovery of dues) Act, 1972 and Government order's issued from time to time, the Revenue Authority on receipt of certificates of recovery from a corporation, banking company or local body, shall proceed to recover the amount stated therein, together with the cost of proceeding (collection charges) as arrears of land revenue. Collection charges at the rate of 10 percent of the due collected/to be collected are to be realized from the concerned units / bodies. In case the Requisitioning Authority withdraws the recovery certificate or the amount due is deposited directly by the defaulter, even then the collection charges are recoverable from the Requisitioning Authority.

Audit of the office of two Tehsils (Akbarpur District Kanpur Dehat and Hasanpur District J.P. Nagar), conducted in December '2002 revealed that in six cases the amount of Rs. 2.64 lakh as shown in the recovery certificate was collected by the Revenue Authorities and deposited with the Requisitioning

[▼] S.R., Bakshi-Ka-Talab, Lucknow, S.R.-II, Agra, S.R., Alapur (Ambedkar Nagar), S.R.-III, Agra.

[◇] SR Sadar, Allahabad, SR-I,III Kanput Nagar, SR-I, III Aligarh, SR-III, IV Gorakhpur, SR Jaunpur, SR-III, IV Ghaziabad, SR-I,III Saharanpur, SR Bhadohi- SRD Nagar, SR Sultanpur, SR Raibareli, SR-I Mathura, SR-I Muzaffarnagar, SR Faizabad, SR Partapgarh, SR Firozabad, SR-I Varanasi, SR-III, IV Lucknow and SR-I, II Bulandshahar.

authorities. In two cases the defaulters directly deposited the amount of Rs. 0.42 lakh with Requisitioning Authorities and in three cases recovery certificate for the amount of Rs. 320.45 lakh were returned to the concerned bodies on their own request. But, the collection charges of Rs. 32.35 lakh were not realized by the Department in these above cases.

The Matter was reported to the Department and Government (between June' 2003 and August ' 2004); their replies have not been received. (November '2004).

CHAPTER-VI - OTHER DEPARTMENTAL RECEIPTS

6.1 Results of audit

Test check of records of concerned departmental offices conducted in audit during the year 2003-04 disclosed short realization/loss of revenue of Rs. 58.15 crore in 29 cases which fall under the following broad categories:

(Rupees in crore)			
Sl.No.	Categories	No. of cases	Amount
	MINES AND MINERALS DEPARTMENT		
1.	Review on Receipt from Mines and Minerals	1	57.03
	Total	1	57.03
	PUBLIC WORKS DEPARTMENT		
1.	Short levy of stamp duty	6	0.05
2.	Other irregularities	22	1.07
	Total	28	1.12
	Grand Total	29	58.15

An illustrative case and one review on "**Receipt from Mines and Minerals**", involving Rs. 57.35 crore are given in the succeeding paragraph:

6.2 Review on Receipt from Mines and Minerals

Highlights

- Acceptance of bid lower than minimum reserve price in Hamirpur and Fatehpur Tehsil resulted in loss of Rs.12.09 crore.

(Paragraph 6.2.8)

- Non-levy of stamp duty on royalty and misclassification resulted in loss of Rs. 1.44 crore on account of stamp duty.

(Paragraph 6.2.11)

- The DDOs of divisions of PWD/RES/DRDA had neither verified payment of royalty on collection of stone boulders nor realised royalty from contractors which resulted in loss of revenue of Rs.7.23 crore.

(Paragraph 6.2.16)

Introduction

6.2.1 Under the provisions of Uttar Pradesh Mines and Minerals (Concession) Rules (UPMMC Rules), 1963 made under the provisions of The Mines and Minerals (Regulation and Development) Act (MMRD), 1957, royalty, dead rent, stamp duty and trade tax are levied at specified rates fixed by the government from time to time. At present four minor minerals are extracted viz. Sandstone, Quartzite, Granite and Dolomite stone in the state. Besides stone sand, morum and brick earth are also available. In case of major mineral only coal is produced.

Organizational Set up

6.2.2 The Director, Geology and Mining, Uttar Pradesh, Lucknow is head of the Geology and Mining Department entrusted with the responsibility of supervision and overall control. He is assisted by four Regional Directors, four District Mines Officers besides Geologists and Inspectors. At district level, District Magistrate (DM) is the controlling officer. The mining offices are

generally headed by Additional District Magistrate (ADM) who exercises the process of auction of mines, execution of agreements/lease deed and control over levy and collection of royalty etc under the administrative control of the District Magistrate. The mining offices are base units located in each district.

Audit Objectives

6.2.3 A review was conducted with a view to ascertain whether:

- Mining leases are granted as per prescribed procedure/system
- The royalty and other taxes (stamp duty and trade tax) are being collected as Act and Rules and
- Penal provisions have been invoked.

Scope of Audit

6.2.4 A detailed scrutiny of records of the Director, Geology and Mining, 23* out of 70 District Mines Offices (DMOs) and test check of divisional offices of Public Works Department (PWD), Rural Engineering Services (RES) and District Rural Development Agency (DRDA) for the period 1998-1999 to 2002-2003 was conducted from July 2003 to April, 2004. The findings are given in succeeding paragraphs.

Trend of Revenue Receipts

6.2.5 The position of Budget Estimates (BEs) and actual under the head receipt from Non-ferrous Mining and Metralurgical Industries for the years 1998-99 to 2002-03 is given as under:

(Rupees in crore)						
Years	Total revenue of the state	Budget estimates	Actual revenue realised	Percentage of total revenue	Variation (-) Shortfall (+) Excess	Percentage (-) Shortfall (+) Excess (in %)
1998-99	9,387.37	300.00	145.81	1.55	(-) 154.19	(-) 51.40
1999-00	11,412.65	200.00	180.17	1.58	(-) 19.83	(-) 9.92
2000-01	12,924.65	200.00	196.44	1.52	(-) 3.56	(-) 1.78
2001-02	12,175.89	240.00	190.19	1.56	(-) 49.81	(-) 20.75
2002-03	14,697.30	250.00	262.54	1.79	12.54	5.02

It is evident from the above that shortfall in actuals in relation to BEs during 1998-99 to 2001-02 ranged between (-) 51.40 per cent and (-) 1.78 per cent whereas there was excess (5.02 per cent) realisation over BEs during the year 2002-03. The excess realisation was due to the fact that rate of royalty was revised from April 2001. It is however, seen that inspite of the rates being revised from April 2001, the actual revenue realized was less than the budget estimates. It shows that either estimates were unrealistic or the government had not made efforts to achieve the targets. Reasons for substantial variations during the years 1998-99 and 2001-02 though called for have not been furnished.

* Sonebhadra, Mirzapur, Banda, Mahoba, Jhansi, Lalitpur, Allahabad, Chitrakoot, Faizabad, Gorakhpur, Bareilly, Muzaffar Nagar, Moradabad, Saharanpur, Lucknow, Kanpur, Etawah, Bulandshahr, Ghaziabad, Fatehpur, Hamirpur, Pilibhit and Azamgarh

Position of Arrears

6.2.6 Under the provisions of MMRD Act, government dues may be recovered as arrears of land revenue. The procedure for recovery is laid down in Revenue Recovery Act, 1890.

During test check of the records of the Director, Geology and Mining, UP, Lucknow it was noticed that the Directorate did not prescribe any mechanism through which the position of arrears in the state could be ascertained at regular intervals. As per the information furnished by the Directorate, only the position of arrears of 31 DMOs could be collected by the end of March 2003 and as per that information arrears of Rs.23.17 crore were pending collection at the end of March 2003.

Non-execution of lease of river sand

6.2.7 Under the provisions of UPMMC Rules read with Government order dated 2 November 2002, the DMOs were required to conduct survey of the area, prepare lots as per local conditions and wide publicity before auction for convenient extraction of sand.

During test check of records of six DMOs,[®] it was noticed that out of 47238.56 acre of available area the Government could auction only 6196.69 acre during 1998-99 to 2002-03 due to non-publicity, non-preparation of small lots and non-finalisation of cases in time.

After this was pointed out in audit, the Department stated (September 2004) that the vacant area could not be leased/auctioned due to restriction by the Court. The reply is not tenable because vacant areas taken into consideration by audit where those which were neither leased prior to restriction by the Court nor auctioned after the vacation of the Court order. Further reply is awaited (November 2004).

Loss due to acceptance of lower bid

6.2.8 In respect of area declared for grant of lease by auction/tender, the DM or the Committee constituted by the DM for the purpose at district level shall at least thirty days before the last date of submission of tenders, invite tender by publishing a tender notice in a daily Hindi news paper having circulation in the district, in which the areas are situated. The tender would be awarded to the person offering the highest sum and he will have to deposit 25 per cent of the amount offered in the tender immediately as security money. Rule 68 of UPMMC says that state government can relax rules by recording the reasons in the interest of the mineral development.

The Government vide order of November 2002, fixed minimum reserve price for Tehsil Hamirpur of Rs.4.02 crore and Rs.1.31 crore for Tehsil Fatehpur for auction of river sand in district Hamirpur and Fatehpur for the year 2003-04 to 2005-06. Tenders for auction of river sand were called and the maximum bid came to Rs.1.91 crore and Rs.0.61 crore against the minimum reserve price of Rs.4.02 crore and 1.31 crore respectively. In case of district Hamirpur, the DM requested the Government not to accept such a lower bid and in case of Fatehpur no recommendations were made. However, the Government accepted the lower bids in March 2003 in both the cases without recording any

[®] Gorakhpur, Mirzapur, Lucknow Banda, Allahabad & Muzaffarnagar

reason for acceptance of lower bids resulting in a loss of Rs.12.09 crore on account of royalty, trade tax and stamp duty.

After this was pointed out in audit, the Department accepted the observations and stated (September 2004) that concerned District Magistrate has been requested for his comments. Further progress is awaited (November 2004).

Loss due to delay in execution of agreement

6.2.9 UPMMC Rules provide that lease deed in form MM-6 in respect of auction shall be executed within one month of the acceptance by the bidder or the tenderer as the case may be.

During test check of the records of the DM, Bulandshahar, it was noticed that river sand were settled through auction December 2002 for Anupshahar, Debai and Syana Tehsils. However, the agreements in the case of Anupshahr and Debai were executed in December 2003 and January 2004 respectively whereas it has not been executed in the case of Syana so far. Due to delay/non-execution of agreement in all these cases, mining work was either could not be carried out or carried out after a delay ranging from 12 to 13 months and further which has resulted in loss of revenue of Rs.1.89 crore which include royalty of Rs.129.49 lakh, trade tax of Rs.28.49 lakh and interest of Rs.31.08 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that due to delay in execution of agreement there may be some loss of revenue. Further progress of recovery is awaited (November 2004).

Loss due to non-payment of royalty by brick kiln owners

6.2.10 Revenue loss due to non-payment of royalty by brick kiln owners was reported in the C&AG's Audit Report for the year ended March 1998. While discussing this report, the PAC expressed its displeasure on the failure of the Government due to non-payment of royalty by brick kiln owners. Consequent to the observations made by PAC over the revenue loss, the Chief, Secretary, Uttar Pradesh issued instructions in December 2000 to obtain a list of brick kiln owners from District Trade office and compare it with the records of the Accountants of crop survey so as to detect the number of brick kilns being run without valid mining permits avoiding payment of royalty.

Test check of records of 9 Districts[↓] revealed that 2454 brick kilns had been running without obtaining proper permit from the department during the period 1999-2000 to 2002-03 as per cross check of the records of Mines Department (3537) and the list prepared by trade tax department (5991) resulting in a loss of revenue to Rs.5.35 crore as detailed in Appendix-XIV.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

[↓] Gorakhpur, Bareilly, Mirzapur, Lucknow, Kanpur, Muzuffarnagar, Bulandshahar, Saharanpur and Allahabad.

6.2.11 Short-levy of Stamp Duty

- Under the provisions of Indian Stamp Act read with UPMDC Rules stamp duty is payable on dead rent or royalty whichever is higher. The Indian Stamp Act authorises the Collector to estimate the probable amount of royalty in cases where royalty becomes the consideration for the lease.

During test check of records of four DMOs[¶] it was noticed that in 141 cases, the Department had executed and registered the lease deeds during the period 1998-99 to 2002-03 for extraction of stone ballast/boulder based on dead rent and stamp duty of Rs.18.78 lakh was levied on dead rent instead of levy of stamp duty of Rs.46.86 lakh on royalty paid as per the provisions of the Act. This has resulting in short-levy of stamp duty of Rs.28.08 lakh as detailed in Appendix-XV.

- Indian Stamp Act, 1899 provides that where the lease is granted for a fine or premium or for money advanced and where no rent is reserved, stamp duty on such lease is chargeable under article 35 (b) of schedule 1 (B) to the Act. As per the provisions of the Act, the stamp duty would be levied for a consideration equal to the amount or value of such fine or premium or advance as set fourth in the lease.

During test check of the records of DM, Jhansi and Ghaziabad it was noticed that 108 instruments of mining lease deeds of stone ballast and three leases of river sand were executed during April 1998 to March 2003 in case of Jhansi and in October 2003 in case of Ghaziabad on which stamp duty of Rs.39.25 lakh was leviable as per provisions of the Act against which stamp duty of Rs.15.20 lakh was only levied due to misclassification. This resulted in short levy of stamp duty of Rs.24.05 lakh. On this being pointed out the DMs stated that recovery would invariably be made in all cases.

- Under Article 35 of Schedule 1 - 'B' of Indian Stamp Act, 1899 the stamp duty on a lease or on an agreement to lease is chargeable on the same rates. While computing the period of lease, the expressed period of lease and period of agreement to lease is to be clubbed for the levy of stamp duty. Section 47-A (3) of the Act levies one and a half per cent of interest on short levy of stamp duty.

During test check of records of three DMOs^{*}, it was noticed that six lease deeds were registered in favour of certain individuals/institutions but the registering authorities did not compute the period of lease as per provisions of Act as the total period of lease was not taken into consideration while computing the stamp duty. This resulted in short levy of stamp duty of Rs.91.93 lakh including interest as detailed below.

(Rupees in lakh)

Name of the Districts	Amount of royalty on which stamp duty to be levied	Stamp Duty leviable	Royalty on which stamp duty levied	Stamp Duty levied	Short levy of stamp duty	Interest leviable	Total loss of revenue
Saharanpur	1,062.58	85.00	321.05	25.79	59.21	10.66	69.87
Muzaffarnagar	49.65	3.97	15.00	1.20	2.77	0.50	3.27
Bulandshahar	288.70	23.10	87.22	7.18	15.92	2.87	18.79
TOTAL		112.07	423.27	34.17	77.90	14.03	91.93

[¶] Mirzapur, Banda, Allahabad, Jhansi

^{*} Saharanpur, Muzaffarnagar and Bulandshahar

After this was pointed out in audit, the Department accepted the observations and stated (September 2004) that action was being taken. Further progress is awaited (November 2004).

Loss due to short deposit of Trade Tax

6.2.12 To safeguard the revenue interest of the state, the Government vide their order of December 2000 requested all the DMOs to instruct their subordinate officers not to issue passes for removal of entire minerals to the leaseholders at one time. The passes were required to be issued in installments for removal of 25 per cent of minerals at a time and further issuance at the same rate only after obtaining certificate of clearance of trade tax dues from trade tax department. Trade tax at the rate of 22 per cent was leviable on royalty.

During test check of the records of the DMOs, Saharanpur and Ghaziabad, it was noticed that passes for removal of minerals were issued to contractors involving royalty of Rs.486.98 lakh without obtaining trade tax clearance certificates from trade tax department. Trade tax payable on the minerals removed by these contractors worked out to Rs.107.13 lakh against which an amount of Rs.9.20 lakh only was found to have been deposited thereby resulting in short deposit of trade tax of Rs.97.93 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that action was being taken to recover the amount. Further progress is awaited (November 2004).

Non-levy of penalty due to non-observance of Environmental Act

6.2.13 Under the provisions of UPMMC Rules and other administrative orders of the Director, Geology & Mining, UP, each lease holder of a mine is required to prepare a Mine Plan duly approved by the Director, Geology and Mining Lucknow. This Mine Plan is necessary not only for planned and scientific mining but also to protect environment. Further, the Environment Protection Act, 1986 provides that whoever fails to comply with or contravenes any of the provisions of this Act, or the rules made or orders or directions issued there under, shall in respect of such failure or contraventions be punishable with imprisonment for a term which may extend to five years or with fine, which may extend to one lakh rupees or with both and in case of failure or contravention continues with an additional fine which may extend to five thousand rupees for every day during which such failure or contravention continues after the conviction for the fresh such failure or contravention. As per Mine plan the mining authorities were required to stop the mining if plantation was not done.

During test check of the records of eight District Mines Offices*, it was noticed that about 1720 leaseholders were currently operating mining in these districts but no plantation was done by any of the leaseholders. The DMOs had not maintained any record regarding plantation being done by the lessees. Out of above 200 leases of stone ballast were executed in Sonebhadra and Mirzapur during 1998-99 to 2002-03, 31 cases were examined in detail. The Department claimed that it had issued necessary instructions in this regard but failed to show any record of plantation being carried out by the lessees during the period. Neither the DMOs have stopped mining activities nor the cases

* Sonebhadra, Mirzapur, Banda, Allahabad, Chitrakoot, Jhansi, Mahoba and Lalitpur

were referred to environment department for imposing penalty. Minimum penalty at the rate of Rs. one lakh per lessee amounting to Rs.17.20 crore remained unlevied.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that action was being taken against lease holders. Further progress is awaited (November 2004).

Loss of interest on belated payment of royalty

6.2.14 UPMMC Rules provides that State Government after issue of notices to any leaseholder to pay within thirty days the payment of royalty or dead rent. In case of non-payment the State Government reserves the right to realize such dues from lessee as arrears of land revenue. As per the provisions made under these rules, simple interest at the rate of 24 per cent per annum may be charged.

During test check of records of 7 DMOs⁵, it was noticed that royalty of Rs.26.17 lakh was paid between April 1998 and November 2002 after a delay ranging from 2 to 54 months in 148 cases resulting in loss of interest Rs.11.58 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

6.2.15 Non-realisation of penalty for unauthorised mining

- Under the provisions of UPMMC Rules whoever contravenes the provisions of mining operations, shall on conviction be punishable with imprisonment of either for a term that may extend up to six months or with fine, which may extend to one thousand rupees, or both. Section 21 (5) of MMRD provides that whenever any person raises, without any lawful authority, any mineral from any land, the state government may recover from such person the mineral so raised, or where such mineral has already been disposed of, the price thereof, and may also recover from such person, rent, royalty or tax, as the case may be for the period during which the land was occupied by such person without any lawful authority.

During test check of records of DMOs, Sonbhadra and Mirzapur, it was observed that 64 cases of unauthorised mining were found on which an amount of Rs.1.03 crore was imposed on account of royalty and Rs.0.64 lakh on account of penalty during the period 1998-1999 to 2002-2003. The department had failed not only to realise the amount of penalty but also failed to recover the cost of material resulting in loss of Rs.1.67 crore (July, 2003).

- UPMMC Rules provides that the DMOs or the officer of the Directorate of Geology & Mining, Uttar Pradesh may inspect or see records or measure stock of mineral lying at any mine or conduct surprise raids.

Test check of records of Director, Geology and Mining revealed that the Department conducted raids during the year 2002-2003 and detected 4623

⁵ Mirzapur, Bareilly, Lucknow, Allahabad, Chitrakoot, Mahoba & Jhansi

cases of unauthorised mining involving Rs.10.76 crore and issued notices to the defaulters for payment of royalty. As against the demand of Rs.10.76 crore, an amount of Rs.1.70 crore was realised up to March 2002. However the department failed to initiate action to recover the dues of Rs.9.06 crore as arrears of land revenue.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that matter is under consideration and concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

6.2.16 Non-realisation of Royalty on collection of stone boulders/earth

- Under the provisions of UPMMC Rules read with Government order of September 1988, royalty on stone ballast/boulder is required to be paid by department/contractor/consumer. The Governments vide their circulars (February 2001 and 5 August 2002) clarified that each Drawing and Disbursing Officer (DDO) is responsible for realising of royalty, if the contractor does not produce royalty receipt in form MM-11 or form 2 'C'. The rate of sand stone and granite was Rs.15 and 30 per cubic metre respectively up to 31 March 2001 and Rs.23 and 30 respectively since April 2001.

Cross verification of records of 13 DMOs with records of 22 divisions/offices⁶ relating to mining procurement of boulders/stone ballast etc revealed that construction divisions of PWD^τ/RES^υ/DRDA^ω collected 4.35 lakh cubic meter boulders through contractors but no verification of payment either verification of payment of royalty at quarry through MM-11 or Form 2'C' was made by the DDOs resulting in loss of revenue of Rs.4.98 crore during the period 1998-99 to 2002-2003 as detailed in Appendix-XVI.

- Government of Uttar Pradesh vide order of May 1995 included earth as minor mineral in the schedule 1 under rule 21 of UPMMC Rules. The Government of India had also declared ordinary earth as minor mineral vide their notification of February 2000. The rate of royalty on earth has been fixed at Rs. four per cubic meter.

Cross verification of records of 17 DMOs with records of 33 divisions/offices⁷ relating to collection and utilisation of earth revealed that construction divisions of PWD/RES/DRDA collected and utilised 56.16 lakh cubic meter of earth but deduction of amount of royalty from contractors bills was not made by the DDOs which resulted in loss of revenue to Rs.2.25 crore during the period 1998-99 to 2002-2003 as detailed in Appendix-XVII.

⁶ NH & PD PWD, Faizabad, PD, CD-I and NH PWD Gorakhpur, PD & NH Bareilly, CD-II PWD Lucknow, DRDA, Banda & Chitrakoot, CD-I Muzaffarnagar, RES, Saharanpur, RES, Etawah, RES, Fatehpur, DRDA, Etawah, PD, Etawah, CD, Fatehpur, CD, Ghaziabad, PD, Bulandshahr, PD, Moradabad, CD-II, Moradabad, CD-I, Moradabad

^τ Public Works Department

^υ Rural Engineering Services

^ω District Rural Development Agency

⁷ PD, PWD Faizabad, PD, CD-I & NH Gorakhpur, PD, CD-II & NH Bareilly, PD & RES Sonebhadra, CD-II & ID sharda-II Lucknow, DRDA, Hamirpur, Banda, Chitrakoot, Mahoba, Jhansi and Lalitpur, Etawah, RES, Hamirpur, Jhansi, Lalitpur, Saharanpur, Fatehpur, Etawah, PD & CD, Chitrakoot, CD, Saharanpur, CD-I, Muzaffarnagar, PD, Etawah, CD, Fatehpur, CD, Ghaziabad, CD, Bulandshahr, PD, CD-II, Moradabad.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

Non creation of Mineral Development Fund

6.2.17 The Government of Uttar Pradesh has made provisions for creation of Mineral Development Fund in its Mineral Policy 1998. This fund was to be created from five per cent of the total revenue earned during the year which was to be utilised for the purpose of purchase of equipments for research and development, preparation of reports and analysis of data through computer for the utilisation of the consumers/entrepreneurs, creation and development of infra structure and creation of mineral estates and implementation of welfare schemes for Mallah community.

During test check of the records of Director, Geology & Mining, Lucknow, it was noticed that Mineral Development Fund was not created by the Department so far (April 2004). The total revenue of the department of the last five years from 1998-99 to 2002-03 comes out to Rs.975.15 crore out of which five per cent of the revenue amounting to Rs.48.76 crore was to be transferred to this fund. However, this amount was not transferred to this Fund.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that efforts are being made to open the account. Further progress is awaited (November 2004).

Improper monitoring in handling of Coal

6.2.18 Under the provisions of MMC Act, 1960, a Corporation of Government of India is extracting coal from four coalfields in Uttar Pradesh (Bina, Khadia, Dudhichua and Kakri). The company is producing 'C', 'D' and 'E' grade of coal and accordingly paying royalty due on the quantity dispatched.

During test check of records of DMO, Sonebhadra, it was noticed that DMO is not aware of the date of starting of mining, date of expiry of lease, area of each mine, estimated quantity to be extracted and quality of the coal and procedure of dispatch etc. No officer of Department has ever inspected the site to verify its actual production, quality certification and dispatch. Only records of the royalty deposited by coal fields itself are maintained. It shows the poor monitoring of the Department which has left the Company to render its statement at their liberty without any control.

Internal Control System

6.2.19 The entire process of collection of royalty, taxes and fees are administered and monitored by the Government through district administration. The Director, Geology and Mining, Uttar Pradesh, Lucknow maintains a record of royalty as communicated by the concerned authorities. The DMOs/Geologists/Asstt.Geologists/Inspectors posted in districts are empowered to make surprise inspection and assessment of royalty of the mining areas from time to time to check the unlawful extraction of minerals and to ensure that actual royalty is paid and mining activities are carried out as per the provisions of the Act/Rules.

It was noticed in audit that internal control mechanism was not functioning well, with the results following irregularities were noticed.

- Some MM-11 passes were neither being taken back nor reconciled in most of the test checked districts.
- Production of minerals was not being carried out as per Mine Plan in all the districts.
- No efforts were made to protect environment either by leaseholder or by authorities concerned.
- The figures of arrears of revenue (royalty, penalty, fees etc. state are not known at directorate level.
- The payment of trade tax by the lessee is not verified before issue of MM-11 passes.
- The department had failed to check unauthorise mining.

Based on the above findings due to non-observance of provisions of Act/Rules, loss of revenue of Rs. 65.80 crore in shape of non/short levy of royalty, stamp duty, trade tax, penalty and interest etc. was noticed in audit.

6.2.20 Recommendations

It is recommended that:

- Strict compliance of provisios of Act/Rules be enforced.
- Strengthen Internal Audit Wing for better financial control/management.
- Enforce provisions of the Act for the improvement of the environment.
- Unauthorised mining should be strictly dealt with.

PUBLIC WORKS DEPARTMENT

6.3 Non-realization of royalty on collection of stone boulders

Uttar Pradesh Mines and Minerals (concession) Rules, 1963 provides that stone ballast/grits shall be obtained by the contractor of Public Works Department from quarry only on payment of royalty to the Mining Department at prescribed rates. The Government had clarified in September 1988 and 5 August '2002, that the Public Works Department, before making payment to the contractor should ensure that the contractor had made payment of royalty to the Mining Department. Further, contractor was to furnish a royalty receipt (MM-11) from Mining Department, failing which amount of royalty was to be recovered from his bill. The minimum rate of royalty on stone ballast was Rs. 15 per cubic metre till March 2001 and Rs. 23 per cubic metre from 1st April '2001.

Test check of records of four offices[∇] of the Public Works Department, revealed in December '2002 that during the period from April '1999 to March '2002, 1.92 lakh cubic metre of stone ballast was supplied by the contractor for construction work on a lump sum rate which included cartage, royalty and

[∇] CD-I, Lucknow, P.D., Lucknow, P.D., Kanpur Dehat and P.D., Kanpur city.

other taxes but before making payment neither verification of payment of royalty at quarry through - MM-11 nor deduction of the amount of royalty was made from their bills. Non compliance of above instructions resulted in loss of revenue amounting to Rs. 31.95 lakh.

After this was pointed out in audit, the Government stated (October 2004) that imposition of responsibility of recovery of royalty is not provided to Public Works Department under any Act/Rules. The reply is not tenable because Government order (August 2002) issued by Chief Secretary, U.P. was mandatory to be observed by the Public Works Department and ensure that the contractor had made payment of royalty to the Mining Department.



Lucknow,
The

23 MAY 2005

(BIRENDRA KUMAR)
Accountant General (C& RA)
Uttar Pradesh

Countersigned



New Delhi
The

27 MAY 2005

(VIJAYENDRA NATH KAUL)
Comptroller and Auditor General of India

Appendices

APPENDIX-I
(Reference to in paragraph 2.2.5)
Statement showing difference in the figure of value of stock transferred
by U.P. dealers and value of stock received by other state dealer noticed
during on the spot cross –verification carried out by review party

Details of excess amount found in records of UP dealers

Sl. No.	Form-'F' No. & Year	Name & Address of UP dealer	Name & Address of other state dealer	Name of commodity	Rate of tax	Value of stock transferred by UP dealer	Value of stock received by other state dealer	Excess	Tax avoided by UP dealer
(Amount in Rupees)									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	02Q-0950228 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	32,64,265	28,43,192	4,21,073	42,107
2.	02Q-0950230 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	39,12,246	32,64,265	6,47,981	64,798
3.	02Q-0950232 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	37,92,462	37,80,794	11,668	1,167
4.	02Q-0950233 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resnova Chemie Ltd. <u>Delhi</u>	Chemical	10%	47,87,597	39,40,087	8,47,510	84,751
5.	02Q-0950236 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	43,15,333	41,30,778	1,84,555	18,456
6.	02Q-0730732 (1999-2000)	M/s Modi Mundi Pharma Pvt. Ltd. Modipuram <u>Meerut.</u>	M/s Modi Mundi Pharma Pvt. Ltd. <u>Delhi.</u>	H.L. Medicine	7.5%	8,17,220	Nil	8,17,220	61,292
7.	02Q-0868263 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	1,49,83,972	9,429	1,49,74,543	14,97,454
8.	02Q-0868262 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	7,15,487	1,89,280	5,26,207	52,621

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
9.	02Q-0868260 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	21,39,366	11,05,730	10,33,636	1,03,364
10.	02Q-0868257 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	10,59,888	6,99,860	3,60,028	36,003
11.	02Q-0868256 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	51,50,850	62,440	50,88,410	5,08,841
12.	02Q-0868252 (2000-2001)	M/s Apollo Tyres Ltd. <u>Meerut.</u>	M/s Apollo Tyres Ltd. <u>Delhi</u>	Tyres, Tubes and Flaps	10%	7,71,017	6,84,416	86,601	8,660
13.	02Q-0759842 (1998-1999)	M/s Ganpati Papers <u>Meerut</u>	M/s Ganpati Papers <u>Delhi</u>	Paper	7.5%	8,13,400	This form was used for the year 1996-97.	8,13,400	61,005
14.	02Q-0759843 (1998-1999)	M/s Ganpati Papers <u>Meerut</u>	M/s Ganpati Papers <u>Delhi</u>	Paper	7.5%	3,57,551	This form was used for the year 1996-97.	3,57,551	26,816
15.	02Q-0759844 (1998-1999)	M/s Ganpati Papers <u>Meerut</u>	M/s Ganpati Papers <u>Delhi</u>	Paper	7.5%	4,79,819	This form was used for the year 1996-97.	4,79,819	35,986
16.	02Q-0759845 (1998-1999)	M/s Ganpati Papers <u>Meerut</u>	M/s Ganpati Papers <u>Delhi</u>	Paper	7.5%	1,73,992	This form was used for the year 1996-97.	1,73,992	13,049
17.	02Q-0976401 (2000-01)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	98,38,115	98,33,815	4,300	1,398
18.	02Q-0996598 (2000-01)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	75,39,030	75,19,030	20,000	6,500
19.	02Q-0941946 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	98,94,610	82,47,601	16,47,009	5,35,278
20.	02Q-0941947 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	1,11,81,530	86,03,140	25,78,390	8,37,977
21.	02Q-0941949 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	1,13,07,450	1,04,13,385	8,94,065	2,90,571
22.	02Q-0941952 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	1,11,31,545	1,07,46,450	3,85,095	1,25,156
23.	02Q-0941953 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	1,19,38,135	1,11,81,530	7,56,605	2,45,897
24.	02Q-0941955 (1999-2000)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Delhi</u>	I.M.F.L.	32.5%	86,30,140	74,56,860	11,73,280	3,81,316
25.	AA-099680 to 690 11 Forms 'F' (2000-01)	M/s Central Distillery & Breveries Ltd. <u>Meerut</u>	M/s Central Distillery & Breveries Ltd. <u>Chandigarh</u> <u>(U.T.)</u>	I.M.F.L.	32.5%	1,38,16,964	48,33,770	89,83,194	29,19,538

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
26.	L-344640 (2000-01)	M/s Apollo Tyres Ltd. Meerut.	M/s Apollo Tyres Ltd. Jalandhar	Tyres, Tubes and Flaps	10%	39,93,350	3,99,350	35,94,000	3,59,400
27.	BB-510734 (1999-2000)	M/s Central Distillery & Breveries Ltd. Meerut	M/s Central Distillery & Breveries Ltd. Faridabad.	I.M.F.L.	32.5%	55,22,270	49,61,270	5,61,000	1,82,325
28.	BB-510735 (1999-2000)	M/s Central Distillery & Breveries Ltd. Meerut	M/s Central Distillery & Breveries Ltd. Faridabad.	I.M.F.L.	32.5%	82,88,740	74,96,080	7,92,660	2,57,615
				Grand Total		16,06,16,344 (16.06 crore)	11,24,02,552 (11.24 crore)	4,82,13,792 (4.82 crore)	87,59,341 (0.88 crore)

* As shown in the Annexure, the value of goods transferred by the dealers of U.P. State was less accounted for by the dealers of other states. Thus, excess stock transferred by the dealers of UP against Form 'F' amounting to Rs. 4.82 crore, comes under Intra-state sale and was taxable within UP state. This resulted in short levy of tax of Rs. 1.32 crore (0.88 crore + 0.44 crore) including penalty.

APPENDIX-II

(Reference to in paragraph 2.2.5)

**Statement showing difference in the figure of value of stock transferred
by U.P. dealers and value of stock received by other state dealer noticed
during on the spot cross –verification carried out by review party
Details of short amount found in records of UP dealers**

Sl. No.	Form-'F' No. & Year	Name & Address of UP dealer	Name & Address of other state dealer	Name of commodity	Rate of tax	Value of stock transferred by UP dealer	Value of stock received by other state dealer	Short	Tax avoided by UP dealer
(Amount in Rupees)									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	02Q-0950231 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	28,40,529	34,34,318	5,93,789	59,379
2.	02Q-0950234 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	34,91,207	40,53,176	5,61,969	56,197
3.	02Q-0950235 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Delhi</u>	Chemical	10%	39,40,087	40,58,321	1,18,234	11,823
4.	02Q-0950237 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resnova Chemie Ltd. <u>Delhi</u>	Chemical	10%	40,79,950	41,48,026	68,076	6,808
5.	02Q-0950238 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resnova Chemie Ltd. <u>Delhi</u>	Chemical	10%	39,56,331	42,67,767	3,11,436	31,144
6.	02Q-0950239 (2000-01)	M/s Parikh Resins & Polimers Ltd. Kanpur <u>New Name:</u> M/s Resinova Chemie Ltd. <u>Kanpur.</u>	M/s Parikh Resins & Polimers Ltd. Delhi <u>New Name:</u> M/s Resnova Chemie Ltd. <u>Delhi</u>	Chemical	10%	40,58,321	45,17,644	4,59,323	45,932
7.	02Q-0868261 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	3,91,934	9,92,680	6,00,746	60,075

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
8.	02Q-0868258 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	18,72,513	1,36,54,338	1,17,81,825	11,78,183
9.	02Q-0868259 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	6,80,948	8,18,852	1,37,904	13,790
10.	02Q-0868255 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	3,91,444	30,85,316	26,93,872	2,69,387
11.	02Q-0868254 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	11,09,691	12,09,562	99,871	9,987
12.	02Q-0868253 (2000-01)	M/s Apollo Tyres Ltd., Meerut.	M/s Apollo Tyres Ltd., <u>Delhi</u>	Tyres, Tubes and Flaps	10%	10,39,477	48,18,943	37,79,466	3,77,947
13.	02Q-0976402 (2000-01)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	88,54,991	98,54,991	10,00,000	3,25,000
14.	02Q-0976406 (2000-01)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	1,03,05,349	1,32,44,989	29,39,640	9,55,383
15.	02Q-0976405 (2000-01)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	1,30,36,967	1,31,39,559	1,02,592	33,342
16.	02Q-0941948 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	82,47,601	97,27,760	14,80,159	4,81,052
17.	02Q-0941950 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	68,95,860	80,72,755	11,76,895	3,82,491
18.	02Q-0941951 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	80,53,255	1,06,53,045	25,99,790	8,44,932
19.	02Q-0941954 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	97,27,760	1,20,02,210	22,74,450	7,39,196
20.	02Q-0941956 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	1,04,13,385	1,21,48,845	17,35,460	5,64,025
21.	02Q-0941957 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Delhi</u>	I.M.F.L.	32.5%	1,21,48,825	1,24,17,135	2,68,310	87,201
22.	BB-510732 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Faridabad</u>	I.M.F.L.	32.5%	32,57,205	73,17,105	40,59,900	13,19,468
23.	BB-510738 (1999-2000)	M/s Central Distillery & Breveries Ltd., Meerut.	M/s Central Distillery & Breveries Ltd., <u>Faridabad</u>	I.M.F.L.	32.5%	30,83,140	31,20,640	37,500	12,188
				Grand Total		12,18,76,770 (12.19 crore)	16,07,57,977 (16.08 crore)	3,88,81,207 (3.89 crore)	78,64,930 (0.79 crore)

**

The value of goods transferred by the UP dealers to other states was short by Rs. 3.89 crore. This resulted in escape of turnover by the UP dealers and short levy of tax amounting to Rs. 1.19 crore (0.79 crore + 0.40 crore) including penalty.

APPENDIX-III

(Reference to in Paragraph 2.2.10)

**Statement of incomplete Form 'H' furnished by the
exporter on which purchase order/agreement No. & date
not mentioned**

(Amount Rs. in Lakh)

Sl. No.	Range	Name of Dealer	Assessment Year/ Date of Assessment	Turn over	Commodity	Rate of Tax	Non-levy of tax
1	2	3	4	5	6	7	8
1.	Agra	M/s India Cositings Co.	<u>2000-01</u> 30.11.2002	186.53	Diesel Engine	10%	18.65
2.	Ghaziabad	i) M/s Advance Steel Tube Ltd.	<u>2000-01</u> 31.10.2002	1170.37	Steel Tubes	4%	46.82
		ii) M/s Plasto Chemicals	<u>2000-01</u> 30.9.2003	9.71	P.V.C. Pipes	10%	0.97
		iii) M/s Roll Foam Equip. Pvt. Ltd.	<u>2000-01</u> 5.10.2002	106.42	Machinery Parts	10%	10.64
		iv) M/s. Mudra Ceramic Pvt. Ltd.	<u>2000-01</u> 26.11.2002	7.12	Crockery	12.5%	0.89
3.	Kanpur	i) M/s Savior Box Factory	<u>2000-01</u> 13.1.2003	14.93	Card-Board Boxes	10%	1.49
		ii) M/s Baldev Pd. Sitaram	<u>2000-01</u> 2.11.2002	126.81	Sandal Power	12%	15.22
		iii) M/s Kanpur Paint Factory	<u>2000-01</u> 2.5.2003	10.42	Paint and Tripal	10%	1.04
		iv) M/s Pukharayan Rice Mills Pvt. Ltd.	<u>2000-01</u> 2002-03	80.80	Rice	4%	3.23
4.	Lucknow	M/s. Scooter India Ltd.	<u>2000-01</u> 24.2.2003	129.90	Scooter and parts	12.5%	16.24
5.	Meerut	M/s Diwan Rubber Industries Ltd.	<u>2000-01</u> 25.2.2003	883.59	Reclaimed Rubber, Cordial Horsery Yarn	10% & 8%	70.80
6.	Muzzaffar Nagar	M/s. Mauga Steel Pipe Industries Ltd.	<u>2000-01</u> 21.1.2003	100.48	M.S. Pipe	4%	4.02
7.	Noida	i) M/s. Sanchi Fragrances and Chemicals Ltd.	<u>2000-01</u> 24.2.2003	21.81	Perfumery compound	10%	2.18
		ii) M/s Sunhari Export Ltd.	<u>2000-01</u> 6.1.2003	29.09	Tooth Brush	10%	2.92
		iii) M/s Delhi Control Devices Pvt. Ltd.	<u>2000-01</u> 2002-03	64.28	Electrical Goods	10%	6.43
		iv) M/s. Bharat International Ltd.	<u>2000-01</u> 2.6.2003	25.08	Knitted Garments	4%	1.00
		v) M/s Unicare India Pvt. Ltd.	1999-2000 & <u>2000-01</u> 29.7.2002	150.02	Medicines	10%	15.00
		vi) M/s. Rishi Art Ltd.	<u>2000-01</u> 10.9.2003	306.45	Leather Garments	10%	30.64
8.	Saharanpur	i) M/s. Nav Bharat Rice Mill Pvt. Ltd.	<u>2000-01</u> 31.7.2002	136.02	Rice	4%	5.44
		ii) M/s. Veer Corrugating Industries	<u>2000-01</u> 21.1.2003	16.33	Corrugated boxes	10%	1.63
		Total		3576.16			255.25

APPENDIX-IV
(Reference to in Paragraph 2.2.11)

(Rupees in Lakh)

Sl. No.	Range	Name of Dealer	Assessment Year	Place of Business as per R.C.	Places where goods were transferred	Turn-over treated as stock transfer	Non-levy of tax
1.	Ghaziabad	i) M/s G.D. Pharmaceuticals Ltd.	1996-97 to 2000-01	Kolkata	To other places	2167.62	216.77
		ii) M/s. Fungiside India Ltd.	1998-99 to 2000-01	New Delhi & Jammu	Gujrat, Bangalore, Andhra Pradesh, Orissa, Haryana, Punjab & M.P.	2663.22	106.46
		iii) M/s. Bansal Wire Industries Ltd.	1998-99 to 2000-01	Nil	To other States	444.94	17.80
2.	Kanpur	i) M/s. J.K. Industries Ltd.	1998-99 to 2000-01	Nil	Punjab, Rajsthan, Delhi and Uttranchal	149.41	14.94
		ii) M/s. Resinova Chemicals Ltd.	1998-99 to 2000-01	Kolkata & Delhi	Ahmedabad	204.85	20.48
		iii) M/s Laxmi Tea Trading Co.	2000-2001	Nil	Uttranchal	65.64	6.56
		iv) M/s Neeraj & Co.	2000-2001	Nil	Uttranchal	43.06	4.31
		v) M/s Bal Govind Bhagwati Pd.	2000-2001	Nil	New Delhi	321.00	32.10
		vi) M/s. Ashoka Sales Co.	2000-2001	Nil	New Delhi	150.23	15.02
		vii) M/s. Dinesh Oil Ltd.	2000-2001	Nil	Punjab	38.46	3.85
3.	Lucknow	M/s. Glaxo India Ltd.	99-2000 to 2000-01	Delhi	Bihar, Tamilnadu, Kerala, Gujrat, Rajsthan, Karnataka, Andhra Pradesh	577.36	57.74
4.	Noida	i) M/s Unicure India Pvt. Ltd.	99-2000 to 2000-01	Nil	To other states	69.98	7.00
		ii) M/s H.C.L. Infosystem	2000-2001	Nil	Kochin, Chandigarh	184.68	3.69
			Total			7080.45	506.72

APPENDIX-V
(Referred to in Para 2.3.1)

(Rs. in Crore)

Sl.N	Name of circle	No. of units	Nature of scheme undertaken	Amount of exemption admissible	Amount of exemption granted	Excess exemption granted
1	2	3	4	5	6	7
1.	DC(A)-1 TT Ghaziabad	4	Expansion/ Diversification	654.94	982.40	327.46
2.	DC(A)-4TT Ghaziabad	1	Expansion	11.78	17.67	5.89
3.	DC(A)-19TT Kanpur	2	Expansion	2.74	6.84	4.10
4.	DC(A)G.B. Nagar	4	Expansion/ Diversification	106.25	212.50	106.25
5.	DC(A)-6 Noida	1	Expansion	2.89	4.34	1.45
6.	DC(A)-5 TT Agra	1	Expansion	27.37	68.42	41.05
7.	DC(A)-8 TT Agra	1	Expansion	4.83	9.66	4.83
8.	DC(A)-8 TT Noida	1	Expansion	2.34	3.51	1.17
			Total	813.14	1305.34	492.20

APPENDIX-VI
(Referred to in Para 2.4)

(Rs. in crore)							
Sl. No.	Name of Circle	Year of assessment month of Assessment	Name of Commodity	Taxable Turnover	Normal rate of tax applicable (in percent)	Rate of tax levied (in percent)	Tax short levied
1	2	3	4	5	6	7	8
1.	D.C.(A)-4 T.T. Ghaziabad	<u>1997-98</u> March 2000 <u>1998-99</u> March 2001 <u>1999-2000</u> March 2000	Auto/ Tractor Engine Valve	19.64	12.5 / 4	4 2	1.48
2.	D.C.(A)-I T.T. Ghaziabad	<u>2000-01</u> December 2002	Hair Oil	14.48	15	Nil	2.17
3.	-do-	<u>1999-00</u> March 2002 <u>2000-01</u> June 2003	®P.U. Foam Spring mattresses/Co ir mattresses	16.88	15	4 / 2.5	1.86
4.	-do-	<u>1998-99</u> February 2001 <u>1999-00</u> December 2001 <u>2000-01</u> August 2002	®HDPE pipes/Fittings	5.04	10	4	0.30
5	D.C.(A) T.T. G.B. Nagar	<u>1996-97</u> September 1998 <u>1997-98</u> February 2000 <u>1998-99</u> March 2001 <u>1999-00</u> March 2002 <u>2000-01</u> February 2003	Desi Ghee and Milk Powder etc.	106.59	10	4	6.40
6.	-do-	<u>2000-01</u> February 2003	Adhesive Tapes etc.	4.42	10	2.5 / 4	0.27
7.	-do-	<u>2000-01</u> February 2003	Car and Parts thereof, light commercial vehicles	2.80 5.35	12 12	Nil 4	0.34 0.43
8.	DC(A)-8 T.T. Agra	<u>1997-98</u> March 2000 <u>1998-99</u> March 2001 <u>2000-01</u> December 2002	Metalised packaging & packaging materials	25.69	10	2.5 / 4	1.69
9.	D.C.(A) T.T. G.B. Nagar	<u>1997-98</u> February 2000 <u>1998-99</u> January 2001 <u>2000-01</u> February 2003	Sheet Metal parts for automobiles, picture tube etc.	52.51	10 / 12.5	2.5/4	4.03

® Plastic Urethane.

® High Density Poly Ethylene.

1	2	3	4	5	6	7	8
10.	DC(A)-5 T.T. Noida	<u>1999-2000</u> December 2002 <u>2000-01</u> February 2003	Ceiling fan	3.69	10	2.5 / 5	0.27
11.	DC(A)-6 T.T. Noida	<u>1997-98</u> December 1999 <u>1998-99</u> January 2001 <u>2000-01</u> September 2003	Auto Parts	8.59	12.5	2.5	0.86
12	-do-	<u>1999-2000</u> June 2002 <u>2000-01</u> February 2003	Foam Sheet Cushions	9.43	15 / 16	2.5 / 4	1.09
13.	DC(A)-8 T.T. Noida	<u>1999-2000</u> November 2002 <u>2000-01</u> February 2003	Holographica lly Embossed Metalised Polyester	8.80	10	4	0.53
14.	DC(A)-1 T.T. Rampur	<u>1999-2000</u> December 2003	Craft Paper	25.12	10 / 7.5	4 / 2.5	1.45
15.	DC(A)-6 T.T. Lucknow	<u>1999-2000</u> July 2003	Soft drinks	1.33	15	4	0.15
Total				310.36			23.32

APPENDIX-VII
(Referred to in Para 2.5.1)

(Rs. in crore)

Sl. No	Name of Circle	Year of assessment month of assessment	Escaped turn over	Percentage of rate of tax leviable	Amount of tax leviable
1	2	3	4	5	6
1.	DC(A)-7TT Lucknow	<u>1997-98</u> February 2000	5.55	7.5	0.42
		<u>1998-99</u> September 2000	0.71	8	0.06
		<u>1999-00</u> December 2001			
		<u>2000-01</u> November 2002			
2.	DC(A)-12TT Ghaziabad	<u>1999-2000</u> March 2002	3.12	7.5	0.23
		<u>2000-01</u> January 2003	1.81	8	0.14
3.	DC(A)-2TT Lucknow	<u>1999-00</u> December 2001	1.81	7.5	0.14
		<u>2000-01</u> November 2002	1.02	8	0.08
		Total	14.02		1.07

APPENDIX-VIII
(Referred to in Para 2.7)

(Rupees in lakh)

Sl. No.	Name of office	Year of assessment month of assessment	Item	Taxable Turnover	Rate of Tax leviable levied (in percent)	Tax short levied (including Additional tax)
1.	Assistant Commissioner (Assessment)-III, Trade Tax [AC(A)-III, T.T.] Noida	<u>1998-99</u> March 2000 <u>1999-2000</u> January-2002	Quartz Movement Alarm Clock, Time pieces Treated as Electronic goods	848.87	$\frac{15}{2}$	110.35
2.	AC(A)-I, T.T. Varanasi	<u>1996-97</u> March 1999 <u>1997-98</u> May 2000	Voltage Stabilizer Treated as Electronic goods	33.48	$\frac{10^{\text{a}}}{2.5}$	2.51
3.	AC Sector 15, T.T. Kanpur	<u>1999-2000</u> May 2001	P.V.C. Pipe Treated as Hardware	197.65	$\frac{10}{8^{\text{x}}}$	4.72
4.	Deputy Commissioner (Assessment)-16 [DC (A)-16,T.T.], Kanpur	<u>1999-2000</u> November 2001	Plastic Urethrene Foam Scrap Treated as unclassified	41.64	$\frac{15}{10}$	2.08
5.	-do-	-do-	-do-	29.33	$\frac{15}{10}$	1.47
6.	AC(A), Baraut	<u>1999-2000</u> March 2002	P U Foam cutting treated as waste product	7.47	$\frac{15}{5}$	0.75
7.	Trade Tax Officer (TTO) Sec-I, Allahabad	<u>1994-95</u> June 1998 <u>1996-97</u> March 1999 <u>1998-99</u> January 2001	Old and discarded wires of transformer treated as all others ores metals	31.75	$\frac{5}{2.5}$	0.79
8.	AC(A)-III, Agra	<u>1999-2000</u> August 2001	Maize Starch Treated as Edible Starch	51.89	$\frac{7.5}{5}$	1.30
9.	AC(A) Sec I, Lucknow	<u>1999-2000</u> August 2001 <u>2000-2001</u> September 2002	Float glass treated as plain glass	27.59	$\frac{15}{10}$	1.38
10.	TTO Sec-6, Lucknow	<u>1998-99</u> January 2000 <u>1999-2000</u> August 2001	Chemical treated as pesticide	17.53	$\frac{10}{5}$	0.88

^a
^x

With effect from 17.1.2000 eight percent.

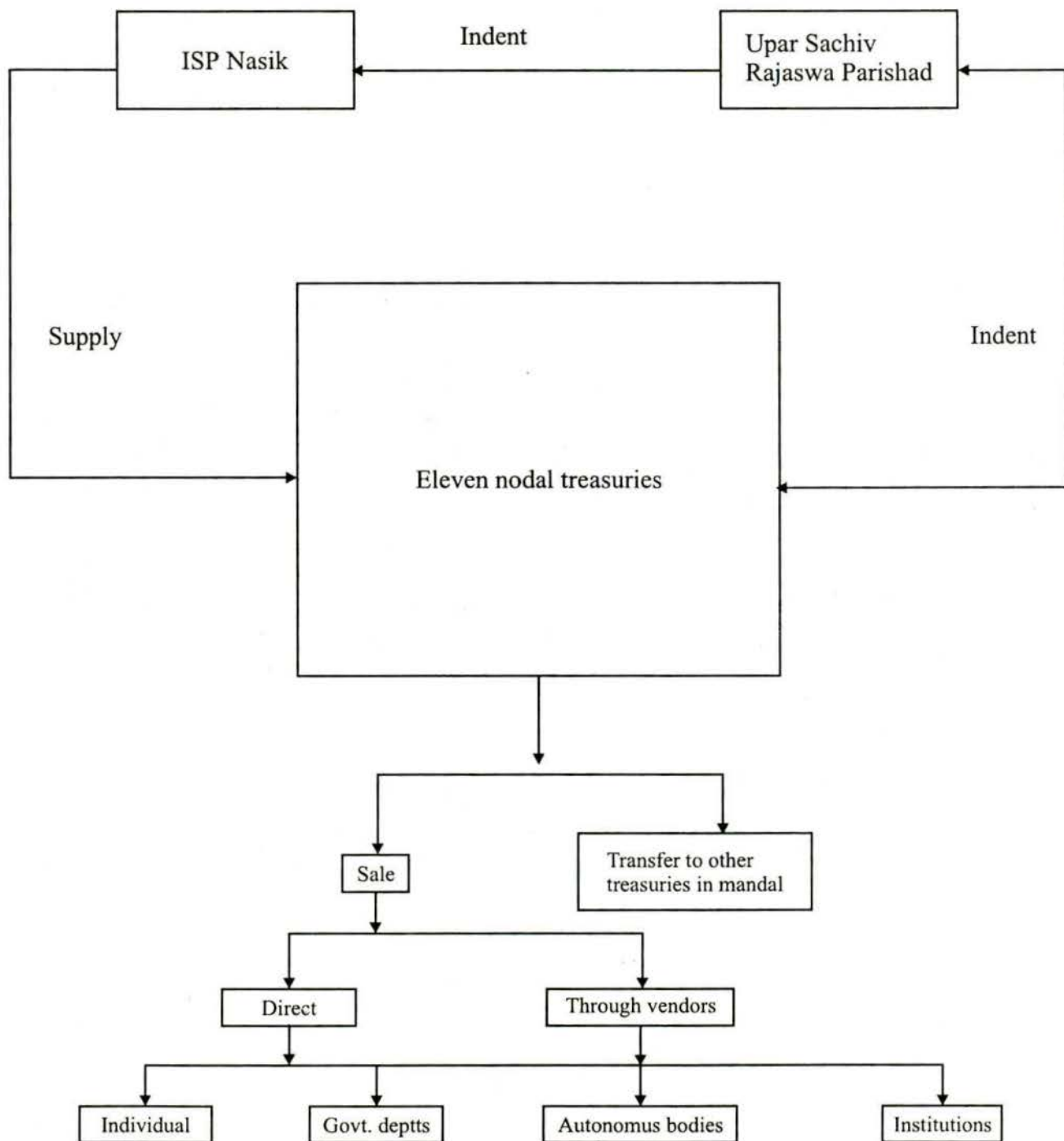
Upto 30 November 1998 eight percent plus 25 percent additional tax.

1	2	3	4	5	6	7
11.	DC(A)-7TT Lucknow	<u>2000-01</u> January 2003	Fax Machine treated as electronic goods	251.23	<u>10</u> 2	20.10
12.	DC(A)-18TT Kanpur	<u>1999-2000</u> February 2002 <u>2000-01</u> March 2003	Noodles treated as nutrition foods	94.16	<u>12</u> 8	3.77
	-do-	<u>1996-97</u> January 99 <u>1997-98</u> March 2000 <u>1998-99</u> March 2001 <u>1999-00</u> February 2002 <u>2000-01</u> March 2003	Parachute coconut Oil treated as "oils of all other kinds"	6107.52	<u>15</u> 10	305.38
	-do-	<u>2000-01</u> December 2003	Cosmetic goods [∞] treated as Ayurvedic Medicine	1908.45	<u>15</u> 8	133.59
12.	DC-4 TT Noida	<u>2000-01</u> August 2003	Fax machine treated as electronic goods	1638.02	<u>10</u> 2	131.04
	-do-	<u>2000-01</u> February 2003	E-mail Equipments treated as electronic components	13.23	<u>8</u> 4	0.53
	-do-	<u>2000-01</u> September 2003	F.V.T.* (B&W &Colour T.V) DeflectionYo ke, loud speaker treated as electronic components	126.55	<u>8</u> 4	5.06
	-do-	<u>2000-01</u> February 2003	Accelerator treated as Printing ink	557.06	<u>10</u> 8	11.14
			Total	11983.42		736.84

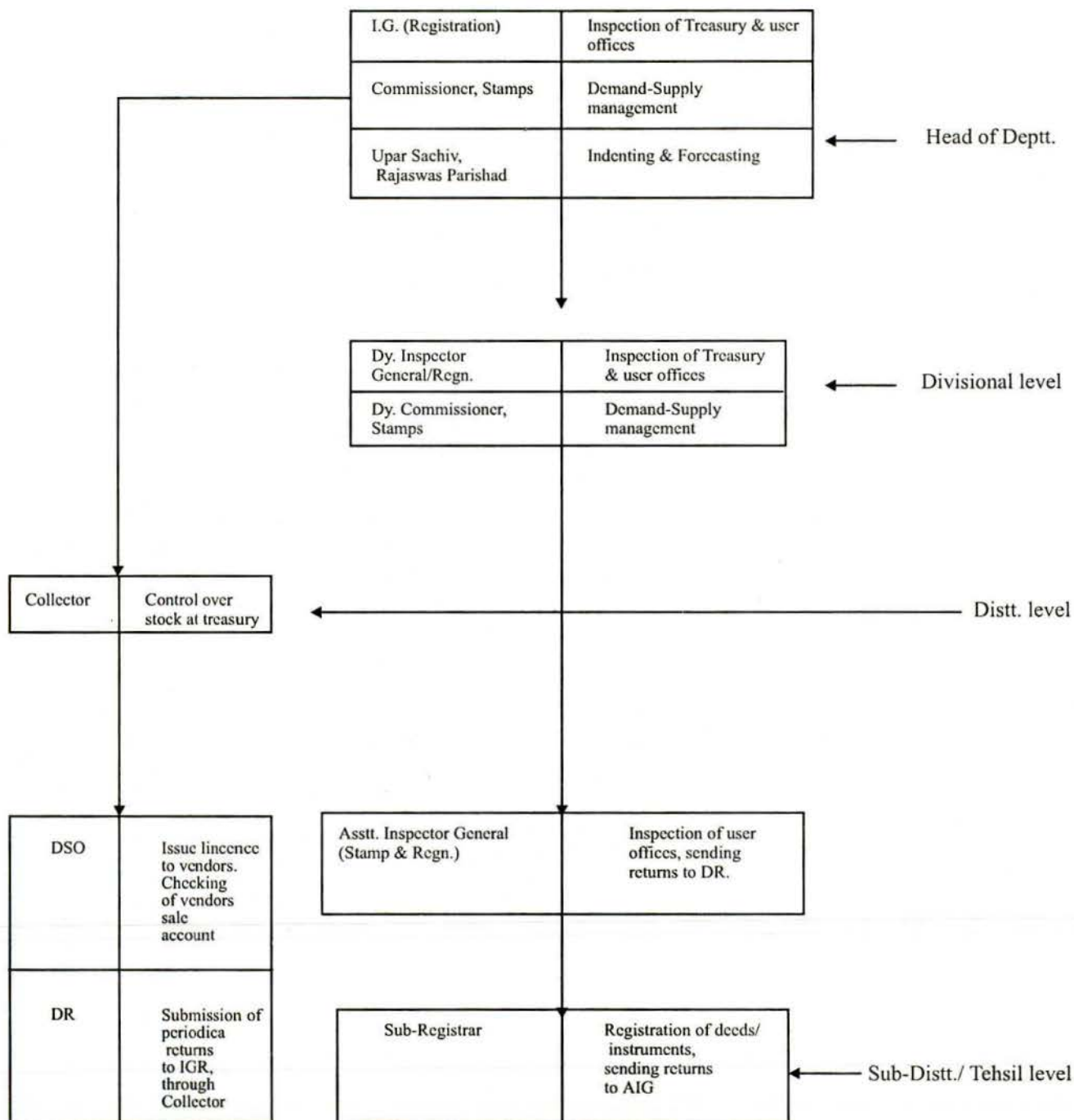
[∞] Emami Naturally fairness cream, Himani cold turmeric cream, Himani antiseptic cream

* FVT Stands for Flat Vision Tube.

APPENDIX-IX
(Referred to in Para 5.2.1)
FLOW CHART OF LIFE CYCLE OF STAMPS



APPENDIX-X
(Referred to in Para 5.2.2)
Organizational Set Up
(Stamp & Registration Department)



APPENDIX-XI
(Referred to in Para 5.2.9)

(Rupees in crore)

Name of district	Year	Stamp sold by treasuries	Papers registered by offices	Value of documents by registering offices	Excess
1	2	3	4	5	
1. G.B. Nagar	1998-99	46.24		59.34	13.10
	1999-00	60.30		61.14	0.84
	2000-01	49.37		54.29	4.92
	2001-02	64.83		90.68	25.85
	2002-03	117.96		127.68	9.72
Total		338.70		393.13	54.43
2. Fatehpur	1998-99	5.27		5.64	0.37
	1999-00	6.02		6.12	.10
	2000-01	6.17		6.42	0.25
	2001-02	7.00		7.61	0.61
	2002-03	11.03		12.71	1.68
Total		35.49		38.50	3.01
3. Ambedkarnagar	1998-99	3.36		3.90	0.54
	1999-00	3.56		4.48	0.92
	2000-01	3.80		4.48	0.68
	2001-02	3.93		4.67	0.74
	2002-03	4.67		6.80	2.13
Total		19.32		24.33	5.01
4. Pratapgarh	1995-96	4.75		5.86	1.11
	1996-97	1.65		6.30	4.65
	1997-98	3.27		6.65	3.38
	1998-99	4.83		7.53	2.70
	1999-00	8.32		8.45	0.13
	2002-03	13.63		13.77	0.14
Total		27.49		41.59	14.10
5. Lucknow	1993-94	19.24		28.26	9.02
	1994-95	17.83		29.24	11.41
	1996-97	30.92		93.16	62.24
	1998-99	40.52		73.54	33.02
	2001-02	82.05		91.01	8.96
Total		190.56		315.21	124.65
6. Ghazipur	1993-94	3.83		4.24	0.41
	1994-95	5.47		9.36	3.89
	1995-96	4.79		5.65	0.86
	1996-97	4.32		6.43	2.11
	1997-98	5.17		6.36	1.19
	1998-99	6.82		7.45	0.63
	1999-00	8.10		8.24	0.14
	2001-02	8.78		9.16	0.38
	2002-03	11.03		12.71	1.68
Total		58.31		69.60	11.29
7. Barabanki	1995-96	5.16		6.40	1.24
	1996-97	5.31		7.81	2.50
	1997-98	5.75		7.23	1.48
	1998-99	6.43		7.11	0.68
	1999-00	7.73		8.07	0.34
		30.38		36.62	6.24
8. Shahjahanpur	1993-94	4.89		7.23	2.34
	1994-95	3.95		8.71	4.76
	1995-96	3.29		9.92	6.63
	1996-97	4.18		8.60	4.42
	1999-00	11.50		12.72	1.22
	2000-01	10.50		13.39	2.89
	2001-02	13.64		14.62	0.98
Total		51.95		75.19	23.24
9. Kheri	1995-96	5.72		11.66	5.94
	1996-97	6.63		11.06	4.43
	1997-98	10.29		12.02	1.73
	1998-99	11.76		16.70	4.94
	2001-02	15.61		15.93	0.32
	2002-03	19.93		19.95	0.02
Total		69.94		87.32	17.38

1	2	3	4	5
10. Hamerapur	1993-94	0.93	4.53	3.60
	1996-97	3.47	3.86	0.39
	1999-00	1.84	4.25	2.41
	2001-02	4.02	4.39	0.37
Total		10.26	17.03	6.77
11. Mainpuri	1993-94	3.55	3.76	0.20
	1997-98	4.96	5.40	0.44
	1999-00	6.95	7.10	0.15
	2000-01	7.17	8.10	0.93
Total		22.63	24.36	1.72
12. Sitapur	1993-94	6.00	6.19	0.19
	1994-95	7.05	7.13	0.08
	1995-96	3.15	7.80	4.65
	1996-97	3.64	8.94	5.30
	1997-98	6.33	9.29	2.96
	1998-99	8.66	9.59	0.93
	1999-00	10.10	10.31	0.21
Total		44.93	59.25	14.32
13. Meerut	1994-95	17.66	18.81	1.15
	2002-03	58.26	61.13	2.87
Total		75.92	79.94	4.02
14. Aligarh	1994-95	10.63	13.28	2.65
	1995-96	12.74	16.47	3.73
	2002-03	3.72	4.32	0.60
Total		27.09	34.07	6.98
15. Bagpat	2002-03	7.67	8.38	0.71
16. Agra	1998-99	28.51	28.90	0.39
17. Varanasi	1998-99	18.50	18.65	0.15
18. Bijnore	1994-95	4.92	9.37	4.45
	1996-97	4.00	11.44	7.44
	1997-98	6.94	11.26	4.32
	1998-99	11.76	11.98	0.22
Total		27.62	44.05	16.43
19 Kannauj	1998-99	2.85	4.63	1.78
20. S.K.Nagar	1998-99	1.79	3.19	1.40
21. Chitrakut	1999-00	0.32	1.95	1.63
22. Azamgarh	1995-96	6.78	7.52	0.74
	1996-97	4.42	6.07	1.65
	2000-01	11.77	11.80	0.03
Total		22.97	25.39	2.42
23. Sonbhadra	2000-01	3.62	4.03	0.41
24. Deoria	1993-94	8.84	9.37	0.53
	1995-96	5.04	5.84	0.80
	1996-97	5.27	6.96	1.69
	2000-01	7.60	9.08	1.48
Total		26.75	31.25	4.50
25. Bareilly	1993-94	10.30	10.35	0.05
	1995-96	12.68	14.00	1.32
	1996-97	14.95	17.17	2.22
Total		37.93	41.52	3.59
26. Faizabad	1993-94	5.94	6.12	0.18
27. Jalaun	1995-96	5.24	7.01	1.77
	1996-97	3.20	3.93	0.73
	1997-98	4.78	17.20	12.42
Total		13.22	28.14	14.92
28. Mathura	1993-94	7.51	7.78	0.27
	1994-95	5.47	9.36	3.89
	1995-96	8.31	11.46	3.15
	1996-97	8.55	13.38	4.83
	1997-98	11.62	14.99	3.37
	1999-00	16.80	16.81	0.01
Total		77.90	93.95	16.04
29. Raibareli	1994-95	3.00	3.67	0.67
	1996-97	2.75	3.14	0.39
	1997-98	2.27	4.13	1.86
Total		8.02	10.94	2.92
30. Etah	1994-95	7.80	7.85	0.05
	1995-96	5.68	8.59	2.91
	1996-97	7.31	10.69	3.38
	1997-98	9.35	10.23	0.88
Total		30.14	37.36	7.22

1	2	3	4	5
31. Gonda	1993-94	8.11	8.12	0.01
32. Budaun	1993-94	7.02	7.51	0.49
	1998-99	12.63	12.66	0.03
Total		19.65	20.17	0.52
33. Pilibhit	1994-95	4.29	6.63	2.34
	1995-96	3.26	6.69	3.43
	1996-97	7.19	7.24	0.05
Total		14.74	20.56	5.82
34. Jhansi	1995-96	6.58	6.59	0.01
35. Saharanpur	1995-96	11.12	14.19	3.07
	1996-97	13.04	14.82	1.78
	1997-98	13.94	15.63	1.69
Total		38.10	44.64	6.54
36. Etawah	1995-96	5.24	7.01	1.77
	1996-97	7.95	7.98	0.03
Total		13.19	14.99	1.80
37. Banda	1995-96	3.75	5.38	1.63
38. Ferozabad	1995-96	7.89	7.91	0.02
	1996-97	7.64	8.85	1.21
	1997-98	7.43	8.80	1.37
Total		22.96	25.56	2.60
39. Mau	1995-96	3.67	4.06	0.39
	1996-97	2.97	4.47	1.50
Total		6.64	8.53	1.89
40. Kanpur nagar	1997-98	25.54	25.56	0.02
41. Kanpur Dehat	1995-96	3.05	3.10	0.05
42. Lalitpur	1995-96	2.42	2.70	0.28
	1996-97	3.00	3.90	0.90
	1997-98	3.72	4.14	0.42
Total		9.14	10.74	1.60
43. Ballia	1996-97	5.70	5.98	0.28
	1997-98	6.27	6.31	0.04
Total		11.97	12.29	0.32
44. Rampur	1996-97	3.26	9.41	6.15
45. Bahraich	1996-97	7.52	8.47	0.95
46. Mahoba	1996-97	2.18	2.29	0.11
	1997-98	2.38	2.40	0.02
Total		4.56	4.69	0.13
Grand Total		1492.13	1896.81	404.68

APPENDIX-XII

(Referred to in Para 5.3)

Para. 5.3 Short levy of stamp duty due to under valuation of property.

Unit	Document No./Year	Area Location	Consideration set forth in document (in Rupees)	Market value as per rate list (in Rupees)	Stamp Duty/Reg. Fee		Total Short levy (Rupees in lakh)
					Leviable (in Rupees)	Lavied (in Rupees)	
1	2	3	4	5	6	7	8
SR-I, Noida	1963/2003	416 SqMTR Sector 80 Block (A) Noida	666000	18720000	<u>1497600</u> 5000	<u>53000</u> 5000	14.45
SR-I, Noida	<u>2111/2112</u> 2002	3000 SqMTR Plot No-6 Block (A) Phase-II, Hoisery Complex, Noida	4600000	24000000	<u>1920000</u> 5000	<u>441600</u> 5000	14.78
SR-II, Noida	<u>427/428</u> 2001	416 SqMTR Plot No. 52 Block (B) Phase-I, Sector-II, Noida	1400000	16640000	<u>1332000</u> 5000	<u>112000</u> 5000	12.19
SR-II, Noida	<u>1267</u> 2002	416 SqMTR (Covered 258-24 SqMTR) Sector 2 Block-A -GB Nagar	1800000	22594000	<u>1807520</u> 5000	<u>183500</u> 5000	16.24
SR-II, Noida	<u>720</u> 2002	376.50 SqMTR (Covered- 83.10 SqMTR) Plot No. 112	1100000	16182000	<u>12,94,560</u> 5000	<u>202350</u> 5000	10.92
SR-II, Noida	<u>1816</u> 2003	336 SqMTR Sector-27, Plot No. 45 Block 'H' Noida, G.B. Nagar	3360000	20160000	<u>1612800</u> 5000	<u>268800</u> 5000	13.44
SR-III, Noida	<u>843</u> 2002	455 SqMTR Sector 16, Plot No. 31 Block'A' Noida	3250000	22027000	<u>1762160</u> 5000	<u>260000</u> 5000	15.02
SR-III, Noida	Khand 206, Page <u>287/294</u> 1999	836.12 SqMTR Village-ElaBash Dadari	180000	26756000	<u>2140480</u> 5000	<u>30160</u> 3600	21.12
SR-II, Kanpur Nagar	<u>1573</u> 2002	0.83 Hect. or 8300 SqMTR Village Veri Akbar Pur Kanpur Nagar	1540000	12450000	<u>1245000</u> 5000	<u>154000</u> 5000	10.91
SR-IV, Kanpur City	<u>3297</u> 2000	0.810 Hect. or 8100 SqMTR Kalyan pur Kala (Kanpur)	1201000	11340000	<u>1134000</u> 5000	<u>120010</u> 5000	10.14
SR-IV, Kanpur	<u>2886</u> 2000	1.024 Hect. or 10240 SqMTR Village Kalyanpur Kala Kanpur	1520000	14336000	<u>1433600</u> 5000	<u>152000</u> 5000	12.82
SR-I, Mathura	<u>8396</u> 2002	1.26 Hect. or 12600 SqMTR Govind Pur, Mathura	1450000	12600000	<u>1260000</u> 5000	<u>145000</u> 5000	11.15

1	2	3	4	5	6	7	8
SR-I, Mathura	<u>3116</u> 2002	1.173 Hect. or 11730 SqMTR Revenue village Narhaul Mathura	1160000	11730000	<u>1173000</u> 5000	<u>116000</u> 5000	10.57
SR-II, Aligarh	<u>365</u> 2003	0.3372 Hect. or 3372 SqMTR Sarsaul out of chungi	1539400	11802000	<u>1180200</u> 5000	<u>154000</u> 5000	10.26
SR-IV, Lucknow	<u>2073</u> 2002	0.953 Hect. or 9530 SqMTR Barawan Kalan ward- Balakganj LKO	1508000	15248000	<u>1524800</u> --	<u>150800</u> --	13.74
SR--III, Saharanpur	<u>2796</u> 2002	3.267 Hect. or 32670 SqMTR Dara milkana Baroon Swad Saharanpur	2287000	32670000	<u>3267000</u> 5000	<u>228700</u> 5000	30.38
SR Sultanpur	<u>5635</u> 1999	0.5421 Hect. or 45299.60 Sqfit Karaundiya Paragana Miranpur Sultapur	335000	10419000	<u>1041900</u> 5000	<u>33500</u> 5000	10.08
SR-I, Meerut	<u>92</u> 2000/ 01	2.9845 Hect. or 29845 SqMTR Kaseroo Baxar, Meerut (within Nagar Nigam City Area)	3432500	59690000	<u>5969000</u> 5000	<u>343300</u> 5000	56.26
SR-I, Muzaffar Nagar	<u>1905</u> 2002	1.485 Hect. or 14850 SqMTR Sher Nagar MZNagar	743000	13365000	<u>1336500</u> 5000	<u>74500</u> 5000	12.62
SR Badaun	<u>2063</u> 2003	1.590 Hect. or 15900 SqMTR Ujhani- Budaun	638000	15900000	<u>1590000</u> 5000	<u>63900</u> 5000	15.26

APPENDIX-XIII

Short levy of stamp duty due to misclassification of documents

Referred Para 5.6

Unit	Document No./Year	Area Location	Consideration set forth in document	Market value as per rate list	Stamp Duty/Reg. Fee		Total Short levy
					leviable	levied	
SR-III, Aligarh	<u>958</u> 2001	24157.056 SqMTR Rahamat Pur Garhmai Kol	30500	8455000	<u>845500</u> 5000	<u>3050</u> 220	847230
SR-III, Aligarh	<u>5392</u> 2002	25300 SqMTR Dhaura Palan Kol	32000	8855000	<u>885500</u> 5000	<u>3200</u> 640	886660
SR-II, Gorakhpur	<u>3861</u> 2002	0.831 Hect. or 8310 SqMTR Mahadev Jhar Khandi	16000	9972000	<u>997200</u> 5000	<u>1600</u> 290	1000310
SR-III, Ghaziabad	<u>4023</u> 1999	3594.61 SqMTR Village- Jagola	3000	5392000	<u>539200</u> 5000	<u>300</u> 1001	542899
SR-V, Ghaziabad	<u>2</u> 2000	12541.806 SqMTR Maharauli Ghaziabad	30000	10347000	<u>1034700</u> 5000	<u>3000</u> 600	1036100
SR-V, Ghaziabad	<u>4624</u> 2002	1630.20 SqMTR Mohalla- Rajapur, Dasna & 7380 SqMTR Mohalla- Shahapur Bamheta	66000	13181000	<u>1318100</u> 5000	<u>6600</u> 1320	1315180
SR-V, Ghaziabad	<u>6033</u> 2002	5658.40 SqMTR Mohalla- Maharauli	72000	8488000	<u>848800</u> 5000	<u>7200</u> 1440	845160
SR-I, Mathura	<u>3128</u> 2002	7742.43 SqMTR Bakal Pur Mathura	36000	6195000	<u>619500</u> 5000	<u>3600</u> 720	620180
SR-I, Mathura	<u>8566</u> 2002	5880 SqMTR Mathura Bangar	1000	5880000	<u>588000</u> 5000	<u>100</u> 100	592800

APPENDIX-XIV

Loss due to non-payment of Royalty by brick kiln owners

Referred Paragraph 6.2.10

(Rupees in lakh)

Name of the District	Years	No.as per Sales Tax Deptt.		No.as per Lekhpal		No. as per actual		No. of defaulters		Rate pf Royalty		Loss of Royalty
		UR	RR	UR	RR	UR	RR	UR	RR	UR	RR	
Gorakhpur	2000-2001	75	302	-		52	188	23	114	8400	6400	9.23
	2001-2002	75	302			52	188	23	114	18400	12400	18.37
	2002-2003	75	302			62	80	13	222	18400	12400	29.92
Bareilly	2000-2001	268	40			251	35	17	05	20400	16400	4.29
	2001-2002	184	25			180	20	04	05	30400	24400	2.44
	2002-2003	188	22			159	20	29	02	30400	24400	9.31
Mirzapur	2000-2001	171	-	-		18	-	153	-	20400	-	18.97
	2001-2002	175	-	-		136	-	39		30400	-	7.18
	2002-2003	178		-		136		42		30400	-	7.73
Lucknow	1999-2000	180	28	-		30	14	150	14	20400	16400	32.90
	2000-2001	187	30	-		85	15	102	11	20400	16400	22.61
	2001-2002	190	31	-		102	21	88	10	30400	24400	29.19
	2002-2003	190	31	-		80	14	110	17	30400	24400	37.59
Kanpur	2001-2002	171	34	-		135	26	36	08	30400	24400	12.89
	2002-2003	175	35	-		74	16	101	19	30400	24400	35.38
M. Nagar	1999-2000	203	35	-		165	32	38	03	20400	16400	8.24
	2000-2001	239	28	-		201	27	38	01	20400	16400	7.92
	2001-2002	208	28	-		155	22	53	06	30400	24400	17.57
	2002-2003	217	19	-		152	15	65	14	30400	24400	23.18
Bulandshahar	2000-2001	45	30			85	66	40	36	20400	16400	13.54
	2001-2002	66	40			80	70	24	30	30400	24400	14.62
	2002-2003	68	50			70	50	02	-	30400	24400	0.61
Saharanpur	2001-2002	145	50			81	30	60	20	30400	24400	23.12
	2002-2003	60	12			41	06	19	06	30400	24400	10.58
Allahabad	2001-2002	392								30400	24400	70.80
	2002-2003	392								30400	24400	66.77
		4517	1474			2582	955	1935	519			
TOTAL		5991				3537		2454				534.95

UR = Urban

RR = Rural

APPENDIX-XV
Short levy of Stamp Duty on Royalty

Reffered Paragraph 6.2.11

(Rupees in lakh)

Sl. No.	Name of the District	Period	No of cases test checked	Rate on which stamp duty levied	Amount on which stamp duty to be levied	Amount of Stamp Duty to be levied	Total amount of stamp duty levied	Short realization of Stamp Duty
1.	Mirzapur	1998-99 to 2002-03	23	2000 to 6000	92.63	17.78	4.84	12.94
2.	Banda	1998-99 to 2002-03	23	2000 to 6000/	33.29	4.16	1.07	3.09
3.	Allahabad	2002-2003	67	6000/	131.32	16.41	10.35	6.06
4.	Jhansi	1998-1999 to 2002-2003	28	2000 to 6000/	68.08	8.51	2.52	5.99
	TOTAL		141			46.86	18.78	28.08

Rate of Stamp duty has been calculated on the basis of Rs.125/- per thousand w.e.f. upto 21.4.1997 and @ Rs.80/- per thousand w.e.f. 22.4.1997

APPENDIX-XVI
Non-realisation of Royalty on collection stone Boulders

Referred Paragraph 6.2.16

Name of the Division	(Quantity in Cub. Mts.)					(Rupees in lakh)	
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Total Quantity	Amt. Of Royalty not realised
N.H. Faizabad	=	=	7011.15	4424.33	8065.09	19500.57	18.96
PD PWD, FZB	=	=	-	2062.85	15117.99	17180.84	19.45
PD PWD, GKP	=	=	-	-	20672.66	20672.66	23.77
CD-I PWD, GKP	=	=	-	-	17003.00	17003.00	19.55
NH PWD, GKP	754.88	1363.25	6111.14	1482.89	16929.32	26641.40	27.12
PD PWD, BRLY	=	=	9728.66	12468.94	4005.89	26203.49	24.37
NH PWD BRLY	=	=	4110.09	-	4131.34	8241.43	7.34
CD-II PWD Lko	=	=	-	12816.28	6278.94	19095.22	20.04
DRDA, Banda	=	=	1520.08	-	5400.00	6920.08	6.35
DRDA, Chitrakoot	=	=	-	-	5879.31	5879.31	6.76
CD-I Muzaffarnagar	=	=	12113.80	15220.86	4865.42	32200.08	29.90
RES Saharanpur	=	=	-	1954.29	2239.83	4194.12	45.30
RES, Etawah	=	=	-	4255.94	1567.27	5823.21	6.06
RES, Fatehpur	=	=	3927.68	2668.23	-	6595.91	5.61
DRDA, Etawah	=	=	-	-	5602.60	5602.60	6.44
PR, PWD, Etawah	=	=	4992.57	7828.87	18073.60	30895.04	32.36
CD, Fatehpur	=	=	-	3713.21	-	3713.21	3.71
CD, Ghaziabad	=	5314.74	9962.13	-	5605.93	19872.70	17.90
PD, Bulandshahr	=	-	10847.30	3872.48	5949.37	10899.15	18.85
CD-II, Moradabad	=	-	-	-	24419.74	24419.74	28.08
PD, Moradabad	=	-	14039.00	4237.66	65424.51	83701.17	90.01
CD-I, Moradabad	12769.64	-	-	-	26923.31	39692.95	40.54
TOTAL					128322.86	434947.88	498.47

Note: Rate of Rs. 75 per M³ as cost of material including royalty has been taken for the year 1998-99 to 2000-01, Rs. 100 per M³ was taken for 2001-02 and Rs. 115 per M³ for the year 2002-03 have been taken.

APPENDIX-XVII
Non-realisation of Royalty on collection of Earth

Referred Paragraph 6.2.16

Name of the Division	(Quantity in Cub. Mts.)					(Rupees in lakh)	
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Total Quantity	Amt. Of Royalty not realised
PD, Faizabad.				5159.27	2382.55	7511.85	0.30
PD GKP	-	-	-	-	101957.42	101957.42	4.08
CD-I,GKP	-	-	-	-	62443.00	62443.00	2.50
NH P GKP	-	-	-	24980.48	38556.77	63537.25	2.54
PD BRLY	-	-	12510.58	32475.30	28108.52	73094.40	2.92
NH BRLY	-	-	128741.23	-	-	128741.23	5.15
CD-II BRLY	-	-	-	-	161145.91	161145.91	6.45
CD S'bhadra	-	-	-	-	16076.90	16076.90	0.64
RES, Sonebhadra	21351.25	-	27634.87	41745.19	27491.31	118222.31	4.73
Const.Div.II Lko	-	-	-	131919.75	46203.46	178123.21	7.12
Sharda Nahar Div II Lko	-	-	9322.18	31705.13	18965.55	59992.90	2.40
DRDA, Hamirpur	-	-	-	-	-	974686.01	38.99
RES, Hamirpur	84348.64	87139.91	129231.69	76630.09	-	377350.33	15.09
DRDA, Banda	3237.28	-	7239.84	28871.66	34422.20	13770.98	2.95
DRDA, Chitrakoot	-	-	5310.50	7940.85	225150.52	238401.87	10.95
CD Chitrakoot	-	-	-	-	138702.11	138702.11	5.55
PD Chitrakoot	-	-	-	158500.61	79265.35	237765.96	9.51
DRDA Mahoba	-	-	7994.65	46024.88	216324.88	270344.41	10.81
PD PWD Jhansi	47087.85	28453.34	37899.31	-	-	113440.05	4.53
DRDA Jhansi	-	-	-	72765.23	-	72765.23	2.91
RES Jhansi	56056.59	75868.77	11264.04	-	-	143189.40	5.73
RES Lalitpur	24796.31	42345.33	95766.00	89983.47	6890.28	259781.39	10.39
RES, Saharanpur	-	-	-	96999.18	55362.28	152361.46	6.09
CD Saharanpur	-	-	-	-	283100.80	283100.80	11.32
RES, Fatehpur	-	2921.69	78393.42	36451.43	103750.24	221516.78	8.86
RES, Etawah	-	20663.14	-	45402.16	52175.95	118241.25	4.73
DRDA, Etawah	-	-	-	-	158303.86	158303.86	6.33
PD, Etawah	-	-	53942.61	43276.34	35958.19	133177.14	5.33
CD, Fatehpur	-	-	-	-	262652.06	262652.96	10.51
CD, Ghaziabad	-	22338.62	30509.92	-	-	52843.54	2.11
CD, Bulandshahr	-	-	15659.31	23890.00	17467.12	57016.43	2.28
PD, Moradabad	-	-	5643.55	19937.55	75541.51	101123.04	4.04
CD-II, Moradabad	-	-	-	-	170128.85	170128.85	6.81
TOTAL						56.16 lakh	224.65

ERRATA

Sl. No.	Reference to Report			For	Read
	Heading	Page No.	Particulars		
1.	Table of Contents	i	Para 1.5	Tax as per	Tax per
2.	Overview	vi	Paragraph 5.2.10	In adequate	Inadequate
3.	Chapter II	12	Paragraph 2.2.14 (2 nd para)	...functioning effectively. Which....	...functioning effectively, which
4.	Chapter II	17	Paragraph 2.8.1 (2 nd para)	...and 1999-2000, whileand 1999-2000. While
	Chapter II	17	Paragraph 2.8.1 (2 nd para)	...Rs. 29.23 Lakh.	...Rs. 29.23 lakh.
5.	Chapter V	29	Paragraph 5.2.8 respectively wa not.... respectively was not....
6.	Chapter V	34	Paragraph 5.2.8 (2 nd para) Rs. 807.90 crore. Rs. 807.90 crore respectively.

