



**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2016**



**Government of Haryana
Report No. 5 of the year 2016**

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Comptroller and Auditor General of India**

on

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for the year ended 31 March 2016

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2016 has been prepared for submission to the Governor of Haryana under Article 151 of the Constitution of India.

The Report contains significant findings of audit of receipts and expenditure of major revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2015-16 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains one Performance Audit on “**Receipts from State Excise Duty**” and 24 illustrative paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, passenger and goods tax, royalty etc. with revenue implications of ₹ 721.81 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2015-16 were ₹ 47,556.55 crore as compared to ₹ 40,798.66 crore during the year 2014-15. Out of this, 75 *per cent* was raised through tax revenue (₹ 30,929.09 crore) and non-tax revenue (₹ 4,752.48 crore). The balance 25 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 5,496.22 crore) and Grants-in-aid (₹ 6,378.76 crore). There was an increase in revenue receipts over the previous year by ₹ 6,757.89 crore.

(Paragraph 1.1.1)

Test check of the records of 315 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fees, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2015-16 brought out under-assessments/short levy/non-levy/loss of revenue aggregating ₹ 2,864.64 crore in 48,193 cases. During the year 2015-16, the Departments accepted under-assessment of ₹ 360.42 crore in 1,972 cases. Of these, the Department recovered ₹ 12.63 crore in 731 cases of earlier years.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

A thematic audit of the system of collection of arrears of various taxes due to the State as arrears of land revenue under the Punjab Land Revenue Act/Revenue Recovery Act, 1890 brought out ineffective pursuance of arrears and poor enforcement of the statutory provisions coupled with non-maintenance of relevant records that resulted in the arrears increasing by 112 *per cent* between April 2012 and March 2015 to ₹ 8,076.66 crore. Arrears of ₹ 382.88 crore were not declared recoverable under the Punjab Land Revenue Act while arrears of ₹ 207.26 crore could not be recovered due to non-disposal of attached property. Further, arrears of ₹ 166.56 crore could not be recovered due to lack of follow up action. Interest of ₹ 26.44 crore was not levied.

(Paragraph 2.2)

The Assessing Authority incorrectly allowed the benefit of Input Tax Credit of ₹ 96.39 lakh without verification of payment of tax by selling dealer. In addition, penalty of ₹ 2.89 crore is also leviable.

(Paragraph 2.3)

In 61 cases, Assessing Authorities did not levy surcharge at the rate of five *per cent* of the tax of ₹ 38.16 crore under VAT resulting in non-levy of surcharge of ₹1.91 crore.

(Paragraph 2.4)

Assessing Authorities levied tax of ₹ 2.74 crore instead of correct amount of ₹ 4.53 crore resulting in under-assessment of tax of ₹ 1.79 crore due to calculation mistake.

(Paragraph 2.5)

Non-compliance with clarifications issued by Government and incorrect classifications of goods by assessing authorities resulted in short levy of tax of ₹ 2.49 crore as well as interest of ₹ 88.58 lakh.

(Paragraph 2.6)

An Assessing Authority incorrectly allowed deduction of ₹ 2.76 crore in view of Special Economic Zone sale to the dealer who sold material to a developer resulting in under-assessment of tax of ₹ 36.26 lakh. In addition, interest of ₹ 30.46 lakh was also leviable.

(Paragraph 2.7)

Purchase of Duty and Entitlement Pass Book (DEPB)/Import License worth ₹ 3.91 crore, which are to be used for re-sale, was incorrectly allowed to be adjusted against custom duty payable resulting in incorrect grant of input tax credit of ₹ 20.55 lakh to a dealer.

(Paragraph 2.10)

3. Chapter-III

State Excise

State excise duty is an important source of revenue constituting 14 *per cent* of total tax revenues of the State Government. A performance audit of the functioning of the Excise and Taxation Department relating to levy and collection of excise duty on liquor brought out unrealistic budget projections that impaired the effective monitoring of collection efforts. Further, better adherence and stricter enforcement of the provisions of the Act could have augmented revenue as brought out in the illustrative examples highlighted in

the report that resulted in non/short recovery of ₹ 60.56 crore. Some of the important observations are given below.

Lack of action to recover security and additional security from 20 licensees resulted in non/short deposit of ₹ 28 lakh.

(Paragraph 3.2.7)

Non-compliance to the rules providing for levy of interest for delay in payment of license fee resulted in short-recovery of license fee and interest of ₹ 44.80 crore from defaulting licensees of retail outlets.

(Paragraph 3.2.8)

Failure to recover differential license fee arising from re-allotment of retail outlets due to the default of the original allottee as well as failure to re-auction vends resulted in non-realisation of revenue of ₹ 5.19 crore.

(Paragraph 3.2.9)

The Department failed to levy and recover penalty of ₹ 7.09 crore from 466 defaulting licensees on account of short/excess lifting of quarterly basic quota.

(Paragraph 3.2.10)

The Department failed to levy and recover penalty of ₹ 1.83 crore from 322 offenders on account of illegal possession and trade of liquor.

(Paragraph 3.2.11)

The Department did not recover ₹ 1.65 crore on account of salary of excise establishment deployed from the management of distilleries.

(Paragraph 3.2.12)

4. Chapter-IV

Stamp Duty

Ninety two deeds were registered for sale at normal khasras rates for agricultural land instead of rates applicable on khasras on which change of land use licenses had been issued to develop residential colonies. This resulted in short levy of SD of ₹ 34.84 crore. Further, 57 deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty of ₹ 85.10 lakh.

(Paragraph 4.2)

Misclassification of collaboration agreements in 14 cases resulted in short levy of stamp duty of ₹ 2.46 crore.

(Paragraph 4.3)

Registering authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 1.55 crore.

(Paragraph 4.4)

The registering authorities misclassified conveyance on sale as release deeds and levied SD of ₹ 1,850 instead of ₹ 87.16 lakh as per Collector rate resulting in short levy of SD of ₹ 87.14 lakh.

(Paragraph 4.5)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Transport Department

Non renewal of fitness/registration certificates of 2,46,948 transport vehicles and 1,63,456 non transport vehicles by the owners even after expiry of their validity resulted in loss of revenue of ₹ 12.78 crore.

(Paragraph 5.2.2 to 5.2.3)

Excise and Taxation Department (Passengers and Goods Tax)

Vehicle owners of 647 public or private carriers used for carrying goods had not deposited Goods tax for different periods between April 2013 and March 2015 resulting in non/short realisation of Goods tax of ₹ 41.45 lakh. In addition, interest of ₹ 19.36 lakh was also leviable.

(Paragraph 5.4)

Vehicle owners of 247 taxi cars/maxi cabs, 100 educational institution buses and 35 transport co-operative society buses either had not deposited or short deposited passenger tax resulting in non/short realisation of passenger tax of ₹ 51.76 lakh. In addition, interest of ₹ 21.93 lakh was also leviable.

(Paragraph 5.5)

6. Chapter-VI

Other Tax and Non-tax Receipts

Mines and Geology Department

Royalty and interest amounting to ₹ 11.72 lakh was not recovered from 31 brick kiln owners who had been issued permits between April 2013 and March 2016 in respect of four districts.

(Paragraph 6.2)

CHAPTER-I
GENERAL

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Haryana during the year 2015-16, the State's share of net proceeds of divisible Union taxes and duties assigned to State and grants-in-aid received from the Government of India (GOI) during the year and the corresponding figures for the preceding four years are depicted in **Table 1.1.1**.

Table 1.1.1: Trend of Revenue Receipts

(₹ in crore)						
Sr. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Revenue raised by the State Government					
	• Tax revenue	20,399.46	23,559.00	25,566.60	27,634.57	30,929.09
	• Non-tax revenue	4,721.65	4,673.15	4,975.06	4,613.12	4,752.48
	Total	25,121.11	28,232.15	30,541.66	32,247.69	35,681.57
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties ¹	2,681.55	3,062.13	3,343.24	3,548.09	5,496.22
	• Grants-in-aid	2,754.93	2,339.25	4,127.18	5,002.88	6,378.76
	Total	5,436.48	5,401.38	7,470.42	8,550.97	11,874.98
3.	Total revenue receipts of the State Government (1 and 2)	30,557.59	33,633.53	38,012.08	40,798.66	47,556.55
4.	Percentage of 1 to 3	82	84	80	79	75

During the year 2015-16, the revenue raised by the State Government (₹ 35,681.57 crore) was 75 per cent of the total revenue receipts. The balance 25 per cent of the receipts during the year 2015-16 was from the Government

¹ For details please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 2015-16. Figures under the head 0021 - Taxes on income other than corporation tax - share of net proceeds assigned to States booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

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of India as State's share of net proceeds of divisible Union taxes and grants-in-aid.

The percentage of revenue receipts of the State Government from its own resources to total revenue receipts shows a decreasing trend from 2012-13 (84 per cent) to 2015-16 (75 per cent).

1.1.2 The details of tax revenue raised during the period 2011-12 to 2015-16 are given in **Table 1.1.2**.

Table 1.1.2: Details of Tax Revenue Raised

Sr. No.	Head of revenue	(` in crore)											
		2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase (+) or decrease (-) in 2015-16	
		BE	Actual	Actual over BE of 2015-16	Actuals 2015-16 over actuals of 2014-15								
1.	Taxes on sales trade etc/value added tax (VAT)	14,100.00	13,383.69	16,450.00	15,376.58	19,288.61	16,774.33	19,930.00	18,993.25	22,821.40	21,060.23	(-) 7.72	10.88
2.	State Excise	2,400.00	2,831.89	3,000.00	3,236.48	4,000.00	3,697.35	4,350.00	3,470.45	4,567.50	4,371.08	(-) 4.30	25.95
3.	Stamps and registration fees	2,350.00	2,793.00	3,000.00	3,326.25	3,850.00	3,202.48	3,950.00	3,108.70	3,600.00	3,191.21	(-) 11.36	2.65
4.	Taxes on goods and passengers	425.00	429.32	450.00	470.76	520.00	497.45	650.00	527.07	600.00	554.25	(-) 7.63	5.16
5.	Taxes on vehicles	515.00	740.15	750.00	887.29	850.00	1,094.86	1,175.00	1,191.50	1,316.00	1,400.38	(+) 6.41	17.53
6.	Taxes and duties on electricity	155.00	166.43	160.00	191.96	201.40	219.20	232.25	239.74	240.00	256.66	(+) 6.94	7.06
7.	Land revenue	16.09	10.95	15.28	12.98	19.33	12.42	13.50	15.28	16.50	14.97	(-) 9.27	(-) 2.03
8.	Other taxes and duties on commodities and services	45.80	44.03	48.00	56.70	55.00	68.51	74.00	88.58	88.00	80.31	(-) 8.74	(-) 9.34
	Total	20,006.89	20,399.46	23,873.28	23,559.00	28,784.34	25,566.60	30,374.75	27,634.57	33,249.40	30,929.09	(-) 6.98	11.92

The tax revenue increased from ₹ 20,399.46 crore in 2011-12 to ₹ 30,929.09 crore in 2015-16. There is a nominal decrease in actual figures over budget estimates (BEs) (6.98 per cent) during the year 2015-16.

The respective Departments reported the following reasons for the variations:

- **Stamps and Registration Fees:** The decrease in actual receipts to budget estimates (11.36 per cent) was due to less registration of documents of immovable/movable property.
- **Taxes and Duties on Electricity:** Increase in actual receipts (6.94 per cent) was due to more adjustment on account of electricity duty of rural electrification subsidy by the Government.
- **Land Revenue:** The decrease in revenue receipts (9.27 per cent) was due to less recovery of Kisan Pass Book, Copying fee and Revenue Talbana².

1.1.3 The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table 1.1.3**.

Table 1.1.3: Details of Non-Tax Revenue Raised

(₹ in crore)

Sr. No.	Head of revenue	2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase(+) or decrease (-) in 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE 2015-16	Actual 2015-16 over actuals of 2014-15
1.	Urban Development	1,300.00	1,039.35	1,150.00	990.70	1,200.00	1,104.54	1,220.00	861.11	1,300.00	421.95	(-) 67.54	(-) 51.00
2.	Road Transport	1,100.00	852.96	1,150.00	999.87	1,315.00	1,097.54	1,310.00	1,235.31	1,450.00	1,254.55	(-) 13.48	1.56
3.	Interest Receipts	816.49	864.96	1,080.04	1,058.21 ³	1,090.12	1,090.71	1,142.51	933.59	1,281.41	1,087.49	(-) 15.13	16.48
4.	Education, Sports, Art and Culture	299.47	295.72	386.41	385.43	438.14	318.94	527.83	564.48	596.77	637.41	6.81	12.92
5.	Misc. General Services ⁴	1.04	128.49	1.30	312.30	5.89	268.37	30.00	20.38	21.23	41.39	94.96	103.09

² Charges for serving summons.

³ Includes ₹ 454.33 crore in book adjustment of interest on irrigation project capital interest.

⁴ Unclaimed deposits, State Lotteries, Sale of land/property, Guarantee fee and other receipts.

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Sr. No.	Head of revenue	2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase(+) or decrease (-) in 2015-16	
		BE	Actual	Actual over BE 2015-16	Actual 2015-16 over actuals of 2014-15								
6.	Medical and public health.	102.99	54.79	109.63	78.01	163.48	148.07	179.61	145.50	223.43	142.06	(-) 36.42	(-) 2.36
7.	Non-ferrous mining and metallurgical industries	75.00	75.53	225.00	75.49	150.00	79.10	500.00	43.46	1,000.00	271.61	(-) 72.84	524.97
8.	Other administrative services	170.76	99.95	156.00	125.86	136.80	144.35	167.39	95.73	194.55	115.64	(-)40.56	20.81
9.	Major and medium irrigation	142.44	583.16	194.56	139.12	213.68	95.04	156.50	129.27	156.75	110.48	(-) 29.51	(-) 14.53
10.	Police	71.42	62.64	83.22	63.73	158.20	80.38	160.02	67.82	160.00	151.70	(-) 5.19	123.68
11.	Forestry and wildlife	61.00	39.12	45.00	41.36	45.00	37.37	40.00	44.29	40.00	51.90	29.75	17.18
12.	Other non-tax receipts.	220.73	624.98	223.39	403.07	246.17	510.65	432.70	472.18	461.25	466.30	1.09	(-) 1.25
Total		4,361.34	4,721.65	4,804.55	4,673.15	5,162.48	4,975.06	5,866.56	4,613.12	6,885.39	4,752.48	(-) 30.98	3.02

There is a decrease in actual receipt over budget estimates (30.98 per cent) during the year 2015-16. The respective Departments reported the following reasons for the variations:

- **Urban development:** The decrease in actual receipts to budget estimates (67.54 per cent) was due to recession in the real estate market and new policy of affordable group housing whose license fees were waived off.
- **Other Administrative Services:** The decrease in revenue receipts to budget estimates (40.56 per cent) was due to pending payments from other departments and non-completion of works.
- **Miscellaneous General Services:** The increase in actual receipts to budget estimates (94.96 per cent) was due to more sales of land and property (through auction/allotment) and Government guarantee fee.
- **Road Transport:** The decrease in revenue receipts to budget estimates (13.48 per cent) was due to non addition of buses to the

fleet due to shortage of drivers.

- **Forestry and wildlife:** The increase in actual receipts to budget estimates (29.75 per cent) was due to emergency cutting of trees for widening of roads.
- **Major and medium irrigation:** The decrease in revenue receipt to budget estimates (29.51 per cent) was due to ban of mining and non-payment of raw water charges by Power Department.
- **Non-ferrous mining and metallurgical industries:** The decrease in revenue receipts to budget estimates (72.84 per cent) was due to non/timely grant of environmental clearance, litigation in National Green Tribunal and termination of contracts.

The other Departments did not intimate the reasons for variations in receipts despite being requested (October 2016).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 in some principal heads of revenue amounted to ` 11,234.45 crore of which ` 1,896.64 crore was outstanding for more than five years as detailed in **Table 1.2**.

Table 1.2: Arrears of Revenue

(` in crore)				
Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Replies of Department
1	Taxes on sales, trade/VAT etc.	10,385.41	1,607.70	Recovery of ` 283.58 crore was stayed by the High Court and other judicial authorities, ` 129.46 crore was held up due to the dealers becoming insolvent, ` 75.89 crore was proposed to be written off and ` 804.40 crore was held up due to rectification, review and appeal. Recovery of ` 152.19 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Recovery of ` 0.56 crore was being made in instalments. Balance amount of ` 8,939.33 crore was at different stages of action.
2	State Excise	216.41	76.94	Recovery of ` 12.94 crore was stayed by High Court and other judicial authorities and ` 14.00 crore was likely to be written off. Rupees 0.16 crore was outstanding due to case pending with official liquidator/BIFR. Recovery of ` 0.08 crore was being made in instalments. Recovery of ` 48.32 crore was due to inter-State and inter-Districts arrears respectively. ` 1.25 crore was held up for review/rectification application. Balance of ` 139.66 crore was outstanding at different stages of action.

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(` in crore)				
Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Replies of Department
3	Taxes and duties on electricity	193.28	128.50	Rupees One crore was recoverable from M/s Haryana Concast Hisar, ` 38 lakh from M/s Rama Fibers Bhiwani, ` 30 lakh from M/s Dadri Cements, Charkhidadri and ` 16 lakh from M/s Competent Alloys Ballabgarh. ` 191.44 crore was pending against the consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL).
4	Taxes on goods and passengers	69.09	17.84	Recovery of ` 46.03 lakh was stayed by High Court and other judicial authorities and ` 27,000 was likely to be written off. An amount of ` 68.63 crore was outstanding at different stages of action.
	Tax on entry of goods into local areas(Local Area Development Tax)	226.72	28.96	Recovery of ` 174.07 crore was stayed by High Court and other judicial authorities and ` 0.05 crore was outstanding due to case pending with official liquidator/BIFR. Rupees 0.20 crore was pending on account of cases in other courts. An amount of ` 52.40 crore was outstanding at different stages of action.
5	Police	108.43	8.20	Rupees 7.38 crore was due from Indian Oil Corporation Limited (IOCL) up to 31 March 2007. The matter of recovery from IOCL in Haryana State is pending at the level of State Government. Rupees 29 lakh was recoverable from Bhakra Beas Management Board (BBMB), Faridabad and ` 100.76 crore was recoverable from other States for election duties.
6	Other taxes and duties on commodities and service	12.45	7.51	Recovery of ` 0.04 crore had been stayed by the High Court and other judicial authorities, ` 0.02 crore was likely to be written off and balance amount of ` 12.39 crore was at different stages of action.
7	Non-ferrous mining and metallurgical industries	22.66	20.99	Rupees 13.23 crore was outstanding on account of demand covered by recovery certificates. Rupees 0.54 crore was stayed by the High Court and other judicial authorities and ` 0.38 crore was likely to be written off. Balance amount of ` 8.51 crore was at different stages of action.
	Total	11,234.45	1,896.64	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation Department in respect of Sales Tax and Passengers and Goods Tax (PGT) was

as in **Table 1.3** below.

Table 1.3: Arrears in Assessments

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on Sales, trade/VAT	2,70,739	2,14,697	4,85,436	2,55,717 ⁵	2,29,719	53
Taxes on goods and passengers	2,199	835	3,034	715	2,319	24

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.4**.

Table 1.4: Evasion of Tax

Sr. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2016
					Number of cases	Amount of demand (in crore)	
1	Tax on sales trade/VAT etc.	63	4,296	4,359	4,259	115.88	100
2	State excise	720	6,546	7,266	6,379	4.50	887
3	Tax on goods and passengers	6,595	6,955	13,550	12,097	8.31	1,453
Total		7,378	17,797	25,175	22,735	128.69	2,440

The number of cases pending at the end of the year has decreased in the case of Taxes on Goods and Passengers and slightly increased in the case of Sales

⁵ Including 17,087 cases disposed of for the year 2014-15.

Tax and State Excise as compared to the number of cases pending at the start of the year.

1.5 Refund cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 as reported by the Department is given in **Table 1.5**.

Table 1.5: Details of Refund Cases

Sr. No.	Particulars	Sale Tax/VAT		State Excise	
		Number of cases	Amount (in crore)	Number of cases	Amount (in crore)
1	Claims outstanding at the beginning of the year	694	189.22	38	0.52
2	Claims received during the year	1,820	673.24	273	12.40
3	Refunds made during the year	1,805	611.91	242	4.93
4	Balance outstanding at the end of year	709	250.55	69	7.99

The number of outstanding cases shows a substantial increase for State Excise and marginal increase for Sales Tax/VAT.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (Audit) Haryana conducts periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Principal Accountant General (PAG) within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the department and the Government.

Inspection reports issued up to December 2015 disclosed that 5,389 paragraphs involving ₹ 5,802.87 crore relating to 2,143 IRs remained outstanding at the end of June 2016 as mentioned below in **Table 1.6** along with the corresponding figures for the preceding two years.

Table 1.6: Details of pending Inspection Reports

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	1,919	1,966	2,143
Number of outstanding audit observations	4,579	4,911	5,389
Amount of revenue involved (₹ in crore)	3,084.83	3,489.99	5,802.87

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in **Table 1.6.1**.

Table 1.6.1: Department-wise details of Inspection Reports

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Excise and Taxation	Sales /VAT	299	2,061	5,245.70
		State Excise	146	277	157.79
		Taxes on goods and passengers	208	374	34.97
		Entertainment duty and show tax	19	21	11.59
2	Revenue	Stamps and registration fees	918	1,959	294.63
		Land Revenue	119	158	0.52
3	Transport	Taxes on vehicles	306	381	16.93
4	Power	Taxes and duties on electricity	4	5	5.84
5	Mines and Geology	Non-ferrous mining and metallurgical industries	124	153	34.90
Total			2,143	5,389	5,802.87

Audit did not receive even the first reply from the heads of offices within four weeks from the date of receipt of the IRs for 225 IRs out of 315 IRs issued

during 2015-16. The increase in the pendency of IRs was indicative of the fact that the heads of offices and the Departments did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may institute a system of effective monitoring of responses of departments to IRs to ensure prompt response to audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2015-16 and the paragraphs settled are mentioned in **Table 1.6.2** below.

Table 1.6.2: Departmental Audit Committee Meetings

Sr. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount (` in crore)
1	Excise and Taxation Department (Sales Tax)	6	552	166.28
2	Transport Department	2	72	0.24
3	Revenue Department	4	50	0.41
	Total	12	674	166.93

1.6.3 Non production of records to audit for scrutiny

During the year 2015-16, as many as 204 assessment files and other relevant records involving tax effect of ` 939.85 crore were not made available to audit. District-wise detail of cases is given in **Table 1.6.3** below.

Table 1.6.3: Details of non-production of records

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited	Tax amount/refunds (` in crore)
Assessment cases			
DETC (ST) Faridabad (East)	2015-16	106	497.87
DETC (ST) Jagadhri	2015-16	98	441.98
	Total	204	939.85

1.6.4 Response of the Government to the draft audit paragraphs

Draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretary/Additional Chief Secretaries of the concerned Department drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is indicated at the end of such paragraphs included in the Audit Report.

Thirty two draft paragraphs (clubbed into 24 draft paragraphs) and one Performance Audit were sent to the Additional Chief Secretaries of the respective Departments between March and July 2016. No reply was received to any of the draft paragraphs and to the Performance Audit. However, replies received during exit conference at the conclusion of the Performance Audit held with the Government have been appropriately included at relevant places in the Report.

1.6.5 Follow up on the Audit Reports-summarised position

According to instructions issued by the Finance Department in October 1995 and reiterated in July 2001, it had been laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within three months of tabling of the Report for consideration of the Public Accounts Committee (PAC). However, the ATNs were being delayed. Sixty six paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Haryana for the years ended 31 March 2013, 2014 and 2015 were placed before the State Legislature Assembly between March 2014 and March 2016. ATNs in respect of 58 paragraphs from four departments (Excise and Taxation, Transport, Revenue and Mines and Geology) as mentioned in **Annexure I** had not been received for the Audit Reports for the year ended 31 March 2013 to 31 March 2015 so far (October 2016). ATNs in respect of eight paragraphs of Audit Report for the year ended 31st March 2013 were received after a delay of 18 months.

The PAC discussed 23 selected paragraphs of the Audit Reports for the year 2010-11 and its recommendations on 23 paragraphs were incorporated in their 72nd Report for the year 2015-16. A total of 878 recommendations pertaining to the period 1979-80 to 2010-11 contained in 22nd to 72nd Reports of PAC as mentioned in **Annexure II** and **Annexure III** were still pending for want of final corrective action to be taken by the concerned Departments.

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.2 discusses the performance of the Excise & Taxation Department relating to taxes on sales, trade etc. under revenue head 0040 and cases detected in the course of local audit during the last 10 years included in the Audit Reports for the year 2006-07 to 2015-16.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued to the Excise and Taxation Department (Sales Tax/VAT) during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are brought out in **Table 1.7.1** below.

Table 1.7.1: Position of Inspection Reports

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value (` in crore)	IRs	Para-graphs	Money value (` in crore)	IRs	Para-graphs	Money value (` in crore)	IRs	Para-graphs	Money value (` in crore)
2006-07	347	1,802	712.46	26	379	66.23	5	312	41.63	368	1,869	737.06
2007-08	368	1,869	737.06	28	354	64.67	51	608	117.52	345	1,615	684.21
2008-09	345	1,615	684.21	40	439	134.72	42	531	129.22	343	1,523	689.71
2009-10	343	1,523	689.71	27	344	84.89	141	659	304.01	229	1,208	470.59
2010-11	229	1,208	470.59	29	342	203.81	3	264	103.56	255	1,286	570.84
2011-12	255	1,286	570.84	29	335	261.37	10	350	91.78	274	1,271	740.43
2012-13	274	1,271	740.43	42	655	1,167.16	9	254	215.62	307	1,672	1,691.97
2013-14	307	1,672	1,691.97	33	529	1,346.42	89	510	146.07	251	1,691	2,892.32
2014-15	251	1,691	2,892.32	27	584	1,281.44	2	364	972.99	276	1,911	3,200.77
2015-16	276	1,911	3,200.77	32	552	3,317.08	9	402	1,272.15	299	2,061	5,245.70

The number of outstanding IRs decreased from 347 in 2006-07 to 299 in

2015-16 but the paragraphs have increased from 1,802 in 2006-07 to 2,061 in 2015-16 as on 31 March 2016. The Government should arrange more audit committee meetings between the Department and the PAG to settle the long pending paragraphs.

1.7.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.7.2.**

Table 1.7.2: Recovery of accepted cases

Year of the audit report	Number of paragraphs included	Money value of the paragraph (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative positions of recovery of accepted cases (₹ in crore)
2005-06	08 01 (PA)	5.74 151.09	07 01 (PA)	1.14 133.59	- 0.12	1.12 0.40
2006-07	07 01 (PA)	6.54 314.81	07 01 (PA)	6.54 314.81	0.17 -	4.52 305.96
2007-08	08 01 (PA)	2.17 56.01	07 01 (PA)	1.00 30.51	0.32 -	0.32 -
2008-09	11 01 (PA)	5.48 38.23	11 01 (PA)	5.11 38.23	0.05 0.12	0.22 1.24
2009-10	11	119.01	11	30.95	-	0.30
2010-11	10 02 (PA)	147.03 148.10	05 02 (PA)	12.59 146.68	- 0.62	0.12 1.04
2011-12	7 01 (PA)	10.99 1,715.02	7 -	10.99 -	0.02 -	0.23 -
2012-13	3 01 (PA)	554.19 0.45	3 01 (PA)	547.42 0.45	- -	0.11 0.14
2013-14	9	266.99	9	63.27	0.13	0.13
2014-15	10 01 (PA)	17.46 310.48	10 01 (PA)	17.46 290.54	- -	- -
Total	84 9 (PA / IT Audit)	1,135.60 2,734.19	77 8 (PA / IT Audit)	696.47 954.81	0.69 0.86	7.07 308.78
Grand Total	93	3,869.79	85	1,651.28	1.55	315.85

The progress of recovery even in accepted cases was low (19.13 per cent) during the last 10 years.

The department may take appropriate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.8 Action taken on the recommendations accepted by the Departments/Government

The Performance Audits conducted by the PAG are forwarded to the concerned Department/Government with a request to furnish replies. These Performance Audits were also discussed in exit conferences and the views of the Departments/Governments are included while finalising the Performance Audit for the Audit Reports.

The performance audits titled ‘Delay in disposal of remand and revision cases’ and ‘System of Assessment under VAT’ of Excise and Taxation Department, Haryana that featured in the Report for the years 2012-13 and 2014-15 were yet to be taken up for discussion in the PAC.

1.9 Internal Audit

The Finance Department has overall administrative control over the posting/deployment of Subordinate Accounts Service passed personnel in various departments. The concerned department is responsible for formulation and execution of action plan for internal audit to ensure adherence to the provisions of the Act and Rules as well as departmental instructions issued from time to time.

During the year 2015-16, out of 254 units planned for audit, Internal Audit Cell audited 243 units (96 per cent) as detailed in **Table 1.9**.

Table 1.9: Internal Audit

Receipts	Number of units Planned	Number of units audited
Stamp Duty	130	130
State Excise	21	19
VAT/Sales Tax	Nil	Nil
Motor Vehicle Tax	82	81
Passengers and Goods Tax	21	13
Total	254	243

The irregularities discussed in the paragraphs of Chapters II to VI are indicators of inadequate internal control mechanism as the irregularities pointed out in the Audit Report were not detected by the internal audit parties. No internal audit was done by the Excise and Taxation Department (Sales tax/VAT and Entertainment duty). Reasons for not conducting internal audit was not provided by the Department.

1.10 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, white paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years.

During the year 2015-16, there were 622 auditable units of which 317 (Revenue 309 + Expenditure 08) units were planned and 315 audited. Two units of Pharmacy were closed.

1.11 Results of audit

Position of local audits conducted during the year

Test check of the records of 315 (Revenue 307 + Expenditure 8) units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration fees, Motor Vehicles, Goods and Passengers and other Departmental offices conducted during the year 2015-16 revealed under-assessment/short levy/loss of revenue aggregating to ` 2,864.64 crore in 48,193 cases. During the course of the year, the departments concerned accepted under-assessment and other deficiencies of ` 360.42 crore involved in 1,972 cases. The departments collected ` 12.63 crore in 731 cases during the year 2015-16.

1.12 Coverage of this Report

This Report contains one Performance Audit on “**Receipts from State Excise Duty**” and 24 paragraphs involving financial effect of ` 721.81 crore.

The Departments/Government have accepted audit observations involving ` 327.08 crore out of which ` 11.82 crore had been recovered. These are discussed in succeeding Chapters II to VI.

CHAPTER-II
TAXES/VAT ON SALES, TRADE

CHAPTER II: TAXES/VAT ON SALES, TRADE

2.1.1 Tax administration

The Haryana Value Added Tax Act, 2003 and rules framed thereunder are administered at the Government level by the Additional Chief Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department and he is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy ETCs (DETCs) and Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant tax laws and rules.

2.1.2 Results of audit

In 2015-16, test check of the records of 40 units (revenue units: 32 and expenditure units: 8) relating to assessments of VAT/Sales tax revealed under-assessment of tax and other irregularities involving ` 2,716.43 crore in 1,222 cases which fall under the following categories as brought out in **Table 2.1.**

Table-2.1: Results of audit

Revenue			
Sr. No.	Categories	Number of cases	Amount (` in crore)
1.	System for collection of arrears of revenue in the State	1	591.63
2.	Under-assessment of Tax	647	766.94
3.	Acceptance of defective statutory 'Forms'	93	277.93
4.	Evasion of tax due to suppression of sales/purchase	40	16.52
5.	Irregular/Incorrect/Excess allowance of ITC	203	51.30
6.	Other irregularities	207	931.26
	Total (I)	1,191	2,635.58
Expenditure			
1	Non receipts of utilisation certificate	1	80.25
2	Other irregularities	30	0.60
	Total (II)	31	80.85
	Grand Total (I+II)	1,222	2,716.43

During the year, the department accepted under-assessment and other deficiencies of ` 224.74 crore in 89 cases out of which ` 217.94 crore involved in 37 cases were pointed out during the year and the rest in earlier years. The department recovered ` 25.04 lakh in 32 cases in the year 2015-16 out of which recovery in 11 cases involving ` 8.19 lakh was made during the year and the rest in earlier years.

Significant cases involving ` 604.67 crore are discussed in the following paragraphs.

2.2 System for collection of arrears of revenue in the State

2.2.1 Introduction

Total arrears increased by 112 per cent between April 2012 and March 2015 to ` 8,076.66 crore. Arrears of ` 382.88 crore were not declared recoverable under the Punjab Land Revenue Act while arrears of ` 207.26 crore could not be recovered due to non disposal of attached property. Further, arrears of ` 166.56 crore could not be recovered due to non initiation of follow up action. Interest of ` 26.44 crore was not levied.

Departments of the Government are primarily responsible for recovery of dues pertaining to them in accordance with provisions of different Acts¹. Any amount due under these Acts and the rules made there-under as well as various instructions issued from time to time which remain unpaid after the last date specified for payment shall be the first charge on the property of the defaulter. These dues are recoverable from the defaulter as arrears of land revenue under the Punjab Land Revenue Act, 1887 (PLR Act)/Revenue Recovery Act, 1890 (RR Act) as applicable to the State of Haryana. The Revenue Authority issues Revenue Recovery Certificate (RRC) and may initiate legal steps such as attachment of property/assets and detention of the dealer, if necessary, for recovery of dues. Collection of revenue arrear in police department under the head "0055-Police" shall be regulated under the provisions of Punjab Financial Rules.

The records of the offices of four departments² (seven heads of account) in seven³ out of 21 districts in the State for the years 2012-13 to 2014-15 were

¹ Section 26 of the Haryana Value Added Tax (HVAT) Act, 2003, Section 17 of Punjab Entertainment Duty Act, 1955, Section 12 of the Punjab Passengers and Goods Taxation (PGT) Act, 1952, Section 25 of the Mines and Mineral (Development and Regulations) Act, 1957 Section 60 of the Punjab Excise Act, 1914 and Section 9 of the Punjab Electricity (Duty) (PED) Act, 1958

² Chief Electrical Inspector, Mines and Geology Department, Police, Excise and Taxation Department (Sales tax, State Excise, Entertainment and Passenger & Good tax)

³ Ambala, Bhiwani, Faridabad, Gurgaon, Karnal, Rohtak and Sonapat.

test checked between January and May 2016 to assess the effectiveness of the system of collection of arrears of revenue.

2.2.2 Trends/analysis of arrears

Slow pace of recovery

The position of arrears at the beginning of the year, additions during the year, recoveries effected/other adjustments, arrears more than three years old and arrears at the end of the year for the period from 2012-13 to 2014-15 were as depicted in Table 2.2.2 below.

Table 2.2.2: Position of recovery of arrears under various heads of account

(` in crore)

Head of Account	Year	Revenue Receipts	Arrears at the beginning of the year	Arrears added during the year	Total	Collection of demand/ arrears and deletion during the year	Arrears at the end of the year	Arrears more than three years' old	Percentage of collection of arrears to total arrears col. 7 to 6
1.	2	3	4	5	6	7	8	9	10
0039-State Excise	2012-13	3,236.48	129.21	11.09	140.30	3.66	136.64	54.71	2.61
	2013-14	3,697.35	136.64	41.87	178.51	5.07	173.44	80.93	2.84
	2014-15	3,470.45	173.44	39.77	213.21	6.40	206.81	95.91	3.00
0040-Taxes on Sales, Trade etc.	2012-13	15,376.58	3,405.08	1,203.74	4,608.82	709.64	3,899.18	2,371.32	15.40
	2013-14	16,774.33	3,899.18	4,000.29	7,899.47	1,977.37	5,922.10	3,143.78	25.03
	2014-15	18,993.25	5,922.10	3,963.96	9,886.06	2,443.02	7,443.04	2,593.70	24.71
0042 Taxes on Goods and Passengers	2012-13	470.76	92.20	110.66	202.86	109.03	93.83	46.07	53.75
	2013-14	497.45	93.83	122.85	216.68	114.81	101.87	48.05	52.99
	2014-15	527.07	101.87	155.10	256.97	132.94	124.03	46.99	51.73
0043 Taxes and Duties on Electricity	2012-13	191.96	129.39	172.61	302.00	163.32	138.68	129.39	54.08
	2013-14	219.20	138.68	201.33	340.01	190.15	149.86	138.68	55.92
	2014-15	239.74	149.86	217.25	367.11	207.75	159.36	149.86	56.59
0045- Other Taxes and Duties on Commodities and Services	2012-13	56.70	14.13	0.00	14.13	0.00	14.13	13.28	0.00
	2013-14	68.51	14.13	0.00	14.13	6.21	7.92	7.07	43.95
	2014-15	88.58	7.92	3.35	11.27	0.52	10.75	7.40	4.61
0055 -Police	2012-13	63.73	13.72	6.13	19.85	6.94	12.91	8.11	34.96
	2013-14	80.38	12.91	93.62	106.53	0.00	106.53	8.11	0.00
	2014-15	67.82	106.53	1.36	107.89	0.00	107.89	8.19	0.00
0853-Non-Ferrous Mining and Metallurgical Industries	2012-13	75.49	26.14	0.16	26.30	0.89	25.41	17.12	3.38
	2013-14	79.10	25.41	0.19	25.60	0.92	24.68	19.34	3.59
	2014-15	43.46	24.68	0.18	24.86	0.08	24.78	21.40	0.32
Total	2012-13	19,471.70	3,809.87	1,504.39	5,314.26	993.48	4,320.78	2,640.00	
	2013-14	21,416.32	4,320.78	4,460.15	8,780.93	2,294.53	6,486.40	3,445.96	
	2014-15	23,430.37	6,486.40	4,380.97	10,867.37	2,790.71	8,076.66	2,923.45	

Source: Departmental figure

Audit scrutiny of records brought out that the pace of recovery was slow which resulted in mounting of arrears. While the recovery was above 50 per cent under head 0042-Taxes on Goods and Passengers and 0043-Taxes and duty on electricity, the percentage of recovery to total arrears under five heads of account⁴ ranged between 0.32 and 43.95 per cent. The percentage of recovery position was zero under head 0045-Other Taxes and Duties on Commodities and Services for the year 2012-13 and under head 0055-Police for the year 2013-14 and 2014-15. Total arrears increased from ` 3,809.87 crore in April 2012 to ` 8,076.66 crore (112 per cent) in March 2015 of which ` 2,923.45 crore (36.20 per cent) were outstanding for more than three years.

On this being pointed out (January and May 2016), 11 Deputy Excise and Taxation Commissioners (DETCs)/Mining officers (MOs)⁵ intimated (between January and May 2016) attributed the slow recoveries to shortage of staff, incorrect address of defaulters, death of defaulters and very old cases of recovery.

2.2.3 Non declaration of arrears recoverable under Punjab Land Revenue Act

Section 26 of the HVAT Act provides that amounts that remained unpaid after the last date specified for payment shall be the first charge on the property of the defaulter and recoverable as arrears of land revenue under the Punjab Land Revenue (PLR) Act.

Audit scrutiny of records of 20 offices⁶ in Excise and Taxation department revealed that Assessing Authorities (AAs) raised demand of ` 223.16 crore⁷ and five MO⁸ of Mines and Geology Department raised demand of ` 1.20 crore between 2012 and 2015. Though these assesseees had not deposited the due amount within the specified period, the AAs/MOs failed to declare the arrears recoverable as arrears of land revenue under the PLR Act. Similarly, Chief Electrical Inspector, Haryana also failed to declare arrears of ` 158.52 crore as on 31 March 2015 under PLR Act.

⁴ 0039-State Excise, 0040-Taxes on Sales, Trade etc, 0045- Entertainment Tax, 0055-Police and 0853-Mining.

⁵ DETC (Excise), Ambala, Faridabad, Karnal, Sonapat, DETC (PGT), Bhiwani, Gurgaon, Rohtak, Sonapat and Mining officer Ambala, Faridabad and Gurgaon.

⁶ DETC (ST) Ambala, Bhiwani, Faridabad, Gurgaon, Karnal, Rohtak, Sonapat, DETC (PGT) Ambala, Bhiwani, Faridabad, Gurgaon, Karnal, Rohtak, Sonapat, DETC (Excise) Ambala, Bhiwani, Gurgaon, Karnal, Rohtak and Sonapat.

⁷ Sales Tax (` 102.72 crore), State Excise (` 67.15 crore), Passengers and Goods Tax (` 53.29 crore).

⁸ Mining officer Bhiwani, Faridabad, Gurgaon, Karnal and Rohtak.

On this being pointed out, DETC (ST/PGT) Ambala assured (March 2016) to pursue these cases vigorously. DETCs (ST) Karnal, Faridabad (West), DETCs (PGT/Excise)/MOs⁹, intimated (January to March 2016) that efforts would be made to recover the outstanding arrears of ` 176.11 crore. Chief Electrical Inspector, Haryana stated (June 2016) that the arrears were to be adjusted as book adjustment and not under PLR Act. Reply of the department was not correct as the arrears were to be recovered as arrears of land revenue as per Section 9 of Punjab Electricity (Duty) (PED) Act. No reply was received from the remaining eight offices for the outstanding amount of ` 48.25 crore (October 2016).

2.2.4 Non-disposal of attached property

Section 67 of the PLR Act provides for disposal of attached property of the defaulters.

Audit scrutiny of records of seven offices¹⁰ in three Departments¹¹ revealed that arrears of ` 207.26 crore were due for recovery up to March 2015 in 31 cases. After issuing notices, the arrears were declared recoverable as 'arrears of land revenue' between July 1992 and August 2015 and the property of the defaulters in 29 cases was attached between July 1992 and June 2015. In four cases, the dealer went into liquidation after attachment of property while in six cases physical possession of the property was with Punjab National Bank. Permission was being taken from ETC office for auction in four cases while no action was taken by the AAs in the remaining cases. In two cases, property of defaulters was not attached as the said property had already been attached by another financial institution. Thus, delay in auctioning the attached property ranging between one year and 24 years and not taking timely action to attach/auction the attached properties resulted in accumulation of arrears of ` 207.26 crore.

On this being pointed out, DETC (Excise) Rohtak stated (June 2016) that permission was being taken to auction the attached property from Excise and Taxation Commissioner, Haryana. MO, Sonapat stated (March 2016) that efforts would be made to auction the attached property. No reply was received from the remaining offices (October 2016).

2.2.5 Deletion of demand against false forms

As per instructions issued by Government of Haryana on 14 March 2006 and 16 July 2013, intra-State or inter-State transactions of more than Rupees one

⁹ DETC (PGT) Bhiwani, Faridabad, Gurgaon, Rohtak, Sonapat, DETC (Excise) Ambala, Gurgaon, Karnal, Rohtak, Sonapat and Mining officer Bhiwani, Faridabad and Gurgaon.

¹⁰ DETC (ST) Bhiwani, Faridabad (West), Karnal, Rohtak, Sonapat, DETC (Excise), Rohtak and Mining officer, Sonapat.

¹¹ Sales Tax, State Excise and Mining.

lakh were to be verified before allowing the benefit of tax/concession to the dealer. Further Sections 5 (3), 6A and 8 (4) of the Central Sales Tax Act, 1956 (CST Act), provide for levy of nil/concessional rate of tax on sales made against declaration forms H, F, E-1 and C respectively. Under Section 38 of HVAT Act, penalty is leviable for submitting wrong accounts/information/documents to evade payment of tax. Benefit of concession against declaration forms is allowable only against original copy of forms.

Audit scrutiny of records of four offices¹² of Sales Tax revealed that the AAs finalised the assessments (rectification) of 10 dealers between November 2013 and March 2015 for the assessment years 2010-11 and 2012-13 and allowed benefit of consignment sale/inter-State sale at concessional rate of tax against forms “F” and “C” respectively worth ₹ 23.93 crore and deleted the arrears of ₹ 1.86 crore. On verification by audit from the Tax Information Exchange System (TINXSYS)/concerned Authorities, the said forms were found to be not genuine. Allowing benefit of consignment sale/concessional rate of tax against such false declarations resulted in erroneous deletion of arrears of ₹ 1.86 crore. In addition, penalty of ₹ 5.57 crore under section 38 of HVAT Act was also leviable.

2.2.6 Irregular deletion/concealment of arrears

The amount of arrears is reduced as and when any recovery is affected. Further, if any demand is reduced due to submission of requisite declaration forms etc., the additional demand due is deleted to that extent.

Audit scrutiny of records of the offices of DETC (ST), Sonapat and Gurgaon (East) revealed that in 125 cases, AAs finalised the assessments between August 2012 and March 2015 for the years 2007-08 and 2013-14 and raised additional demand of ₹ 174.88 crore and subsequently deleted the said demand from the list of arrears without recording any reasons for deletion of arrears. Neither the demand of arrears was shown recovered/transferred to other wards nor the demand reflected in the list of recovery. This resulted in irregular deletion/concealment of arrears of ₹ 174.88 crore.

On this being pointed out, no reply was received (October 2016).

2.2.7 Failure to initiate follow up action

The amount of tax, interest and penalty remaining unpaid by the dealer after due date is to be declared recoverable as arrears of land revenue under PLR Act and recovered in accordance with the provisions of the RR Act, 1890 by issuing RRC. DETCs have the powers of collector under sections 68, 69 and

¹² DETC (ST), Bhiwani, Faridabad (West), Gurgaon (East) and Rohtak.

70 of the PLR Act, 1887 for recovery of arrears of the department. When the AA is unable to recover the dues from the defaulter due to closure of his business and transfer to other place within or outside the State, the DETC (Collector) is required to send the RRC to the DETC-cum-Collector /revenue authority {(Deputy Commissioner (DC)} of the district concerned within or outside the State respectively for recovery of dues as arrears of land revenue.

Audit scrutiny of records of 21 offices¹³ in four Departments¹⁴ revealed that the AAs/MOs declared arrears of ` 72.33 crore (` 62.07 crore inter-State arrears and ` 10.26 crore inter District arrears) recoverable as arrears of land revenue and issued RRC between December 2007 and March 2016. AAs/MOs were required to vigorously pursue the RC with the concerned Revenue Authorities. However, no follow up action was taken to recover the arrears.

Further in 20 offices of three departments¹⁵, the arrears recoverable as arrears of land revenue of ` 94.23 crore¹⁶ were outstanding within the same district. Out of this, ` 84.28 crore relates to Excise and Taxation department. No action had been initiated by the DETC for recovery of the dues.

On this being pointed out, DETCs (ST/Excise/PGT) and MOs¹⁷ intimated between January and May 2016 that efforts would be made to recover the Government dues. No reply was received from remaining six offices.

2.2.8 Non levy of interest

Section 23 (1) of HVAT Act provides for levy of interest if any amount, specified in a notice of demand has not been deposited with in thirty days after serving of notice.

(i) Audit scrutiny of records of three offices¹⁸ of DETC (ST) revealed that in three cases, an additional demand of ` 124.78 crore was created between September 2010 and March 2015 for the years 2007-08 to 2011-12. The AAs issued notice for recovery and declared the arrears recoverable as arrears of land revenue under PLR Act. Meanwhile, the assessee had gone into liquidation. While forwarding the claim to the official liquidator (between September 2014 and May 2016), the AAs failed to include the amount of

¹³ DETC (ST) Ambala, Bhiwani, Faridabad, Gurgaon, Karnal, Rohtak, Sonapat, DETC (Excise) Ambala, Bhiwani, Faridabad, Gurgaon, Karnal, Rohtak, Sonapat, DETC (PGT) Rohtak and Mining officer, Ambala, Bhiwani, Faridabad, Gurgaon, Karnal and Sonapat.

¹⁴ Sales Tax, State Excise, Passengers and Goods Tax and Mining.

¹⁵ DETC(ST), DETC(State Excise) and Mining.

¹⁶ Sales Tax (` 58.35 crore), State Excise (` 25.93 crore) and Mining (` 9.95 crore).

¹⁷ DETC(ST), Faridabad, DETC(PGT), Rohtak, DETC(Excise), Ambala, Faridabad, Gurgaon, Karnal, Rohtak and Mining officers, Bhiwani, Faridabad, Gurgaon and Sonapat.

¹⁸ DETC (ST) Faridabad (West), Gurgaon and Rohtak.

interest of ` 23.51 crore and lodged lesser claim of ` 0.07 crore. This resulted in short lodging of claim of ` 23.58 crore.

On this being pointed out, DETC Faridabad (West) and Rohtak stated (March and July 2016) that demand of interest of ` 19.20 crore had been sent to the official liquidator. No reply was received from DETC (ST) Gurgaon (October 2016).

(ii) Audit scrutiny of records of six offices¹⁹ revealed that in 96 cases, the dealers deposited demand of ` 14.38 crore with delay ranging between 33 days to 10 years but neither the dealers had deposited the interest nor the AA raised the demand. This resulted into non levy/non-recovery of interest of ` 2.86 crore.

On being pointed out, DETC (ST), Rohtak stated (August 2016) that demand of ` 3.28 lakh had been created in one case. DETC(ST), Ambala stated (August 2016) that notice of recovery had been issued to the dealer. DETC (ST), Gurgaon stated (August 2016) that proceeding for taking action had been initiated in four cases. No reply was received from DETCs (ST) Faridabad (West), Karnal and Sonapat for the outstanding interest of ` 77.30 lakh (October 2016).

2.2.9 Inaccurate figures of Arrears

While arrears can be reduced 'on account of' recovery during any subsequent year, old arrears pertaining to earlier years cannot increase. Audit scrutiny of records from Statement of old arrears of four offices²⁰ for the year 2011-12 to 2014-15 revealed that year-wise details of old arrears for the years 2002-03 to 2013-14 had increased by ` 199.48 crore from ` 58.30 crore to ` 257.78 core during the year ended March 2015. Thus the figures of arrears were not authentic.

No reply has been received so far (October 2016).

2.2.10 Non maintenance/production of records

As per instructions issued by ETC on 27 December 2005, a separate recovery file should be maintained in each case as soon as a demand has fallen into arrears. The recovery proceedings should be recorded in the recovery file.

Audit had requisitioned 1,552 recovery files involving arrears of ` 636.69 crore during audit of seven DETC (ST) offices out of which 1,115 files involving arrears of ` 480.77 crore were produced. The remaining 437 recovery files involving arrears of ` 155.92 crore were not produced to audit.

¹⁹ DETC (ST) Ambala, Faridabad (West), Gurgaon (East), Karnal, Rohtak and Sonapat.

²⁰ DETC (ST), Bhiwani, Faridabad (West), Rohtak and Sonapat.

Scrutiny of assessment files/list of arrears revealed that separate recovery files were not maintained in 334 cases involving arrears of ` 102.72 crore. Further, out of the 334 cases, demand notices (VAT N-4) were not found issued in 149 cases involving arrears of ` 61.51 crore. Similarly, recovery files were also not maintained in 10 offices²¹ of State Excise, Passengers and Goods Tax, and Mining Departments. This poor state of maintenance of recovery files/records undermined the ability of the departments to effectively monitor and pursue recovery of arrears of revenue.

On this being pointed out, AA Gurgaon (East) stated (May 2016) that notice VAT N-4, recovery files would be issued/maintained and efforts would be made to recover the old arrears. DETCs (PGT and Excise) and MOs stated (February and May 2016) that no separate recovery files were maintained.

2.2.11 Conclusion

Thus, inadequate pursuance of arrears of revenue resulted in increase of arrears by 112 *per cent* from ` 3,809.87 crore in April 2012 to ` 8,076.66 crore in March 2015. The Assessing Authorities as well as the Revenue Recovery officers failed to ensure strict adherence to the provisions of the Acts and rules made thereunder and ` 382.88 crore arrears were not declared recoverable under PLR Act while arrears of ` 207.26 crore could not be recovered due to non disposal of attached property. Demand of ` 1.86 crore was reduced against false concessional forms and there was concealment of arrears of ` 174.88 crore. Arrears of ` 166.56 crore could not be recovered due to non initiation of follow up action. Interest of ` 26.37 crore was not levied. Recovery efforts and their effective monitoring were undermined by non-maintenance of proper recovery files.

The above findings were reported to the Government in June 2016; its reply was awaited (October 2016).

2.3 Incorrect allowance of input tax credit

Assessing Authority incorrectly allowed the benefit of Input Tax Credit of ` 96.39 lakh without verification of payment of tax by selling dealer. In addition, penalty of ` 2.89 crore is also leviable.

As per section 8 of the Haryana Value Added Tax Act, 2003 (HVAT Act), input tax in respect of any goods purchased by a VAT dealer shall be the amount of tax paid to the State on the sale of such goods to him. ETC Haryana issued instructions in July 2013 mandating verification of input tax credit up to

²¹ DETC (Excise), Faridabad, Karnal, Sonapat, DETC (PGT), Ambala, Gurgaon, Rohtak, Sonapat and Mining officer, Ambala, Bhiwani and Gurgaon.

the stage of actual payment of tax. Further, section 38 of the Act provides for penal action (tax avoided/benefit claimed and three times penalty) for claims on the basis of documents, false information and incorrect accounts.

Audit scrutiny of records (September 2015) of Deputy Excise and Taxation Commissioner (Sales Tax) {DETC (ST)}, Panchkula revealed that a dealer was assessed (March 2015) under scrutiny scheme for the assessment year 2011-12. The dealer had shown purchases worth ` 7.34 crore at the rate of 13.125 *per cent* from a dealer of Kurukshetra district and claimed benefit of Input Tax Credit (ITC) of ` 96.39 lakh. The Assessing Authority (AA), allowed benefit of ITC of ` 96.39 lakh without verification of payment of tax by selling dealer. On verification by audit, the DETC (ST) Kurukshetra informed that the selling dealer had not made sale to Panchkula dealer during 2011-12. This resulted in incorrect grant of ITC of ` 96.39 lakh. In addition penalty of ` 2.89 crore was also leviable.

On this being pointed out, the DETC (ST) Panchkula replied (February 2016) that the case had been sent to Revisional Authority for taking *suo motu* action.

The matter was reported to the Government in March 2016; its reply was awaited (October 2016).

2.4 Non levy of surcharge

Assessing Authorities did not levy surcharge at the rate of five *per cent* of the tax of ` 38.16 crore under VAT resulting in non levy of surcharge of ` 1.91 crore in 61 cases.

As per section 7 (A) of the HVAT Act, an additional tax, in the nature of surcharge at the rate of five *per cent* on the tax was leviable w.e.f. 02 April 2010. The Government of Haryana had also clarified (10 February 2014) that work contractors who have exercised the option of payment of lump sum in lieu of tax are also liable to discharge the liability of surcharge under section 7 (A) of the Act *ibid*.

Audit scrutiny of records (between November 2014 and June 2015) of six offices²² of DETC (ST) revealed that the AAs, while finalising the assessments of 61 cases (between April 2013 and March 2015) for the years 2010-11 to 2011-12, calculated tax of ` 38.16 crore at the rate of four/*five per cent* on the taxable turnover of ` 941.64 crore but the additional tax at the rate of five *per cent* of the tax amount of ` 38.16 crore was not levied. This resulted in non levy of surcharge of ` 1.91 crore.

²² Faridabad (West), Gurgaon (East), Palwal, Rewari, Sirsa and Jagadhri.

On this being pointed out, three DETCs (ST)²³ stated (between August 2015 to July 2016) that an additional demand of ` 0.72 crore had been created in 32 cases. DETC Sirsa (July 2016) stated that additional demand of ` 1.49 crore had been created in one case but the dealer filed an appeal before the Hon'ble Haryana Tax Tribunal against this order. DETCs Jagadhri and Palwal stated that 10 cases had been sent to Revisional Authority for suo motu action. In one case, AA Faridabad (West) stated in January 2016 that the dealer had done the contract work of Municipal Corporation (MC) Faridabad and surcharge was not deducted by the MC office. The reply was not tenable as the AA was required to levy surcharge at the time of assessment of the case. AA Rewari stated in March 2016 that in all the 17 cases, orders have been rectified and tax levied accordingly. Further progress report of recovery has not been received (October 2016).

The matter was reported to the Government in March 2016; its reply was awaited (October 2016).

2.5 Under assessment of tax due to calculation mistake

Assessing Authorities levied tax of ` 2.74 crore instead of correct amount of ` 4.53 crore resulting in under assessment of tax of ` 1.79 crore due to calculation mistake.

Under Section 19 of the HVAT Act, any taxing authority or appellate authority, may, at any time, within a period of two years from the date of supply of copy of the order passed by it in any case, rectify any clerical or arithmetical mistake apparent from the records of the case after giving the person adversely affected a reasonable opportunity of being heard.

Audit scrutiny of records (December 2014 and August 2015) of the offices of DETCs (ST), Faridabad (West), Panchkula and Rohtak revealed that three dealers made sales valued at ` 74.97 crore during 2011-12. The AAs, while finalising the assessments between November 2013 and March 2015, levied tax of ` 2.74 crore instead of correct amount of ` 4.53 crore resulting in under-assessment of tax of ` 1.79 crore.

On this being pointed out, AA Faridabad stated in January 2016 that the mistake had been rectified. DETC (ST) Rohtak stated in July 2016 that factory land of the assessee had been attached by issue of warrant u/s 72 of Punjab Land Revenue Act, 1887 to recover the tax of ` 2.65 crore. DETC (ST) Panchkula stated in July 2016 that the case had been sent to Revisional

²³ Faridabad (West), Gurgaon (East) and Jagadhri.

Authority for *suo motu* action. Further progress of recovery has not been received (October 2016).

The matter was reported to the Government in March 2016; its reply was awaited (October 2016).

2.6 Short/Non levy of tax due to incorrect classification

Non-compliance with clarifications issued by Government and incorrect classifications of goods by Assessing Authorities resulted in short levy of tax of ` 2.49 crore as well as interest of ` 88.58 lakh.

Under Section 7 (1) (a) (iv) of the HVAT Act, tax is leviable at rates specified in Schedules 'A' to 'G' of the Act depending upon the classification of goods. Items not classified in the above schedules are taxable at the general rate of tax of 12.5 *per cent* with effect from 1 July 2005. Further, surcharge at the rate of five per cent of the tax was also leviable w.e.f. 02 April 2010. In addition, in case of default of payment of tax, interest was also leviable under Section 14 (6) of the HVAT Act.

2.6.1 The Government clarified on 25 March 2013 that all varieties of textiles on which any value addition work like knitting, embroidery work has been done were liable to VAT as unclassified goods at general rate of tax 12.5 *per cent* and surcharge at rate or five *per cent* on the tax was leviable w.e.f. 2nd April 2010. Audit scrutiny of records (September and November 2015) of offices of DETC (ST), Jhajjar and Gurgaon revealed that two dealers sold embroidered fabrics of ` 7.55 crore during 2012-13 and claimed the goods as tax free. The AAs, while finalising the assessments between October and November 2014, allowed the deductions treating it as tax free goods under Schedule 'B' of the HVAT Act. However, embroidered fabrics being not classified in any schedule is taxable at the rate of 12.5 *per cent* plus surcharge. This resulted in non levy of VAT amounting to ` 99.15 lakh. In addition, interest of ` 39.54 lakh was also leviable.

On this being pointed out, DETC (ST) Gurgaon (East) stated in July 2016 that demand for ` 89.05 lakh had been created. DETC (ST) Jhajjar stated in July 2016 that sale of embroidered fabric was tax free falling under entry 52 of Schedule B of HVAT Act after the exempting of Additional Excise Duty (AED) on textile and textile articles vide notification dated July 2004. The reply of DETC (ST) was not tenable as AED on textile was abolished in April 2011 and embroidered fabric mentioned here pertains to year 2012-13 which was taxable as per clarification in March 2013.

2.6.2 Audit scrutiny of records (November 2014) of office of DETC (ST), Jhajjar (Bahadurgarh) revealed that a dealer supplied Mitti (Soil) worth ` 96.61 lakh during the year 2011-12 and claimed tax free sales. The AA, while finalising the assessment in November 2013, allowed the same instead of levying tax at the rate of 13.125 *per cent* as applicable in respect of unclassified item being Mitti (Soil). This resulted in non-levy of tax and surcharge amounting to ` 12.68 lakh. In addition, interest of ` 6.59 lakh was also leviable. On this being pointed out, ETO Jhajjar (Bahadurgarh) stated in July 2016 that the case was under revision (October 2016).

2.6.3 The Government had clarified on 23 June 2014 that paneer is an unclassified item and was liable to VAT as unclassified goods at general rate of tax 12.5 *per cent* and surcharge at rate of five *per cent* on the tax leviable w.e.f 2nd April 2010. Audit scrutiny of records (August and October 2015) of the offices of DETC (ST), Jind and Panchkula revealed that two dealers sold paneer valued at ` 6.79 crore during the years 2010-11 to 2012-13 and paid the tax at rate of five *per cent* plus surcharge. The AAs, while finalising the assessments between March 2014 and March 2015 also levied tax at the rate of 5 *per cent* plus surcharge instead of correct rate of 12.5 *per cent* plus surcharge as per clarification of the Government. This resulted in short levy of tax amounting to ` 53.44 lakh. In addition, interest of ` 35.56 lakh was also leviable.

On this being pointed out, the DETCs (ST), Jind stated in March 2016 that the case had been sent to Revisional Authority for taking *suo motu* action. ETO (Panchkula) stated in July 2016 that an additional demand of ` 44.50 lakh had been created and effort would be made to recover the amount.

2.6.4 The Government had clarified on 18 July 2013 that taxable event is the transfer of right to use goods and the rate applicable to transfer of right to use goods is the rate applicable on sale of such goods. Audit scrutiny of records (September 2015) of the office of DETC (ST), Panchkula revealed that a dealer had leased motor vehicles valued of ` 1.87 crore during the years 2011-12 to 2012-13 and paid tax at rate of five *per cent* plus surcharge. The AA, while finalising the assessments between September 2013 and August 2014, levied tax at the rate of five *per cent* plus surcharge instead of correct rate of 12.5 *per cent* plus surcharge. This resulted in short levy of tax amounting to ` 14.70 lakh. In addition, interest of ` 6.89 lakh was also leviable. On this being pointed out, the AA Panchkula stated in July 2016 that the cases had been sent to DETC (inspection), Ambala for *suo motu* action.

2.6.5. Audit scrutiny of records (May 2014) of the office of DETC (ST), Sonapat revealed that a dealer sold industrial filters/machinery parts valued at ₹ 8.72 crore during the years 2011-12 and calculated tax at rate of four/five *per cent* plus surcharge. The AAs, while finalising the assessment in November 2013 also levied tax at the rate of four/five *per cent* plus surcharge instead of correct rate of 12.5 *per cent* plus surcharge as applicable in respect of unclassified item. This resulted in short levy of tax of ₹ 68.86 lakh. On this being pointed out, the DETCs (ST), Sonapat stated in January 2016 that the case had been sent to the Revisional Authority for taking *suo motu* action.

The above matters were reported to the Government in April/May 2016; its reply was awaited (October 2016).

2.7 Under assessment of tax due to wrong deduction of sale to Special Economic Zone units

Assessing Authority incorrectly allowed deduction of ₹ 2.76 crore in view of Special Economic Zone sale to the dealer who sold material to a developer resulting in under-assessment of tax of ₹ 36.26 lakh. In addition, interest of ₹ 30.46 lakh was also leviable.

The Government clarified on 12 February 2013 that sale to developer/co-developer of a Special Economic Zone (SEZ) is not exempt from levy of tax but only the individual dealer is exempt on setting up a unit in the SEZ area.

Audit scrutiny of records (September 2015) of the office of DETC (ST), Panchkula, revealed that a dealer sold ready mix concrete to a developer worth ₹ 2.76 crore during the year 2011-12. The AA, while finalising the assessment of the dealer in March 2015, allowed deduction of ₹ 2.76 crore in view of SEZ sale. The deduction of sale to SEZ unit was incorrectly allowed to the dealer who sold material to a developer. This resulted in under-assessment of tax of ₹ 36.26 lakh. In addition, interest of ₹ 30.46 lakh was also leviable.

On this being pointed out, the Excise and Taxation Officer, Panchkula stated (July 2016) that the case was sent to the Revisional Authority (RA) who had created an additional demand of ₹ 38.03 lakh (April 2016). However, the dealer had filed an appeal (May 2016) before the Hon'ble Haryana Tax Tribunal against the orders, which was pending (October 2016).

The matter was reported to the Government in March 2016; its reply was awaited (October 2016).

2.8 Evasion of tax due to suppression of sales

A dealer of Deputy Excise and Taxation Commissioner, Gurgaon (West) suppressed sales worth ` 1.12 crore and was liable to pay tax of ` 14.05 lakh at the rate of 12.5 per cent. In addition, mandatory penalty of ` 42.15 lakh was also leviable on suppression of sales.

Under Section 38 of the HVAT Act, if a dealer has maintained false or incorrect accounts or documents with a view to suppressing his sales, purchases, imports into State or stock of goods, or has concealed any particulars or has furnished to or produced before any authority, any account, return, document or information which is false or incorrect in any material particular, such authority may direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information as the case may be, been accepted as true and correct.

Audit scrutiny of records (October 2014) of DETC (East), Gurgaon revealed that a dealer purchased bajri, bricks and sand worth ` 1.12 crore from a dealer registered in DETC (West) and claimed input tax credit on the same during 2009-10. But the selling dealer under DETC (West) had filed nil returns for that period and had not included these goods in his sales. Thus, the dealer of DETC Gurgaon (West) had suppressed sales worth ` 1.12 crore and was liable to pay tax of ` 14.05 lakh at the rate of 12.5 per cent. In addition, mandatory penalty of ` 42.15 lakh was also leviable on suppression of sales.

On this being pointed out, AA Gurgaon (West) stated in July 2016 that the case was re-assessed and an additional demand of ` 57.62 lakh was created and the dealer had filed an appeal before the Joint Excise and Taxation Commissioner (Appeal) Faridabad against the re-assessment.

The matter was reported to the Government in May 2016; its reply was awaited (October 2016).

2.9 Non levy of interest

Assessing Authorities created an additional demand of ` 53.91 lakh in two cases but failed to levy interest of ` 45.28 lakh.

Section 14 (6) of the HVAT Act, stipulates that if any dealer fails to make payment of tax, he shall be liable to pay, in addition to the tax payable by him, simple interest at one per cent per month if the payment is made within

ninety days, and at two *per cent* per month if the default continues beyond ninety days for the whole period, from the last date specified for the payment of tax till the date he makes the payment.

Audit scrutiny of records of the offices of DETC (ST), Panchkula and Kurukshetra (May and September 2015) revealed that AAs finalised the assessments for the year 2011-12 in March, 2015 in two cases and created an additional demand of ` 53.91 lakh but did not levy interest on non-payment of tax with return. This resulted in non-levy of interest of ` 45.28 lakh (` 33.85 lakh + ` 11.43 lakh) computed upto 31 March 2015.

On this being pointed out, DETC (ST) Panchkula stated (July 2016) that interest of ` 47.54 lakh²⁴ has been levied but the dealer had filed an appeal before the JETC (A) Ambala against this order. DETC (ST) Kurukshetra stated in July 2016 that the interest of ` 13.07 lakh has been levied. Further progress report of recovery has not been received (October 2016).

The matter was reported to the Government in April 2016; its reply was awaited (October 2016).

2.10 Incorrect benefit of input tax credit on goods not sold

Purchase of Duty and Entitlement Pass Book (DEPB)/Import License worth ` 3.91 crore, which are to be used for resale, was incorrectly allowed to be adjusted against Custom Duty payable resulting in incorrect grant of input tax credit of ` 20.55 lakh to a dealer.

As per Section 8 of HVAT Act 2003, input tax credit (ITC) on purchase of goods is admissible against tax liability on sale of goods as such or the goods manufactured therefrom in the State or interstate trade and commerce. The Government had also clarified (22 April 2013) that ITC is available only if the Duty Credits Scrips (Scrips) are purchased for re-sale as such and no ITC would be admissible if these were used for adjustment of custom duty.

Audit scrutiny of records (December 2014 and December 2015) of DETC (ST), Jhajjar revealed that a dealer purchased Duty Entitlement Pass Book (DEPB)/Import License worth ` 3.91 crore after payment of VAT of ` 20.55 lakh during 2010-11 to 2012-13. The dealer used the same for adjustment of custom duty payable by him. As the goods (Scrips) were not sold by the dealer, no ITC was admissible. However, while finalising assessments in these cases between May 2013 and November 2014, AA

²⁴ AA Panchkula levied interest of ` 47.54 lakh on due tax of ` 49.01 lakh (01-04-2012 to 31-12-2015). But did not deduct excess carry forward of ` 8.70 lakh from the tax due before calculating the interest.

allowed the ITC claims to the dealer resulting in incorrect grant of ITC of ₹ 20.55 lakh.

On this being pointed out, the DETC (ST) Jhajjar stated (July 2016) that the cases had been sent to the Revisional Authority for taking *suo motu* action in January 2016. Further progress report of recovery has not been received (October 2016).

The matter was reported to the Government in March 2016; its reply was awaited (October 2016).

2.11 Under assessment of tax due to non levy of purchase tax

Assessing Authority did not levy purchase tax on goods purchased from unregistered dealers resulting in non-levy of purchase tax of ₹ 12.13 lakh. In addition, interest of ₹ 9.91 lakh was also leviable.

As per Section 3 (3) of HVAT Act, 2003, if a dealer purchases or receives any taxable goods in the State from any source in the circumstances that no tax is levied or paid and he either exports them out of the State or uses/disposes them in the circumstances in which no tax is payable under this Act or the Central Act on them or the goods manufactured therefrom, then, he shall, subject to the provisions of sub-section (4), be liable to pay tax on the purchase or receipt thereof. Provided further that where the goods purchased or received are used or disposed of partly in the circumstances mentioned in the foregoing provisions of this sub-section and partly otherwise, the tax leviable on such goods shall be computed on pro-rata. Surcharge at the rate of five *per cent* on the tax leviable under section 7 (A) of HVAT Act w.e.f 2nd April 2010 is also leviable. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Audit scrutiny of records (September 2014) of DETC (ST), Panipat revealed that a dealer purchased taxable goods 'Pet Scrap' worth ₹ 7.31 crore from unregistered dealers within the State without payment of tax during the years 2009-10 and 2010-11 and transferred the same out of Haryana against 'F' forms. As dealer sold/disposed of these taxable goods without payment of tax and no tax was payable by him under HVAT Act or CST Act, the dealer was liable to pay purchase tax. However, the AA, while finalising assessments between February 2013 and March 2014 for the years 2009-10 and 2010-11 did not levy purchase tax. This resulted in under-assessment of tax due to non-levy of purchase tax of ₹ 12.13 lakh on (pro-rata basis). In addition, interest of ₹ 9.91 lakh was also leviable.

Report for the year 2015-16 (Revenue Sector)

On this being pointed out, AA Panipat stated in May 2016 that additional tax demand of ` 12.13 lakh and interest of ` 9.91 lakh had been created. Further progress report of recovery was awaited (October 2016).

The matter was reported to the Government in June 2016; its reply was awaited (October 2016).

CHAPTER-III
STATE EXCISE

CHAPTER III: STATE EXCISE

3.1.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is head of the Department. The ETC is assisted by the Collector (Excise) at headquarter and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

Excise revenue is mainly derived from the license fee for grant of license of various vends, excise duties levied on spirit/beer removed from distilleries/breweries and on their import/export to and from any other States.

3.1.2 Results of audit

In 2015-16, test check of the records of 38 units out of 77 units of State Excise Department as well as a Performance Audit on “**Receipts from State Excise Duty**” revealed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ` 69.40 crore in 246 cases which fall under the following categories as tabulated in **Table 3.1** below.

Table 3.1: Results of audit

Sr. No.	Categories	Number of cases	Amount (` in crore)
1.	Non/short deposit of license fee and loss of interest	155	3.38
2.	Non-realisation of differential amount of license fee on re-allotment of vends	4	3.21
3.	Non imposition of penalty	48	1.22
4.	Non-recovery of penalty on illicit liquor	32	0.09
5.	Miscellaneous irregularities	6	0.94
6.	Performance Audit on “Receipts from State Excise Duty”	1	60.56
	Total	246	69.40

During the year, the Department accepted under-assessment and other deficiencies amounting to ` 62.37 crore involved in 41 cases out of which ` 62.30 crore involved in 29 cases were pointed out during the year and the rest in earlier years. The Department recovered ` 11.89 crore out of which ` 0.25 crore relates to the year 2015-16 and the rest to earlier years.

3.2 Receipts from State Excise Duty

3.2.1 Highlights

The performance audit of the functioning of the Excise and Taxation Department relating to the levy and collection of excise duty on liquor brought out non-adherence to the provisions of the Acts and rules resulting in non/short collection of excise revenue amounting to ` 60.56 crore. Some of the significant findings were as follows:

- Lack of action to recover security and additional security from 20 licensees resulted in non/short deposit of ` 28 lakh.

(Paragraphs 3.2.7)

- Non-compliance to the rules providing for levy of interest for delay in payment of license fee resulted in short-recovery of license fee and interest of ` 44.80 crore from defaulting licensees of retail outlets.

(Paragraph 3.2.8)

- Failure to recover differential license fee arising from re-allotment of retail outlets due to the default of the original allottee as well as failure to re-auction vends resulted in non-realisation of revenue of ` 5.19 crore.

(Paragraph 3.2.9)

- The Department failed to levy and recover penalty of ` 7.09 crore from 466 defaulting licensees on account of short/excess lifting of quarterly basic quota.

(Paragraphs 3.2.10)

- The Department failed to levy and recover penalty of ` 1.83 crore from 322 offenders on account of illegal possession and trade of liquor.

(Paragraphs 3.2.11)

- The Department did not recover ` 1.65 crore on account of salary of excise establishment deployed from the management of distilleries.

(Paragraph 3.2.12)

3.2.2 Introduction

Excise duty on alcoholic liquor for human consumption and for medicinal and toilet preparations containing alcohol or opium, Indian hemp and narcotics is levied and collected under the Punjab Excise Act, 1914 and Rules¹ made thereunder as applicable to the State of Haryana. Excise revenue consists of

¹ Punjab Distillery Rules, 1932 (Haryana), Punjab Excise Fiscal Orders, 1932 (Haryana), Punjab Brewery Rules, 1956 (Haryana) and HLL Rules.

receipts derived from bid money and annual license fee for the grant of retail and wholesale vend, fines for confiscation of illicit liquor imposed/ordered and export/import duty. It also includes revenue from manufacture, possession and sale of Indian Made Foreign Liquor (IMFL)/Country Liquor (CL). The Haryana Liquor License Rules, 1970 (HLL Rules), empower the Government to frame an excise policy prescribing the procedure and fixation of reserve price and license fee for grant of retail and wholesale vend selling IMFL and CL.

3.2.3 Audit objectives

A performance audit of the Excise and Taxation Department was conducted to review the functioning of the Excise and Taxation Department regarding levy and collection of excise duty on liquor. The audit objectives were to assess whether:

- budget estimates (BEs) were prepared in accordance with the prescribed procedure and were realistic;
- the provisions of the State Excise Act, Rules and instructions issued by the Department were followed;
- State excise policies had been framed as per the Rules and extent of compliance to the provisions of the State excise policies; and
- an effective internal control and monitoring mechanism was in existence in the Department.

3.2.4 Scope and methodology

Records relating to levy, assessment and collection of excise duty, license fees and penalties during the period 2010-11 to 2014-15 were tested checked between October 2015 and April 2016 in respect of six districts² out of 21 districts. These six districts were selected on the basis of probability proportional to size method (without replacement). Faridabad and Gurgaon districts were selected on the basis of risk analysis. Bhiwani district was included on the suggestion made by the Department during entry conference. In addition, five distilleries were also selected. Observations noticed during audit for the years 2010-11 to 2014-15 have also been taken into account wherever considered necessary to facilitate a holistic assessment.

An entry conference was held on 6 November 2015 with the ETC, Excise and Taxation Department wherein the audit objectives, audit criteria and methodology adopted for selection of districts were explained/discussed and the exit conference was subsequently held on 21 July 2016. The views of the Department have been appropriately incorporated in the report. The draft

² Hisar, Jind, Karnal, Kurukshetra, Rohtak and Yamunanagar.

performance audit report was forwarded to the Government in July 2016. Their response was awaited (October 2016).

We acknowledge the co-operation of the Excise and Taxation Department in providing necessary information and records required for the audit.

3.2.5 Audit criteria

The audit criteria were derived from the following sources:

- The Punjab Excise Act, 1914;
- The Punjab Distillery Rules, 1932 (Haryana);
- The Punjab Excise Fiscal Orders, 1932 (Haryana);
- The Punjab Brewery Rules, 1956 (Haryana);
- The Haryana Liquor License Rules, 1970;
- The Haryana Imposition and Recovery of Penalty Rules, 2003; and
- State excise policies for the years 2010-11 to 2014-15.

Audit findings

System deficiencies

3.2.6 Trend of excise revenue

Para 3.2 of the Punjab Budget Manual (PBM), as applicable to the State of Haryana, provides that the Budget Estimates (BEs) of revenue receipts for the ensuing year should be based on the BEs of the year just closed, actuals of the two years preceding the year that just closed, actuals of the previous year for the last six months and actuals of current year for the first six months to make the estimates more realistic.

Details of BEs prepared by audit as per the PBM and BEs prepared by the Department and actual receipts from the State excise duty (SED) during the years 2010-11 to 2014-15 are depicted in **Table 3.2.6** and **Graph 3.2**:

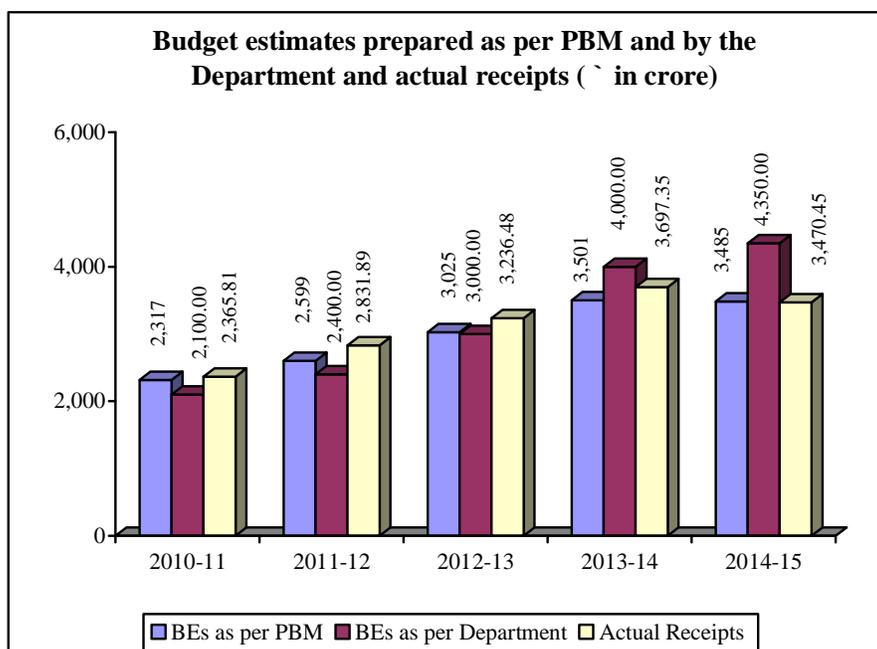
Table 3.2.6: Variation between BEs prepared by audit as per PBM and the Department and actual receipts from SED

Year	BEs of SED prepared as per (in crore)		Actual SED (in crore)	Increase (+) /decrease (-) of SED vis-a vis BEs prepared as per (in crore)		Percentage increase (+)/decrease (-) of SED over BEs prepared as per	
	PBM	Department		PBM	Department	PBM	Department
2010-11	2,317.00	2,100.00	2,365.81	(+) 48.81	(+) 265.81	(+) 2.11	12.66
2011-12	2,599.00	2,400.00	2,831.89	(+) 232.89	(+) 431.89	(+) 8.96	18.00
2012-13	3,025.00	3,000.00	3,236.48	(+) 211.48	(+) 236.48	(+) 6.99	7.88

Year	BEs of SED prepared as per (` in crore)		Actual SED (` in crore)	Increase (+) /decrease (-) of SED vis-a vis BEs prepared as per (` in crore)		Percentage increase (+)/decrease (-) of SED over BEs prepared as per	
	PBM	Department		PBM	Department	PBM	Department
2013-14	3,501.00	4,000.00	3,697.35	(+) 196.35	(-) 302.65	(+) 5.61	(-) 7.57
2014-15	3,485.00	4,350.00	3,470.45	(-) 14.55	(-) 879.55	(-) 0.42	(-) 20.22

The increase in actual receipts of SED over BEs prepared by the Department ranged between 7.88 and 18 *per cent* during the years 2010-11 to 2012-13. Subsequently, there was a decrease in actual receipts of SED over BEs prepared by the Department ranging between 7.57 and 20.22 *per cent* during the years 2013-14 and 2014-15 respectively.

Graph 3.2



The Department stated (July 2016) that the BEs were prepared on the basis of annual targets fixed by the Government and that the Department was able to collect more revenue than the target fixed by the Government during the years from 2010-11 to 2012-13. Subsequently, the Hon'ble Punjab and Haryana High Court in its judgement in March 2014 directed that all vends be shifted away from the National/State Highways. Consequently, there was decrease in collection of SED during the years 2013-14 and 2014-15.

An audit analysis of the BEs of SED prepared as per instructions contained in para 3.2 of the PBM *ibid* and on the basis of the targets fixed by the Government revealed that the increase/decrease of actual receipts of SED vis-à-vis BEs would have ranged between (-) 0.42 and (+) 8.96 *per cent* during the years 2010-11 to 2014-15 instead of between (-) 20.22 and (+) 18.00 *per cent* during the same period. This indicates that the BEs of SED prepared on the targets projected by the Government were inaccurate. The monitoring of the revenue collection would have been more effective and accurate in case these were prepared on the basis of instructions contained in the PBM. Moreover, such accuracy of the BEs would lead to more accurate and realistic budgeting for the year.

Compliance deficiencies

3.2.7 Non/short deposit of security and additional security

Under the HLL Rules read with the State excise policies for the years 2013-14 and 2014-15, every successful allottee of retail licensed liquor outlet shall deposit security amount equal to 21/20 *per cent* of the annual license fee by 7th April of the respective year. In case of vends/group of vends allotted/re-allotted during the currency of the respective year, 10 *per cent* security shall be deposited on the day of allotment and remaining 11/10 *per cent* shall be deposited within ten days of the allotment. Further, payment of additional security of ` 1 lakh, ` 2 lakh and ` 5 lakh is to be made by retail licensed liquor outlet having annual license fee up to ` 75 lakh, exceeding ` 75 lakh and up to ` 500 lakh, and exceeding ` 500 lakh respectively.

Audit scrutiny (between April 2014 and April 2016) of the records of DETCs (Excise) Gurgaon, Karnal and Mahendragarh for the years 2013-14 and 2014-15 revealed that the licensees of 20 retail outlets which were auctioned for ` 27.06 crore did not deposit the security/additional security amount in full by the stipulated date of 7th April. The allottees deposited ` 2.21 crore of the total security/additional security of ` 2.49 crore resulting in non/short deposit of security/additional security of ` 28 lakh.

On this being pointed out, DETC (Excise) Mahendragarh stated (December 2015) that an amount of ` 3.99 lakh had been recovered in two cases.

3.2.8 Non/short recovery of license fee and interest

The HLL Rules read with State excise policies for the years from 2010-11 to 2014-15 stipulate that every licensee holding a license for retail outlets of IMFL and CL vends shall make payment of monthly instalment of license fee by 20th of each month. Failure to do so renders him liable to pay interest at the rate of one and half *per cent* per month for the period from the first of the

month in which the license fee was due to the date of payment of the instalment or any part thereof. If the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed retail outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the respective district. Audit scrutiny revealed non-compliance with these rules resulting in short recovery of license fee and interest totaling ` 44.80 crore as summarised in succeeding paras.

3.2.8.1 Audit scrutiny (between February 2012 and April 2016) of the records of 12 offices³ for the years 2010-11 to 2014-15 revealed that 254 retail outlets for sale of IMFL and CL were allotted to licensees for ` 293.22 crore. The licensees had paid license fee of only ` 263.97 crore and the balance license fee of ` 29.25 crore was yet to be deposited by the licensees. The DETCs (Excise) did not initiate any action to seal vends for short deposit of monthly instalment in full by the end of the month and to levy interest on belated payment of license fee. This resulted in short recovery of license fee of ` 29.25 crore. In addition, interest of ` 2.49 crore was also leviable.

On this being pointed out, five DETCs⁴ (Excise) stated (between December 2015 and May 2016) that an amount of ` 8.88 crore had been recovered in 40 cases.

3.2.8.2 Audit scrutiny (between February 2012 and April 2016) of the records 16 offices⁵ for the years from 2010-11 to 2014-15 revealed that 625 licensees had paid monthly instalments of license fee of ` 544.67 crore for the period between April 2010 and December 2014 with delay ranging from 21 to 435 days. The DETCs (Excise), however, did not initiate any action to seal the vends for non-deposit of monthly instalments by the end of the month and to levy interest for belated payment of the license fee. This resulted in non-levy of interest⁶ of ` 13.06 crore.

On this being pointed out, 10 DETCs⁷ (Excise) stated (between April 2015 and May 2016) that an amount of ` 2.13 crore had been recovered in 86 cases between September 2012 and April 2016.

³ Ambala, Bhiwani, Faridabad, Gurgaon, Jhajjar, Karnal, Mahendragarh, Palwal, Panchkula, Rohtak, Sonapat and Yamunanagar.

⁴ Faridabad, Jhajjar, Karnal, Mahendragarh and Rohtak.

⁵ Ambala, Bhiwani, Faridabad, Fatehabad, Gurgaon, Jhajjar, Jind, Kaithal, Karnal, Mahendragarh, Palwal, Panchkula, Rewari, Rohtak, Sonapat and Yamunanagar.

⁶ Interest calculated up to 31 March 2016.

⁷ Bhiwani, Fatehabad, Gurgaon, Jhajjar, Jind, Kaithal, Mahendragarh, Rewari, Rohtak and Yamunanagar.

3.2.9 Non-realisation of differential license fee on re-auction

Under the HLL rules read with the State excise policies for the year 2010-11 to 2014-15, in case the allottee fails to make payment of security deposit and defaults in payment of license fee along with interest, the licensed outlet shall cease to be in operation on the first day of the following month and the DETC (Excise) may re-allot it at the risk and cost of original allottee after seeking prior permission of the ETC. Audit scrutiny brought out non-adherence to these stipulations resulting in non-realisation of government revenue of ` 5.19 crore as detailed below.

3.2.9.1 Audit scrutiny (between March 2012 and March 2016) of the records of five offices⁸ of DETC (Excise) for the years 2010-11 to 2011-12 and 2013-14 to 2014-15 revealed that 18 retail outlets were auctioned between March 2010 and March 2014 for ` 16.33 crore. The allottees however failed to pay monthly instalments of license fee in full by the due date. Of the total license fee of ` 16.33 crore, the allottees deposited security and monthly license fee of ` 7.19 crore and failed to deposit the balance amount of ` 9.14 crore. While the Department cancelled their retail outlets and thereafter re-auctioned/re-allotted them between August 2010 and December 2014 for ` 4.70 crore for the remaining period at the risk and cost of original allottees, it failed to initiate action to recover the differential amount of license fee of ` 4.44 crore (` 9.14 crore - ` 4.70 crore) from the original allottees. This resulted in non-realisation of Government revenue of ` 4.44 crore.

3.2.9.2 Audit scrutiny (between May and July 2014) of the records of DETCs (Excise) Hisar and Karnal for the year 2013-14 revealed that two retail outlets were auctioned in March 2013 for annual license fee of ` 3.42 crore. The licensees of retail outlets failed to pay monthly instalments of license fee in full by the due date. Of the total license fee of ` 3.42 crore, the allottees deposited monthly license fee of ` 2.67 crore up to October and November 2013. The Department, however, neither took action to re-auction vendes at the risk and cost of original allottees nor did they initiate action to recover the license fee of ` 75.12 lakh from the allottees. This resulted in non-realisation of Government revenue to the extent of ` 75.12 lakh.

On this being pointed out, DETCs (Excise) Hisar and Karnal stated (December 2015) that an amount of ` 38.78 lakh had been adjusted from security amount of licensees.

⁸ Bhiwani, Jhajjar, Karnal, Palwal and Sonapat.

3.2.10 Non-levy of penalty/additional excise duty on short/excess lifting of quarterly basic quota

To plug leakage of liquor and safeguard revenue, lifting of basic quota is stipulated under the provisions of the HLL Rules read with State excise policy for the years 2013-14 and 2014-15. A licensee is liable to lift the entire basic quota of IMFL and CL allotted to his vend as per the prescribed quarterly schedule failing which penal provisions are invoked. Non-lifting of prescribed quarterly quota attracts penalty at the rate of ₹ 65 and ₹ 20 per proof litre (PL) for IMFL and CL respectively for the deficient quantity. Further, in case of allotment of vends during the currency of financial year, the quarterly quota for the remaining quarters of the year shall be computed on proportionate basis from the quota allotted. Excess lifting of prescribed quarterly quota attracts additional excise duty at the rate of ₹ 20 and ₹ 8 per PL for IMFL and CL respectively for the excess quantity. Non-adherence to these stipulations resulted in non-levy of penalty and additional excise duty amounting to ₹ 7.09 crore as brought out below.

3.2.10.1 Audit scrutiny (between May 2014 and April 2016) of the records of 11 offices⁹ of DETCs (Excise) for the years 2013-14 and 2014-15 revealed that 227 retail outlet licensees were required to lift the combined quota of 47.41 lakh PLs of IMFL and CL. However, the licensees lifted 36.01 lakh PLs of IMFL and CL against the combined liquor quota. Thus, the licensees lifted short basic quota by 11.40 lakh PLs of IMFL and CL. However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in non-levy of penalty of ₹ 4.23 crore.

On this being pointed out, DETC (Excise) Fatehabad stated (May 2016) that penalty of ₹ 7.86 lakh had been recovered in five cases.

3.2.10.2 Audit scrutiny (between March and April 2016) of the records of five offices¹⁰ of DETC (Excise) for the year 2014-15 revealed that 239 retail outlet licensees during the currency of the year 2014-15 had lifted 47.65 lakh PLs of IMFL and CL against the combined liquor quota of 25.37 lakh PLs of IMFL and CL. Thus, the licensees lifted excess basic quota by 22.28 lakh PLs of IMFL and CL. However, the DETCs (Excise) had not initiated action to recover additional excise duty for excess lifting of quota resulting in non-levy of additional excise duty of ₹ 2.86 crore.

⁹ Bhiwani, Faridabad, Fatehabad, Gurgaon, Karnal, Kurukshetra, Panchkula, Rewari, Rohtak, Sonapat and Yamunanagar.

¹⁰ Bhiwani, Faridabad, Gurgaon, Rewari and Sonapat.

3.2.11 Non-recovery/levy of penalty for illegal possession and trade of liquor

Section 61 (1) (aaa) (c) (i) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, provides that penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milli-litres is leviable on an offender for possession of illicit liquor¹¹. Further, Haryana Imposition and Recovery of Penalty Rules, 2003, provide that in case penalty is not paid within stipulated period, the Collector or DETC (Excise) shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the order of confiscation. Again, non-adherence to these stipulations resulted in non-recovery of ₹ 1.83 crore as below.

3.2.11.1 Audit scrutiny (between August 2014 and March 2016) of the records of seven¹² offices of DETC (Excise) for the years 2010-11 to 2011-12 and 2013-14 to 2014-15 revealed that the Department had detained 85,191 bottles of illicit liquor between April 2010 and March 2015 in 139 cases and confiscated 12 vehicles in DETCs (Excise) Fatehabad, Hisar and Kurukshetra. The Department, after serving notice and examining the evidence produced by the offender concerned, imposed penalty of ₹ 1.48 crore but recovered only ₹ 4.19 lakh. The Department had not initiated action to recover the balance penalty either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after the lapse of one to six years. Non observance of rules resulted in non-recovery of penalty of ₹ 1.44 crore.

On this being pointed out, DETC (Excise) Jind stated (January 2016) that an amount of ₹ 90,000 had been recovered in one case.

3.2.11.2 Audit scrutiny (between July 2015 and April 2016) of the records of eight offices¹³ of DETC (Excise) for the years 2013-14 and 2014-15 revealed that the Department had detained 77,729 bottles of illicit liquor in 183 cases between July 2013 and March 2015 and confiscated 36 vehicles in six districts¹⁴. The Department had neither imposed even a minimum penalty nor did it initiate any action to recover the penalty by disposal of the confiscated vehicles. This resulted in non-levy of minimum penalty of ₹ 38.86 lakh.

3.2.12 Non-realisation of Establishment charges

Under Rules 13 and 16 of the Punjab Distillery Rules, 1932 (Haryana), a licensee shall agree to the deployment of Government excise establishment in

¹¹ Illicit liquor means liquor prepared unlawfully without any quality control checks, which is not suitable for human consumption due to higher alcoholic concentration than the permissible limit.

¹² Bhiwani, Faridabad, Fatehabad, Hisar, Jind, Kurukshetra and Sonapat.

¹³ Ambala, Faridabad, Gurgaon, Hisar, Jind, Karnal, Rohtak and Yamunanagar.

¹⁴ Faridabad, Gurgaon, Hisar, Jind, Karnal and Yamunanagar.

his distillery for the purpose of ensuring due observance of the rules and for watch and ward. The licensee shall, if required by the Excise Commissioner, make into the Government treasury such payment as may be demanded on account of the salaries of the Government excise establishment deployed in the distillery but he shall not make any direct payment to any member of such establishment. Further, under clauses 3.9 and 8.9 of State excise policies for the years 2010-12 and 2012-15 respectively, the salary cost of supervisory staff deployed in the premises/facility of any licensee shall be recovered on quarterly reimbursement basis.

Audit scrutiny (between October 2015 and March 2016) of the records of five offices¹⁵ of DETC (Excise) for the years 2010-11 to 2014-15 revealed that the Department had deployed 40 excise supervisory staff in five distilleries. The establishment charges aggregating to ` 1.65 crore payable for the years 2010-11 to 2014-15 towards the Government excise establishment deployed for ensuring due observance of the rules were, however, neither demanded by the Department nor paid by the management of these distilleries. Non-observance of the rules resulted in non-realisation of establishment charges of ` 1.65 crore.

On this being pointed out, officer-in-charge stated (October 2015) that an amount of ` 9.05 lakh had been recovered for the staff posted at one distillery.

3.2.13 Internal control mechanism

3.2.13.1 Inadequate internal control and monitoring

In order to have an effective internal control mechanism, the Department prescribes 14 statements/returns to be furnished every month by the DETCs (Excise) and the management of distilleries and breweries to ETC.

Scrutiny of the records in the office of the ETC, Haryana revealed that while the prescribed monthly statements/returns in respect of working of DETC (Excise) offices, distilleries and breweries in the State were received in time, the information with year-wise and district-wise quantum of monthly progress reports due and received had not been consolidated at ETC office which would facilitate monitoring. Further, the Department failed to provide details of arrears of revenue as on 1 April 2010 and 31 March 2015. However, the details of arrears of revenue collected from seven offices¹⁶ of DETCs (Excise) revealed that ` 108.16 crore was recoverable in 1,280 cases as on 31 March 2015. The Department failed to make concerted efforts to recover the arrears of revenue which were outstanding for years ranging between one to 46 years.

¹⁵ Faridabad, Gurgaon, Hisar, Karnal and Yamunanagar.

¹⁶ Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Rohtak and Yamunanagar.

The Department neither started proceedings to recover it as arrears of land revenue nor did it take any steps to write off such arrears which had no scope for recovery.

The Department informed (July 2016) audit that a module for Management Information System was under development and would be implemented shortly.

3.2.13.2 Inadequate coverage of internal audit

Internal audit is a tool in the hands of management to assure itself that the prescribed systems are functioning properly. The internal audit wing had planned audit of 105 field offices between April 2010 and March 2015 but audit of 61 field offices (58 *per cent*) was conducted during the same period. Thus, audit of remaining 44 field offices (42 *per cent*) was pending as on 31 March 2016 indicating poor planning. Further, audit notes were neither made available nor did the Chief Accounts Officer furnish the details of objections raised and settled. It was evident that internal audit mechanisms needed to be strengthened to ensure timely detection and correction of errors in levy and collection of excise duty, fee, penalty etc.

3.2.14 Conclusion

State excise duty is an important source of revenue constituting 14 *per cent* of total tax revenue of the State Government. Efficient collection therefore has significant implications from the point of view of availability of State resources. A more realistic preparation of budget projections would facilitate effective monitoring of collection efforts and better results while adherence and enforcement of the provisions of the Acts would augment revenues. The need for stricter enforcement of the provisions of the relevant Acts and rules and for more effective monitoring is evidenced by non/short recovery of ` 60.56 crore in the illustrative examples highlighted in the report. Loss or leakage of revenue could be minimised by strengthening internal control and internal audit mechanisms.

3.2.15 Recommendations

It is recommended that the Government:

- Ensure strict application of the provisions of the Acts and rules by all revenue authorities;
- Strengthen mechanisms to recover license fee, interest, penalty and additional excise duty from the allottees before the close of the financial year; and
- Strengthen internal control and internal audit mechanisms for greater coverage and effectiveness.

CHAPTER-IV
STAMP DUTY

CHAPTER IV: STAMP DUTY

4.1.1 Tax administration

Receipts from the Stamp Duty (SD) and Registration Fees (RF) are regulated under the Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908 (IR Act), Punjab Stamp Rules, 1934, as adopted by the Government of Haryana with suitable amendments and the Haryana Stamp (Prevention of undervaluation of Instruments) Rules, 1978. The Additional Chief Secretary, Revenue and Disaster Management Department, Haryana, is responsible for the administration of the registration of various documents. The overall control and superintendence over levy and collection of SD and RF vests with the Inspector General of Registration (IGR), Haryana. The IGR is assisted by Deputy Commissioners (DCs), Tehsildars and Naib Tehsildars acting as Registrars, Sub Registrars (SRs) and Joint Sub Registrars (JSRs) respectively.

4.1.2 Results of audit

In 2015-16, test check of the records of 90 units of the Revenue Department revealed non/short levy of stamp duty and registration fee and other irregularities involving ₹ 61.12 crore in 1,949 cases which fall under the following categories as depicted in **Table 4.1**.

Table 4.1: Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of stamp duty and registration fee due to		
	• undervaluation of immovable property	529	31.06
	• misclassification of sale deeds into collaboration agreement/instruments	246	17.93
	• non-charging of residential rates on purchase of land	413	7.77
2.	Short realisation of stamp duty due to sale of property at lower consideration than the amount mentioned in the agreement deeds	59	0.66
3.	Irregular exemption of stamp duty on mortgage deeds/compensation certificates to land acquired	86	0.72
4.	Miscellaneous irregularities ¹	616	2.98
	Total	1,949	61.12

¹ Cases relating to short recovery of SD and RF on dwelling units, "Preferential" category plots, Lease agreements, Mortgage documents etc.

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 58.98 crore involved in 244 cases which were pointed out during the year.

Some significant cases involving ₹ 42.33 crore are discussed in the following paragraphs.

4.2 Short levy of stamp duty due to under-valuation of immovable property

Ninety two deeds were registered for sale at normal Khasras rates for agricultural land instead of rates applicable on Khasras on which change of land use licenses issued to develop residential colonies resulting in short levy of stamp duty of ₹ 34.84 crore. Further, 57 deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty of ₹ 85.10 lakh.

Section 27 of the IS Act stipulates that 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 or truly set forth therein. Further, Section 64 of the IS Act provides that any person who, with intent to defraud the Government, executes an instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, is punishable with a fine which may extend to ₹ 5,000 per instrument. Audit of conveyance deeds registered by JSRs/SRs revealed under-valuation of immovable property resulting in short levy of stamp duty amounting to ₹ 35.69 crore, as detailed below.

4.2.1 Audit scrutiny of records (January to November 2015) of 12 offices² of SRs/JSRs for the years 2012-13 to 2014-15 revealed that 92 deeds were registered for sale at normal Khasras rates for agricultural land during the period between April 2012 and February 2015. The Khasras transacted in these deeds matched with Khasras on which change of land use (CLU) were issued from April 2006 to February 2014 to develop residential colonies, which were prior to the date of registration of the conveyance deeds in each of the 92 cases. As such, the value of land were liable to be assessed on the basis of residential rates for ₹ 748.78 crore, on which SD of ₹ 53.93 crore was leviable. But, these deeds were assessed at the rates fixed for agricultural land for ₹ 351.32 crore on which SD of ₹ 19.09 crore was levied. This resulted in short levy of SD of ₹ 34.84 crore (₹ 53.93 crore - ₹ 19.09 crore).

² Ballabgarh, Dharuhera, Faridabad, Ganaur, Gurgaon, Kalka, Manesar, Nillokheri, Rai, Rewari, Sohna and Sonapat.

On this being pointed out, 11 SRs/JSRs³ stated (between February 2015 and May 2016) that 90 cases had been sent to the Collector u/s 47-A of IS Act for decision. Further progress report on recovery and reply from SR Ganaur was awaited (October 2016).

4.2.2 Audit scrutiny of records (November 2014 and September 2015) of deed writers/agreements executed in SRs/JSRs office of 14 registering offices⁴ revealed that SD of ₹ 1.78 crore was levied on 57 conveyance deeds that were registered (between April 2013 and August 2015) for sale of immovable properties worth ₹ 41.30 crore. Cross verification of these deeds with the agreements executed between the concerned parties between January 2012 and February 2015 showed that the total sale value as shown in the agreements was ₹ 60.09 crore on which SD of ₹ 2.63 crore was leviable. Thus, the conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties. Under-valuation of immovable properties in conveyance deeds resulted in short levy of SD of ₹ 85.10 lakh.

On this being pointed out, 10 SRs/JSRs⁵ stated between November 2015 and April 2016 that 48 cases had been sent to the Collector under Section 47-A of the IS Act for decision. Reply from the remaining four SRs/JSRs⁶ had not been received (October 2016).

The matter was reported to the Government in May/June 2016; its reply was awaited (October 2016).

4.3 Short levy of stamp duty due to misclassification of collaboration agreement

Misclassification of collaboration agreements in 14 cases resulted in short levy of stamp duty of ₹ 2.46 crore.

As per Haryana Government notification issued in October 2013 any agreement that relates to giving authority or power to a promoter or a developer, by whatever name called, for construction on, development of or, sale or transfer (in any manner whatsoever) of, any immovable property shall be liable to SD as is leviable on a conveyance for sale of immovable property.

³ Ballabgarh, Dharuhera, Faridabad, Gurgaon, Kalka, Manesar, Nillokheri, Rai, Rewari, Sohna and Sonapat.

⁴ Ballabgarh, Bawal, Faridabad, Farukhnagar, Ganaur, Gurgaon, Hathin, Kaithal, Khanpurkalan, Mohana, Palwal, Pundri, Sohna and Tohana.

⁵ Ballabgarh, Bawal, Faridabad, Ganaur, Gurgaon, Hathin, Khanpurkalan, Palwal, Pundri and Tohana.

⁶ Farukhnagar, Sohna, Kaithal and Mohana.

Audit scrutiny of records (between January 2014 and October 2015) of six SRs⁷ revealed that 14 collaboration agreements were registered between October 2013 and November 2014 in respect of land on which total SD was levied as applicable in the case of agreement not involving sale of land. Scrutiny of these agreements revealed that the owners of land had authorised the developers to take possession of the land with the right to construct, built-up shop-cum-flats and residential houses and these fell within the ambit of the notification of October 2013. As per rates fixed by the Collector, value of agricultural land transferred to the developers worked out to ₹ 47.45 crore on which SD of ₹ 2.46 crore was leviable. Thus, misclassification of these documents as agreements to develop resulted in short levy of SD of ₹ 2.46 crore.

On this being pointed out, four SRs⁸ stated (between October 2015 and May 2016) that eight cases had been sent to the Collector under Section 47-A of the IS Act. Further reports on recovery and replies from the SRs Bass and Nissing have not been received (October 2016).

The matter was reported to the Government in May 2016; its reply was awaited (October 2016).

4.4 Short levy of stamp duty due to application of non prime rates on land containing prime khasra

Registering authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 1.55 crore.

As per Haryana Government instruction issued in November 2000, the Evaluation Committee has to fix separate rates for prime land i.e. land situated on National Highways, State Highways, link roads up to 2-3 acres of depth and developed Colonies/Wards/Sectors and record the khasras numbers in the Collector's rate list to avoid evasion of stamp duty. Thereafter, these rates are sent to the registering authority for proper evaluation of the immovable properties situated in these prime Khasras. Further, Section 27 of the IS Act as applicable to the state of Haryana, provides that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of duty chargeable, should be fully or truly set forth therein.

⁷ Ballabgarh, Bass, Faridabad, Manesar, Nissing and Tigaon.

⁸ Ballabgarh, Faridabad, Manesar and Tigaon.

Audit scrutiny of records (May 2014 to August 2015) of 20 offices⁹ of the SRs/JSRs revealed that 110 conveyance deeds were registered for sale at normal khasra rates fixed for agricultural land during the period between April 2011 and May 2014. However, the khasras transacted in these deeds matched with the prime khasras having higher land rates. As such, the value of land was liable to be assessed on the rates fixed by the Collector for prime land for ₹ 75.81 crore on which SD of ₹ 3.30 crore was leviable instead of at the assessed rates fixed for agricultural land for ₹ 43.90 crore on which SD of ₹ 1.75 crore was levied. This resulted in short levy of SD of ₹ 1.55 crore (₹ 3.30 crore - ₹ 1.75 crore).

On this being pointed out, all the SRs/JSRs stated (between September 2014 and July 2016) that the cases had been send to the Collector under Section 47-A of the IS Act for decision and efforts would be made to recover the outstanding amount.

The matter was reported to the Government in June 2016; its reply was awaited (October 2016).

4.5 Misclassification of 'conveyance on sale' as release deeds

The registering authorities misclassified conveyance on sale as release deeds and levied stamp duty of ₹ 1,850 instead of ₹ 87.16 lakh as per Collector rate resulting in short levy of stamp duty of ₹ 87.14 lakh.

As per Haryana Government clarification in December 2005 and article 55 in schedule 1-A of the Indian Stamp Act, 1899 (IS Act), if an instrument of ancestral property is executed in favour of brother or sister (children of renouncer's parents) or son or daughter or father or mother or spouse or grand children or nephew or niece or co-parcener¹⁰ of the renouncer, stamp duty will be levied at the rate of ₹ 15 and in any other case, the same duty will be levied as a conveyance relating to sale of immovable property for the amount equal to the market value of the share, interest, part of claim renounced.

Audit scrutiny of records (between August and December 2015) of 26 SRs/JSRs¹¹ revealed that 83 release deeds were executed between

⁹ Assandh, Ballabgarh, Ballah, Bilaspur, Chhachharauli, Dharuhera, Fatehabad, Gharaunda, Hisar, Israna, Jagadhri, Karnal, Kharkhauda, Matlauda, Mulana, Mustfabad, Nilokheri, Radaur, Rewari and Shahzadpur.

¹⁰ A person who inherited the property from the Hindu Undivided Family.

¹¹ Adampur, Barwala, Ballabgarh, Balsamand, Bass, Behal, Boondkalan, Badhra, Bawani khera, Bhiwani, Farukhnagar, Faridabad, Gurgaon, Hansi, Hisar, Jagadhri, Loharu, Manesar, Mohana, Narnaund, Pataudi, Raipur Rani, Sohna, Siwani, Tigaon and Tosham.

November 2012 and March 2015 in favour of persons other than those allowed in the above clarification of the Government. The registering authorities levied SD of ₹ 1,850 only as release deeds whereas these deeds were liable to SD of ₹ 87.16 lakh at the rate of five to seven *per cent* as conveyance on sale amounting to ₹ 17.40 crore as per Collector rate. Misclassification of 'conveyance on sale' as 'release deeds' resulted in short levy of SD of ₹ 87.14 lakh.

On this being pointed out, 14 SRs/JSRs¹² stated (between January and May 2016) that 42 cases had been sent to the Collector under Section 47-A of the IS Act for decision.

The matter was reported to the Government in June 2016; its reply was awaited (October 2016).

4.6 Irregular remission of stamp duty

Irregular remission of stamp duty in contravention of provision for execution of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 48.02 lakh to the State exchequer.

As per Government order of 16 June 2014, the Government may remit the SD chargeable on the instrument if it pertains to transfer of immovable property within the family by an owner during his lifetime to any of the blood relations namely parents, children, grand children, brother (s), sister (s) and between spouse.

Audit scrutiny of records (March to December 2015) of the registered documents of transfer deeds in nine offices¹³ of SRs/ JSRs for the year 2014-15 revealed that 33 instruments of transfer deeds were executed in favour of persons other than those allowed in the above orders of Government. The registering authorities exempted the transferees from SD which was in contravention of the above orders of the Government. Thus, irregular remission of SD resulted in loss of revenue to the State exchequer to the extent of ₹ 48.02 lakh.

On this being pointed out, all the SRs/JSRs stated (August to December 2015) that cases would be sent to Collector under Section 47-A of the IS Act.

The matter was reported to the Government in April 2016; its reply was awaited (October 2016).

¹² Barwala, Ballabgarh, Bass, Farukhnagar, Faridabad, Gurgaon, Hansi, Jagadhri, Loharu, Mohana, Sohna, Siwani, Tigaon and Tosham.

¹³ Badhra, Bawani Khera, Boondkalan, Charkhidadri, Faridabad, Farukhnagar, Loharu, Siwani and Sohna.

4.7 *Incorrect grant of exemption*

Registering Authorities incorrectly allowed exemption of stamp duty of ₹ 46.54 lakh to non-agriculturists for loans for the purpose of poultry feed manufacturing units and education society which was not admissible as per the extant orders of the Government.

Government of Haryana vide order of 07 June 2012 exempts 1.5 *per cent* SD chargeable under the IS Act in respect of instruments executed by agriculturists in favour of any commercial bank for securing loan for purchase of tractor with its accessories, tractor trolley and thresher, installation of tubewell based on diesel engine, boring and electrification of tubewell, laying of underground pipes, lining of water course, leveling and reclamation of land and development of horticulture and purchase of pumping sets, cane crushers bullocks or plough and spray equipments, sprinkler irrigation for agriculture purposes, piggery, dairy, poultry, fishery and crop loans, agricultural loans, term loans, kisan credit cards or any other allied purpose.

Audit scrutiny of records (April 2014 and October 2015) of SRs Adampur, Nilokheri and Narnaund revealed that four instruments were executed between December 2013 and November 2014 for securing loan of ₹ 31.03 crore from commercial banks against security of immovable property for the purpose of poultry feed manufacturing units in three cases and in one case, loan was secured to the Education Society. As per the above cited orders of Government, SD could be exempted only in respect of instruments executed by the agriculturists for securing loan for the purchase of agriculture items as specified. The incorrect exemption of SD to these persons/society resulted in non-levy of SD of ₹ 46.54 lakh.

On this being pointed out, all the SRs stated in March and April 2016 that the cases had been sent to the Collector under Section 47-A of the IS Act.

The matter was reported to the Government in April 2016; its reply was awaited (October 2016).

4.8 *Short realisation of stamp duty due to application of incorrect rates*

Registering Authorities assessed the value of land of ₹ 4.53 crore on the basis of agreed rates instead of at the Collector's rate applicable at the time of registration of documents resulting in short levy of stamp duty of ₹ 42.44 lakh.

As per Government order issued in May 2010, SD shall be levied on the Collector's rate of land to be sold and not on the basis of value agreed between

the buyer and the seller. If the Registering Authority 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 or consideration, as the case may be, and the proper duty payable thereon.

Audit scrutiny of records (May 2014 to August 2015) of 16 offices¹⁴ of SRs/JSRs for the years 2013-14 and 2014-15 revealed that the registering authorities assessed the value of land in 27 cases at ₹ 4.53 crore on the basis of rates agreed to between the parties earlier and levied SD of ₹ 23.69 lakh whereas the actual value of the immovable property was ₹ 13.46 crore as per the Collector's rate applicable at the time of registration of documents and SD leviable was ₹ 66.13 lakh. This resulted in short levy of SD of ₹ 42.44 lakh (₹66.13 lakh- ₹ 23.69 lakh).

On this being pointed out, all the SRs/JSRs stated between November 2015 and April 2016 that all the cases had been sent to the Collector under Section 47-A of the IS Act.

The matter was reported to the Government in May 2016; its reply was awaited (October 2016).

4.9 Irregular exemption of stamp duty

Irregular exemption of stamp duty to farmers who had purchased residential/commercial or agriculture land after two years of receipt of compensation for acquired land in 19 cases resulted in non/short levy of stamp duty to the extent of ₹ 27.20 lakh.

As per Government order issued on January 2011 under the IS Act, the Government exempts SD in respect of sale deeds executed by farmers whose land is acquired by Haryana Government for public purposes and who purchase agricultural land in the State within two years of the amount of compensation received by them. The exemption will be limited to the compensation amount and the additional amount involved in the purchase of agricultural land will be liable to SD as per rules.

Audit scrutiny of records (June 2014 and October 2015) of 12 of SRs¹⁵ revealed that in 17 cases, farmers whose land had been acquired by the Government for public purposes purchased residential/commercial land valued at ₹ 4.10 crore. In another two cases, the farmers purchased agricultural land

¹⁴ Assandh, Babain, Fatehabad, Jagadhri, Jind, Kaithal, Ladwa, Mohana, Panchkula, Pehowa, Pillukhera, Pundri, Rajaund, Shahbad, Safidon and Thanesar.

¹⁵ Bilaspur, Farukhnagar, Faridabad, Gurgaon, Hansi, Ismailiabad, Jagadhri, Karnal, Manesar, Pehowa, Rewari and Thanesar.

valued at ₹ 1.41 crore after two years of the receipt of compensation amount. SD was to be levied in these cases at the rate of five to seven *per cent* amounting to ₹ 29.50 lakh as the farmers had purchased residential/commercial land or agricultural land after two years of receipt of compensation and hence they were not eligible for exemption of SD. The Department had, however, levied SD amounting to ₹ 2.30 lakh against the leviable SD amounting to ₹ 10.52 lakh in seven cases out of 19, resulting in short levy of SD amounting to ₹ 8.22 lakh while no SD had been levied in the remaining 12 cases. The SD due from those 12 cases was ₹ 18.98 lakh. This irregular exemption of SD resulted in non/short levy of SD of ₹ 27.20 lakh (₹ 8.22 lakh + ₹ 18.98 lakh).

On this being pointed out, four SRs¹⁶ stated (June 2014 to January 2016) that eight cases had been sent to Collector, while seven SRs¹⁷ stated that nine cases would be sent to collector for decision under Section 47-A of the IS Act. Reply from SR Karnal was awaited (October 2016).

The matter was reported to the Government in April 2016; its reply was awaited (October 2016).

4.10 Short levy of stamp duty on lease deeds

The registering authorities levied stamp duty of ₹ 4.28 lakh instead of ₹ 15.81 lakh, due to computation mistake and did not levy stamp duty on advance rent resulting in short levy of stamp duty of ₹ 11.53 lakh.

Article 35 of Schedule 1-A of the IS Act provides for levy of SD on lease deeds at prescribed rates for consideration equal to the amount or value of the fine or premium or advance in addition to the amount of the average annual rent reserved and on the basis of period of lease.

Audit scrutiny of records (December 2014 to December 2015) of the offices of SRs/JSRs of Dhand, Karnal and Panchkula revealed that eight instruments of lease for periods ranging from nine to 99 years were registered between October 2013 and October 2014. The lessees received advance rent amounting to ₹ 19.85 lakh and annual average rent amounting to ₹ 5.07 crore payable during the term of contract. The registering authorities levied SD of ₹ 4.28 lakh instead of ₹ 15.81 lakh due to computation mistake and did not levy SD on advance rent. This resulted in short levy of SD of ₹ 11.53 lakh.

¹⁶ Bilaspur, Faridabad, Manesar and Thanesar.

¹⁷ Farukhnagar, Gurgaon, Hansi, Ismaliabad, Jagadhri, Pehowa and Rewari.

On this being pointed out, all the SRs/JSRs stated in April 2016 that all the cases had been sent to the Collector for decision u/s 47-A of the IS Act.

The matter was reported to the Government in May 2016; its reply was awaited (October 2016).

CHAPTER-V
TAXES ON VEHICLES, GOODS AND
PASSENGERS

CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1.1 Tax administration

5.1.1.1 Taxes on vehicles

Registration of motor vehicles, issue of permits, issue of driving/conductor licenses, levy and collection of token tax, permit fee and license fee are governed by the Motor Vehicles Act, 1988, (MV Act), the Central Motor Vehicles Rules, 1989 (CMVR), the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana is the administrative head of the Transport Department and is assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licensing Authority (RLA) are being exercised by Sub-Divisional Officers (Civil) in respect of non-transport vehicles, while Secretaries, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport vehicles including goods vehicles.

5.1.1.2 Passengers and goods tax

Levy and collection of passengers and goods tax (PGT) are governed by the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder as applicable to the State of Haryana. The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head at the Government level. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field.

5.1.2 Results of Audit

During 2015-16, test check of the records of 98 units revealed irregularities relating to token tax, fitness/renewal fee, taxes on goods and passengers and penalty involving ` 17.26 crore in 44,660 cases which fall under the following categories as detailed in the **Table 5.1**.

Table 5.1: Results of audit

Sr. No.	Categories	Number of cases	Amount (in crore)
1.	Loss of revenue on account of non-renewal of vehicle fitness certificate and registration certificate	1	12.78
2.	Non recovery of fine from overloaded vehicles	119	0.16
3.	Non recovery of fitness/renewal fee on account of renewal of registration certificates	38,391	1.29
4.	Non/short recovery of token/road tax in respect of Stage carriage buses/city buses	16	0.05
5.	Non/short recovery of <ul style="list-style-type: none"> • passengers tax • goods tax • token tax from private vehicles 	525 1,223 3,991	1.22 0.67 0.89
6.	Miscellaneous irregularities	393	0.20
Total		44,660	17.26

During the year, the Department accepted under-assessment and other deficiencies of ` 14.13 crore in 1,534 cases out of which 1,506 cases involving ` 9.04 crore were pointed out during the year and rest in earlier years. The Department recovered ` 0.46 crore in 660 cases out of which ` 0.31 crore in 204 cases relates to the year 2015-16 and rest to earlier years.

Significant cases involving ` 14.13 crore and a Follow up audit on "Computerisation in Motor Vehicles Department" are discussed in the following paragraphs.

TRANSPORT DEPARTMENT

5.2 Loss of revenue on account of non-renewal of vehicle fitness certificate and registration certificate

Non renewal of fitness/registration certificates of 2,46,948 transport vehicles and 1,63,456 non transport vehicles by the owners even after expiry of validity resulted in loss of revenue of ` 12.78 crore.

Under Sections 41 and the 56 of Motor Vehicles Act, 1988 (MV Act), every transport/non-transport vehicle will obtain fitness certificate as per Rule 62 of the Central Motor Vehicle Rules, 1989 (CMVR).

The records of the offices of the Regional Transport Authorities (RTAs) and Registering Authorities (Motor Vehicles) {RA (MVs)} in seven districts¹ out of 21 districts of the State for the years 2012-13 to 2014-15 were test-checked between January to May 2016 to assess whether the system of issue of fitness certificate and registration of vehicles and collection of revenue thereof was effective in the department.

5.2.1 Non-renewal of fitness certificates of Transport Vehicles

Under Section 56 of the MV Act, a transport vehicle shall not be deemed to be validly registered for purpose of registration unless it carries a certificate of fitness in such a form containing such particulars and information as may be prescribed by the Central Government. The certificate of fitness issued at the time of registration of new transport vehicle is valid for two years and it has thereafter to be renewed every year on payment of prescribed fee under Rule 81 of CMVR. Fee for conducting test of fitness is to be charged ` 100, ` 200, ` 300 and ` 400 for three Wheeled Vehicles, Light Motor Vehicles (LMVs), Medium Motor Vehicles (MMVs) and Heavy Motor Vehicles (HMs) respectively. In addition ` 100 are to be charged for all categories of Motor Vehicles for issue of renewal of certificate of fitness.

Audit scrutiny of records (between January and May 2016) of seven RTAs² revealed that 6,29,316 transport vehicles³ were due for renewal of fitness certificate during the years 2012-13 to 2014-15. Out of these, the owners of 2,46,948 vehicles (39.24 per cent) did not renew their fitness certificate even after expiry of its validity. The RTAs had neither issued reminders to the vehicle owners for renewal of fitness certificate nor had they initiated any action to cancel the registration certificate. Non-renewal of fitness certificates resulted in non realisation of revenue of ` 8.13 crore.

On this being pointed out, all the RTAs stated (between January and May 2016) that if any vehicle is found without fitness certificate at road side checking, these vehicles would be challaned and fitness fee would be recovered along with penalty.

The reply was not tenable as 2,46,948 transport vehicles were plying without fitness certificate and only eight vehicles had been challaned (Ambala: 5 and Panipat: 3) by the RTAs on account of plying without fitness certificate. It was evident that mere road side checking was neither effective nor adequate to

¹ Ambala, Faridabad, Gurgaon, Hisar, Jhajjar, Panipat and Sonapat.

² Ambala, Faridabad, Gurgaon, Hisar, Jhajjar, Panipat and Sonapat.

³ Transport vehicles (2012-13: 1,71,652; 2013-14: 2,12,922 and 2014-15: 2,44,742). Vehicles transferred to the other authorities are excluded and vehicles transferred to this authority are included.

ensure that all vehicles carried valid fitness certificates in accordance with the MV Act. Further, failure to ensure fitness certificate of vehicles plying in a public place constitutes a risk to the public from point of view of road safety and also compromises the standards of air pollution.

5.2.2 Non renewal of registration of non transport vehicles

Under Section 41 of the MV Act read with CMV Rules, a certificate of registration issued for vehicles other than transport vehicles shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable on payment of prescribed fee⁴ for a further period of five years. Under Section 56, the registering authority on receipt of an application after obtaining a certificate of fitness from the authority, renew the certificate of registration.

Further, as per section 55 of the Act, the vehicle owner has to surrender registration certificate of his vehicle to the Registering Authority of his jurisdiction by intimating within fourteen days or as soon as possible that his vehicle has been destroyed or has been rendered permanently incapable of use. The registering authority shall cancel the certificate of registration of his vehicle, if it is satisfied that the vehicle is in such a condition that it is incapable of being used or its use in a public place would constitute a danger to the public and that it is beyond reasonable repair.

Audit scrutiny of records of the offices of 13 RAs (MV)⁵ of seven districts revealed that 1,89,786 non transport vehicles were registered during the year 1997-98 to 1999-2000 of which 26,330 vehicles were transferred to other authorities and balance 1,63,456 vehicles were due for renewal during the years 2012-13 to 2014-15 after expiry of validity of registration i.e. after 15 years of registration. Out of these, registration/fitness certificates of only 6,293 vehicles (3.84 per cent) were renewed. Thus, owners of 1,57,163 vehicles did not get their fitness/registration certificates renewed even after expiry of validity. Further, Registering Authorities were not issuing any reminder for renewal of registration/fitness certificates. Any effort by Inspectors to check plying of vehicles without renewal registration was also not found on record. Non-renewal of fitness/registration certificates of non transport vehicles resulted in non realisation of revenue amounting to ` 4.65 crore.

⁴ Fee for renewal of fitness/registration certificate is ` 100/60 for two wheelers and ` 100/200 for LMVs. In addition ` 100 are also chargeable for issue of certificate of fitness of each vehicle.

⁵ Ambala, Bahadurgarh, Ballabgarh, Faridabad, Gohana, Gurgaon, Gaur, Hisar, Hansi, Jhajjar, Naraingarh, Panipat and Sonapat.

The above points were reported to the Government in June 2016; its reply was awaited (October 2016).

5.3 Follow up audit on “Performance Audit of Computerisation in Motor Vehicle Department”

5.3.1 Introduction

A Performance Audit on “Computerisation in Motor Vehicle Department” covering 13 Registration Authorities (RAs) and six Regional Transport Authorities (RTAs) was incorporated in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended March 2011. The audit observations and recommendations were discussed by the Public Accounts Committee (PAC) in its seventy second Report in January 2016 which was laid in the State Assembly in March 2016. In the Report, issues relating to deficiencies noticed in planning and implementation of the system, deficiencies in operation of VAHAN Software, mapping of business rules and lack of input validation regarding data accuracy of VAHAN and SARATHI Software were highlighted.

A Follow-up audit on this performance audit report was conducted (between January and May 2016) to examine the corrective actions taken by the Department towards implementation of the recommendations and observations made thereon. The performance audit contained 26 observations and six recommendations. The status of action taken by the Department on these observations and recommendations as discussed in PAC (January 2016) are brought out in the succeeding paragraphs.

5.3.2 Implementation of audit recommendations

The status of implementation of six audit recommendations accepted by the Government has been arranged in three categories viz. (a) insignificant/no progress, (b) partial implementation, and (c) full implementation as tabulated below:

(A) Insignificant/no progress

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
<p>5.2.10.3 Lack of change control mechanism:</p> <p>Audit observed that no procedure was framed for authorisation and documentation of changes at an appropriate level in 13 RAs and six RTAs. Before issuing notification, making any change in business rules, necessary changes in the Software should have been incorporated. Any revision was to be</p>	<p>5.2.17 (iv): Maintaining a well documented change management procedure for ensuring transparency and effective internal controls.</p>	<p>The PAC had directed the department to take sincere steps for effective monitoring of the timely implementation of the Government instructions concerning enhanced rates of various taxes/</p>	<p>Analysis of data revealed that delay still persisted. Notifications issued by the Government on 9 April 2013 and 5 June 2015 for enhancement of tax rates for registration of personal vehicles registered in RAs were incorporated in the application on 10 April 2013 and 8 June 2015 respectively. Delayed incorporation of</p>

Report for the year 2015-16 (Revenue Sector)

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
<p>carried out uniformly throughout the State from the date of notification to avoid any loss to the State exchequer. No monitoring cell had been established in the Department with the result that there was delayed implementation of instructions concerning enhanced rate of various taxes/penalties resulting short realisation of revenue.</p>		<p>penalties so as to protect the State revenue.</p>	<p>revised tax rates resulted into short levy of tax amounting to ` 1.82 crore in addition to penalty of ` 0.07 crore in 13 RAs.</p>
<p>5.2.10.4 Lack of proper documentation and system development controls:</p> <p>It was pointed out in the report that documentation i.e. data flow diagram, data dictionary, relationship amongst multiple tables, etc. was not available at test checked locations.</p>	<p>5.2.17 (ii): Preparation and maintenance of system documentation and manuals including training manuals.</p>	<p>The PAC had recommended that these documents be made available in the offices of all Registering and Licensing Authorities in the State so as to have proper documentation.</p>	<p>Documents were not available in the test checked units.</p>
<p>5.2.10.6 Non-development of technical expertise within the department:</p> <p>It was pointed out in the report that no training was provided to the staff of RAs/RTAs in operation of these systems, with the result, the department was dependent on the third party outsourcing agencies.</p>	<p>5.2.17 (ii): Preparation and maintenance of system documentation and manuals including training manuals.</p>	<p>The PAC had recommended that the department would take immediate steps to provide training to the staff of RAs/RTAs so that VAHAN and SARATHI software could be operated efficiently and the department may not be depended on the third party outsourcing agencies.</p>	<p>Training was not imparted for use of VAHAN and SARATHI applications to the staff of RAs/RTAs to minimise the dependency on the outsourcing staff. Action plan for imparting training to RAs/RTAs staff was sought from State Transport Controller, Haryana (STC); reply is still awaited (October 2016).</p>
<p>5.2.10.5 Inordinate delay in finalisation of tenders for smartcards:</p> <p>One of the objectives of VAHAN and SARATHI was to issue driving licences and registration certificates by using Smart Card technology.</p>	<p>5.2.17 (iii): Ensure issue of RCs and driving licences on smart cards.</p>	<p>The committee recommended the department to take sincere and effective steps for the implementation/ adoption of web based SARATHI and VAHAN Version 4.0 and issuance of smart card based DLs/RCs in the said version in a time bound manner.</p>	<p>Smart Card based licences were not being issued at any of these locations. VAHAN Version 4.0 has not been implemented in any authorities.</p>
<p>5.2.12.3 Non availability of MIS report to identify the vehicle required to be re-registered:</p> <p>An observation was made in the report that MIS report to identify the vehicles requiring renewal of</p>	<p>5.2.17 (vi): Making generation of exception reports at regular intervals mandatory to</p>	<p>The PAC had desired that the department take vigorous steps to achieve the objectives of</p>	<p>No report to identify the vehicles requiring renewal of registration was available in the VAHAN application.</p>

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
registration was not available in the application.	identify vehicles violating the MV Act and Rules.	VAHAN and SARATHI project.	
5.2.13.2 Tampering of chassis number: It had been observed in the PA that data entry operators were altering the chassis numbers by adding additional character(s), reducing/increasing the number of characters of chassis code to circumvent the validation check enforced in the application to block duplicate chassis number.	5.2.17 (v): Strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.	The PAC had directed the department to take vigorous steps to achieve the objectives of the VAHAN and SARATHI software project in its true spirit.	The said version has not been implemented (October 2016).
5.2.13.3 Incomplete capture of chassis code It was pointed out in the Report that due to inadequate validation checks in the application incomplete chassis codes were captured by the data entry operators.	5.2.17 (v): Strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.	The PAC had directed the department to take vigorous steps to achieve the objectives of the VAHAN and SARATHI software project in its true spirit.	Appropriate validation check(s) to ensure the capturing of complete chassis code of 17 characters were not available in the application.
5.2.15.1 Insufficient logical controls and non-segregation of duties:	5.2.17 (ii): drawing up an IT security policy with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system.	The PAC had directed the department to take vigorous steps to achieve the objectives of the VAHAN and SARATHI software project in its true spirit.	Test-checked units in replies to the questionnaire, replied that due to shortage of staff, user_ids and passwords are shared by the users amongst themselves.

(B) Partial implementation

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
5.2.10.1 Lack of IT strategy and planning resulting in implementation of unauthorised software: It was pointed out in the report that unauthorised software was	5.2.17 (i): setting a time frame for different stages of the computerisation and ensuring implementation of the project in a	The PAC had desired to know when the project of updation of legacy data in all districts of the State would be completed.	Legacy data was digitised at RAs Ambala and Karnal and scanning stage of documents to be digitised was completed at 12 authorities. However, at four authorities ⁶ , work for digitisation of legacy data was not taken up.

⁶

RAs: Faridabad, Panipat, Rohtak and RTA Faridabad

Report for the year 2015-16 (Revenue Sector)

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
implemented instead of VAHAN. The data captured through these unauthorised softwares could not be migrated to VAHAN and SARATHI software.	complete manner.		
<p>5.2.10.2 Partial utilisation of the system:</p> <p>It was pointed out in PA that manual receipts and cashbook was in existence and enforcement module was not put to use.</p>	<p>5.2.17 (i): setting a time frame for different stages of the computerisation and ensuring implementation of the project in a complete manner.</p>	<p>The PAC had recommended that the implementation of complete workflow of the VAHAN software be so as to fully utilise the processing capability available in the system be completed at the earliest possible.</p>	<p>Manual system of cash book had been dispensed with in all the RTAs and RAs. However, functions related to basic permit, challaning of vehicles, pollution check centers and driving training schools had not been digitised in the RTAs.</p>
<p>5.2.10.7 Non-provision of citizen centric service:</p> <p>One of the objectives of the project was to provide hassle-free services in an efficient and prompt manner by providing on line services like downloading of application forms, seeking appointment, submission of applications, making on-line payment through payment gateway, etc. to reduce dependency upon commission agents.</p>	<p>5.2.17 (i): setting a time frame for different stages of the computerisation and ensuring implementation of the project in a complete manner.</p>	<p>The committee had desired the department to take vigorous steps to achieve the objective of the project in a time bound manner.</p>	<p>Citizen services like e-payment (road tax) for RTAs, National Permit Schemes, Vehicle Search, downloading of forms, etc. have been made available to general public. However, e-payment of taxes/fees for vehicles registered with Registering Authorities (MV), seeking on-line appointment, on-line submission of applications have not been introduced. SARATHI was also implemented at five locations which provides for on-line payment of fees for licence.</p>
<p>5.2.13.1 Assigning of same engine number and chassis number to more than one vehicle:</p> <p>Analysis of data maintained by test checked units revealed that same engine number and/ or same chassis number for vehicles having different registration numbers was captured.</p>	<p>5.2.17 (v): strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.</p>	<p>Committee desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project.</p>	<p>Application does not allow entry of same chassis number for another vehicle. However, there was no validation check present in the application to restrict entry of same engine number for vehicles having different registration numbers.</p>
<p>5.2.14.1 Issue of double licences:</p> <p>Due to inadequate validation checks, application could not detect cases of double issue of driving licences to the same person.</p>	<p>5.2.17 (v): Strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into</p>	<p>Committee desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project in its true spirit in a time bound manner.</p>	<p>Analysis of the data provided by the test-checked units revealed cases of issue of double licences to the same applicant.</p>

Audit findings made in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
	the system.		
<p>5.2.15.2 Absence of business continuity and disaster recovery plan:</p> <p>It was pointed out that department did not have a formal business continuity and disaster recovery plan for continuation of the departmental activities in the event of system failure.</p>	<p>5.2.17 (ii): drawing up an IT security policy with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system.</p>	<p>The committee had desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project in its true spirit and time bound manner.</p>	<p>Of the 19 test-checked locations, back-up server was not installed at 17 locations and off-site storage was not being maintained at five locations.</p>

(C) Full implementation

Audit Findings in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
<p>5.2.11.1 Generation of Daily Collection Registers (DCRs)/ cashbook by designing unauthorised print reports facilitating short deposit of revenue in the Government account:</p> <p>In RA Rohtak, in house report was designed for generation of receipts and cash book by using the data captured through VAHAN application instead of in-built report available in the application. While designing the cash book report mapping of few field(s) was missed. Improper mapping of fields, total money collected through general public did not reflect in this report causing short deposit of revenue in the Government account.</p>	<p>5.2.17(iv): maintaining a well-documented change management procedure for ensuring transparency and effective internal controls.</p>	<p>The committee has recommended to take necessary action against the defaulting official in accordance with the laws/rules.</p>	<p>Un-authorized print report was withdrawn by the NIC and in-built report of VAHAN application was implemented. Department in its reply further stated that after being pointed out by audit, a detailed enquiry was conducted by the Accounts Officer, District Town Planner, Rohtak and short deposit of fee/tax amounting to ` 8.08 lakh was recovered from the concerned official and deposited in the treasury.</p>
<p>5.2.11.2 Usage of local software having no linkage with VAHAN:</p> <p>In RA Faridabad, work relating to preparation of DLs/RCs was outsourced to an external agency. The agency was using its own application developed in Foxpro for capturing the financial data. As such, receipts and cash book generated through this application had not linkage with data stored in VAHAN and SARATHI applications.</p>	<p>5.2.17 (i): setting a time frame for different stages of the computerisation and ensuring implementation of the project in a complete manner.</p>	<p>The committee had recommended to take immediate effective steps for monitoring and evaluation of VAHAN & SARATHI projects.</p>	<p>RA Faridabad in its reply stated that work relating to issue of DLs and RCs was withdrawn from the external agency and complete workflow of the VAHAN and SARATHI applications was implemented from the year 2012. Analysis of the data provided by the unit also revealed that in addition to other information, financial data was also being captured through VAHAN and SARATHI applications.</p>
<p>5.2.11.3 Dual Database:</p>	<p>5.2.17 (i): setting a time frame for different stages of</p>	<p>The committee had recommended to take immediate</p>	<p>RA Gurgaon stated that the whole workflow of VAHAN has now been hosted at single</p>

Report for the year 2015-16 (Revenue Sector)

Audit Findings in Report	Recommendation Made	PAC Recommendations	Audit findings/Comment
<p>At RA Gurgaon, two separate databases of VAHAN were in use. In one database, data relating to collection of fee and taxes was being stored and in the other database, details of vehicles and owner were being stored. The information stored in both databases was not linkable with each other.</p>	<p>the computerisation and ensuring implementation of the project in a complete manner.</p>	<p>effective steps for monitoring and evaluation of the project so that the objective of single database is maintained in all the Registering Authorities in the State.</p>	<p>server. Audit analysis of VAHAN data provided by RA Gurgaon also revealed that complete information being captured in the single database.</p>
<p>5.2.13.4 Unreliable data:</p> <p>It was pointed out that in many cases there was a mis-match between amount due and amount calculated by the software. Analysis also revealed that details of owners were interchanged in favour of certain applicants for allotment of registration numbers of their choice.</p>	<p>5.2.17 (v): strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.</p>	<p>Committee desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project in its true spirit.</p>	<p>Study of application revealed that editing of vehicle class and chassis number has been withdrawn whereas rights to edit other information has also been restricted upto administrator only. Further, a mandatory field has also been added to store the reasons for editing the approved data to restrict the swapping of registration numbers as pointed out in the report.</p>
<p>5.2.13.5 Registration of two or more vehicles with same insurance cover note:</p> <p>It was pointed out in the report that there was no validation check in the application to block the same insurance cover-note issued by the same insurance company.</p>	<p>5.2.17 (v): strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.</p>	<p>Committee desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project in its true spirit in a time bound manner.</p>	<p>Study of VAHAN application revealed that application does not allow the entry of same insurance cover-note number of the same insurance company against more than one vehicle.</p>
<p>5.2.14.2: Issue of licence to under-age persons</p> <p>5.2.14.3: Issue of regular licences within 30 days of issue of Learning Licence</p> <p>5.2.14.4: Issue of driving licence on the basis of expired learning licences</p> <p>5.2.14.5: Issue of driving licence of four wheelers on the basis of learning licences of two wheelers:</p> <p>It was reported that due to inadequate validations checks, SARATHI application was not capable to block the cases as mentioned in paras 5.2.14.2 to 5.2.14.5.</p>	<p>5.2.17 (v): strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system.</p>	<p>Committee desired the department to take vigorous steps to achieve the objectives of VAHAN and SARATHI project in its true spirit in a time bound manner.</p>	<p>Adequate validation checks were incorporated in SARATHI Version 1.0 to address the observations made in the afore-mentioned paragraphs relating to issue of DL to underage applicants, issue of DL within 30 days from the issue of learner's licence (LL), issue of DL on the basis of expired LL and approval of vehicles other than those mentioned in the LL.</p>

5.3.3 Status of other Audit observations

Insignificant/No progress

5.2.12.1 Delay in implementation of revised rates of road tax

It was pointed out that application was not modified in time to implement enhanced rates of taxes notified on 13 January 2011 causing a loss of tax amounting to ` 1.26 crore. The PAC had desired the department take effective steps to achieve the objectives of VAHAN and SARATHI project. During follow up audit, it was noticed that no amount has been recovered (October 2016).

Partial implementation

5.2.10.8 Monitoring and evaluation of the project

It was reported that department had not established any monitoring cell to ensure effective programme implementation. Internal audit staff was not involved in the use of electronic data of these applications. Further, physical verification of the assets provided by GOI was never conducted. The PAC had recommended the department to take immediate necessary steps for the monitoring and evaluation of the project in its true spirit. During follow up audit, it was observed that physical verification of assets provided by the Government to the test-checked RAs/RTAs was not conducted.

5.2.12.2 Delay in implementation of revised penalty rates

Department in its notification (July 2011) notified that if any vehicle is registered after 21 days of its purchase, penalty at the rate of 0.5 *per cent* of the tax due will be charged. Audit had pointed out that the application (software) was not modified to compute penalty on delayed registration of vehicles causing loss of ` 45.08 lakh to the State Exchequer. The PAC had desired that the department should take effective steps to achieve the objectives of VAHAN and SARATHI project. During follow-up audit, it was noticed that no amount has been recovered. It was further revealed that application was modified by incorporating a patch to compute the penalty due on delayed registration of vehicles.

Conclusion

The extent of implementation of audit observations accepted by the Government was 35 *per cent* implemented, 30 *per cent* partially implemented and 35 *per cent* not implemented (May 2016). Many of the deficiencies that had been pointed out in audit in 2011 continued to persist thereby undermining

the effectiveness and utility of the computerisation efforts undertaken by the department.

The matter was reported to the Government in June 2016; its reply was awaited (October 2016).

EXCISE AND TAXATION DEPARTMENT

Passengers and goods tax

5.4 Non/short realisation of Goods Tax

Vehicle owners of 647 public or private carriers used for carrying goods had not deposited Goods tax for different periods between April 2013 and March 2015 resulting in non/short realisation of Goods tax of ` 41.45 lakh. In addition, interest of ` 19.36 lakh was also leviable.

Goods tax is leviable in lump sum on public or private carriers plying in or passing through the State at rates prescribed on the basis of loading capacity as per the MV Act with effect from 25 March 2011. The rates are ` 4,000 per annum (not exceeding 10 tons), ` 5,600 per annum (exceeding 10 tons but not exceeding 17 tons) and ` 12,000 per annum (exceeding 17 tons). Tax is payable in equal quarterly instalments within 30 days of the commencement of quarter to which the payment relates. Rule 22 of the Punjab Passengers and Goods Taxation (PPGT) Rules, 1952 provides that if any sum is payable by an owner under the Act or these rules, the assessing authority shall serve a demand notice and fix a date not less than 15 days from the date of service by which the owner shall furnish the receipted challan in proof of such payment. Further, as per Section 14 (B) of the PPGT Act, where any tax or penalty is not paid within the prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the unpaid amount of tax.

Audit scrutiny of records (August 2014 to September 2015) of 12 offices⁷ of Deputy Excise and Taxation Commissioner (Passenger and Goods Tax) {DETC (PGT)} revealed that vehicle owners of 647 public or private carriers used for carrying goods had not deposited Goods tax of ` 41.45 lakh for different periods between April 2013 and March 2015. No demand notices had been issued by the department nor was there any system for monitoring the recovery of dues. This resulted in non/short realisation of Goods tax of ` 41.45 lakh. In addition, interest of ` 19.36 lakh was also leviable as per the PPGT Act.

⁷ Bhiwani, Faridabad (East), Faridabad (West), Fatehabad, Hisar, Jhajjar, Jind, Kaithal, Kurukshetra, Rewari, Sonapat and Yamunanagar.

On this being pointed out, all the DETCs (PGT) stated between September 2015 and June 2016 that Goods tax of ` 8.42 lakh including interest had been recovered and notices had been issued to the remaining vehicle owners to recover the outstanding amount of ` 52.39 lakh.

The matter was reported to the Government in April 2016; its reply was awaited (October 2016).

5.5 Non/short realisation of passengers tax

Vehicle owners of 247 taxi cars/maxi cabs, 100 educational institution buses and 35 transport co-operative society buses either had not deposited or short deposited passenger tax, resulting in non/short realisation of passenger tax of ` 51.76 lakh. In addition, interest of ` 21.93 lakh was also leviable.

Sections 9 (1) (iv), (iv-a) and 9 (2F) (i) of PPGT Act and the rules framed thereunder, provides for levy of passenger tax on taxi cars/maxi cabs and buses⁸ of educational institutions. As per notification of August 2014, permit holders of co-operative society buses plying on link routes of the State are required to pay passenger tax at the prescribed rates. Further, as per Section 14 B of the PPGT Act, interest is also leviable at the rate of two *per cent* per month on the delayed payment of passenger tax. Audit scrutiny of the records relating to passenger tax revealed non/short levy of passenger tax amounting to ` 73.69 lakh, including interest of ` 21.93 lakh, as detailed below.

5.5.1 Audit scrutiny of records (August 2014 to August 2015) of five offices⁹ of DETC (PGT) revealed that vehicle owners of 247 taxi cars/maxi cabs used for carrying passengers had not deposited passenger tax of ` 12.45 lakh for different periods between April 2013 and March 2015. This resulted in non/short realisation of passenger tax of ` 12.45 lakh. In addition, interest of ` 6.61 lakh was also leviable as per the PPGT Act.

On this being pointed out, all the DETCs (PGT) stated between November 2014 and December 2015 that an amount of ` 1.43 lakh had been recovered and efforts would be made to recover the balance amount of ` 17.63 lakh.

⁸ “Educational Institutional Bus” means an omnibus which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities.

⁹ Bhiwani, Gurgaon, Kaithal, Panipat and Rewari.

5.5.2 Audit scrutiny of records (between August 2014 and September 2015) of six offices¹⁰ of DETC (PGT) revealed that owners of 100 educational institution buses used for carrying students had not deposited the passenger tax of ` 16.60 lakh for different periods between July 2013 and March 2015. The department did not raise the demand to realise tax from the defaulting bus owners. This resulted in non/short realisation of passenger tax of ` 16.60 lakh. In addition, interest of ` 7.00 lakh was also leviable as per the PPGT Act.

On this being pointed out, four DETCs (PGT)¹¹ stated between November 2014 and May 2016 that an amount of ` 7.33 lakh had been recovered and efforts would be made to recover the balance amount of ` 7.99 lakh. Further progress report on recovery for the outstanding amount of ` 8.28 lakh including interest from DETCs (PGT) Jhajjar and Kurukshetra was awaited (October 2016).

5.5.3 Audit scrutiny of records (June 2014 to July 2015) of seven offices¹² of DETC (PGT) revealed that vehicle owners of 35 transport co-operative society buses had not deposited the monthly passenger tax either in full or in part for different periods between April 2013 and March 2015. No action had been taken by the department to recover the passenger tax. This resulted in non/short realisation of passenger tax of ` 22.71 lakh. In addition, interest of ` 8.32 lakh was also leviable as per the PPGT Act.

On this being pointed out, all the DETCs (PGT) stated between December 2015 and May 2016 that an amount of ` 6.42 lakh including interest had been recovered and efforts would be made to recover the outstanding amount of ` 24.61 lakh. Further progress on recovery was awaited (October 2016).

These were reported to the Government in April 2016; its reply was awaited (October 2016).

¹⁰ Gurgaon, Jagadhri, Jhajjar, Karnal, Kurukshetra and Sonipat.

¹¹ Gurgaon, Jagadhri, Karnal and Sonipat.

¹² Ambala, Bhiwani, Jhajjar, Jind, Kaithal, Kurukshetra and Sirsa.

CHAPTER-VI

OTHER TAX AND NON-TAX RECEIPTS

CHAPTER VI: OTHER TAX AND NON-TAX RECEIPTS

6.1.1 Tax administration

This chapter consists of receipts from Entertainment Duty, Power (Taxes and duties on electricity), Mines and Geology and Land Revenue. The administration and levy of these taxes is governed by respective Acts/Rules framed separately for each administrative department.

6.1.2 Results of Audit

In 2015-16, test check of the records of 49 units out of 182 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (12 units), Power Department (Taxes and duties on electricity), Land Revenue (31 units) and Excise and Taxation Department (Entertainment Duty) (6 units) involving ₹ 0.43 crore in 116 cases which are categorised as in **Table 6.1.**

Table 6.1: Results of Audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of royalty and interest	65	0.25
2.	Non deposit of copying and mutation fee	25	0.04
3.	Miscellaneous irregularities (Entertainment Duty)	26	0.14
	Total	116	0.43

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 19.52 lakh in 64 cases out of which ₹ 19.49 lakh involved in 58 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 3.12 lakh in 22 cases out of which ₹ 3.09 lakh involved in 16 cases relates to the year 2015-16 and the rest to earlier years.

One illustrative case involving ₹ 11.72 lakh is discussed in the following paragraph.

MINES AND GEOLOGY DEPARTMENT

Audit findings

6.2 Non/short recovery of royalty and interest

Royalty and interest amounting to ` 11.72 lakh was not recovered from 31 brick kiln owners, who were issued permits between April 2013 and March 2016 in respect of four districts.

Rule 30 of the Haryana Minor Mineral Concession, Stocking, Transportation of Mineral and Prevention of illegal Mining Rules, 2012, stipulates that brick kiln owners (BKO) shall pay annual amount of royalty at the prescribed rate in advance by 30th April of every year. State Government revised the rates of fixed royalty of various categories of BKOs with effect from 20 June 2012 and the BKOs shall pay annual amount of royalty at the prescribed rate in advance by 1st April of every year. In case payment is made after seven days but up to 30 days of the due date, after 30 days but within 60 days of the due date and beyond 60 days of the due date, interest at the rate of 15, 18 and 21 *per cent* (for the entire period of default) per annum respectively is chargeable for the period of default. A BKO's register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs who do not pay royalty are to be cancelled by the department by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue. The Assistant Mining Engineers (AMEs)/Mining Officers (MOs) are responsible for monitoring recovery of outstanding dues.

Audit scrutiny of records (March to September 2015) of four offices¹ of MOs revealed that 31 out of 701 BKOs did not pay due amount of royalty between April 2013 and March 2016. Though, a period ranging between 24 to 36 months had elapsed upto March 2016, yet royalty of ` 7.81 lakh had neither been paid by the BKOs nor had action been taken by the department to recover the same or to cancel the permits. Lack of action on the part of the department resulted in non-realisation of royalty of ` 7.81 lakh. In addition interest of ` 3.91 lakh was also leviable as per rules.

On this being pointed out, MOs Hisar and Jind stated (November and December 2015) that notices had been issued to concerned BKOs to recover

¹ Hisar, Jind, Narnaul and Rohtak.

the outstanding amount. Further report on recovery and replies from the MOs Narnaul and Rohtak has not been received (October 2016).

The matter was reported to the Government in June 2016; its reply was awaited (October 2016).

Chandigarh
The

(Mahua Pal)
Principal Accountant General (Audit), Haryana

Countersigned

New Delhi
The

(Shashi Kant Sharma)
Comptroller and Auditor General of India

APPENDICES

Annexure I
(Refer Paragraph No. 1.6.5)

Position of paragraphs which appeared in the Audit Reports and those pending discussion/ replies not received as on 31 October 2016.

Name of tax		2012-13	2013-14	2014-15	Total
Taxes on Sales, Trade etc.	Paras appeared in the AR/pending discussion in the PAC	4	9	11	24
	Paras replies not received	-	9	11	20
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	1	2	2	5
	Paras replies not received	1	2	2	5
Stamp duty and Registration fee	Paras appeared in the AR/pending discussion in the PAC	8	7	7	22
	Paras replies not received	8	7	7	22
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	4	5	3	12
	Paras replies not received	-	5	3	8
Others	Paras appeared in the AR/pending discussion in the PAC	1	1	1	3
	Paras replies not received	1	1	1	3
Total	Paras appeared in the AR/pending discussion in the PAC	18	24	24	66
	ATNs to Paras included in AR not received	10	24	24	58

ANNEXURE II

(Refer Paragraph No. 1.6.5)

**Details of PAC recommendations for CAG Report (Revenue Receipts)
outstanding as on 31 October 2016**

Sr. No.	PAC Report	Year of Audit Report	Total nos. of outstanding paras of PAC Reports 1979-80 to 2010-11 as on 31-10-2016
1	22nd	1979-80	3
2	23rd	1980-81	4
3	25th	1981-82	4
4	26th	1982-83	3
5	28th	1983-84	2
6	29th	1984-85	7
7	32nd	1985-86	4
8	34th	1986-87	11
9	36th	1987-88	6
10	38th	1988-89	10
11	40th	1989-90	21
12	42nd	1990-91,91-92,92-93	26
13	44th	1990- 91, 91-92,92-93	39
14	46th	1993-94	9
15	48th	1993-94,1994-95	10
16	50th	1993- 94, 94- 95,1995-96	40
17	52nd	1996-97	30
18	54th	1997-98	43
19	58th	1998-99 and 1999-2000	64
20	60th	2000-01	38
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	50
25	67th	2005-06	48
26	68th	2006-07 and 2007-08	100
27	70th	2008-09	56
28	71th	2009-10	51
29	72nd	2010-11	59
Total			878

ANNEXURE III
(Refer Paragraph No. 1.6.5)

Details of PAC recommendations for CAG Report
(Revenue Receipts/Sector) outstanding as on 31 October 2016

Sr. No	Name of the Department	Total recommendations outstanding for the period 1979-80 to 2010-11
1	Excise and Taxation	399
2	Revenue	178
3	Mines and Geology	47
4	Agriculture	41
5	Irrigation	16
6	Chief Electrical Inspector (Power)	18
7	Public Health	6
8	PWD (B&R)	5
9	Animal Husbandry	7
10	Transport	82
11	Finance (Lotteries)	15
12	Haryana State Lotteries	2
13	Co-operative	20
14	Forest	11
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	5
19	General	1
20	Town and Country Planning	3
	Total	878

GLOSSARY

GLOSSARY OF ABBREVIATIONS

AAs	Assessing Authorities
AETOs	Assistant Excise and Taxation Officers
AMEs	Assistant Mining Engineers
ATNs	Action Taken Notes
BEs	Budget Estimates
BIFR	Board of Industrial and Financial Reconstruction
BKOs	Brick Kiln Owners
CL	Country Liquor
CLU	Change of Land Use
CMVR	Central Motor Vehicles Rules, 1989
CST Act	Central Sales Tax Act, 1956
DCR	Daily Collection Register
DCs	Deputy Commissioners
DEPB	Duty and Entitlement Pass Book
DETC	Deputy Excise and Taxation Commissioner
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DL	Driving Licence
ETC	Excise and Taxation Commissioner
ETOs	Excise and Taxation Officers
GOI	Government of India
HLL Rules	Haryana Liquor License Rules, 1970
HVAT Act	Haryana Value Added Tax Act, 2003
HMVs	Heavy Motor Vehicles
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IOCL	Indian Oil Corporation Limited
IR Act	Registration Act, 1908
IRs	Inspection Reports
IS Act	Indian Stamp Act, 1899
ITC	Input Tax Credit
JETC	Joint Excise and Taxation Commissioner
JSR	Joint Sub Registrar
LL	Learner's Licence

LMVs	Light Motor Vehicles
MC	Municipal Corporation
MMVs	Medium Motor Vehicles
MOs	Mining Officers
MV Act	Motor Vehicles Act, 1988
PA	Performance Audit
PAC	Public Accounts Committee
PAG	Principal Accountant General (Audit)
PBM	Punjab Budget Manual
PED Act	Punjab Electricity Duty Act
PGT	Passengers and Goods Tax
PLs	Proof Litres
PLR Act	Punjab Land Revenue Act, 1887
PMVT Act	Punjab Motor Vehicles Taxation Act, 1924
PPGT Act	Punjab Passengers and Goods Taxation Act, 1952
RA (MV)	Registering Authority (Motor Vehicles)
RC	Registration Certificate
RLA	Registering and Licensing Authority
RR Act	Revenue Recovery Act, 1887
RRC	Revenue Recovery Certificate
RTA	Regional Transport Authority
SD	Stamp Duty
SED	State Excise Duty
SEZ	Special Economic Zone
SR	Sub Registrar
STC	State Transport Controller
TINXSYS	Tax Information Exchange System
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
VAT	Value Added Tax