



GOVERNMENT OF HARYANA

# REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR

1986-87

**(REVENUE RECEIPTS)**



THE EAST INDIA COMPANY

REPORT

OF THE

COMPTROLLER

AND

CHIEF CLERK OF THE INDIA

OFFICE FOR THE YEAR

1858-59

BY THE COMPTROLLER

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## **PREFATORY REMARKS**

The Audit Report on Revenue Receipts of the Government of Haryana, for the year 1986-87, is presented in this separate volume. The Report has been arranged in the following order :—

- (i) Chapter 1 gives an overview of the important irregularities included in the Audit Report.
- (ii) Chapter 2 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.
- (iii) In Chapters 3 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, Stamp Duties and Registration fees, Other Tax and Non-Tax Receipts.



PRELIMINARY REMARKS

The Annual Report on the State of the Republic for the year 1955 is presented in this preliminary volume. The report is organized in the following order:

(i) Chapter I gives an overview of the important events of the year 1955.

(ii) Chapter II deals with the economic situation of the Republic. It contains a detailed analysis of the economic development of the Republic during the year 1955. It also contains a detailed analysis of the economic situation of the Republic at the end of the year 1955.

(iii) Chapter III deals with the social situation of the Republic. It contains a detailed analysis of the social development of the Republic during the year 1955. It also contains a detailed analysis of the social situation of the Republic at the end of the year 1955.

(iv) Chapter IV deals with the political situation of the Republic. It contains a detailed analysis of the political development of the Republic during the year 1955. It also contains a detailed analysis of the political situation of the Republic at the end of the year 1955.

(v) Chapter V deals with the cultural situation of the Republic. It contains a detailed analysis of the cultural development of the Republic during the year 1955. It also contains a detailed analysis of the cultural situation of the Republic at the end of the year 1955.

(vi) Chapter VI deals with the international situation of the Republic. It contains a detailed analysis of the international development of the Republic during the year 1955. It also contains a detailed analysis of the international situation of the Republic at the end of the year 1955.

(vii) Chapter VII deals with the future of the Republic. It contains a detailed analysis of the future development of the Republic during the year 1955. It also contains a detailed analysis of the future situation of the Republic at the end of the year 1955.

(viii) Chapter VIII deals with the conclusion of the year 1955. It contains a detailed analysis of the conclusion of the year 1955. It also contains a detailed analysis of the conclusion of the year 1955.

(ix) Chapter IX deals with the appendix. It contains a detailed analysis of the appendix. It also contains a detailed analysis of the appendix.

(x) Chapter X deals with the index. It contains a detailed analysis of the index. It also contains a detailed analysis of the index.

(xi) Chapter XI deals with the bibliography. It contains a detailed analysis of the bibliography. It also contains a detailed analysis of the bibliography.

(xii) Chapter XII deals with the list of abbreviations. It contains a detailed analysis of the list of abbreviations. It also contains a detailed analysis of the list of abbreviations.

## CHAPTER 1

### OVERVIEW

1.1. An Overview of the important contents of Chapter 2 to 6 is given below :

#### 1.2. General

1.2.(i) During the year 1986-87, revenue raised by the State Government, both Tax and Non-Tax Revenue amounted to Rs. 862.48 crores as against Rs. 759.83 crores during the previous year. Receipts from Government of India during the year including grants-in-aid of Rs. 170.49 crores aggregated Rs. 267.70 crores. (Para 2.1)

(ii) Under Sales Tax and Passengers and Goods Tax, 46,017 assessment cases were pending finalisation at the end of March 1987 as against 41,762 cases pending on 31st March 1986. (Para 2.4)

(iii) The tax revenue pending collection as on 31st March 1987 under some important heads amounted to Rs. 57.12 crores out of which Rs. 17.47 crores were outstanding for more than 5 years (Para 2.5)

(iv) As at the end of August 1987, 1,869 inspection reports (issued upto March 1987) containing 8,481 audit objections were awaiting settlement. Out of these, 3,197 and 382 objections were outstanding for more than 5 years and 10 years respectively. (Para 2.9(i))

(v) As a result of test audit conducted by the Accountant General during the year 1986-87, under-assessment and losses of revenue amounting to Rs. 6.51 crores in 16,845 cases were noticed. The under-assessment/losses of revenue relate to Sales Tax (Rs 2.20 crores); Stamp Duty and Registration Fees (Rs. 0.22 crore); Other Tax Receipts (Rs. 2.59 crore) and Non-Tax Receipts (Rs. 1.50 crores). (Paras 3.1, 4.1, 5.1 and 6.1) .



The Report includes important instances of 87 cases of non-levy/short levy of tax, duty, interest, penalty etc. involving a financial effect of about Rs. 4.57 crores; of this, under assessments amounting to Rs. 2.46 crores have been accepted by the department while Rs. 0.16 crore has since been recovered also upto the period of finalisation of the Report. Replies in the other cases are awaited. The Report also includes three reviews, viz;

- (1) Working of Sales Tax check barriers in Haryana (Para 3.2)
- (2) Levy and Collection of Electricity Duty (Para 5.8)
- (3) Receipts from Canal Waters (Para 6.9)

Some of the important irregularities brought out in the Report are summarised below :—

### 1.3. Sales Tax

- (i) Government has established sales tax check barriers at strategic points to check the evasion of sales tax. Test check of records in selected barriers revealed that :
  - (a) 719 vehicles coming from places outside the State of Haryana and bound for places outside the State obtained transit slips (*Rahdaris*) from 11 entry check barriers. The transit slips were, however, not delivered at the exit barriers for which penal proceedings, assuming that the goods valuing Rs. 748.30 lakhs carried by the vehicles had been delivered and eventually sold within the State, had not been initiated. Penalty leviable at 20 per cent of the value of goods worked out to Rs. 149.66 lakhs.
  - (b) Assessments had been finalised without verifying 9,629 bills of lading received from the barriers covering taxable goods of Rs. 511.69 lakhs.
  - (c) 188 unregistered dealers and thus not entitled to import/export goods without getting themselves



registered, imported/exported goods worth Rs. 92.07 lakhs. No enquiry was made to find out the subsequent disposal of the goods, tax paid thereon and to register the unregistered dealers under the Act. (Para 3.2) .

(ii) Purchase tax amounting to Rs. 8.12 lakhs had not been levied in 9 cases in respect of goods valuing Rs. 124.96 lakhs purchased by the dealers after furnishing prescribed declarations without payment of tax and who disposed of the goods in violation of these declarations. (Para 3.3)

(iii) Penalty for suppression of sales of Rs. 45.46 lakhs by 6 dealers and non-filing of quarterly returns by the prescribed dates by 3 dealers had not been levied. Minimum penalty leviable under the Sales Tax Act worked out to Rs. 5.39 lakhs. (Para 3.16 (a) (b))

(iv) Interest amounting to Rs. 14.55 lakhs was not charged from the dealers for non-payment of tax due alongwith quarterly returns and within the prescribed period specified in the demand notice. (Para 3.17)

#### 1.4. Stamp Duty and Registration Fees

Stamp duty and registration fee amounting to Rs. 5.27 lakhs was realised short in respect of 138 sale deeds wherein values of properties setforth were found to be much less than those agreed upon between the parties and setforth in the 'agreements to sell' executed by them earlier. (Para 4.2 (a))

#### 1.5. Other Tax Receipts

##### (i) State Excise

In a brewery, 10 per cent wastage was allowed on beer cleared under bond even though no such wastage is permissible under the State Brewery Rules. Besides this, actual wastage was allowed in excess of 10 per cent on the quantity of beer on which excise duty was paid/payable. This resulted in short realisation of duty amounting to Rs. 11.51 lakhs. (Para 5.2)



## (ii) Electricity Duty

- (a) Total receipts from electricity duty during 1984-85 to 1986-87 were less by Rs. 26.21 crores than those envisaged in budget estimates (Para 5.8.03),
- (b) Duty amounting to Rs. 34 lakhs had not been realised due to irregular allowance of exemption to the consumers in 10 sub-divisions test checked (Para 5.8.04 to 5.8.06).
- (c) In 20 sub-divisions, test checked, a sum of Rs. 160.75 lakhs representing duty realised from the consumers during April 1982 to March 1987 was shown by the Haryana State Electricity Board as its own revenue and was not paid to the Government (Para 5.8.08).
- (d) Arrears on account of uncollected duty ending March 1987 amounted to Rs. 9.37 crores of which Rs. 4.24 crores related to the period prior to 1982-83. (Para 5.8.10)

## 1.6. Non-Tax Receipts

Non realisation or short realisation of revenue of Rs. 45.48 lakhs was noticed in some of the departments of Government. This mainly related to :

- (i) Non recovery/short recovery of royalty amounting to Rs. 5.53 lakhs from the brick-kiln owners, and short recovery of cost of land and non-recovery of interest amounting to Rs. 1.79 lakhs, by Industries Department. (Para 6.2 to 6.8)
- (ii) Receipts from canal waters during 1982-83 to 1986-87 amounted to Rs. 51.79 crores against budget estimates of Rs. 68.35 crores. Working of canal irrigation in these years indicated losses which amounted to Rs. 283.02 crores. Arrears of water rates and betterment levy at the end of March 1987 amounted to Rs. 592.37 lakhs. In Hissar district, water charges amounting to Rs. 5.90 lakhs were either not realised due to non-rectification of demand statements or were

recovered short on account of application of incorrect rate. (Para 6.9)

- (iii) Non/short recovery of rent of Rs. 4.89 lakhs of Government residential buildings by the Buildings and Roads branch of Public Works Department. (Para 6.10 to 6.12)
- (iv) Non-recovery of interest of Rs. 3.67 lakhs on belated payments of purchase tax by Agriculture Department. (Para 6.13)
- (v) Short recovery of audit fee amounting to Rs. 3.04 lakhs from co-operative societies by the Co-operation Department. (Para 6.14 & 6.15)
- (vi) Short/non-recovery of water charges amounting to Rs. 11.55 lakhs from the consumers by the Public Health branch of Public Works Department. (Para 6.16)
- (vii) Embezzlement of Rs. 3.97 lakhs representing various types of fees charged from patients in Civil Hospitals of Hissar, Bhiwani, Sirsa, Faridabad, Rohtak and Sonapat. (Para 6.19)





## CHAPTER 2

### GENERAL

#### 2.1. Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 1986-87, 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:—

	1984-85	1985-86	1986-87
	(In crores of rupees)		
<b>I. Revenue raised by the State Government—</b>			
(a) Tax Revenue	405.40	501.71	565.86
(b) Non-tax Revenue	214.48	258.12	296.62
<b>Total (I)</b>	<b>619.88</b>	<b>759.83</b>	<b>862.48</b>
<b>II. Receipts from Government of India—</b>			
(a) State's share of net proceeds of divisible Union Taxes	93.55	85.51	97.21
(b) Grants-in-aid	77.02	115.00	170.49*
<b>Total (II)</b>	<b>170.57</b>	<b>200.51</b>	<b>267.70</b>
<b>III. Total receipts of the State (I+II)</b>	<b>790.45</b>	<b>960.34</b>	<b>1130.18</b>
<b>IV. Percentage of I to III</b>	<b>78</b>	<b>79</b>	<b>76</b>

\* For details, see statement No. 11—Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana 1986-87.



- (i) The details of the tax revenue raised during the year 1986-87, alongside figures for the preceding two years, are given below :—

	1984-85	1985-86	1986-87	Percentage Increase (+) or Decrease (—) in 1986-87 over 1985-86
(In crores of rupees)				
	(1)	(2)	(3)	(4)
1. Sales Tax	183.86	234.35	256.24	(+) 9
2. State Excise	90.52	110.96	132.74	(+)20
3. Taxes on Goods and Passengers	54.83	66.16	73.31	(+)11
4. Stamps and Registration Fees	32.10	37.39	45.68	(+)22
5. Taxes and Duties on Electricity	17.45	22.40	27.21	(+)21
6. Taxes on Vehicles	14.15	15.00	15.57	(+) 4
7. Land Revenue	3.95	3.79	2.33	(—)39
8. Other Taxes and Duties on Commodities and Services	8.54	11.65	12.78	(+)10
<b>Total</b>	<b>405.40</b>	<b>501.70</b>	<b>565.86</b>	<b>(+)13</b>

- (a) Increase (20 per cent) in State Excise receipts was mainly attributed to higher bids received on auction of country liquor and Indian made foreign liquor vends for the year 1987-88.



(b) Increase (22 per cent) in Stamp Duty and Registration Fee receipts was attributed to more sale of stamps and increase in value of consideration involved in deeds.

(c) Increase (21 per cent) in receipts from Electricity Duty was stated to be due to more sale of power to the consumers.

(d) Decrease (39 per cent) in Land Revenue was due to the abolition of land holdings tax from 1st October 1986.

(ii) The details of the major non-tax revenues received during the year 1986-87, alongside figures for the preceding two years, are given below:—

	1984-85	1985-86	1986-87	Percentage Increase (+) or Decrease (—) in 1986-87 over 1985-86
(In crores of rupees)				
1. Road and Water Transport Services	81.05	96.66	107.95	(+)12
2. Interest	67.93	73.86	80.71	(+) 9
3. Miscellaneous General Services	18.59	30.81	34.20	(+)11
4. Medical	3.14	3.50	3.84	(+)10
5. Mines and Minerals	3.72	3.89	5.07	(+)30
6. Others	40.05	49.40	64.85	(+)31
<b>Total</b>	<b>214.48</b>	<b>258.12</b>	<b>296.62</b>	<b>(+)15</b>

- (a) Increase (12 per cent) in receipts under "Road and Water Transport Services" was stated to be due to increase in fleet strength and improvement in utilisation of vehicles.
- (b) Increase (30 per cent) in receipts from Mines and Minerals was stated to be mainly due to increase in bidding in auctions for the grant of contracts of salt-petre quarries.

## 2.2. Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 1986-87 and actual receipts, are given below:—

Heads of revenue	Budget estimates	Actuals	Variations Increase (+) Decrease (—)	Percentage of variation Increase (+) De- crease(—)
(In crores of rupees)				
(1)	(2)	(3)	(4)	(5)
1. Sales Tax	250.52	256.24	(+) 5.72	(+) 2
2. State Excise	131.10	132.74	(+)1.64	(+) 1
3. Taxes on Goods and Passengers	78.44	73.31	(—)5.13	(—) 7
4. Stamps and Registration Fees	40.26	45.68	(+)5.42	(+)13
5. Taxes and Duties on Electricity	34.22	27.21	(—)7.01	(—)20
6. Taxes on Vehicles	17.14	15.57	(—)1.57	(—) 9
7. Land Revenue	4.17	2.33	(—)1.84	(—)44
8. Other Taxes and Duties on Commodities and Services	13.00	12.78	(—)0.22	(—) 2



	(1)	(2)	(3)	(4)	(5)
9. Road and Water Transport Services		104.85	107.95	(+)3.10	(+) 3
10. Interest		79.70	80.71	(+)1.01	(+) 1
11. Mines and Minerals		4.00	5.07	(+)1.07	(+)27
12. Medical		4.00	3.84	(—)0.16	(—) 4
13. Public Works		1.54	2.05	(+)0.51	(+)33

(a) The increase (13 per cent) in receipts from stamp duty and registration fee was due to more sale of stamps and high value of consideration involved in deeds.

(b) The shortfall (20 per cent) in receipts from electricity duty was due to less sale of electricity than anticipated in the budget.

(c) The shortfall (44 per cent) in receipts from land revenue was due to abolition of land holdings tax with effect from 1st October 1986.

(d) The increase (27 per cent) in receipts from Mines and Minerals was attributed mainly due to increase in bidding in auctions of saltpetre quarries.

(e) The increase (33 per cent) in receipts from Public works was stated mainly due to more receipts of percentage recovery of Establishment and Tools and Plants charges, supervision charges of stores and sale of surplus and unserviceable store and sale of tender forms.

### 2.3. Analysis of collection

The break-up of total collection of tax from Sales Tax and Passengers and Goods Tax as furnished by the Department is

given below :—

	Sales Tax	Passengers and Goods Tax
	(In crores of rupees)	
(a) Amount collected at pre-assessment stage	162.94	72.11
(b) Amount collected after regular assessment	94.47	1.49
(c) Amount refunded	0.65	..
(d) Net collection of tax	256.76**	73.60**

#### 2.4. Assessments in arrears

The number of assessment cases finalised during the year 1986-87 and those pending at the end of 1986-87, alongside figures for the preceding year, are given below :—

	Sales Tax		Passengers and Goods Tax	
	1985-86	1986-87	1985-86	1986-87
(1)	(2)	(3)	(4)	(5)
(i) Number of assessments due for completion during the year				
(a) Arrear cases	42,617	41,420	136	128
(b) Current cases	1,04,605	1,12,698	292	139
(c) Remand cases	524	281	2	..

\*\* Difference in figures appearing in Finance Accounts and those furnished by the department is under reconciliation by the Department.



	(1)	(2)	(3)	(4)	(5)
(ii) Number of assessments completed during the year					
(a) Arrear cases		33,111	29,790	82	59
(b) Current cases		72,691	78,624	219	67
(c) Remand cases		310	109	1	—
(iii) Number of assessments pending finalisation at the end of the year					
(a) Arrear cases		9,506	11,630	54	69
(b) Current cases		31,914	34,074	73	72
(c) Remand cases		214	172	1	—

Year-wise break-up of the pending assessments as at the end of 1986-87 is given below :—

Year	Number of cases	
	Sales Tax	Passengers and Goods Tax
Upto 1982-83	170	9
1983-84	1,561	15
1984-85	10,071	33
1985-86	34,074	84
<b>Total</b>	<b>45,876</b>	<b>141</b>

(i) Sales tax assessment in one case of Karnal District relating to the year 1976-77 was not initiated within the prescribed time limit of five years. The assessment was finalised in November 1985 and an additional demand of Rs. one crore was raised, recovery of which is awaited (November 1987).

(ii) Assessments of a dealer of Larshali (District Sonapat) relating to the years 1978-79 to 1983-84 were finalised between March 1984 and February 1986 creating an additional demand of Rs 52 lakhs. The dealer had closed down his business in October 1984. The department filed a claim with the District Judge Sonapat in December 1985 for recovery of the arrears. Further report is awaited (November 1987).

(iii) Assessments of a dealer of Ambala for the years 1978-79 to 1980-81 were finalised ex-parte between March 1985 and August 1985 creating additional demand of Rs 2.02 lakhs. The dealer had closed down business in April 1982. He expired in September 1983 and had left no immovable property. The amount was declared as bad debts and matter regarding its write off was under consideration of the Excise and Taxation Commissioner Haryana, Chandigarh (July 1987).

(iv) Assessments of a dealer of Gurgaon relating to the years 1977-78 to 1980-81 were finalised between November 1983 to March 1984, and an additional demand of Rs 2.79 lakhs was raised. The dealer had closed down his business in 1979-80 and did not pay the tax. The Department also failed to recover the amount from the sureties as they were not traceable. A recovery certificate was issued to the Assistant Collector, Delhi in March 1986, but no recovery could be made (October 1987).

(v) In the case of a dealer of Rohtak, assessment relating to the year 1977-78 was finalised in March 1985 with an additional demand of Rs 1.55 lakhs. Recovery has not been made since the dealer had expired before the finalisation of the assessment.

(vi) In the case of a dealer of Karnal, assessments relating to the years 1978-79 and 1979-80 were finalised only in December 1986 when an additional demand of Rs 1.19 lakhs was raised. The dealer had, however, closed down his business in 1984 and after disposing of his property had left the State. No steps to recover the amount had been taken (October 1987).



The inordinate delay in finalisation of the assessments in the above cases resulted in the demands remaining unrealised.

## 2.5. Uncollected revenue

As on 31st March 1987, arrears of revenue pending collection under principal heads of revenue, as reported by the Departments, were as under :—

Heads of revenue	Total arrears	Arrears outstanding for more than 5 years
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(In crores of rupees)

1. Sales Tax	34.58	8.38
2. State Excise	4.04	1.19
3. Taxes on Goods and Passengers	0.86	0.14
4. Agriculture (Purchase Tax on Sugarcane)	4.26	2.24
5. Entertainment Duty and Show Tax	0.06	—
6. Taxes and Duties on Electricity	9.36	4.24
7. Road and Water Transport Services	1.10	0.06
8. Medical	0.88	0.66
9. Co-operation	0.44	0.10
10. Mines and Minerals	1.35	0.43
11. Land Revenue	0.19	0.03
<b>Total</b>	<b>57.12</b>	<b>17.47</b>

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

Year	Amount (In crores of rupees)
Upto 1981-82	17.47
1982-83	5.07
1983-84	5.00
1984-85	5.61
1985-86	10.91
1986-87	13.06
<b>Total</b>	<b>57.12</b>

(a) Recovery of Government dues exceeding Rs 2 lakhs was outstanding in 132 individual cases involving an amount of Rs 18.28 crores.

(b) District-wise position of individual cases with recovery due exceeding Rs 5 lakhs was as under :—

District	Number of cases	Amount (In lakhs of rupees)
Faridabad	24	347.95
Rohtak	5	192.07
Ambala	10	102.97
Sonepat	3	43.59
Sirsa	4	34.08
Hissar	5	32.64
Gurgaon	4	38.90
<b>Total</b>	<b>55</b>	<b>792.20</b>



According to the information furnished by the Departments (August 1987), the amount of arrears as on 31st March 1987 was in the following stages of action.

	Amount (In crores of rupees)
1. Recoveries stayed by Appellate Authorities/Courts	12.93
2. In process of recovery including amount covered by recovery certificates	5.45
3. Recoveries held up due to insolvency of dealers	4.73
4. Amount likely to be written off	3.07
5. Other stages	30.94
	<hr/> 57.12 <hr/>

## 2.6. Frauds and evasions of taxes

The table below indicates the amounts of taxes assessed during the year 1986-87 in cases of frauds and evasions of taxes detected by the departments concerned during 1986-87 and earlier years.

Nature of tax	Cases pending as on 1st April 1986	Number of cases detected during the year	Number of cases finalised		Number of cases pending as on 31st March 1987		Amount of tax, interest and penalty (In lakhs of rupees)
			Out of Col. 2	Out of Col. 3	Out of Col. 2	Out of Col. 3	
(1)	(2)	(3)	(4)		(5)		(6)
1. Sales Tax	361	1,041	212	930	149	111	Amount not yet adjudged (August 1987)
2. Passengers and Goods Tax	58	4,896	—	4,896	58	—	34.70

	(1)	(2)	(3)	(4)	(5)	(6)
3. Entertainment Duty and Show Tax	14	51	14	47	—	4
4. State Excise	—	23	—	22	—	1
5. Medical	—	5	—	4	—	1
6. Animal Husbandry	—	1	—	—	—	1
						Amount not yet adjudged (August 1987)
						5.00
						3.70
						0.70

### 2.7. Refunds

Position of refunds allowed during the year 1986-87 is given below :—

	Sales Tax		State Excise		Passengers and Goods Tax		Entertainment Duty and Show Tax	
	Num-ber of Cases	Amount	Num-ber of Cases	Amount	Num-ber of Cases	Amount	Num-ber of Cases	Amount
(In lakhs of rupees)								
1. Claims outstanding on 1st April 1986	347	26.07	—	—	—	—	1	0.01
2. Claims received during the year 1986-87	1,363	80.70	68	4.37	26	0.17	2	1.90
3. Refunds made during the year 1986-87	1,379	65.00	60	4.25	26	0.17	2	0.25
4. Balance outstanding at the end of the year	331	41.77	8	0.12	—	—	1	1.66

### 2.8. Cost of collection

Expenditure incurred in collection of the major revenue



receipts during the year 1986-87 (with figures for the preceding two years) is given below :—

Heads of Account	Year	Gross Collection	Expenditure	Percentage of expenditure to gross collection
(In crores of rupees)				
1. Sales Tax	1984-85	183.86	4.09	2.22
	1985-86	234.35	4.57	1.95
	1986-87	256.24	5.03	1.96
2. State Excise	1984-85	90.52	0.42	0.46
	1985-86	110.96	0.49	0.44
	1986-87	132.74	0.53	0.40
3. Stamps and Registration Fees	1984-85	32.10	0.26	0.81
	1985-86	37.39	0.21	0.56
	1986-87	45.68	0.47	1.03
4. Taxes on Vehicles	1984-85	14.15	0.50	3.53
	1985-86	15.00	0.50	3.33
	1986-87	15.57	0.70	4.50
5. Other Taxes and Duties (*)	1984-85	80.82	0.25	0.31
	1985-86	100.21	0.42	0.42
	1986-87	113.30	0.43	0.38

(\*) 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.

## 2.9. 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 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 August 1987, 1,869 inspection reports (issued upto March 1987) containing 8,481 audit objections, remained to be settled. Figures for the two preceding years are also given below :—

	As at the end of		
	November 1985	November 1986	August 1987
Number of outstanding reports	1,679	1,716	1,869
Number of unsettled audit objections	10,361	8,544	8,481

Out of above, 804 inspection reports with 3,197 objections were outstanding for more than 5 years, of which 150 inspection reports (382 audit objections) were more than 10 years old.

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

	Year	Number of inspection reports	Number of audit objections
	(1)	(2)	(3)
1. Sales Tax Upto	1982-83	131	678
	1983-84	10	42
	1984-85	22	258
	1985-86	22	329
	1986-87	22	513
	<b>Total</b>	<b>207</b>	<b>1,820</b>



		(1)	(2)	(3)
2.	Taxes on Vehicles	Upto		
		1982-83	92	428
		1983-84	12	116
		1984-85	12	94
		1985-86	18	179
		1986-87	40	246
		<b>Total</b>	<b>174</b>	<b>1,063</b>
3.	Stamps and Registration Fees	Upto		
		1982-83	83	266
		1983-84	5	38
		1984-85	72	219
		1985-86	52	277
		1986-87	90	371
		<b>Total</b>	<b>302</b>	<b>1,171</b>
4.	State Excise	Upto		
		1982-83	38	8
		1983-84	1	27
		1984-85	10	36
		1985-86	10	37
		1986-87	18	64
		<b>Total</b>	<b>77</b>	<b>250</b>
5.	Passengers and Goods Tax	Upto		
		1982-83	56	125
		1983-84	12	43
		1984-85	12	46
		1985-86	14	54
		1986-87	16	93
		<b>Total</b>	<b>110</b>	<b>361</b>
6.	Irrigation	Upto		
		1982-83	126	494
		1983-84	37	147
		1984-85	—	—
		1985-86	35	131
		1986-87	—	—
		<b>Total</b>	<b>198</b>	<b>772</b>

		(1)	(2)	(3)
7.	Buildings and Roads	Upto 1982-83 1983-84 1984-85 1985-86 1986-87	86 13 12 26 22	378 37 34 93 76
	<b>Total</b>		<b>159</b>	<b>618</b>
8.	Co-operation	Upto 1982-83 1983-84 1984-85 1985-86 1986-87	70 13 17 22 20	151 36 50 81 100
	<b>Total</b>		<b>142</b>	<b>418</b>

(iii) The more important types of irregularities noticed during local audit of sales tax (Ambala and Kurukshetra districts) and those relating to Stamp Duty and Registration Fee, which are still to be settled are given below :—

Nature of irregularity		Number of cases	Amount involved (In lakhs of rupees)
(1)		(2)	(3)
(a)	Sales Tax		
1.	Under-assessment under Central Sales Tax Act	55	60.48
2.	Incorrect computation of turnover	29	16.47
3.	Non/short levy of penalty	41	19.82
4.	Non-levy of interest	41	7.44
5.	Application of incorrect rate of tax	13	1.26
6.	Others	48	7.56
	<b>Total</b>	<b>227</b>	<b>113.03</b>



These objections have remained unsettled mainly due to :

	Number of objections	Amount (In lakhs of rupees)
1. Non-submission of final replies	26	4.33
2. Delay in finalising assessments by the appellate authorities	46	5.75
3. For other reasons	155	102.95

(b) Stamp Duty and Registration Fee

Nature of irregularity	Number of cases	Amount involved (In lakhs of rupees)
1. Loss of Stamp duty and registration fee due to under-valuation	948	33.68
2. Evasion of stamp duty and registration fee	480	23.41
3. Irregular exemption of stamp duty and registration fee	339	18.83
4. Short levy/non-levy of stamp duty and registration fee	2544	24.74
5. Other irregularities	385	6.30
<b>Total</b>	<b>4,696</b>	<b>106.96</b>

These objections have remained unsettled mainly due

to :

	Number of cases	Amount involved (In lakhs of rupees)
(i) Non-submission of final replies	1288	26.08
(ii) For want of recovery	2544	24.74
(iii) For want of decision by the Collectors	204	5.27
(iv) For other reasons	660	50.87
<b>Total</b>	<b>4,696</b>	<b>106.96</b>

### 2.10. Internal control and internal audit

An internal audit system exists in the 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 Fees. Internal audit in Transport Department is, however, yet to be introduced.

No systematic record depicting the number of objections raised in internal audit and their subsequent clearance had been maintained by the departments. However, as per information supplied by two departments, the year-wise break-up of objections raised during the years 1981-82 to 1986-87 in respect of some of the revenue heads was as under : —

	Year	Number of objections raised	Amount (In lakhs of rupees)
(1)	(2)	(3)	(4)
1. Sales Tax	1984-85	366	3.43
	1985-86	422	32.77
	1986-87	1455	144.26
	<b>Total</b>	<b>2,243</b>	<b>180.49</b>



	(1)	(2)	(3)	(4)
2. Land Revenue		1981-82	61	1.20
		1982-83	168	1.18
		1983-84	207	3.79
		1984-85	244	3.96
		1985-86	318	6.80
		1986-87	458	7.53
		<b>Total</b>	<b>1,456</b>	<b>24.46</b>
3. Stamp Duty and Registration Fee		1984-85	334	23.36
		1985-86	495	11.30
		1986-87	401	8.35
		<b>Total</b>	<b>1,230</b>	<b>43.01</b>

Out of objections for Rs. 43.01 lakhs relating to Stamp duties and Registration fees, objections for Rs. 7.60 lakhs were settled during 1985-86 and 1986-87 after recovering the amount, while objections for Rs. 0.90 lakh were settled during 1985-86 and 1986-87 without raising any demand. Rectificatory action in regards to Land Tax and Sales Tax was awaited (November 1987).

## CHAPTER 3

### SALES TAX

#### 3.1. Results of Audit

Test check of sales tax assessments and other records of 22 units, conducted in audit during the year 1986-87, revealed under-assessment of tax amounting to Rs. 220.08 lakhs in 981 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	74	18.30
2. Incorrect computation of turnover	149	36.36
3. Non-levy/short levy of penalty	120	34.68
4. Interest not charged	287	62.48
5. Application of incorrect rate of tax	55	6.63
6. Other irregularities	296	61.63
<b>Total</b>	<b>981</b>	<b>220.08</b>

Out of 981 cases pointed out in audit, the department has since effected recovery of Rs. 4.63 lakhs in 78 cases. In 8 cases involving revenue of Rs. 3.60 lakhs, the audit objections have been admitted and report on recovery is awaited. Replies in respect of remaining 895 cases are still awaited from the department (November 1987).



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

### 3.2. Working of sales tax check barriers in Haryana

#### HIGHLIGHTS

With a view to preventing or checking evasion of sales tax, the Government established sales tax check barriers at strategic points along the borders of the neighbouring States. On 31st March 1987, there were 62 sales tax check barriers in the State, each manned by Assistant Excise and Taxation Officer(s), Inspectors of sales tax and other staff.

719 vehicles coming from places outside the State and bound for places outside the State obtained transit slips during 1984-85 and 1985-86 from 11 sales tax check barriers. The transit slips were to be delivered at the concerned exit barriers to denote that the goods had only transitted through the State, but these slips were not so delivered. Assuming that the goods carried by the vehicles had been sold within the State, penal proceedings required to be taken under the Sales Tax Act, against the persons incharge of the vehicles had not been initiated. The value of taxable goods carried by these vehicles worked out to Rs. 748.30 lakhs involving leviable penalty of Rs. 149.66 lakhs (Para 3.2.3.)

During 1984-85 and 1985-86, 5,016 bills of lading received in district sales tax offices from the sales tax check barriers had neither been entered in the receipt register nor passed on to the assessing authorities concerned for verification. Value of goods involved in 499 cases test checked worked out to Rs. 254.55 lakhs. (Para 3.2.4(i))

396 bills of lading involving goods valuing Rs. 105.33 lakhs received from check barriers and entered in receipt register in district sales tax offices had not been passed on to the assessing authorities for check. 8,734 bills of lading involving goods valuing Rs. 151.81 lakhs passed on to the assessing authorities had not been verified by them. The cases of these dealers were assessed to tax without verification of bills of lading. (Para 3.2.4.(ii) to (iv))

188 un-registered dealers imported/exported goods worth Rs. 92.07 lakhs against 245 bills of lading. No enquiry was made to find out the subsequent disposal of these goods and to register the dealers under the Act. (Para 3.2.5.)

### 3.2.1. Introductory

Sales tax is levied in Haryana under the Haryana General Sales Tax Act, 1973 (effective from 5th May 1973) and the rules made thereunder. Prior to this, the Punjab General Sales Tax Act, 1948 was applicable in the State of Haryana. Sales tax could be evaded by importing goods, taxable in the hands of an importer from other States and effecting sale of these goods in the State without making due entries of their purchase and sale in the account books. Similarly, the dealer may sell goods outside the State without accounting for those in the books to evade payment of tax on such sales in the course of inter-State trade or commerce under the Central Sales Tax Act, 1956. To prevent and detect evasion of the sales tax in such cases, section 37 of the Act, 1973 empowers the Government to establish sales tax check barriers at strategic points along the borders of the neighbouring States and at such other places as considered necessary.

After the establishment of sales tax check barriers, no person shall transport within the State across or beyond the notified areas of the sales tax check barriers, any consignment of goods exceeding such quantity or value, as may be prescribed, by any vehicle, unless he is in possession of (a) either a bill of sale or delivery note or way-bill or certificate of ownership containing such particulars as may be prescribed and (b) a declaration in such form and containing such particulars, as may be prescribed, when the vehicle enters or leaves the State limits.

At present there are 62 sales tax check barriers in the State.

### 3.2.2. Administrative set up

Subject to the overall control of the Excise and Taxation Commissioner, the control and superintendence of the sales tax check barriers are vested in the Deputy Excise and Taxa--



tion Commissioner of the district in which the sales tax check barrier is located. The sales tax check barriers and mobile squads are manned by Assistant Excise and Taxation Officers/Excise and Taxation officers, Inspectors of sales tax and other staff.

### 3.2.3. Transit of goods by road through the State and issue of transit slips (*Rahdaries*)

The driver or the person incharge of the vehicle coming from any place outside the State and bound for any other place outside the State passing through the State, shall obtain in the prescribed form, a transit slip (*i.e. Rahdari* in form ST—39) in duplicate from the officer-in-charge of the first sales tax check barrier after his entry into the State and deliver it to the officer-in-charge of the exit sales tax check barrier before his exit from the State. The officer-in-charge of the check barrier at the exit point shall, after quoting the time, date and number of movement register on the duplicate copy of the transit slip return the same to the officer-in-charge of the entry barrier. On receipt of the duly verified transit slip, the entry barrier staff will make note of it against the original entry and will take necessary follow-up action in respect of unverified transit slips. If the driver or person incharge of a vehicle passing through the State fails to obtain a transit slip or to deliver it at the exit check post or sales tax check barrier, he shall be liable to pay a penalty not exceeding two thousand rupees or 20 per cent of the value of goods whichever is greater.

719 vehicles coming from places outside the State and bound for places outside the State obtained transit slips during the years 1984-85 and 1985-86 from the sales tax check barriers at G.T. Road Ambala, Dhulkote, Tohana, Data Singh wala, Narnaul, Faridabad, Hodel, Jhumpa, Jai Singh Pur Khera, Dundahera and Bahadurgarh. These vehicles had not delivered their transit passes at the concerned exit barriers. Since no transit slips were received back by the entry barrier, the officers-in-charge of the entry barriers should have presumed that the goods carried by the vehicles had been sold within the State and therefore they should have initiated assessment and penal proceedings against the drivers or persons in-charge of those vehicles which was not done. The value of taxable goods carried by the aforesaid 719 vehicles worked out approximately to Rs. 748.30 lakhs involving a



penalty of Rs 149.66 lakhs (20 per cent of the value of the goods).

#### **3.2.4. Non-utilisation of check-post declarations/bills of lading**

Under the Haryana General Sales Tax Act, 1973, a person transporting any consignment of goods by any vehicle should be in possession of a declaration (bill of lading) in form ST-38, besides a bill of sale and way-bill etc., when the vehicle enters or leaves the State limits. According to administrative instructions issued in October 1982, the officer-in-charge of the sales tax check barrier should collect the declarations and send them to the District office or sub-office concerned. Declarations and bills of lading exceeding Rs 50,000 are required to be sent to the concerned Deputy Excise and Taxation Commissioner by name for immediate verification. On receipt of declaration forms from the sales tax check barriers, these should be entered in the prescribed receipt register, sorted out and entered in the dealer-wise ledgers to be maintained in alphabetical order.

(i) A test check in audit of the records of sales tax offices at Hissar, Karnal, Rewari, Gurgaon and Bhiwani revealed that 5,016 bills of lading received from Jhumpa, Data Singh Wala, G. T. Road Ambala City, Dhulkote, Jai Singh Pur Khara and Tohana sales tax check barriers during the years 1984-85 and 1985-86, had neither been entered in the receipt registers nor passed on to the various assessing authorities for verification. In a test check of 499 such cases, the value of goods involved worked out to Rs 254.55 lakhs.

(ii) In sales tax offices at Karnal, Jind, Hissar, Bhiwani, Charkhi Dadri, Ambala City, Yamunanagar and Bahadurgarh, 396 bills of lading received from the check barriers at G.T. Road Ambala City, Dhulkote, Data Singh Wala, Jhumpa, Tohana Narnaul, Yamuna Bridge and Bahadurgarh during the years 1984-85 and 1985-86 though entered in the receipt registers were not passed on to the assessing authorities for verification. The cases of these dealers were assessed to tax without verification of these bills of lading. The value of taxable goods covered by these bills worked out to Rs 105.33 lakhs.

(iii) In the cases of 136 dealers, 8,342 bills of lading covering goods valuing Rs 95.13 lakhs received by the



assessing authorities during 1984-85 and 1985-86 were not placed in the files of dealers and as such purchases sales remained un-verified at the time of assessment.

(iv) Test check of assessment files maintained at the sales tax offices at Ambala City, Karnal, Hissar, Sirsa and Yamunanagar, brought out that in the assessment files for the years 1984-85 and 1985-86 of 39 dealers, 392 bills of lading had been misfiled by either being placed in files of assesseees not concerned or in files of earlier period and were thus not verified at the time of assessment. The taxable goods covered in the above 392 bills of lading amounted to Rs 56.68 lakhs.

### 3.2.5. Non-registration of dealers

Under the Haryana General Sales Tax Act, 1973, any dealer who imports any goods for sale or use in manufacturing or processing in Haryana or who exports any goods out of Haryana, is liable to registration.

In the course of test audit of sales tax offices at Rewari, Ambala City, Bhiwani and Jind districts, it was noticed in audit that 188 unregistered dealers imported/exported goods worth Rs 92.07 lakhs against 245 bills of lading, during the years 1984-85 and 1985-86. No enquiry was made as per administrative instructions, to find out the subsequent disposal of these goods and to register the dealers under the Act.

### 3.2.6. Inspection of goods in transit

When the goods transported by a vehicle are not covered by proper and genuine documents, the officer-in-charge of the barrier is empowered to order the unloading and detention of the goods. The owner or the person incharge of the goods shall, however, be given an option to pay, in lieu of detention of goods, a penalty of not less than 10 per cent and not more than 25 per cent of the value of the goods. In the event of non-payment of penalty, the officer-in-charge may allow the detained goods to be transported after obtaining a security for an amount not exceeding one thousand rupees or 20 per cent of the value of the goods, whichever is greater. Cases of unloading and detention of goods are noted in the register of unloading of goods maintained at the barriers.

(i) 39 vehicles were found carrying goods without proper and genuine documents. In one case, the goods



were released to the dealer without obtaining security for surety bond etc. In 38 other cases, there was nothing on record to show whether the security, as provided under the Act, had been obtained before the release of goods.

(ii) A test check of the sales tax check barriers at G. T. Road Ambala City, Dhulkote, Data Singh Wala and Yamuna Bridge revealed that registers containing particulars of vehicles where goods were ordered to be unloaded for check had not been maintained properly in as much as value of the goods on which tax was suspected to be evaded, brief history of the case, nature of the goods being transported and reference to penal provision of the Act and receipt number and date vide which the recoveries were made, were generally not found recorded in the register.

The foregoing was brought to the notice of the department and to Government in July 1987; their reply has not been received (November 1987).

### 3.3. Short levy/non-levy of purchase tax

As per provisions of the Haryana General Sales Tax Act, 1973, a dealer, on the strength of his certificate of registration and by furnishing a declaration in prescribed form ST-15, can 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 resale 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 the territory of India within the meaning of Section 5(1) of Central Sales Tax Act, 1956. If a dealer, who has purchased goods without payment of tax, fails to use the goods, so purchased, for the specified purposes, he is liable to pay tax on the purchase value of such goods at the rates notified under Section 15 of the Act.

(i) Two dealers of Ladwa purchased, by furnishing declaration in Form-15, without payment of tax, goods valuing Rs 89.84 lakhs within the State and exported those out of India through another agency during the years 1979-80 to 1983-84. Such exports did not fall within the ambit of Section 5(1) of the Central Sales Tax Act and hence the use



of Form-15 for purchasing the goods for such purposes was not admissible and purchase tax was leviable. While finalising the assessment (between March 1985 and March 1986), the assessing authority, however, levied tax on purchases amounting to Rs 4.08 lakhs only and omitted to levy tax on remaining purchases valuing Rs 85.76 lakhs. The mistake resulted in short assessment of purchase tax by Rs 6.39 lakhs. Besides, interest amounting to Rs. 3.39 lakhs for non-payment of tax alongwith returns was chargeable.

On the omissions being pointed out in audit (August 1986), the department called for (March 1987) the assessment records. Further developments are awaited (November 1987).

(ii) A dealer of Pinjore purchased, on the basis of declarations in Form-15, without payment of tax, goods valuing Rs 18.48 crores within the State and used them in the manufacturing of other goods. Manufactured goods, valuing Rs 31.38 crores and Rs 3.69 crores were transferred to its branches outside the State and exported out of India through another party respectively during 1983-84. While levying purchase tax (November 1985), the assessing authority erroneously worked out the proportionate value of goods consumed in the manufacture of goods transferred to its branches outside the State and exported out of India as Rs 5.96 crores and Rs 0.70 crore instead of Rs 6.12 crores and Rs 0.72 crore respectively. This resulted in short levy of purchase tax amounting to Rs 0.77 lakh. Besides, interest for non-payment of tax alongwith quarterly returns was also chargeable.

On the omission being pointed out in audit (February 1987), the department accepted (May 1987) the error in calculating the proportionate purchase value. Report on the rectification is awaited (November 1987).

(iii) A dealer of Taraori (District Karnal) purchased, without payment of tax, *bardana* (packing material like gunny bags, tins) valuing Rs 4.13 lakhs from within the State and used it in the packing of rice bran oil and rice bran oil cakes exported outside the State otherwise by way of sale during the year 1982-83.

The assessing authority, while framing assessment (November 1983), levied purchase tax on the proportionate



purchase value of rice bran and rice husk consumed in the manufacture of rice bran oil/cake exported out of the State, but omitted to levy purchase tax on *bardana* used in packing which resulted in tax being levied short by Rs 29,556. Besides, interest for non-payment of tax alongwith quarterly returns was also chargeable.

On the omission being pointed out in audit (January 1985), the department raised (March 1987) a demand for Rs 34,535 including interest of Rs 4,980. Report on recovery of amount is awaited (November 1987).

(iv) A dealer of Sirsa purchased, without payment of tax by furnishing declarations in Form-15, cotton valuing Rs 7.28 lakhs for manufacturing purposes. He, however, without undertaking any manufacturing process exported the cotton out of India during the year 1982-83. As per Schedule 'D' of Haryana General Sales Tax Act, on un-manufactured cotton, tax is payable on the point of last purchase within the State. While assessing (February 1986), the assessing authority omitted to levy purchase tax amounting to Rs 29,120 on the purchase value of cotton. Besides, interest was also chargeable for failure to pay the tax due.

On the omission being pointed out in audit (August 1986), the department referred (June 1987) the case for *suo moto* action; further report is awaited (November 1987).

(v) In the case of two dealers (one each of Bahadurgarh and Faridabad), proportionate purchase value of goods transferred or purchase value of goods consumed in the manufacture of goods transferred to branch offices outside the State was determined less by Rs 2.90 lakhs during 1982-83 and 1984-85 resulting in short levy of tax of Rs 16,098.

On the omission being pointed out in audit (December 1985 and November 1986), the department raised (May 1987) a demand for Rs 8,837 in the case of Faridabad dealer. Report on recovery is awaited. The case of Bahadurgarh dealer was referred (June 1986) to the revisional authority for *suo moto* action. Further report is awaited (November 1987).

(vi) (a) A dealer of Sonapat purchased, without payment of tax, goods valuing Rs 18.76 lakhs during the year 1980-81



by furnishing the prescribed declarations in form ST—15, and used them in the manufacture of other goods. However, manufactured goods valuing Rs 19.71 lakhs were transferred to his head office outside the State. While calculating the purchase tax payable by the dealer (March 1985), the assessing authority erroneously worked out the proportionate value of the goods consumed in the manufacture of goods transferred as Rs 4.20 lakhs instead of Rs 6.15 lakhs. The mistake resulted in short levy of tax amounting to Rs 7,956. Besides, interest for non-payment of tax alongwith quarterly returns was also chargeable.

On the omission being pointed out in audit (June 1985), the department raised (March 1986) an additional demand for Rs 18,952 (tax : Rs 7,956; interest : Rs 10,996), and recovered the amount in May 1986.

(b) Under the Haryana General Sales Tax Act, 1973, goods purchased without payment of tax and used in the manufacture of tax free goods, are liable to purchase tax at the rate applicable for their sale in the State.

A dealer of Panipat purchased, without payment of tax, goods valuing Rs 4.94 lakhs which were used in the manufacture of tax free goods sold during 1983-84. The assessing authority, while framing the assessment (September 1985), omitted to levy purchase tax on the goods so used in the manufacture of tax free goods. The tax not paid amounted to Rs 13,047 besides interest for failure to pay the due tax.

On the omission being pointed out in audit (December 1986), the department raised (April 1987) additional demand for Rs 16,497 including interest amounting to Rs 3,450 for non-payment of tax and recovered the amount in May 1987.

The above cases were reported to Government between July 1985 and April 1987; their reply has not been received (November 1987).

### 3.4. Irregular grant of exemption

Under Section 13 of the Haryana General Sales Tax Act, 1973, Government is empowered to grant exemption by issue of notification, to any class of co-operative societies



or persons from the payment of tax under the State Act on the purchase or sale of any goods subject to such conditions like obtaining genuineness certificates from the Khadi and Village Industries Board and the exemption certificates from the sales tax assessing authority of the district and as may be specified in the notification. As per notification dated 22nd November 1978 and 2nd June 1979, exemption from payment of tax, on purchase of raw material, is admissible to specified manufacturing units on the value of raw material used in the manufacture/production of goods in their own industrial units and on the sale of such manufactured goods.

On the basis of genuineness certificates granted by the Khadi and Village Industries Board, exemption certificates were issued (between September 1983 and December 1984) to two dealers of Dabwali by the sales tax assessing officer. A scrutiny in audit of the assessment records revealed that cotton valuing Rs 51.32 lakhs purchased from within the State during the years 1983-84 and 1984-85 on the strength of their exemption certificates had been transferred (1983-84 and 1984-85) by the dealers to their head offices outside the State of Haryana without undertaking any manufacturing process. They were, thus, not entitled for exemption and were liable to pay purchase tax on the same, being last purchases within the State. Irregular grant of exemption resulted in tax amounting to Rs 2.05 lakhs being not realised.

On the omission being pointed out in audit (June 1986), the department referred (October 1986) the cases to the revisional authority for *suo moto* action. Further report is awaited (November 1987).

The cases were reported to Government in October 1986; their reply has not been received (November 1987).

### 3.5. Irregular levy of tax at concessional rate

Under the Central Sales Tax Act, 1956, on inter-State sales of rice bran, an unclassified good, not supported by valid declarations in form 'C' from the purchasing dealers, tax is leviable at the rate of 10 per cent. Further, if a dealer has maintained incorrect or false accounts with a view to suppressing his sales, he is liable to pay penalty, in addition to tax, of a sum not less than twice the amount of tax which would



have been avoided, if the turnover as returned by him had been accepted as correct.

On inter-State sales of rice bran amounting to Rs 28.59 lakhs made by a dealer of Kurukshetra during the year 1978-79 and not supported by prescribed declarations in form 'C', tax was levied (November 1981) by the assessing authority at the rate of 4 per cent instead of 10 per cent. This resulted in short levy of tax of Rs 1.72 lakhs.

The dealer had also suppressed inter-State sales of rice bran valuing Rs 1.65 lakhs for which minimum penalty (at twice the amount of tax leviable at 10 per cent) of Rs 33,027 was leviable against Rs 18,200 only levied (December 1982) by the assessing authority. The omission resulted in penalty being levied short by Rs 0.15 lakh.

On the omissions being pointed out in audit (August 1986), the assessing authority referred (September 1986) the case for *suo moto* action to the revisional authority, who remanded (November 1986) the same to the assessing authority for *de novo* assessment. Report on rectification is awaited (November 1987).

The case was reported to Government in February 1987; their reply has not been received (November 1987).

### **3.6. Short levy due to misclassification of goods**

(a) Under the Haryana General Sales Tax Act, 1973, tax on the sale of cereals (food grains), an item of declared goods, is leviable at the rate of four per cent, but their seeds, being unclassified goods, are subject to tax at the rate of seven per cent (eight per cent from 1st April 1983). Interest is chargeable and penalty leviable for failure to pay the full tax due under the Act.

On sale of seeds of foodgrains amounting to Rs 26.38 lakhs during 1979-80 to 1981-82 by a dealer of Narnaul, tax was assessed at the rate of four per cent treating these as foodgrains, instead of at appropriate rate of seven per cent. Misclassification of goods resulted in tax being levied short by Rs 82,848.

On the mistake being pointed out in audit (May 1986), the department re-assessed (March 1987) the case for the

year 1980-81 (turnover : Rs 4.52 lakhs) and raised additional demand for Rs 24,876 (including interest of Rs 8,662 and penalty of Rs 2,000 for failure to pay the full tax due under the Act). Report on recovery of the demand and action taken on short assessment for the year 1979-80 and 1981-82 is awaited (November 1987) .

(b) Under the Haryana General Sales Tax Act, 1973, on the sale of unclassified items, tax was leviable at the general rate of 7 per cent upto 31st March 1983 and at 8 per cent thereafter.

In Dabwali, two dealers sold rims valuing Rs 5.36 lakhs during the years 1980-81 to 1983-84. The assessing authority, while framing assessments (between July 1981 and January 1985), levied tax at the rate of 4 per cent, treating rims as declared goods, instead of at the correct rate of 7 or 8 per cent. This resulted in tax being levied short by Rs 18,018. Besides, interest was also chargeable for non-payment of tax alongwith quarterly returns.

On the omission being pointed out in audit (August 1985), the assessing authority revised the assessments and raised demand for Rs 32,178 (tax : Rs 18,018; interest : Rs 14,160) in December 1986 and January 1987. Report on recovery is awaited (November 1987) .

(c) Under the Central Sales Tax Act, 1956, on inter-State sales of declared goods and of un-classified goods not supported by valid declarations from the purchasing dealers, tax is leviable at the rate of 8 per cent and 10 per cent respectively.

On the inter-State sales of screws amounting to Rs 4.95 lakhs (not supported by valid declarations) made by a dealer of Gurgaon during the year 1982-83, the assessing authority levied (December 1984) tax at the rate of 8 per cent treating those as declared goods. Screws, however, being un-classified goods were taxable at the rate of 10 per cent. Misclassification of goods resulted in short levy of tax besides non-charging of interest for short payment of due tax alongwith quarterly returns.

On the omission being pointed out in audit (August 1985), the department raised (June 1987) additional demand.



of Rs 18,610 including interest. Report on recovery is awaited (November 1987) .

The above cases were reported to Government between December 1985 and September 1986; their reply has not been received (November 1987).

### 3.7. Suppression of sales

Under the Haryana General Sales Tax Act, 1973, if a dealer has maintained false or incorrect accounts, with a view to suppressing his sales or purchases or stock of goods or has concealed any particulars of his sales or purchases or has furnished to or produced before any authority under this Act or rules made thereunder, 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 more than ten times (five times from 17th April 1984) the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct.

A dealer of Gurgaon adopted opening stock of Rs 50,581 in his accounts for the year 1980-81 against the closing stock of Rs 5,05,481 shown in his accounts for the year 1979-80. The incorrect adoption of closing balance in 1980-81 resulted in suppression of stock of Rs 4,54,900 with consequential evasion of tax of Rs 32,480. Besides, interest for non-payment of tax alongwith returns and minimum penalty of Rs 64,960 for suppression of turnover was also leviable.

On the omission being pointed out in audit (July 1986), the department referred (August 1986) the case for *suo moto* rectification. Report on rectification is awaited (November 1987).

The case was reported to Government in October 1986; their reply has not been received (November 1987).

### 3.8. Omission to levy tax on compulsory sales

Under the Haryana General Sales Tax Act, 1973, on sale of rice (one of the declared goods), tax is leviable at the point of first sale in the State and on purchase of paddy at the point of last purchase in the State. The tax so levied on rice is, however, required to be reduced by the amount of purchase



tax paid in the State on paddy out of which rice is husked. The Supreme Court has held (\*\*) (December 1977) that even obligatory transactions required under a statute but having element of mutual consent are sales and are liable to sales tax.

(i) In Jind, a dealer sold rice valuing Rs. 55.95 lakhs during the year 1984-85 to the District Food and Supplies Controller. The assessing authority, while framing assessment (February 1986), omitted to levy tax on these sales. The omission resulted in non-levy of tax amounting to Rs. 23,528 (after adjusting purchase tax paid on paddy valuing Rs. 50.07 lakhs out of which rice was husked). Besides, interest of Rs. 4,010 was also chargeable for non-payment of tax.

On the omission being pointed out in audit (July 1986), the department raised additional demand for Rs. 27,538 (September 1986) and recovered the amount.

(ii) A dealer of Jagadhri sold rice valuing Rs. 44.55 lakhs to the District Food and Supplies Controller during the year 1984-85. Although the assessing authority, while framing assessment (March 1986), had mentioned that sale of rice to District Food and Supplies Controller was subject to levy of tax, it omitted to levy tax. The tax leviable amounted to Rs. 14,288. Besides, interest for non-payment of tax along-with quarterly returns was also chargeable.

On the omission being pointed out in audit (July 1986), the department raised an additional demand of Rs. 17,667 (tax : Rs. 13,867; interest : Rs. 3,800) in October 1986. Report on recovery as also action taken to raise demand for the balance amount is awaited (November 1987).

(iii) A dealer of Safidon (Jind) claimed deduction of Rs. 38.30 lakhs, being value of rice sold to the District Food and Supplies Controller during the year 1977-78. The assessing authority, while finalising the assessment (January 1985), treated the sale as acquisition by Government under the levy scheme and irregularly allowed the deduction claimed by the dealer. This resulted in non-levy of tax amounting to Rs. 5,511.

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(\*\*) M/s. Vishnu Agencies Pvt. Ltd. V/S Commercial Tax Officer (1978) 42-STC-31



Besides, interest was also chargeable for delayed payment of tax.

On the omission being pointed out in audit (July 1985), the department, after allowing rebate of tax paid on purchase value of paddy (Rs. 36.92 lakhs) from which aforesaid rice was husked, raised (January 1986) an additional demand for Rs. 13,296 including interest of Rs. 7,785 and stated that recovery was under stay under orders dated 26th October 1982 of the Excise and Taxation Commissioner. Further progress is awaited (November 1987).

The above cases were reported to Government between January 1986 and February 1987; their reply has not been received (November 1987).

### 3.9. Application of incorrect rate of tax

(i) Under the Central Sales Tax Act, 1956, on inter-State sales made to registered dealers, tax is leviable at the concessional rate of four per cent provided such sales are supported by valid declarations in form 'C' obtained from the purchasing dealer.

On inter-State sales of cotton amounting to Rs. 9.40 lakhs made by a dealer of Sirsa during the year 1983-84 against 'C' forms, tax was levied at the rate of 2 per cent instead of at 4 per cent. The mistake resulted in tax being levied short by Rs. 18,767. Besides, interest and penalty for non-payment of tax alongwith quarterly returns were also leviable.

On the mistake being pointed out in audit (August 1986), the department raised an additional demand of Rs. 25,480 (tax : Rs. 18,767; interest : Rs. 6,666 and penalty : Rs. 47) in November 1986. Report on recovery is awaited (November 1987).

(ii) As per Government notification dated 31st January 1973, on inter-State sale of scientific instruments to autonomous institution engaged in any research work for the promotion of scientific or educational object, tax is leviable at the rate applicable to the sale of such goods in the State. On sale of such goods in the State during 1982-83, tax was leviable at the rate of 6 per cent under the State Act.



On inter-State sales of scientific instruments valuing Rs. 8.04 lakhs made, during the year 1982-83, by a dealer of Faridabad to the Central Institute of Medical and Aeromatic Plants, Lucknow (an autonomous organisation), tax was levied at the concessional rate of 4 per cent, applicable to Government departments. This resulted in tax being levied short by Rs. 16,073.

On the mistake being pointed out in audit (October 1985), the revisional authority directed (July 1986) the assessing authority to rectify the mistake. Report on rectification is awaited (November 1987).

The above cases were reported to Government in October 1986 and May 1987; their reply has not been received (November 1987).

### **3.10. Mis-use of declaration forms**

Under the Central Sales Tax Act, 1956, on inter-State sales made to registered dealers, tax is leviable at concessional rate provided such sales are supported by valid declarations obtained from the purchasing dealers. For this purpose, the Central Sales Tax (Registration and Turnover) Rules, 1957, require that a registered dealer purchasing goods from a registered dealer of another State shall furnish declarations in Form 'C' in duplicate to the selling dealer. The declaration marked 'original' is to be furnished by the selling dealer to the prescribed authority in support of his claim for concessional sale, while the one marked 'duplicate' is to be retained by him for his record. Any dealer furnishing a declaration which he knows or has reasons to believe to be false, shall be punishable with simple imprisonment upto 6 months or with fine, or both and in case of continuing offence, with a daily fine of Rs. 50 during the continuance of offence.

On inter-State sales amounting to Rs. 3.81 lakhs made during the year 1979-80 by a dealer of Yamunanagar to a dealer of Delhi, tax was levied at concessional rate of 4 per cent on the basis of duplicate declaration in Form 'C'. A cross-check by Audit, however, revealed that duplicate declaration forms were not genuine as the original declarations had been issued by the purchasing dealer to other dealers of Bombay. The acceptance of duplicate copies of declarations without proper verification by the assessing authority resulted in central



Sale tax being levied short by Rs. 22,844. Besides this, penalty for furnishing incorrect information and interest for non-payment of tax due alongwith quarterly returns was leviable.

On the irregularity being pointed out in audit (February 1986), the Excise and Taxation Commissioner accepted the objection and referred (March 1987) the case for *suo moto* action. Report on rectification and action taken to initiate penal proceedings in the matter and charging of interest is awaited (November 1987).

The case was reported to Government in February 1987; their reply has not been received (November 1987).

### 3.11. Incorrect computation of taxable turnover

Under the Central Sales Tax Act, 1956, where a tax has been levied under the Sales tax law in respect of the sale or purchase inside the State on paddy, the tax leviable on rice procured out of such paddy and sold in the course of inter-State sales shall be reduced by the amount of tax levied on such paddy.

A dealer of Kurukshetra, sold rice valuing Rs. 20,36,813 in the course of inter-State trade or commerce during 1982-83. The assessing authority, while finalising (May 1985) the assessment under the Central Sales Tax Act, had allowed deduction amounting to Rs. 20,07,851 representing purchase value of paddy from which the rice was husked and already assessed to tax under the State Act.

In audit it was, however, seen that inter-State sales of rice included tax paid rice valuing Rs. 1,20,167 and on the basis of yield of rice obtained from paddy, the amount of admissible deduction on account of purchase value of paddy from which the rice valuing Rs. 19,16,646 was husked and tax paid under the State Act, worked out to Rs. 13,71,367. The incorrect excess deduction by Rs. 5,16,317 resulted in less computation of taxable turnover to that extent and consequential short levy of tax by Rs. 20,653. Besides this, interest amounting to Rs. 8,280 was chargeable for short payment of tax.

On the omission being pointed out in audit (July 1986), the department referred (January 1987) the case to the revisional authority for *suo moto* action. Further report is awaited (November 1987).



The case was reported to Government in February 1987; their reply has not been received (November 1987).

### 3.12. Short recovery of tax

Under the Haryana General Sales Tax Act, 1973, on sale of rice, tax is leviable at the point of first sale in the State with effect from 7th September 1976. Tax so levied on rice is, however, to be reduced by the amount of purchase tax paid in the State on paddy out of which the rice is husked. The Government, however, ordered (26th October 1982) stay of recovery of tax leviable on the sale of rice to the District Food and Supplies Controllers.

A dealer of Karnal was assessed (February 1984) to tax of Rs. 1,19,599 on rice valuing Rs. 29.90 lakhs sold to the District Food and Supplies Controller, Karnal during 1980-81. Tax amounting to Rs. 11,213 was chargeable on its sale after allowing rebate of tax of Rs. 1,08,386 already paid on paddy out of which the rice was husked. Further, interest chargeable on non-payment of tax of Rs. 11,213 worked out to Rs. 5,706. Recovery of Rs. 16,919 (tax : Rs. 11,213; interest : Rs. 5,706) only was to be stayed. But while framing the assessment (February 1984), the assessing authority erroneously stayed recovery of tax and interest amounting to Rs. 30,779 (tax : Rs. 20,004; interest : Rs. 10,775) instead of Rs. 16,919.

On the omission being pointed out in audit (November 1984), the department raised (March 1987) a demand for Rs. 8,791 representing the amount of tax alone recovery of which was erroneously stayed. Report on recovery of tax demand and raising of demand for interest excess stayed is awaited (November 1987).

The case was reported to Government in July 1985; their reply has not been received (November 1987).

### 3.13. Short levy of tax due to incorrect deduction from turnover

Under the Haryana General Sales Tax Act, 1973, declared goods are taxable at the stage of sale or purchase as specified in schedule 'D' to the Act. Prior to amendment of schedule 'D' with effect from 1st January 1976, iron goods, being



declared goods, were taxable at the point of first sale in the State and as such, on the sale of goods to registered dealers the facility of deduction from the gross turnover by passing on the incidence of tax to the next dealer was not available.

In Faridabad, an assessing authority, while finalising the assessments for the years 1975-76 and 1976-77 in August 1978 and March 1979 respectively, allowed deductions amounting to Rs. 3.58 lakhs to a dealer from his gross turnover on account of sales of stub axle made during October 1975 to May 1976 to the registered dealers. Stub axle being an item of declared goods taxable at the first point sale in the State, the deduction allowed therefor was irregular. The erroneous treatment of sale of declared goods resulted in short assessment of tax amounting to Rs. 14,327.

On the omission being pointed out in audit (November 1979), the assessing authority raised (September 1986) a demand for Rs. 14,327 on re-assessment as the case had been remanded to him in September 1983 by the revisional authority and recovered the amount in October 1986.

The case was reported to Government in June 1987; their reply has not been received (November 1987).

### **3.14. Short levy of tax on acceptance of 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 obtained from the purchasing dealers.

In Faridabad, a dealer, on sale of general goods valuing Rs. 12.69 lakhs to other registered dealers of the State during 1983-84, claimed deduction for the same from his gross turnover by furnishing prescribed declarations from the purchasing dealers, which were accepted by the assessing authority while making assessment in August 1985. It was, however, noticed (February 1987) in audit that declarations furnished totalled up to Rs. 11.47 lakhs only. The non-detection of mistake resulted in short levy of Rs. 12,264 on account of tax and interest for non-payment of due tax.

On the omission being pointed out in audit (February 1987), the department recovered the amount in April 1987.

The case was reported to Government in July 1987; their reply has not been received (November 1987).

### **3.15. Irregular adjustment of credit per tax paid**

Under the Haryana General Sales Tax Act, 1973, if the goods leviable to tax are exported in the same condition in which these were purchased, the tax shall be levied, charged and paid at the station of despatch or exit barrier. The tax so levied, charged and paid shall be provisional and the same shall be adjustable towards the tax due from the dealer on such sales as a result of assessment or re-assessment made in accordance with the provisions of the Act and the rules made thereunder on the production of proof of the payment thereof in the State.

A dealer of Karnal paid a tax of Rs. 8,374 at the exit barrier in April 1982 on the goods exported outside the State. However, at the time of assessment for the year 1981-82 the amount of Rs 8,374 paid at the barrier was allowed to be adjusted by the assessing authority in May 1983. Simultaneously, the assessee of his own, had made adjustment of the same in his quarterly return, for the year 1982-83 towards the tax due. It was pointed out in audit that the amount was adjustable only in relation to assessment year 1982-83 and that the assessing authority erred in allowing adjustment of the same in the year 1981-82.

On the omission being pointed out in audit (March 1986), the department raised (January 1987) demand for Rs 11,091 including interest in respect of the assessment year 1981-82. Report on recovery is awaited (November 1987).

The case was reported to Government in August 1987; their reply has not been received (November 1987).

### **3.16. Non-levy of penalty**

(a) Under Section 48 of 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 more than ten times (five times from 17th April 1984) the amount of tax which would have been avoided, if the turnover as returned by such dealer, had been accepted as correct. Same provisions are applicable in the case of similar offences committed in connection with inter-State sales under the Central Sales Tax Act, 1956.

(i) A dealer of Narnaul suppressed his sales amounting to Rs 22.27 lakhs made during the years 1979-80 to 1981-82. The assessing authority, while making the assessments (August 1984, September 1984 and January 1985), assessed the sales to tax of Rs 1,53,154 and stated that action to impose penalty would be taken separately. But no action to impose penalty was taken. For suppression of sales, minimum penalty of Rs 3,06,308 was leviable.

On the omission being pointed out in audit (May 1986), the department imposed (March 1987) penalty of Rs 69,346 for suppression of sales during the year 1980-81. Report on recovery of the amount and decision to levy penalty for suppression of sales during 1979-80 and 1981-82 is awaited (November 1987).

(ii) A dealer of Kurukshetra filed his returns with turnover amounting to Rs 21.22 lakhs for the year 1978-79. The assessing authority, while framing assessment (July 1983), enhanced the turnover by Rs 7.46 lakhs (Rs 2.71 lakhs under the State Act and Rs 4.75 lakhs under the Central Act) as a consequence of suppression of sales detected from the accounts books and other documents taken into possession during inspection of business premises of the dealer on 26th October 1979 and levied tax amounting to Rs 9,903 and Rs 20,724 on the suppressed sales under the State Act and the Central Act respectively. The assessing authority had mentioned in the assessment order (18th July 1983) for issue of separate notices for levying penalty against suppression of sales but no further action was taken (February 1986).

On the omission being pointed out in audit (March 1986), the department initiated penal action and levied (June 1986)



penalty amounting to Rs 19,806 and Rs 41,448 under the State Act and the Central Act respectively. Report on recovery is awaited (November 1987).

(iii) A dealer of Faridabad did not include in the returns Rs 3.61 lakhs (1980-81: Rs 1.99 lakhs; 1981-82: Rs. 1.62 lakhs), which constituted a part of the turnover, representing loading and unloading charges realised from the customers on the sale of crushed stone. The assessing authority, while framing the assessments (June 1982 and February 1985), detected the suppression, added it to the turnover and levied tax of Rs 25,785 but omitted to impose penalty which at the minimum worked out to Rs 51,570.

On the omission being pointed out in audit (October 1985), the department imposed a penalty of Rs 65,000 after following the prescribed formalities and intimated (June 1987) that Rs 36,000 had been recovered and the balance amount was being recovered in monthly instalment of Rs 6,000.

(iv) A dealer of Faridabad claimed, from his taxable turnover, deduction of Rs 5.03 lakhs as sales made to registered dealers during the year 1982-83. The assessing authority, while framing assessment (November 1983), found that the purchasing dealers were bogus in as much as the declarations produced were not genuine as the registration number of the purchasing dealers mentioned in declarations were wrong and the purchasing dealers were not in existence. He disallowed the claim, levied tax of Rs 20,100 and issued notice for initiating penal action for maintaining false and incorrect accounts. In March 1984, the assessing authority, however, levied interest of Rs 4,495 and penalty of Rs 5,000 under Section 47 of HGST Act for non-payment of tax alongwith quarterly returns instead of imposing penalty under Section 48 of the Act *ibid* for incorrect and false maintenance of accounts, on the plea that the unit was small and was misled by the purchasing dealers. The Act, however, does not give any discretion to the assessing authorities to levy penalty under Section 47 when it is rightly leviable under Section 48. The minimum penalty leviable under Section 48 amounted to Rs 40,200.

On the omission being pointed out in audit (February 1985), the appellate authority levied penalty of Rs 40,200 in July 1986. Report on recovery is awaited (November 1987).



(v) Two dealers of Safidon (Jind) furnished incorrect returns suppressing sales (Rs 0.99 lakh), purchases and expenses (Rs 1.35 lakhs) during the years 1983-84 and 1984-85. The assessing authority, while framing the assessments (April 1985 and January 1986), omitted to impose penalty for suppression of sales. Minimum penalty leviable amounted to Rs 18,736.

On the omission being pointed out in audit (August 1986 and September 1986), the department raised (September 1986 and November 1986) additional demand for Rs 24,000 after following the prescribed formalities and recovered Rs 9,000 in January 1987. Report on recovery of the balance amount is awaited (November 1987).

(vi) A dealer of Faridabad was assessed (October 1985) to tax at the concessional rate of four per cent on his inter-State sales amounting to Rs 20.06 lakhs against prescribed declaration in Form 'C' in the Year 1982-83. Scrutiny in audit of the 'C' forms revealed (February 1987) that nine 'C' forms included additions amounting to Rs 1.83 lakhs and these amounts had been inserted by the assessee to get the benefit of concessional rate at four per cent. The assessee thus, evaded tax of Rs 10,962 by furnishing invalid 'C' forms which were accepted by the assessing authority. Penalty of Rs 21,924 was also leviable for wilful attempt to evade tax by furnishing false information.

On this being pointed out in audit (February 1987), the department referred (March 1987) the case to the revisional authority for *suo moto* action. Further progress is awaited (November 1987).

The above cases were reported to Government between March 1986 and August 1987; their reply has not been received (November 1987).

(b) 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, by way of penalty, a sum calculated at a rate which shall not be less than five rupees and more than ten rupees for everyday during which the default continues.

(i) A dealer of Jind did not file his returns for the first and third quarters under the State Act and for the first, second and third quarters under the Central Act for 1974-75 by the prescribed dates. The delay ranged between 1,497 and 1,681 days. While finalising the assessment (March 1979), the assessing authority levied tax but omitted to impose penalty for belated submission of the returns. Minimum penalty leviable worked out to Rs 39,725.

On the omission being pointed out in audit (July 1985), the department imposed (March 1986) penalty of Rs 39,885. Recovery of amount is under stay granted (September 1986) by the Appellate Authority in consideration of weak financial position of the dealer. Further report is awaited (November 1987).

(ii) Two dealers (one each of Narnaul and Bhiwani) did not file the quarterly returns for the years 1980-81 and 1983-84 by the prescribed dates. The department finalised the assessments but did not impose any penalty although minimum penalty of Rs 21,025 was leviable.

On the omission being pointed out in audit (May 1985 and April 1986), the department raised (March 1987) the demand for Rs. 21,025. Report on recovery is awaited (November 1987).

The above cases were reported to Government between January 1986 and July 1987; their reply has not been received (November 1987).

### 3.17. Interest not charged

Under Section 25(3) of the Haryana General Sales Tax Act, 1973, and the Central Sales Tax Act, 1956, a dealer is required to pay the full amount of tax due from him according to his return which is to be submitted by the prescribed date. On the basis of an audit observation made in August 1982, the department in consultation with the Law Department has held (July 1986) that there is a statutory liability to pay interest, wherever there is default in payment of tax within the period allowed by the law and that there was no difference between the words 'tax payable' and 'tax due'. It has also been judicially held\* that any doubt which an assessee

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\* Associated Cement Co. Vs. Commercial Tax Officer Kota (1981) 48 S.T.C. 466 S.C.



may be entertaining about the liability to pay the tax, by either delaying the filing of the return or not filing the return at all or by filing a return wrongly, claiming that a certain part of the turnover is not taxable or by not disclosing a part of the taxable turnover, would not effect the liability to pay interest. Interest is chargeable in such cases, taking it as a default of the party at the first instance while filing the return. 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. Further, for failure to pay the tax due according to the return, the prescribed authority may after affording the dealer a reasonable opportunity of being heard impose a penalty not exceeding one and a half times the amount of tax to which he is assessed or is liable to be assessed.

(i) In Faridabad, three dealers claimed deductions of stock transfer of goods valuing Rs. 478.38 lakhs during the years 1980-81 and 1981-82. The assessing authority, while finalising the assessments in March 1985, September 1985 and March 1986, rejected the transfers amounting to Rs. 56.73 lakhs treating them as inter-State sales and levied tax amounting to Rs. 5.67 lakhs. Interest chargeable amounting to Rs. 4.28 lakhs for non-payment of tax alongwith the returns was not demanded.

On the omission being pointed out in audit (September 1985, March 1986 and March 1987), the department raised (between February 1987 and May 1987) demand for the amount. Report on recovery is awaited (November 1987).

(ii) Five dealers of Bahadurgarh and Karnal purchased raw materials valuing Rs. 928.26 lakhs, during the years 1979-80 to 1982-83 and used them in the manufacture of finished goods. Part of the manufactured goods were transferred to their branches outside the State otherwise than on sale. They failed to pay alongwith their returns, the purchase tax that was leviable in respect of the material used in the manufacture of goods so transferred. The assessing authority, while framing assessments (between April 1982 and March 1985),



levied purchase tax of Rs. 7.44 lakhs on the raw material purchased from within the State and used in the manufacture of goods transferred to branches outside the State but omitted to charge interest for non-payment of tax alongwith the returns. Interest chargeable amounted to Rs. 2,46,814.

On the omission being pointed out in audit (between November 1983 and February 1986), the department raised (August 1986 to October 1986) demand of Rs. 2,46,814 and recovered a total sum of Rs. 2,24,240 in August 1986 and October 1986 in 4 cases. Report on action taken to recover the balance amount of Rs. 22,574 in the remaining case is awaited (November 1987).

(iii) On the sale of metallic yarn made during the years 1979-80 to 1982-83, five dealers of Faridabad paid tax at the rate of 2 per cent applicable to cotton yarn though metallic yarn being unclassified item was taxable at 7 per cent under the State Act and at 10 per cent under the Central Act. The assessing authority, while framing assessments (between the periods May 1983 and August 1985), levied tax at the prescribed rates creating additional demand for Rs. 3.73 lakhs and contemplated to take separate action to charge interest and impose penalty for short deposit of tax. The action was, however, not initiated. Besides penalty, interest chargeable amounted to Rs. 1,78,654.

On the omission being pointed out in audit (between December 1984 and February 1986), the department raised (October 1986 and March 1987) additional demand of Rs. 1,83,163, out of which Rs 25,000 were recovered in March and May 1987. Report on recovery of balance amount as also action taken to impose penalty is awaited (November 1987).

(iv) Two dealers of Ladwa and Faridabad deposited tax short by Rs. 3.74 lakhs alongwith the quarterly returns for the years 1980-81 and 1982-83. The assessing authority, while finalising assessments (September 1985 and October 1985), demanded the tax due but did not charge interest for non-payment of tax. Interest chargeable amounted to Rs. 1.72 lakhs.

On the omission being pointed out in audit (August 1986 and February 1987), the department raised (March 1987) demand for Rs. 1.82 lakhs (including penalty of Rs. 10,000 in



respect of Ladwa dealer). Report on recovery is awaited (November 1987).

(v) Six dealers of Karnal, Faridabad and Sirsa, did not pay, within the prescribed period, tax amounting to Rs. 1.45 lakhs alongwith returns due for the years falling between 1976-77 and 1981-82. The assessing authority, while framing assessments (between October 1980 and March 1986), demanded the tax due but omitted to charge interest which amounted to Rs. 1,42,329. Besides, penalty for non-payment of tax alongwith quarterly returns was also leviable.

On the omission being pointed out in audit (between April 1982 and January 1987), the department raised (June 1986 and February 1987) an additional demand of Rs. 1,26,411 in respect of 5 dealers of Karnal and Faridabad. Penalty of Rs. 6,700 was also imposed in respect of two Faridabad dealers and one Karnal dealer. Amount of Rs. 93,012 including penalty of Rs. 6,000 was recovered between October 1986 and January 1987. Report on recovery of Rs. 40,099 in respect of two dealers of Karnal is awaited (August 1987). Regarding the dealer of Sirsa, the department accepted the objection and referred (March 1987) for *suo moto* action. Report on rectification is awaited (November 1987).

(vi) In 1981-82, a dealer of Haily Mandi (Gurgaon) did not pay tax on barley valuing Rs. 19.31 lakhs purchased within the State, without payment of tax and which was exported by him out of India through another agency. The assessing authority, while framing assessment, levied (November 1984) tax of Rs. 77,259 as the dealer was not eligible to be exempted from tax on this penultimate sale under the Haryana General Sales Tax Act, but omitted to charge interest amounting to Rs. 46,767 for non-payment of this due element of tax alongwith returns.

On the omission being pointed out in audit (October and December 1985), the department raised (December 1986 and March 1987), additional demand of interest amounting to Rs. 60,950. Report on recovery is awaited (November 1987).

(vii) In respect of two dealers of Faridabad and Ganaur, sales amounting to Rs. 19.33 lakhs during the years 1980-81 to 1982-83 to registered dealers were rejected as the same were held to have been made to bogus dealers. The assessing



authority assessed (January and February 1985) these sales to tax of Rs. 78,317. In addition, tax of Rs. 2,483 on purchase of goods without payment of tax and transferred outside the State was also assessed in respect of dealer of Ganaur, but interest of Rs. 45,180 for non-payment of tax was not charged. Besides, penalty for non-payment of tax was also leviable.

On the omission being pointed out in audit (June 1985 and November 1985), the department created (September 1986 and October 1986), additional demand of Rs. 47,680 (interest: Rs. 45,180; penalty : Rs. 2,500). Report on recovery is awaited (November 1987).

(viii) Two dealers of Gurgaon and Karnal purchased, during the years 1978-79 and 1979-80, without payment of tax, raw materials valuing Rs. 9.95 lakhs against their registration certificates and used them in the manufacture of finished goods which were either transferred to their branches outside the State or exported out of India through other agency. They did not pay alongwith their returns, purchase tax in respect of the raw materials used in the manufacture of goods so transferred/exported. The assessing authority, while framing assessments (November 1982 and March 1985), levied tax of Rs. 45,295 on the proportionate value of goods used in the manufacture of these goods but omitted to charge interest for non-payment of tax alongwith returns. Interest chargeable amounted to Rs. 31,936.

On the omission being pointed out in audit (January 1984 and September 1985), the department raised additional demand of Rs 32,436 (interest: Rs 31,936; penalty: Rs. 500) in December 1985 and September 1986 which was recovered in January 1986 and December 1986.

(ix) A dealer of Faridabad purchased from within the State, raw materials valuing Rs 16.74 lakhs, on the strength of his registration certificate and used it in the manufacture of finished goods which were transferred to his branches outside the State during the year 1978-79. He did not pay alongwith his quarterly returns tax in respect of the material used in the manufacture of the goods so transferred. The assessing authority, while framing assessment (October 1980), levied tax of Rs. 79,378 but omitted to charge interest. The dealer also failed to pay central sales tax of Rs. 11,662 alongwith returns. Interest chargeable amounted to Rs. 28,525 (under State Act: Rs. 25,424; under Central Act: Rs. 3,101).



On the omission being pointed out in audit (April 1982), the department raised (August 1986) demand for Rs. 28,525 which was recovered between September 1986 and December 1986.

(x) A dealer of Faridabad did not pay tax on the sales amounting to Rs. 1,10,101 made in the course of inter-State trade or commerce in the year 1979-80. At the time of assessment (March 1985), the assessing authority levied tax but for non-payment of tax alongwith quarterly returns, neither interest was charged nor penalty imposed.

On the omission being pointed out in audit (September 1985), the department raised (March 1987) demand for Rs. 18,192 including penalty and intimated (October 1987) that amount of Rs. 10,000 had been recovered. Report on recovery of balance amount is awaited (November 1987).

(xi) A dealer of Faridabad exported goods valuing Rs. 11.45 lakhs outside India through a third party during 1981-82 but did not pay purchase tax on the value of goods purchased (Rs. 2.98 lakhs), without payment of tax, from within the State and consumed in the manufacture of goods exported. Demand for tax amounting to Rs. 24,132 was raised (July 1985) by the department, but interest amounting to Rs. 14,183 which was chargeable for non-payment of tax was not demanded.

On the omission being pointed out in audit (December 1986), the department raised (December 1986) demand of Rs. 14,183. Report on recovery is awaited (November 1987).

(xii) In 1981-82, a dealer of Gurgaon consigned goods valuing Rs. 8.32 lakhs to his head office outside the State, but failed to pay tax on the value of goods purchased from within the State and used in the manufacture of such goods consigned to head office. The assessing authority, while finalising the assessment, levied (September 1984) tax of Rs. 19,964 on the value of goods (Rs. 2.80 lakhs) used in the manufactured goods so consigned, but omitted to charge interest for non-payment of tax alongwith the quarterly returns. Interest leviable amounted to Rs. 10,228.

On the omission being pointed out in audit (September 1985), the department raised (February 1987) additional demand of interest amounting to Rs. 10,228. Report on recovery is awaited (November 1987).

(xiii) A demand for Rs 4.43 lakhs for the assessment year 1981-82 was raised (August 1985) by the assessing authority against a dealer of Hissar. Notice of demand was, however, served on 1st January 1986 requiring him to deposit the amount within fifteen days which was paid by him only on 8th October 1986. The assessing authority failed to charge interest for belated payment of demand. Interest chargeable amounted to Rs 57,642.

Reasons, for non-charging of interest (Rs 57,642) under the mandatory provisions of the Act and delay of 4 months in the service of demand notice resulting in depriving the demand of interest amounting to Rs. 24,387, called for in February 1987 are awaited (November 1987).

(xiv) A dealer of Karnal, to whom demand notice was served on 18th June 1985, was required to deposit the demand of Rs. 0.90 lakh raised (April 1985) for the assessment year 1981-82 by 3rd July 1985. The amount was deposited in instalments between 19th July and 3rd September 1986. The assessing authority did not charge interest which worked out to Rs. 15,700 for belated payment of demand.

On this being pointed out in audit (December 1986), the assessing authority charged (December 1986) interest of Rs. 15,700. Report on recovery is awaited (November 1987).

The above cases were reported to Government between July 1982 and August 1987; their reply has not been received (November 1987).



## CHAPTER 4

### STAMP DUTIES AND REGISTRATION FEES

#### 4.1. Results of Audit

Test check of records in departmental offices, conducted in audit during the year 1986-87, revealed short levy and non-levy of stamp duty and registration fee as also other irregularities in 1,359 cases, which broadly fall under the following categories:—

	Number of cases	Amount (In lakhs of rupees)
1. Loss of stamp duty and registration fee due to under-valuation	399	12.35
2. Short/non-levy of stamp duty and registration fee	831	6.19
3. Evasion of stamp duty and registration fee	20	1.71
4. Irregular exemption of stamp duty and registration fee	33	0.52
5. Other irregularities	76	1.01
<b>Total</b>	<b>1,359</b>	<b>21.78</b>

Out of 1,359 cases of under-assessment pointed out in audit, the department had since taken rectificatory action in 176 cases and recovered Rs. 0.79 lakh. In the remaining 1,183 cases, replies are awaited from the department (November 1987).

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

#### 4.2. Under-valuation of immovable property

The Indian Stamp Act, 1899, as applicable to Haryana, requires that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of duty with which it is chargeable, should be fully and truly set forth therein. Under Section 47-A of the Indian Stamp Act, 1899, as inserted in Haryana, if the Registering Officer, while registering any instrument transferring any property, has reason to believe that the value of the property or the consideration has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector, for determination of the value of the consideration and the proper duty payable, which will thereafter be decided by the Collector after giving an opportunity to the registering party. It further provides that any person who, with intent to defraud the Government, executes any instrument in which all the facts and circumstances required to be set forth in such instrument are not fully set forth, shall be punishable with a fine which may extend to five thousand rupees.

(a) In 16 registering offices in Bhiwani, Rohtak and Sonapat districts, consideration in 138 sale deeds (registered during 1984-85 and 1985-86) were found to be much less than the values agreed upon between the parties and set forth in the agreements to sell, executed by them earlier and recorded with document writers. Stamp duty and registration fee were charged on the basis of value indicated in the sale deeds without comparing these with the value shown in the agreements to sell. The omission to refer the cases to the Collector resulted in stamp duty and registration fee being realised short by Rs. 5,26,837.

On the omission being pointed out in audit (between August 1985 and December 1986), the department recovered (between May 1986 and March 1987) Rs. 75,670 in 25 cases and issued (February and March 1987) notices for recovery of Rs. 32,832 in 8 cases. Report on recovery of Rs. 32,832 as also action taken in the remaining 105 cases is awaited (November 1987).



(b) On three sale deeds executed in Palwal Tehsil during June 1980 and November 1980, the values of the immovable properties (Agricultural land) set forth in the sale documents were lower as compared to the average value of similar properties registered during the previous five years in the same areas. The instruments were not referred to the Collector for determination of proper value and duty payable thereon. Stamp duty and registration fee had been levied short by Rs 11,702 due to adoption of incorrect values of these properties.

On the omission being pointed out in audit (March 1982), on reference the Collector (Faridabad) determined the short levy and registration fee as Rs. 11,702. Of this, a sum of Rs. 5,322 (2 cases) was also recovered in February 1986. The department stated (June 1987) that the Collector had decreed recovery of Rs. 6,380 relating to the third case. Further progress is awaited (November 1987).

The above cases were reported to Government between July 1986 and July 1987; their reply has not been received (November 1987).

#### 4.3. Incorrect exemption

As per notification issued on 6th August 1981, the State Government remitted the stamp duty chargeable under the Indian Stamp Act, 1899, in respect of instruments of mortgage deeds without possession executed by small scale industrial concerns in favour of the Haryana Financial Corporation for the loan secured by them from the Haryana Financial Corporation.

In the office of the Sub-Registrar, Hissar, a simple mortgage deed was executed (January 1984) by a firm owning distillery at Hissar for obtaining loan of Rs 30 lakhs from the Haryana Financial Corporation. Stamp duty was exempted as the firm was provisionally registered (January 1984) as a small scale industrial unit by the Directorate of Industries, Haryana, even though the firm was already registered (January 1983) as a medium and large sector industrial unit for the manufacture of industrial alcohol by the Director General of Technical Development, Government of India. This resulted in stamp duty being not realised by Rs. 0.45 lakh.

On the omission being pointed out in audit (October 1985), the Revenue department stated (July 1987) that matter regarding



registration of a firm as small scale industry by the Industries Department, Haryana, when it was already registered as medium and large scale industry with Government of India, was under investigation. Further developments are awaited (November 1987).

The case was reported to Government in October 1985; their reply has not been received (November 1987).

#### 4.4. Short recovery of stamp duty on exchange deeds.

As per Article 31 of Schedule 1-A to the Indian Stamp Act, 1899, as applicable to Haryana, an instrument of exchange of immovable property is chargeable with duty as a conveyance under Article 23(a) of Schedule 1-A of the Act *ibid* for a consideration equal to the value of the property of the greatest value as set forth in such instrument.

(a) In thirteen Registry offices in Rohtak, Sonapat and Gurgaon districts, on 124 instruments of exchange of immovable properties registered during the years 1984-85 and 1985-86, stamp duty was charged at lower rates applicable to 'other conveyances' under Article 23(b) of Schedule 1-A instead of at the appropriate rates applicable to conveyance by sale of immovable properties under Article 23(a) of the Schedule. The mistake resulted in stamp duty being levied short by Rs. 53,811.

On the mistakes being pointed out in audit (between January 1986 and January 1987), the department recovered Rs. 23,481 (between February 1986 and March 1987) in 74 cases. Report on recovery of the balance amount of Rs. 30,330 in 50 cases is awaited (November 1987).

(b) On 24 instruments of exchange of immovable properties registered (between April 1985 and December 1985) in 6 Registry offices in Ambala district, stamp duty was charged at lower rates applicable to 'other conveyances' under Article 23(b) of Schedule 1-A instead of at the appropriate rates applicable to 'conveyance' by sale of immovable properties under Article 23(a) of the Schedule. The mistakes resulted in stamp duty realised short by Rs. 17,864.

On the mistakes being pointed out in Audit (May 1986 to August 1986), the department recovered (between June 1986 and February 1987) Rs. 12,658 and issued notices.



for recovery of Rs. 1,839. Report on recovery of Rs. 1,839 and action taken for recovery of Rs. 3,367 in respect of sub-Registrar, Ambala and Kalka is awaited (November 1987).

The above cases were reported to Government between May 1986 and February 1987; their reply has not been received (November 1987).

#### **4.5. Misclassification of instruments for the purpose of levy of stamp duty**

Under the Indian Stamp Act, 1899, as applicable to Haryana, every instrument mentioned in Schedule 1-A to the Act is chargeable with duty at the rate indicated in that Schedule. Separate rates of duty have been prescribed for different types of instruments. The classification of an instrument depends upon the nature of the transaction recorded therein.

(i) In one registering office at Hansi, two instruments of handing over possession of immovable property after receiving full consideration were treated as memorandum of agreements and charged to stamp duty at lower rates instead of as instruments of conveyance which carried higher rates of stamp duty. The misclassification of instruments resulted in short realisation of duty of Rs. 26,995.

On the mistake being pointed out in audit (November 1986), the department issued (March 1987) notices for recovery. Report on recovery is awaited (November 1987).

(ii) Under the Indian Stamp Act, 1899, as adopted in Haryana, stamp duty in respect of any instrument imposing further charge on property already mortgaged without possession, is chargeable as on a bond for the amount of further charge secured by such instrument.

In the office of the Sub-Registrar, Hissar, a mortgage was executed (December 1984) through a tripartite agreement between a firm of Hissar and the Haryana Financial Corporation (HFC) and Haryana State Industrial Development Corporation (HSIDC) (Joint mortgagees) for securing a loan of Rs. 90 lakhs by a firm from HSIDC by depositing title deed. Besides deposit of title deed relating to firm's immovable property, the firm also hypothecated its movable property. Such instrument imposing



a further charge of Rs. 90 lakhs on the property already mortgaged (January 1984) through regular deed in favour of HFC for securing loan of Rs. 30 lakhs, was incorrectly viewed as memorandum of agreement and charged with stamp duty of Rs. 18 only instead of as a mortgage deed subjected to stamp duty of Rs. 1.35 lakhs.

On the mistake being pointed out in audit (October 1985), the Deputy Commissioner, Hissar, stated (February 1987) that tripartite agreement for securing loan of Rs. 90 lakhs was an optional agreement on which stamp duty under Article 5 of Schedule 1-A of the Act *ibid* was correctly charged. The State Government, Revenue Department, however in consultation with the Law department had clarified (November 1986) in a separate case that such tripartite agreement was clearly a mortgage deed requiring compulsory registration, and stamp duty and registration fee was payable in terms of Article 40 of the Schedule 1-A of the Act *ibid*.

The cases were reported to Government in October 1985 and November 1986; their reply has not been received (November 1987).

#### **4.6. Non-levy of full stamp duty on supplementary deeds**

Under the Indian Registration Act, 1908, i.e. registration to rectify an error of description is permissible, by correcting such a misdescription by drawing up a supplementary document; such a supplementary document will, however, have to be treated in every respect in the same way as the original and will be liable to the same registration fees and should be properly stamped.

In Gurgaon, 5 supplementary deeds were executed on 18th April 1985 whereby the names of the vendees were changed from that shown in original deeds executed in December 1975. The original deeds had been subjected to a stamp duty of Rs. 25,500. These supplementary deeds necessarily requiring to be read only with the original deeds and being not capable of standing on their own, were charged to levy of stamp duty of Rs. 15 (Rs. 3 on each deed) only instead of levying stamp duty of Rs. 25,500. This resulted in stamp duty being levied short by Rs. 25,485.

On the mistake being pointed out in audit (May 1986), the department intimated (October 1986) that the differential amount had been recovered in August 1986.



The case was reported to Government in July 1986; their reply has not been received (November 1987).

**4.7. Short levy of stamp duty and registration fee on lease deeds**

Under the Indian Stamp Act, 1899, as applicable to Haryana, on instruments of lease, stamp duty is chargeable based on the basis of periods of lease and the amounts of the average annual rent reserved. In addition, registration fee is chargeable under the Indian Registration Act, 1908.

In the office of the Sub-Registrar, Narnaul, the periods of lease and amounts of the average annual rent reserved in respect of two instruments registered on 8th June 1985 was calculated incorrectly. This had resulted in short recovery of stamp duty and registration fee amounting to Rs. 21,251 (stamp duty : Rs. 21,084; registration fee : Rs. 167).

On the mistake being pointed out in audit (January 1987), the department accepted the short recovery and issued notices for recovery in January 1987. Further progress is awaited (November 1987).

The case was reported to Government in March 1987; their reply has not been received (November 1987).

## CHAPTER 5

### OTHER TAX RECEIPTS

#### 5.1. Results of Audit

Test check of the records of departmental offices dealing with the assessments, collection and realisation of other tax receipts, conducted in audit during the year 1986-87 revealed under-assessment or losses of revenue amounting to Rs. 259.54 lakhs in 9,237 cases as indicated below :—

Name of tax revenue	Number of cases	Amount (In lakhs of rupees)
A. State Excise	190	17.01
B. Taxes on Motor Vehicles	7,689	40.76
C. Land Holdings Tax	1,306	2.94
D. Electricity Duty	52	198.83
<b>Total</b>	<b>9,237</b>	<b>259.54</b>

Out of 9,237 cases noticed in audit, the department recovered Rs. 0.75 lakh in 202 cases and in the remaining 9,035 cases, replies are awaited from the department (November 1987).

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

#### A. STATE EXCISE

#### 5.2. Irregular allowance of wastages

The Punjab Brewery Rules, 1956 and the Punjab Excise-Fiscal Orders, 1932, as applicable to Haryana, provide for



making an allowance of ten 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. However, in terms of provisions of Para 5 of the Punjab Excise Fiscal Orders, 1932, this ten per cent wastage allowance shall not be calculated on the quantity of beer issued in bond.

In a brewery of Murthal, 108.64 lakh bulk litres of beer was manufactured during the year 1985-86, out of which 24.23 lakh bulk litres were removed in bond in Haryana and to other States without payment of duty. On the remaining 84.41 lakh bulk litres, on which duty was payable, the company claimed and was allowed wastage of 12.18 lakh bulk litres against permissible wastage of 8.44 lakh bulk litres (ten per cent of 84.41 lakh bulk litres). The excess allowance of 3.74 lakh bulk litres resulted in short levy of excise duty of Rs. 11.51 lakhs.

On the irregularity being pointed out in audit (July 1986), the department re-assessed the duty and issued (January 1987) notice for recovery of Rs. 11.51 lakhs. Further report is awaited (November 1987).

The case was reported to Government in August 1986; their reply has not been received (November 1987).

### 5.3. Interest not charged

The Haryana Liquor Licence Rules, 1970, provide for payment of monthly instalment of licence fee by the 20th of each month by a licensee holding licence for vending country liquor or Indian made foreign liquor. Failure to do so would render him liable to pay interest at the rate of fifteen per cent per annum from the first day of the relevant month upto the date of payment.

In Sonapat, in 16 cases, the licensees delayed payment of monthly instalments of licence fee during 1984-85. On the belated payments, interest amounting to Rs. 45,836 was either not recovered or was recovered short.

On the omission being pointed out in audit (September 1985), the department informed (January 1987) that the licensees had left Sonapat and they were not traceable. It was further intimated (April 1987) that on a clue about defaulters residing in Ghaziabad, recovery certificates had been

issued to the Collector, Ghaziabad. Further report is awaited (November 1987).

The case was reported to Government in October 1985; their reply has not been received (November 1987).

#### **5.4. Recovery of excise duty at incorrect rates**

The Punjab Excise Fiscal Orders, 1932, as applicable in Haryana, provide for levy of excise duty per proof litre at the prescribed rates in respect of liquor or spirit removed from the licensed distilleries or bonded warehouses in the State or when imported into the State from any other State or Union Territory in India. The rate of excise duty on Indian made foreign liquor was enhanced from Rs. 32 per proof litre to Rs. 36 per proof litre with effect from 1st April 1985.

In Rohtak, excise duty on 4,387.5 proof litres of Indian made foreign liquor issued to a licensee on 6th April 1985 was levied at Rs. 32 per proof litre instead of at Rs. 36 per proof litre. This resulted in short realisation of excise duty by Rs. 17,550.

On the omission being pointed out in audit (October 1986), the department recovered the amount in November 1986.

The case was reported to Government in April 1987; their reply has not been received (November 1987).

### **B. TAXES ON MOTOR VEHICLES**

#### **5.5. Non-levy of token tax**

The Punjab Motor Vehicles Taxation Act, 1924 and the rules framed thereunder, as applicable to Haryana, allow a person exemption from payment of tax in respect of vehicle for a quarter if he proves to the satisfaction of the licencing officer that he has not used or permitted the use of the vehicle throughout the said quarter and deposits the registration certificate with the licencing officer and also sends advance intimation of his intention not to use the vehicle during the quarter for which exemption is claimed.

In Hissar, the Haryana Roadways, deposited registration certificates in respect of 10 buses in June 1985, but token tax



was paid only upto the quarter ending June 1984 in respect of 4 buses and upto the quarter ending March 1985 in respect of the remaining 6 buses. Thus, tax for the period from the quarter for which it had been paid to the date of deposit of the registration certificates, amounting to Rs. 1.61 lakhs had been demanded.

On the omission being pointed out in audit (May 1986), the department stated (July 1987) that notices for recovery had been issued. Further report on recovery is awaited (November 1987).

The matter was reported to Government in May 1986; their reply has not been received (November 1987).

#### **5.6. Application of incorrect rates of tax**

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

In Ballabgarh, on six vehicles owned by the Haryana State Electricity Board and private companies/parties and used exclusively for carriage of their employees, tax was recovered at rates lower than the prescribed rates for various period between April 1979 and March 1987. The mistake resulted in tax being realised short by Rs. 23,782.

On the mistake being pointed out in audit (August 1986), the department intimated (April 1987) that recovery of Rs. 690 had since been made in the case of one vehicle and notices had been issued to the owners of remaining five vehicles. Further progress is awaited (November 1987).

The case was reported to Government in September 1986; their reply has not been received (November 1987).

### **C. LAND HOLDINGS TAX**

#### **5.7. Short 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 tehsil offices of Gurgaon, Sonapat, Ambala and Narnaul districts, the classification of land was changed in 1,166 cases during the years 1977-78 to 1985-86, but assessment of land holdings tax was not revised by the department from the first day of May of the following year. The omission resulted in short realisation of tax by Rs. 56,526, in respect of the years 1977-78 to 1985-86.

On the omission being pointed out in audit (between September 1984 and February 1987), the department intimated (between September 1985 and August 1987) that a recovery of Rs. 27,750 had been made (between July 1985 and August 1987). Report on recovery of the balance amount is awaited (November 1987).

The cases were reported to Government between October 1984 and March 1987; their reply has not been received (November 1987).

#### **D. ELECTRICITY DUTY**

##### **5.8. Levy and collection of Electricity Duty**

#### **HIGHLIGHTS**

During 1984-85 to 1986-87 receipts from electricity duty were less by Rs. 26.21 crores than those envisaged in budget estimates. (Para 5.8.03).

Duty amounting to Rs. 34 lakhs had not been realised due to irregular allowance of exemption to the consumers in 10 sub-divisions test checked in audit. (Para 5.8.04 to 5.8.06).

Refund of duty of Rs. 3.53 lakhs was erroneously allowed in the two sub-divisions. (Para 5.8.07).

In 20 sub-divisions, test checked, a sum of Rs. 160.75 lakhs representing duty realised from the consumers during April 1982 to March 1987 was shown by the Board as its own revenue and was omitted to be paid to the Government. (Para 5.8.08).



Arrears on account of un-collected duty ending March 1987 amounted to Rs. 9.37 crores of which Rs. 4.24 crores related to the period from 1966-67 to 1981-82. (Para 5.8.10).

#### 5.8.01. Introductory

Electricity duty (duty) is levied under the Punjab Electricity (Duty) Act, 1958, as applicable to Haryana, on the energy supplied to consumers or licensees by the Haryana State Electricity Board (Board) at the rates as the State Government may, from time to time, specify and is collected and paid to the Government by the Board.

#### 5.8.02. Organisational set up

The Chief Electrical Inspector assisted by the Assistant Engineers attached with field offices as well as inspectorate under the administrative control of the Commissioner and Secretary to Government of Haryana, Power Department, administers the Punjab Electricity (Duty) Act, 1958 and rules made thereunder. He is responsible for checking the assessment and collection of duty and shall be responsible for the recovery of duty from the defaulters as arrears of land revenue

#### 5.8.03. Trend of revenue

The estimated collection of duty and the actual receipts for the five years ending 1986-87 are given below :—

Year	Budget estimates	Actuals	Variations Increase (+) Decrease (—)	Percent- age of variation Increase (+) Decrease (—)
(In crores of rupees)				
1982-83	25.00	19.77	(—)5.23	(—)21
1983-84	18.30	25.97	(+)7.67	(+)42
1984-85	30.09	17.28	(—)12.81	(—)42
1985-86	28.18	22.39	(—)5.79	(—)21
1986-87	33.85	26.24	(—)7.61	(—)22

(a) During 1982-83, receipt from Taxes and Duties on Electricity was less than estimated amount due to short-fall in generation of power and due to concessions to industrialists.

(b) The increase (42 per cent) in receipts from electricity duty during 1983-84 was mainly due to more sale of electricity.

(c) The decrease (42 per cent) in receipts from electricity duty during 1984-85 was stated to be due to huge power cuts.

(d) The decrease during 1985-86 and 1986-87 in receipts from duties on electricity despite increase in rates of duty from 1st April 1985 was stated to be due to lesser availability of energy than anticipated.

#### **5.8.04. Erroneous exemptions from payment of duty**

Under the Punjab Electricity (Duty) Rules, 1958, as applicable to Haryana, the classification of consumers for levy of electricity duty, unless specifically decided by Government to the contrary, shall be the same as is followed for the purpose of the schedule of tariff of the Board. According to this schedule, agricultural connections with load exceeding 20 KW are not treated as agricultural connections and are, therefore, not exempt from duty.

In three sub-divisions (Panipat, Safidon and Karnal) of the Board, it was noticed (between February 1987 and April 1987) that pumping supply connections with load in excess of 20 KW to Haryana State Minor Irrigation and Tubewell Corporation (HSMITC) were erroneously treated as agricultural pumping supply and exempted from levy of electricity duty. This resulted in erroneous exemption from duty to the extent of Rs. 31.33 lakhs during the years 1982-83 to 1986-87.

On the omission being pointed out in audit (between February 1987 and April 1987), the department stated that the matter was being looked into.

#### **5.8.05. Non-charging of electricity duty after expiry of exemption period**

The State Government by notifications issued in March



1970 and January 1981 allowed exemption from payment of whole of the electricity duty to the new units for a period ranging from 3 to 7 years.

It was noticed in audit (between February 1987 and May 1987) in the six sub-divisions test checked, that exemption from payment of duty had been allowed to 9 units even beyond the expiry of exemption period. This omission to levy duty was neither detected in the internal audit of the Board nor by the Chief Electrical Inspector. This resulted in non-realisation of duty amounting to Rs. 0.93 lakh.

On the omission being pointed out in audit (between February and May 1987), the department charged (between April and May 1987) the amount in the accounts of the consumers. Report on recovery is awaited (November 1987).

#### **5.8.06. Irregular grant of exemption from payment of duty**

The State Government under the provisions of Section 12 of the Act may, in public interest, by notification exempt any licensee, consumer or person from the payment of the whole or part of the electricity duty for such period and subject to such terms and conditions as may be prescribed. The Government by notification dated 20th March 1970 exempted the new units with prescribed limit of capital investment and set up in the specified area from the payment of whole of the electricity duty for a period ranging from 3 to 7 years from the date of production. The exemption certificates were to be issued by the Chief Electrical Inspector upto May 1974 and thereafter by the Industries Department.

District Industries Centre, Panipat, allowed (May 1980) exemption from the payment of duty to a private unit at Panipat for a period of five years with effect from 27th March 1980. It was, however, noticed in audit (February 1987) that there was no electricity connection in the name of the unit and the exemption was allowed by the Sub-Divisional Officer, Panipat against the electricity metre connection owned by an individual. There was nothing on record of the Sub-Division to indicate if the said individual was a partner of the private unit. Irregular allowance of exemption to the individual against the exemption allowed to the unit resulted in duty of Rs. 1.74 lakhs not being realised from April 1980 to March 1985.



On this being pointed out in audit (May 1987) the Sub-Divisional Officer confirmed (May 1987) that the electricity connection allowed exemption was in the name of the individual.

#### 5.8.07. Irregular refunds

(i) Under the Punjab Electricity (Duty) Rules, 1958, as adopted in Haryana, and the schedule of tariff of the Board, tubewell and pumping sets with connected load upto 20 KW and used for agricultural purposes are exempt from levy of electricity duty.

In Sub-Division, Kaithal, refunds of duty amounting to Rs. 2.38 lakhs claimed for the period from May 1983 to February 1985 was allowed (October 1985) by the Chief Electrical Inspector in respect of tubewells/pumping sets with connected load exceeding 20 KW.

On the mistake being pointed out in audit (May 1987), the department stated (May 1987) that the amounts were being debited against the consumers in future bills. Reports on recovery/particulars of adjustments are awaited (November 1987).

(ii) The Punjab Electricity Duty Rules, 1958, as adopted in Haryana, lay down that duty under Section 3(i) of the Act shall be calculated on the price of the energy recoverable at the net rate of the Board which will include the demand charges when the supply is governed by a two part tariff. An explanation to this Rule says that net rate shall be taken to mean the rate at which the consumer is entitled, to pay without any penalty or surcharge for the energy consumed within the grace period allowed for payment of the bill. Accordingly electricity duty is payable on the element of surcharge leviable on account of exceeding the contract demand by  $7\frac{1}{2}$  per cent which formed part of the net rate of the Board.

Electricity duty amounting to Rs. 1.15 lakhs was recovered from 13 consumers on the element of 25 per cent surcharge but was later refunded on the instructions of Chief Engineer, Sales.

On the irregular refund being pointed out in audit (February 1987), department charged the amount to the account of the consumers (May 1987). Report on recovery is awaited (November 1987).



### 5.8.08. Belated deposit of electricity duty

Under the Punjab Electricity (Duty) Act, 1958, as applicable to Haryana and the rules made thereunder, the electricity duty leviable on the energy supplied by the Board every month shall be collected by the Board alongwith the bills for energy supplied and shall be deposited into the treasury as early as possible and in no case later than 20th of the following month.

It was noticed (February-April 1987) in audit that the duty had been deposited late by the Board and that the payment had partially been made in cash and partially adjusted as loan to the Board as indicated below :—

Year	Duty collected	Depo- sited with- in pre- scribed period	Depo- sited late	Delay		Loans san- ctioned
				less than 3 months	more than 6 months	
(In crores of rupees)						
January 1982 to March 1983	21.10	—	11.77	1.77	10.00	7.83
1983-84	19.39	—	3.00	3.00	—	22.97
1984-85	16.18	—	—	—	—	17.21
1985-86	22.07	—	2.00	2.00	—	20.16
1986-87	25.93	—	—	—	—	26.24

(b) In the course of audit of the accounts of 20 sub-divisions of the Board, it was noticed (April 1987) that a sum of Rs 160.75 lakhs representing duty actually realised from consumers from April 1982 to March 1987 was shown as Board's own revenue on account of sale of power and was omitted to be paid to Government.

On this being pointed out in audit (between February and April 1987), the Sub-Divisional Officers stated (between February and April 1987) that amounts will be adjusted in subsequent months.

### 5.8.09. Non-recovery of electricity duty

As per provisions of the Punjab Reorganisation Act, 1966, the assets and liabilities in respect of electricity duty were to be distributed amongst the successor States of the Punjab, Haryana, Himachal Pradesh and Union Territory of Chandigarh in the ratio of 54.84, 37.38, 7.19 and 0.59 respectively.

Proportionate liability of electricity duty amounting to Rs. 0.48 lakh was recoverable from the Union Territory Chandigarh for credit to Haryana Government as clarified by the Punjab Government, Irrigation and Power Department in April 1977. This amount had not yet been credited to the account of Haryana Government (August 1987).

### 5.8.10. Arrears of electricity duty

(i) Arrears on account of un-collected duty ending March 1987, as intimated by the department, amounted to Rs. 9.37 crores. Out of this, an amount of Rs. 4.24 crores relates to the period 1966-67 to 1981-82. Year-wise details are given below:—

Year	Amount (In crores of rupees)
Upto 1981-82	4.24
1982-83	1.31
1983-84	1.28
1984-85	0.23
1985-86	1.43
1986-87	0.88
<b>Total</b>	<b>9.37</b>

Non-recovery was attributed mainly to the following reasons : —

(a) Improper maintenance of consumers account by



the Haryana State Electricity Board and non-reconciliation thereof.

(b) Deferment of payment of duty by the State Government.

(c) Pendency of cases in the Civil/Arbitrator's Courts.

(d) Non-adjustment of misclassified amount by the Board.

(ii) During the course of examination of month-wise figures reported to Government, through monthly statement, and that reported to Government in the administrative reports, it was observed that there was difference in the figures in both sets of records.

**Balance outstanding at the end of year**

Year	Computed from monthwise state- ments reported to Government	As per Admi- nistrative re- ports of the Department
(In lakhs of rupees )		
1982-83	550.08	559.27
1983-84	669.89	687.39
1984-85	604.03	710.15
1985-86	746.98	853.10
1986-87	937.34	awaited

The above would indicate that the department has no definite information about the extent of arrears on account of electricity duty.

**5.8.11 Reconciliation of treasury receipts**

In accordance with the provisions of the Punjab Subsidiary Treasury Rules, as applicable to Haryana, and the instructions issued thereunder by the Finance Department,

the heads of offices are required to maintain a remittance book in which particulars of challans rendered by the depositors in proof of payments of electricity duty are to be recorded. The figures noted in the books are to be reconciled with the treasury at the end of each month.

In the course of audit of accounts of the Chief Electrical Inspector to Government Haryana, it was noticed (between February 1987 and May 1987) that treasury challans in proof of payment of electricity duty into the different treasuries of the State were received by the Electrical Inspectorate but monthly reconciliation with treasury records was not done. The figures of receipts of electricity duty for the year 1982-83 to 1985-86 as shown in the administrative reports of the department, amount deposited as per records of the Board and the Finance accounts of the State Government were as under: —

Year	Figures as per Administrative reports	Deposits as per Board's record	Figures as per Finance Accounts
(In lakhs of rupees)			
1982-83	1807.51	1959.96	1959.88
1983-84	1938.35	2597.40	2597.32
1984-85	1618.01	1721.77	1728.38
1985-86	2207.30	2216.31	2239.32
1986-87	Awaited	2624.29	2624.00

Reply to audit query (February 1987) in regard to action taken by the department to reconcile the difference was awaited (November 1987).

The foregoing points were brought to the notice of Government in August 1987; their reply has not been received (November 1987).



## CHAPTER 6

### NON-TAX RECEIPTS

#### 6.1. Results of Audit

Test check of records of departmental offices dealing with assessment, collection and realisation of non-tax receipts, conducted in audit during the year 1986-87 revealed under-assessments or losses of revenue amounting to Rs. 149.77 lakhs in 5,268 cases as indicated below:—

Name of department	Number of cases	Amount (In lakhs of rupees)
(A) Industries	1,563	107.38
(B) Public Works	225	1.55
(C) Agriculture	122	0.99
(D) Co-operation	183	4.02
(E) Rehabilitation and Public Health	3,078	10.64
(F) Finance	1	0.13
(G) Medical	96	25.06
<b>Total</b>	<b>5,268</b>	<b>149.77</b>

Out of 5,268 cases pointed out in audit, the department had recovered Rs. 4.42 lakhs in 161 cases. In 76 cases involving revenue of Rs. 3.94 lakhs, action had been initiated by the department to recover the amount. In the remaining 5,031 cases, replies are awaited from the departments (November 1987).

Some of the important cases are mentioned in the following paragraphs:—

## A. INDUSTRIES

### 6.2. Non-recovery/short recovery of royalty

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a brick-kiln owner is required to pay royalty at the rate of rupee one per tonne of brick earth extracted from the leased area or rupees three per thousand of *pucca* brick sold by him. He is also required to submit to the department, quarterly returns showing quantities of minor minerals (brick earth) extracted by him from the leased area or the number of bricks sold by him.

(i) In District Industries Centres, Panipat, Bhiwani, Kurukshetra, Jind, Hissar, Sirsa and Ambala, returns of bricks sold during the year 1984-85 were not submitted by 213 brick-kiln owners to the department nor were these returns called for by the department. The department, however, did not verify correctness of royalty paid by the brick-kiln owners. A scrutiny in audit of records in the concerned offices of the District Food and Supplies Controllers revealed that 2178.44 lakh bricks and 63.19 lakh brick-bats were reported as sold by the brick-kiln owners on which royalty amounting to Rs. 6.60 lakhs was recoverable against this only Rs. 2.40 lakhs had been paid by the brick kiln owners. Royalty, thus, realised short amounted to Rs. 4.20 lakhs.

On the omission being pointed out in audit (between February and May 1986), the department recovered Rs. 1,01,029 between February and November 1986. Report on recovery of the balance amount is awaited (November 1987).

(ii) In District Industries Centre at Gurgaon, returns of brick earth extracted or bricks sold during the year 1985-86 were not submitted by 20 brick-kiln owners to the department nor were these returns called for by the department. Two brick-kiln owners had *suo moto* paid royalty amounting to Rs. 2,128. A scrutiny in audit of the records in the office of the District Food and Supplies Controller, Gurgaon showed that during 1985-86, 311.35 lakh bricks and 3.41 lakh brick-bats had been sold by the 20 brick-kiln owners, on which royalty amounting to Rs. 93,748 was recoverable. The brick-kiln owners had, therefore, not paid or short paid royalty by Rs. 91,620.



On this being pointed out in audit (March 1987), the department recovered (March 1987) Rs. 52,165. Report on recovery of the balance amount is awaited (November 1987).

The above cases were reported to Government between April 1986 and March 1987, their reply has not been received (November 1987).

### 6.3. Non-recovery of royalty

Under Rule 54(1) of the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, no person shall undertake any mining operations in any area, except under and in accordance with the terms and conditions of the mining lease obtainable from the department. Any contravention of Rule 54(1) shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to Rs. 1,000 or with both and in case of continuing contravention with an additional fine upto Rs. 100 per day for the duration of contravention, after conviction for the first such contravention. A brick-kiln owner is required to pay royalty at the rate of rupee one per tonne of brick earth extracted or rupees three per thousand of *pucca* bricks sold.

In Faridabad, four brick-kiln owners were extracting minor minerals (brick earth) during the year 1985-86, without obtaining mining lease from the department. The department had also failed to detect the illegal extraction of the minor minerals which resulted in non-realisation of royalty amounting to Rs. 21,175 on the sale of 68.14 lakh bricks and 7.33 lakh brick-bats by the kiln owners. While price of the mineral was also recoverable for illegal extraction and removal of minor minerals, penal proceedings were to be initiated for undertaking mining operations without a mining lease.

On the irregularity being pointed out in audit (January 1987), the department recovered (February 1987) Rs. 5,858. Report on recovery of the balance amount of the price of the mineral, besides penal proceedings, is awaited (November 1987).

The case was reported to Government in March 1987 and July 1987; their reply has not been received (November 1987).

#### **6.4. Short assessment of royalty**

Under the Punjab Minor Mineral Concession Rules, 1964, as applicable to Haryana, a lessee to whom the mining lease is granted, shall pay royalty on minor minerals despatched from the leased area at specified rates. Lease deeds executed for this purpose may also stipulate extraction of a minimum quantity of mineral so that even if the lessee extracts lower quantity, he will be obliged to pay royalty on the basis of this minimum quantity.

In Faridabad, mining lease for extraction of sand from an area of 59.38 hectares was granted to a lessee for a period from 8th November 1985 to 17th July 1986. According to the lease deed dated 8th November 1985, the lessee was under obligation to extract minimum 300 tonnes of sand per hectare per annum. Minimum royalty payable, at the rate of Rs. 2.50 per tonne for the period and area leased, worked out to Rs. 30,807 against which the department had raised demand of Rs. 10,751.

On the mistake being pointed out in audit (January 1987), the department raised (January 1987) further demand of Rs. 20,056. Report on recovery is awaited (November 1987).

The case was reported to Government in March 1987; their reply has not been received (November 1987).

#### **6.5. Interest not charged on delayed payments**

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

In Sonapat, instalments of contract money in respect of three contracts were not paid by the lessees by the stipulated dates during the year 1985-86. Interest chargeable on belated payments amounted to Rs. 22,735 which was not demanded.

On the omission being pointed out in audit (December 1986), the department recovered the amount in February and March 1987.



The case was reported to Government in February 1987; their reply has not been received (November 1987).

#### 6.6. Non-recovery of security/interest

As per terms and conditions of hire purchase agreement, an allottee of an industrial shed is required to deposit 20 per cent of the price as security immediately on allotment, to be adjusted towards final price, and the balance amount is payable in ten equated yearly instalments alongwith interest at the rate of seven per cent per annum. In the event of default in payment, the competent authority may, by giving a notice, terminate the agreement and forfeit the security and the instalment(s) paid, if any. Interest at the rate of nine per cent per annum is recoverable for the period of default in payment.

(i) In Faridabad district, four industrial sheds were allotted in January 1976 on hire purchase basis to a firm of Palwal at a price of Rs. 98,992. Security of Rs. 17,040 (after adjusting Rs.2,744 deposited as lease rent) was shown as adjusted from the total cost of the plots and the equated instalments for the balance 80 per cent were fixed accordingly. The firm had actually not deposited Rs. 17,040 towards security; this resulted in short realisation of the amount to that extent. Besides, interest amounting to Rs. 15,719 (worked out upto 31st March 1986) was also chargeable on the amount of security not recovered.

On the omission being pointed out in audit (June 1986), the department recovered (August 1986) Rs. 10,000. Report on recovery of the balance amount is awaited (November 1987).

(ii) In Gurgaon, eleven allottees paid annual instalments after the stipulated dates during January 1977 to January 1980. On the belated payments, penal interest amounting to Rs. 15,461 was recoverable but was not demanded.

On the omission being pointed out in audit (June 1986), the department recovered (between June 1986 and May 1987) Rs. 8,245. Report on recovery of the balance amount is awaited (November 1987).

The cases were reported to Government in June 1986; their reply has not been received (November 1987).



### 6.7. Non-recovery of cost of land

Industries Department allotted, between 1972-73 and 1977-78, industrial plots in the industrial area/development colony, Ambala City at a tentative cost for an approximate area of the plot specified in the allotment letter. As per terms and conditions of the allotment letter, tentative cost of the land was recoverable within one year in five specified instalments. Interest at the rate of 9 per cent per annum was chargeable for the delayed period of payments. Final price of the land was to be charged according to area actually demarcated at site and the proportionate cost of excess area was payable in lump sum within six months of the same being communicated to the allottee in writing.

In 16 cases, area demarcated at site and possessed by the allottees (possession granted between July 1976 and January 1982) was more than that mentioned in the allotment letters and on which basis tentative price was demanded. But the proportionate cost amounting to Rs. 30,548 in respect of the excess area of the land was neither communicated to the allottees nor demanded from them (January 1987). Besides this, interest amounting to Rs. 27,106 (calculated at the rate of 9 per cent per annum from the date of possession to December 1986) was also lost due to non-demanding of the price for the extra land.

On the omission being pointed out in audit (January 1987) the department recovered (May 1987) Rs. 10,335 (cost of land: Rs. 6,641; interest: Rs. 3,694). Report on recovery of the balance amount is awaited (November 1987).

The case was reported to Government in May 1987; their reply has not been received (November 1987).

### 6.8. Interest not charged

Industries Department allotted industrial plots measuring tentatively between 500 square yards and 2000 sq. yards in the industrial area/development colony, Ambala City. According to the terms and conditions of allotment besides the cost of land, the allottees were liable to pay development charges, fixed according to the size of plot, for the construction of roads, drainage etc. within 5 years from the date of allotment, in ten equated half yearly instalments (first instalment to be paid within 6 months of the date of issue of allotment letter). Interest



at the rate of 7 per cent per annum on the development charges was also payable from the date of grant of possession of the plot. In the event of allottee's failure to pay any instalment by the due date, interest at the rate of 9 per cent per annum was chargeable on the defaulted amount for the entire period of default.

11 allottees (plots allotted between April 1972 and September 1978, possession of plots taken between July 1976 and January 1982) had not paid the instalments of development charges by the prescribed dates. The department did not demand interest on the defaulted amount for the period of default. The interest chargeable worked out (upto December 1986) to Rs. 50,345.

On the omission being pointed out in audit (March 1987), the department intimated (May 1987) that interest amounting to Rs. 2,568 (upto May 1987) relating to one allottee had been recovered and efforts were being made to recover the balance amount from the other ten allottees.

The case was reported to Government in May 1987; their reply has not been received (November 1987).

## **B. IRRIGATION**

### **6.9. RECEIPTS FROM CANAL WATERS**

#### **HIGHLIGHTS**

Revenue realised during 1982-83 to 1986-87 amounted to Rs. 51.79 crores against budget estimates of Rs. 69.35 crores. (Para 6.9.03.)

The working of canal irrigation in all these five years indicated losses which amounted to Rs. 283.02 crores. (Para 6.9.04.)

Arrears of water rates at the end of March 1987 were Rs. 583.86 lakhs as against Rs. 320.69 lakhs at the end of March 1983. Further, revenue amounting to Rs. 8.49 lakhs on account of betterment levy for the period prior to *Kharif* 1975 remained unrealised at the end of March 1987. (Para 6.9.05.)

In Hissar district, water charges amounting to Rs. 5.90 lakhs were either not realised due to

non-rectification of demand statements or were recovered short on account of application of incorrect rate. (Para 6.9.07 and 6.9.08).

Headmen were allowed to retain inadmissible remuneration of Rs. 1.58 lakhs in the three divisions at Rohtak and Hissar (Para 6.9.09).

Revenue amounting to Rs. 2.37 lakhs was forgone due to non-observance of the prescribed procedure for levy of *tawan* charges. (Para 6.9.11).

#### 6.9.01. Introductory

Levy and collection of water rates both for irrigation and non-irrigation purposes is governed by the provisions of the Haryana Canal and Drainage Act, 1974 and the rules framed thereunder. The Public works Department (Irrigation Branch) supplies water from canals both for irrigation and non-irrigation purposes. On lands irrigated by flow irrigation and lift irrigation, demands for water rates (*abiana*) are raised by the Public Works Department (Irrigation Branch), but collection thereof is made by the Tehsildars of the Revenue Department. For non-irrigation purposes, the demands are raised and collected by the Divisional Canal Officers.

#### 6.9.02. Organisation

For the purpose of canal administration, the State is divided into eight irrigation systems, each under the charge of Chief Canal Officer who exercises control through Superintending/Divisional Canal Officers. The canal *patwari* prepares the field measurement papers (*khassras*) which include details of area under irrigation and different crops sown liable to water rates. From *khassra* statements, demands for water rates are prepared through *khataunis* (\*\*) and sent to the Revenue Department for collection.

For the purpose of revenue administration the State is divided into two Commissionary of divisions and twelve districts each under the charge of a Commissioner and a Deputy Commissioner (Collector), respectively. The Deputy Commissioner exercises

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(\*\*) Khatauni is a statement prepared by the Irrigation Department to show demands for water rates for irrigation purposes.



control through Tehsildars and Naib Tehsildars in his district. Recovery of water rates from the cultivators is made through the *Lambardar* (headman) of the village.

#### 6.9.03. Trend of revenue

The table below indicates budget estimates and revenue realised there against during the last five years ending 1986-87.

Year	Budget estimates	Actuals	Percentage of short-fall
(In crores of rupees)			
1982-83	12.74	8.07	36.66
1983-84	12.35	7.14	42.19
1984-85	13.65	11.18	18.09
1985-86	14.27	11.94	16.33
1986-87	15.34	13.46	12.26

Reasons for shortfall in revenue were attributed to special remission granted owing to natural calamities and deferred recovery of *abiana*.

#### 6.9.04 Financial Results

During the years 1982-83 to 1986-87, the capital investment of the State on canal irrigation increased steadily, which is not matched by proportionate increase in the area under irrigation. The working of the canal irrigation in all the five years indicated losses.

Year	Progressive capital out-lay (In crores of rupees)	Area under irrigation (In lakhs of hectares)**	Gross receipts	Gross working expenses	Net revenue shortfall	Interest charges on capital outlay	Net loss
(In crores of rupees)							
1982-83	505.10	18.53	8.07	21.17	13.10	32.76	45.86
1983-84	553.93	18.92	7.14	21.30	14.16	25.79	39.95
1984-85	607.42	17.03	11.18	32.66	21.48	28.45	49.93
1985-86	727.34	19.34	11.94	29.40	17.46	34.41	51.87
1986-87	952.22	20.04	13.46	63.17	49.71	45.70	95.41

\*\* Area under irrigation is against the culturable command area of 28.65 lakh hectares. Shortfalls are due to shortage of water in canals.

The shortfall in area irrigated during 1984-85 was attributed to scarcity of water due to two consecutive canal breaches in Bhakra Main Lines (Punjab Portion).

#### 6.9.05. Arrears of Revenue

##### (i) Water rates

The gross receipts and arrears of water rates for supply of water for irrigation/non-irrigation purposes at the end of each of the five years during 1982-87 were as under:—

Year	Gross receipts	Arrears of water rates	Percentage of arrears of water rates to gross receipts
(In lakhs of rupees)			
(1)	(2)	(3)	(4)
1982-83	806.61	320.69	39.76
1983-84	713.73	312.74	43.82
1984-85	1118.33	387.34	34.64
1985-86	1194.46	447.53	37.47
1986-87	1346.06	583.88	43.38

(Sources : Figures in column 2 are as per Finance Accounts whereas figures in column 3 are as furnished by the department)

It would be evident from the data indicated above that the arrears were on the increase. The increase in arrears was stated to be due to suspension of water-rates (*abiana*) by the State Government due to natural calamities. It may, however, be mentioned that in Haryana, there is no provision for levy of interest for belated payments of water rates.

##### (ii) Betterment levy

Betterment levy represents Government's share in the value



of land that accrued as a result of promotion of irrigation facilities and is to be recovered in addition to water rates. Government by notification dated 2nd September 1975 abolished betterment levy with effect from *kharif* 1975. No betterment levy was levied thereafter, but amounts already levied were to be recovered.

Table below indicates the arrears of betterment levy to the end of each year from 1982-83 to 1986-87.

To end of	Amount (Rupees)
1982-83	10,37,664
1983-84	9,78,370
1984-85	9,38,843
1985-86	8,64,439
1986-87	8,49,422

Any sum lawfully due and certified by the Divisional Canal Officer to be so due, which remains unpaid after the day on which it becomes due, shall be recoverable from the person liable for the same as arrear of land revenue under Section 35 of the Haryana Canal and Drainage Act, 1974.

There was nothing on record to indicate that action had been taken by the department to recover the outstanding dues by certificate proceedings or otherwise. There is no provision to levy interest on belated payments of betterment levy.

#### 6.9.06. Lack of co-ordination between Irrigation Department and Revenue Department

The demands for water rates are prepared by the Irrigation Department through *khataunis* and sent to the Tehsildars of the Revenue Department for collection. A comparison of the records in the Irrigation Divisions and Tehsils' record revealed

a difference of Rs. 3.04 lakhs in the total demands for water rates:—

Name of the Division	Period	Total demand as per khatauni	Total demand as per Tehsil record	Difference
(In lakhs of rupees )				
(1)	(2)	(3)	(4)	(5)
1. Western Jamuna Canal, Jind	Rabi/ 1982-83 1983-84	61.68	59.34	2.34
	Kharif/ 1983, 1984			
2. Gurgaon Canal, Faridabad	Rabi/ 1982-83 1983-84	5.30	4.83	0.47
3. Narwana Irrigation Branch, Narwana	Kharif/ 1984	33.31	33.21	0.10
4. Western Jamuna Canal, Karnal	Kharif/ 1984	29.97	29.89	0.08
5. Lift Irrigation, Bhiwani	Kharif/ 1983	0.05	NIL	0.05
Total		130.31	127.27	3.04

As the collections made by the Revenue authorities are based on revenue records, there was short realisation of revenue by Rs. 3.04 lakhs. Department stated (February and March 1987) that action to reconcile the differences was being taken.

#### 6.9.07. Short recovery of water charges

Under the Haryana Canal and Drainage Rules, 1976, charges canal water supplied to brick-kiln owners for the purpose



of brick making are recoverable at the rate of rupee one per hundred cubic feet of water.

The department raised bills for water charges for canal water supplied to a brick-kiln owner in Uklana Mandi during December 1978 to February 1980 at Rs. 5 per 2,500 cubic feet instead of at the prescribed rate of rupee one per hundred cubic feet. In Hissar, water charges for canal water supplied to twelve brick-kiln owners during March 1979 to February 1985 were also accepted at lower rate of Rs 5 per 2,500 cubic feet. This resulted in short realisation of water charges amounting to Rs. 3.05 lakhs (Hissar: Rs. 2.88 lakhs; Uklana Mandi: Rs. 0.17 lakh).

On the omission being pointed out in audit (May 1985), the Executive Engineer stated (April 1987) that Sub-divisional Officers were being instructed to recover the amount from brick-kiln owners. Further report on recovery is awaited (November 1987).

#### 6.9.08. Non-realisation of water rate charges

Under the Haryana Canal and Drainage Act, 1974 and the rules made thereunder, the Divisional Canal Officer shall determine charges for canal water supplied to cultivators for the purpose of irrigation and raise demands, which shall be realised by the Collector.

In Hissar district, charges recoverable for canal water supplied for irrigation during *Kharif* 1980 to *Kharif* 1984 were assessed at Rs. 13.85 lakhs and demand statement were sent (between December 1980 and December 1984) to the Collector for recovery. However, demand statements were returned (between December 1981 and January 1986) by the Collector for rectification after allowing remissions granted by Government from time to time. No action was taken to rectify the demands and to send revised statements to the Collector for recovery.

On the omission being pointed out in audit (May 1985) the demand statements were revised for Rs. 2.85 lakhs and sent to the Collector for realisation of water charges between May 1985 and March 1987 after allowing remission. Report on recovery is awaited (November 1987).

#### 6.9.09. Un-authorised retention of *lambardari* fee

Under the Haryana Canal and Drainage Act, 1974 and

the rules made thereunder, for collection of revenue, remuneration called '*lambardari* fee' calculated at the rate of three per cent of the amount collected on account of water rate is payable to the *Lambardar* (headman) provided full amount due from the cultivators is realised and paid into the treasury by the prescribed date.

In the course of audit of records in respect of three Public Works Divisions at Rohtak and Hissar, it was noticed (May 1985) that full amounts due from the cultivators were not realised and paid into the treasury within the prescribed period and yet the headmen were allowed to retain the remuneration of Rs. 1.58 lakhs between June 1981 and November 1984. No action had been taken by the department to recover the amount from the headmen.

On the omission being pointed out in audit (May 1985), the department admitted (March 1987 and April 1987) the irregularity and requested the Collectors to recover the amount. Report on recovery is awaited (November 1987).

#### **6.9.10. Non-raising of demand**

In Sirsa division, Sirsa, demand for water charges for supply of water to four cotton ginning factories for the period from April 1976 to January 1985 had not been raised. This resulted in non-realisation of water charges amounting to Rs. 0.66 lakh.

On the omission being pointed out in audit (September 1985), the department recovered Rs. 0.21 lakh between October 1985 and January 1987. Report on recovery of the balance amount is awaited (November 1987).

#### **6.9.11. Revenue forgone due to non-levy of special rate**

Under the Haryana Canal and Drainage Rules, 1976, special rate (*Tawan*) upto twenty times (upto 24th November 1983 and six times thereafter) of the ordinary water rate is leviable in case of canal water obtained/used in an un-authorised manner (by cutting of canal/water course).

The Sub-divisional Canal Officer is required to report to the Divisional Canal Officer/Canal Executive Officer (C.E.O.) all such cases of canal water used in an un-authorised manner.



within seventy two hours who would institute a summary enquiry for determining the person responsible for un-authorised use of water and thereafter impose special rate (*Tawan*).

On 101 *tawan* cases in twelve divisions, *tawan* charges amounting to Rs. 2.37 lakhs were forgone due to non-observance of the prescribed procedure. The following lapses facilitated the forgoing of revenue.

- (i) Lack of effective pursuance and investigation of the cases leading to the case not being conclusively established in 59 cases (Rs. 0.92 lakh);
- (ii) Self leakage of canal due to improper maintenance in 16 cases (Rs. 0.25 lakh); and
- (iii) Proper sanction for the investigation had not been obtained in 26 cases (Rs. 1.20 lakhs).

A test check in audit of seven divisions revealed that the number of *tawan* cases referred to the Canal Executive Officers during the year 1986-87 and the *tawan* cases pending finalisation at the end of 1986-87, alongwith figures for the preceding two years were as below:—

Year	Tawan cases		
	Received	Referred to C.E.Os	Pending
1984-85	3,359	3,243	116
1985-86	3,262	2,201	1,061
1986-87	3,457	1,162	2,295

The increase in pendency was attributed to non/late appointment of enquiry officer (by name) to decide these cases. In November 1986, Sub-Divisional Officers (Civil) had been empowered to act as Canal Executive Officers in their respective jurisdiction to decide such cases.

#### 6.9.12. Non-recovery of water charges

- (i) Canal water was being supplied to a factory in Delhi

by the Delhi Sub-division of Western Jamuna Canal Division, Delhi. A bill in respect of water charges for the period from September 1984 to July 1985 amounting to Rs. 2,26,203 was raised in August 1985. With the receipt of this payment, the bill book showed all the dues against the firm upto July 1985 as having been realised.

Scrutiny in audit of the records relating to the bills raised and payment received thereagainst, however, revealed (December 1985) that bills of water charges for the months of December 1983 and April 1984 amounting to Rs. 25,851 and Rs. 28,740 respectively had remained unpaid. The arrears were not added in the subsequent bills. Thus the amount of Rs. 54,591 escaped recovery.

On the omission being pointed out in audit (December 1985), the department raised (February 1987) the demand for Rs. 54,591. Report on recovery is awaited (November 1987).

(ii) Six units to whom water was being supplied for non-irrigation purposes were transferred from the jurisdiction of Sub-Divisional Officer, Beri, to that of Sub-Divisional Officer, Jhajjar in October 1983. Scrutiny of water charges register revealed (April 1985) that an amount of Rs. 38,297 on account of water charges against the units prior to October 1983 had neither been recovered by the Beri Sub-division nor were these outstandings communicated to Sub-Division Jhajjar resulting in escapement of recovery.

On the omission being pointed out in audit (April 1985), the department raised (May 1985) the demand for Rs. 38,297. Report on recovery is awaited (November 1987).

(iii) In Western Jamuna Canal Division, Jind payments against the bills for water charges aggregating Rs. 10,368 for the months of April 1982 and February 1983 respectively against a factory unit had not been realised. The arrears were not added in the subsequent bills also resulting in recovery having been escaped.

On the omission being pointed out in audit (August 1985), the department recovered the amount in April 1986.

The foregoing was brought to the notice of the Government in August 1987; their reply has not been received (November 1987).



## C. PUBLIC WORKS DEPARTMENT

### (BUILDINGS AND ROADS)

#### 6.10. Short recovery of rent

As per Government instructions issued in September 1976, the corporations and other autonomous bodies were to pay rent at market rates in respect of Government residential buildings allotted to the State Government employees on deputation with them. For this purpose the concerned Public Works Division was required to send rent rolls by way of demand notice.

In respect of Government accommodation at Karnal, Gurgaon and Panchkula allotted to thirty State Government employees on deputation to Municipal Committees, Corporations and autonomous bodies, rent for various periods between May 1979 and December 1985 recovered at rates ranging from 5 per cent to 10 per cent of the emoluments of the employees was remitted to Government account. Payment at market rent in respect of these buildings was not demanded. This resulted in rent amounting to Rs. 4.34 lakhs being realised short.

On the omission being pointed out in audit (between October 1981 and March 1986), the Government intimated (August 1987) that amount of Rs. 1.84 lakhs had been recovered. Report on recovery of the balance amount is awaited (November 1987).

#### 6.11. Under-assessment of rent

Under the Punjab Civil Services Rules, when a Government servant is provided with a residence owned or leased by it, rent recoverable from him shall be ten per cent of monthly emoluments. Emoluments for the purpose of recovery of rent include *inter alia*, pay including special pay. Special pay has further been defined as pay granted for specific addition to the work or responsibility and includes non-practising allowance granted to doctors in lieu of private practice.

On 9 Government quarters allotted to Medical Officers in Karnal, house rent was assessed and recovered during various periods between June 1980 to December 1985 without taking into account the amount of non-practising allowance paid to

them. This resulted in rent being realised short by Rs. 19,117.

On the mistake being pointed out in audit (March 1986), the department raised (April 1986 and March 1987) the demand. Report on the recovery of the amount is awaited (November 1987).

The case was reported to Government in April 1986; their reply has not been received (November 1987).

#### **6.12. Non-recovery of rent for fans**

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

In Jhajjar and Rohtak divisions rent for fans installed in 60 residential buildings during the period from February 1975 to March 1986 was not recovered from the occupants. Rent not realised amounted to Rs. 36,027 (Rohtak : Rs 17,882; Jhajjar : Rs. 18,145).

On the omission being pointed out in audit (March 1986 and April 1986), the department raised (June 1986) the demand for Rs. 18,145 in respect of Jhajjar division and recovered Rs. 2,480 in respect of Rohtak division. Report on recovery of Rs. 33,547 is awaited (November 1987).

The case was reported to Government in May 1986; their reply has not been received (November 1987).

### **D. AGRICULTURE**

#### **6.13. Interest not charged on belated payments**

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

In Karnal and Rohtak, during crushing season 1984-85 and 1985-86, purchase tax on sugarcane amounting to



Rs. 71.16 lakhs was paid by the two sugar mills after the due dates. On belated payments of tax, interest amounting to Rs. 3.67 lakhs was chargeable but was not demanded.

On the omission being pointed out in audit (February 1986 and February 1987), the department recovered (July 1986 and June 1987) Rs. 2.68 lakhs in respect of sugar mill at Karnal and intimated (April 1987) that the sugar mill at Rohtak has been asked (February 1987) to deposit the amount of Rs. 0.99 lakh; report on recovery is awaited (November 1987).

The cases were reported to Government in February 1987, March 1987 and May 1987; their reply has not been received (November 1987).

## **E. CO-OPERATION**

### **6.14. Short recovery of audit fee**

Under the Punjab Co-operative Societies Rules, 1963, as applicable to Haryana, every co-operative society is liable to pay audit fee as prescribed by Government for audit of its annual accounts by the auditors of the Co-operation Department. The fee is charged as a specified percentage of the net profit of the societies subject to certain minimum and maximum limits.

(i) In the offices of Assistant Registrar of Co-operative Societies, Ambala, Dabwali, Hansi, Panipat, Jhajjar, Gurgaon, Kurukshetra, Kaithal, Guhla and Karnal, audit fee from 212 societies was recovered on the basis of net profits reflected in the accounts for the Co-operative years (\*\*) 1981-82 to 1985-86 before these were audited by the department. Later, on completion of audit of accounts of the societies, additional fee amounting to Rs. 2.61 lakhs became recoverable on the basis of audited figures of profit, but was not recovered.

On the omission being pointed out in audit (between May 1985 and January 1987), the department recovered (between June 1985 and May 1987) Rs. 1.65 lakhs. Report on recovery of the balance amount is awaited (November 1987).

(ii) In the office of Assistant Registrar, Co-operative Societies, Jhajjar, audit fee for the years 1981-82 and 1982-83

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\*\* Co-operative year begins on 1st July and ends on 30th June.

from 14 societies was recovered on the basis of net profit shown in the accounts. It was noticed in audit (June 1984) that credit for interest recoverable on loans given to the members of the Societies had not been taken into account in arriving at the profit of the Societies. The omission resulted in suppression of the net profits of the Societies with consequential short realisation of audit fee by Rs. 29,024.

On the mistake being pointed out in audit (June 1984), the department recovered Rs. 22,917 between June 1984 and May 1985. Report on recovery of the balance amount is awaited (November 1987).

The above cases were reported to Government between November 1984 and April 1987; their reply has not been received (November 1987).

#### **6.15. Incorrect application of rate of audit fee**

Under the Punjab Co-operative Societies Rules, 1963, as applicable to Haryana, every co-operative society is liable to pay to the Government a fee for the audit of its accounts for each co-operative year in accordance with the scale fixed by the department. From the Co-operative year 1979-80, fee for the concurrent audit was prescribed at 5 per cent of net profit subject to minimum of Rs. 4,000 and Rs. 6,000 in respect of co-operative marketing society and co-operative marketing-cum-processing society respectively.

In Kurukshetra district, fee for the concurrent audit of two co-operative marketing-cum-processing societies for the co-operative years 1982-83 to 1985-86 was charged at the rate of Rs. 4,000 against the prescribed rate of 5 per cent of net profit subject to minimum of Rs. 6,000. This resulted in fee realised short by Rs. 14,144.

On the omission being pointed out in audit (February 1987), the department intimated that one society had since deposited a sum of Rs. 4,000 in June 1987. Report on recovery of the balance amount from the other Society is awaited (November 1987).

The case was reported to Government in April 1987; their reply has not been received (November 1987).



## F. REHABILITATION AND PUBLIC HEALTH

### 6.16. Non-recovery or short recovery of water charges:

(i) As per orders dated 21st January 1980, issued by the Public Health Department, charges for water supplied to private consumers in rural areas having un-metered ferrule connections upto 6 mm sizes, are recoverable at the rate of Rs. 10 per month with effect from 1st January 1980 (Rs. 5 per month upto 31st December 1979).

In Bhiwani and Hissar, charges for water supplied by two Public Health Divisions to 139 consumers in rural areas, during the period from April 1978 to September 1986, were not recovered at all. This resulted in non-realisation of water charges amounting to Rs. 82,423.

On the mistake being pointed out in audit (October 1986 and December 1986), the department intimated (May 1987) that a sum of Rs. 5,020 had since been recovered. Report on recovery of the balance amount is awaited (November 1987).

(ii) As per orders dated 8th April 1976 issued by the Public Works Department, in urban areas, charges for water supplied to the consumers having unmetered water supply with ferrule connection above 6 mm and upto 10 mm size were recoverable at the rate of Rs. 15 per month from April 1976.

Water supply scheme in New Township, Karnal (Model Town) had been maintained by the PWD (Public Health Branch) with Government funds since 1961. This was transferred to the Municipal Committee, Karnal in February 1985. Onus of collection of water charges from the beneficiaries, prior to the transfer of water supply scheme to the Municipality, rested with Rehabilitation Department. Water charges during the period from April 1976 to December 1984, were recovered at the rate of Rs. 4.25 per month instead of Rs. 15 per month. This resulted in short recovery of water charges amounting to Rs. 10.73 lakhs from 862 beneficiaries.

On the omission being pointed out in audit (September 1986), the Rehabilitation Department replied (February 1987) that orders regarding revised rates of water charges had not been communicated to it by the Public Health Department.



The cases were reported to Government in October 1986 and February 1987; their reply has not been received (November 1987).

## **G. FINANCE DEPARTMENT**

### **(TREASURY AND ACCOUNTS ADMINISTRATION)**

#### **6.17. Excess discount allowed on sale of stamps**

The Punjab Stamp Rules, 1934, as applicable to Haryana, provide for grant of discount, at the prescribed rate to every licensed vendor of non-judicial stamps on the value of every non-judicial stamp purchased by him from the treasury/sub-treasury. Government by notification issued on 26th April 1971 prescribed the rate of discount at three per cent on the value of *Hundi* stamps and impressed stamp papers purchased by the licensed vendors of towns where treasury or sub-treasury exists. The amount of discount is deducted from the face value of gross amount of non-judicial stamps indicated in the challan deposited into treasury/bank for the purchase of stamps by vendors, though subsequently, by adjustment the amount of discount is debited to expenses on sale of stamps by per-contra credit to receipts.

In Ambala, Jagadhri and Naraingarh treasuries, discount was paid at the rate of 4 per cent against the prescribed rate of 3 per cent on the sale of non-judicial stamps and impressed stamp papers during the period from April 1980 to August 1986 to ten licensed vendors of the towns, resulting in excess allowance of discount of Rs. 30,188 to vendors.

On the omission being pointed out in audit (March 1984 and August 1986), the Haryana Government Finance Department directed (October 1986) the treasuries at Ambala and Jagadhri to recover the excess amount allowed as discount from the vendors and the department recovered Rs. 8,161 from three vendors. Report on recovery of the balance amount is awaited (November 1987).

#### **6.18. Short accountal of lottery tickets**

Under the accounting procedure of the State Lotteries Scheme, lottery tickets for each draw shall be received from the printing presses at the distribution centre, Delhi from where the tickets are distributed /supplied to different camp/sale



offices according to their demand. Statement of tickets distributed/supplied to each camp/sale office will be sent to head office at Chandigarh. Sales officer of each camp shall render complete account of receipt and sale of tickets to Head office as soon as the sale of tickets is completed or the date of draw, whichever is earlier. Issue and sale accounts so received at Head office will be checked by the Section Officer incharge of the lottery scheme within a week's time to ensure its correctness.

Scrutiny in audit (March 1987) of sales account of lottery tickets of 419th draw of '*Mahalakshmi*' weekly draw held on 30th December 1985, revealed that against issue of 7.16 lakh tickets to camp office at Bangalore, the sales officer of the camp showed receipt and sale of 7 lakh tickets resulting in short accountal of 16,000 tickets valued at Rs. 12,800.

On the omission being pointed out in audit (March 1987), the department recovered the amount (March 1987).

Government to whom the case was reported in May 1987; confirmed the facts.

## H. MEDICAL

### 6.19. Embezzlement of fees and other dues

The Punjab Financial Rules, as applicable to Haryana, provide that Government dues collected by an officer should be paid into the treasury either on the same day or on the morning of the following day. It further provide that while signing the cash book at the close of each day, the head of the office should ensure that the amounts shown as remitted into treasury through challans have been duly acknowledged by the treasury officer. In order to ensure proper remittance of the sums into treasury, a consolidated receipt for remittances made during the month should be obtained from the treasury officer and amounts already entered in the cash book should be reconciled with the information received as per treasury records.

(a) In Civil Hospital, Hissar, various types of fees and other charges amounting to Rs. 3,70,329 collected by the cashier were embezzled between January 1983 and October 1986. Although collections amounting to Rs. 4,08,024 were shown on the receipt side of the cash book, deposits of



Rs. 2,85,329 shown to have been made into the treasury through 26 challans were not actually so deposited as the receipted challans kept on record were not genuine; in 13 other challans showing deposits of Rs. 1,22,695, the actual amount deposited was Rs. 37,695 only, the figures of deposits in the challan having been tampered with.

The embezzlement was facilitated due to :

- (i) non-observance of the prescribed procedure of obtaining from the treasury, a consolidated receipt for the amounts deposited during each month and its comparison with entries in the cash book;
- (ii) blank space having been left in the challans, before the entry of the amount both in figures and words leaving scope for tampering and interpolation of the amounts.

On the embezzlement being pointed out in audit (November 1986), the department admitted the facts and initiated proceedings against the defaulting official. First Information Report was lodged with the Police on the 14th November 1986. Further progress is awaited (November 1987).

(b) In seven Civil Hospitals in Bhiwani, Karnal, Sirsa, Narnaul, Faridabad, Rohtak and Sonapat districts, various types of fees and charges amounting to Rs. 27,210 received from patients during the years 1984-85 and 1985-86 were misappropriated. While receipts for Rs. 13,472 realised from the patients on account of X-ray fee and indoor admission fee were issued, no receipts even were issued for Rs. 13,738 collected as outdoor ticket fee (*purchee fee*) though mention of its realisation was made in the outdoor patient register. The total sum of Rs. 27,210 was neither entered in the cash books nor credited into the treasury. The mis-appropriation remained un-detected due to failure of the drawing and disbursing officers to ensure, before signing the cash books, that all moneys received as per receipt books or any other record had been duly noted in the cash books and remitted into the treasury.



On this being pointed out in audit (between June 1986 and October 1986), the department recovered Rs. 26,109 between June 1986 and April 1987. Report on recovery of the balance amount is awaited (November 1987).

The cases were reported to Government between September 1986 and March 1987; their reply has not been received (November 1987).

*D.C. Sahoo*

CHANDIGARH,

The

(D.C. Sahoo)  
Accountant General (Audit) Haryana

11 3 MAR 1988

Countersigned

*T.N. Chaturvedi*

NEW DELHI.

The

(T.N. CHATURVEDI)  
Comptroller and Auditor General of India

16 MAR 1988

On the 1st of June 1931 the balance sheet of the Government of India for the year 1930-31 was submitted to the Comptroller and Auditor General of India. The balance sheet was submitted to the Comptroller and Auditor General of India on the 1st of June 1931.

The balance sheet was submitted to the Comptroller and Auditor General of India on the 1st of June 1931. The balance sheet was submitted to the Comptroller and Auditor General of India on the 1st of June 1931.

*[Handwritten signature]*

CHANDIGARH  
3 MAR 1931

18013—A.G. (Audit)—H.G.P., Chd.  
Dated 1st June 1931

T. N. CHATURVEDI  
Comptroller and Auditor General of India  
NEW DELHI  
16 MAR 1931



# ERRATA

Report of the Comptroller and Auditor General of India for the year 1986-87 (Revenue Receipts)-Government of Haryana.

Page	No	Reference	For	Read
21		Serial No 4, 1982-83		
		Col. 3	8	86
27		13th line from bottom	authorities	authorities
31		2nd line from top	purchases sales	purchases/sales
32		1st line	for	or
35		16th line from bottom	authoruty	authority
42		5th line from top	Government	Government
43		11th line from bottom	deducation	deduction
56		2nd line from bottom	received	received
60		3rd line from bottom	Audit	audit
62		16th line from top	Article	Article
64		3rd line, para 5.1	r vealed	revealed
65		18th line from bottom	baen	been
74		7th line, para 5.8.09	amonuting	amounting
78		9th line from top	brick	bricks
83		12th line from bottom	69.35 crores	68.35 crores
88		Last line	canal	for canal

