



REPORT

OF THE

Comptroller & Auditor General of India
for the year 1984-85
(REVENUE RECEIPTS)

GOVERNMENT OF HARYANA



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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Haryana, for the year 1984-85, is presented in this separate volume. The Report has been arranged in the following order :—

- (i) Chapter 1 refers to trend of revenue receipts classifying them broadly under tax revenue and non-tax revenue, the variations between the Budget estimates and the actual receipts under principal heads of revenue, the revenue in arrears for collection and the audit objections and inspection reports outstanding for settlement.
- (ii) In Chapters 2 to 6 are set out some of the important irregularities which came to the notice of Audit during test check of records relating to Sales Tax, State Excise, Taxes on Motor Vehicles and Other Tax and Non-Tax Receipts.

PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Madras for the year 1984-85 is presented in the separate volume. The Report has been arranged in the following order :-

(i) Chapter I refers to the head of revenue receipts classified item broadly under tax revenue and non-tax revenue. The variations between the Budget estimates and the actual receipts under principal heads of revenue, the reasons for the variations, the reasons for the variations and the reasons for the variations are set out in the following order :-

(ii) In Chapter 2 to 6 are set out some of the important variations which came to the notice of Audit during the year 1984-85. These variations are set out under the following heads :-

CHAPTER I

GENERAL

1.1. Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1984-85, the share of taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below :-

	1982-83	1983-84	1984-85
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue	3,36.68	3,65.88	4,05.40
(b) Non-Tax Revenue	1,59.88	1,79.54	2,14.48
Total (I)	4,96.56	5,45.42	6,19.88
II. Receipts from Government of India—			
(a) State's share of net proceeds of divisible Union Taxes	72.60	80.78	93.55
(b) Grants-in-aid	42.46	72.40	77.02*
Total (II)	1,15.06	1,53.18	1,70.57
III. Total receipts of the State (I+II)	6,11.62	6,98.60	7,90.45
IV. Percentage of I to III	81	78	78

*For details see Statement No 11—Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana 1984-85.

(i) The details of the tax revenue raised during the year 1984-85, alongside figures for the preceding two years, are given below :—

	1982-83	1983-84	1984-85	Percentage Increase (+) or Decrease (—) in 1984-85 over 1983-84
(In crores of rupees)				
1. Sales Tax	1,59.26	1,66.52	1,83.86	(+) 10
2. State Excise	61.91	68.40	90.52	(+) 32
3. Taxes on Goods and Passengers	46.26	51.34	54.83	(+) 7
4. Stamps and Registration Fees	25.18	28.08	32.10	(+) 14
5. Taxes and Duties on Electricity	19.77	26.19	17.45	(—) 33
6. Taxes on Vehicles	11.54	12.65	14.15	(+) 12
7. Land Revenue	3.38	3.76	3.95	(+) 5
8. Other Taxes and Duties on Commodities and Services	9.38	8.94	8.54	(—) 4
Total	3,36.68	3,65.88	4,05.40	(+) 11

(a) Increase (32 per cent) in State excise receipts was attributed to higher bids received on auction of licences for vending liquor and increase in the rate of excise duty.

(b) The increase (14 per cent) in stamp duty and registration fee receipts was mainly due to escalation of prices of immovable properties.

(c) The decrease (33 per cent) in receipts from electricity duty was mainly due to huge power cuts.

(d) The increase (12 per cent) in receipts from taxes on motor vehicles was due to increase in the number of vehicles in the State.

(ii) The details of the major non-tax revenues received during the year 1984-85, alongside figures for the preceding two years, are given below :-

	1982-83	1983-84	1984-85	Percentage Increase (+) or Decrease (-) in 1984-85 over 1983-84
(In crores of rupees)				
1. Road and Water Transport Services	66.17	73.75	81.05	(+) 10
2. Interest	46.95	53.03	67.93	(+) 28
3. Miscellaneous General Services	8.23	10.93	18.59	(+) 70
4. Medical	3.08	2.83	3.14	(+) 11
5. Mines and Minerals	2.41	4.04	3.72	(-) 8
6. Others	33.04	34.96	40.05	(+) 15
Total	1,59.88	1,79.54	2,14.48	(+) 19

(a) The increase (28 per cent) under "Interest" was due to large receipts of interest from departmental commercial undertakings and public sector undertakings.

(b) The increase (70 per cent) in receipts under "Miscellaneous General Services" was mainly due to the introduction of a new lottery scheme.

(c) Short fall (8 per cent) in receipts from mines and minerals was due to the cancellation of certain leases and closure of mines.

1.2. Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1984-85 and actual receipts, are given below :-

Head of Revenue	Budget estimates	Actuals	Variations Increase (+) or Decrease (-)	Percentage of variation Increase (+) or Decrease (-)
(1)	(2)	(3)	(4)	(5)
(In crores of rupees)				
1. Sales Tax	2,01.51	1,83.86	(—) 17.65	(—) 9
2. State Excise	78.00	90.52	(+) 12.52	(+) 16
3. Taxes on Goods and Passengers	61.66	54.83	(—) 6.83	(—) 11
4. Stamps and Registration Fees	46.44	32.10	(—) 14.34	(—) 31
5. Taxes and Duties on Electricity	30.25	17.45	(—) 12.80	(—) 42
6. Taxes on Vehicles	13.58	14.16	(+) 0.58	(+) 4
7. Land Revenue	4.17	3.95	(—) 0.22	(—) 5
8. Other Taxes and Duties on Commodities and Services	11.50	8.54	(—) 2.96	(—) 26

	(1)	(2)	(3)	(4)	(5)
9. Road and water Transport Services	82.88	81.05	(—) 1.83	(—)2	
10. Interest	46.97	67.93	(+)20.96	(+)45	
11. Agriculture	2.10	1.01	(—)1.09	(—)52	
12. Village and Small Industries	0.36	0.28	(—)0.08	(—)22	
13. Mines and Minerals	4.00	3.72	(—)0.28	(—)7	
14. Roads and Bridges	0.09	0.06	(—)0.03	(—)33	

(a) The short fall (9 per cent) in receipts from sales tax was mainly due to with-holding of payment of tax by dealers on the basis of stay orders granted by courts and other appellate authorities.

(b) The increase (16 per cent) in receipts from state excise was due to receipt of higher bids and increase in excise duty on Indian made foreign liquor.

(c) The decrease (11 per cent) in receipts from taxes on goods and passengers was stated to be mainly due to lesser flow of passengers from the adjoining States.

(d) The decrease (31 per cent) in receipts from stamp duty and registration fee was stated to be due to lesser number of deeds registered than the number anticipated. The reasons were not convincing as budget estimates of Rs. 46.44 crores for the year 1984-85 were abnormally on the higher side, as compared to budget estimates of Rs. 32.00 crores and 33.00 crores for the years 1982-83 and 1983-84 respectively.

(e) The decrease (42 per cent) in receipts from electricity duty was stated to be due to huge power cuts.

(f) The decrease in receipts from entertainment duty and show tax was mainly due to exemptions granted to regional films (Haryanavi) and closure of night shows.

(g) The increase (45 per cent) in receipts from interest was due to more realisation of interest from departmental commercial undertakings and public sector undertakings.

Reasons for the wide variations between Budget estimates and the actuals under the heads "Agriculture" "Village and Small Industries" and "Roads and Bridges" are awaited from the departments (December 1985).

1.3. Analysis of collection

The break-up of total collections of tax from sales tax is given below :—

	Amount
	(In crores of rupees)
(a) Amount collected at pre-assessment stage	1,72.88
(b) Amount collected after regular assessment	12.19*
(c) Amount refunded	1.21
(d) Net collection of tax	1,83.86

Similar information regarding other tax receipts was not available (December 1985).

1.4. Assessments in arrears

The number of assessments finalised by the Excise and Taxation Department during the year 1984-85 and the assessments pending finalisation as at the end of 1984-85, alongside figures for the preceding year, are

*This includes penalty also.

given below :—

	Sales Tax		Passengers and Goods Tax	
	1983-84	1984-85	1983-84	1984-85
(a) Number of assessments due for completion during the year	1,45,429	1,53,685	421	443
(b) Number of assessments completed during the year	1,05,762	1,11,068	317	307
(c) Number of assessments pending as at the end of the year	39,667	42,617	104	136

Year-wise break-up of the pending assessments as at the end of 1984-85 is given below :—

	Year	Number of cases	
		Sales Tax	Passengers and Goods Tax
Upto	1980-81	1,379	14
	1981-82	2,980	6
	1982-83	8,608	26
	1983-84	29,650	90
	Total	42,617	136

Five assessments pertaining to the years 1968-69 to 1975-76 were not finalised even after the expiry of the prescribed period of eight years and consequently tax amounting to Rs. 65,559 became irrecoverable.

1.5. Uncollected revenue

As on 31st March 1985, arrears of revenue pending collection under principal heads of revenue, as reported

by the Departments were as under :—

Head of Revenue	Total arrears	Arrears outstanding for more than 5 years	Remarks
(In crores of rupees)			
1. Sales Tax	27.19	5.94	Of the total arrears of Rs. 44.70 crores, demands amounting to Rs. 10.43 crores had been certified for recovery as arrears of land revenue, recoveries amounting to Rs. 9.84 crores and Rs. 2.20 crores had been stayed by the courts and Government respectively and arrears amounting to Rs. 0.58 crore were likely to be written off. In some cases, the firms from which arrears amounting to Rs. 4.48 crores were recoverable were in liquidation. The remaining arrears of Rs. 17.17 crores were at various other stages of recoveries.
2. State Excise	3.39	1.50	
3. Taxes on Goods and Passengers	0.37	0.03	
4. Sugarcane	3.52	1.21	
5. Taxes and Duties on Electricity	7.07	2.60	
6. Taxes on Vehicles	0.36	0.03	
7. Medical	0.79	0.52	
8. Co-operation	0.83	0.12	
9. Mines and Minerals	1.18	0.23	

1.6. Frauds and evasions of taxes

(i) The table below indicates the amounts of taxes assessed during the year 1984-85 in cases of frauds and evasions of taxes detected by the revenue departments concerned during 1984-85 and earlier years.

Nature of tax	Number of cases finalised	Amount of tax assessed Rupees
1. Sales Tax	2,915	1,36,15,361
2. State Excise	245	1,67,600
3. Taxes on Goods and Passengers	962	1,98,504
4. Entertainment Tax	100	4,11,681

As at the end of the year 1984-85, 586 cases of frauds and evasions of taxes were pending finalisation with the departments. Year-wise details of the pending cases were not available.

(ii) In 2,916 cases of frauds and evasions of taxes, penalties amounting to Rs. 53.03 lakhs were imposed and realised, as per details given below :—

Nature of tax	Number of cases	Amount (In lakhs of rupees)
1. Sales Tax	1,958	46.32
2. State Excise	245	1.68
3. Taxes on Goods and Passengers	647	1.09
4. Entertainment Tax	66	3.94
Total	2,916	53.03

1.7. Refunds

Position of refunds allowed by the sales tax department during the year 1984-85 is given below :-

	Amount (In lakhs of rupees)
1. Claims outstanding as on 1st April 1984	4.70
2. Claims received during the year 1984-85	1,31.75
3. Refunds made during the year 1984-85	1,20.52
4. Balance outstanding at the end of the year	15.93

Similar information regarding refunds of other taxes was not available (December 1985).

1.8. Cost of collection

Expenditure incurred in collection of the major revenue receipts during the year 1984-85 (and figures for the preceding two years) is given below :—

Head of Account	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection
(In crores of rupees)				
(1)	(2)	(3)	(4)	(5)
1. Sales Tax	1982-83	1,59.26	3.22	2.02
	1983-84	1,66.52	3.52	2.11
	1984-85	1,83.86	4.09	2.22
2. State Excise	1982-83	61.91	0.47	0.76
	1983-84	68.40	0.41	0.60
	1984-85	90.52	0.42	0.46

	(1)	(2)	(3)	(4)	(5)
3. Stamps and	1982-83	25.18	0.19	0.75	
Registration	1983-84	28.08	0.19	0.68	
Fees	1984-85	32.10	0.26	0.81	
4. Taxes on	1982-83	11.54	0.25	2.17	
Vehicles	1983-84	12.65	0.31	2.45	
	1984-85	14.16	0.50	3.53	
5. Other Taxes	1982-83	75.41	0.17	0.23	
and Duties*	1983-84	86.47	0.24	0.28	
	1984-85	80.82	0.25	0.31	

1.9. Outstanding Inspection reports

Audit observations on financial irregularities, defects in initial accounts and under-assessments of tax, noticed during local audit and not settled on the spot, are communicated to the Heads of Offices and to the next higher departmental authorities through local audit inspection reports. The more important irregularities are also reported to the Heads of departments and to Government. Government have directed that first replies to inspection reports should be sent within six weeks. Half-yearly reports of audit objections outstanding for more than six months are also forwarded to Government to expedite their settlement.

(i) As at the end of November 1985, 1,679 inspection reports (issued upto March 1985), containing 10,361 audit objections, remained to be settled. Figures

*Figures against Other Taxes and Duties comprise collections and expenditure under the following heads of revenue :—

- (i) Taxes on Goods and Passengers
- (ii) Taxes and Duties on Electricity
- (iii) Other Taxes and Duties on Commodities and Services.

for the two preceding years are also given below :—

	As at the end of		
	November 1983	November 1984	November 1985
Number of outstanding inspection reports	1,232	1,396	1,679
Number of unsettled audit objections	9,650	10,702	10,361

Of the 10,361 outstanding audit objections, 4,297 objections related to the period prior to 1981-82, 2,612 objections to the years 1981-82 and 1982-83 and 3,452 objections to the years 1983-84 and 1984-85.

(ii) Relatively large number of audit objections were outstanding under the following heads :—

	Year	Number of inspection reports	Number of audit objections
	(1)	(2)	(3)
1. Sales Tax			
Up to 1980-81		122	893
1981-82		19	189
1982-83		21	267
1983-84		11	139
1984-85		22	366
Total		195	1,854
2. Taxes on Vehicles			
Up to 1980-81		114	982
1981-82		16	159
1982-83		14	248
1983-84		16	192
1984-85		16	216
Total		176	1,797

(E)	(C)	(1)	(2)	(3)
3. Stamps and Registration Fees				
404	Up to	1980-81	96	540
130		1981-82	12	134
60		1982-83	12	141
179		1983-84	12	158
		1984-85	89	459
404		Total	221	1,432

4. State Excise				
307	Up to	1980-81	67	189
100		1981-82	11	69
52		1982-83	13	87
60		1983-84	12	92
148		1984-85	13	102
419		Total	116	539

5. Passengers and Goods Tax				
159	Up to	1980-81	66	185
32		1981-82	11	33
70		1982-83	13	79
23		1983-84	13	81
100		1984-85	13	98
404		Total	116	476

	(1)	(2)	(3)
6. Irrigation			
Up to 1980-81	82	404	
1981-82	28	130	
1982-83	22	94	
1983-84	38	179	
1984-85	—	—	
Total	170	807	
7. Buildings and Roads			
Up to 1980-81	60	303	
1981-82	19	100	
1982-83	17	72	
1983-84	14	60	
1984-85	18	84	
Total	128	619	
8. Co-operation			
Up to 1980-81	42	129	
1981-82	14	32	
1982-83	18	76	
1983-84	15	55	
1984-85	20	109	
Total	109	401	

(iii) The more important types of irregularities noticed during local audit of Sales Tax (Gurgaon and

Faridabad districts) and those relating to Taxes on Vehicles, which are still to be settled are given below :-

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
(a) Sales Tax		
1. Under-assessment under Central Sales Tax Act	56	39.83
2. Incorrect computation of turnover	160	52.74
3. Non/short levy of penalty	135	1,28.16
4. Non-levy of interest	257	73.63
5. Application of incorrect rate of tax	18	11.23
6. Others	81	83.00
Total	<u>707</u>	<u>3,88.59</u>

(b) Taxes on Vehicles

1. Non-levy of token tax	90	53.32
2. Short levy of token tax	317	53.16
3. Irregular exemption of token tax	55	14.83
4. Excess refund of token tax	7	1.10
5. Non-renewal of registration	25	3.61
6. Non-levy of trade certificate fee	77	2.28
7. Others	181	83.52
Total	<u>752</u>	<u>2,11.82</u>

(iv) In respect of 152 inspection reports, issued between March 1983 and March 1985, even the first replies had not been received (December 1985).

1.10. Internal control and Internal audit

The internal audit system exists in Excise and Taxation Department and Revenue Department which administer the Acts relating to Sales Tax, State Excise Duty, Taxes on Goods and Passengers, Entertainment Duty and Show Tax, Taxes on Immovable Property and Stamp Duty and Registration Fee. Internal audit is, however, yet to be introduced in Transport Department.

No systematic record showing the number of objections raised in internal audit and their subsequent clearance had been maintained by the departments. However, as per information supplied by the departments, the year-wise break-up of objections raised during the years 1981-82 to 1984-85 in respect of some of the revenue heads was as under :—

		Number of objections raised	Amount (In lakhs of rupees)
1. Land Revenue	1981-82	61	1.20
	1982-83	168	1.18
	1983-84	207	3.79
	1984-85	244	3.96
2. Stamp Duty and Registration Fee			
Up to	1983-84	NA	NA
	1984-85	334	23.36
3. Sales Tax			
Up to	1983-84	NA	NA
	1984-85	366	3.46

Out of objections for Rs. 23.36 lakhs relating to stamp duties and registration fees, objections for Rs. 0.21 lakh were settled after recovering the amount, while objections for Rs. 3.35 lakhs were settled without raising any demand. Information regarding settlement of objections in respect of other departments was not available with the departments concerned.

CHAPTER 2

SALES TAX

2.1. Results of Audit

The test check of sales tax assessment and other records of 22 units, conducted in audit during the year 1984-85, revealed under-assessment of tax amounting to Rs. 4,33.67 lakhs in 1,089 cases, which broadly fall under the following categories :-

	Number of cases	Amount (In lakhs of rupees)
1. Under-assessment of tax under the Central Sales Tax Act	18	33.59
2. Incorrect computation of turnover	401	2,03.85
3. Non-levy/short levy of penalty	166	1,09.02
4. Interest not charged	384	80.58
5. Application of incorrect rate of tax	20	6.03
6. Others	100	0.60
	<hr/> 1,089	<hr/> 4,33.67

Out of 1,089 cases pointed out in audit, the department has since effected recovery of Rs. 3.51 lakhs in 107 cases. In 14 cases involving revenue amounting to Rs. 11.66 lakhs, audit objections have been admitted and report on recovery is awaited. Replies in respect of 968 cases are still awaited from the Department (December 1985).

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

2.2. Loss of revenue due to delays in assessments

Under the Haryana General Sales Tax Act, 1973, assessments are to be taken up within five years after the expiry of the assessment year. By an amendment to the Act, made in April 1979, the period was reduced to three years. However, the Act was again amended in April 1982, allowing a period of five years for taking up an assessment. If an assessment is taken up within five years after the expiry of the assessment year, there is no time limit for completion of the assessment.

(i) Returns were being taken up for assessment after prolonged delays, as per illustrative details given below :—

	Faridabad		Rohtak	
	Cases	Amount	Cases	Amount
Assessments taken up after 12 months but before 24 months	5	4,18,567	1	59,028
Assessments taken up after 24 months but before 36 months	5	7,72,766	—	—
Assessments taken up after 36 months but before 48 months	3	1,89,136	1	21,243
Assessments taken up after 48 months but before 60 months	4	3,01,795	1	70,781
Assessments taken up after 60 months but before 100 months	5*	7,37,388	1	25,787
	22	24,19,652	4	1,76,839

*In these cases notices for initiating assessment proceedings were issued within a period of five years after the expiry of assessment year.

(i) In respect of the 26 cases mentioned above, additional tax amounting to Rs. 25.96 lakhs was assessed. However, out of this, only Rs. 0.48 lakh could be recovered, as in all the 26 cases, the assessee had already closed down their business. For recovery of the balance tax amounting to Rs. 25.48 lakhs; the department had issued recovery certificates for Rs. 23.72 lakhs to the Collectors in 20 cases during March 1982 to February 1985, but no further recovery has been effected so far (December 1985).

(ii) A dealer of Sonapat did not file his returns for the years 1978-79 and 1979-80. On 24th February 1981, the assessing authority assessed the dealer on best judgement basis, for the years 1978-79 and 1979-80 as also for earlier years 1975-76 to 1977-78, assessment for which were also pending. An additional demand for Rs. 21,97,812, including penalty amounting to Rs. 83,900 for non-filing of returns for the years 1978-79 and 1979-80, was raised against the dealer in February 1981. However, the dealer had already closed down (January 1979) his business and the demand could not be recovered (December 1985).

Delay in assessment and consequential loss of revenue was pointed out in audit in October 1984; reply of the department is awaited (December 1985).

(iii) Assessments in the case of five dealers (three in Faridabad, one in Ambala and one in Hissar) relating to the years 1968-69 to 1975-76 were made by the assessing authorities between March 1974 and June 1977. On a test check in audit of these assessments (between March 1976 and July 1979), tax was found to have been assessed short by Rs. 65,559.

On this being pointed out in audit (March 1976 to July 1979), the department referred the cases to the revisional authority for *suo moto* action between June 1979 and August 1983, but no action was taken thereon till December 1985. In the meanwhile, re-assessment became time-barred, resulting in loss of Rs. 65,559 to Government.

(iv) A dealer of Ambala district did not file his quarterly returns for the years 1974-75 to 1978-79. The

cases were assessed *ex parte* (between March 1977 and December 1981) and a demand for Rs. 2.84 lakhs was raised. In the meantime, the dealer had closed down (1976) his business and the tax could not be recovered from him in the normal course. Recovery was, however, reported to be being effected by auctioning the dealer's property (already attached). Report on recovery is awaited (December 1985).

(v) In the case of a dealer of Narnaul, assessments for the years 1978-79 to 1982-83 were made *ex parte* during July 1983 to January 1984 and an additional demand for Rs. 68.35 lakhs was raised. Meanwhile, the firm had gone into liquidation (September 1982) and the demand could not be realised. However, recovery certificate for the amount due had been issued to the Official Liquidator in February 1984. Further progress is awaited (December 1985).

The above cases were reported to Government in September 1985; their reply is awaited (December 1985).

2.3. Non-levy of purchase tax

(i) The Haryana General Sales Tax Act, 1973 provides that a dealer can on the authority of his certificate of registration purchase without payment of tax, goods other than those on which tax is leviable at the first stage, for resale in the State or sale in the course of inter-State trade or commerce or for use in the manufacture of other goods (such other goods not being free of tax on sale) meant for sale in the State or for sale in the course of inter-State trade or commerce or for sale in the course of export out of India. When goods so purchased are disposed of as such or as manufactured goods, otherwise than by way of sale or resale under circumstances in which no tax is leviable, there shall be levied a tax on the purchase of such goods at the rate applicable under the Act.

(a) Three dealers, one in Faridabad and two in Sonapat, purchased without payment of tax goods valuing Rs. 51.57 lakhs from within the State of Haryana during 1979-80 and 1980-81 and used them in the manufacture of other goods. The manufactured goods were transferred to their branches outside the State. The

manufactured goods having not been subjected to sales tax on their transfer to the dealers' branches, purchase tax was leviable on the purchase value of the goods going into the manufacture. However, the assessing authority failed to levy purchase tax, resulting in tax amounting to Rs. 2,07,165 not being realised.

On the omissions being pointed out in audit (between March 1983 and June 1984), the department initiated rectificatory action in November 1984 and March 1985. Report on rectification is awaited (December 1985).

(b) Two dealers in Karnal and Faridabad purchased, without payment of tax, goods valuing Rs. 42.77 lakhs during the years 1979-80 and 1980-81 and out of these used goods valuing Rs. 18.52 lakhs in the manufacture of other goods (power driven centrifugal pumps and de-oil cakes) on the sale of which tax was not leviable. The assessing authority omitted to levy tax on the purchase value of the goods used in the manufacture of tax-free goods. The omission resulted in tax amounting to Rs. 75,568 not being realised.

On the omission being pointed out in audit (February and March 1983), the department initiated rectificatory action in November 1984 and February 1985. Report on rectification is awaited (December, 1985).

(c) A dealer of Dabwali purchased, without payment of tax, goods valuing Rs. 39.70 lakhs, during the years 1977-78 to 1979-80 and 1981-82. Out of these goods, the goods valuing Rs. 23.30 lakhs were used for the manufacture of tax free goods (Rs. 3.03 lakhs) and other goods (Rs. 31.28 lakhs) which were exported out of India through other agencies. The assessing authority while making the assessment omitted to levy tax on the purchase value of input goods. The omission resulted in tax amounting to Rs. 1,76,474 not being realised.

On the omission being pointed out in audit (between August 1983 and July 1984), the department initiated rectificatory action in January 1985. Report on rectification is awaited (December 1985).

(d) A dealer in Dabwali consigned manufactured goods valuing Rs. 18.97 lakhs to his branches outside the State in 1976-77. The dealer had not paid tax on the purchase value of goods (raw materials) amounting to Rs. 10.93 lakhs which were used in the manufacture of the goods consigned outside the State. While making assessment (June 1981), the assessing authority omitted to levy purchase tax on the goods (raw materials) used in the manufacture. The omission resulted in tax amounting to Rs. 45,046 not being realised.

On the omission being pointed out in audit (September 1983), the department raised (August 1984) a demand for Rs. 45,046. Report on recovery is awaited (December 1985).

(e) A dealer in Hissar purchased, without payment of tax, goods valuing Rs. 7.46 lakhs during 1978-79 and used them in the manufacture of other goods which were transferred by him to his branches outside the State. The assessing authority omitted to levy tax recoverable on the purchase value of goods used in the manufacture of goods transferred outside the State.

On the omission being pointed out in audit (January 1984), the department raised (March 1984) a demand for Rs. 35,471 and recovered the amount in instalments.

(f) As per Government notification issued in May 1973, on sale of ornaments and jewellery, tax is leviable at the rate of 2 per cent, while on sale of bullion it is leviable at 1/2 per cent. It has been judicially* held that old ornaments and other articles of gold purchased by an assessee (with a view to melting them and making new ornaments and other articles) cannot be considered to be purchases of bullion.

During the year 1980-81, a dealer of Panipat purchased, without payment of tax, old ornaments valuing Rs. 22.28 lakhs from within the State and converted them into other articles. He consigned these articles to his agents outside the State for sale. In making the assessment, the assessing authority levied tax at the rate of half per cent, (which

*Deputy Commissioner of Sales Tax Vs. M/s G.S. Pai and Co. (1980) 45 STC 58 (SC)

rate is applicable to bullion), instead of levying purchase tax at the rate of two per cent on the purchase value of the old ornaments. The mistake resulted in tax being levied short by Rs. 34,088.

On the mistake being pointed out in audit (May 1983), the department initiated rectificatory action in May 1985. Report on rectification is awaited (December 1985).

The above cases were reported to Government between June 1983 and July 1985; their reply is awaited (December 1985).

(ii) Under the Haryana General Sales Tax Act, 1973, cotton (declared good), when purchased from within the State, is chargeable to tax at the stage of last purchase by a dealer liable to pay tax under the Act.

In Ambala, cotton, valuing Rs. 2.54 lakhs, purchased by a dealer from within the State during the years 1981-82 and 1982-83, was used in the manufacture of quilts (Rajaies). The assessing authority omitted to levy tax on the last purchase value of cotton. The omission resulted in purchase tax amounting to Rs. 10,167 not being realised.

On the omission being pointed out in audit (May 1984), the department initiated (April 1985) rectificatory action. Report on rectification is awaited (December 1985).

The case was reported to Government in October 1984; their reply is awaited (December 1985).

2.4. Non-levy of tax

(i) Under the Haryana General Sales Tax Act, 1973, on sale of petroleum products, tax is leviable at the first stage of sale in the State. Sale of such products to registered dealers is not exempt from tax.

On sale of petroleum products (bitumen, emulsion, asphalt base sealing compound and tanc marbic) amounting to Rs. 7.98 lakhs, made by a dealer of Faridabad to other registered dealers during the years 1976-77 to

1979-80, tax amounting to Rs. 56,999 was leviable, but was not levied.

On the omission being pointed out in audit (December 1983), the department initiated (February 1984) rectificatory action. Report on rectification is awaited (December 1985).

(ii) As per Government notification issued on 10th April 1980, with effect from 15th April 1980, on sales of all kinds of clocks, time pieces and watches and parts thereof, tax is leviable at the first stage of sale.

On sales of watches amounting to Rs. 1.80 lakhs made by a dealer of Sonapat to other registered dealers during the year 1980-81 (after 15th April 1980), tax amounting to Rs. 18,291 was leviable, but was not levied. Besides, penalty and interest were chargeable from the dealer for his failure to deposit tax along with his returns.

On the omission being pointed out in audit (April 1984), the department raised a demand for Rs. 32,101 (tax: Rs. 18,291; interest: Rs. 12,810; penalty: Rs. 1,000) in June 1984 and recovered the amount in August 1984.

(iii) As per Government notification issued on 28th March 1980, with effect from 1st April 1980, tax on foreign liquor, including Indian made foreign liquor, is leviable at the point of first sale in the State. However, on sale of goods, purchased by a dealer before the first day of April 1980, on the basis of his registration certificate, tax was leviable at the point of last sale in the State.

A dealer in Rohtak had an opening stock of Indian made foreign liquor valuing Rs. 59,313 on 1st April 1980. While making assessment for the year 1980-81, the assessing authority did not levy tax on the sale value amounting to Rs. 1,18,742 (including excise duty and profit margin) of the opening stock, treating this stock as having already been subjected to tax, which was not correct. The omission resulted in tax amounting to Rs. 24,223 not being realised.

On the omission being pointed out in audit (January 1984), the department raised a demand for Rs. 24,223 in March 1984 and charged (March 1985) Rs. 15,967 as interest and penalty. Report on recovery is awaited (December 1985).

The cases were reported to Government in May, July and October 1984; their reply is awaited (December 1985).

2.5. Short levy due to failure to detect suppression of purchases

Under the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales, purchases or stocks of goods, or has concealed any particulars of his sales or purchases, or has furnished to or produced before any authority under the Act, any account, return or information, which is false or incorrect, in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than ten times the amount of tax, which would have been avoided, if the turnover as returned by such dealer had been accepted as correct.

A dealer in Ambala purchased paddy valuing Rs. 15.86 lakhs during the year 1976-77 but accounted for purchases valuing Rs. 12.22 lakhs only in the purchase tax return, which was assessed in March 1984. The assessing authority failed to detect the suppression of purchases valuing Rs. 3.64 lakhs resulting in purchase tax being levied short by Rs. 14,572. Besides, minimum penalty of Rs. 29,144 and interest amounting to Rs. 18,104 were also chargeable from the dealer for suppression of purchases and short payment of tax.

On the omission being pointed out in audit (May 1984), the department initiated rectificatory action in October 1984. Report on rectification is awaited (December 1985).

The case was reported to Government in October 1984; their reply is awaited (December 1985).

2.6. Short levy due to misclassification of goods

(i) Under the Central Sales Tax Act, 1956, coal (including coke in all its forms but excluding charcoal) is classified under goods of special importance in the course of inter-State trade or commerce and, on their sale, tax is leviable at four per cent. As clarified by the Excise and Taxation Commissioner in January 1982, coal briquettes is a commodity different from coal and on its sale, tax is leviable at the general rate of seven per cent.

On sales of coal briquettes amounting to Rs. 8.93 lakhs, made by two dealers of Jagadhari during the years 1980-81 to 1982-83, tax was levied at four per cent, instead of at the correct rate of seven per cent. The mistake resulted in tax being levied short by Rs. 28,032.

On the mistake being pointed out in audit (May 1984), the department initiated rectificatory action in August 1984 and January 1985. Report on rectification is awaited (December 1985).

(ii) Under the Haryana General Sales Tax Act, 1973, on sale of general goods, tax is leviable at the rate of seven per cent.

A dealer of Karnal sold old machinery and plant valuing Rs. 3.80 lakhs during the year 1979-80. The assessing authority levied tax at the rate of four per cent, treating the transaction as sale of scrap, instead of at the correct rate of seven per cent applicable to the sale of old machinery. The mistake resulted in short levy of tax by Rs. 11,937.

On the mistake being pointed out in audit (March 1983), the appellate authority held (February 1985) that all transactions pertaining to sale of old machinery do not represent scrap and remanded the case (February 1985) to the assessing authority for reassessment. Further progress is awaited (December 1985).

The cases were reported to Government in May 1983 and December 1984; their reply is awaited (December 1985).

2.7. Short levy of tax due to acceptance of invalid declarations

The Haryana General Sales Tax Act, 1973, permits a dealer to claim deduction, from his gross turnover, on account of sales of goods (other than those taxable at the point of first sale in the State) made by him to other registered dealers in the State, by furnishing prescribed declarations from the purchasing dealers.

In Bhiwani, a dealer sold watches valuing Rs. 1.01 lakhs to a dealer of Faridabad and claimed deduction in respect thereof from his gross turnover for the assessment year 1980-81, by furnishing the prescribed declarations from the purchaser. The claim for deduction was accepted by the assessing authority. It was, however, noticed in audit that the registration certificate of the purchasing dealer had already been cancelled by the assessing authority of Faridabad on 31st March 1979. The declarations furnished by the assessee were, therefore, invalid. The assessing authority's failure to detect this fact had resulted in short levy of tax, penalty and interest amounting to Rs. 20,396.

On the failure being pointed out in audit (September 1984), the department raised (July 1985) demand for Rs. 20,396. Report on recovery is awaited (December 1985).

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

2.8. Application of incorrect rate of tax

As per a notification issued on 20th September 1979, on inter-State sales of copper wire rods, tax was leviable at the rate of four per cent up to 19th September 1979 and at one per cent from 20th September 1979 to 19th March 1980.

On sales amounting to Rs. 5.27 lakhs, made by a dealer of Rewari during the period from 1st March 1979 to 19th September 1979, tax was levied at one per cent, instead of at the correct rate of four per cent. The mistake resulted in tax being levied short by Rs. 15,806.

On the mistake being pointed out in audit (May 1984), the department initiated (October 1984) rectificatory action. But the whereabouts of the dealer and one of the sureties were not traceable, as they had since closed down their business. Notice to the second surety was issued by the assessing authority on 15th February 1985 and recovery of Rs. 10,000 effected. Report on recovery of the balance amount is awaited (December 1985).

The case was reported to Government in August 1984; their reply is awaited (December 1985).

2.9. Non-levy of penalty

(i) As per the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales, purchases or stock of goods, or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under the Act, any account, return or information, which is false or incorrect in any material particular, he is liable to pay, by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice and not more than ten times the amount of tax which would have been avoided, if the turnover, as returned by such dealer, had been accepted as correct. The Act further provides that no appeal against the assessment order shall be entertained unless the amount demanded has been paid. The appellate authority may, however, in cases where the assessee has paid the amount of tax admitted by him to be due, entertain the appeal for reasons to be recorded in writing and subject to the furnishing of a bank guarantee or adequate security for the payment of the amount finally determined to be due.

(a) A dealer of Gurgaon was assessed (September 1980) *ex-parte* for the assessment year 1979-80 and an additional demand for Rs. 1,06,813 was raised against him. The dealer did not pay the tax demanded and went in appeal, which was accepted without taking adequate bank guarantee or security and the case was remanded (February 1981) for re-assessment. The remand case was also decided (December 1981) *ex-parte*, as the dealer

failed to produce his accounts books, despite being asked to do so, several times. A tax demand for Rs. 3,06,000 was raised against the dealer by the department in respect of suppressed sales/purchases amounting to Rs. 19,52,811, but no penalty was imposed upon him, although a minimum penalty of Rs. 3,98,374 was leviable.

On the omission being pointed out in audit (March 1985), the department stated (May 1985) that whereabouts of the dealer were not known and that there would be no use in levying the penalty when even the tax amount had become irrecoverable.

(b) Two dealers of Jagadhari and Faridabad had suppressed sales amounting to Rs. 5.81 lakhs during the years 1977-78 and 1981-82. The assessing authority included the suppressed sales in the dealer's taxable turnover and levied tax thereon, but did not take penal action for the suppression of sales although in one case the assessing authority had stated (March 1984) that penal action would be taken separately. Minimum penalty leviable in both cases amounted to Rs. 1,16,794.

On the omission to levy penalty being pointed out in audit (May 1981 and November 1984), the department recovered (between January and February 1985) Rs. 9,000 in one case and levied (September 1985) penalty of Rs. 1,10,000 in the other case. Report on recovery is awaited (December 1985).

(c) A dealer of Gurgaon had suppressed his sales amounting to Rs. 95,424 and purchases amounting to Rs. 25,000 during the year 1976-77. The assessing authority who detected the suppression raised an additional demand for Rs. 11,292 (Rs. 9,542 as Central Sales Tax and Rs. 1,750 as purchase tax) and stated in the assessment order that penal action would be taken separately, but no such action was actually taken.

On the omission to charge penalty being pointed out in audit (September 1984), the department raised (February 1985) additional demand for Rs. 23,000. Report on recovery is awaited (December 1985).

(d) Two dealers of Faridabad maintained incorrect

accounts and suppressed sales amounting to Rs. 1.63 lakhs during the year 1980-81. In the assessment orders (April and December 1982), it was stated that penal action for suppression of sales would be taken separately. In one case the assessee was summoned to appear before the assessing authority on 7th May 1982, but the matter was not pursued thereafter. No action to levy penalty was taken in the other case also. Minimum penalty leviable in these cases was Rs. 27,132.

On the omission being pointed out in audit (December 1983), the assessing authority raised (August 1984) additional demand for Rs. 15,000 in one case. In the other case the assessing authority issued (April 1985) a notice for recovery, but the dealer had since closed down his business. Report on recovery is awaited (December 1985).

(e) A dealer of Sirsa suppressed his inter-State sales amounting to Rs. 1.66 lakhs during the year 1979-80. The department assessed (June 1981) the sales to tax and raised additional demand for Rs. 6,621 towards tax and Rs. 1,312 towards interest, but did not impose any penalty, although a minimum penalty of Rs. 13,242 was leviable.

On the omission being pointed out in audit (August 1983), the department referred (July 1985) the case to the revisional authority for *suo moto* action. Further progress is awaited (December 1985).

(f) A dealer of Gurgaon suppressed his sales amounting to Rs. 2,89,745 during the year 1980-81. The assessing authority raised additional demand for Rs. 20,686, but omitted to levy penalty. The minimum penalty leviable amounted to Rs. 41,372. Besides, interest amounting to Rs. 24,104 for non-payment of tax was chargeable.

On the omission being pointed out in audit (September 1984), the department raised (January 1985) an additional demand for Rs. 55,790 towards penalty (Rs. 47,000) and interest (Rs. 8,790). Report on recovery is awaited (December 1985).

(g) Four dealers of Faridabad suppressed sales amounting to Rs. 1,07.91 lakhs during the years 1978-79, 1979-80 and 1981-82. The assessing authority increased the dealers' taxable turnover by that amount and levied tax thereon, but omitted to impose penalty on the dealers for suppression of sales. Minimum penalty leviable on the dealers on the basis of tax assessed (Rs. 22.01 lakhs) amounted to Rs. 44.03 lakhs.

The cases were reported to the department in November 1984; their reply is awaited (December 1985).

(h) In five cases (three at Ambala and one each at Karnal and Hissar), where the dealers had suppressed purchases/sales amounting to Rs. 1,23.66 lakhs during the years 1975-76 to 1979-80 and 1981-82 to 1982-83, the assessing authority mentioned in the assessment orders (between March 1980 and September 1983) that penal action for suppression of turnover would be taken separately. However, no such action was taken till March 1985. Minimum penalty leviable in these cases amounted to Rs. 14.97 lakhs.

The cases were reported to the department between September and December 1984; their reply is awaited (December 1985).

The above cases were reported to Government between February 1983 and July 1985; their reply is awaited (December 1985).

(ii) Under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956, if a dealer fails to furnish, to the assessing authority, his quarterly returns within 30 days of the expiry of the relevant quarter, he is liable to pay penalty which shall not be less than five rupees or more than ten rupees for every day during which the default continues. Under the State Act, the dealer is required to pay tax due as per his quarterly returns alongwith the returns, failing which he is liable to pay interest at the rate of one per cent per month for the first month of default and at one and a half per cent per month thereafter, so long as the default continues. In addition, penalty not exceeding one and a half times the amount of tax, to which he is assessed or is liable to be assessed, is leviable for delay in payment of tax.

(a) A dealer of Faridabad did not furnish, by the prescribed dates, his quarterly returns for the third and fourth quarters of the year 1973-74. While making the assessment (in April 1978), the assessing authority stated that penal action for delay in furnishing the returns would be taken separately, but no such action was actually taken. Minimum penalty leviable amounted to Rs. 26,600.

On this being pointed out in audit (August 1979), the department raised (June 1984) a demand for Rs. 32,676 (penalty: Rs. 29,530; interest: Rs. 3,146). The amount, however, remained unrealised as the firm had gone into liquidation in September 1977. A claim for Rs. 32,676 was lodged by the department with the liquidator on 13th November 1984. Report on recovery is awaited (December 1985).

(b) The returns filed by a dealer of Faridabad for the year 1982-83 were incorrect. The returns for the third and fourth quarters of that year had also been filed by him late. The assessing authority levied and demanded tax amounting to Rs. 31,100 (in addition to the tax already paid by the dealer alongwith his returns) but failed to charge interest and penalty for delay in filing the returns and payment of tax.

The omission was reported to the department in November 1984. The department revised the assessment and raised (January and February 1985) additional demand for Rs. 16,736 (interest: Rs. 8,221; penalty: Rs. 8,515) which was realised in March 1985.

(c) At Sirsa, a dealer was allowed extension of time for filing of his quarterly returns and making payment of tax for the year 1981-82 subject to payment of interest for the period of delay. The dealer paid tax for the third and fourth quarters of the year 1981-82 amounting to Rs. 12,29,620 in instalments during the period between August 1981 and September 1982. However, the assessing authority, while making the assessment (August 1983), omitted to levy interest on belated payment of tax. Interest not charged amounted to Rs. 43,273.

On the failure being pointed out in audit (August

1984), the department raised (April 1985) a demand for Rs. 43,273. Report on recovery is awaited (December 1985).

(d) At Faridabad, a dealer had neither filed his quarterly returns, nor paid tax on his purchases of raw-materials valuing Rs. 7,98,000 made from within the State during the year 1981-82. On making the assessment (February 1985), although the assessing authority levied and demanded tax amounting to Rs. 32,558, he omitted to levy interest and penalty for non-submission of returns and belated payment of tax.

On the omission being pointed out in audit (February 1985), the department raised (March 1985) demand for Rs. 21,209 (interest: Rs. 19,209; penalty: Rs. 2,000). Report on recovery is awaited (December 1985).

(e) A dealer of Faridabad did not pay tax along with his quarterly returns for the year 1981-82. The assessing authority while making the assessment mentioned (February 1983) that action to levy penalty would be taken separately, but no such action was taken.

On the omission being pointed out in audit (November 1983), the assessing authority levied (August 1984) penalty amounting to Rs. 11,075 and recovered the amount in December 1984.

The above cases were reported to Government between January 1985 and June 1985; their reply is awaited (December 1985).

2.10. Short levy of surcharge

As per the Haryana General Sales Tax (Amendment) Act, 1977, the rate of surcharge on sales tax was revised from two per cent to fifteen per cent with effect from 1st September 1977. The revised rate remained in force up to 31st March 1978.

In Faridabad, a dealer was assessed to tax amounting to Rs. 7,72,396 on his turnover for the year 1977-78. The assessing authority levied surcharge on tax at the uniform rate of two per cent, although part of the tax amounting to Rs. 3,77,177 related to the period from 1st October

1977 to 31st March 1978 when surcharge on tax was leviable at the rate of 15 per cent. The mistake resulted in surcharge being levied short by Rs. 49,033.

On the mistake being pointed out in audit (February 1983), the department referred (February 1985) the case to the revisional authority for *suo moto* action. Report on rectification is awaited (December 1985).

The case was reported to Government in June 1983; their reply is awaited (December 1985).

2.11. Interest not charged

Under the Haryana General Sales Tax Act, 1973 and the Central Sales Tax Act, 1956, a dealer is required to pay the tax due from him according to his returns which are to be submitted by the prescribed dates. The amount specified in any demand notice is also required to be paid within the period specified in such notice or, in the absence of any period being specified, within thirty days from the date of service of such notice. In the event of default, the dealer is liable to pay, in addition to the tax due, simple interest on the amount 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) In Dabwali, six dealers did not pay tax amounting to Rs 9.38 lakhs along with their quarterly returns during the years 1979-80 and 1980-81. After assessment demand for tax amounting to Rs. 9.38 lakhs was raised by the department against the dealers. However, interest amounting to Rs. 3.21 lakhs, which was also chargeable from the dealers for non-payment of tax along with the returns, was not demanded.

On the omission to charge interest being pointed out in audit (September 1983), the department stated (February 1985) that interest was being recovered. Report on recovery is awaited (December 1985).

(ii) A dealer of Sonapat did not pay tax due as per his third and fourth quarterly returns filed during the year 1978-79. The assessing authority raised

(February 1982) the demand for tax amounting to Rs. 41,746, but omitted to demand interest (Rs. 21,494) chargeable from the dealer for default in payment of tax.

On the omission being pointed out in audit (March 1983), the assessing authority recovered (December 1984) interest amounting to Rs. 21,494 from the dealer.

(iii) Ten dealers in Faridabad, Gurgaon, Sirsa and Panipat did not pay the tax due by the prescribed date during the years 1974-75 to 1980-81. Demands on account of tax amounting to Rs. 10.68 lakhs were raised by the department, but interest amounting to Rs. 4.76 lakhs, for non-payment or belated payment of tax, was not demanded.

The omission to charge interest was pointed out in audit between April 1982 and October 1984. Reply of the department is awaited (December 1985).

(iv) In Faridabad, a dealer had not deposited the tax due from him in full along with his quarterly returns for the year 1978-79. The assessing authority while making the assessment (December 1982) charged interest amounting to Rs. 1,97,695 and levied penalty amounting to Rs. 2,30,000 on the belated payment of tax. The assessee filed an appeal against the charging of interest and penalty. The appeal was accepted (July 1983) by the appellate authority and the amount of interest and penalty were refunded to the dealer. The decision of the appellate authority was not consistent with the Supreme Court's* judgement in the case of M/s Associated Cement Company Limited, V/S Commercial Tax Officer, Kota, in which it was held that statutory liability to pay the interest arises wherever there is a default in payment of tax within the period allowed by law.

On this being pointed out in audit (December 1983), the assessing authority referred (August 1984) the case to the revisional authority for *suo moto* action. Decision of revisional authority is awaited (December 1985).

(v) A dealer of Jind had failed to pay tax due from him along with his quarterly returns during the

* 48 STC 466 (1981)

years 1978-79 and 1979-80. On finalisation of the assessments of the dealer in March 1982 additional demand for tax amounting to Rs. 3.88 lakhs was raised, but interest chargeable for non-payment of tax along with the returns was not demanded. Interest not charged amounted to Rs. 1.93 lakhs.

On the omission being pointed out in audit (March 1983), the department raised (April 1985) additional demand for Rs. 1.93 lakhs towards interest. Report on recovery is awaited (December 1985).

(vi) In Jagadhari and Yamunanagar, tax amounting to Rs. 6.47 lakhs for the year 1980-81 demanded from three dealers in May and November 1982 was not paid by them within the prescribed period. The department permitted the dealers to pay the amount in instalments but omitted to recover interest amounting to Rs. 29,952, which was chargeable on the belated payments.

On the omission being pointed out in audit (June 1984), the department recovered interest amounting to Rs. 29,952 in August 1984 and January 1985.

(vii) On his sales of copper rods during the year 1980-81, a dealer of Faridabad paid tax at one per cent, instead of at the correct rate of four per cent. The assessing authority on making the assessment demanded additional tax amounting to Rs. 38,527, but omitted to charge interest (Rs. 21,718) for delay in payment of tax.

On the omission being pointed out in audit (January 1984), the department raised (February 1985) further demand for Rs. 21,718 and recovered the amount in September 1985.

(viii) In Sirsa, tax amounting to Rs. 1.41 lakhs demanded from three dealers in August 1981 and August 1982 was not paid by them within the prescribed period. The assessing authority allowed (September 1981 and November 1982) them to pay the tax in instalments after the expiry of that period but omitted to charge interest on the belated payments.

On the omission being pointed out in audit (August 1984), the department raised (July 1985) an additional demand for Rs. 21,853 and recovered (October 1985) Rs. 2,200. Report on recovery of the balance amount is awaited (December 1985).

(ix) In Sonapat, a dealer did not pay tax amounting to Rs. 16,900 along with the returns filed by him for the year 1978-79. The assessing authority failed to charge interest for the delay in payment of tax.

On the omission being pointed out in audit (June 1984), the department raised additional demand for Rs. 14,007 (Rs. 12,007 as interest and Rs. 2,000 as penalty) in June 1984 and recovered (February and March 1985) Rs. 8,000. Report on recovery of the balance amount is awaited (December 1985).

(x) In Faridabad, two dealers did not pay within the prescribed period tax amounting to Rs. 1.03 lakhs for the years 1980-81 and 1981-82 which was demanded from them in January 1983. The dealers were subsequently allowed to pay the tax in instalments, but interest on the belated payments was not charged.

On the omission being pointed out in audit (December 1983 and March 1984), the department demanded (March and July 1984) interest amounting to Rs. 11,884 and penalty amounting to Rs. 400 and recovered (July 1984) Rs. 9,267 in one case. Report on recovery in the second case is awaited (December 1985).

(xi) Three dealers (two in Ambala and one in Gurgaon) did not pay the tax due from them, along with their quarterly returns for the years 1973-74 to 1979-80, but paid it later on. The assessing authorities did not levy interest for the belated payment of tax. Interest leviable in these cases amounted to Rs. 1.99 lakhs.

On the omission being pointed out in audit between September 1984 and November 1984, the department stated (February 1985) that additional demand for Rs. 13,917 had since been raised in one case. Report on recovery and action taken in the remaining two cases is awaited (December 1985).

(xii) At Kaithal, in seventeen cases, the dealers did not pay tax amounting to Rs. 4.81 lakhs along with their quarterly returns for the years 1977-78 and 1978-79. The assessing authorities, while framing the assessments (between December 1981 and March 1982) omitted to charge interest on the defaulted payments.

On the omission being pointed out in audit (November and December 1982), the department raised (between January 1983 and July 1984) additional demand for Rs. 2.28 lakhs, out of which a sum of Rs. 0.12 lakh was recovered in May and June 1984. Report on recovery of the balance amount of Rs. 2.16 lakhs is awaited (December 1985).

(xiii) Thirty dealers (sixteen in Faridabad, eight in Rohtak and six in Hissar) did not pay the tax due from them in full by the prescribed dates (falling between 1973-74 and 1983-84). The assessing authorities, while framing assessments (between April 1982 and March 1984), raised demand for tax amounting to Rs. 16.60 lakhs, but omitted to charge interest amounting to Rs. 78,187.

The omission to charge interest was pointed out in audit in March 1985; reply of the department is awaited (December 1985).

(xiv) Three dealers of Karnal were assessed between May 1982 and June 1983 on their turnover for the year 1981-82 and tax amounting to Rs. 1,55,802 was levied. However, notices for recovery were not issued by the assessing authority. Failure to issue demand notices resulted in non-realisation of tax of Rs. 1,55,802 and also loss of interest amounting to Rs. 66,433 up to March 1985.

These cases were reported to the department in October 1984; their reply is awaited (December 1985).

(xv) In Gurgaon, demand notices for additional tax amounting to Rs. 2,82,216 assessed in 1981-82 and 1982-83 in respect of 62 dealers were not served on the dealers till November 1983, resulting in loss of interest amounting to Rs. 1,36,919.

On this being pointed out in audit in November 1983, the assessing authority admitted the audit objection. Report on rectificatory action taken is awaited (December 1985).

The cases were reported to Government between July 1982 and February 1985; their reply is awaited (December 1985).

2.12. Non-production of assessment files

As many as 10,825 assessment files (other than those reported to be with the appellate or other higher departmental authorities) requisitioned by Audit at the time of local audits conducted during the years 1979-80 to 1983-84, were not produced by the Department for scrutiny. The delayed production of these cases would render audit scrutiny ineffective, as recovery of under-assessments, if any, might become time-barred by the time these files are produced to audit.

The case was reported to the department between March 1984 and June 1985 and to Government in September 1985; their replies are awaited (December 1985).

2.13. Loss of revenue due to non-registration of dealers

Under the Haryana General Sales Tax Act, 1973, no dealer who is liable to pay tax, can carry on business unless he has been registered and possesses a certificate of registration which specifies the class or classes of goods in which the dealer carries on business. Liability to pay tax arises as soon as the minimum turnover of a dealer exceeds a certain prescribed limit, e.g., Rs. 25,000 in the case of a manufacturer, Rs. 40,000 in the case of a Halwai, etc.

A dealer of Hissar purchased foodgrain seeds valuing Rs. 36.79 lakhs during the years 1975-76 to 1979-80. His turnover during the year 1975-76 itself exceeded the prescribed limit by Rs. 10.77 lakhs. The dealer was, therefore, liable for compulsory registration under the law and was required to pay tax on the sale of goods with effect from 1975-76. The department, however, registered the dealer on 12th October 1981, with the date of validity of

registration as from 30th April 1981. The non-registration of dealer, with effect from the year 1975-76 itself, resulted in loss of revenue amounting to Rs. 1.47 lakhs.

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

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

2.14. Non-reconciliation of credits with treasury records

Particulars of the payments of tax made by the dealers, as indicated in their tax returns are entered in the Daily Collection Register. The entries in this Register are subsequently required to be reconciled with the statements showing deposits of tax into the treasury, as received from the Treasury Officer at the end of each month.

An amount of Rs. 6,205 was shown in the Daily Collection Register as having been paid by a dealer of Gurgaon as advance tax for the fourth quarter of the year 1979-80. A verification in audit with reference to the treasury statements, however, showed that no such amount had actually been deposited by the dealer into the treasury. The irregularity had remained undetected in the department due to non-reconciliation of the entries in the Daily Collection Register with the treasury statements. In the case of same dealer, the department had also not charged interest on belated payment (by one month) of tax amounting to Rs. 7,241 for the first quarter of the year 1979-80.

On the irregularities being pointed out in audit (September 1983), the assessing authority raised (November 1984) a demand for Rs. 15,039 (including interest and penalty) against the dealer. Report on recovery is awaited (December 1985).

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

CHAPTER 3

STATE EXCISE

3.1. Results of Audit

Test check of records in departmental excise offices, conducted in audit during the year 1984-85, revealed short recovery and non-recovery of excise duty and other irregularities in 277 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Loss of licence fee on re-auction of vends	23	12.88
2. Loss of excise duty due to excessive wastage	5	5.52
3. Non-recovery or short recovery of penalties and interest	241	2.66
4. Other irregularities	8	3.80
Total	277	24.86

Out of these 277 cases noticed in audit, the department had recovered Rs. 84,249 in 99 cases. In the remaining 178 cases, replies are awaited from the department (December 1985).

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

3.2. Non-levy of duty on spirit lost in redistillation or conversion

The Punjab Distillery Rules, 1932, as applicable to the State of Haryana, do not provide for exemption from levy of excise duty on spirit lost in the process of redistillation or conversion of rectified spirit into plain spirit.

(i) In a distillery at Jagadhari, 1,43,250.5 proof litres of spirit were reported to have been lost in the process of redistillation during the period from 1979-80 to 1982-83. On the quantity lost, excise duty amounting to Rs. 10.03 lakhs was recoverable (at the rate of Rs. 7 per proof litre), but was not recovered.

On the omission being pointed out in audit (July 1980 to June 1983), the department confirmed (January 1985) that the excise duty was recoverable. Report on action taken to recover the amount is awaited (December 1985).

(ii) In a distillery at Yamunanagar, 20,45,152 proof litres of rectified spirit were issued for conversion into plain spirit during the year 1982-83. Plain spirit prepared was, however, 20,39,283 proof litres only. On 5,869 proof litres of rectified spirit wasted during the process of conversion, excise duty amounting to Rs. 41,088 was recoverable, but was not realised.

On the omission being pointed out in audit (June 1983), the department confirmed (January 1985) that excise duty on this wastage was recoverable. Report on action taken to recover the amount is awaited (December 1985).

The cases were reported to Government between July 1980 and June 1983; their reply is awaited (December 1985).

3.3. Irregular allowance of wastage

The Punjab Brewery Rules, 1956 and the Punjab Fiscal Order, 1932, as applicable to Haryana, provide for making an allowance of 10 per cent towards

wastage of beer after it is brewed. The allowance for wastage is calculated on the quantity of beer, on which excise duty is leviable and not on beer cleared or kept under bond without payment of duty.

In a brewery at Murthal, 10 per cent wastage was allowed on 26.69 lakh bulk litres (41,06,460 bottles) of beer cleared under bond without payment of excise duty during the year 1983-84, which was irregular. This resulted in excise duty amounting to Rs. 4.11 lakhs not being realised.

The irregularity was pointed out in audit in November 1984; reply of the department is awaited (December 1985).

The case was reported to Government in November 1984; their reply is awaited (December 1985). Similar cases of irregular allowance of wastage were also reported in paragraphs 4.1 (c), 4.2, 4.4 (b), 3.3, 3.3 (ii) and 3.3 (i) of the Audit Reports on Revenue Receipts for the years 1977-78 to 1979-80 and 1981-82 to 1983-84 respectively.

3.4. Non-recovery of licence fee

Under the Haryana Liquor Licence Rules, 1970, licences for vending country liquor are granted by auction. The successful bidder is required to deposit, by way of security, an amount equivalent to 16 $\frac{2}{3}$ per cent of annual licence fee, of which 5 per cent is payable at the fall of the hammer and the remaining 11 $\frac{2}{3}$ per cent within a period of ten days of the date of the auction. In the event of his failure to pay security, the licence is liable to be cancelled and the vend re-auctioned at the risk and cost of the original licensee.

In Faridabad, a licence for vending a country liquor shop was auctioned (March 1983) for the year 1983-84 for Rs. 3.30 lakhs. The successful bidder failed to deposit the full amount of security within the stipulated period. The licence was cancelled and the vend re-auctioned (April 1983) at the risk and cost of the original licensee for Rs. 2.50 lakhs. This resulted in loss of Rs. 0.80 lakh. The appeal filed by the original

licensee was rejected (August 1983) by the Financial Commissioner and recovery of Rs. 0.80 lakh was ordered to be made as arrears of land revenue as per procedure prescribed for recovery. No action was, however, initiated by the department to effect the recovery.

On the omission being pointed out in audit (September 1984), the department recovered (between September 1984 and June 1985) Rs. 31,900 and adjusted security of Rs. 15,000. Report on the recovery of the balance amount is awaited (December 1985).

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

3.5. Interest not charged on belated payments of licence fee

As per the Haryana Liquor Licence Rules, 1970, if a licensee fails to pay any instalment of the licence fee or part thereof by the 20th day of a month, he shall be liable to pay interest at the rate of 15 per cent per annum from the first day of the relevant month up to the date of payment.

In Rohtak, although in 50 cases the licensees had failed to pay the monthly instalments of licence fee by the prescribed dates, during 1982-83 and 1983-84; interest on belated payments was either not recovered or was recovered short. Interest not realised amounted to Rs. 50,355.

On the omission being pointed out in audit (January 1984 and January 1985), the department recovered (July 1984) Rs. 27,400 from the licensees. Report on recovery of the balance amount is awaited (December 1985).

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

CHAPTER 4

TAXES ON MOTOR VEHICLES

4.1. Results of Audit

During the period April 1984 to March 1985, test check of documents in the departmental offices, conducted in audit, revealed under-assessment of tax to the extent of Rs. 11.32 lakhs in 5,817 cases. The under-assessments were due to mistakes, which may be broadly categorised under the following heads :—

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy of token tax	171	3.07
2. Short levy of token tax	127	2.54
3. Non-renewal of registration of non-transport vehicles	4,907	3.61
4. Irregular exemptions	26	0.98
5. Other reasons	586	1.12
Total	5,817	11.32

Out of 5,817 cases of under-assessment pointed out in audit, the department had since taken rectificatory action and recovered Rs. 1,53,931 in 121 cases. In 253 cases, action had been initiated by the department to rectify and recover the amount under-assessed. In 5,443 cases, replies are awaited (December 1985).

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

4.2. Non-recovery of tax

Under the Motor Vehicles Act, 1939, a certificate of fitness is required to be obtained in respect of a transport vehicle before it is registered. Under the Punjab Motor Vehicles Taxation Act, 1924, as applicable to Haryana, no vehicle can be put on road unless token tax at prescribed rates has been paid. Any broken period in a quarter is considered as full quarter for the purpose of levy of token tax.

(i) At Ambala, 22 stage carriages were declared fit in the first quarter of the year 1984-85, but token tax was levied only from the second quarter of 1984-85. This resulted in tax being levied short by Rs. 1.39 lakhs.

On the mistake being pointed out in audit (August 1984), the department recovered (September 1984) Rs. 1.33 lakhs in respect of 21 vehicles. Report on recovery of the balance amount is awaited (December 1985).

(ii) In Karnal, seven buses belonging to Haryana Roadways were granted certificate of fitness in July 1984. The token tax was also recovered from the second quarter of the year 1984-85. A cross check of records in audit, however, showed that the buses had actually been put on road in June 1984 without payment of tax for the first quarter. Tax not paid amounted to Rs. 45,045. Haryana Roadways were also liable to penal action for committing offence of putting the buses on roads before getting them registered. Besides, penalty for non-payment of tax for the first quarter was also leviable.

On this being pointed out in audit (November 1984), the Registering Authority asked (May 1985) the General Manager, Haryana Roadways, Karnal to deposit the amount of tax for the first quarter of the year 1984-85. Report on recovery and penal action taken is awaited (December 1985).

(iii) In Gurgaon, nine stage carriages were declared condemned in the first and second quarters of the year 1980-81, but token tax amounting to Rs. 67,815, for the quarters in which the vehicles were condemned, was not recovered.

On the omission being pointed out in audit (January 1983), the Registering Authority stated (March 1985) that efforts were being made to recover the amount of tax due. Report on recovery and penal action taken is awaited (December 1985).

The cases were reported to Government in February 1983, September 1984 and November 1984; their reply is awaited (December 1985).

4.3. Application of incorrect rates of tax

(i) Under the Punjab Motor Vehicles Taxation Rules, 1925, as applicable in Haryana, token tax on contract carriages owned by any factory and used exclusively for the carriage of its personnel was chargeable at the rate of Rs. 130 per seat per annum up to the year 1977-78 and at Rs. 200 per seat per annum thereafter.

In Ambala, Bhiwani, Charkhi Dadri, Gohana, Kalka, Panipat, Ballabgarh and Rohtak, on twenty five vehicles owned by the Haryana Electricity Board and private companies/parties and used exclusively for carriage of their employees, tax was recovered at rates lower than the prescribed rates during various periods between July 1968 and June 1984. The mistakes resulted in tax being realised short by Rs. 55,951.

On the mistakes being pointed out in audit (between November 1982 and January 1985), the department recovered Rs. 3,795 in December 1982 and May 1984 and issued notices for recovery of another amount of Rs. 34,968 between May 1983 and May 1985. Report on recovery of Rs. 34,968 and action taken in the remaining cases is awaited (December 1985).

(ii) Under the Punjab Motor Vehicles Taxation Act, 1924 and the rules made thereunder, as applicable to Haryana, on vehicles for which private carrier permits have been issued and which are used solely in the course of trade and industry, tax is leviable at varying rates based on their unladen weight.

In Karnal and Panipat, in respect of 14 vehicles owned by autonomous bodies (11 vehicles) and private parties (3 vehicles) and covered by private carrier permits,

tax was levied at rates lower than those actually applicable based on their unladen weights. The mistakes resulted in tax being realised short by Rs. 25,831 for various periods between October 1974 and March 1984.

On this being pointed out in audit (between November 1982 and November 1984); the department recovered (August 1983) Rs. 883 and issued (March 1985 and May 1985) notices for recovery of the balance amount. Report on recovery is awaited (December 1985).

The cases were reported to Government between January 1983 and November 1984; their reply is awaited (December 1985).

4.4. Irregular grant of exemption from tax

(i) The Punjab Motor Vehicles Taxation Act, 1924 and the rules made thereunder, as applicable to Haryana, provide for exemption from payment of tax in respect of motor vehicles owned or kept for use by departments of Central or State Government. This exemption is, however, not admissible in respect of the vehicles owned by Government undertakings or autonomous bodies.

In Narnaul, Gurgaon, Karnal and Sirsa, in respect of 36 vehicles owned by the District Rural Development Agencies (autonomous bodies), token tax was either not levied or was levied at less than the prescribed rates for various periods between January 1976 and June 1984. The mistakes resulted in short realisation of tax amounting to Rs. 54,688.

On the short realisation being pointed out in audit between January 1983 and December 1984, the department recovered Rs. 3,068 between November 1983 and March 1985 and issued notices for recovery of the balance amount of Rs. 51,620 (between May 1983 and May 1985). Report on recovery of the balance amount is awaited (December 1985).

(ii) Under the Punjab Passengers and Goods Taxation Rules, 1952, as applicable to Haryana, the owner of a tractor having a public carrier permit is required to pay lump sum tax at the rate of Rs. 450 per annum. In September 1976, the Excise and Taxation

Commissioner had clarified that tractors with attached trollies which were owned by the Municipal Committees, were not exempt from levy of tax.

In Ambala and Hissar, in respect of nine tractors (with trollies) belonging to the Municipal Committees, tax amounting to Rs. 31,612 for varying periods during the years 1973-74 to 1983-84 was not recovered on the mistaken view that these were exempt from payment of tax.

On the incorrect grant of exemption from tax being pointed out in audit (between February 1983 and August 1984), the department initiated (November 1984) rectificatory action in one case. Report on rectification and action taken in the remaining eight cases is awaited (December 1985).

The cases were reported to Government between February 1983 and December 1984; their reply is awaited (December 1985).

4.5. Short recovery of tax on vehicles having temporary permits

Under the Motor Vehicles Act, 1939, a Regional Transport Authority may grant permit for use of a transport vehicle temporarily in other States. Under the Punjab Motor Vehicles Taxation Act, 1924 (as applicable to Haryana State) and the notifications issued thereunder, motor vehicles entering the State of Haryana on temporary permits, issued by other States for a period not exceeding fifteen days shall be charged token tax equal to one twenty-fifth ($1/25$ th) of the tax payable per vehicle per annum. Any broken period in a quarter is considered as full quarter for the purpose of levy of token tax.

In respect of 57 vehicles, entering the State of Haryana (during the year 1983-84) on temporary permits granted by the Madhya Pradesh State Government for a period exceeding fifteen days in each case, token tax was incorrectly charged by taking month as a unit, instead of a quarter as a unit for recovery. This resulted in short realisation of tax amounting to Rs. 14,460.

On this being pointed out in audit (October 1984), the department stated (July 1985) that recoveries were being effected. Report on recovery is awaited (December 1985).

The case was reported to Government in November 1984; their reply is awaited (December 1985).

4.6. Excess refund of tax

The Punjab Motor Vehicles Taxation Act, 1924 and the rules framed thereunder, as applicable to Haryana, provide for exempting a person from payment of tax in respect of a vehicle for a quarter if he does not intend to use the vehicle throughout the said quarter and deposits the registration certificate with the licensing officer and also sends advance intimation of his intention not to use the vehicle during the quarter for which exemption is claimed. Any broken period in a quarter is considered as full quarter for the purpose of levy of token tax. If tax is paid for the whole of the financial year in advance by the date by which tax for the first quarter is payable, a rebate of 5 per cent is allowed.

In Sirsa, Haryana Roadways deposited registration certificates of five buses with the registering authority in August 1983 and claimed refund of token tax paid by them in advance. Although refund was due for the third and fourth quarters only, i.e., for the period from October 1983 to March 1984, it was allowed from September 1983. The mistake resulted in the refund being allowed in excess by Rs. 19,492.

On the mistake being pointed out in audit (August 1984), the department stated (June 1985) that the General Manager, Haryana Roadways Sirsa had since been asked to deposit tax amounting to Rs. 19,492. Report on recovery is awaited (December 1985).

The matter was reported to Government in November 1984; their reply is awaited (December 1985).

4.7. Failure to detect evasion of tax on buses

As per the Punjab Motor Vehicles Taxation Act, 1924 and the rules framed thereunder, as applicable to Haryana, no tax is leviable on a vehicle for a quarter provided the vehicle owner deposits the registration certificate with the licensing authority together with an advance intimation that the vehicle will not be used in that quarter.

In Gurgaon, Haryana Roadways deposited registration certificates of three buses with the licensing officer on 2nd January 1984 with an intimation that the buses will not be used in the quarter ending March 1984. It was, however, noticed in audit from the vehicle-wise receipt register that Haryana Roadways had continued to ply these buses for carrying passengers even after the date of deposit of the registration certificates. The department's failure to detect this fact had resulted in non-realisation of tax amounting to Rs. 20,625 for the quarter ending March 1984. In addition, penalty for non-payment of tax was also recoverable from the Roadways.

On the failure being pointed out in audit (December 1984), the Registering Authority stated (June 1985) that the Gurgaon depot of Haryana Roadways had since been asked to deposit the amount. Report on recovery and action taken for levying penalty is awaited (December 1985).

The matter was reported to Government in January 1985; their reply is awaited (December 1985).

4.8. Under-assessment of passenger tax

Under the Punjab Passengers and Goods Taxation Act, 1952 and the rules made thereunder, as applicable to Haryana, tax is levied at prescribed rates on the fares and freight realised in respect of passengers and goods carried by motor vehicles.

In Ambala, a company, which provided transportation facility to its employees and their school going wards,

was assessed to passenger tax at incorrect rates during the period from September 1980 to March 1981 and October 1982 to March 1983, resulting in short realisation of tax by Rs. 10,671.

On the mistake being pointed out in audit (September 1984), the assessing authority recovered the amount in January 1985.

The case was reported to Government in October 1984; their reply is awaited (December 1985).

On the mistake being pointed out in audit (December 1984), the Assessing Authority stated (June 1985) that the Gurgaon depot of Haryana Roadways had since been asked to deposit the amount. Report on recovery and action taken for levying penalty is awaited (December 1985).

The matter was reported to Government in January 1985; their reply is awaited (December 1985).

4.8. Under-assessment of passenger tax

Under the Punjab Passengers and Goods Taxation Act, 1952 and the rules made thereunder as applicable to Haryana, tax is levied at prescribed rates on the fares and freight realised in respect of passengers and goods carried by motor vehicles.

In Ambala, a company which provided transportation facility to its employees and their school going wards,

CHAPTER 5

OTHER TAX RECEIPTS

A—STAMP DUTY AND REGISTRATION FEE

5.1. Results of Audit

Test check of the records in departmental offices, conducted in audit during the year 1984-85, revealed short levy and non-levy of stamp duty and registration fee as also other irregularities in 1,460 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Irregular exemptions	357	12.16
2A. Under-valuation of immovable properties	198	7.59
3. Short levy due to mis- takes in computation	399	1.09
4. Evasion of stamp duty	3	0.92
5. Short levy or non-levy of stamp duty and registration fee due to incorrect classification of deeds	5	0.81
6. Short levy or non-levy of fine on late presen- tation of documents for registration	27	0.27
7. Other irregularities	471	1.99
Total	1,460	24.83

Out of 1,460 cases pointed out in audit, the department had since taken rectificatory action in 72 cases and recovered Rs. 23,383. In 147 cases, action had been initiated by the department to recover an amount of Rs. 73,866. 134 cases involving under-valuation of immovable properties had been referred to the Collector for decision. In 1,107 cases, replies are awaited from the department (December 1985).

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

5.2.1. Stamp Duties and Registration Fees

Stamp duty falls under two categories viz., judicial and non-judicial. Judicial stamp duty represents fee payable by persons in connection with the legal proceedings, while non-judicial stamp duties are levied on instruments executed for giving legal validity to the transactions dealt with therein.

The levy and collection of stamp duty on various types of instruments is governed by the Indian Stamp Act, 1899, the Indian Stamp (Punjab Amendment) Act, 1922, as applicable in Haryana, and the Indian Stamp (Haryana Amendment) Act, 1973.

The levy of registration fee on the instruments presented for registration is governed by the Indian Registration Act, 1908 and the rules framed thereunder.

5.2.2. Organisation

The State Government exercises control over the stamp administration through the Financial Commissioner, Commissioners of the Divisions, Registrars (Collectors of the districts) and Sub-Registrars (Tehsildars). The superintendence and control over the registration work is exercised by the Inspector General of Registration under whom the Deputy Commissioners, Tehsildars and Naib-Tehsildars act as the Registrars, Sub-Registrars and Joint Sub-Registrars, respectively.

5.2.3 Trend of Revenue

The table below indicates the total revenue raised by the State from stamps and registration fees and the percentage

of this revenue to the total tax revenue raised by the State during the three years ending 1984-85.

Year	Tax revenue raised by the State	Revenue from stamps and registration fees	Percentage of revenue from stamps and registration fees to the total tax revenue
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(In crores of rupees)

1982-83	3,36.68	25.18	7.48
1983-84	3,88.04	28.08	7.24
1984-85	4,34.76	33.00	7.59

5.2.4. Under-valuation of immovable property

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

(a) In 196 cases, values of land as set forth in the instruments of sale/gift or exchange of immovable properties were lower, as compared to the values set forth in other instruments relating to similar properties transferred in the same or neighbouring areas approximately during the same periods. But the cases had not been referred to the Collector. Stamp duty and registration fee had apparently been levied short by Rs. 7.15 lakhs due to adoption of incorrect values of these properties.

On this being pointed out in audit, 112 cases were referred to the Collector between August 1982 and February 1985. Of these, 3 cases only were decided by the Collector up to March 1985, as a result of which further stamp duty and registration fee amounting to Rs. 3,736 became recoverable in one case. Particulars of recovery are awaited. In 10 other cases (including 6 referred to the Collector), recoveries amounting to Rs. 6,475 were also effected by the department. Result of action taken in the remaining cases is awaited (December 1985).

(b) In 6 registering offices at Ambala and Kurukshetra districts, values of properties set forth in 16 sale deeds (registered during 1981-82 to 1984-85) were found to be much less than those agreed upon between the parties and set forth in the "agreements to sell" executed by them earlier with the document writers. Stamp duty and registration fee were realised on the basis of values indicated in the sale deeds without comparing these with the values shown in the agreements to sell. This resulted in stamp duty and registration fee being realised short by Rs. 47,466.

The cases were reported to department in August 1985; their reply is awaited (December 1985).

(ii) As per notification issued in July 1948, under the Indian Stamp Act, 1899, levy of stamp duty on instruments executed by any officer or member of a co-operative society was exempted, provided the transactions evidenced by the instrument related to the business of the society registered under the Co-operative Societies Act. This exemption was withdrawn by Government, by issue of a notification in February 1962, in respect of the instruments executed by House Building Co-operative Societies in urban areas, except where all the members of such a society belonged to scheduled castes. The State Government further clarified in March 1984 that the exemption from grant of stamp duty would not be admissible to the House Building Co-operative Societies, whose headquarters were located in urban areas, even if they purchased land beyond the municipal limits of the urban areas.

(a) On 11 instruments executed by four House

Building Co-operative Societies (having their headquarters in urban area of Jagadhari and Yamuna Nagar) for purchase of land in rural areas during the year 1983-84, stamp duty amounting to Rs. 6,51,875 was leviable, but was not levied.

On the irregular grant of exemption being pointed out in audit (September 1984), the department issued (December 1984) notices for the recovery of Rs. 6,51,875 from the Co-operative Societies. Report on the recovery is awaited (December 1985).

(b) On five instruments executed in Ambala and Jind districts, during the years 1982-83 to 1983-84, by the House Building Co-operative Societies, Stamp duty and registration fee were not levied although these were leviable as the transactions did not relate to the business of the societies. Stamp duty and registration fee not realised amounted to Rs. 8,442.

On the omission being pointed out in audit (between October 1983 and January 1985), the department recovered Rs. 2,727 and issued notices for recovery of the balance amount of Rs. 5,715. Report on recovery is awaited (December 1985).

5.2.5. Mistakes in calculations

Under the Indian Stamp Act, 1899, and Indian Registration Act, 1908, stamp duty and registration fee are leviable on the consideration set forth in the instruments.

In respect of 528 instruments of different nature, registered in Ambala, Kurukshetra, Karnal, Faridabad, Jind and Bhiwani during the years 1981-82 to 1983-84, stamp duty and registration fee amounting to Rs. 95,589 (stamp duty : Rs. 82,449 and registration fee : Rs. 13,140) were realised short due to arithmetical mistakes in calculations.

On the short realisation being pointed out in audit (between June 1982 and January 1985), the department recovered Rs. 31,402 in 182 cases and issued notices (between October 1984 to January 1985) for recovery of balance amount of Rs. 64,187 in 346 cases. Report on recovery is awaited (December 1985).

5.2.6. Non-recovery of stamp duty on certificates of sales

The Government of Haryana (Revenue Department) clarified in May 1982 that 'Sale Certificates' in respect of urban evacuee lands/properties issued by the Rehabilitation Department were exempt from payment of stamp duty under the Displaced Persons Compensation and Rehabilitation Act, 1954 and the rules made thereunder. This exemption was admissible to displaced persons only.

However, at Ambala three 'sale certificates' issued by the Tehsildar, Ambala in favour of persons or bodies other than the displaced persons were exempted from payment of stamp duty. The mistake resulted in stamp duty amounting to Rs. 41,953 not being realised.

On the mistake being pointed out in audit (October 1983 and October 1984), the department recovered Rs. 10,270 in two cases and issued a notice for recovery of Rs. 31,683 in the third case. Report on recovery is awaited (December 1985).

(ii) Under the Indian Stamp Act, 1899, a 'certificate of sale' granted to the purchaser of any property sold by public auction by a Civil or Revenue Court or other Revenue Officer is chargeable with the same duty as on a conveyance, for a consideration equal to the amount of the purchase money, and the expenses of providing the proper stamps are to be borne by the purchaser of the property. The 'sale certificates' are compulsorily registrable.

At Assandh, Kurukshetra, Ambala and Naraingarh, in 10 cases of 'sale certificates' granted by the Revenue Authorities during the years 1981-82 to 1983-84, stamp duty and registration fee amounting to Rs. 9,196 (stamp duty: Rs. 9,187 and registration fee: Rs. 9) were leviable but were not realised.

On the omission being pointed out in audit (between August 1982 and October 1984), the department recovered Rs. 1,569 in 4 cases and issued notices

(November and December 1984 and January 1985) for recovery of the balance amount of Rs. 7,627 in 6 cases. Further progress is awaited (December 1985).

5.2.7. Misclassification of instruments

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

In Ambala, Bhiwani, Jind and Karnal districts, 11 instruments (by which certain individuals had donated movable and immovable property to a trust created for educational and charitable purposes) were erroneously registered as deeds of declaration of trust, instead of as deeds of settlement and assessed to stamp duty at lower rates. Stamp duty and registration fee levied short as a result of this misclassification amounted to Rs. 29,268.

On the mistake being pointed out in audit (between June 1982 and January 1985), the department recovered Rs. 4,000 in 5 cases and issued notices for recovery of Rs. 1,358 in 4 cases. The remaining 2 cases, involving short recovery of Rs. 23,910, were pending in the court since December 1982. Further progress is awaited (December 1985).

(ii) In the offices of Sub-Registrar Kalka, Jagadhari and Jind, in four cases relating to handing over of possession of properties after receiving full or part amounts of consideration, the relevant instruments were erroneously registered as memorandum of agreements, instead of as instruments of conveyance. The misclassification resulted in stamp duty and registration fee being realised short by Rs. 21,722.

On the mistake being pointed out in audit (November 1982 and October 1984), the department recovered Rs. 2,003 and issued notices (November 1984 and January 1985) for recovery of the balance amount of Rs. 19,719.

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

In the offices of the Sub-Registrar, Ambala, Palwal and Ballabgarh, four deeds whereby power of attorney was given for consideration (totalling Rs. 1,34,296) and the attorneys had been authorised to sell the properties, stamp duty and registration fee were charged at lower rates applicable to the general power of attorney, instead of at rates applicable to deeds of conveyance. Stamp duty and registration fee realised short amounted to Rs. 19,825 (stamp duty : Rs. 18,128 and registration fee : Rs. 1,697).

On the mistake being pointed out in audit (February 1983), the department issued notices (November 1984) for recovery of the duty short levied. Progress of recovery is awaited (December 1985).

5.2.8. Short levy of fine on late presentation of documents for registration

Under the Indian Registration Act, 1908 and the rules made thereunder, as applicable in Haryana, no document, other than a 'Will', shall be accepted for registration unless presented for that purpose to the proper officer within four months from the date of its execution. The rules *ibid* provide recovery of fine for the delay in presenting documents for registration.

In the offices of Sub-Registrar, Ambala, Karnal, Faridabad and Kurukshetra districts, during the years 1981-82, 1982-83 and 1983-84, on 24 documents presented late for registration, fine amounting to Rs. 18,049 was either not imposed or was incorrectly imposed.

On this being pointed out in audit (May 1982 to January 1985), the department recovered an amount of Rs. 1,408 in two cases and issued (November 1984 to January 1985) notices for recovery of the balance amount of Rs. 16,641.

5.2.9. Irregular grant of exemption

(i) Under the Indian Stamp Act, 1899 and the rules made thereunder, stamp duty chargeable on a deed of mortgage (where possession of property is not given), executed by an officer of Government in civil or military employ, for securing repayment of loan received by him from Government for purposes of construction, purchase or repair of a dwelling house for his own use, is exempted from levy of stamp duty. Levy of registration fee is also exempted under the Indian Registration Act, 1908.

However, in Bhiwani, Ambala, Karnal, Faridabad, Kurukshetra and Jind districts, in 83 cases, such documents executed even by non-government officials during the years 1981-82 to 1983-84 were exempted from the levy of stamp duty and registration fee. The irregular grant of exemption resulted in non-realisation of stamp duty amounting to Rs. 12,157 and registration fee amounting to Rs. 8,838.

On the mistake being pointed out in audit (between June 1982 to January 1985), the department recovered Rs. 5,631 in 10 cases, and issued notices (October and November 1984 and January 1985) for recovery of the balance amount of Rs. 15,364 in 73 cases. Report on recovery of Rs. 15,364 is awaited (December 1985).

(ii) By a notification issued on 20th May 1977 under the Indian Stamp Act, 1899, Government of Haryana remitted stamp duty leviable on deeds of mortgage (where possession of properties was not given) executed by agriculturists in favour of any scheduled bank for securing loans up to Rs. 60,000 taken for specified purposes such as purchase of tractors, tractor trollies, thrashers, cane crushers, installation of tube wells, levelling and reclamation of land, development of agriculture, sprinkler set, dairy, piggery, poultry or any other allied purposes. Likewise, levy of registration fee under the Indian Registration Act, 1908 was also exempted.

In the offices of Sub-Registrar Bhiwani, Ambala, Karnal, Faridabad and Jind districts, on 29 deeds of mortgage (in which possession of property was not given) executed during the years 1981-82 to 1983-84 by agriculturists in order to secure loans from the banks, levy of stamp duty and registration fee was exempted, even

though the loans secured were not covered by the afore-said notification. The irregular grant of exemption resulted in stamp duty amounting to Rs. 11,190 and registration fee amounting to Rs. 8,253 not being realised.

On the mistake being pointed out in audit (between June 1984 and January 1985), the department recovered Rs. 3,745 in four cases and issued notices (between October 1984 and January 1985) for recovery of the balance amount of Rs. 15,698 in 25 cases.

(iii) As per a notification issued by Government in October 1983 under the Indian Stamp Act, 1899, on deeds of mortgage (where possession of properties was not given) which are executed by agriculturists in favour of any Commercial Bank for securing loans exceeding Rs. 60,000 taken for certain specified purposes, the duty chargeable shall be on the amount of loan, which is in excess of Rs. 60,000.

In the offices of Sub-Registrar, Bhiwani, Ambala, Karnal, Faridabad, Kurukshetra and Jind districts, on 69 such deeds of mortgage executed during the years 1981-82 to 1983-84 by agriculturists in order to secure loans (exceeding Rs. 60,000 in each case) from scheduled banks, stamp duty and registration fee were exempted, irrespective of the amount of loan secured. The irregular grant of exemption resulted in stamp duty amounting to Rs. 22,125 and registration fee amounting to Rs. 12,995 not being realised.

On the mistake being pointed out in audit (between June 1982 and January 1985), the department recovered Rs. 6,536 in 11 cases and issued notices for the recovery of the balance amount of Rs. 28,584 in 58 cases.

5.2.10. Other topics of interest

Under the Income Tax Act, 1961, where any document required to be registered under the Indian Registration Act, 1908, purports to transfer, assign, limit or extinguish the right, title or interest of any person to any property valued at more than Rs. 50,000, no Registering Authority appointed under the said Act shall register any such document, unless a certificate to the effect, that such

person or persons has paid or made satisfactory provisions for payment of all existing liabilities of income tax, gift tax and wealth tax, has been obtained by the assessee from the Income Tax Officer.

In 194 cases, the registering authorities in six districts (Ambala, Karnal, Kurukshetra, Jind, Faridabad and Bhiwani) had not complied with the aforesaid provisions of the Income Tax Act, although the value of the properties in each case had exceeded rupees fifty thousand.

On the omission being pointed out in audit (April 1982 to January 1985), the registering authorities obtained Income Tax Clearance Certificates in 16 cases. Report on action taken in the remaining 178 cases is still awaited (December 1985).

5.2.11. Arrears of stamp duty and registration fee

A test review of the Deficiency Register, maintained by the Sub-Registrar/Joint Sub-Registrar in Jind, Kurukshetra, Karnal, Ambala, Faridabad and Bhiwani districts, showed that as at the end of March 1985, recovery of stamp duty and registration fee amounting to Rs. 27.64 lakhs was in arrears in 2,306 cases as detailed below :—

	Cases	Amount (In lakhs of rupees)
(i) Arrears outstanding for more than 10 years	212	1.15
(ii) Arrears outstanding for 6 years to 10 years	746	5.23
(iii) Arrears outstanding for 3 years to 6 years	652	11.50
(iv) Arrears outstanding for less than 3 years	696	9.76
	<hr/> 2,306 <hr/>	<hr/> 27.64 <hr/>

No effective steps for recovery of these arrears had been taken by the department.

5.2.12. Cases of short levy not detected by internal audit

A test check of records in the offices of Sub-Registrars/Joint Sub-Registrars in Ambala, Bhiwani, Jind and Kurukshetra districts during 1982-83 to 1984-85 revealed short levy of stamp duty amounting to Rs. 7.41 lakhs and registration fee amounting to Rs. 0.27 lakh in 521 cases. Although these cases had been checked in internal audit during the years 1981-82 to 1983-84, the short levy had remained undetected by them.

The above points were reported to Government between June 1982 and August 1985; their reply is awaited (December 1985).

B--LAND HOLDINGS TAX

5.3. Results of Audit

Test check of records in Tehsil Offices in eight districts (Faridabad, Kurukshetra, Gurgaon, Karnal, Sirsa, Ambala, Rohtak and Sonapat), conducted in audit during the year 1984-85, revealed under-assessments of land tax amounting to Rs. 4.55 lakhs in 2,937 cases. The under-assessments were due to mistakes, which may be broadly categorised under the following heads :--

	Number of cases	Amount (In lakhs of rupees)
1. Non/under-assessment of land holdings tax	2,015	2.50
2. Over-payment of cess on land holdings tax	754	0.90
3. Non recovery of rent/ non-leasing out of Nazul land	34	0.77
4. Other reasons	134	0.38
Total	2,937	4.55

Out of 2,937 cases pointed out in audit, the department has since effected recovery of Rs. 54,274 in 382

cases. In 1,886 cases (involving revenue of Rs. 2.34 lakhs), action to recover the amount had been initiated by the department. Report on recovery is awaited. Replies in respect of 669 cases are still awaited from the department (December 1985).

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

5.4. Short recovery or non-recovery of land holdings tax

Under the Haryana Land Holdings Tax Act, 1973, land tax is leviable on each land holding including land owned by Gram Panchayats and departments of Government. Government clarified in January 1974, that land including *shamlat* land belonging to a Panchayat constitutes one holding for the purpose of levy of land tax.

(i) In eight tehsils of Gurgaon and Kurukshetra districts, *shamlat* lands owned by Gram Panchayats were not assessed to tax as one holding (during the years 1973-74 to 1983-84), but were assessed to tax separately in the names of different cultivators. The mistake resulted in short recovery of tax amounting to Rs. 83,667.

On the mistake being pointed out in audit (July 1984 and September 1984), the department raised (November 1984 to January 1985) demand for Rs. 83,494, out of which an amount of Rs. 4,368 was recovered between January 1985 and July 1985. Report on recovery of the balance amount is awaited (December 1985).

(ii) In Palwal and Chhachhrauli tehsils, on 516 acres of land owned by two departments of Government, land holdings tax amounting to Rs. 13,771 (for the years 1973-74 to 1983-84) was leviable but was not levied.

On the omission being pointed out in audit (between October 1982 and February 1985), the department recovered (between June 1983 and October 1983) tax amounting to Rs. 11,111 in respect of the lands in Palwal tehsil. Report on action taken in respect of the lands in Chhachhrauli tehsil is awaited (December 1985).

The cases were reported to Government (between December 1982 and February 1985); their reply is awaited (December 1985).

55. Under assessment of land holdings tax

Under the Haryana Land Holdings Tax Act, 1973 and the rules framed thereunder, whenever classification of land is changed, assessment of tax is required to be revised from the first day of May of the following year.

In Ambala, Faridabad and Kurukshetra districts, the classification of land was changed in 835 cases during the years 1975-76 to 1983-84, but assessment of land holdings tax was not revised by the department. The omission resulted in short realisation of tax amounting to Rs. 53,188.

On the omission being pointed out in audit (between June 1984 and February 1985), the department recovered Rs. 9,482 between February and July 1985 and initiated action for recovery of the balance amount of Rs. 43,706. Report on recovery of the balance amount is awaited (December 1985).

The cases were reported to Government between July 1984 and March 1985; their reply is awaited (December 1985).

CHAPTER 6

NON-TAX RECEIPTS

A-INDUSTRIES

6.1. Results of Audit

Test check of records in District Industries Centres, conducted in audit during the year 1984-85, revealed unauthorised extraction of brick earth and other irregularities in 1,581 cases, which broadly fall under the following categories :—

	Number of cases	Amount (In lakhs of rupees)
1. Unauthorised extraction of brick earth	205	37.26
2. Short realisation/non-re- alisation of royalty	552	16.19
3. Non-recovery of contract money in respect of ter- minated contracts	10	6.02
4. Non-realisation of dues	102	4.48
5. Other irregularities	712	3.03
Total	<u>1,581</u>	<u>66.98</u>

Out of 1,581 cases pointed out in audit, the department had recovered Rs. 3.22 lakhs in 270 cases. In 311 cases involving revenue of Rs. 11.63 lakhs, action had been initiated by the department to recover the amount. In the remaining 1,000 cases, replies are awaited from the department (December 1985).

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

6.2. Non-realisation/short realisation of royalty

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a lessee is required to pay royalty on minor minerals despatched from the leased area at specified rates. He is required to submit to the department quarterly returns showing quantities of minor minerals removed by him from the leased area.

(i) In 11 District Industries Centres, returns of bricks sold were not submitted by the brick kiln owners during the year 1983-84, nor were these called for by the department. The department accepted the royalty deposited by the kiln owners, without verifying its correctness. A cross-checking audit of records in the concerned offices of the District Food and Supplies Controllers showed that during the year 1983-84, 5,349.36 lakh bricks and 223.86 lakh brick-bats were sold by the kiln owners in these centres, on which royalty amounting to Rs. 16.27 lakhs was recoverable. As against this, royalty amounting to Rs. 4.79 lakhs only was paid by the kiln owners. There was, therefore, short realisation of royalty amounting to Rs. 11.48 lakhs.

On the mistake being pointed out in audit (January 1985 to April 1985), the department recovered (April 1985) royalty amounting to Rs. 12,846. Report on recovery of the balance amount is awaited (December 1985).

(ii) Thirteen kiln owners in Gurgaon closed down their business during the years 1979-80 to 1983-84. The department had not maintained any account of bricks sold by these kiln owners. As per records of the District Food and Supplies Controller, the kiln owners had a closing stock of 56.35 lakh bricks and 9.61 lakh brick-bats on which royalty amounting to Rs. 17,866 was recoverable. Even this amount was not recovered from the kiln owners. Security amounting to Rs. 13,000, deposited by the kiln owners with District Food and Supplies Controller, was also refunded to them.

On the irregularity being pointed out in audit (March 1985), the department recovered (June 1985) a sum of Rs. 2,787 and initiated action for recovery of the balance amount. Report on recovery of the balance amount is awaited (December 1985).

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

6.3. Non-recovery of contract money and royalty and interest on belated payments

(a) Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a mining lease for quarrying is granted by auction or by inviting tenders. The lessee is required to deposit 25 per cent of the annual bid money as security and another 25 per cent as advance payment immediately on the allotment of the contract. The balance of the contract money is payable in advance in quarterly instalments. In the event of default in payment, the competent authority may, by giving a notice, terminate the contract and forfeit the security and the instalment, if any. Interest at the rate of twelve per cent per annum is also recoverable for the period of default in payment.

(i) In Ambala and Narnaul, the lessees of 33 quarries failed to pay the contract money due from them during the years 1980-81 to 1983-84. The department terminated the contracts between October 1981 and September 1984, but did not recover the contract money amounting to Rs. 3.32 lakhs, which was due from the lessees up to the date of taking over possession of the quarries. Interest for delay in payment of contract money was also chargeable.

On the omission being pointed out in audit (May 1983 and January 1985), the department recovered (between April 1983 and August 1985) Rs. 1.72 lakhs from the contractors. Report on recovery of the balance of contract money and interest is awaited (December 1985).

(ii) In Ambala, Faridabad and Narnaul, in 50 cases of belated payments of instalments of contract money by the stipulated dates during the year 1983-84, interest amounting to Rs. 82,595 was either not charged or was realised short.

On this being pointed out in audit (January 1985 and March 1985), the department stated (April 1985) that an amount of Rs. 5,578 had since been recovered. Report on recovery of the balance amount is awaited (December 1985).

(b) Under the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease is required to pay royalty in respect of any mineral removed by him from the leased area. As per the Mineral Concession Rules, 1960, in the event of default or delay in payment of royalty, interest at the rate of 15 per cent per annum is chargeable from him from the sixteenth day of the expiry of the date fixed for payment of royalty.

In Faridabad, a lease for extraction of china clay from Anangpur quarry was granted (October 1964) for a period of 20 years. Although the lessee failed to pay royalty amounting to Rs. 11,589 due up to 15th July 1983, the department did not initiate any action to recover the amount. In addition, interest amounting to Rs. 2,537 was also chargeable from the lessee for non-payment of royalty.

On the omission being pointed out in audit (May 1984), the department recovered (August 1984) Rs. 5,000. Report on recovery of the balance amount is awaited (December 1985).

The cases were reported to Government between June 1984 and April 1985; their reply is awaited (December 1985).

B-CO-OPERATION

6.4. Short recovery of audit fee

(i) Under the Punjab Co-operative Societies Rules, 1963, as applicable to Haryana, every co-operative society is liable to pay audit fee to Government for the audit of its accounts every year by the auditors of the Co-operative Department. The scale of fees prescribed by Government for different types of societies provides for payment at certain percentages of the net profit of the societies subject to certain minimum and maximum limits.

In the offices of Assistant Registrars of Co-operative Societies, Bahadurgarh, Jhajjar, Gurgaon, Hansi, Fatehabad, Rohtak, Narwana, Nuh and Sirsa, during the years 1981-82 to 1982-83, audit fee from 243 societies was recovered based on the net profits reflected in the accounts before these were audited by the department. Later, on completion of audit of their accounts, additional fee amounting to Rs. 2,64,590 became recoverable

from the societies on the basis of the audited figures of profit but the additional fee was not recovered.

On the omission being pointed out in audit (July, September and October 1984), the department recovered (between June 1984 and July 1985) additional fee amounting to Rs. 1,34,185. Report on recovery of the balance amount is awaited (December 1985).

(ii) As per Government notification dated 9th September 1980, audit fee from a Primary Land Development Bank is recoverable at the rate of 5 per cent of net profit subject to a minimum of Rs. 5,000.

In 1982-83, audit fee from a Primary Co-operative Agricultural Development Bank of Bahadurgarh was recovered based on the net profit of Rs. 1.02 lakhs which was not correct as according to the Bank's balance sheet for the year ending June 1983 its net profit amounted to Rs. 3,05,232. The mistake resulted in short recovery of audit fee by Rs. 10,157.

On the mistake being pointed out in audit (September 1984), the department recovered the amount in January 1985.

(iii) According to the scale of fees fixed by the Registrar, Co-operative Societies on 9th September 1980, audit fee was recoverable at the rate of 5 per cent of net profit of a co-operative society subject to a minimum of Rs. 500.

In the accounts of six co-operative societies of Rohtak, credit for interest recoverable on loans given to the members of the societies during the years 1981-82 and 1982-83 had not been taken into account in the Profit and Loss Account of the societies. This resulted in reduction of the net profits of the societies with consequential short realisation of audit fee by Rs. 17,437.

On the mistake being pointed out in audit in September 1984, the department recovered (November and December 1984) Rs. 8,248. Report on recovery of the balance amount is awaited (December 1985).

The cases were reported to Government in October and November 1984; their reply is awaited (December 1985).

C-IRRIGATION

6.5. Non-recovery of licence money

In Jind division, 55.86 acres of surplus Government land was cultivated by un-authorised persons during the years 1977-78 to 1980-81. Licence money amounting to Rs. 33,516 could have been recovered in these cases under the Punjab Financial Rules but was not recovered.

On the omission being pointed out in audit (November 1981), the department recovered Rs. 11,701 (between January 1982 and September 1984) from the cultivators. Report on the recovery of the balance amount is awaited (December 1985).

The case was reported to Government in March 1982; their reply is awaited (December 1985).

D-BUILDINGS AND ROADS

6.6. Non-recovery of rent for fans

Under the Punjab Civil Services Rules and the departmental instructions, as applicable to Haryana, rent at prescribed rates is recoverable in respect of fans installed in residential buildings and maintained at the cost of Government.

In Kurukshetra and Jind Divisions, rent for fans installed in 79 residential buildings during the period January 1971 to December 1980 was either not recovered or was recovered short from the occupants. Rent not realised amounted to Rs. 23,929.

On the omission being pointed out in audit (between February 1979 and March 1981), the department stated (June and July 1985) that recovery of a sum of Rs. 3,590 had since been made. Report on recovery of the balance amount is awaited (December 1985).

The case was reported to Government in February 1979 and June 1981; their reply is awaited (December 1985).

E-PUBLIC HEALTH

6.7. Short recovery of water charges

As per Government orders dated 20th March 1977,

charges of unmetered water supplied to consumers having ferrule connections up to 9 mm are recoverable at the rate of Rs. 8 per month per tap.

In Bhiwani, charges for water supplied by a Public Health Division to 80 consumers during January 1978 and March 1984 were either not recovered or were recovered short. Water charges not realised amounted to Rs. 11,832.

On the omission being pointed out in audit (April 1985), the department recovered (between April and August 1985) Rs. 2,950. Report on recovery of the balance amount is awaited (December 1985).

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

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charges of unmetered water supplied to consumers using
terrace connections up to 8 mm are recoverable at the
rate of Rs. 5 per month per tap.

In the same charges for water supplied by a public
Health Division to 20 consumers during January 1978 and
March 1981 were either not received or were recovered
short. Water charges not received amounted to Rs. 11,152.50.

On the omission being pointed out in audit report
(1982) the department requested between April and
August 1982 for Rs. 2,050. Report on recovery of the
balance amount is awaited (December 1982).

The case was reported to Government in April 1983.
(their reply is awaited (December 1983)).

(Signature)
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CHANDIGARH
The

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