

REPORT
OF THE
COMPTROLLER AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1996

NO.1

(REVENUE RECEIPTS)



GOVERNMENT OF HARYANA

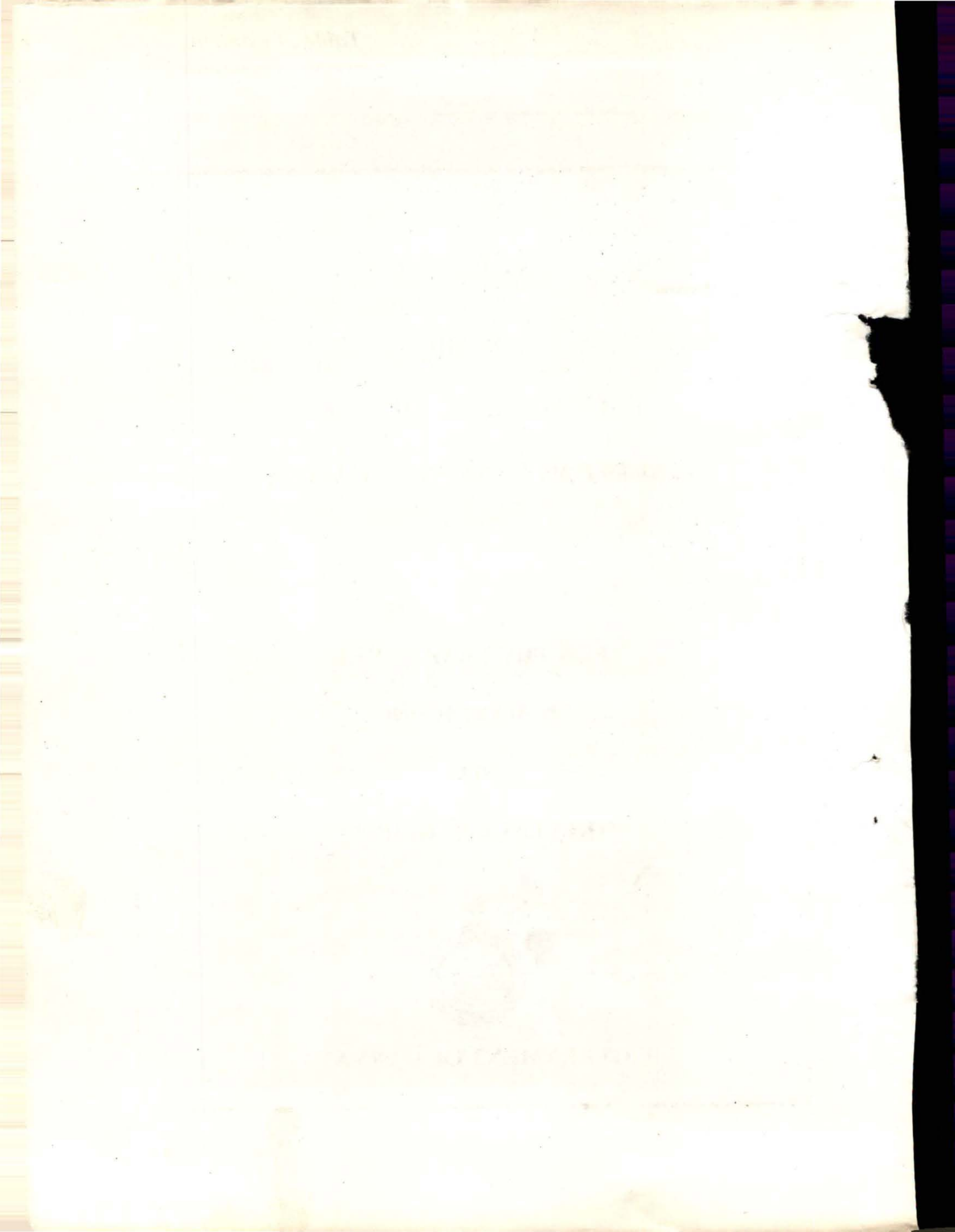


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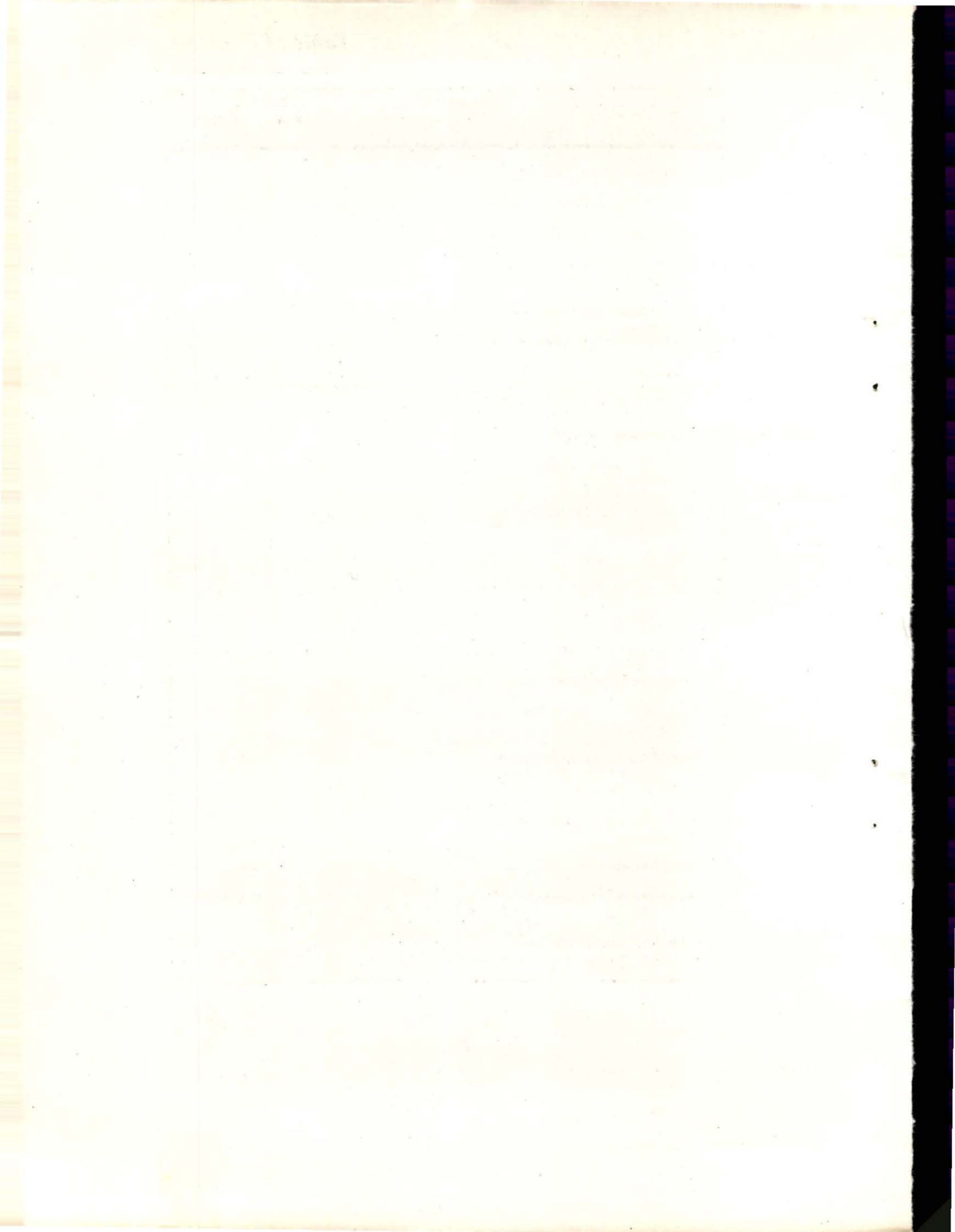
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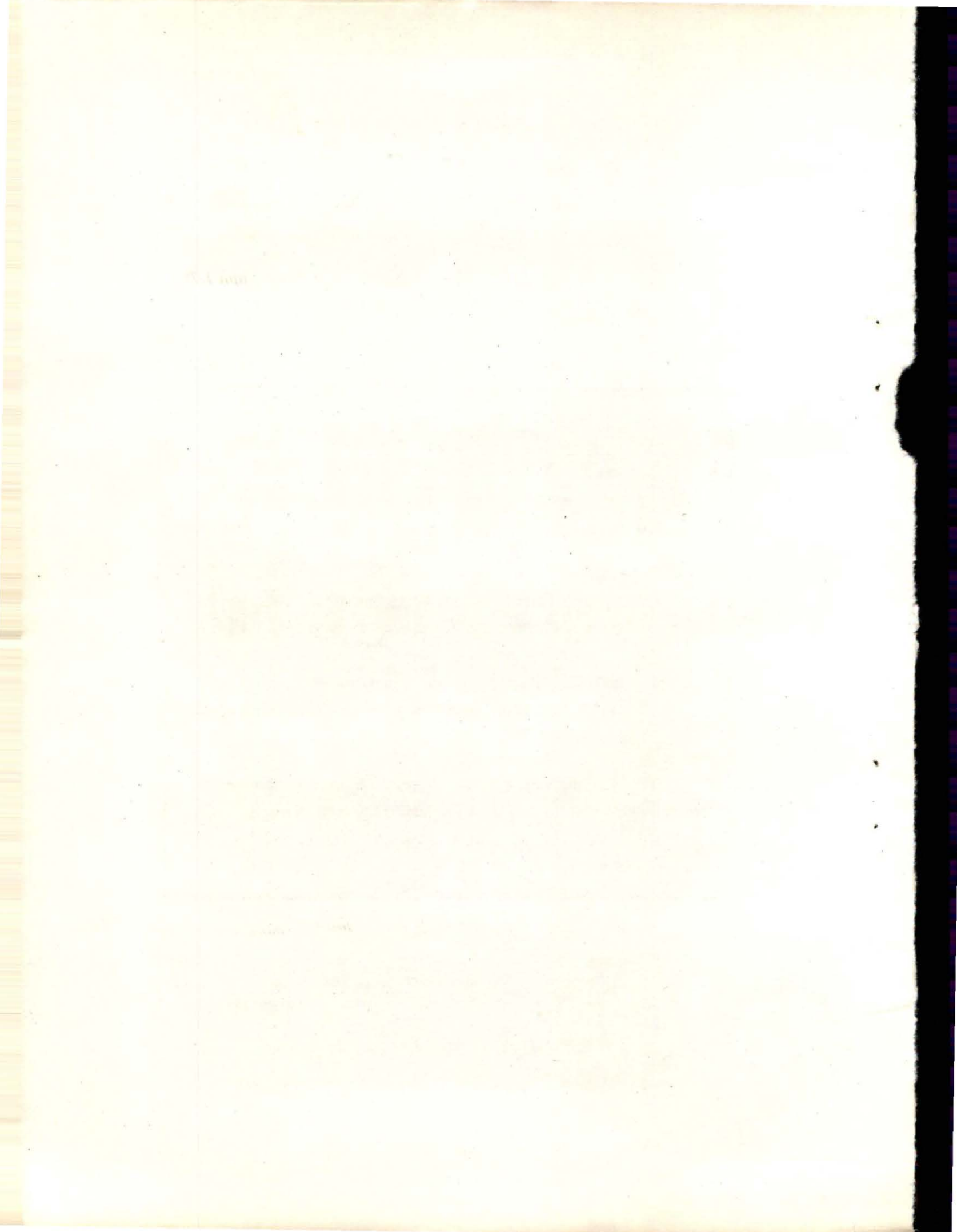


Prefatory Remarks

This Report for the year ended 31 March 1996 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

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

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 1995-96 as well as those noticed in earlier years but could not be included in previous Reports.



OVERVIEW

This Report includes 35 paragraphs including 2 Reviews, relating to non/short levy of taxes, duties, interest, penalties etc. involving Rs.181.65 crores. Some of the major findings are mentioned below:

(Paragraph 1.7)

1. General

- *During the year 1995-96, revenue raised by the State Government, both Tax (Rs.2,169 crores) and Non-Tax (Rs.2,187 crores), amounted to Rs.4,356 crores as against Rs.5,361 crores during the previous year. Receipts under Taxes on Sales, Trade etc., (Rs.1,055 crores) and State Excise (Rs.553 crores) accounted for a major portion of receipts of tax revenue. Under Non-Tax revenue, main receipts were from Miscellaneous General Services (Rs.1,489 crores), Road Transport (Rs.273 crores) and from Interest Receipts (Rs.257 crores).*
- *Receipts from Government of India during the year, including grants-in-aid of Rs.298 crores, aggregated to Rs.659 crores.*

(Paragraph 1.1)

- *Arrears of revenue at the end of 1995-96 under principal heads of revenue amounted to Rs.241.53 crores, out of which Rs.62.59 crores were outstanding for more than 5 years.*

(Paragraph 1.4)

- *3,01,688 assessment cases were pending finalisation under Taxes on Sales, Trade etc., (3,01,453), and Passengers*

and Goods Tax (235) at the end of March 1996 as against 1,90,230 cases (T.S.T. 1,90,113, P.G.T. 117) pending on 31 March 1995.

(Paragraph 1.5)

- *Test check of records of taxes on sales, trade etc., stamp duty and registration fees, state excise, taxes on motor vehicles, passengers and goods tax, mines and geology, co-operation, State lotteries, agriculture and irrigation departments conducted during 1995-96, revealed under-assessment/loss of revenue etc. amounting to Rs.4002.37 lakhs in 8650 cases. The concerned departments accepted under-assessments etc. of Rs.939.66 lakhs of which Rs.710.62 lakhs pertain to the year 1995-96 and the rest to earlier years. An amount of Rs. 75.83 lakhs in 537 cases had already been recovered.*

(Paragraph 1.7)

- *Inspection reports (issued upto December 1995) containing 4982 audit observations with money value of Rs.106.23 crores were not settled upto June 1996. Of these 815 inspection reports containing 1414 objections with money value of Rs.2.35 crores were outstanding for more than 5 years*

(Paragraph 1.8)

2

Taxes on Sales, Trade etc.

- (i) *Inadmissible deduction from turnover resulted in short levy of tax, interest and penalty amounting to Rs.19.03 lakhs.*

(Paragraph 2.2)

(ii) *Irregular deduction allowed against invalid declaration forms resulted in loss of revenue amounting to Rs.163.75 lakhs.*

(Paragraph 2.3)

(iii) *Incorrect levy of concessional rate of tax resulted in short levy of tax of Rs.11.93 lakhs*

(Paragraph 2.4)

(iv) *Excess refund due to incorrect exemption from payment of tax resulted in loss of tax and interest amounting to Rs.29.97 lakhs.*

(Paragraph 2.6)

(v) *Non-levy of tax resulted in loss of revenue of Rs..8.14 lakhs.*

(Paragraph 2.7)

(vi) *Under assessment due to application of incorrect rate of tax resulted in short levy of tax and interest of Rs.12.46 lakhs*

(Paragraph 2.8)

(vii) *Non/short levy of purchase tax resulted in short assessment of tax and interest of Rs.2.81 lakhs.*

(Paragraph 2.9)

3. Stamp Duty and Registration Fees

- *Evasion of stamp duty and registration fees resulted in loss of revenue aggregating Rs.1.30 lakhs.*

(Paragraphs 3.2 and 3.3)

- Misclassification of instruments resulted in short realisation of stamp duty amounting to Rs.0.82 lakh.

(Paragraph 3.4)

4. Other Tax Receipts

(A) State Excise Duty

A review on "Internal control mechanism on receipts from distilleries and breweries" revealed the following:

- In three distilleries 18341.02 quintals of molasses were wasted in transit. Penalty amounting to Rs.3.67 lakhs was not levied.

(Paragraph 4.2.6(i))

- A distillery showed wastage of 10058.07 quintals of molasses in the process of distillation on which penalty of Rs.2.01 lakhs was not levied.

(Paragraph 4.2.6(ii))

- Contrary to the norms prescribed in the distillery rules, 1744.18 lakh proof litres of spirit was manufactured against 2034.70 lakh proof litres of spirit by five distilleries resulting in low yield of 290.52 lakh proof litres of spirit, involving a revenue loss amounting to Rs.29.13 crores.

(Paragraph 4.2.7(a)&(b))

- In these distilleries, 19.62 lakh proof litres of spirit was wasted in the process of re-distillation on which excise duty of Rs.176.99 lakhs could have been levied.

(Paragraph 4.2.8)

- Due to non-adherence of the prescribed norms of strength of country liquor/IMFL in two distilleries and two bottling plants, 2.04 lakh proof litres of spirit was excess/less consumed but was incorrectly debited to stock resulting in loss of excise duty of Rs.48.38 lakhs.

(Paragraph 4.2.9)

(B) Passengers and Goods Tax

- Passengers and goods tax from 42 transport co-operative societies in 5 districts was not/short realised resulting in loss of revenue amounting to Rs.13.22 lakhs.

(Paragraph 4.9)

5. Non-Tax Receipts

(A) Mines and Geology

- Short recovery of royalty, dead rent and interest resulted in loss of revenue amounting to Rs.34.02 lakhs.

(Paragraphs 5.2 and 5.5)

(B) Co-operation

- Audit fee of Rs.412.91 lakhs was recovered short from various co-operative societies.

(Paragraph 5.6)

(C) Finance Department (State Lotteries)

- Non-levy of penalty for short supply of lottery tickets resulted in loss of revenue amounting to Rs.2.97 lakhs.

(Paragraph 5.7)

A review on "Recoveries of interest on loans and advances" revealed the following:

- Loans amounting to Rs.5.71 crores were granted without prescribing the terms and conditions resulting in non-recovery of interest of Rs.63.06 lakhs.

(Paragraph 5.9.7)

- Interest amounting to Rs.20.69 crores was not demanded from the loanees.

(Paragraph 5.9.8)

- Penal interest of Rs.135.26 crores remained unrecovered due to non-assessment.

(Paragraph 5.9.9)

- Loans amounting to Rs.4.53 crores were either not disbursed or disbursed late resulting in loss of interest of Rs.14.85 lakhs.

(Paragraph 5.9.10)

- Interest of Rs.14.69 lakhs was short levied due to incorrect calculations.

(Paragraph 5.9.11)

(D) Agriculture

- Non recovery of purchase tax and interest resulted in loss of revenue of Rs.26.02 lakhs.

(Paragraph 5.10)

(E) *Irrigation*

- *Short recovery of water charges on account of canal water supplied to various units resulted in loss of revenue amounting to Rs.5.47 lakhs.*

(Paragraph 5.11)

That the sum of \$1000.00 is hereby paid to the order of the

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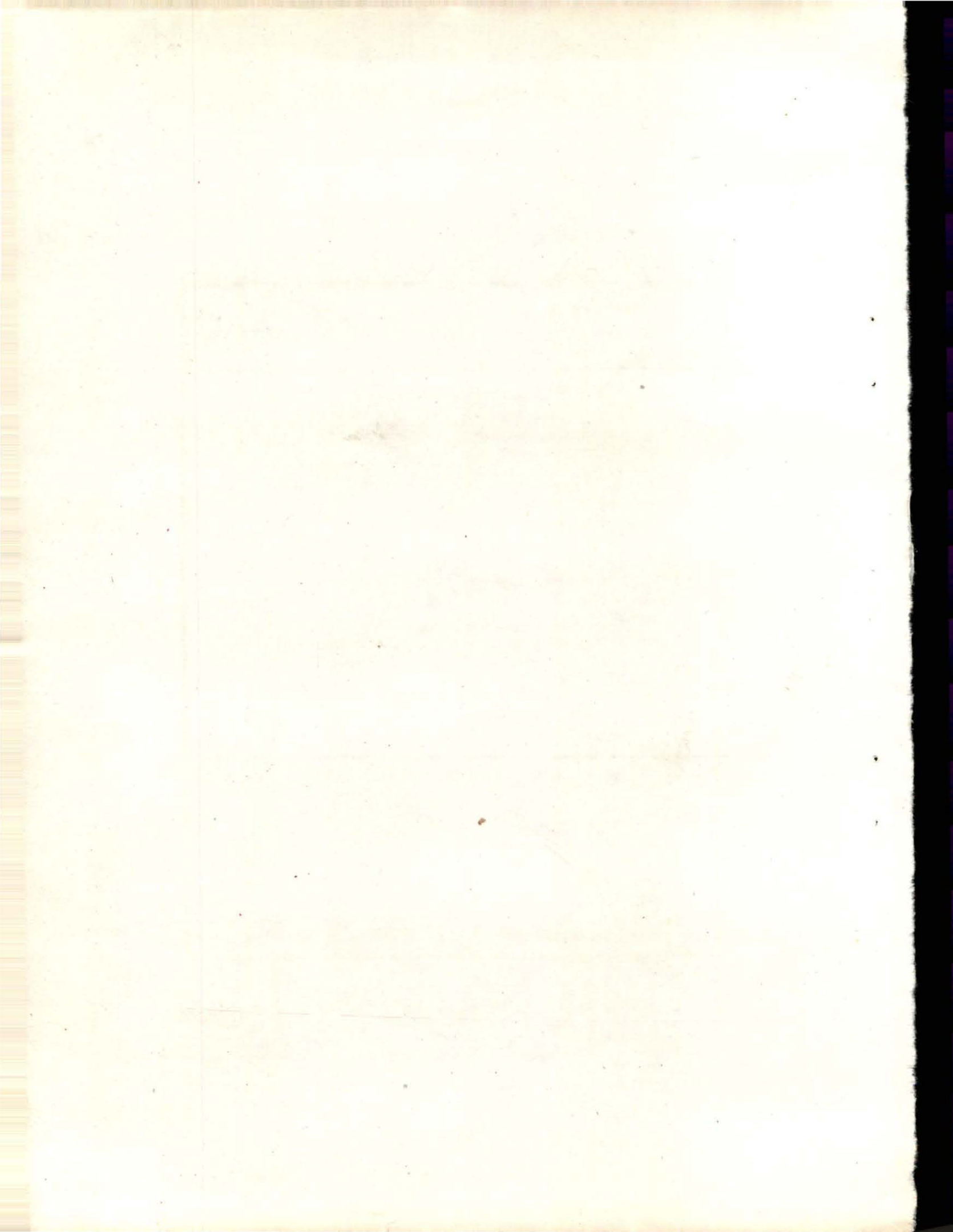
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Chapter-I

General		
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General



CHAPTER 1

GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1995-96, State's share of net proceeds of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below and also exhibited in Chart 1:

S.No	Particulars	1993-94	1994-95	1995-96*
		(In crores of rupees)		
I.	Revenue raised by the State Government			
(a)	Tax revenue	1588.91	1887.85	2168.96
(b)	Non-tax revenue	1340.55	3473.42	2186.81
	Total (I)	2929.46	5361.27	4355.77
II	Receipts from Government of India			
(a)	State's share of net proceeds of divisible Union Taxes	282.45	317.14	360.47
(b)	Grants-in-aid	269.54	204.00	298.49
	Total (II)	551.99	521.14	658.96
III	Total receipts of the State (I + II)	3481.45	5882.41	5014.73
IV	Percentage of I to III	84	91	87

* For details please see 'Statement No.11 - Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Haryana for the year 1995-96. Figures under the head '0021 - Taxes on Income other than Corporation Tax - share of net proceeds assigned to States' booked in the Finance Accounts under A - Tax Revenue have been excluded from Revenue raised by the State and included in State's - share of divisible Union Taxes in this Statement.

**TREND OF REVENUE RECEIPTS DURING
THE PERIOD 1993-94-1995-96**

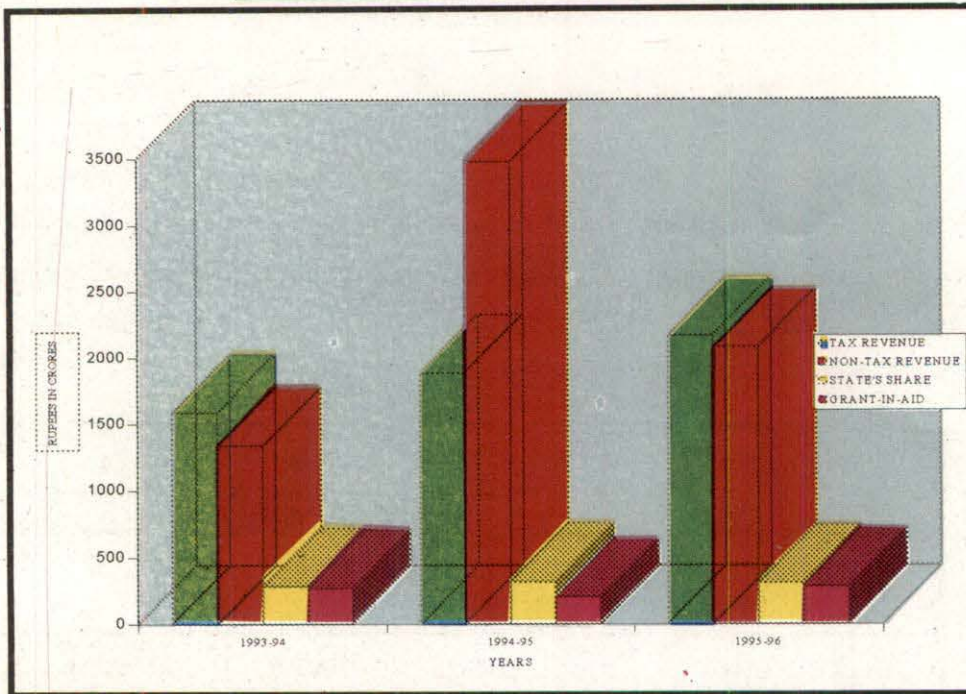


CHART 1
(Para 1.1)

(i) The details of the tax revenue raised during the year 1995-96, along with figures for the preceding two years, are shown below and also exhibited in Chart 2:

Sr. No	Particulars	1993-94	1994-95	1995-96	Percentage of increase(+) or decrease(-) in 1995-96 over 1994-95
(In crores of rupees)					
1.	Taxes on Sales, Trade etc.	768.51	890.08	1055.41	(+) 19
2.	State Excise	431.76	529.34	552.96	(+) 4
3.	Taxes on Goods and Passengers	161.52	194.80	201.16	(+) 3
4.	Stamp Duty and Registration Fees	119.64	163.81	244.63	(+) 49
5.	Taxes on Vehicles	52.17	45.58	52.82	(+) 16
6.	Taxes and Duties on Electricity	39.06	48.00	46.46	(-) 3
7.	Land Revenue	01.35	01.34	1.31	Negligible
8.	Other Taxes and Duties on Commodities and Services	14.90	14.90	14.21	(-) 5
	TOTAL	1588.91	1887.85	2168.96	

GROWTH OF TAX REVENUE DURING
THE PERIOD 1993-94 TO 1995-96

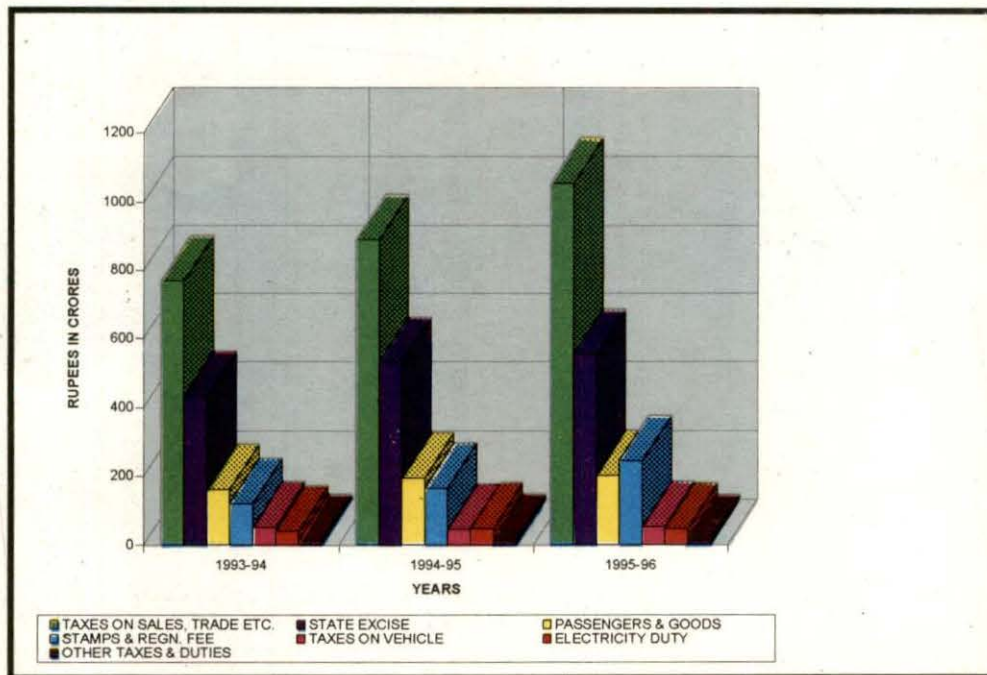


CHART 2
(Para 1.1)

Reasons for variations in receipts during 1995-96 compared to those of 1994-95, as intimated by the respective departments, are given below:

(a) **Taxes on Sales, Trade etc.**- The increase of *19 per cent* was due to increase in business activities, check of evasion of sales tax and road side checking by the enforcement staff.

(b) **Stamp Duty and Registration Fees** - The increase of *49 per cent* was due to substantial increase in the value of immovable properties and recovery of deficient amount of stamp duty and registration fees pointed out in audit.

(c) **Taxes on Vehicles** - The increase of *16 per cent* was due to extensive checking by Roadways staff and recovery of tax made due to registration of new vehicles.

(ii) The details of major non-tax revenue received during the year 1995-96, along with the figures for the preceding two years are given below and also exhibited in Chart 3

S.No.	Particulars	1993-94	1994-95	1995-96	Percentage of increase (+) or decrease (-) in 1995-96 over 1994-95
(In crores of rupees)					
1.	Miscellaneous General Services	841.24	2565.43	1489.38	(-) 42
2.	Road Transport	252.99	271.97	272.62	Negligible
3.	Interest Receipts	116.53	476.09	256.93	(-) 46
4.	Non-ferrous Mining and Metallurgical Industries	18.41	22.65	23.13	Negligible
5.	Medical and Public Health	12.45	8.62	10.24	(+) 19
6.	Others	98.93	128.66	134.51	(+) 5
	TOTAL	1340.55	3473.42	2186.81	

**GROWTH OF NON TAX RECEIPTS
DURING THE PERIOD 1993-94 TO 1995-96**

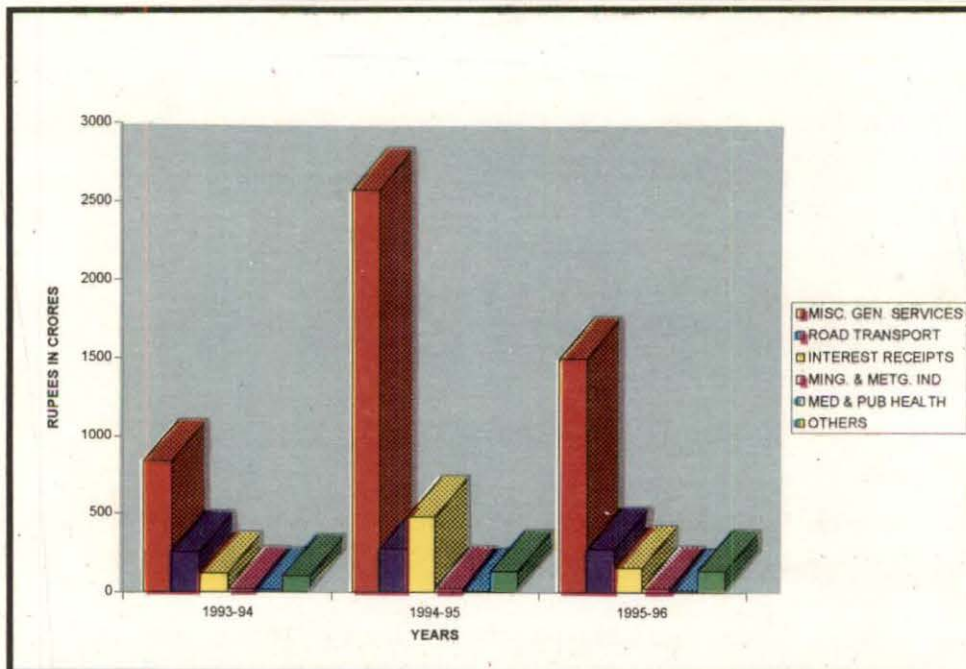


CHART 3
(Para 1.1)

Reasons for variations in receipts during 1995-96 compared to those of 1994-95 as intimated by the respective departments are as follows:

(a) **Miscellaneous General Services** -The decrease of **42 per cent** was due to imposition of ban on sale of state lottery tickets within the state and also ban on sale of lottery tickets by neighbouring states.

(b) **Interest Receipts** -The decrease of **46 per cent** was mainly due to less realisation of interest receipts from commercial undertakings.

(c) **Medical and Public Health** - The increase of **19 per cent** was due to receipt of part amount due from the Employees State Insurance Corporation, New Delhi, during the year.

1.2 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1995-96 and actual receipts in respect of the principal heads of tax and non-tax revenue and the reasons therefor as intimated by the respective departments are given below :

S.No.	Heads of Revenue	Budget estimates	Actual receipts	Variations Increase (+) /Decrease (-)	Percentage of variation
		(In crores of rupees)			
1.	Taxes on Sales, Trade etc.	1043.00	1055.41	(+)12.41	(+) 1
2.	State Excise	530.00	552.96	(+)22.96	(+) 4
3.	Taxes on Goods and Passengers	200.00	201.16	(+) 1.16	(+) 0.58
4.	Stamp duty and Registration fees	200.00	244.63	(+)44.63	(+)22
5.	Taxes on vehicles	50.00	52.82	(+) 2.82	(+) 6
6.	Taxes and Duties on Electricity	46.00	46.46	(+) 0.46	(+) 1
7.	Land Revenue	1.45	1.31	(-) 0.14	(-)10
8.	Other taxes and duties on commodities	17.05	14.21	(-) 2.84	(-)17

S.No.	Heads of Revenue	Budget estimates	Actual receipts	Variations Increase (+) /Decrease (-)	Percentage of variation
		(In crores of rupees)			
9.	Miscellaneous General services	1518.44	1489.38	(-)29.06	(-) 2
10.	Road Transport	267.02	272.62	(+) 5.60	(+) 2
11.	Interest Receipts	237.26	256.93	(+)19.67	(+) 8
12.	Non-Ferrous mining and metallurgical industries	25.00	23.13	(-) 1.87	(-) 7
13.	Medical and Public Health	12.58	10.24	(-) 2.34	(-)19

(a) **Stamp duty and registration fees** - The increase of **22 per cent** in 1995-96 over the budget estimates was due to better realisation of stamp duty as a result of hike in the value of immovable properties and also due to recovery of deficient amount of stamp duty and registration fee pointed out in audit.

(b) **Taxes on vehicles** - The increase of **6 per cent** in 1995-96 over the budget estimates was due to extensive checking by Roadways staff and recovery of tax made due to registration of new vehicles.

(c) **Land Revenue** - The decrease of **10 per cent** in 1995-96 over the budget estimates was due to mainly less recovery of mutation fee, revenue *talbana* and copying fee.

(d) **Other Taxes and duties on commodities** - The decrease of **17 per cent** in 1995-96 over the budget estimates was due to non deposit of purchase tax by four sugar mills.

(e) **Interest receipts** - The increase of **8 per cent** was mainly due to more realisation of interest from investment of Cash Balance and commercial undertakings.

(f) **Non-ferrous mining and metallurgical industries** - The decrease of **7 per cent** in 1995-96 over the budget estimates was due to short collection of royalty and contract money in respect of lease/contracts for especially major/minor minerals.

(g) **Medical and Public Health** - The decrease of 19 per cent in 1995-96 over the budget estimates was due to non-receipt of part amount due from Employees State Insurance Corporation, New Delhi.

1.3 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the year 1993-94, 1994-95 and 1995-96 along with the relevant all India average percentage of expenditure on collection to gross collections for 1994-95 are given below:

S.No.	Heads of Revenue	Year	Gross collection	Expenditure	Percent- age of expendi- ture to gross collection	All India percent- age of cost of collection for the year 1994-95
			(In crores of rupees)			
1.	Taxes on Sales, Trade etc.	1993-94	768.51	14.28	1.86	
		1994-95	890.08	16.22	1.82	1.25
		1995-96	1055.41	17.90	1.70	
2.	State Excise	1993-94	431.76	1.30	0.30	
		1994-95	529.34	1.58	0.30	3.12
		1995-96	552.96	1.74	0.31	
3	Stamp Duty and Registration fee	1993-94	119.64	1.26	1.05	
		1994-95	163.81	0.76	0.46	3.65
		1995-96	244.63	0.81	0.33	
4.	Taxes on Vehicles	1993-94	52.17	1.78	3.41	
		1994-95	45.58	1.72	3.77	2.50
		1995-96	52.82	1.57	2.97	

1.4

Arrears in revenue

As on 31 March 1996, arrears of revenue under the principal heads of revenue, as reported by the departments, were as under

S. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(In lakhs of rupees)				
1.	Taxes on Sales, Trade etc.	19644.52	5047.34	Out of Rs. 19,644.52 lakhs, demand for Rs.1850.89 lakhs had been certified for recovery as arrears of land revenue. Rs.12,458.83 lakhs had been stayed by the Courts and other Appellate Authorities. Rs.1661.41 lakhs were held up due to dealers becoming insolvent and demands for Rs.1123.62 lakhs were proposed to be written off. Specific action taken to recover the remaining amount of Rs.2549.77 lakhs though called for has not been intimated (July 1996).
2.	Taxes on Goods and Passengers	1240.45	165.40	Out of arrears of Rs.1240.45 lakhs, demands for Rs.25.91 lakhs had been certified for recovery as arrears of land revenue. Rs.26.99 lakhs had been stayed by the Courts and other Appellate Authorities. Rs.5.40 lakhs were held up due to dealers becoming insolvent and demand for Rs.0.61 lakh was proposed to be written off. Specific action taken in respect of the remaining arrears of Rs.1181.56 lakhs has not been intimated (July 1996).
3.	State Excise	1753.20	640.35	Out of arrears of Rs.1753.20 lakhs, demands amounting to Rs.158.85 lakhs had been certified for recovery as arrears of land revenue. Rs.896.75 lakhs and Rs.1.31 lakhs had been stayed by the Courts and other Appellate Authorities respectively. Rs. 38.00 lakhs were held up due to dealers becoming insolvent and demand for Rs.658.29 lakhs was proposed to be written off.

S. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(In lakhs of rupees)				
4.	Other Taxes and Duties on Commodities and Services			
(i)	Receipts under the Sugarcane (Regulation of Purchase and Supply) Act	387.32	97.48	The arrears of Rs.387.32 lakhs was due to non deposit of purchase tax by four Sugar Mills of Karnal (84.13 lakhs), Rohtak (129.30 lakhs), Panipat (166.83 lakhs) and Palwal (7.06 lakhs). The department stated in June 1996 that the sugarcane mill owners had been asked to deposit the arrears.
(ii)	Receipts under the Punjab Entertainments (Cinematograph Shows) Act	38.00	10.06	Out of Rs.38.00 lakhs, recovery of Rs.16.86 lakhs had been stayed by the Courts and Rs.7.75 lakhs were proposed to be written off. Action taken to recover the remaining amount of Rs.13.39 lakhs has not been intimated by the department (July 1996).
5.	Non-ferrous mining and Metallurgical Industries	318.08	108.49	Out of Rs.318.08 lakhs, Rs.153.53 lakhs were covered under certificate recovery process and recovery of Rs.91.24 lakhs had been stayed by courts. Action taken to recover the remaining amount of Rs.73.31 lakhs has not been intimated by the department (July 1996).
6.	Co-operation	721.94	148.96	Out of Rs.721.94 lakhs, a sum of Rs.403.42 lakhs was due from HAFED on account of audit fee. The case has been pending with the State government for decision. The remaining amount of Rs.318.52 lakhs was outstanding against various Co-operative Societies.
7.	Land Revenue	19.20	10.61	Out of Rs.19.20 lakhs, recovery of Rs.0.43 lakh had been stayed by courts/Appellate Authorities and Rs.0.97 lakh was proposed to be written off. Remaining recovery of Rs.17.80 lakhs was under other stages of action.

S. No.	Heads of Revenue	Total arrears	Arrears more than 5 years old	Remarks
(In lakhs of rupees)				
8.	Animal Husbandry	30.45	29.87	Out of Rs.30.45 lakhs, a sum of Rs.28.60 lakhs was due from Milk Plant Jind. An amount of Rs.0.65 lakh had been stayed by Court. The remaining amount of Rs.1.20 lakhs was outstanding against various parties.
	Total	24153.16	6258.56	

The arrears outstanding for more than five years constituted **26 per cent** of the total arrears.

1.5 Arrears in assessment

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending finalisation at the end of each year during 1991-92 to 1995-96 as furnished by the department are given below:

Year		Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of Col.5 to Col.4
(1)		(2)	(3)	(4)	(5)	(6)	(7)
1991-92	TST	99150	159966	259116	148946	110170	57
	PGT	309	575	884	505	379	57
1992-93	TST	110170	129510	239680	158640	81040	66
	PGT	379	322	701	501	200	71
1993-94	TST	81040	136358	217398	126973	90425	58
	PGT	200	135	335	262	73	78
1994-95	TST	90425	261613	352038	161998	190113	46
	PGT	73	191	264	74	117	28
1995-96	TST	190113	269783	459896	158443	301453	34
	PGT	117	509	626	391	235	62

* The department has not shown the arrears of Rs.29.48 lakhs outstanding in previous years which has now been intimated by them. Hence included.

The above table shows that the number of pending cases in respect of Taxes on Sales, Trade etc. at the beginning of 1991-92 was 99,150 which went up to 3,01,453 at the end of 1995-96, registering an increase of **204 per cent** while the percentage of finalisation of assessment cases which had gone up to **58 per cent** during 1993-94, declined to **34 per cent** in 1995-96. The department had, however, taken no effective steps to check the increasing trend in arrears in assessment cases.

1.6 Frauds and evasion of taxes/duties

The details of cases of frauds and evasions of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 1996, as supplied (July 1996) by the respective Departments, are given as under:

S. No.	Name of tax/duty	Cases pending as on 31 March 1995	Cases detected during the year 1995-96	Number of cases in which assessments/ investigations completed and additional demand including penalty raised	Amount of Demand (In lakhs of rupees)	Number of cases pending finalisation as on 31 March 1996
1.	Taxes on Sales, Trade etc.	231	3578	3608	128.78	201
2.	Passengers and Goods Tax	103	2151	2189	43.54	65
3.	Entertainments Duty and Show tax	-	17	17	0.41	-
4.	Animal Husbandry	1	-	-	0.65	1

1.7 Results of Audit

Test check of the records of the departments of Taxes on Sales, Trade etc., Stamp Duty and Registration Fees, State Excise, Taxes on Motor Vehicles, Passengers and Goods Tax, Mines and Geology, Co-operation, State Lotteries, Agriculture and Irrigation conducted during the year 1995-96 revealed under assessment/short levy/loss of revenue amounting to Rs. 4002.37 lakhs in 8650 cases. During the course of the year 1995-96, the concerned departments accepted under-assessment etc. of Rs. 939.66 lakhs involved in 1979 cases of which 1528 cases involving Rs. 710.62 lakhs had been pointed out in audit during 1995-96 and the rest in earlier years. An amount of Rs.55.91 lakhs was recovered in 343 cases pointed out during 1995-96 and Rs.19.92 lakhs recovered in 194 cases pointed out in earlier years.

The Report contains 35 paragraphs including 2 reviews relating to "Recoveries of Interest on Loans and Advances" and "Internal control mechanism on receipts from Distilleries and Breweries" involving Rs.181.65 crores. The Departments accepted audit observations involving Rs.444.76 lakhs of which Rs.28.24 lakhs had been recovered up to June 1996. No reply has been received in other cases.

1.8 Outstanding inspection reports and audit observations

(i) Audit observations on incorrect assessments, short levy of taxes, duties, fees etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the Heads of Offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the Heads of Departments and Government. The Heads of Offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 1995 and which

were pending settlement by the departments as on 30 June 1994, 1995 and 1996 are given below:

Particulars	At the end of June		
	1994	1995	1996
Number of inspection reports pending settlement	1650	1918	2165
Number of outstanding audit observations	3898	4305	4982
Amount of revenue involved (in crores of rupees)	51.83	74.34	106.23

(iii) Year-wise break-up of the outstanding inspection reports and audit observation as on 30 June 1996 is given below :

Year	Number of outstanding		Amount of receipts involved (In crores of rupees)
	Inspection reports	Audit observations	
Upto			
1990-91	401	647	0.80
1991-92	414	767	1.55
1992-93	165	502	6.08
1993-94	482	953	32.36
1994-95	408	1065	25.23
1995-96	295	1048	40.21
TOTAL	2165	4982	106.23

(iv) Department-wise break-up of the inspection reports and audit observations relating to the years 1988-89 to 1995-96

(upto December 1995) and outstanding as on 30 June 1996 is as follows:

Department	Number of outstanding		Amount of receipts involved (In crores of rupees)	Number of inspection reports to which even first replies had not been received
	Inspection reports	Audit observations		
Revenue Department	539	903	4.63	-
Excise and Taxation	484	1984	62.38	28
Transport	264	388	0.88	32
Forest	148	370	8.12	8
Other Departments **	730	1337	30.22	63
Total	2165	4982	106.23	131

The matter was brought to the notice of Government in June 1996; replies regarding steps taken to settle the outstanding inspection reports and Audit observations have not been received (June 1996).

*

This includes Stamp Duty and Registration Fees and Land Revenue

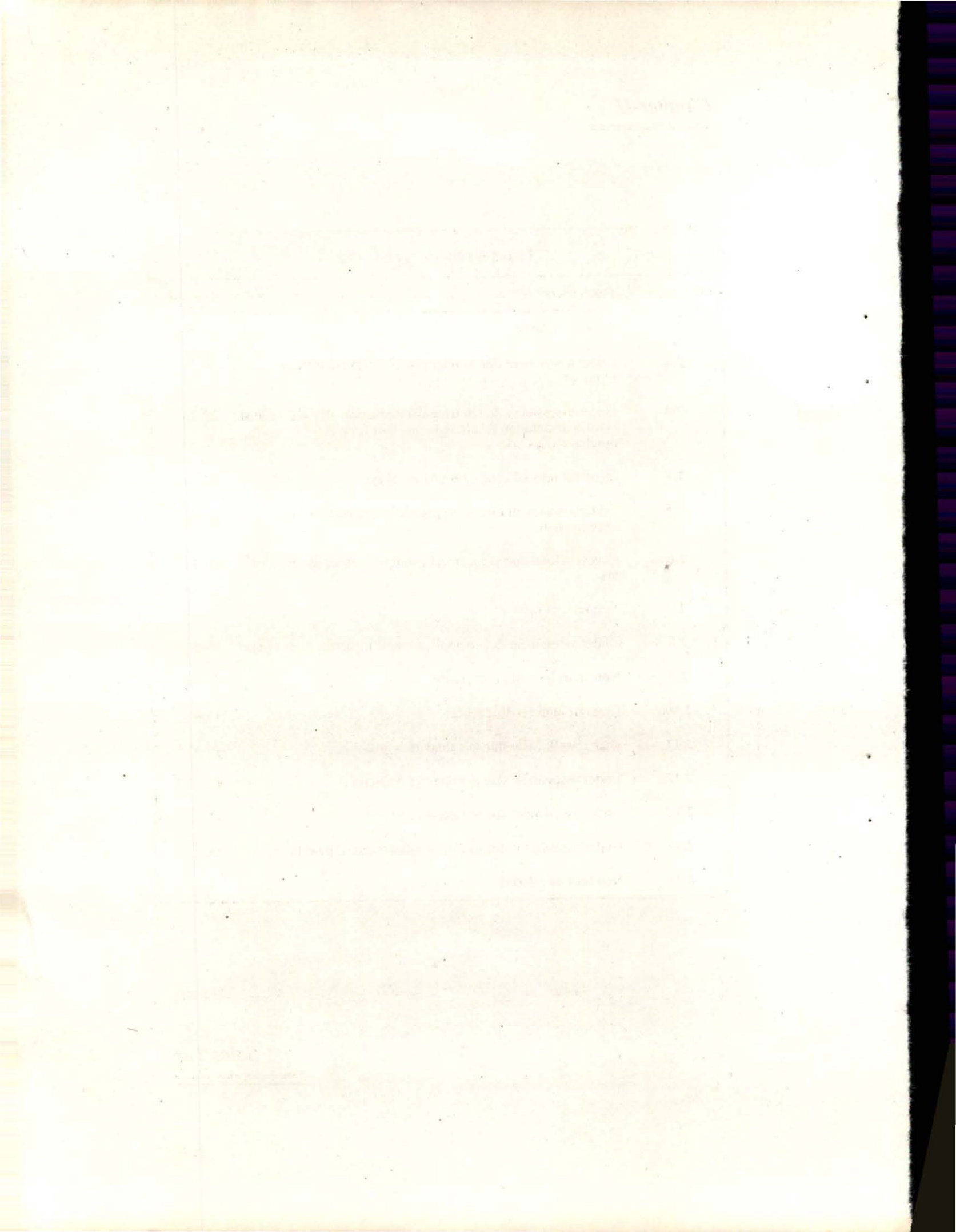
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Agriculture (Cane Commissioner), Animal Husbandary, Co-operation, Electricity, Food and Supply, Horticulture, Industries, Lotteries, Medical, Mines and Geology, PWD(B&R), PWD(Irrigation), PWD (Public Health)

Chapter-II

Taxes on Sales, Trade etc.		
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2.7	Non levy of tax	33-34
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Sales Tax



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CHAPTER 2

Taxes on Sales, Trade etc.

2.1 Results of Audit

Test check of sales tax assessments, refund cases and other connected records of 28 units conducted during the year 1995-96, revealed under-assessments of sales tax amounting to Rs.1122.39 lakhs in 1635 cases, which broadly fall under the following categories:

Sr.No.	Particulars	Number of cases	Amount
			(In lakhs of rupees)
1.	Under assessment under the Central Sales Tax Act	62	74.54
2.	Application of incorrect rate of tax	166	108.91
3.	Incorrect computation of turnover	256	451.06
4.	Non/short levy of penalty	124	85.87
5.	Interest not charged on non-payment/delayed payment of tax	164	60.83
6.	Other irregularities	863	341.18
	Total	1635	1122.39

During the course of the year 1995-96, the Department accepted under-assessment of tax of Rs.275.56 lakhs involved in 437 cases of which 204 cases involving Rs.186.88 lakhs pointed out in audit during 1995-96 and the rest in earlier years. Of these, an amount of Rs.12.11 lakhs has been recovered in 122 cases.

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A few illustrative cases involving Rs.254.32 lakhs highlighting important observations are mentioned in the following paragraphs.

2.2 Under assessment due to inadmissible deduction from turnover

(a) As per Government notification issued in December 1987 under the Haryana General Sales Tax Act, 1973, tax on electrical appliances, washing powder, washing soaps and detergents is leviable at the point of first sale in Haryana with effect from 1 January 1988 and no deduction against declarations in Form ST-15 is admissible on account of sale to registered dealers. During the year 1988-89, electrical appliances were taxable at the rate of **twelve per cent**. It has been held (August 1991) by Sales Tax Tribunal Haryana that 'Hepa filters' are electrical appliances. Further, under the Central Sales Tax Act, 1956, on inter-State sales of goods (other than declared goods) not supported by valid declarations in Form 'C', tax is leviable at the rate of **ten per cent** or at the rate applicable to the sale of such goods inside the State which ever is higher. Besides penalty, for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **one per cent** per month for the first month and at **one and a half per cent** per month thereafter so long as the default continues.

(i) During the audit of the records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (September 1992) that in the case of a dealer of Gurgaon, the assessing authority while finalising (March 1992) the assessment for the year 1988-89, allowed deduction amounting to Rs.55.73 lakhs from the gross turnover on account of sale of hepa filters (Industrial air filters taxable at the first stage of sale being electrical appliances) to registered dealers and also levied tax on the sale of hepa filters valued at Rs.14.68 lakhs to un-registered dealers in the course of inter-State trade and commerce without declaration in Form 'C' at the rate of **ten per cent** instead of at the correct rate of **twelve per cent**. Further, no tax was levied on the sale amounting to Rs.8.99 lakhs (Rs.7.39 lakhs hepa filters and Rs.1.60 lakhs other goods) by treating such sale as job work. The deduction was not admissible as these goods were

sold in the course of inter-State trade. This resulted in under-assessment of tax of Rs.8.81 lakhs under both State and Central Acts (H.G.S.T. Act: Rs.7.35 lakhs and CST Act: Rs.1.46 lakhs). Besides penalty, interest of Rs.5.47 lakhs (calculated upto the month of original assessment) was also leviable for short payment of tax alongwith the returns.

On this being pointed out (September 1992) in audit, the department referred (March 1994) the case to revisional authority for taking *suo motu* action who raised (June 1994) an additional demand of Rs.17.51 lakhs (tax: Rs 8.81 lakhs. interest : Rs 8.70 lakhs). The dealer filed an appeal before the Sales Tax Tribunal, Haryana who has directed both the department and the appellant to furnish the expert opinion on the matter. The department intimated (March 1996) that the opinion sought for by the Tribunal has been furnished to them and the case was finally fixed for hearing on 10 April 1996. Report on decision taken, if any, has not been received (June 1996).

(ii) During the course of audit of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (November 1995) that in the case of a dealer of Gurgaon, the assessing authority while finalising (May 1994 and March 1995) the assessments for the years 1990-91 and 1991-92 erroneously allowed deduction amounting to Rs.5.16 lakhs from the gross turnover of the dealer on account of sale of liquid soap to the registered dealers. The inadmissible deduction resulted in short assessment of tax of Rs.45,437. Besides penalty, interest of Rs.28,420 was also leviable for non-payment of tax alongwith the returns.

On this being pointed out (November 1995) in audit, the department referred (November 1995) the cases to the revisional authority for *suo motu* action. Further report has not been received (June 1996).

The above cases were reported to Government in December 1995; their reply has not been received (June 1996).

(b) Under the Haryana General Sales Tax Act, 1973, transfer of property in goods involved in the execution of a works contract is sale and tax is leviable on the sale value of goods transferred. Further, a

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registered dealer may deduct from his gross turnover, sale value of goods sold to other registered dealers after furnishing the prescribed declaration forms (ST-15). No deduction against declaration forms is, however, admissible where the work executed is not meant for subsequent disposal of the goods. Further, besides penalty, the dealer is liable to pay interest on the amount of tax due at **one per cent** per month for the first month and at **one and a half per cent** per month thereafter so long as the default continues.

During the audit of the records of the Deputy Excise and Taxation Commissioner, Jagadhari, it was noticed (July 1993) that a dealer of Yamuna Nagar used paints valued at Rs.7.19 lakhs in job work (works contract) of painting the machinery of other registered dealer during the year 1991-92. The assessing authority, while finalising (February 1993) the assessment for the year 1991-92, allowed deduction from gross turnover against declaration forms (ST-15). In audit it was pointed out (July 1993) that no deduction against declaration was admissible as the job work was not meant for subsequent disposal of the goods. The mistake resulted in under-assessment of tax of Rs.63,233 and interest of Rs.14,852.

On the mistake being pointed out (July 1993) in audit, the department raised (December 1995) additional demand for tax of Rs.63,233 and stated (February 1996) that assessing authority has initiated proceedings for levying of interest and penalty. Further report on levy of interest and penalty and on recovery of the additional demand so raised has not been received (June 1996).

The case was reported to Government in February 1996; their reply has not been received (June 1996)

2.3 Under-assessment due to irregular deduction allowed against invalid declaration forms and non/short levy of purchase/sales-tax

Under the Haryana General Sales Tax Act, 1973, a registered dealer may deduct from his gross turnover, sale value of goods sold to registered dealers after furnishing the prescribed declaration

forms(ST-15). Further, under the provisions of the Act, *ibid*, the assessing authority is required to examine the genuineness or otherwise of any such sale or declaration before allowing deduction. Lost or stolen declaration forms are declared invalid by the concerned district office and the fact circulated to all the assessing authorities in the State to prevent deductions against such invalid declaration forms being allowed.

The department had also issued (December 1991) instructions for checking of invalid declaration forms while framing assessments. Penalty not less than twice and not more than three times the amount of tax involved is also leviable for the offence of producing, before the assessing authority, any account, return or information which is false or incorrect. Under the provisions of the Act *ibid*, a dealer is liable to pay tax on the purchase value of goods (other than those specified in Schedule B) made in the State without payment of tax and used in the manufacture of taxable goods which are despatched outside the State in any manner otherwise than by way of sale.

Further, under the provisions of the Central Sales Tax Act, 1956, on inter-State sale of goods (other than declared goods) not supported by valid declarations in Form 'C' or 'D' tax is leviable at the rate of **ten per cent** or at the rate applicable to the sale of such goods inside the State, whichever is higher. PVC pipes being plastic goods were taxable at the rate of **twelve per cent** plus surcharge (during the year 1988-89) under the Haryana General Sales Tax Act, 1973. In addition, for short/non payment of tax alongwith the returns, interest at the rate of **one per cent** per month for the first month and at **one and half per cent** per month thereafter over the period of default is also chargeable.

(i) During the course of audit of the records of Deputy Excise and Taxation Commissioner, Jind, it was noticed (June and July 1994) that in three cases relating to two dealers of Safidon (Jind district) deductions of Rs.127.62 lakhs were allowed (December 1992 and August 1993) on account of sales to registered dealers against declaration forms (ST-15) during the years 1991-92 and 1992-93 respectively. In audit it was found that declaration forms involving sales valued at Rs.91.48 lakhs were those which had been stolen/lost from the office store of Deputy Excise and

Taxation Commissioner Bhiwani and had been declared (May 1993) invalid by district office and declarations involving sales valued at Rs.18.19 lakhs were those where the purchasing dealer was non-existent and not registered under the Act. Thus out of the total deduction of Rs.127.62 lakhs, deduction of Rs.109.67 lakhs was allowed incorrectly against invalid forms. This resulted in under assessment of tax of Rs.4.39 lakhs. Besides, penalty amounting to Rs 8.78 lakhs is also leviable.

On this being pointed out (June and July 1994) in audit, the Deputy Excise and Taxation Commissioner, Jind referred (August 1994) the case to revisional authority for taking *suo motu* action. The revisional authority while taking *suo motu* action set aside the assessment orders of the assessing authority and remanded (December 1994) the cases for fresh assessment. On appeal by the dealers, the Haryana Sales Tax Tribunal held (May 1995) that the revisional authority could not leave the matter to be decided by the lower authority and accordingly set-aside the orders of the revisional authority and remanded the matter to be decided by revisional authority himself. However, the same revisional authority again remanded (July 1995) the cases to assessing authority for fresh assessment. Action of the revisional authority was not in order in view of the decision of Haryana Sales Tax Tribunal. The matter was taken up with the Excise and Taxation Commissioner (May 1996). The reply has not been received (June 1996).

(ii) During the audit of the records of Deputy Excise and Taxation Commissioner Hisar, it was noticed (November 1995) that a dealer was allowed (November 1994) deduction of Rs.337.32 lakhs during the year 1988-89 on account of sale of goods made to other registered dealers of Faridabad district against declaration forms (ST-15) which had been declared (January 1991) invalid by the Deputy Excise and Taxation Commissioner Faridabad (East) and for which an FIR was also lodged with the Police. This resulted in under-assessment of tax amounting to Rs.44.53 lakhs. As the dealer had furnished invalid declaration forms, minimum penalty of Rs.89.05 lakhs was also leviable. Further, goods valued at Rs.44.61 lakhs purchased from within the State without payment of tax were used in the manufacture of goods sent outside the State on

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consignment basis/branch transfers on which the assessing authority omitted to levy purchase tax of Rs.1.96 lakhs and interest of Rs.1.96 lakhs. Further, on inter-State sale of PVC pipes valued at Rs.8.75 lakhs, tax was levied at the rate of **12 per cent** instead of correct rate **13.20 per cent** (including surcharge) by ignoring the element of surcharge. This resulted in short-assessment of tax of Rs.10,501 and interest of Rs.10,500. The mistakes on all the three counts resulted in under-assessment of Rs.137.71 lakhs (tax: Rs.46.59 lakhs, interest: Rs.2.07 lakhs, Penalty: Rs.89.05 lakhs).

On this being pointed out (November 1995) in audit, the department referred (December 1995) the case to the revisional authority for taking *suo motu* action. Further report has not been received (June 1996).

(iii) During the audit of records of Deputy Excise and Taxation Commissioner, Kaithal, it was noticed (April 1995 to June 1995) that in Kaithal, ten dealers in twelve cases (2 cases of 1991-92, 4 cases of 1992-93 and 6 cases of 1993-94) were allowed (between April 1994 and March 1995) deductions of Rs.354.33 lakhs during the years 1991-92 to 1993-94 on account of sales to other registered dealers against declaration forms (ST-15). In audit, it was found that declaration forms (furnished by 9 dealers in 11 cases) involving sales valued at Rs.71.31 lakhs were those which had been stolen/lost from the office stores of Deputy Excise and Taxation Commissioners Faridabad and Bhiwani and had been declared (January 1991, May 1993 and November 1993) invalid by district offices.

It was also noticed that declaration forms (furnished by 5 dealers in 6 cases) involving sales valued at Rs.49.81 lakhs were those issued by purchasing dealers who were non-existent and declaration forms (furnished by 6 dealers in 6 cases) involving sales valued at Rs.60.52 lakhs were those of the purchasing dealers whose registration certificates had been cancelled from the dates prior to the dates of sales and declaration forms (furnished by 1 dealer in 1 case) involving sale of Rs.1.36 lakhs were those wherein purchasing dealer was not registered under the Act. Thus out of total deduction of Rs.354.33 lakhs, deduction of Rs.183 lakhs was incorrectly allowed against invalid declaration forms

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resulting in under-assessment of tax of Rs.8.67 lakhs. Besides penalty, interest was also chargeable for non/short payment of tax due alongwith the returns.

On this being pointed out (April 1995 to June 1995) in audit, the department raised (June 1995 and July 1995) additional demands of tax of Rs.8.67 lakhs. In addition, the department also raised demands of Rs.3.16 lakhs on account of interest and penalty (interest: Rs.2.70 lakhs, penalty: Rs.45,620 in 9 cases relating to seven dealers). Matter for levy of interest and penalty in remaining 3 cases of 3 dealers had been taken up again with the department. Reports on recovery have not been received (June 1996).

(iv) During the audit of the records of the Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (November 1995) that a dealer of Gurgaon was allowed (September 1994) deduction of Rs.6.43 lakhs during the year 1990-91 on account of sale of goods made on 31 March 1991 to another dealer of Gurgaon whose registration certificate was valid only from 2 April 1991. The deduction allowed was thus not admissible as the purchasing dealer was not a registered dealer on the date of sale made to him. Acceptance of invalid declaration forms resulted in non-levy of tax of Rs.56,553. Besides penalty, interest of Rs.34,526 (calculated upto the month of original assessment) for non-payment of tax alongwith the returns was also leviable.

On this being pointed out (November 1995) in audit, the department referred the case to the revisional authority for taking *suo motu* action, who created (December 1995) additional demand of Rs.1.04 lakhs (tax: Rs.56,553 and interest of Rs.47,261 calculated upto December 1995). Action to impose penalty was to be taken up separately. Further report on levy of penalty and on recovery of the additional demand so raised by the department has not been received (June 1996).

The above cases were reported to Government between September 1994 and February 1996; their reply has not been received (June 1996).

2.4 Incorrect levy of concessional rate of tax

As per Government notification issued in January 1972 under the Central Sales Tax Act, 1956, tax on inter-State sale of oils produced from sarson, toria, til and taramira but not in hydrogenated form is leviable at the concessional rate of **one per cent** when these sales are supported by valid declarations in Form 'C'. However, concessional rate of **one per cent** is not admissible in respect of inter-State sales of oil produced from mustard oil cakes (i.e. oil cakes of sarson, toria, til and taramira) and these are taxable at the rate of **four per cent** against Form C. It has also been held (April 1993) by the Hon'ble High Court of Punjab and Haryana in a different case* that oil cake is a raw material used for producing a different kind of oil, which is used for different purposes than the oil straightway produced from sarson. Oil produced from oil cakes as such is not included in the aforesaid notification.

During the course of audit of Excise and Taxation Officer, Ambala City, it was noticed (March 1996) that two dealers extracted oils from mustard oil cakes and made inter-State sales of those oils valued at Rs.397.83 lakhs during the year 1991-92. While finalising (between August 1994 and October 1994) assessments for the year 1991-92, the assessing authority erroneously levied tax at the rate of **one per cent** instead of at the correct rate of **four per cent**. This resulted in short assessment of tax of Rs.11.93 lakhs.

On this being pointed out (March 1996) in audit, the assessing authority stated (March 1996) that oils produced from both the items (Sarson seeds and sarson oil cakes) were same and saleable in the market under the name sarson oil. Reply of the assessing authority was not tenable as it did not conform to the provisions of the Act/notification dated January 1972 as well as decision (April 1993) of the Hon'ble High Court. The department further intimated (May 1996) that the cases of both the dealers have been sent (May 1996) to revisional authority for taking *suo motu* action. Further report has not been received (June 1996).

* Chattar Chemicals Limited V/s State of Haryana-STC-1994, Vol. 93.

The case was reported to Government in April 1996; their reply has not been received (June 1996).

2.5 Under assessment due to suppression of purchases and excess rebate

Under the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales or purchases or has furnished to or produced before any authority under the Act, any account, return or information which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than three times the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct. Further, under the Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the Act in respect of the goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce, or in the course of export outside India.

During the course of audit of Deputy Excise and Taxation Commissioner Rewari, it was noticed (January 1995) in audit that a dealer purchased goods valued at Rs.5.50 lakhs on the strength of his registration certificate by using declaration forms (ST-15) during the years 1991-92 and 1992-93. With a view to suppressing his purchases he used to submit part 'B' of the declaration form of his purchases in the next year's case file instead of in the relevant year's case file. This remained undetected by the assessing authorities who while finalising (September 1992 and July 1993) assessments for the years 1991-92 and 1992-93 took into account the purchases at Rs.0.34 lakh only instead of at Rs.5.50 lakhs and determined on proportionate basis purchases at Rs.0.16 lakh instead of Rs.2.22 lakhs used in the job work. Failure to detect suppression by the assessing authority resulted in short assessment of tax of Rs.18,088 and minimum penalty of Rs.36,176.

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Further, the assessing authority determined the rebatable tax at Rs.3.02 lakhs instead of correct tax of Rs.2.75 lakhs paid under the Act in respect of goods purchased at the first stage of sale by omitting to deduct the element of profit and expenses from the total tax paid purchases. This resulted in excess rebate of Rs.27,092. The mistake on both the counts resulted in under assessment of Rs.81,356 (tax: Rs.18,088 + Rs.27,092, penalty: Rs.36,176).

On this being pointed out (January 1995) in audit, the department raised (August 1995) additional demand of Rs.1.10 lakhs (tax: Rs.28,199 + Rs.25,092, penalty: Rs.56,398). The department further intimated (June 1996) that aggrieved with the orders of the revisional authority, the dealer preferred an appeal before Sales Tax Tribunal Haryana. The Hon'ble Tribunal has directed (May 1996) the dealer to pay the amount in instalments. The dealer has deposited Rs.29,500 in May 1996 through demand draft. The case is yet to be re-assessed. Further report has not been received (June 1996)

The case was reported to Government in April 1996; their reply has not been received (June 1996)

2.6 Excess refund due to incorrect exemption from payment of tax

(a) Under the Haryana General Sales Tax Act, 1973, and the Rules framed thereunder, an industrial unit (registered dealer) holding exemption certificate under the provisions of Rule 28-A is exempt from payment of tax on the sale of finished products of the unit. Tax on the sale of by-products is, however, payable by the unit. Further, under the provisions of the Central Sales Tax Act, 1956, inter-State sale of goods (other than declared goods) without Form 'C' is taxable at the rate of **ten per cent** or at the rate applicable to the sale of such goods within the appropriate State which ever is higher. Auto parts are taxable at the rate of **ten per cent** plus surcharge inside the State.

During the audit of records of Deputy Excise and Taxation Commissioner Faridabad (East) it was noticed (December 1994) that an industrial unit of auto parts holding exemption certificate under Rule 28-A

sold scrap (by product) valued at Rs.218.93 lakhs obtained in the process of manufacturing auto parts, during the year 1992-93. While finalising (July 1993) assessment for the year 1992-93, the assessing authority included the amount of tax of Rs.8.76 lakhs on the sale of scrap in the total amount of exemption for that year and allowed refund of Rs.16.82 lakhs though tax on the sale of scrap was payable by the unit.

The mistake resulted in excess refund of Rs.8.76 lakhs. Since refund voucher/refund adjustment order were issued (July 1993) to the unit, amount of Rs.2.06 lakhs on account of interest for the period August 1993 to November 1994 for illegal retention of Government money was also chargeable from the unit. In addition to the excess refund, tax of Rs.35,123 was also short assessed due to non-levy of surcharge on the inter-State sale of auto parts without Form 'C'.

On this being pointed out (December 1994) in audit, the department referred (August 1995) the point of excess refund due to incorrect exemption of tax on sale of scrap to the revisional authority for taking *suo motu* action who raised (October 1995) demand of only Rs.92,263 holding that sale of scrap was to the extent of Rs.23.07 lakhs. Order passed by the revisional authority was incomplete and was silent regarding the sale of remaining goods valued at Rs.195.86 (218.93-23.07) lakhs and also about the levy of interest.

On this being pointed out (January 1996) again in audit, the department investigated the case and found that the balance turnover of Rs.195.86 lakhs related to the sale of motor vehicle components/spares within the State which was taxable at the rate of **eleven per cent** (ten per cent tax plus surcharge) instead of **four per cent** assessed in the order and to correct the mistake, the department filed (March 1996) review petition to the revisional authority. As regards under assessment due to non-levy of surcharge, the department created (March 1995) additional demand of Rs.35,123 which was recovered in April 1995. Besides interest and penalty, the tax effect on the remaining goods at the differential rate of **seven per cent** on goods valued at Rs.195.86 lakhs amounted to Rs.13.71 lakhs.

Thus the mistake on both the counts viz, incorrect exemption and incorrect application of tax rate resulted in short levy of tax of Rs 22.82 lakhs.

The case was reported to Government in May 1995; their reply has not been received (June 1996).

(b) Under the Haryana General Sales Tax Act, 1973, tax leviable under this Act or the Central Sales Tax Act, 1956, on the sale of atta, maida and suji by a dealer, manufactured by him, shall be reduced by the amount of tax paid in the State on the purchase of wheat at first point, and used in their manufacture; and when no tax is payable on atta, maida and suji, tax already paid on wheat used in manufacture is refundable.

(i) During the audit of the records of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (September 1993) that a dealer, who has been given exemption from payment of tax on the sale of manufactured goods (atta, maida, suji) for seven years (from 2 January 1991 to 1 January 1998) made purchases of tax paid wheat valued at Rs.215.61 lakhs during the year 1991-92 and used in the manufacture of taxable goods (atta, maida and suji). While finalising (October 1992) the assessment for the year 1991-92, the assessing authority allowed refund of tax of Rs.8.29 lakhs calculated on the last purchase price of the wheat instead of admissible refund of tax of Rs.6.48 lakhs paid at the first point of its purchase. The omission resulted in excess refund of Rs.1.81 lakhs.

On this being pointed out (September 1993) in audit, the department raised (June 1995) demand for tax of Rs.1.81 lakhs. In addition, the department also raised demand for interest of Rs.58,881 on account of illegal retention of Government money. The total demand of Rs.2.40 lakhs (tax: Rs.1.81 lakhs ; interest: Rs.58,881) was, however, adjusted against the amount of refunds due to the dealer for the years 1991-92, 1992-93 and 1994-95.

(ii) During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (February 1996) that a dealer, who has been granted exemption from payment of tax on the sale of

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manufactured goods (atta, maida, suji), made purchases of tax paid wheat valued at Rs.723.35 lakhs during the year 1993-94 and used in the manufacture of atta, maida, suji. Out of the wheat so purchased, 1,31,000 quintals of wheat valued at Rs.515.05 lakhs was purchased from Government Agency (Food Corporation of India) and the remaining wheat valued at Rs.208.30 lakhs was purchased from other dealers in the State. The Government procurement price of wheat for the year 1993-94 was Rs.305 per quintal(excluding bonus of Rs.25 per quintal). Thus the first purchase value of wheat on which tax had been paid in the State worked out to Rs.604.91 lakhs (Rs.415.53 lakhs including **four per cent** expenses on account of dami, dalali, majdoori paid by the agency in respect of wheat purchased from Food Corporation of India and Rs.189.38 lakhs in respect of wheat purchased from other dealers). While finalising (May 1994) the assessment, the assessing authority, for the purpose of allowing refund on account of tax paid on wheat, determined the first purchase value at Rs.657.65 lakhs instead of the correct value at Rs.604.91 lakhs. The mistake resulted in excess refund of Rs.2.11 lakhs. As the dealer had been issued (June 1994) refund voucher, interest from the date of issue of refund voucher was also chargeable from the dealer due to illegal retention of Government money.

On the mistake being pointed out (February 1996) in audit, the assessing authority rectified (April 1996) the assessment order and created additional demand, for tax of Rs.2.11 lakhs. Interest was, however, not levied by the assessing authority for which reference was again made (May 1996).

(iii) During the audit of records of Deputy Excise and Taxation Commissioner Jind, it was noticed (June and July 1995) that a dealer, engaged in the manufacture of atta, maida, suji, made purchases of 27,982.53 quintals (19,812.90 quintals during 1991-92, and 8169.63 quintals during 1992-93) of wheat valued at Rs.89.53 lakhs from Government Agencies (FCI, DFSC, HAFED)* and used in the

* FCI Food Corporation of India
DFSC District Food and Supplies Controller
HAFED Haryana State Co-operative Supply and Marketing Federation

manufacture of taxable goods (atta, maida, suji) during the year 1991-92 and 1992-93. The Government procurement price of wheat was Rs.225 per quintal for the year 1991-92 and Rs.285 per quintal for the year 1992-93. Thus the value of wheat on which tax was paid in the State worked out to Rs.67.86 lakhs. While finalising (August 1994 and February 1995) assessments for the years 1991-92 and 1992-93, the assessing authority adopted the element of tax and profit included in the purchase value of tax paid wheat at 8 per cent and worked out the value of wheat, for the purpose of allowing rebate, at Rs.82.37 lakhs instead of the correct value at Rs.67.86 lakhs. This resulted in excess refund of Rs.58,015 (Rs.51,470 for 1991-92 and Rs.6,545 for 1992-93) allowed to the dealer.

On this being pointed out (June and July 1995) in audit, the department referred (January 1996) the case for both the years to revisional authority for taking *suo-motu* action. Further report on action taken has not been received (June 1996).

The above cases were reported to Government between January 1994 and March 1996; their reply has not been received (June 1996).

2.7 Non-levy of tax

Under the provisions of Haryana General Sales Tax Rules, 1975, an industrial unit registered under the Haryana General Sales Tax Act, 1973 and holding eligibility certificate issued by Industries Department in accordance with the subject to the provisions of Rule 28-A, is entitled to exemption from payment of tax under the Act. Exemption is, however, admissible for a maximum period of 5 to 9 years and upto a fixed limit of amount of tax payable on the sale of finished products of the unit under the local Act (HGST Act, 1973) and the Central Act (CST Act, 1956). Branch transfers or consignment sales outside the State of Haryana shall be deemed to be the sale in the course of inter-State trade or commerce taxable at the rate of tax applicable to such sales against declaration in Form C'

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(i) During the audit of records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (February 1995) that an industrial unit of Faridabad, which was exempt from payment of tax under Rule 28-A for the period from April 1991 to April 1996, transferred its products (Stampings) valued at Rs.193.33 lakhs to its branches outside the State during the year 1991-92. The assessing authority, while finalising (February 1994) the assessment for the year 1991-92 omitted to levy tax on the branch transfers. The omission resulted in under assessment of tax of Rs.7.73 lakhs.

On the omission being pointed out (February 1995) in audit, the assessing authority rectified (February 1995) the assessment order by levying tax of Rs.7.73 lakhs. The amount was, however, added in the total amount of tax exempted for the year which would enhance the cumulative notional sales tax liability of the unit.

(ii) During the audit of records of Deputy Excise and Taxation Commissioner, Panchkula, it was noticed (February 1996) that an industrial unit, holding exemption certificate under Rule 28-A, sold by-product (scrap) valued at Rs.3.96 lakhs within the State and valued at Rs.2.91 lakhs in the course of inter-State trade and commerce during the year 1992-93. While finalising (August 1994) the assessment for the year 1992-93, the assessing authority allowed exemption on these sales though the tax on the sale of scrap was payable by the unit. This mistake resulted in incorrect exemption of tax of Rs.27,461. Besides penalty, interest of Rs.13,837 was also chargeable from the unit.

On this being pointed out (February 1996) in audit, the department raised (February 1996) demand of Rs.41,398 (tax: Rs.27,461; interest: Rs.13,837, penalty: Rs.100) under both the Acts (HGST and CST Act). Report on recovery has not been received (June 1996).

The case was reported to Government in March 1996; their reply has not been received (June 1996).

2.8 Under assessment due to application of incorrect rates of tax

The rates of tax leviable on different categories of commodities have been prescribed and notified by the Government from time to time under the Haryana General Sales Tax Act, 1973 and Central Sales Tax Act, 1956.

During the audit of the records of Deputy Excise and Taxation Commissioner, Gurgaon, Karnal, Hisar, Sonipat, Panchkula and Faridabad (West), it was noticed between March 1992 and February 1996 that the various assessing authorities levied (between July 1991 and March 1995) tax at lower rates instead of at the correct rates applicable to the commodities resulting in short levy of tax by Rs.8.14 lakhs and interest of Rs.4.32 lakhs besides penalties as per details given in the following table:

S. No	Office	A.Y. ¹	Commodity	Value	Tax leviable	Tax levied	Short assessment	Remarks
					(Rupees in lakhs)			
1.	D.E.T.C. Gurgaon	1988-89 1989-90	Loud speakers, Electrical appliances (12% + SC ²)	7.19	0.95	0.32 + (4% SC)	Tax:3.25 Intt. 2.62 Plus penalty	Additional demand of Rs.6.74 lakhs created in 3/94. Department intimated (3/96) that recovery proceedings stayed by Tribunal.
			General goods (Copper cables, Diesel Engine, Conductors etc.) (8% + SC)	59.76	5.26	2.63 + (4% SC)		
			Iron and Steel declared goods)	3.75	0.15	0.16 + (4% SC)		
			Total		6.36	3.11		
2.	D.E.T.C Karnal	1989-90 1990-91	Rice Bran oil (8% plus SC upto 30.4.90)	138.17	12.16	9.12 + (6% SC)	Tax:3.04 Intt. 1.33 plus penalty	Revisonal authority remanded the case to AA ³ with the directions to levy tax @ 8% plus SC.Deptt; intimated (6/96) that further proceed-ings stayed by Tribunal.

1 A.Y. Assessment Year
2 SC Surcharge
3 A.A. Assessing Authority

Sales Tax

No	Office	A.Y. ¹	Commodity	Value	Tax	Tax	Short	Remarks
					leviable	levied		
					(Rupees in lakhs)			
3.	D.E.T.C. Hisar	1993-94	Cement (12% + SC)	27.47	3.63	3.02 (10%+ SC)	Tax: 0.61	Demand raised (12/95) and added in the total amount of exemption
4.	D.E.T.C. Sonipat	1989-90	Stone Ware Pipes (12% + SC upto 5.9.89 and 10% + SC thereafter)	3.64 (Local Act) 19.67 (CST Act)	0.44 (HGST Act) 2.36 (CST Act)	0.32 (8% +SC) 1.97 (10%)	Tax:0.12 0.39 Intt. 0.11 plus penalty	Additional demand for tax of Rs.52,081 raised (5/95) which was recovered between 8/95 and 3/96. Action taken to levy interest and penalty awaited.
5.	D.E.T.C. Panchkula	1991-92	Stationery (10% under CST Act)	3.93	0.39	0.17 (4% plus SC)	Tax:0.22 Intt.0.12	Additional demand of Rs.34028 raised by department (2/96)
6.	D.E.T.C. Faridabad (West)	1992-93	Telephone Cable Wire (10% under CST Act)	3.92	0.39	0.16 (4%)	Tax:0.23 Intt.0.06 plus penalty	Case referred (9/95) for suo-motu action.
7.	D.E.T.C. Gurgaon	1992-93	Synthetic Filament Yarn (0.7% + SC)	403.62	3.11	2.83 (0.7%)	Tax:0.28 Intt.0.08 plus penalty	Additional demand of Rs.48,252 raised and recovered by department in 10 & 11/1995
					Total		Tax:8.14 Intt:4.32	

The above cases were reported to Government between December 1992 and February 1996; their replies have not been received (June 1996)

¹ A.Y. Assessment Year

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2.9 Non/Short levy of purchase tax

Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the purchase of goods (other than those specified in schedule B) which are purchased from within the State without payment of tax and used in the manufacture of other goods which are disposed of otherwise than by way of sale. Tax on paddy when purchased within the State is leviable at the stage of last purchase in the State. Further, for non payment of tax alongwith the returns, interest is also chargeable on the amount of tax due at **one per cent** per month for the first month and at **one and a half per cent** per month thereafter so long as the default continues.

(i) During the audit of records of Deputy Excise and Taxation Commissioner Jind, it was noticed (July 1995) that a dealer purchased goods valued at Rs.104.77 lakhs from within the State without payment of tax during the period from April 1989 to October 1989. Out of the goods so purchased, goods valued at Rs.46.64 lakhs were used in the manufacture of goods sent on branch transfers during that period. The details of purchases made during the period from November 1989 to March 1990 were, however, not furnished by the dealer. While finalising assessment (November 1993) for the year 1989-90, the assessing authority erroneously took the total purchases as Rs.4.60 lakhs instead of Rs.104.77 lakhs and levied tax on purchases of Rs.1.75 lakhs instead of on Rs.46.64 lakhs (the proportionate value of goods purchased and used in the manufacture of goods sent on branch transfers). The mistake resulted in short levy of purchase tax of Rs.1.98 lakhs for the period from April 1989 to October 1989 and non-levy of purchase tax for the period from November 1989 to March 1990.

On this being pointed out (July 1995) in audit, the department sent (July 1995) the case to revisional authority for taking *suo motu* action. Report on further action taken has not been received (June 1996).

(ii) During the audit of the records of Deputy Excise and Taxation Commissioner, Gurgaon, it was noticed (November 1995) that a dealer purchased goods valued at Rs.27.85 lakhs from within the State

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without payment of tax during the year 1990-91. Out of the goods so purchased, goods valued at Rs.6.97 lakhs were carried over to 1991-92 and used in the manufacture of other goods. A part of these manufactured goods was transferred outside the State as stock transfers. While finalising assessment (October 1994) for the year 1991-92, the assessing authority did not levy purchase tax but stated in his assessment order that proportionate value of purchases made in the year 1990-91 was taxed in the same year. On verification (November 1995) in audit, it was found that no such tax on goods carried over to the year 1991-92 was levied. The omission resulted in non-levy of purchase tax of Rs.28,328 and interest of Rs.20,659.

On this being pointed out (November 1995) in audit, the department admitted (December 1995) the omission and referred (February 1996) the case to revisional authority for taking *suo motu* action. Further report on action taken has not been received (June 1996).

The above cases were reported to Government between October 1995 and February 1996; their reply has not been received (June 1996).

(iii) During the audit of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (August 1995) that a dealer of Assandh (Karnal) had milled 'permal' paddy valued at Rs.100.70 lakhs purchased from within the State during the year 1993-94. The assessing authority while finalising (February 1995) the assessment of the dealer for that year, erroneously determined the value of paddy milled at Rs.92.08 lakhs. The omission resulted in short levy of purchase tax of Rs.34,490.

On this being pointed out (August 1995) in audit, the department accepted (December 1995) the audit observation and intimated that additional demand of Rs.34,490 had been raised in September 1995 and recovery also effected in October 1995.

2.10 Grant of inadmissible rebate

(a) Under the Haryana General Sales Tax Rules, 1975, a registered dealer may reduce the amount of tax paid under the Act in respect of goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce, or in the course of export outside India. No rebate of tax paid on corrugated boxes (taxable at the first stage of sale) is admissible where such boxes are used in the packing of manufactured goods.

During the audit of the records of the Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (January 1995) that a dealer of Faridabad used corrugated boxes (purchased after payment of tax at the first stage of sale) valued at Rs.8.82 lakhs in the packing of manufactured goods sold in the State and in the course of inter-State trade or commerce during the year 1993-94. The assessing authority while finalising assessment (January 1994) allowed rebate of tax of Rs.77,599 already paid by the dealer, which was not admissible.

On the mistake being pointed out (January 1995) in audit, the assessing authority referred (January 1995) the case to the revisional authority for taking *suo-motu* action who revised the assessment orders in May 1995 and created additional demand of Rs.77,599. The department further intimated (March 1996) that entire amount of Rs.77,599 has been recovered from the dealer in December 1995 and January 1996.

(b) Under the Haryana General Sales Tax Act, 1973, tax on sale of rice is leviable at the point of first sale in the State and on paddy at the point of last purchase in the State. Further, according to the provisions of the Central Sales Tax Act, 1956, sales tax levied on rice is reduced by the amount of purchase tax paid in the State on paddy out of which such rice has been husked. No rebate of tax on the sale of rice purchased from outside the State is, however, admissible. Further for non/short payment of tax due alongwith the returns, the dealer is liable to pay interest at the rate of **one per cent** per month for the first month and at **one and a half per cent** per month thereafter over the period of default.

During the audit of the records of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (August 1995) that a dealer purchased 1002.31 quintals of rice valued at Rs.5.40 lakhs from outside the State and sold the same to District Food and Supplies Controller during the year 1993-94. While finalising assessment (March 1995), the assessing authority erroneously allowed rebate on account of tax paid on paddy though no rebate of tax was admissible as the assessee had imported the rice and not the paddy which was husked on which tax was paid in the State. The mistake resulted in under assessment of tax of Rs.22,364 and interest of Rs.4,592 besides penalty.

On this being pointed out (August 1995) in audit, the department referred (December 1995) the case to the revisional authority for taking *suo motu* action. Further report has not been received (June 1996).

The case was reported to Government in March 1996; their reply has not been received (June 1996).

2.11 Under assessment due to calculation mistakes

During the course of audit of Deputy Excise and Taxation Commissioner Faridabad (West), Sonipat and Faridabad (East), it was noticed (between January 1995 and October 1995) that in three cases assessed between January 1994 and July 1994, there were calculation mistakes resulting in under assessment of tax of Rs.1.94 lakhs as detailed below:

Sr. No.	Office	Assessment Year	Tax leviable	Tax levied	Tax short levied	Remarks
			(Rupees in lakhs)			
1.	D.E.T.C. Faridabad (West)	1993-94 (Last quarter)	0.60	0.06	0.54	Demand raised in June 1995
2.	D.E.T.C. Sonipat	1986-87 (Remand case)	39.71	38.71	1.00	Recovered in 11/95
3.	D.E.T.C. Faridabad (East)	1991-92	Rebate allowable Rs.5.08	Rebate allowed Rs.5.48	0.40	Recovered in 1/95
Total					1.94	

The above cases were reported to Government between January 1995 and October 1995; their reply has not been received (June 1996).

2.12 Under assessment due to incorrect deduction

As per Government notification issued in November 1992 under the Haryana General Sales Tax Act, 1973, tax on consumer plastic goods is leviable at the first stage of sale in the State with effect from 27 November 1992. The deduction from turnover on account of sale of such goods to registered dealers against declarations in form ST-15 is not admissible. Excise and Taxation Commissioner, Haryana, clarified (January 1993) that polythene bags are consumer plastic goods. Further, polythene bags are taxable at the general rate of **eight per cent**.

During the course of audit of Deputy Excise and Taxation Commissioner, Faridabad (East) and Excise and Taxation Officer Bahadurgarh, it was noticed (September 1995 and March 1996) that while finalising assessments (April 1994 and September 1994) by the assessing authorities, two dealers (one each of Faridabad and Bahadurgarh) were allowed deductions of Rs.15.39 lakhs from their gross turnovers on account of sales of polythene bags to registered dealers against declarations in forms ST-15 during the year 1992-93. Scrutiny in audit revealed that deductions of Rs.6.19 lakhs representing the sales made after 26 November 1992 were not admissible as the goods were made taxable at first stage of sale with effect from 27 November 1992. Thus allowing incorrect deduction of Rs.6.19 lakhs from turnover resulted in under-assessment of tax of Rs.54,512 (Rs.24,129 in the case of Faridabad dealer and Rs.30,383 in the case of Bahadurgarh dealer). Further, in the case of Faridabad dealer, on the sale of polythene bags valued at Rs.3.74 lakhs, tax was levied at the rate of **four per cent** plus surcharge instead of at the correct rate of **eight per cent** plus surcharge resulting in short assessment of tax of Rs.16,434. The mistakes on both the counts resulted in under-assessment of tax of Rs.70,946.

On this mistake being pointed out (September 1995 and March 1996) in audit, the department sent (November 1995) the case of

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Faridabad dealer to revisional authority for taking *suo motu* action and in the case of Bahadurgarh dealer, created (March 1996) additional demand of tax of Rs.30,383. Report on recovery has not been received (June 1996).

The cases were reported to Government in December 1995 and April 1996; their reply has not been received (June 1996).

2.13 Under assessment due to excess rebate

Under the Haryana General Sales Tax Act, 1973 and the rules framed thereunder, a registered dealer may reduce the amount of tax paid under the Act in respect of goods purchased by him at the first stage of sale from the amount of tax payable by him on such goods or goods manufactured or processed therefrom, when sold within the State or in the course of inter-State trade or commerce, or in the course of export outside India. For non/short payment of tax alongwith the returns, interest is chargeable on the amount of tax due at **one per cent** per month for the first month and at **one and a half per cent** per month thereafter so long as the default continues.

During the audit of the records of the Deputy Excise and Taxation Commissioner, Panipat, it was noticed (February 1995) that in the case of a dealer of Panipat, while finalising assessment (March 1994), the assessing authority, inadvertently, determined the value of iron and steel used in the manufactured goods at Rs. 117.63 lakhs instead of Rs. 116.63 lakhs. Similarly value of these goods used in the manufacture of goods sent on consignment basis/branch transfers was worked out at Rs. 45.65 lakhs instead of at Rs. 49.99 lakhs. The above mistakes resulted in under assessment of tax of Rs. 21,327. Besides, interest of Rs. 12,993 was also chargeable for short payment of tax alongwith the returns.

On the omission being pointed out (February 1995) in audit, the assessing authority raised (June 1995) additional demand of Rs.34,318 (tax:Rs.21,325, interest: Rs.12,993). The department further intimated (January 1996) that entire amount of Rs.34,318 has been recovered from the dealer between June 1995 and December 1995.

2.14 Under assessment due to excess adjustment of paid tax

Under the Central Sales Tax Act, 1956, before any dealer furnishes the returns, he shall, in the prescribed manner, pay into a Government treasury or the Reserve Bank of India or the State Bank of India, the full amount of tax due from him under the Act according to such returns and shall furnish alongwith the returns, receipts from such treasury or bank showing the payment of such amount.

During the audit of the records of Deputy Excise and Taxation Commissioner, Faridabad (East), it was noticed (January 1995) that in Faridabad, a dealer had paid Rs.29.80 lakhs in the Government Treasury on account of Central Sales Tax for the year 1991-92 and furnished treasury receipts alongwith the returns. The assessing authority, while finalising (December 1993) assessment for the year 1991-92, however, erroneously adjusted Rs.30.25 lakhs on account of tax paid by the dealer voluntarily alongwith his returns. This resulted in under-assessment of tax of Rs.44,783.

On the mistake being pointed out (January 1995) in audit, the department, while deciding the remand case, created (May 1995) additional demand of Rs.44,783 which was recovered (June 1995).

2.15 Non-levy of interest

Under the Haryana General Sales Tax Act, 1973, a dealer is required to pay the full amount of tax due from him according to his returns required to be submitted by the prescribed dates. In the event of default, the dealer is liable to pay interest on the amount of tax due at **one per cent** per month for the first month and at **one and a half per cent** per month thereafter over the period of default.

During the audit of the records of the Deputy Excise and Taxation Commissioner, Karnal, it was noticed (July 1992) that a dealer of Assandh (Karnal) did not pay the full amount of tax due alongwith the return for the third quarter of the year 1989-90 on the grounds that stay for payment of tax was granted by the Hon'ble Punjab and Haryana High Court. The copy of judgement was, however, not produced before the

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assessing authority who, while framing assessment (February 1992), raised demand of tax of Rs.1.30 lakhs but omitted to levy interest amounting to Rs.48,100 (calculated upto February 1992). The amount of tax was, however, deposited by the dealer in October 1992.

On this being pointed out (July 1992) in audit, the department referred the case to the revisional authority for taking *suo-motu* action who created (April 1993) additional demand of interest of Rs.63,700 calculated upto October 1992, (the date of payment of tax by the dealer) which has been recovered between September 1994 and March 1995.

Chapter - III

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Stamp Duty and Registration Fees		
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Stamp Duty and Registration Fees

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CHAPTER 3

STAMP DUTY AND REGISTRATION FEES

3.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1995-96, revealed short levy and non-levy of stamp duty and registration fees amounting to Rs.86.61 lakhs in 683 cases, which broadly fall under the following categories :

S.No.	Nature of irregularities	Number of cases	Amount (In lakhs of rupees)
1.	Loss of stamp duty due to under-valuation of properties	328	52.36
2.	Evasion of stamp duty and registration fees	117	15.57
3.	Irregular exemption of stamp duty and registration fees	82	8.69
4.	Non/short levy of stamp duty and registration fees	131	5.63
5.	Loss of stamp duty due to misclassification of deeds	12	2.62
6.	Other irregularities	13	1.74
	Total	683	86.61

During the course of the year 1995-96, the Department accepted under-assessment of Rs.48.26 lakhs involved in 263 cases out of which 219 cases involving Rs.33.58 lakhs were pointed out in audit during 1995-96 and 44 cases involving Rs.14.68 lakhs were pointed out in earlier years. The Department recovered Rs.0.57 lakh in 6 cases pointed out during 1995-96. Besides, the Department recovered an amount of Rs.3.67 lakhs in 62 cases pertaining to earlier years.

A few illustrative cases involving Rs.2.12 lakhs highlighting important observations are given in the following paragraphs:

3.2 Evasion of stamp duty

The Indian Stamp Act, 1899, as applicable to Haryana, provides that the consideration, if any, and all other facts and circumstances affecting the chargeability of an instrument with duty, or the amount of duty with which it is chargeable, shall be fully and truly set forth therein. The Act also provides that any person who, with intent to defraud Government, executes any instrument in which all the facts and circumstances required to be set forth are not fully and truly set forth, is punishable with a fine which may extend to five thousand rupees.

During the audit of the records of the Sub-Registrar Dabwali, it was noticed (January 1994) that two conveyance deeds were registered in March 1993 on account of sale of agriculture land measuring 74 kanals and 17 marlas (9.356 acres). The value of the land set forth in the conveyance deeds was Rs.7.08 lakhs whereas, as per agreement executed between the affected parties in December 1991 and found recorded with the document writer, the sale value agreed upon worked out to Rs.12.35 lakhs at the rate of Rs.1.32 lakhs per acre. The conveyance deeds were thus executed and registered at a consideration less than that agreed upon between the parties. Under-valuation of land in conveyance deeds resulted in evasion of stamp duty of Rs.65,875. Besides, penalty not exceeding Rs.5000 for under-valuation done with intent to defraud Government was also leviable.

On this being pointed out (January 1994) in audit, the department accepted the objection and issued notice for recovery of the difference of stamp duty. Report on recovery has not been received (June 1996).

The case was reported to Government in January 1994; their reply has not been received (June 1996).

3.3 Evasion of Stamp duty and Registration fees through power of attorney

The Indian Stamp Act, 1899 and the Indian Registration Act, 1908, as applicable to Haryana, require that where power of attorney is given for consideration and it authorises the attorney to sell any immovable property, the deed is liable to stamp duty and registration fees as if it is an instrument of conveyance for the amount of consideration set forth therein. Government instructed (October 1976) that where a person purchasing an immovable property for further sale did not get the conveyance deed executed in his favour and instead, on payment of sale consideration, obtained a power of attorney from the vendor authorising him/her to sell the property further to any party at his/her discretion on behalf of the vendor, the power of attorney shall be subjected to stamp duty and registration fees for the sale consideration in terms of Article 48(f) read with Article 23 of schedule I-A to the Indian Stamp Act, 1899.

During the audit of the records of Sub-Registrar Indri (Karnal), it was noticed (September 1995) that an agreement to sell a commercial plot was executed in August 1993 and got recorded with a document writer after receiving full consideration of Rs.5.07 lakhs by the seller and handing over the possession to the purchaser. Simultaneously, power of attorney authorising the purchaser to dispose of the property in any manner and to sign the sale deed was also given by the seller (August 1993). Stamp duty and registration fees amounting to Rs.63,875 (stamp duty: Rs.63,375; registration fees: Rs.500) was leviable on the consideration as applicable to sale deed but was not levied.

On the omission being pointed out (November 1995) in audit, the department issued notice for recovery (December 1995). Further report on recovery has not been received (June 1996).

The case was reported to Government in November 1995; their reply has not been received (June 1996).

3.4 Short levy of stamp duty due to misclassification of instruments

Under the Indian Stamp Act, 1899, as applicable to the State of Haryana, 'mortgage deed' includes every instrument whereby, for the purpose of securing money advanced, or to be advanced, by way of loan, or an existing or future debt, or the performance of an engagement, one person transfers or creates, to, or in favour of another, a right over or in respect of specified property. Subject to the exemptions contained in Schedule I-A of the Act *ibid*, every instrument is chargeable with duty at the rates prescribed therein. The correct classification of instrument, keeping in view the nature of transaction, is therefore, essential with a view to avoid loss of stamp duty etc. In case where possession of property is not given, stamp duty is chargeable at **one and a half per cent** of the amount of loan secured by such instrument. Government vide notification issued in October 1983 under the Act remitted the levy of stamp duty on the deeds of mortgage without possession which are executed by agriculturists in favour of Commercial Banks for securing loans upto the amount of rupees one lakh for specified purposes.

(i) During the audit of the records of Sub-Registrar Sirsa, it was noticed (May 1995) that one Private Limited Company (represented by its director and his two brothers) having its place of business at Bangalore (Karnataka State) secured a loan of Rs.48.45 lakhs from Karnataka State Financial Corporation, Bangalore and created a collateral security thereon by way of deposit of title deeds in respect of their landed property situated in Sirsa, Haryana State, in favour of the said Financial Corporation. The borrower company got executed the registration of memorandum of deposit of title deeds of its property worth Rs.38 lakhs in the office of Sub-Registrar Sirsa by paying stamp duty of Rs.9,300. As the instrument was executed with consideration for securing loan against security of immovable property, it was correctly classifiable as mortgage deed without possession and was chargeable with stamp duty at the rate of **one and a half per cent** of the value of the property mortgaged. The misclassification of instrument as memorandum of deposit of title deeds, instead of mortgage deed, resulted in short levy of stamp duty of Rs.47,700 (Rs.57,000-Rs.9,300).

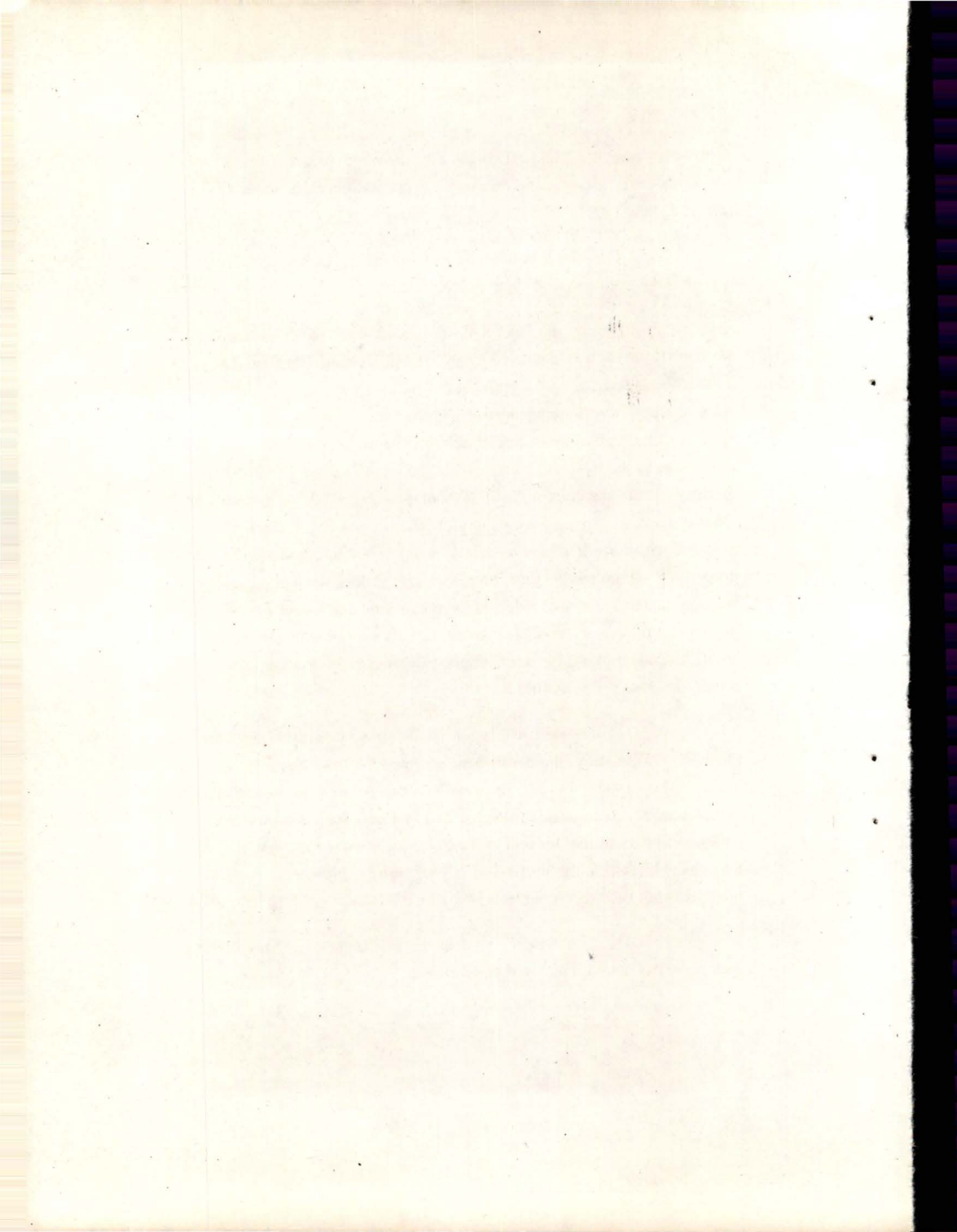
On this being pointed out (May 1995) in audit, the department accepted (June 1995) the objection and issued notice to the concerned party for effecting recovery. Report on recovery has not been received (June 1996).

The case was reported to Government in June 1995; their reply has not been received (June 1996).

(ii) During the audit of the records of the Sub-Registrar Meham (Rohtak), it was noticed (March 1995) that an industrial firm of Uttar Pradesh secured a loan aggregating Rs.22.45 lakhs from a scheduled bank. A surety for the repayment of this loan was, however, given by an agriculturist family by mortgaging their agricultural land without possession in the Revenue Estate of Meham in Haryana. The document mortgaging the agricultural land without possession was registered as security bond by paying Stamp Duty of Rs.100. As the instrument was executed with consideration for securing loan against surety of immovable property, it was correctly classifiable as mortgage deed without possession and was chargeable to stamp duty at the rate of **one and a half per cent** of the amount of loan secured. The misclassification of instrument as surety bond, instead of mortgage deed, resulted in short levy of stamp duty of Rs.33,575 (Rs.33,675-Rs.100).

On the short realisation of stamp duty being pointed out (March 1995) in audit, the department accepted the objection and issued notice (May 1995) for the recovery of the balance amount. The department further intimated (March 1996) that the case has been referred under section 31 of the Act *ibid* to the Collector to have the opinion as to the duty with which the instrument is chargeable. Further reply in the matter has not been received (June 1996).

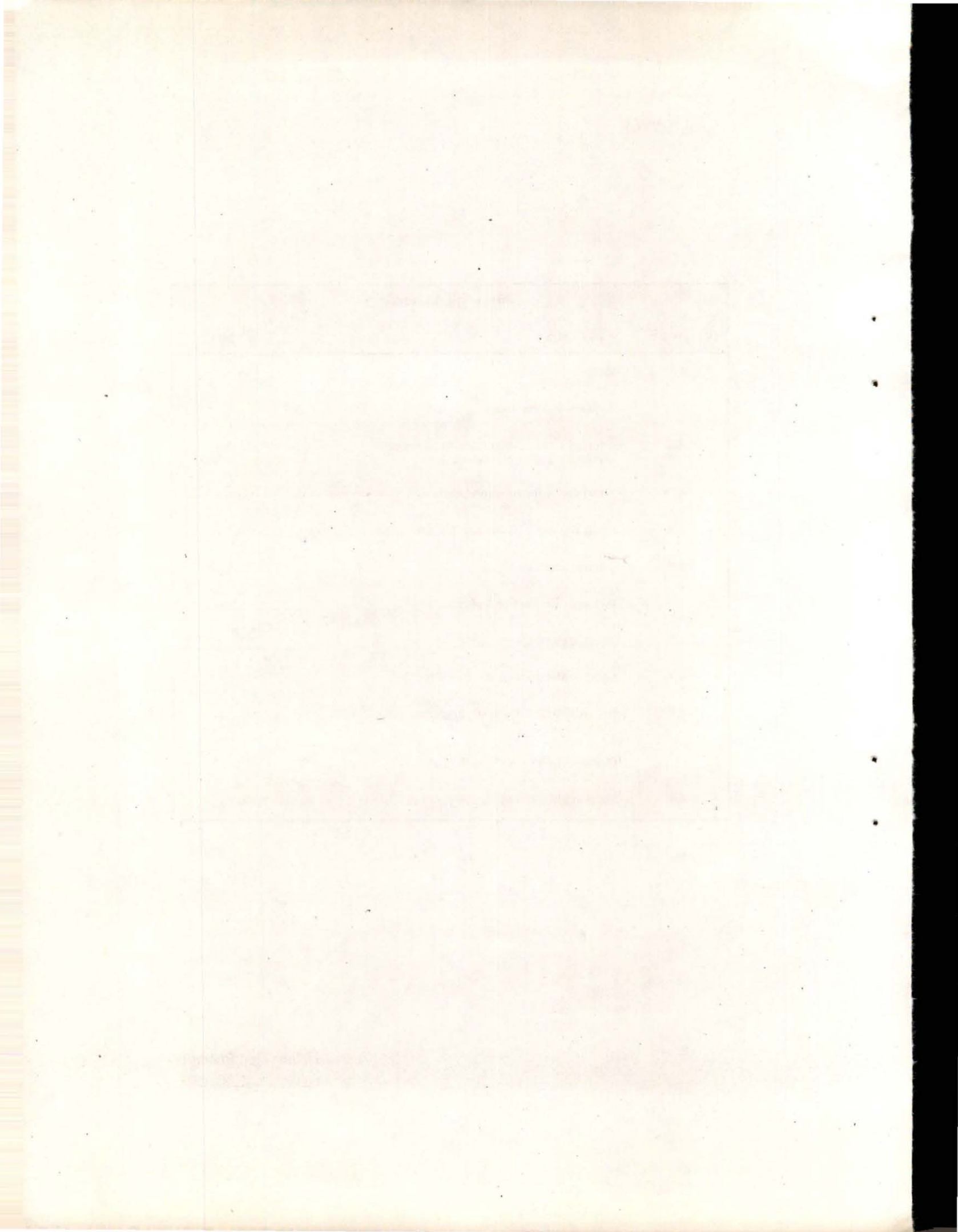
The case was reported to the Government in May 1995; their reply has not been received (June 1996).



Chapter-IV

Other Tax Receipts		
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Other Tax Receipts



CHAPTER 4

OTHER TAX RECEIPTS

4.1 Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1995-96, revealed short/non-recovery of excise duty, import duty, interest, short recovery of token tax and composite fee on vehicles and short realisation of passengers tax amounting to Rs.1764.72 lakhs in 3758 cases as indicated below:

	Heads of revenue	Number of cases	Amount
			(In lakhs of rupees)
A	State Excise	155	1678.98
B.	Taxes on Motor vehicles	1833	13.87
C.	Passengers and Goods Tax	1770	71.87
	Total	3758	1764.72

(a) In the case of State Excise, the Excise Department accepted under-assessment of Rs.404.90 lakhs in 69 cases which were pointed out in audit during 1995-96. Out of which the department recovered an amount of Rs.12.78 lakhs in 63 cases. Besides, an amount of Rs.0.75 lakh in 5 cases had also been recovered during 1995-96 relating to earlier years.

(b) In the case of Taxes on Motor Vehicles, the Transport Department accepted under-assessments etc. of Rs.1.09 lakhs in 419 cases which were pointed out in audit during 1995-96. Of these, the department recovered Rs.0.15 lakh in 16 cases. Besides, an amount of Rs.0.34 lakh has also been recovered during 1995-96 in 29 cases pointed out in earlier years.

(c) In the case of Passengers and Goods tax, the department accepted under-assessment etc. of Rs.141.90 lakhs in 417 cases out of

Other Tax Receipts

which 245 cases involving Rs.19.40 lakhs were pointed out in audit during 1995-96 and 172 cases involving Rs.122.50 lakhs were pointed out in earlier years. The department recovered Rs.1.57 lakhs in 13 cases which were pointed out in 1995-96. Besides, an amount of Rs.0.32 lakh in 33 cases relating to earlier years had also been recovered during 1995-96.

A few illustrative cases arising out of a review on "Internal Control Mechanism on Receipts from distilleries and breweries" and other important observations involving an amount of Rs.32.54 crores are given in the following paragraphs.

A-STATE EXCISE DUTY

4.2 Internal control mechanism on receipts from distilleries and breweries.

4.2.1. Introduction

Internal controls are intended to provide reasonable assurance for prompt and efficient service and for adequate safeguards against evasion of taxes and duties. These are meant to promote enforcement of compliance with laws, rules and departmental instructions and help in prevention and detection of frauds and other irregularities. It is, therefore, the responsibility of the department to ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective.

Under the provisions of Punjab Excise Act, 1914, as applicable to the State of Haryana and rules framed thereunder, the manufacture as well as distribution of country spirit, Indian Made Foreign Liquor (IMFL) and beer is controlled by Prohibition, Excise & Taxation Commissioner. Licenses to establish distilleries and breweries are issued for one year in the first instance and are renewable annually after payment of prescribed fee. For monitoring the working of distilleries/breweries by the department, rules provide internal control mechanism in the form of:

- (i) submission of returns regarding losses in transit/processing of molasses

- (ii) physical verification of stock of molasses/spirit
- (iii) testing of samples of molasses/spirit
- (iv) providing revenue locks.

Excise department also maintains a record of the quantum of inputs used in manufacturing spirit/rectified spirit at different stages of the manufacturing process.

There are five distilleries, four bottling plants and three breweries in the State of Haryana yielding revenue in terms of excise duty.

4.2.2. Organisational set up

The overall control of the department of Prohibition, Excise and Taxation (including distilleries/breweries) vests with the Prohibition, Excise and Taxation Commissioner who also exercises the powers of Financial Commissioner and Controller of molasses under the East Punjab Molasses (Control) Act, 1948. He is assisted by the Deputy Excise and Taxation Commissioners to control and supervise the working and collection of revenue from the distilleries/breweries of the district in which the distillery/brewery is situated. He is further assisted by the Excise and Taxation officers in the distilleries and by Excise Inspectors in bottling plants and breweries. They are responsible for monitoring, assessment, collection of revenue and maintenance of excise records.

4.2.3. Scope of Audit

A review of the internal controls instituted in the Excise Department to ensure efficient levy and collection of excise duty/license fee in the State under the provisions of the Excise Act & Rules framed thereunder, with reference to records of all the twelve units working in Haryana and those maintained in the office of the Prohibition Excise and Taxation Commissioner during the years 1990-91 to 1994-95 was conducted between April 1995 to December 1995.

Public Accounts Committee in their Fortieth Report made certain recommendations on the points included in an earlier review on the

“Working of distilleries and breweries” (which appeared in the Audit Report for the year 1989-90). Action taken by the Government/department on these recommendations has also been verified and commented upon in this review.

4.2.4 Highlights

- In three distilleries 18,341.02 quintals of molasses were wasted in transit between 1990-91 and 1994-95 in the absence of any norms. Penalty amounting to Rs.3.67 lakhs not was levied.

(Paragraph 4.2.6 (i))

- According to provisions in distillery rules no wastage of molasses is allowed in the process of distillation. A distillery during the years 1993-94 and 1994-95 showed wastage of 10,058.07 quintals of molasses on which penalty of Rs.2.01 lakhs was not levied.

(Paragraph 4.2.6 (ii))

- Yield of 36.61 proof litres of rectified spirit from one quintal of molasses had been prescribed in the distillery rules. During the years 1990-91 to 1994-95 in 4 distilleries, from 54 lakh quintals of sugar-mill molasses 1693.72 lakh proof litres of spirit was manufactured against 1977.30 lakh proof litres of spirit which resulted in short yield of 283.58 lakh proof litres of spirit involving excise duty of Rs.2843.03 lakhs.

(Paragraph 4.2.7 (a))

- Similarly, a distillery manufactured 50.46 lakh proof litres of spirit from 1.57 lakh quintals of molasses (khandsari) against 57.40 lakh proof litres as per norms which resulted in short production of 6.94 lakh proof litres of spirit involving excise duty of Rs.70.17 lakhs.

(Paragraph 4.2.7 (b))

- Under the distillery rules no wastage is allowed in the process of re-distillation of rectified spirit into plain spirit. In two distilleries, during the years 1990-91 to 1994-95, 1229.83 lakh proof litres of rectified spirit was redistilled and 1210.21 lakh proof litres of plain spirit was obtained which resulted in wastage of 19.62 lakh proof litres in re-distillation on which excise duty of Rs.176.99 lakhs was leviable.

(Paragraph 4.2.8)

- According to distillery rules country liquor /IMFL are bottled at the prescribed strength of 45/50 and 25 degree under proof after getting tested by Government Chemical Examiner. In two

distilleries and two bottling plants 2.04 lakh proof litres of spirit was excess/less consumed but was incorrectly debited to stock which resulted in loss of excise duty of Rs.48.38 lakhs.

(Paragraph 4.2.9)

- Distilleries in Haryana had obtained D-2 licenses for manufacture of country liquor /IMFL etc. D-2 license did not allow sale of liquor to trade without obtaining of L-IB/L-13 licenses which were not obtained. This resulted in loss of license renewal fees of Rs.62.80 lakhs during 1990-91 to 1994-95.

(Paragraph 4.2.10)

4.2.5 Trend of revenue

Under the Haryana Liquor License Rules, 1970, the main revenue is derived from fees received from grant of licenses for various vends, from levy of excise duty on spirit/beer removed from distilleries/breweries and from that imported into the State of Haryana and exported to other States by the distilleries/breweries under the Punjab Excise Fiscal Orders, 1932, as applicable to Haryana.. Fees and excise duties are levied and accounted for in the offices of the concerned Deputy Excise and Taxation Commissioners.

The table below shows the year-wise excise revenue as per budget estimates, revenue realised during the years and the revenue realised from distilleries, breweries and bottling plants.

Year (1)	Budget estimates (2)	Revenue realised (3)	Revenue from distilleries, breweries and bottling plants (4)	Percentage of (4) to (3) (5)
(Rupees in crores)				
1990-91	284.89	286.35	52.95**	18.49
1991-92	352.27	341.87	63.25	18.50
1992-93	409.11	393.84	79.47	20.18
1993-94	445.00	431.76	86.44	20.02
1994-95	502.36	529.34	102.88	19.43

* This includes revenue involved only in distilleries and breweries and does not include other excise revenue from vends and from retail/wholesale licenses.

** These figures are worked out on the basis of sale of IMFL, country liquor, denatured spirit, rum and gin and beer sold by distilleries and breweries in the State during the years 1990-91 to 1994-95 as supplied by the concerned units.

The percentage of collection of revenue from distilleries, breweries and bottling plants to total revenue realised has not changed significantly over the years.

4.2.6 Loss of molasses

(i) Loss of molasses in transit

The Punjab Molasses (Control) Rules, 1962 provide that the ownership of all molasses allotted to a distillery shall continue to vest in the occupier or manager of a sugar mill until it is actually delivered at the distillery and losses occurring from any cause other than the wilful omission on the part of the allottee, if so determined by the Controller shall be borne by the sugar mill. As an internal control measure, every distillery is required to furnish to the Controller of molasses a weekly return in form MC-7 showing the receipt, consumption and transit losses to enable him to enquire and determine the reasons of losses of molasses in transit, if any, and to take suitable action against the parties responsible for these losses.

Under Section 6(1)(i) of the East Punjab Molasses (Control) Act, 1948, where any person fails to explain the shortage of molasses to the satisfaction of Controller of molasses or disposes them of otherwise than in accordance with the directions of the Controller, the Controller after affording such person an opportunity of being heard may direct him to pay by way of penalty a sum not less than twenty rupees and not more than fifty rupees per quintal.

In MC-7 returns submitted by three distilleries during the years 1990-91 to 1994-95 transit wastage of 18,341.02 quintals of molasses was shown. Though an investigation into the causes of the transit wastage was required to be conducted neither any action was taken by the department to investigate or to fix responsibility for these wastages of molasses nor any penalty was levied. Failure of the department to take proper cognizance of and to investigate shortages reported through these returns led to non-levy of penalty amounting to Rs.3.67 lakhs.

This was referred to the department (between July 1991 and January 1996) who amended (January 1996) the Punjab Molasses (Control) Rules, 1962, providing norms for maximum wastage of molasses in transit to be **0.5 per cent**. However, no action to recover the amount of Rs.3.67 lakhs mentioned above in respect of cases pertaining to the period prior to introduction of these norms was initiated.

(ii) Wastage of molasses in the process of distillation.

Punjab Distillery Rules, 1932, do not provide for any wastage of molasses in the process of distillation. As an internal control measure the Punjab Molasses (Control) Rules, 1962 provide that every distillery shall furnish to the Controller of molasses a weekly return showing receipt, consumption and closing balances of molasses in Form MC-7 and penalty is also leviable in case of failure to explain shortages.

In a distillery at Panipat, 10,058.07 quintals of molasses were shown as process wastage in the returns (in form MC-7) submitted during the years 1993-94 and 1994-95 by the distillery to the Controller. The department did not take any action to investigate the process wastage of molasses and the distillery continued to claim process wastage of molasses which was not admissible. On this quantity of wasted molasses, minimum penalty amounting to Rs.2.01 lakhs was leviable which was not levied.

Further, had the department taken timely remedial action, the unauthorised claim of process wastage of molasses could have been avoided and the department could have earned revenue in the shape of excise duty amounting to Rs.39.45 lakhs on 3,68,225.94 proof litres of rectified spirit that could have been manufactured from wasted molasses.

The mistake was pointed out between December 1994 and July 1995. Excise and Taxation Officer at Panipat stated (May 1995) that wastage to the extent of **two per cent** is allowed in U.P. and other States. The reply is not tenable as there is no such provision in the distillery rules applicable to Haryana. Further other three distilleries in private sector are

not claiming any such wastage and in the case of distillery at Hathin such penalty has been imposed (July 1990).

4.2.7 Low yield of spirit

Under the Punjab Distillery Rules, 1932, yield per quintal of molasses has been prescribed as 36.61 proof litres of rectified spirit against the All India norms of 37.35 proof litres. Further, department while granting permission (March 1993) to the management of distilleries for the purchase/use of Khandsari molasses for preparation of spirit imposed a condition that it would be incumbent upon the distillery management to arrange for separate storage and accountal of molasses and alcohol obtained therefrom. To keep a watch on the yield of spirit from the molasses, the department has prescribed a monthly statement indicating the quantity of molasses used and the yield of spirit as per the norms provided in the rules.

(a) During the years 1990-91 to 1994-95 in 4 distilleries 1693.72 lakh proof litres of spirit was manufactured from 54 lakh quintals of sugar mill molasses as against 1977.30 lakh proof litres spirit recoverable as per norms laid down in the Distillery Rules. The shortfall in production of spirit during these years worked out to 283.58 lakh proof litres of spirit involving excise duty of Rs.2,843.03 lakhs.

(b) During the years 1993-94 and 1994-95 a distillery at Hisar manufactured 50.46 lakh proof litres spirit from 1.57 lakh quintals of Khandsari molasses as against 57.40 lakh proof litres recoverable as per norms mentioned above. Shortfall in production of spirit worked out to 6.94 lakh proof litres of spirit involving excise duty of Rs.70.17 lakhs.

Had the department examined the monthly statements, the trend of shortfall in production could have been noticed in time and excise duty amounting to Rs.2,913.20 lakhs levied.

The department stated (July 1995) that the low yield was mainly due to low sugar contents in molasses because with advancement in technology maximum sugar contents are extracted from molasses. The

reply of the department is not tenable as the rules do not base the yield of spirit on gradation of molasses. Further, the Excise and Taxation Commissioner Haryana had also held (April 1990) in the case of distillery at Hathin that recovery of 36.61 proof litres of spirit from one quintal of molasses, as provided in the rules, was in order.

4.2.8 Loss of spirit due to redistillation

Mention was made in the Audit Report Revenue Receipts 1989-90 vide para 4.2.12 regarding loss of excise duty due to wastages during redistillation. The PAC in its Fortieth Report on the CAG's Audit Report (Revenue Receipts) 1989-90 had recommended that in the absence of any provision for wastage of rectified spirit on account of redistillation, the distilleries responsible for faulty distillation are accountable for wastage in redistillation and duty on such wastage should be recovered. Keeping in view these recommendations of PAC, the Excise Department amended (November 1995) the Distillery Rules providing allowance of **1.5 per cent** for wastage in redistillation. The notification is, however, silent regarding old cases.

It was noticed in audit that the percentage of wastage of rectified spirit in three distilleries ranged between **0.95 per cent** to **3.26 per cent** as shown below:

Name of Distillery	1990-91	1991-92	1992-93	1993-94	1994-95
Panipat	2.87	3.26	2.00	2.26	1.45
Jagadhri	1.17	1.19	1.00	0.95	1.06
Hisar	1.69	1.10	1.97	1.97	1.99

It was further noticed that out of 1229.83 lakh proof litres of rectified spirit, issued for the preparation of spiced spirit, 1210.21 lakh proof litres spiced spirit only was obtained in the above three distilleries in the years from 1990-91 to 1994-95 after re-distillation. Thus, 19.62 lakh proof litres of rectified spirit were shown to have been lost in the process of re-distillation. The unrealised excise duty on account of not taking

action to revise the norms and to check re-distillation losses amounted to Rs.176.99 lakhs. Even if the norms fixed by the Department in November 1995 are applied the loss on this account would be Rs.34.08 lakhs.

4.2.9 Bottling of over/under strength liquor-non recovery of excise duty

The Punjab Distillery Rules, 1932, as made applicable to Haryana, read with Haryana Liquor License Rules, 1970, provide that no spirit i.e. country liquor and IMFL shall be issued till its quantity and strength have been verified by the authorised agency i.e. Government Chemical Examiner who sends to the Excise and Taxation Commissioner and to the excise staff posted in the distillery/bottling plant, a report of each batch of liquor tested (verified) by him. Rules further provide that licensee shall not bottle any IMFL of strength less than 25 degree under proof and ordinary spiced country spirit at the strength of 45 degree under proof. Strength of spiced country liquor, rum and gin not classed as whisky was reduced (w.e.f. 1 April 1994) from 45 degree under proof to 50 degree under proof.

Two distilleries one at Panipat and the other at Hisar and two bottling plants at Murthal and Palwal, during the years 1993-94 and 1994-95, bottled 713 batches (364 batches of Indian made foreign spirit and 349 batches of country spirit) of over strength spirit resulting into excess consumption of 1,52,638.76 proof litres of spirit. Similarly, 332 batches of under strength spirit were bottled, but spirit debited to stock was calculated at the prescribed degree. Thus, 51,775.36 proof litres (10,273.48 proof litres IMFS and 41,501.88 proof litres of country spirit) of spirit, less used in bottling during the years 1993-94 and 1994-95 was also debited to stock. This resulted in short recovery of excise duty of Rs.48.38 lakhs.

Matter was reported (December 1995 and January 1996) to the department; reply was not received (June 1996).

4.2.10 Unauthorised sale of liquor by distilleries

Distilleries are granted license in form D-2 under section 21 of the Punjab Excise Act, 1914, for the manufacture of country liquor, special country liquor, IMFL, rectified spirit and denatured spirit.

Further, under section 26 of the Excise Act *ibid.*, no liquor shall be bottled for sale and no intoxicant shall be sold except under the authority of and subject to the terms and conditions of a license granted in this behalf.

As an internal control measure to give effect to these provisions of the Act, obtaining license in form D-2 is mandatory for manufacture of liquor *and separate licenses in form L-1B & L-13* are mandatory for selling IMFL and Country liquor respectively.

All the distilleries in Haryana had been selling IMFL and country liquor without getting these licenses in form L-1B & L-13, thereby contravening the provisions of the Punjab Excise Act, 1914 and the rules framed thereunder. Consequently license/license renewal fee to the extent of Rs.62.80 lakhs for the years 1990-91 to 1994-95 was also not charged.

On this being pointed out (April and July 1995) in audit, department stated (June 1996) that a D-2 licensee (i.e. the holder of license for manufacture of liquors) cannot decline sales/issue of spirit to any vendor for wholesale or retail, who has obtained a permit for issue of spirit from the distillery and had made payment for such spirit at the prescribed rates.

The reply of the Department is not tenable as wording of D-2 License and provisions contained in the Punjab Excise Act, 1914, and Rules framed thereunder do not authorise the licensee to sell IMFL or country liquor to trade without obtaining separate trade licenses. Further, in terms of Rule 16 of Haryana Liquor License Rules, 1970, licensee having a license for distillery may not hold any other license except a license for wholesale vend of IMFL and country spirit and even where he holds such a license he is required to renew it by 31 March every year.

4.2.11 Non recovery of excise duty where verification reports are not received

Under the Punjab Excise Act, 1914, and Rules made thereunder, duty in the shape of export fee is leviable on liquor exported outside the state but within India. Export fee is much less than the duty paid for issues within the State. According to Punjab Permit and Pass

Rules, 1932, and instructions issued thereunder, in cases where reports of verification of consignments are not received from the importing States within the stipulated time frame the distillery (Exporter) shall be liable to pay the differential excise duty involved. As an internal control measure the rules provide that the exporting distillery shall execute a bond with the importer in form L-37 to ensure either receipt of acknowledgments or payment of excise duty. The bond among other conditions also stipulates that in case the acknowledgment (in Form L-38) from the importer is not received within the stipulated time frame, the exporting distilleries shall deposit the excise duty involved in the treasury.

In respect of one distillery at Hisar and one brewery at Murthal, during 1990-91 to 1994-95, acknowledgments/verification reports (in form L-38) were not received in 76 cases from importing States even after 10 to 67 months beyond the stipulated time frame. Fresh consignments were issued to the same parties without recovery of differential duty from exporters in contravention of departmental instructions. Differential duties not recovered amounted to Rs.28.09 lakhs.

This was pointed out in audit between September 1991 and December 1995. Reply of the department has not been received (June 1996).

4.2.12 Non-recovery of cost of supervisory excise staff

Under the Punjab Excise Bonded Warehouse, Rules, 1957, the cost (including pension and leave salary contributions) of supervisory excise staff required for supervision of bonded warehouse is charged to the licensee.

It was noticed in audit that in two bottling plants at Gurgaon and Murthal a sum of Rs.2.16 lakhs representing such cost was not recovered.

On this being pointed out (November and December 1995) Department replied (June 1996) that the license fee had been raised from Rs.35,000 to Rs.2,00,000 and there was no justification for recovery of

the cost of supervisory staff. Reply of the department is not tenable in view of the fact that recovery of cost of the supervisory excise staff is independent of the charging of license fee.

4.2.13 Other points of interest

(a) Non-levy of penalty on delayed submission of applications for renewal of licenses.

The Punjab Excise Bonded Warehouse Rules, 1957, read with Punjab Distillery Rules, 1932 and Punjab Brewery Rules, 1956 provide that application for renewal of license in form D-2 and B-I i.e. distillery license and brewery license respectively shall be submitted at least 60 days before the expiry of the old license. In case, the applications are not received before this time limit, a penalty, (not exceeding Rs.2 lakhs) as may be deemed fit by the Financial Commissioner has to be levied. The department has provided a register in Form M-I to monitor the grant of licenses and renewal thereof, on the due dates.

It was noticed in audit that due to inadequate follow up action in case of seven units applications for renewal of licenses within the stipulated period were not received on twenty occasions. Yet licenses were renewed without levy of penalty.

On this being pointed out (October 1995), the department replied (December 1995 and March 1996) that Financial Commissioner had full powers to grant/renew such licenses.

Reply of the department is not tenable as under the rules Financial Commissioner has the discretion only to fix the amount of penalty and not to waive the penalty altogether. Further the Government has (March 1995) provided a minimum penalty of Rs.1 lakh in each case.

(b) Non-existence of norms for time limit for execution of Liquor samples

The Punjab Distillery Rules, 1932, as applicable to Haryana provide that no spirit shall be issued till its quantity and strength have been verified by the inspector or in the case of spirit flavoured and coloured to suit a special Indian taste, under the special arrangements

made for verification of its strength. This provision serves a dual purpose. Firstly, it ensures that the liquor to be sold to the public is of good quality and secondly, the strength of liquor is not over or under the prescribed strength. Rules do not provide for the time limit for chemical examination of liquor samples.

Further no internal controls in the form of return/report to watch number of batches of liquor prepared and the number of batches from which samples are sent to chemical examiner are instituted. No time frame for sending samples to chemical examiner and monitoring/follow up action on the results of tests conducted by him has also been prescribed.

It was noticed in audit that in a distillery at Hathin no sample was chemically examined whereas in another distillery at Yamunanagar only 358, out of 10,129 samples, were examined during the years 1990-91 to 1994-95. In distilleries at Panipat and Hisar, 4,220 samples were drawn from equal number of batches during the years 1990-91 to 1994-95. In the absence of norms for time limit for processing of liquor samples, time ranging between 14 to 158 days was taken in the excise office(s) and by the Government Chemical Examiner(s) where as the liquor was bottled and issued for sale before the receipt of reports from the Government Chemical Examiner(s), thus, defeating the very purpose of the chemical examination of the samples.

This was reported to the department (October 1995) but no reply has been received so far (June 1996).

(c) Revenue Locks

The Punjab Distillery Rules, 1932, provide for the fixing of revenue locks at each outlet of spirit to prevent any misuse or leakage of spirit in the distillery. It was, however, noticed in audit that in four distilleries and one bottling plant, 336 locks only were provided against the requirement of 458 locks. Further, in the breweries locks were not provided even in the rooms in which beer bottles were stored.

(d) Improper use of pass books

The Punjab Distillery Rules, 1932, and the Punjab Excise Bonded Warehouse Rules, 1957, provide that no spirit/liquor shall be issued except under a distillery pass in form D-20 or D-20-A granted by the inspector/excise officer incharge. To avoid their misuse these forms are required to be properly printed, bound in the form of book, kept and used exclusively under the strict supervision and control of the excise department.

It was, however, noticed in audit that the pass books and pass forms issued to the distilleries, breweries and bottling plants were neither machine numbered nor contained a certificate of count of pages by the concerned excise officers.

(e) Monthly stock taking

It was observed in audit that in none of these distilleries/breweries and bottling plants, certificate of monthly stock taking showing book balances of liquor/beer and spirit and those actually found at the time of such stock taking (as required under the Punjab Excise Bonded Warehouse Rules, 1957) was recorded in the relevant registers.

(f) Maintenance of registers

Under the provisions of the Punjab Distilleries Rules, 1932, Excise Inspector (Excise and Taxation Officer if posted) in a distillery/bottling plant is required to maintain 20/14 number of registers respectively in the prescribed forms for various purposes.

Of these important registers i.e. Inspector's diary (Form D-9) did not contain particulars regarding gauges, proofs and gravities in all the distilleries except one. In the distillery at Panipat columns relating to details of consumption and yield from molasses etc. were left blank in various registers such as Bub register (D-10), Main Wash register (D-11), Abstract of Distillery operations (D-12) etc.

The cases were reported to Government in May 1996; their reply has not been received (June 1996).

4.3 Short recovery of import duty

Under the provisions of the Punjab Excise Act, 1914 and the Punjab Excise Fiscal Orders, 1932 as applicable to Haryana, excise duty in the form of import duty is levied and charged on beer and Indian made foreign spirit when imported into Haryana from any brewery, distillery, warehouse or wholesale vend located in any other State or Union Territory in India, at the specified rates which are in force on the date of import. Under a Government notification issued in March 1994, the rate of import duty on rectified spirit was enhanced from Rs.1 to Rs.2 per proof litre with effect from 1 April 1994.

During the audit of the records of Deputy Excise and Taxation Commissioner, Sonipat it was noticed (June 1995) that a distillery at Murthal imported 1,15,722 proof litres of rectified spirit after 1 April 1994. Excise Duty on this imported rectified spirit was charged at Rs.1 per proof litre instead of at correct rate of Rs.2 per proof litre which resulted in short recovery of import duty amounting to Rs.1.08 lakhs.

On this being pointed out (June 1995) in audit, the department accepted the mistake and stated that demand for duty levied short would be created for effecting recovery. The department further intimated (April 1996) that entire amount of Rs.1.08 lakhs has been recovered in January 1996.

4.4 Short recovery of licence fee and interest

During the audit of the records of Deputy Excise and Taxation Commissioner, Karnal, it was noticed (April 1995) that a group of liquor vends was auctioned for the year 1994-95 for annual licence fee of Rs.166.71 lakhs and licensee was required to pay monthly instalments at the rate of Rs.15.16 lakhs. Against the instalment paid in April 1994, an amount of Rs.48,000 was adjusted from the security deposits. While adjusting the concluding instalments of licence fee, the department adjusted the entire amount of security deposits and the amount of

Rs.48,000 already adjusted in April 1994 escaped their notice which resulted in short recovery of licence fee amounting to Rs.48,000. Besides, interest amounting to Rs.2,857 was also recoverable on the belated payments of instalments as well as on Rs.48,000 adjusted twice, which was not demanded. Had the double adjustment not been pointed out in audit, the failure to keep a proper note of adjustment of Rs.48,000 already made and the double payment thereof would have escaped notice of the department.

On this being pointed out (April 1995) in audit, the department recovered Rs.48,000 in April 1995. The department further intimated (May 1996) that entire amount of interest had also been recovered in July 1995.

4.5 Interest short charged

The Haryana Liquor Licence Rules, 1970, read with State's Excise Policy announced for the year 1994-95, provide for payment of monthly instalment of licence fee by 15th of each month by the licensee holding licence for vending country liquor or IMFL. Failure to do so renders him liable to pay interest at the rate of 18 *per cent per annum* for the period of delay from 15th of the month up to the end of the month. In case the instalment or any part thereof along with interest is not paid up to the end of the month, apart from closure of vend, interest shall be recoverable for the whole month. If the vend is not closed and allowed to operate, then the interest shall be charged up to the date of payment of licence fee of a particular month.

During the audit of Deputy Excise and Taxation Commissioners, Bhiwani, Faridabad (West) and Hisar, it was noticed (between July 1995 and October 1995) that three licensees, one each of Bhiwani, Faridabad (West) and Hisar districts failed to pay the monthly instalments of licence fee by the prescribed dates during the year 1994-95. On belated payment of licence fee, interest of Rs.1.21 lakhs was short charged.

This was pointed out (between July 1995 and October 1995) in audit, the reply of the department has not been received (June 1996).

The cases were reported to Government between August 1995 and December 1995; their reply has not been received (June 1996).

B-TAXES ON MOTOR VEHICLES

4.6 Short levy of token tax

Under Motor Vehicles Act, 1988, no person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven in any public place or in any other place unless vehicle is registered. Further, under the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, no vehicle unless exempted by a specific order, can be put on road without payment of tax at the prescribed rate.

During the audit of the records of Registering Authority (Motors) Ambala, it was noticed (May 1994) that six buses of Haryana Roadways (Ambala Depot) were put on road during June 1992 and June 1993 prior to their registration and without payment of token tax for the concerned quarters. Tax not paid amounted to Rs.38,239.

On this being pointed out (May 1994) in audit, the department issued (May 1995) notice to Haryana Roadways for depositing tax. Further progress on recovery has not been received (June 1996).

The case was reported to Government in August 1994; their reply has not been received (June 1996).

4.7 Short realisation of composite fee

Inter-State vehicular traffic of goods between one State and other States, is regulated under National Permit Scheme under the provisions of the Motor Vehicles Act, 1939, as modified by Motor Vehicles Act, 1988. The owners of public carriers, for carriage of goods, are required to pay composite fee at the prescribed rates. Composite fee

under the National Permit Scheme for the home State is realised by other States and is remitted by means of bank drafts by the collecting States in the prescribed manner. Haryana State increased the rates of composite fee for plying of vehicles in the State of Haryana from Rs.1,500 to Rs.5,000 per annum w.e.f. 1 September 1993, as a result of decision taken in the meeting of Transport Development Council under the Ministry of Surface Transport (Transport wing) held in October 1993 and also intimated the increased rates of composite fee to other States in October 1993.

During the audit of the records of Deputy Excise and Taxation Commissioner Faridabad (East) it was noticed (September 1995) in audit that composite fee at the rate of Rs.3,000 per annum in 33 cases and at pre-revised rate of Rs.1,500 per annum in 2 cases was charged by the Regional Transport Officer, Vellore and Dharampuri (Tamil Nadu) while authorising plying of vehicles in the State of Haryana for the period between April 1994 and March 1995. The rates charged by these R.T.Os were those which were applicable in the State of Tamil Nadu instead of Haryana. The incorrect charging and collection of composite fee resulted in short realisation of revenue amounting to Rs.37,250.

On this being pointed out (September 1995) in audit, the department raised demand to recover the balance amount short realised earlier. Further progress of the recovery has not been received (June 1996) despite reminder issued in May 1996.

The case was reported to Government in November 1995; their reply has not been received (June 1996) despite reminders issued in May 1996.

4.8 Irregular grant of exemption from payment of token tax.

The Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, provides for the levy of token tax in respect of motor vehicles. The Punjab Motor Vehicles Taxation Rules, 1925, as applicable to Haryana, provide for exemption from the liability to pay tax in respect of motor vehicles owned and kept for use by departments of Central or State Government otherwise than for commercial purposes. As

clarified by the Government (June 1980), the exemption is, however, not admissible in respect of vehicles owned by Government undertakings or autonomous bodies. Government of Haryana vide notification dated 20 October 1989 introduced new rates of token tax at Rs.400 per seat *per annum* for private service vehicles effective from 1 October 1989. Earlier it was covered under a common rate of Rs.200 per seat *per annum*.

During the audit of the records of the Registering Authority (Motors) Karnal, it was noticed (November 1994) that one Mahindra and Mahindra jeep with seating capacity of ten seats and owned by a Market Committee (an autonomous body) was exempted from payment of token tax during the period from July 1989 to December 1994 treating the vehicle as of Government department. The irregular exemption resulted in non levy of tax of Rs.21,500.

On the omission being pointed out (November 1994) in audit, the department accepted (June 1995) the objection and directed the Registering Authority to effect the recovery of token tax. Report on recovery of the amount of tax has not been received (June 1996).

The case was reported to Government in February 1995; their reply has not been received (June 1996).

C-PASSENGERS AND GOODS TAX

4.9 Short realisation of passengers tax

As per Government notification issued (July 1994) under the Punjab Passengers and Goods Taxation Act, 1952, as applicable to Haryana, permit holders for plying buses on link routes of the State under the scheme of privatisation of Passenger Road Transport, are required to pay lump sum passenger tax based on the seating capacity of the bus on monthly basis (Rs.13,380 for 54 seater, Rs.12,890 for 52 seater and Rs.7,440 for 30 seater bus). The Excise and Taxation Department further clarified (September 1995) that tax will be charged for the whole month and not for the fraction of the month in which the permit is issued.

Other Tax Receipts

During the course of audit of the Deputy Excise and Taxation Commissioners Jind, Faridabad, Sirsa, Narnaul and Sonipat for the year 1994-95, it was noticed (between July 1995 and December 1995) that none of 42 Transport Co-operative Societies who were granted route permits between July 1994 and January 1995 for plying buses on link routes, deposited full amount of tax which resulted in short realisation of passengers tax of Rs.13.22 lakhs as detailed in table below:

Sr. No	Name of Office	No. of buses plied by co-operative societies	Period during which payment of Passenger tax short made	Tax due	Tax realised	Tax short realised	Remarks
(In lakhs of rupees)							
1	D.E.T.C. Jind	10	Between July 1994 and March 1995	9.67	2.32	7.35	Department intimated (August 1995) that matter will be investigated and amount of tax short paid would be recovered.
2.	D.E.T.C. Faridabad	8	Between July 1994 and March 1995	3.06	0.37	2.69	Department intimated (September 1995) that cases of defaulter societies were being examined and amount of tax short deposited would be recovered.
3.	D.E.T.C. Sirsa	2	Between October 1994 and March 1995	1.00	0.40	0.60	Department intimated (July 1995) that notices were being issued to recover the amount.

Other Tax Receipts

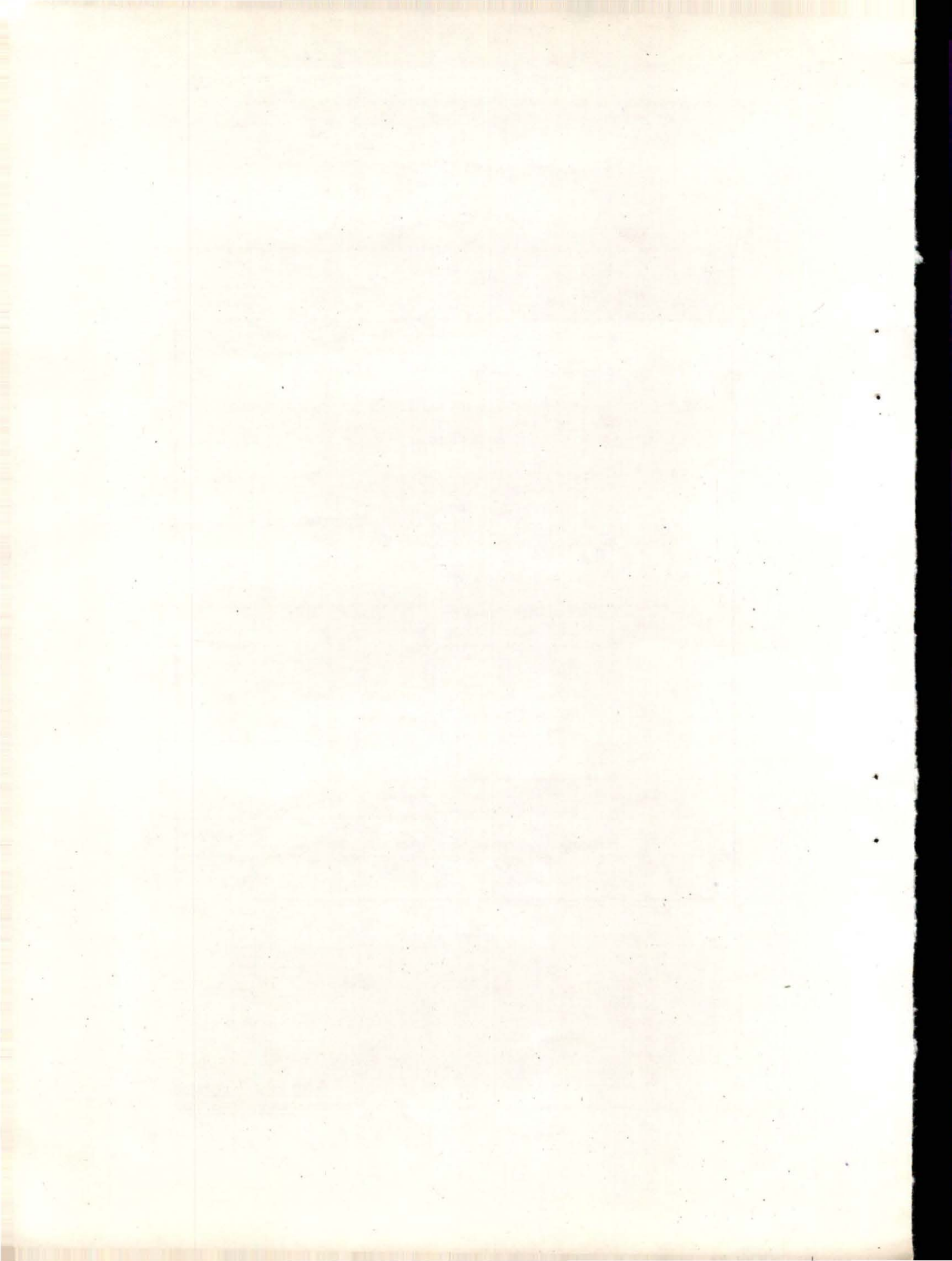
Sr. No	Name of Office	No. of buses plied by co-operative societies	Period during which payment of Passenger tax short made	Tax due	Tax realised	Tax short realised	Remarks
(In lakhs of rupees)							
4.	D.E.T.C. Narnaul	21	Between July 1994 and March 1995	4.44	2.18	2.26	The amount of tax short deposited by the defaulter transport societies was not demanded by the department till the date of audit. The Department further intimated (April 1996) that an amount of Rs.1.51 lakhs (DETC Narnaul: Rs.1,19,803 and D.E.T.C. Sonipat: Rs.31,620) has been recovered and efforts were being made to recover the balance amount.
5.	D.E.T.C. Sonipat	1	Between October 1994 and February 1995	0.37	0.05	0.32	

The cases were reported to Government between August 1995 and December 1995; their reply has not been received (June 1996).

Chapter-V

Non-Tax Receipts		
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Non Tax Receipts



CHAPTER 5

NON-TAX RECEIPTS

5.1 Results of Audit

Test check of records of departmental offices dealing with assessment, collection and realisation of non-tax receipts, conducted in audit during the year 1995-96, revealed under-assessments of royalty, dead rent, non/short levy of interest and other losses of revenue amounting to Rs.1028.65 lakhs in 2574 cases as follows :

	Heads of revenue	Number of cases	Amount
		(In lakhs of rupees)	
A	Mines and Geology	533	353.13
B	Co-operation	151	322.02
C	Finance (State Lotteries)	130	120.76
D	Agriculture	3	41.90
E	Public Works(Irrigation)	1757	190.84
	Total	2574	1028.65

(a) In the case of Mines and Geology department under assessment etc. of Rs.34.31 lakhs in 287 cases pointed out in audit during 1995-96 were accepted. Out of which an amount of Rs.8.32 lakhs in 82 cases has been recovered during 1995-96. Besides, an amount of Rs.11.01 lakhs in 62 cases had also been recovered during 1995-96 relating to earlier years.

(b) In the case of Co-operation department, under-assessments of Rs.18.72 lakhs in 53 cases pointed out in audit during 1995-96 were accepted. Out of which an amount of Rs.17.26 lakhs had been recovered in 35 cases during 1995-96.

(c) In the case of Finance Department (State Lotteries), under assessment of Rs.4.95 lakhs in 12 cases was accepted. Out of which 10 cases involving Rs.1.77 lakhs were pointed out in audit during the year 1995-96 and 2 cases involving Rs.3.18 lakhs were pointed out in earlier years. The department recovered Rs.0.34 lakh in 3 cases pointed out in 1995-96. Besides, an amount of Rs.3.83 lakhs in 3 cases had also been recovered pertaining to earlier years.

(d) In the case of Public Works (Irrigation) Department, under assessments of Rs.9.97 lakhs in 22 cases pointed out during the year 1995-96 were accepted. Out of which an amount of Rs.2.81 lakhs in 3 cases has been recovered during 1995-96.

A few illustrative cases arising out of a review on "**Recoveries of interest on loans and advances**" and other important observations involving an amount of Rs 146.55 crores are given in the following paragraphs:

A-MINES AND GEOLOGY

5.2 Short realisation of royalty and dead rent

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a lessee to whom a mining lease is granted, shall pay royalty on the mineral extracted from the leased area at the rates specified in the First Schedule of the Act *ibid* or the dead rent whichever

is higher. Further as per lease agreements, the holders of mining lease were liable to pay royalty on the basis of minimum guarantee fixed *per annum*, in case of the amount of royalty on the actual extraction of mineral fell short of the minimum guarantee. Subsequently this clause, was not found in conformity with the provisions of the Mines and Minerals (Regulation and Development) Act, 1957, the Government decided (September 1994) to do away with the charging of minimum guarantee with effect from 14 September 1994. As per departmental instructions issued in December 1995, the charging of royalty in respect of lease agreements executed earlier, was also to be realised in the context of this decision. Besides, simple interest at **twenty four per cent per annum** is also chargeable for the period of default in payment so long as the default continues.

(a) During the audit of the records of Mining Officer, District Industries Centre, Gurgaon, it was noticed (June 1995) that in the three cases of mining lease for extraction of ordinary sand, granted between October 1993 and March 1994 for a period of ten years, minimum royalty payable for the period ranging between one year and two years worked out to Rs.26.72 lakhs against which the department recovered royalty of Rs.4.73 lakhs only. This resulted in short realisation of royalty by Rs.21.99 lakhs. Besides, interest of Rs.10.23 lakhs (upto February 1996) was also recoverable for short payment of royalty.

On this being pointed out (June 1995) in audit, the department stated (January 1996) that efforts are being made for effecting recovery. Report on recovery has not been received (June 1996).

The case was reported to Government in June 1995; their reply has not been received (June 1996).

(b) During the audit of the records of Mining Officer, District Industries Centre Gurgaon, it was noticed (June 1995) that two mining leases were granted in Gurgaon district, for extraction of stone and ordinary sand, each for a period of ten years commencing from March 1994 and May 1994. Both the lessees were liable to pay royalty of Rs.2.84 lakhs for extraction of stone on the basis of minimum guarantee

fixed *per annum* upto 14 September 1994 and royalty of Rs.2.52 lakhs on the basis of actual extraction of stone mineral from 15 September to 31 March 1995 (Bandhwari Mine) and from 15 September 1994 to 4 May 1995 (Sondh Mine) being higher than the dead rent. The lessees, however, paid total royalty of Rs.4.10 lakhs against the payable amount of Rs.5.36 lakhs (Rs.2.84 lakhs and Rs.2.52 lakhs) resulting in short realisation of royalty of Rs.1.26 lakhs.

On this being pointed out (June 1995) in audit, the department stated (January 1996) that efforts were being made to recover the amount on the basis of instructions issued in December 1995. Further report on recovery has not been received (June 1996).

The case was referred to Government in June 1995; their reply has not been received (June 1996).

5.3 Non recovery of contract money and interest

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

During the audit of the records of the Assistant Mining Engineer (Department of Mines and Geology) Ambala, it was noticed (May 1995) that a contract for extraction of boulder gravel and sand from a quarry of village Gobindpur in Ambala district was granted to a contractor through auction for the period from 1 April 1993 to 31 March 1996 for an amount of Rs.2,00,200 *per annum*. As per terms of

the contract, the contractor paid Rs.50,050 at the time of commencement of contract and the balance amount of contract money was payable in quarterly instalments of Rs.50,050 each. The contractor paid quarterly instalments late by 143 to 241 days for the period from July 1993 to July 1994 and failed to pay two instalments due from him on 1 October 1994 and 1 January 1995 till the date of audit. The department, however, did not terminate the contract and also failed to recover two instalments of contract money of Rs.1,00,100. Besides, interest of Rs.24,781 (calculated prior to the date of payment) was also short charged.

On this being pointed out (May 1995) in audit, the department recovered the contract money of Rs 100,100 (Rs.50,050 on 30 May and Rs.50,050 on 25 August 1995) and stated (November 1995) that efforts were being made to recover the amount of interest. Further progress of recovery has not been received (June 1996).

The case was reported to Government in June 1995; their reply has not been received (June 1996).

5.4 Short levy of stamp duty

Under the Indian Stamp Act, 1899, as applicable to Haryana, an instrument of lease deed is chargeable with stamp duty on the basis of the average annual rent reserved and the period for which the property is leased out. An instrument of mining lease is chargeable with stamp duty on the estimated amount of annual royalty payable by the lessee on the quantity of minerals expected to be extracted. According to the notification issued by Haryana Government in June 1984, a lessee is liable to pay royalty on the actual quantity of ordinary sand so extracted subject to royalty on minimum 300 tonnes per hectare *per annum*. Stamp duty is leviable at the rate of **1.5 per cent** upto a lease period of 5 years and at **3 per cent** for a period between 5 to 10 years. For a lease period beyond 10 years but not exceeding 20 years, duty is chargeable at the rate of **6.25 per cent** of the amount of consideration equal to twice the value of the average annual royalty payable.

During the audit of the records of the office of the Director, Mines and Geology, Haryana, Chandigarh, it was noticed (August 1995) that seven mining leases were granted between September 1994 and May 1995 for a period ranging between 10 to 20 years for extraction of various minerals from different mines in three districts of Faridabad, Gurgaon and Narnaul. While executing lease deeds of the mines leased out for 20 years, stamp duty was charged on the estimated amount of annual royalty payable instead of at twice the payable amount of annual average royalty. Further, out of the seven mines, stamp duty in respect of two mines, which were leased out simultaneously for extraction of ordinary sand alongwith silica sand, for a period of 10 years, was levied without fixing the estimated annual amount of royalty and thus stamp duty so levied was less than the duty to be levied on the workable amount of royalty on the basis of minimum 300 tonnes per hectare *per annum*. The omission in all cases resulted in short levy of stamp duty of Rs.88,075.

The omission was pointed out to the Department and to the Government in October 1995; their replies have not been received (June 1996).

5.5 Non-recovery of dead rent and interest

Under the Mines and Minerals (Regulations and Development) Act, 1957, the holder of a mining lease is required to pay royalty at the rates specified in the Second Schedule of the Act on any material removed or consumed by him or by his agent from the leased area by the dates stipulated in the lease deed. Further, as per lease agreement, the lessee shall pay royalty at such rates or dead rent in respect of that area, whichever is higher. Under the Mineral Concession Rules 1960, simple interest at **24 per cent per annum** is chargeable in the event of default in payment so long as the default continues.

During the audit of the records of the Mining Officer, District Industries Centre, Gurgaon, it was noticed (May 1995) that a mining lease for extraction of silica sand (major mineral) over an area of 314.48 hectares was granted to a mining agency for a period of ten years from March 1984 which was subsequently extended for a further period of

ten years with effect from 16 March 1994. The lessee neither extracted silica sand during the period from 16 March 1994 to 15 March 1995 nor made any payment of dead rent for the leased area as per terms of the lease agreement. The department also did not demand the amount of dead rent for this period which resulted in non-recovery of dead rent amounting to Rs.47,172. Besides, interest of Rs.6,731 was also chargeable for non-payment of dead rent by the lessee.

On this being pointed out (May 1995) in audit, the department accepted the objection and recovered the amount Rs.53,872 in October 1995.

B- CO-OPERATION

5.6 Short recovery of audit fee

Under the Haryana Co-operative Societies, Rules, 1989, framed under Haryana Co-operative Societies Act, 1984, every co-operative society is required to pay to the Government, audit fee for the audit of its annual accounts by the auditors of Co-operative department for each co-operative year in accordance with the scales and rates fixed by the Registrar with prior approval of the State Government. Audit fee in respect of audit of the accounts of Haryana Co-operative Supply and Marketing Federation has been fixed by the Co-operative department at **3 per cent** of the net profits subject to the minimum of Rs.50,000 for annual audit and Rs.2 lakhs for concurrent audit. Further, for every additional unit of the Federation, audit fee at the rate of Rs.10,000 is also chargeable. In the case of other co-operative societies, the fee is charged at the rate of **5 per cent** of the net profit of the society subject to certain minimum limits in respect of co-operative sugar mills (Rs.30,000, Rs.45,000 and Rs.60,000 depending upon the crushing capacity of the sugar mill; upto 1,250 tonnes, above 1,250 tonnes upto 1,800 tonnes and with crushing capacity upto 1800 tonnes with a subsidiary unit respectively), Credit and Service Societies (Rs.500), Central Co-operative Bank Employees Society (Rs.100), Primary Co-operative Agricultural and Rural Development Bank (Rs.5,000) for each co-operative year.

(i) During the audit of the records of the office of the Registrar Co-operative Societies Haryana, Chandigarh, it was noticed (October 1995) that Haryana State Co-operative Supply and Marketing Federation, Chandigarh, had been paying audit fee on ad hoc basis which was less than the minimum rates prescribed in the Rules by the State Government. As a result of non-payment of audit fee in accordance with the scales laid down, an amount of Rs.311.30 lakhs had accumulated as arrears against the aforesaid Co-operative Society for the period 1979-80 to 1993-94. The department referred the matter to the Government for lowering the rates of audit fee but the Government did not accede to the proposal and issued instructions to recover the unrealised amount. Despite this the department had not initiated any action to recover the dues as arrears of land revenue. Moreover, there is no provision in the Act/Rules to charge interest or levy penalty for failure, on the part of Co-operative Societies, to make payment of the amount due in the form of audit fee by the prescribed dates. Absence of the provisions for charging interest / penalty in the Act/ Rules has encouraged the societies for late/non-deposit of audit fee. Besides, this has also resulted in loss of revenue in the form of interest.

(ii) During the audit of the records of the Assistant Registrars, Co-operative Societies Kurukshetra, Hisar, Sirsa, Bhiwani, Charkhi Dadri and Rohtak, it was noticed (between November 1995 and March 1996) that audit fee amounting to Rs.2.72 lakhs at minimum rates was recovered from fifteen out of twenty three societies on the basis of their unaudited accounts for the co-operative years 1992-93, 1993-94 and 1994-95. Later, on completion of audit of accounts of these societies additional audit fee amounting to Rs.100.48 lakhs became recoverable from twenty three societies on the basis of audited figures of profits but was not demanded by the department.

On the omissions being pointed out (between November 1995 and March 1996) in audit, the department recovered an amount of Rs.14.95 lakhs from fourteen societies in full and issued (between February 1996 and April 1996) notices for recovery in respect of the

remaining societies. Report on recoveries has not been received (June 1996).

(iii) During the audit of the records of the Assistant Registrars, Co-operative Societies, Yamuna Nagar and Dabwali (Sirsa) it was noticed (October 1995) that audit fee amounting to Rs.10,000 at minimum rates was recovered from two Primary Co-operative Agriculture and Rural Development Banks on the basis of net profits reflected in their accounts for the co-operative years between 1993-94 and 1994-95 before these were audited by the department. Later, on completion of audit of accounts of these banks, additional audit fee amounting to Rs.1.13 lakhs became recoverable on the basis of audited figures of profits but was not demanded by the department.

On this being pointed out (October 1995) in audit, the department recovered the entire amount of Rs.42,529 from one of the banks and issued notice for recovery (October 1995) in respect of other bank of Dabwali. Report on recovery has not been received (June 1996).

The cases were reported to the Government between November 1995 and March 1996; their reply has not been received (June 1996).

C-FINANCE DEPARTMENT

State Lotteries

5.7 Non-levy of penalty for short supply of lottery tickets

For printing of lottery tickets of various lottery schemes run by Haryana State Lotteries Department for the year 1993-94, an agreement was executed (November 1993) by the department through the Director, Haryana State Lotteries, Chandigarh with a printing company (hereinafter referred to as the "printers") of New Delhi. According to the agreement, the printed tickets were to be delivered within the stipulated period of delivery in the camp office of Lottery Department at Delhi from where the tickets were distributed to various sales officers in different parts of the country. The printers were responsible for the shortage of

tickets found in the packets. In case the supply of tickets of any particular draw was found short, penalty equal to the face value of the tickets of the draw supplied short was to be imposed on the printers and such penalty would be recovered from their pending bills.

During the course of audit of the records of the office of Director, Haryana State Lotteries, Chandigarh, it was noticed (March 1995) that tickets for face value of Rs.2.97 lakhs relating to three lottery schemes were short supplied (between September 1993 and March 1994) by the printers to the sales officers. The department made no efforts to impose penalty and to make good the amount till pointed out (March 1995) in audit.

On this being pointed out (March 1995) in audit, the department stated (December 1995) that the entire amount of penalty of Rs.2.97 lakhs has been adjusted (November 1995) from the pending bills of the printers.

5.8 Loss of interest due to delayed remittance of bank drafts into government account

Under the accounting procedure of the Haryana State Lotteries Department the sales account of each draw is required to be sent to the Directorate office of State Lotteries by each sales officer immediately after the close of the sale of tickets of each draw or on the date of draw whichever is earlier. The bank drafts received either with the sales account or otherwise are required to be handed over by the parcel clerk to the cashier immediately after first entering these in the bank draft register. The bank draft register is required to be put up to the Assistant Director daily for ensuring that the bank drafts have been duly accounted for in the cash book and deposited in the bank. Further, Financial Rules provide that departmental receipts collected during the day should be deposited into the treasury on the same day or on the next working day. Any delay in remittances, results in loss of interest to Government.

(i) During the course of audit of the records in the office of the Director, Haryana State Lotteries, Chandigarh, it was noticed (September 1995) that the bank drafts sent by the sales officers and

received in the Directorate office had not been deposited into the bank on the same day or the next day as required under the prescribed procedure. In 27 cases, the delay in depositing the bank drafts in the bank ranged between 33 days and 80 days even after allowing a period of 7 days for procuring the bank drafts and their subsequent despatch to Headquarters office. Had these bank drafts been remitted in time, the department could have saved interest of Rs 76,015 calculated at **12 per cent per annum** applicable to the borrowings of the Government

(ii) Similarly during the course of audit of records of Director Haryana State Lotteries, Chandigarh, it was noticed (September 1995) that one of the sales officers of the department posted at Delhi camp deposited sale proceeds of lottery tickets in Government treasury late in respect of some of the draws of Jai Vishnu Lottery Scheme held during the year 1994-95, by period ranging between 11 to 19 days. The undue retention of cash and delayed remittance into treasury could have saved interest of Rs.43,547.

The department to whom the above cases were reported (November 1995), stated (December 1995) that the sales officers have been instructed to deposit the bank drafts into the banks where the cash is being deposited by them instead of sending the drafts to headquarters.

5.9 Recoveries of Interest on Loans and Advances

5.9.1 Introduction

The State government, with a view to achieving various objectives of State policies, grants loans and advances to its local bodies/public sector undertakings and co-operative societies.

5.9.2 Procedure

Interest bearing loans and advances are sanctioned and granted to public sector undertakings/local bodies/co-operative societies, industries, commercial undertakings, individuals and agriculturists including government employees etc. The loans granted carry different rates of interest, fixed by the sanctioning authorities keeping in view the

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purpose for which the loan is sanctioned. Loans are generally recovered within the stipulated period in equal periodical instalments alongwith interest at a fixed rate. The terms and conditions are specified in the sanction order granting loans which, *inter-alia*, indicate the mode and manner of repayment of principal and interest. In case of default in payment, penal interest on principal is also charged from the loanees. Government issued instructions in March 1979 for watching recoveries of government loans and interest and prescribed maintenance of loan registers by heads of departments for keeping a proper watch on loans disbursed and their timely repayment. The primary responsibility for maintenance of records was laid on the administrative heads of departments. To ensure compliance of instructions, the Finance Department was required to scrutinise the records from time to time.

5.9.3 Trend of revenue

Interest receipts form a significant portion of non-tax receipts of the State as indicated below:

Year (1)	Non-tax revenue (2)	Interest receipts [*] (3)	Percentage of (3) to (2) (4)
(In crores of rupees)			
1990-91	511.60	127.05	24.83
1991-92	546.09	139.79	25.60
1992-93	460.27	95.09	20.65
1993-94	1340.55	116.53	8.69
1994-95	3473.42	476.09	13.71

The table below indicates the position of total loan disbursed, loans outstanding at the end of the year, interest due as per

^{*} includes interest on cash investments in commercial undertakings.

budget estimates, interest actually realised and percentage thereof during the last five years:

Year (1)	Loans disbursed (2)	Loans outstanding at the end of the year (3)	Interest due as per budget estimates* (4)	Interest actually realised* (5)	Percentage of (5) to (4) (6)
(In crores of rupees)					
1990-91	203.38	1359.90	48.58	42.26	87
1991-92	227.04	1556.44	50.64	48.77	96
1992-93	245.02	970.44	6.69	6.01	90
1993-94	289.36	1227.84	7.01	5.74	82
1994-95	336.77	1229.53	361.04	360.38	99.8
				463.16	

Out of total interest receipts of Rs.463.16 crores major portion (92%) of receipts Rs.426.00 crores (1990-91: 36 crores, 1991-92:40 crores and 1994-95: 350 crores) was in the form of adjustment of interest from Haryana State Electricity Board alone.

5.9.4 Scope of Audit

With a view to ascertain the position regarding disbursement of loans and advances and recovery of interest accrued thereon during the period from 1990-91 to 1994-95 a review was conducted between September 1995 and December 1995 in the Directorates of the departments of Co-operation, Industries, Local Bodies, Haryana State Electricity Board and their field offices at Panipat, Sonipat and Gurgaon.

* excludes interest on cash investment and interest from departmental commercial undertakings

5.9.5 Organisational set-up

The proposals for sanction of loans and advances are processed by heads of departments and are recommended to administrative departments. Sanctions of loans and advances are issued by the administrative departments with the concurrence of Finance Department. Recoveries of loans and advances alongwith interest are watched by administrative heads of departments concerned according to the instructions of the Finance Department.

5.9.6 Highlights

- **Loans amounting to Rs.5.71 crores were granted without prescribing the terms and conditions resulting in non-recovery of interest of Rs.63.06 lakhs.**
(Para 5.9.7)
- **Interest amounting to Rs.20.69 crores was not demanded from the loanees.**
(Para 5.9.8)
- **Penal interest of Rs.135.26 crores remained unrecovered due to non-assessment of penal interest.**
(Para 5.9.9)
- **Loans amounting to Rs.4.53 crores were either not disbursed or disbursed late resulting in loss of interest of Rs.14.85 lakhs.**
(Para 5.9.10)
- **Interest of Rs.14.69 lakhs was short levied due to incorrect calculations.**
(Para 5.9.11)
- **The liability of loans amounting to Rs.64.24 crores being the share of Haryana State Electricity Board out of loans advanced to composite Punjab State Electricity Board remains to be settled. The Board had neither paid any part of this loan nor interest of Rs.108.32 crores accrued thereon from 1 May 1987 to 31 December 1995.**
(Para 5.9.12(i))
- **Principal of Rs.837.41 crores and interest of Rs.195.27 crores were outstanding against Haryana State Electricity Board as on 31 March 1995.**
(Para 5.9.13(i))

- Failure to initiate action for recovery as arrears of land revenue resulted in non-recovery of principal of Rs.87.77 lakhs and interest of Rs.60.78 lakhs from industrial units.

(Para 5.9.13(ii))

- There was a difference of Rs.1.86 crores in the outstanding loan figures of Accountant General (A&E) and State Electricity Board due to non-reconciliation by the Board.

(Para 5.9.14(i))

5.9.7 Non-recovery of interest due to failure in prescribing terms and conditions of loans in the sanctions

The sanctions for payment of loans to various institutions granted by the government should contain terms and conditions of payment of loans, such as rate of interest/penal interest, if any, number of instalments in which principal and interest are to be repaid and date of commencement of repayment. If these terms and conditions were not given in the sanctions, it would be presumed that principal and interest are normally payable annually in equal instalments in accordance with the instructions of Finance Department issued in March 1979.

A test-check of the records in Co-operation and Industries departments showed that in 9 cases of loans amounting to Rs.5.71 crores, sanctioned by the government and paid to the loanees between March 1992 and March 1995, neither the terms and conditions of repayment of loans were mentioned in the sanction orders nor intimated separately. The sanction did not specify the rate of interest, period during which loans were to be recovered and period of moratorium, in the absence of which even the amount of instalments to be recovered was not workable and loan ledgers were wanting in this respect. The Heads of the Department also did not call for the terms and conditions of such loans from their respective administrative Heads of Departments. Non-prescribing the terms and conditions of the loans resulted in non-recovery of interest of Rs.63.06 lakhs worked out at the rate of **twelve per cent per annum**.

5.9.8 Failure to raise the demand of interest due

According to instructions issued by the Finance Department in March 1979, the particulars of loans sanctioned and paid are required to be noted in a register prescribed and recovery of principal of loans and interest is required to be assessed and watched by the Head of Department. Loanees are to be reminded well in advance for the repayment of loans and interest.

In Local Government and Co-operation departments, interest amounting to Rs.20.69 crores on the loans of Rs.13.63 crores disbursed between 1970-71 to 1994-95 was not demanded from the loanees as per details given below:-

Department	Amount of loans	Interest not demanded
	(In crores of rupees)	
Local Government	7.78	16.18
Co-operation	5.85	4.51
Total	13.63	20.69

In Co-operation department the loan ledgers maintained by the Registrar Co-operative societies were not complete and as a result interest was not demanded from the loanees.

In Local Government Department, the State Government imposed a condition in the sanctions for the year 1991-92 that loans may not be released to those Municipal Committees who were not regularly making repayments of loans and interest. Accountant General (A&E) Haryana pointed out (March 1992) that about 80 *per cent* Municipal Committees were not repaying the loans and interest. The government withdrew the condition in March 1992 and loans were continued to be paid and released to such defaulting committees. Every year the outstanding balances of loans and interest were communicated by Accountant General (A&E) Haryana to the government but neither the

figures were confirmed nor any action was taken by the Government to recover the long outstanding loans and interest.

5.9.9 Non-levy of penal interest

The Finance Department in March 1979 issued instructions to charge penal interest at the rate of **two per cent per annum** above the normal rate of interest on all overdue instalments of principal and interest with effect from 1 June 1979 in case the repayment schedule was not followed.

(i) A test check of records of loan and advances in Local Government Department showed that in respect of outstanding loans amounting to Rs.7.70 crores the due dates for repayment of instalments were not adhered to by the loanees and penal interest leviable at the rate of **two per cent per annum** worked out to Rs.0.61 crore from 1979-80 to 1994-95 was neither assessed nor charged.

(ii) In Co-operation Department the penal interest leviable at the rate of **two per cent** worked out to Rs.1.68 crores on outstanding principal of Rs.35.83 crores from 1990-91 to 1994-95 which was neither assessed nor charged.

(iii) It was stipulated in the sanctions of the loans granted to Haryana State Electricity Board that in case of default in repayment of instalments, penal interest at the rate upto two times the prescribed rate of interest would be charged. It was further provided that the Government could waive the penal interest, if it was satisfied with the explanation that the Board was unable to pay the instalments for reasons beyond their control. In respect of 91 loans amounting to Rs.1,020.75 crores granted to the Board between 1990-91 and 1994-95, penal interest amounting to Rs.132.97 crores was neither assessed/recovered by the administrative head of department nor waived by the Government (March 1996). The loan ledgers were not scrutinised by the Finance Department as per the instructions issued in March 1979. This resulted in non-assessment/non-recovery of penal interest.

5.9.10 Loss of interest due to non-utilisation of money drawn for disbursement of loans

According to the Financial Rules of the Government, no money should be drawn from the treasury unless required for immediate disbursement and the amount drawn from the treasury should not be kept as deposit or undisbursed so as to avoid lapse of grant.

(i) A test check of the records in the Co-operation department showed that during the period March 1988 to March 1995, an amount of Rs.3.42 crores was drawn and kept in a State Co-operative Bank for further disbursement as loans to the loanees. The department, however, issued instructions to the bank not to release the loan to the loanees until a clearance was given by them. The bank, then, credited the amount to its suspense payable account (not bearing interest). Subsequently the department directed the bank to deposit the amount in the government treasury after a lapse of period ranging from 7 to 25 months as per table given below:

S.No.	Date of sanction and date of drawal	Amount	Date of deposit into treasury
		(In crores of rupees)	
1	31.3.1988	0.17	4.5.1990
2	31.3.1988	0.20	4.5.1990
3	29.3.1990	0.05	2.6.1992
4	09.8.1990	3.00	30.3.1991
	TOTAL	3.42	

This resulted in loss of interest of Rs.11.22 lakhs computed at the rate of **12 per cent per annum**.

(ii) It was further noticed that during the period March 1990 to March 1995, 5 loans of Rs. 1.11 crores were disbursed late to the loanees by 55 days to three years from the date of actual drawal from the treasury. The loss of interest suffered by the Government on this account worked out to Rs.3.63 lakhs (computed at the rate of interest as per sanctions).

5.9.11 Short levy of interest

Interest on loans and advances is chargeable from the date of disbursement of loans to the loanees at the rates and on the terms and conditions mentioned in sanctions by the sanctioning authority.

(i) It was noticed that loans amounting to Rs.278 lakhs with interest at the rate of **12 per cent** were released by the Director of Industries to Haryana State Industrial Development Corporation during the period from 1984-85 to 1991-92 for setting up ancillary complexes in Haryana. Interest on instalments of loans due on 31.3.1993 and 31.3.1994 actually worked out to Rs.54.46 lakhs as against Rs.48.39 lakhs charged and recovered by the department resulting in short levy/recovery of interest by Rs.6.07 lakhs.

(ii) Similarly another loan of Rs.40 lakhs was paid to the Haryana State Industrial Development Corporation in March 1984 which was repayable in 10 annual instalments commencing from 31 March 1985 with interest at the rate of **7 per cent per annum**. The Industries department in September 1984 revised the interest rate on the loan from **7 per cent** to **12 per cent** but the Corporation continued to pay interest at the rate of **7 per cent**. The department, however, recovered the arrears of interest at the rate of **5 per cent** on 20.3.1992. The recovery of interest at the enhanced rate actually worked out to Rs.23.38 lakhs (including compound interest) as against Rs.14.76 lakhs charged and recovered by the department resulting in short recovery of interest by Rs.8.62 lakhs. The interest calculations were neither checked nor authenticated by any authority.

5.9.12 Non-settlement of liabilities/non-recovery of loan and interest

(i) Haryana State Electricity Board was constituted on 2 May 1967 (on bifurcation from Punjab State Electricity Board). An amount of Rs.64.24 crores was adopted on account of Board's share of liabilities of composite Punjab State Electricity Board fixed by the government of India. The Board had neither repaid or adjusted any part of this amount of Rs.64.24 crores nor paid interest thereon which amounted to

Rs.108.32 crores from 1 May 1987 to 31 December 1995. The fact was earlier incorporated in the Audit Report of 1987-88 but no action had been taken by the Government either to settle the liability or to recover the interest from the Board.

(ii) In Co-operation department, during the period 1978-79 to 1992-93, 7 loans aggregating to Rs.365 lakhs were disbursed to co-operative sugar mills at Panipat. The loans carried interest ranging from *9 per cent* to *15.25 per cent per annum*. During the course of test check of loan ledgers, it was noticed that the sugar mill repaid the principal amounting to Rs.20 lakhs during 1986-87 and interest of Rs.9 lakhs during 1983-84 and 1986-87. The balance principal of Rs.345 lakhs had not been repaid. Besides, interest amounting to Rs.321 lakhs had become due as on 31 March 1995 which was neither calculated by the department nor recovered.

(iii) During 1977-78 to 1980-81, 6 loans aggregating to Rs.291 lakhs were disbursed to co-operative sugar mills at Sonipat. The loans carried interest *9 per cent per annum*. The sugar mill repaid the principal of Rs.191 lakhs and interest of Rs.22 lakhs between 1980-81 and 1992-93 and the balance amount of loans of Rs.100 lakhs and interest of Rs.104 lakhs was not recovered. It was decided in a meeting of the Board of Directors of the sugar mill on 30 December 1986 and 11 November 1987 that balance amount of loan of Rs.100 lakhs would be converted into share capital of the mill and interest waived. The Government has not communicated any decision on the resolution converting loans into equity or waiving interest (upto June 1996).The co-operation department had neither demanded principal amount nor calculated interest thereon, which amounted to Rs.126 lakhs (from the date of the resolution to 31 March 1995).

5.9.13 Arrears of loans and interest

(i) Haryana State Electricity Board is financed by State Government by granting interest bearing loans which are recovered alongwith interest as per terms and conditions specified in the sanctions. The State Government sanctioned 91 loans aggregating to Rs.1,020.75

crores during the period 1990-91 to 1994-95. The Board neither repaid any part of these loans nor any amount of interest due thereon. It was also noticed that interest of Rs.621.27 crores pertaining to the period 1967-68 to 1994-95 was outstanding at the end of year 1994-95. Government adjusted the rural electrification subsidy of Rs.426 crores during 1990-91 to 1994-95 against the outstanding interest and even after this adjustment, interest of Rs.195.27 crores was outstanding at the end of 1994-95 which was not recovered.

The Government had also converted outstanding loans of Rs.800 crores into equity of the Board and adjusted Rs.373.12 crores against outstanding energy charges payable by Public Health and Irrigation departments towards repayment of outstanding loans during the period 1990-91 to 1994-95. After these adjustments, the outstanding loans as on 31 March 1995 were Rs.837.41 crores.

The administrative head of department is required to maintain loan records for watching timely repayments, in terms of Finance Department's instructions of March 1979 but no such records were being maintained. The State Government did not take cognisance of this lapse by the administrative department resulting in accumulation of arrears.

(ii) Loans in the shape of seed money/margin money given to industrial units are recoverable alongwith interest at the rate of *4 per cent per annum*. The Director of Industries issued instructions (February 1985) to the General Managers, District Industries Centres to exercise powers of recovery of outstanding seed money/margin money as arrears of land revenue under Haryana Public Moneys (Recovery of Dues) Act, 1979. Rs.140.47 lakhs were disbursed to 1398 units in 3 Districts Industries Centres (Panipat, Sonipat and Gurgaon) upto 1994-95. Out of the total amount disbursed, principal of Rs.87.77 lakhs and interest of Rs.60.78 lakhs were still outstanding in March 1995. No action was taken to recover the outstanding dues as arrears of land revenue.

(iii) Out of loans granted by Director of Industries under State Aid to Industries Act, 1935 a sum of Rs.6.07 lakhs as principal and

Non-Tax Receipts

Rs.13.81 lakhs as interest was outstanding as on 31 March 1995 in 2 districts (Panipat and Sonipat) out of 3 districts test checked. In Gurgaon the position of principal and interest due was not worked out. In Panipat, principal of Rs.3.17 lakhs and interest of Rs.5.55 lakhs in 214 cases were pending recovery as on 31 March 1995. Out of these:

-in 25 cases involving recovery of Rs.1.05 lakhs, the loanees had died and sureties were not traceable.

-in 72 cases, the units had been closed involving recovery of Rs.3.24 lakhs.

Year-wise details of outstandings were not available in Sonipat.

(iv) According to the orders issued by the State Government, the administrative departments are required to intimate to Accountant General (A&E) office by July each year, the arrears in recovery of principal and interest on loans of which the detailed accounts are maintained by departmental officers at the end of preceding March for the purpose of reconciliation. During the year 1994-95, 129 statements were due from 14 departmental officers out of which only 20 statements were received. According to these statements recovery of Rs.19.38 crores (principal: Rs.13.46 crores, interest: Rs.5.92 crores) was in arrears on 31 March 1995 as shown below:

Sr.No.	Department	Principal	Interest
		(In crores of rupees)	
1	Education	0.13	-
2	Co-operation	5.86	4.51
3	Revenue	7.16	0.35
4	Housing	0.31	1.06
	Total	13.46	5.92

Against loans to Municipalities, Improvement Trusts and the Haryana State Electricity Board of which detailed accounts are

maintained in Accountant General (A&E) office, recovery of Rs.290.55 crores (principal: Rs.77.36 crores and interest: Rs.213.19 crores was due at the end of March 1995 as indicated below:

S.No.	Name of Scheme	Principal	Interest
		(In crores of rupees)	
1	Loans for water supply and sanitation.- Loans to local bodies.	7.77	16.18
2	Loans for Urban Development- Loans to improvement trusts and municipalities.	0.52	0.27
3	Loans for power projects- Loans to Haryana State Electricity Board.	69.07	196.74
	Total	77.36	213.19

Every year these arrears were communicated to the State government. The HSEB adjusted a few fresh loans against the outstanding loans and interest, but in respect of loans to local bodies, no action was taken to recover the outstanding loans and interest as a result of which loans and interest pertaining to the period 1970-71 onwards are rising. The administrative heads of departments also did not comply with the instructions of finance department issued in March 1979.

5.9.14 Non-reconciliation of figures of departmental receipts and lack of monitoring and control

(i) According to the Punjab Financial Rules as applicable to Haryana, the drawing and disbursing officers are required to prepare at the end of the each month a statement of amounts credited into treasury both by the departmental offices and others and get it verified by the Treasury Officer concerned and discrepancies noticed, if any, are to be reconciled.

These statements were neither prepared nor reconciliation carried out by any of the four departments covered under the review in respect of interest receipts credited into treasuries.

The Government in March 1979 directed that reconciliation between the departmental figures and the State Public Undertakings figures and that of Accountant General (A&E) should be done by the Heads of Department concerned at the appropriate time without fail. No such reconciliation was done by any of the departments as a result of which there was a difference of Rs.1.86 crores in the figures of Accountant General (A&E) and Haryana State Electricity Board pertaining to outstanding loans as on 31 March 1995.

(ii) The State Government laid down (March 1979) guidelines for watching recoveries of government loans with interest from State public sector undertakings and prescribed a loan register to be maintained by each head of department to keep watch on loans disbursed and their timely repayment together with interest and penal interest. A reminder register is also to be maintained by the concerned head of department in which reminders issued to loanees one month in advance of due date are to be entered. In order to ensure compliance of the orders, the investment cell in Finance Department was to scrutinise the registers/records from time to time. The guidelines also laid down that primary responsibility for maintenance of accounts in respect of granting of loans to State public sector undertakings and repayment of instalments of principal together with interest should rest with the respective administrative heads of departments.

During test check of records maintained by the departments of co-operation, industries, power and local bodies, it was noticed that loan ledgers were not maintained by the administrative heads of these departments. No reminder registers were being maintained. No checks were exercised by the Administrative/Finance Department for watching the recoveries of loans and interest. While the loan ledgers were being maintained by the Heads of department in Co-operation and Industries, no such registers were being maintained by the Heads of department in Power, and Local Bodies departments and as such the records did not depict the position of principal/interest due, recovered/balance.

Fourteen departmental officers were required to submit 93 returns (for the years 1990-91 to 1991-92) and 129 returns (for the years

1992-93 to 1994-95) concerning loans accounts maintained by them during each year to Accountant General (A&E) but the number of returns furnished to the Accountant General (A&E) varied between 14 and 25 as has been commented in para 5.10.13(iv)(a).

The above points were reported to Government in May 1996; their reply has not been received (June 1996).

D-AGRICULTURE

5.10 Non recovery of purchase tax and interest

As per the notification issued (October 1977) under the Punjab Sugarcane (Regulation of purchase and supply) Act, 1953 and the Rules made thereunder, as applicable to Haryana, an occupier or agent of a factory is required to pay tax at Rs.1.50 per quintal on sugarcane purchased by him by the 14th of the following month. In the event of default, interest at the rate of **fifteen per cent per annum** shall be charged for the period of default.

During the audit of the records of Assistant Cane Development Officer, Panipat, it was noticed (August 1995) that a sugar mill had purchased 16,16,462 quintals of sugarcane between October 1994 and March 1995 but did not deposit purchase tax amounting to Rs.24.25 lakhs which was due to be paid by 14th of the month following the purchase. Interest amounting to Rs.1.77 lakhs (upto July 1995) was also required to be charged thereon for non-payment of tax.

On this being pointed out (August 1995) in audit, the department intimated (October 1995) that they have issued notice for recovery. Further report on recovery of purchase tax and interest has not been received (December 1995).

The case was reported to Government in September 1995; their reply has not been received (June 1996).

E-PUBLIC WORKS DEPARTMENT

IRRIGATION

5.11 Short recovery of water charges

Haryana Canal and Drainage Act, 1974 provides for charging water rates for the canal water supplied for various purposes. Under the Haryana Canal and Drainage Rules, 1976, charges for Canal water supplied in bulk to industries and power plants are recoverable at the rate of rupees 5 per 2500 cubic feet. As per Government notification issued in December 1994 (effective from 2 December 1994) these rates were revised to Rs.50.

(i) During the audit of the records of the office of the Executive Engineer, Water Service Division Faridabad, it was noticed (January 1996) that the divisional office raised bills for the month of December 1994 of water charges for canal water supplied in bulk to thermal power house and an industrial unit located at Faridabad at old rate of Rs.5 per 2500 cubic feet instead of at revised rate of Rs.50 per 2500 cubic feet of water. This resulted in short recovery of water charges amounting to Rs.5.24 lakhs.

On this being pointed out (January 1996) in audit, the department intimated (January 1996) that revised bills were being sent to concerned parties. Further report has not been received (June 1996).

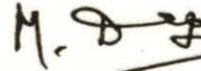
(ii) During the audit of the records of the office of the Executive Engineer, Water Service Division Tohana, it was noticed (October 1995) that 12.64 lakhs cubic feet of canal water was supplied by the Irrigation Department to a fisheries farm in village Sahu (Tohana) for the development of pisciculture during the period from December 1994 to June 1995. The department charged the water rates at the pre-revised rates instead of at enhanced rates of Rs.50 per 2500 cubic feet. This resulted in short recovery of water charges amounting to Rs.22,753.

On this being pointed out (October 1995) in audit, the department issued (October 1995) revised bill for recovery. Report on

Non-Tax Receipts

recovery of the additional demand so raised has not been received (June 1996).

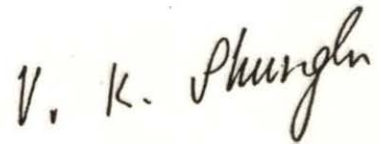
The above cases were reported to Government between December 1995 and January 1996; their reply has not been received (June 1996).



CHANDIGARH
THE

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NEW DELHI
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Non-Tax Receipts
