



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Punjab
Report No. 3 of the year 2021

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Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 has been prepared for submission to the Governor of Punjab 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 done during the period 2019-20 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports.

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 Subject Specific Compliance Audit on “Remissions from payment of stamp duty and registration fee” and 12 paragraphs relating to non/short levy of Sales Tax/VAT, stamp duty and registration fee, motor vehicle tax and other receipts with revenue implications of ₹ 333.96 crore.

Chapter -I : General

The total receipts of the State Government for the year 2019-20 were ₹ 61,574.75 crore. The Government raised ₹ 36,648.87 crore comprising tax revenue of ₹ 29,994.79 crore and non-tax revenue of ₹ 6,654.08 crore. The State Government received ₹ 10,345.85 crore as State’s share of divisible Union taxes and ₹ 14,580.03 crore as Grants-in-aid from the Government of India.

(Paragraph 1.1.1)

Test check of the records of 238 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles and other Departmental offices conducted during the year 2019-20 showed under assessment/short levy/loss of revenue aggregating ₹ 560.55 crore in 1,65,280 cases. The Departments collected ₹ 7.84 crore in 2,599 cases during 2019-20, out of which ₹ 0.06 crore in four cases was pointed out during 2019-20 and rest in earlier years.

(Paragraph 1.10.1)

Chapter -II : Taxes/VAT on Sales, Trade etc.

In 16 assessment cases under seven Assistant Commissioners of State Tax, the Designated Officers did not levy fee of ₹ 32.54 crore under Punjab Infrastructure (Development and Regulation) Act 2002.

(Paragraph 2.3)

Designated Officer (ACST Sangrur) allowed the concession of applicable tax in four assessment cases without ensuring the validity of statutory declaration forms (C and F forms) which resulted in inadmissible allowance of concession of ₹ 0.32 crore.

(Paragraph 2.4)

In Assistant Commissioner of State Tax Jalandhar-II, the Designated Officers short levied output tax of ₹ 9.27 lakh due to non-levy of surcharge on tax amount.

(Paragraph 2.5)

In three assessment cases under three Assistant Commissioners of State Tax, the Designated Officers reversed input tax credit of ₹ 0.29 crore from the available input tax credit of ₹ 1.27 crore, whereas ₹ 0.71 crore was required to be reversed on account of sale of tax-free goods worth ₹ 24.70 crore. This resulted in short reversal of input tax credit of ₹ 0.42 crore.

(Paragraph 2.6(A))

In Assistant Commissioner of State Tax Bathinda, the Designated Officer made short reversal of input tax credit on Schedule-H items consumed in manufacture of goods that were sold interstate at concessional rate of tax which resulted in excess allowance of input tax credit of ₹ 14.54 lakh.

(Paragraph 2.6(B))

Application of incorrect provision relating to levy of interest in assessment orders by six ACSTs, resulted in short levy of interest of ₹ 3.83 crore in six cases.

(Paragraph 2.7)

In three Assistant Commissioner of State Tax offices, the Designated Officers, in six assessment cases of four dealers, did not reverse input tax credit of ₹ 34.83 lakh on entry tax paid on furnace oil, lubricants and diesel.

(Paragraph 2.8)

Mobile wings under two Assistant Commissioners of State Tax released detained vehicles, in 43 cases, without ensuring payment of tax/penalty of ₹ 77.03 lakh in Government account. Recovery of ₹ 70.76 lakh was made after audit observation and ₹ 6.27 lakh was pending for recovery.

(Paragraph 2.9)

Chapter -III : State Excise

Assistant Excise and Taxation Commissioners Faridkot and Pathankot did not pursue recovery of ₹ 3.49 crore from licensees of 22 retail vends on account of non-payment of assessed fee and extra license fee on un-lifted quota of Beer and Indian Made Foreign Liquor respectively and consequently short declared arrear of revenue by ₹ 3.49 crore.

(Paragraph 3.3)

Chapter -IV : Stamp Duty

Joint Sub Registrar Majri did not levy stamp duty at the rate of six *per cent*, as applicable to conveyance, on a power of attorney given for consideration of ₹ 125.39 crore and authorising the attorney to sell immovable property resulting in short levy of stamp duty of ₹ 7.52 crore.

(Paragraph 4.3)

Stamp duty, registration fee and infrastructure development fee of ₹ 4.85 crore in 64 cases was short levied by 20 Sub-Registrars/Joint Sub-Registrars due to misclassification of non-agricultural properties as agricultural properties and incorrect application of collector's rates.

(Paragraph 4.4)

Joint Sub-Registrar Majri levied stamp duty of ₹ 0.04 lakh on an agreement to sell whereas stamp duty and Social Infrastructure Cess (SIC) of ₹ 12.60 lakh was required to be levied in accordance with Entry 5(CC) of Schedule I-A of Indian Stamp Act 1899, resulting in short levy of stamp duty and SIC of ₹ 12.56 lakh.

(Paragraph 4.5)

The legislative intent behind remission of additional stamp duty was distorted by unauthorisedly extending time-limit of remission beyond the period prescribed by the Indian Stamp (Punjab Amendment) Act, 2017. Instances of remission of stamp duty and registration fee to charitable institutions without passing specific order and cases of remission of stamp duty to mega projects without obtaining eligibility certificate were noticed. Stamp duty under land pooling scheme and registration fee to an industrial park were remitted without issuing any notification in this regard.

(Paragraph 4.6)

Chapter -V : Taxes on Vehicles and Other Tax Receipts

Seven barriers under four Regional Transport Authorities viz. SAS Nagar Mohali, Patiala, Sangrur and Gurdaspur did not collect social security surcharge from transport vehicles registered in other states at the time of entry into State of Punjab from 16 November 2018 to 13 March 2019 resulting in non-collection of social security surcharge of ₹ 71.51 lakh.

(Paragraph 5.3)

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 Punjab, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2019-20 and the corresponding figures for the preceding four years are depicted in **Table 1.1** below.

Table 1.1: Trend of revenue receipts

(₹ in Crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20 ¹
1.	Revenue raised by the State Government					
	Tax revenue	26,690.49	27,746.66	30,423.24	31,574.28	29,994.79
	Non-tax revenue	2,650.27	5,863.20	4,318.39	7,582.29	6,654.08
	Total	29,340.76	33,609.86	34,741.63	39,156.57	36,648.87
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	8,008.90	9,599.73	10,616.94	12,005.14	10,345.85 ²
	Grants-in-aid	4,173.72	4,775.83	7,651.01	11,107.37	14,580.03 ³
	Total	12,182.62	14,375.56	18,267.95	23,112.51	24,925.88
3.	Total revenue receipts of the State Government (1 and 2)	41,523.38	47,985.42	53,009.58	62,269.08	61,574.75
Percentage of 1 to 3		71	70	66	63	60

Source: Finance Accounts

The year-wise trend in revenue receipts from 2015-16 to 2019-20 is depicted in the **Chart 1.1**.

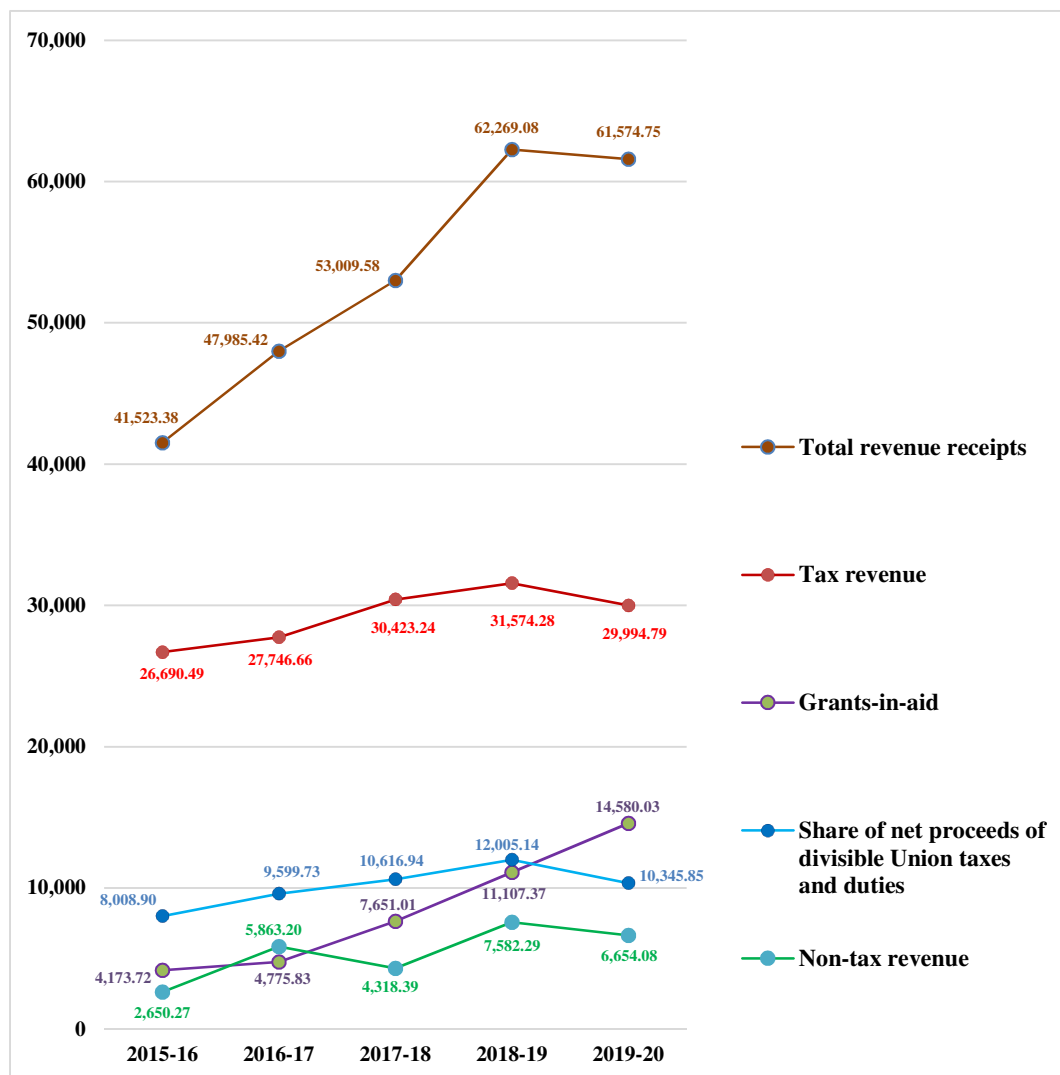
¹ Finance Account of the State Government.

² This includes amount of ₹ 2,935.85 crore received from Government of India as share of Central Goods and Services Tax.

³ This includes amount of ₹ 8,804.54 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax.

Chart 1.1
Trend of revenue receipts

(₹ in crore)



Source: Finance Accounts

During the year 2019-20, the State Government raised 59.52 per cent (₹ 36,648.87 crore) of the total revenue receipts. Balance 40.48 per cent (₹ 24,925.88 crore) of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-aid. The share of State's own revenue decreased from 70.66 per cent of total receipts in 2015-16 to 59.52 per cent in 2019-20, while that of net proceeds of divisible Union taxes and duties decreased to 16.80 per cent in 2019-20 as compared to 19.29 per cent in 2015-16. However, the grants-in-aid increased from ₹ 4,173.72 crore in 2015-16 to ₹ 14,580.03 crore in 2019-20. The main reason for increase in grants-in-aid is receipt of ₹ 8,804.54 crore from the Government of India on account of compensation of loss due to implementation of Goods and Services Tax. The share of Grants-in-aid in State's total revenue increased from 10.05 per cent in 2015-16 to 23.68 per cent in 2019-20.

1.1.2 Details of the tax revenue raised during the period from 2015-16 to 2019-20 are depicted in **Table 1.2** below.

Table 1.2: Details of Tax Revenue*(₹ in crore)*

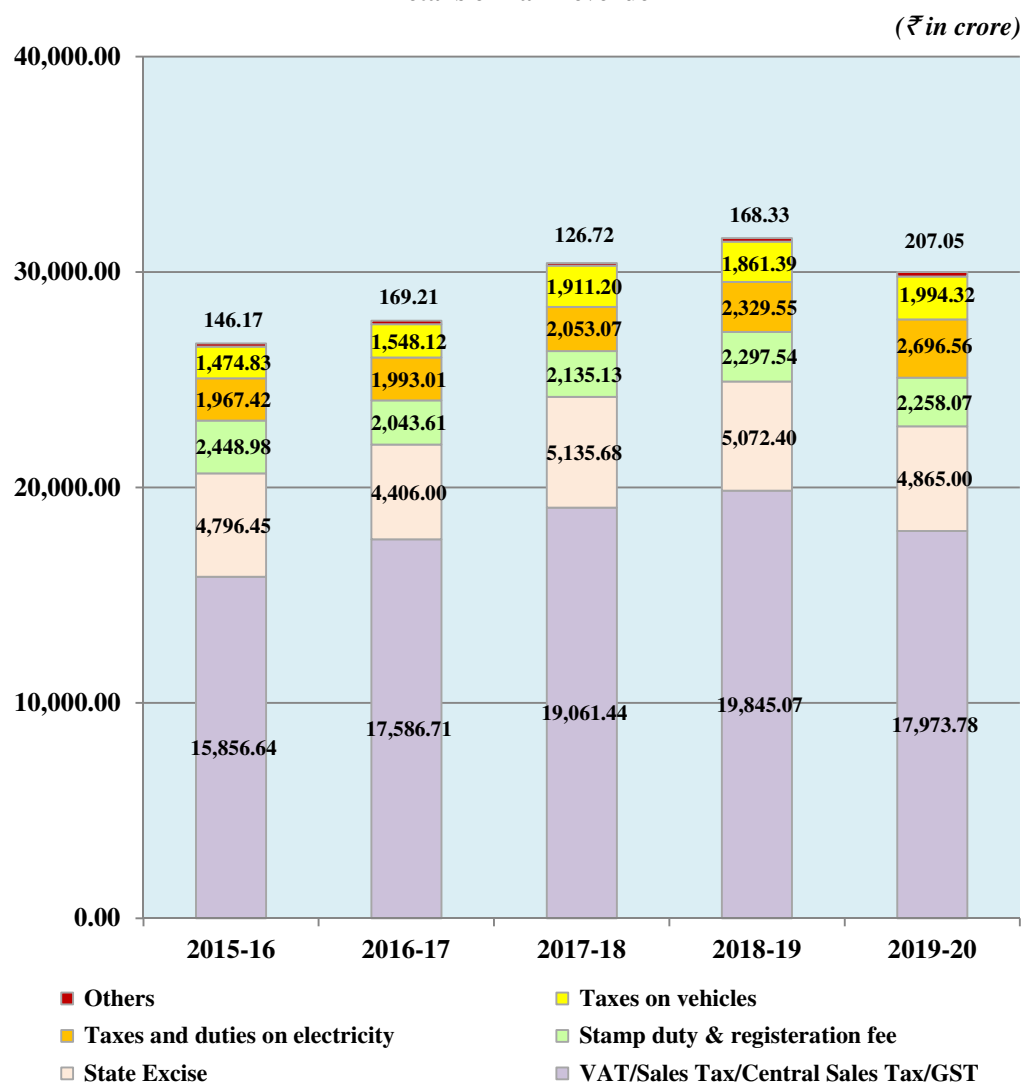
Sr No	Head of revenue	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2019-20 over 2018-19
1	VAT/ CST	15,856.64 (59.41)	17,586.71 (63.38)	11,160.30 (36.68)	6,571.92 (20.81)	5,222.58 (17.41)	(-) 9.43
	State Goods and Service Tax (SGST)	--	--	7,901.14 (25.97)	13,273.15 (42.04)	12,751.20 (42.51)	
2	State Excise	4,796.45 (17.97)	4,406.00 (15.88)	5,135.68 (16.88)	5,072.40 (16.06)	4,865.00 (16.22)	(-) 4.09
3	Stamp duty and registration fees	2,448.98 (9.18)	2,043.61 (7.37)	2,135.13 (7.02)	2,297.54 (7.28)	2,258.07 (7.53)	(-) 1.72
4	Taxes and duties on electricity	1,967.42 (7.37)	1,993.01 (7.18)	2,053.07 (6.75)	2,329.55 (7.38)	2,696.56 (8.99)	(+) 15.75
5	Taxes on Vehicles	1,474.83 (5.52)	1,548.12 (5.58)	1,911.20 (6.28)	1,861.39 (5.90)	1,994.32 (6.65)	(+) 7.14
6	Others ⁴	146.17 (0.55)	169.21 (0.61)	126.72 (0.42)	168.33 (0.53)	207.05 (0.69)	(+) 23.00
Total		26,690.49	27,746.66	30,423.24	31,574.28	29,994.78	(-) 5.00

Source: Finance Accounts

The year-wise trend in Tax Revenue receipts during 2015-16 to 2019-20 is depicted in the **Chart 1.2**.

⁴ Revenue receipts of the three Departments i.e. Land Revenue (₹ 66.37 crore which is 4.15 per cent less than previous year's receipt of ₹ 69.24 crore), other taxes and duties on commodities and services (₹ 2.46 crore, which is 49.17 per cent less than previous year's receipt of ₹ 4.84 crore) and other Taxes on Income and Expenditure (₹ 138.22 crore which is 46.65 per cent more than previous year's receipt of ₹ 94.25 crore) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue receipts of these Departments have been merged in 'others'.

Chart 1.2
Details of Tax Revenue



Source: Finance Accounts

It is observed that VAT/CST/GST and State Excise are major contributors of revenue. During 2019-20, these two heads of revenue contributed about 76.14 per cent of total revenue collection. There was decrease of 9.43 per cent in revenue from VAT/GST and 4.09 per cent in revenue from State Excise. Revenue from stamp duty and registration fee declined by 1.72 per cent. There was considerable increase of 15.75 per cent in revenue from Taxes and Duties from electricity. The increase of 23 per cent in revenue from 'others' was due to increase in receipt of profession tax from ₹ 94.25 crore to ₹ 138.22 crore under the head '0028-Other taxes on income and expenditure'.

The reasons for variations in revenue receipts as provided by the respective Departments were as under:

VAT/CST/GST: The Department attributed reasons for shortfall in revenue from VAT/CST mainly to decrease in rate of VAT on Diesel and Petrol. The rate of Tax on Petrol was reduced from 30.80 *per cent* to 22.12 *per cent* and diesel from 14.74 *per cent* to 12.98 *per cent* in February 2020. The reason for shortfall in revenue from GST was attributed to lesser receipt from Central Government on account of ad-hoc settlement⁵ of IGST in 2019-20 than previous year 2018-19. In comparison to receipt of ₹ 2,352 crore on account of ad-hoc settlement of IGST in 2018-19, the Department received ₹ 600 crore only in the year 2019-20. It was observed that during 2018-19, there was receipt of ₹ 1,349.29 crore under Minor Head 800-other receipts (Major Head 0040-Taxes on Sales, Trade etc) whereas during 2019-20, the receipt under this minor head was ₹ 156.04 crore. The higher receipt under the minor head during 2018-19 was mainly due to transfer of ₹ 1,012.63 crore from Punjab Infrastructure Development Board on account of fee under Punjab Infrastructure (Development & Regulation) Act.

State Excise: The Department attributed (November 2020) the reasons for decrease in revenue to less realisation of license fee in March 2020 due to imposition of lockdown/curfew in the State as a result of COVID-19 Pandemic. Due to lockdown from 23 March 2020, the process of allotment of groups/zones for financial year 2020-21 was stopped. The fee of groups/zones already allotted was paid after March 2020. Bar license fees which is generally received in the month of March was received in September 2020 due to lockdown. Further Groups/Zones in some districts were allotted on lower than reserve price as Department was not able to allot these Groups/Zones on reserve price.

Stamp Duty and Registration Fees: The Department attributed (December 2020) reasons for decrease in revenue receipt to less transaction in sale/purchase of properties and lockdown in March 2020 due to Covid-19 Pandemic.

Taxes on Vehicles: The Department stated (December 2020) that the Social Security Cess was imposed in October 2018 due to which the collection of tax increased in the Year 2019-20.

Taxes and Duties on Electricity: Punjab Electrical Inspectorate attributed increase in revenue receipts to revision of tariff rate w.e.f. 01 June 2019 by Punjab State Power Corporation Limited. Other Departments did not furnish the reasons of variations in receipts from that of the previous year despite being requested.

1.1.3 The details of the non-tax revenue raised during 2015-16 to 2019-20 are depicted in **Table 1.3** below.

⁵ Due to problems relating to furnishing of returns by the taxpayers and inadequacy of data regarding the cross utilization of input tax credit for various taxes under GST, there was a practice of ad-hoc settlement of IGST between Centre and States to distribute the IGST among States.

Table 1.3: Details of Non-Tax revenue

(₹ in crore)

Sl. No.	Head of Revenue	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2019-20 over 2018-19
1	Miscellaneous General Services ⁶	999.84 (37.73)	3,028.08 (51.64)	1,478.97 (34.25)	4,851.51 (63.98)	2,743.87 (41.24)	(-) 43.44
2	Interest receipts	225.28 (8.50)	1,293.80 (22.07)	1,404.94 (32.53)	1,455.26 (19.19)	2,105.51 (31.64)	(+) 44.68
3	Other Administrative Services ⁷	253.05 (9.55)	133.46 (2.28)	165.85 (3.84)	150.63 (1.99)	145.23 (2.18)	(-) 3.58
4	Police	48.45 (1.83)	98.52 (1.68)	61.78 (1.43)	73.38 (0.97)	60.93 (0.92)	(-) 16.97
5	Medical and Public Health	184.25 (6.95)	135.47 (2.31)	253.34 (5.87)	263.42 (3.47)	250.57 (3.76)	(-) 4.88
6	Major and Medium Irrigation	142.66 (5.38)	93.61 (1.60)	71.38 (1.65)	24.22 (0.32)	92.49 (1.39)	(+) 281.87
7	Non-ferrous Mining and Metallurgical Industries	56.64 (2.14)	42.08 (0.72)	122.40 (2.83)	36.13 (0.48)	90.88 (1.36)	(+) 151.54
8	Public Works	18.94 (0.71)	67.96 (1.16)	83.30 (1.93)	28.81 (0.38)	21.71 (0.33)	(-) 24.64
9	Forestry and Wildlife	31.81 (1.20)	20.92 (0.35)	48.67 (1.13)	15.66 (0.21)	19.53 (0.29)	(+) 24.71
10	Co-operation	3.24 (0.12)	3.37 (0.06)	2.82 (0.07)	3.31 (0.04)	7.09 (0.11)	(+) 114.20
11	Education, Sports, Art and Culture	88.68 (3.35)	95.89 (1.63)	41.87 (0.97)	56.75 (0.75)	196.22 (2.95)	(+) 245.76
12	Others ⁸	597.43 (22.54)	850.04 (14.50)	583.07 (13.50)	623.21 (8.22)	920.05 (13.83)	(+) 47.63
Total		2,650.27	5,863.20	4,318.39	7,582.29	6,654.08	(-) 12.24

Source: Finance Accounts

The year-wise trend in Non-Tax Revenue receipts during 2015-16 to 2019-20 is depicted in the **Chart 1.3**.

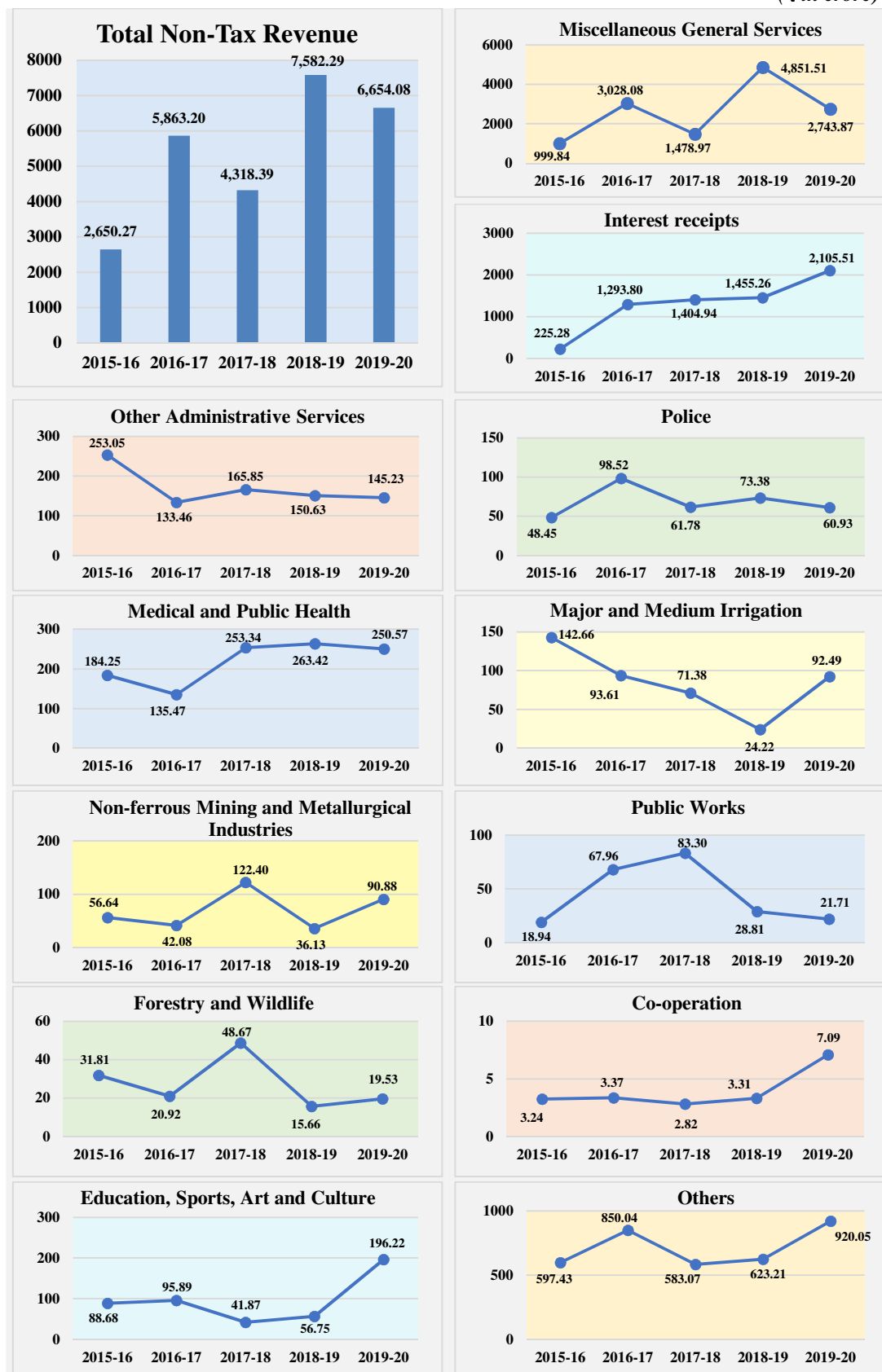
⁶ This head includes receipts from 'Unclaimed Deposit', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'.

⁷ This head *inter-alia* includes receipts from 'Administration of Justice', 'Election' and 'Other Receipts' (Home Guards, Marriage Fee, Fee for Government Audit, Receipts from Guest Houses).

⁸ The receipts from Dairy Development, Dividends and Profits, Jails, Public Service Commission, Minor Irrigation, Supplies and Disposal, Printing and Stationery, Water Supply and Sanitation, Fisheries and other such non-tax revenue which do not come under the Heads of revenue mentioned at Serial No. 1 to 11 of the table.

Chart 1.3
Details of Non-Tax revenue

(₹ in crore)



Source: Finance Accounts

There was significant increase in revenue under Education, Sports, Art and Culture (245.76 *per cent*), Non-ferrous Mining and Metallurgical Industries (151.54 *per cent*) and Co-operation (114.20 *per cent*) in 2019-20 as compared to 2018-19. The Departments which recorded significant decrease in revenue were Misc. General Services (43.44 *per cent*), Public Works (24.64 *per cent*) and Police (16.97 *per cent*).

The respective Departments reported the following reasons for variations in actual receipts during 2019-20:

(i) **Education, Sports, Art and Culture:** The increase in receipt was under Sub-Head 'Tuition and other fees' below Minor Head 'Secondary Education'. Dy. Controller (Finance and Accounts) attributed (March 2021) the increase in actual receipts mainly to deposit of ₹ 89.89 crore in Government account by Director General Secondary Education on account of unutilised funds and interest earned thereupon. This fund was received from Central Government on account of salary of Education Guarantee Scheme/Special Trainer (EGS/STR) volunteers.

(ii) **Cooperation:** The Chief Auditor, Cooperative Societies, Punjab attributed (November 2020) the increase in actual receipts to realisation of outstanding audit fee of previous year and change in audit fee rate in 2019.

(iii) **Non-ferrous Mining and Metallurgical Industries:** The increase in receipt was mainly due to receipt of mineral concession fee, rent and royalty of ₹ 90.79 crore during 2019-20 as against ₹ 35.90 crore during 2018-19.

(iv) **Miscellaneous General Services:** The higher receipt of ₹ 4,851.51 crore during 2018-19 was due to transfer of rural development fund and market fee, collected on sale of agriculture produce by the Punjab Mandi Board and the Punjab Rural Development Board to Government account for waiving loans of debt stressed farmers of the State.

(v) **Interest Receipts:** The increase in receipt under this head was mainly due to increase in interest receipt under Sub Head 85-Miscellaneous Receipts, Minor Head 800-Other Receipts (Major Head 0049-Interest Receipts). An amount of ₹ 763.57 crore was received under this Sub-Head during 2019-20 as against ₹ 110.15 crore during 2018-19.

(vi) **Police:** The Director General of Police, Punjab, attributed (November 2020) the decrease in actual receipts to non-realisation of outstanding claims of previous years.

(vii) **Medical and Public Health:** The Director Health and Family Welfare attributed (November 2020) the reason for decrease in actual receipt over previous year to decrease in reimbursement of expenditure by Employees State Insurance Corporation.

(viii) **Public Works:** The Department attributed (November 2020) reason of shortfall in revenue receipts to reduction in rate of agency charges from nine *per cent* to three *per cent* that was received from National Highways Authority of India (NHAI) in lieu of staff and services provided by State and completion of all major projects of high value during 2018-19.

The remaining Departments⁹ despite being requested did not intimate the reasons for variations in receipt of 2019-20 from that of the previous year.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 in respect of principal heads of revenue were ₹ 10,261.51 crore, of which ₹ 2,239.77 crore was outstanding for more than five years, as depicted in **Table 1.4**.

Table 1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Reply of the Department
1.	a) Taxes/VAT on sales, Trade etc.	9,344.17	2,087.95	In eight ¹⁰ Asstt. Commissioners of State Taxes (ACSTs), an amount of ₹ 549.48 crore was pending before various appellate authorities/courts. An amount of ₹ 442.10 crore was recoverable in four ¹¹ ACSTs. Eight ¹² ACSTs stated that the demands are in appeal/pending in various courts but did not quantify the amount pending in appeal and amount recoverable. An amount of ₹ 1.30 crore was irrecoverable in ACSTs Amritsar-II and Ludhiana-I. Remaining ACSTs did not reply.

⁹ Major and Medium Irrigation, Forestry and Wildlife and Other Administrative Services.

¹⁰ Amritsar-I (₹ 75.95 crore), Amritsar-II (₹ 181.11 crore), Gurdaspur (₹ 110.94 crore), Ludhiana-I (₹ 139.90 crore), Sri Muktsar Sahib (₹ 8.53 crore), Pathankot (₹ 2 crore), SBS Nagar (₹ 27.03 crore) and Tarn Taran (₹ 4.02 crore)

¹¹ Amritsar-I (₹ 36.90 crore), Amritsar-II (₹ 31.86 crore), Gurdaspur (₹ 2 crore) and Ludhiana-I (₹ 371.34 crore)

¹² Barnala, Ferozepur, Kapurthala, Ludhiana-II, Ludhiana-III, Mohali, Ropar and Sangrur

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Reply of the Department
	b) GST	182.18	0	Arrears were pending in seven ¹³ districts. Four ¹⁴ ACSTs intimated that appeals of some dealers are pending before appellate authorities.
2.	Forests and Wildlife	34.81	22.65	Pr. Chief Conservator of Forests (Head of Forest Forces) Punjab reported that amount of ₹ 22.73 crore was outstanding against forest contractors and amount of ₹ 12.08 crore was recoverable from Punjab State Forest Development Corporation (PSFDC) on account of royalty. Vigorous efforts are being made to recover the outstanding amount.
3.	State excise	369.58	13.98	Five ¹⁵ Assistant Excise and Taxation Commissioners (AETCs) intimated that amount of ₹ 5.05 crore is irrecoverable as it pertains to old period and the licensees are not traceable. In AETCs Barnala, Fatehgarh Sahib and Gurdaspur, an amount of ₹ 15.95 crore is pending in court. Recovery proceedings in five ¹⁶ AETCs were under process. No reply in respect of remaining cases was received.
4	Taxes on Vehicles	209.88	114.97	Amount outstanding for more than five years as on 31 March 2020 relates to vehicles which are either condemned without the information of Department or not plying on road. Most of the defaulter vehicles have been blacklisted after issuing recovery notices.
5.	Land revenue	120.89	0.22	Department stated that efforts are being made for recovery of arrears.
Total		10,261.51	2,239.77	

Source: Departmental figure

Out of total outstanding arrears of ₹ 9,344.17 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 6,567.64 crore pertain to four¹⁷ ACSTs. Out of which,

¹³ Faridkot (₹ 0.15 crore), Ludhiana-I (₹ 128.26 crore), Ludhiana-II (₹ 14.34 crore), Ludhiana-III (₹ 5.45 crore), Mansa (₹ 1.32 crore), Sri Muktsar Sahib (₹ 32.25 crore) and Sangrur (₹ 0.41 crore)

¹⁴ Faridkot, Ludhiana-III, Sri Muktsar Sahib and Sangrur

¹⁵ Barnala (₹ 1.47 crore), Fatehgarh Sahib (₹ 0.26 crore), Gurdaspur (₹ 0.54 crore), Ludhiana-II (₹ 0.07 crore) and Sangrur (₹ 2.71 crore)

¹⁶ Fatehgarh Sahib, Ferozepur, Pathankot, Sangrur and Tarn Taran

¹⁷ Fatehgarh Sahib, Ludhiana-I, Mohali and Patiala

arrears of ₹ 1,223.76 crore were outstanding for more than five years.

The figures of arrears of revenue was provided by the Head of Departments. During validation of data by audit in seven¹⁸ districts, it was noticed that there were differences in arrears figures as reported by Taxation Department and units in respect of three districts. ACST Jalandhar-I reported closing balance as ₹ 176.73 crore instead of ₹ 175.64 crore reported earlier to the Head of Department. In ACST Mohali, actual closing balance was under reported by ₹ 4.81 crore and in ACST Bathinda, closing balance was under reported by ₹ 0.29 crore. This shows that figures provided by units during data validation were not matching with the figures reported by the Taxation Department. Department needs to reconcile the figures with reporting offices.

1.3 Arrears in assessment

The number 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 finalization at the end of the year as furnished by the Department of Excise and Taxation in respect of Sales Tax are as depicted in **Table 1.5**.

Table 1.5: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal (Col. 5 - 4)
Taxes/VAT on Sales/ Trade etc.	94,069	11,151	1,05,220	20,993	84,227	19.95

Source: Departmental figure

The Department provided the figure of closing balance of 94,605 for the year 2018-19, whereas opening balance of the year 2019-20 was shown as 94,069 i.e., 536 less. The reason of difference of 536 cases was inclusion of cases of Entertainment and Luxury tax in the closing balances of ACSTs Fazilka (157), Ferozepur (96), Mohali (81), Muktsar (110) and Ludhiana-III (92).

There were arrears in assessment in all the 26 ACSTs. The percentage of disposal of cases was only 19.95 *per cent*. The Department needs to make plan for early disposal of pending cases to prevent them from becoming time barred.

1.4 Evasion of tax detected by the Department

Under Section 46 of the PVAT Act 2005, Department may inspect business premises, retain accounts, registers or documents to detect tax evasion and seize any goods in the premises which have not been accounted for by the person in his books. Under Section 47 of the Act, the Department may cross check the transactions of sales and purchases of dealers to prevent tax evasion. Further, the Department may conduct survey under Section 48 of the Act to identify persons who are liable to pay tax under the Act but have remained unregistered. Section 51 of the Act empowers the Department for road side checking of goods

¹⁸ Mohali, Patiala, Bathinda, Jalandhar-I, Hoshiarpur, Gurdaspur and Pathankot

vehicles during the goods in transit to detect the tax evasion. The Transport Department is empowered under Section 14-B of Punjab Motor Vehicle Taxation Act 1924 to inspect any premises, stop any vehicle at any place, seize or detain a vehicle in case of non-payment of due tax so as to prevent tax evasion. The details of cases of evasion of tax detected by the Excise & Taxation Department and Transport Department, cases finalized and the demand for additional tax raised as reported by the Departments are depicted in **Table 1.6**.

Table 1.6: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade	383	-	383	121	2.96	262
2.	Goods and Services Tax	41	2,432	2,473	2,441	124.14	32
3.	Taxes on Vehicles	6	-	6	-	0.0	6
Total		430	2,432	2,862	2,562	127.10	300

Source: Departmental figure

While the Department of State Tax was prompt in detection and disposal of cases of evasion under GST and disposed 98.70 *per cent* of total cases, the progress of detection and disposal of cases of evasion under VAT was slow as no case of evasion was detected during 2019-20 and only 31.59 *per cent* of total pending cases were disposed.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department are mentioned in **Table 1.7**.

Table 1.7: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,402	161.92	3,126	293.86	215	3.90
2.	Claims received during the year	6,387	890.84	3,525	298.07	5	23.57
3.	Refunds made during the year	6,140	779.89	3,508	298.03	10	0.07
4.	Refunds rejected during the year	389	111.67	577	69.46	0	0
5.	Balance outstanding at the end of year	1,260	161.20	2,566	224.44	210	27.40

Source: Departmental figure

The closing balance of refund cases under GST in the year 2018-19 was 1,143 cases for ₹126.83 crore whereas the opening balance of the year 2019-20 is 1,402 cases for ₹161.92 crore. The difference in number of cases is due to difference in closing and opening balances of 11 ACSTs¹⁹.

The GST refunds were pending in 20 excise districts, Sales tax/VAT refunds were pending in 21 excise districts and excise refunds were pending in 12 out of 26 excise districts.

The Department had provided above data after consolidating the information of refund cases intimated to it by the respective ACSTs. Audit cross verified the data provided by the Department with data of seven ACSTs to check the correctness of the compiled data. During validation of data in seven²⁰ ACSTs, differences were noticed in ACST, Mohali (increase in closing balance by 26 cases for ₹ 11.61 crore), ACST, Patiala (decrease in closing balance by one case) and ACST, Bathinda (increase in closing balance by one case for ₹ 0.01 crore). Overall difference was increase in closing balance of refunds by 26 cases and ₹ 11.62 crore. Department needs to reconcile the figures with reporting offices.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (PAG) Punjab conducts periodical inspection of the Government Departments to test check the transactions, verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating audit findings which are issued to the heads of the offices

¹⁹ Amritsar-I, Fatehgarh Sahib, Fazilka, Ferozepur, Hoshiarpur, Jalandhar-I, Jalandhar-II, Ludhiana-II, Ludhiana-III, Moga and SAS Nagar Mohali

²⁰ Patiala, Mohali, Jalandhar-1, Gurdaspur, Pathankot, Bathinda and Hoshiarpur

inspected with copies to the next higher authorities for taking prompt corrective action. The Head of the office is required to send initial reply to the 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 2019 reveal that 9,150 paragraphs involving ₹ 2,492.97 crore relating to 2,349 IRs remained outstanding at the end of June 2020. This, along with the corresponding figures for the preceding two years are depicted in **Table 1.8**.

Table 1.8: Details of pending Inspection Reports

	June 2018	June 2019	June 2020
Number of IRs pending for settlement	6,358	2,421	2,349
Number of outstanding audit observations	16,318	9,702	9,150
Amount of revenue involved (₹ in crore)	6,280.32	4,965.83	2,492.97

Source: Data prepared by Audit

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2020 and the amount involved are mentioned in **Table 1.9**.

Table 1.9: Department-wise details of pending IRs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on sales, Trade etc.	303	1,380	605.20
		Entertainment and Luxury Tax	95	215	16.54
		State Excise	256	330	343.46
2.	Revenue	Land Revenue	272	832	467.44
		Stamp Duty and Registration Fee	1,036	4,518	576.85
3.	Transport	Taxes on Motor Vehicles	189	1,536	235.34
4.	Finance	State Lotteries	07	31	5.78
5.	Forestry and wildlife Preservation	Forestry and wild life	191	308	242.36
Total			2,349	9,150	2,492.97

Source: Data prepared by field office

Audit did not receive even the first reply in respect of 223 out of 250 IRs, issued during 2019-20, from the Head of offices within the stipulated time of four weeks.

The reduction in number of outstanding IRs and audit observations in June 2020 is due to transfer of audit observations up to the period of 2011-12²¹ to administrative secretaries of the State.

The large pendency of IRs indicated that the Heads of offices/Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The large pendency of the audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite progress of the settlement of the audit observations contained in the IRs. The details of audit committee meetings held during 2019-20 and the paragraphs settled are depicted in **Table 1.10**.

Table 1.10: Details of Departmental Audit Committee Meetings

Head of Revenue	Number of meetings held	Number of outstanding observations discussed	Number of paragraphs settled	Amount (₹ in crore)
0029- Land Revenue	5	65	8	0.21
0030-Stamp Duty & Registration Fees	18	216	114	2.27
0039-State Excise	6	16	2	0.01
0040-Value Added Tax	6	65	5	0.01
0045-Entertainment	6	11	3	0.06
Total	41	373	132	2.56

Source: Data maintained by field office

The settlement of audit paragraph vis-à-vis audit observations discussed was quite low which indicates that the Departments need to make more concerted efforts to address the audit observations. No audit committee meeting was held in respect of State Lotteries and Forestry and Wild Life. It is recommended that Government should ensure holding meetings of the Audit committees at regular intervals in all Departments.

1.6.3 Non-production of records to audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up and intimations are issued to the Departments to enable them to keep the relevant records ready for audit scrutiny.

²¹ Inspection Reports for the years 2010-11 and 2011-12 in respect of Major Heads 0029-Land Revenue, 0039-State Excise, 0040-Value Added Tax, 0041-Taxes on vehicles, 0045-Entertainment and Luxury Tax, 0075-State Lottery and 0406/2406-Forestry and Wildlife

During 2019-20, 364 cases/items of auditable records pertaining to four Departments were not made available to audit as depicted in **Table 1.11** below.

Table 1.11: Details of non-production of records

Name of the office/Department	Nature of Receipts	Number of cases/items not provided	
		2018-19	2019-20
Excise and Taxation	Sales Tax/VAT	781	126
	State Excise	2	01
	Entertainment and Luxury Tax	11	00
Transport	Taxes on Vehicles	34	109
Revenue	Stamps and Registration Fees	68	80
	Land Revenue	48	45
Forest and Wildlife Preservation	Forests and Wild life	15	03
Total		959	364

Source: Data prepared by field office

Non-production of record pertaining to revenue is a serious matter and in the absence of examination, the risk associated cannot be commented upon. Despite reporting the cases of non-production to Head of the Office during audit and Department/Government through Inspection Reports, the instances of non-production of records during subsequent audit still persists. The Government may direct the departmental authorities to provide the records during audit examination.

1.6.4 Response of the Departments to draft audit paragraphs

The 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 Secretaries/Secretaries of the concerned Department, drawing their attention to 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 invariably indicated at the end of such paragraphs included in the Audit Report.

In all, thirteen paragraphs included in this report were sent to the Principal Secretaries/ Secretaries of the respective Departments between April 2020 and March 2021; replies received from the Department and concerned departmental authorities are appropriately included in the concerned Draft Paragraphs.

1.6.5 Follow up on the Audit Reports – summarized position

The internal working system of the Public Accounts Committee (PAC), notified in August 1992, lays 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. The action taken notes (ATNs) thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these

provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. A total of 127 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Punjab for the years ended 31 March 2013 to 2018 were placed before the State Legislative Assembly between 22 July 2014 and 27 February 2020. ATNs in respect of 68 paragraphs under six²² Heads of Accounts were not received. However, remaining 59 ATNs were received with average delay ranging between one and 58 months.

By 31 March 2020, PAC discussed 45 selected paragraphs pertaining to the CAG's Audit Reports for the years from 2012-13 to 2015-16. PAC gave 57 recommendations²³ in respect of CAG's Audit Reports for the years from 2010-11 to 2013-14, which were incorporated in five PAC Reports (2014-15, 2015-16, 2017-18 2018-19 and 2019-20). ATNs on 39 recommendations were received up to 31 March 2020, out of which 18 ATNs pertaining to PAC Report for the year 2018-19 were received during the year 2019-20. However, no ATN against 18 recommendations²⁴ incorporated in PAC Reports for the years 2017-18 and 2019-20 was received from two Departments up to 31 March 2020.

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 in respect of Taxes on Motor Vehicles was evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss performance of the Transport Department to deal with cases detected in the course of local audit during the last 10 years up to 2019-20 and also the cases included in the Audit Reports for the years 2009-10 to 2018-19.

1.7.1 Position of Inspection Reports

The summarized position of inspection reports issued during the last 10 years, paragraphs included in these reports and status of the same as on 31 March 2020 in respect of Transport Department are depicted in **Table 1.12**.

²² Sales Tax/VAT, Land Revenue, State Excise, Taxes on Vehicles, Forest & Wild Life and Other tax/non-tax receipts

²³ Department of Agriculture (07) + Department of Transport (25) + Department of Electricity (10) + Department of Revenue (15)

²⁴ Department of Agriculture (03) + Department of Revenue (15)

Table 1.12: Position of Inspection Reports in Transport Department

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)
2010-11	767	2,364	523.92	61	307	22.00	17	172	13.17	811	2,499	532.75
2011-12	811	2,499	532.75	32	219	6.78	251	655	13.38	592	2,063	526.15
2012-13	592	2,063	526.15	30	164	21.45	3	92	2.98	619	2,135	544.62
2013-14	619	2,135	544.62	27	206	78.13	0	36	1.23	646	2,305	621.52
2014-15	646	2,305	621.52	26	197	38.97	0	24	0.94	672	2,478	659.55
2015-16	672	2,478	659.55	30	257	41.68	0	32	1.50	702	2,703	699.73
2016-17	702	2,703	699.73	31	254	19.80	0	30	28.66	733	2,927	690.87
2017-18	733	2,927	690.87	22	236	16.19	0	16	0.66	755	3,147	706.40
2018-19	755	3,147	706.40	10	144	15.84	500	1,510	498.02	265	1,781	224.22
2019-20	265	1,781	224.22	9	237	41.64	85	482	30.52	189	1,536	235.34

Source: Data prepared by field office

The decrease in number of IRs and paragraphs in 2018-19 and 2019-20 was due to transfer of audit observations upto 2008-09 during 2018-19 and upto 2011-12 during 2019-20, to administrative secretaries.

1.7.2 Recovery of 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 under the Head “0041- Taxes on Motor Vehicles” are depicted in **Table 1.13**.

Table 1.13: Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered up to 31 March 2019	Amount recovered during the year 2019-20	Cumulative position of recovery of accepted cases as of 31/03/2020
1	2	3	4	5	6	7	8
2009-10	07	2.62	07	2.62	PAC decided not to pursue Paras up to the year 2011-12.		
2010-11	06	0.83	06	0.83			
2011-12	01	3.12	01	3.12			
2012-13	03	1.11	03	1.11	0.83	0.00	0.83
2013-14	01	85.13	01	85.13	22.97	2.51	25.48
2014-15	04	7.55	04	7.55	2.65	0.15	2.80
2015-16	05	0.96	05	0.96	0	0.36	0.36
2016-17	01	0.39	01	0.39	0	0	0
2017-18	01	50.63	01	50.63	0	0	0
2018-19	01	0.35	01	0.35	0	0	0
Total	30	152.69	30	152.69	26.45	3.02	29.47

PAC decided not to pursue the cases upto the period 2011-12.

It is observed that the progress of recovery even in the accepted cases was very slow.

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

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

The draft performance reviews conducted by the PAG are forwarded to the concerned Department/Government for their information with a request to furnish replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalizing the reviews for the Audit Reports.

The Review titled "Levy and Collection of Motor Vehicle Tax" on the Transport Department, Punjab featured in 2017-18 with seventeen recommendations to the Department. The said review is currently under discussion in the PAC.

1.8 Audit planning

During the year 2019-20, there were 389 auditable units related to tax revenue, of which 247 units (63.49 *per cent*) were planned and 238 units (96.35 *per cent*) were audited and remaining nine units could not be audited as field audit was suspended in the month of March 2020 due to Covid-19 pandemic. The units were selected on the basis of risk analysis.

1.9 Internal Audit

The Finance Department is having Internal Audit Organization (IAO) under the charge of the Additional Director. This organization was to conduct test check of cases as per approved action plan and in accordance with the criteria decided by the Steering Committee so as to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

During the year 2019-20, IAO audited 265 units out of total planned 2,797 units, which was 9.47 *per cent* of total planned units.

Table 1.14: Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0006-SGST	---	---
0029-Land Revenue	---	---
0030-Stamp Duty	512	164
0039-State Excise	329	25
0040-VAT/Sales Tax	1,010	34
0041-Motor Vehicle Tax	724	36
0045-Entertainment	222	6
0075-State Lottery	---	---
0406 & 2406-Forestry & Wild Life	---	---
Total	2,797	265

Department attributed (March, 2021) reason for shortfall in achieving targets of audit plan due to shortage of staff. It is recommended that Government may direct IAO to plan audit by adopting risk analysis techniques and to ensure audit of all planned units.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 238 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles and other Departmental offices conducted during the year 2019-20 revealed under assessment/short levy/loss of revenue aggregating ₹ 560.55 crore in 1,65,280 cases. The Departments recovered ₹ 7.84 crore in 2,599 cases during 2019-20, out of which ₹ 0.06 crore in four cases was pointed out during 2019-20 and the rest pertained to earlier years.

1.10.2 Coverage of this report

This report contains 13 paragraphs involving financial effect of ₹ 333.96 crore in 76,480 cases. The Departments accepted audit observations in 58 cases involving ₹ 36.90 crore and recovered ₹ 0.42 crore in seven cases. The replies provided by the authorities have been incorporated in the relevant paragraphs. These are discussed in the succeeding Chapters II to V.

Chapter-II

Taxes/VAT on Sales and Trade

Chapter-II

Taxes/VAT on Sales and Trade

2.1 Tax administration

The Financial Commissioner Taxation and Principal Secretary to the Government of Punjab is overall in-charge of the Department of State Taxes. The Department administers Goods and Services Tax as well as Punjab Value Added Tax Act (PVAT Act)/Central Sales Tax Act (CST Act) in the State subject to overall control and superintendence of the Commissioner of State Tax (CST) with the help of Additional Commissioners of State Tax (Addl. CSTs), Joint Commissioners of State Tax (JCSTs) at the Headquarters, Deputy Commissioners of State Tax (DCSTs) at the divisional level and Assistant Commissioners of State Tax (ACSTs), State Tax Officers (STOs) and other allied staff at the district level. The authorities performing duties within jurisdictions as specified by the Government under the PVAT Act are called Designated Officers (DOs).

2.2 Results of audit

There were 39 auditable units in the Department consisting of 26 district offices of ACSTs and 13 mobile wings. Out of these, audit selected 37¹ units for test check during the year 2019-20. Audit of 34² units was conducted during 2019-20 and 03 units were not audited due to Covid-19 pandemic. Test check of 14,691 cases out of the total 39,683 cases of VAT assessment and refund showed excess allowance of input tax credit (ITC), non/short levy of output tax and other irregularities of ₹ 184.25 crore in 5,478 cases (0.93 per cent of receipt of ₹ 19,845.07 crore under VAT for the year under audit) which fell under the following categories:

Table 2.1: Results of Audit

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1.	Excess allowance/claim of ITC	33	9.38
2.	Non/short levy /output tax/Punjab infrastructure Development Fund	179	110.71
3.	Non/Short reversal of ITC/Short retention of ITC	45	12.69
4.	Non/Short levy of interest	69	46.75
5.	Other irregularities	5,152	4.72
Total		5,478	184.25

Source: Data prepared by office

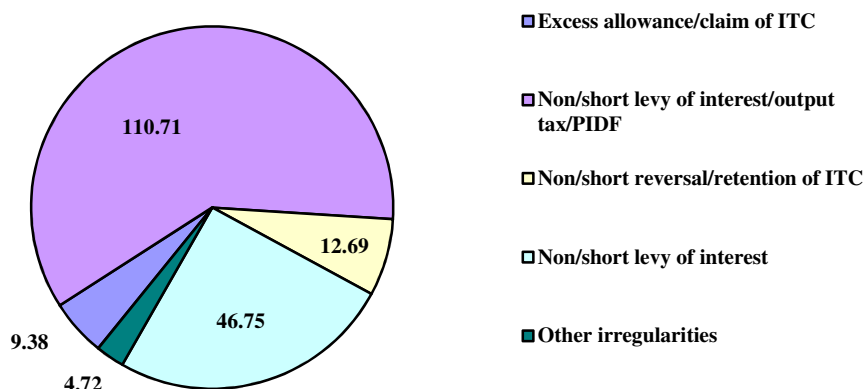
Category-wise audit findings noticed under Taxes/VAT on Sales and Trade are depicted in **Chart 2.1**.

¹ 26 district offices and 11 mobile wings

² 26 district offices and 08 mobile wings

Chart 2.1
Results of Audit

(₹ in crore)



Audit had pointed out similar omissions in the earlier years also. The Department accepted and recovered ₹ 36.48 lakh in 14 cases out of which ₹ 4.93 lakh in 03 cases pertained to 2019-20 and the rest pertained to earlier years.

Significant audit observations (07) having a financial implication of ₹ 37.70 crore in 38 cases are discussed in the following Paragraphs 2.3 to 2.9.

2.3 Non-levy of fee under Punjab Infrastructure (Development and Regulation) Act

In 16 assessment cases under seven Assistant Commissioners of State Tax, the Designated Officers did not levy fee of ₹ 32.54 crore under Punjab Infrastructure (Development and Regulation) Act 2002.

Section 25(1) of the Punjab Infrastructure (Development and Regulation) Act 2002 (PIDR Act), provides for levy of fee on sale or purchase of goods specified in Schedule III³ of the Act. Section 25(3) of the Act provides that the authorities empowered to assess and collect the tax under the Punjab Value Added Tax Act 2005 (PVAT Act) will also assess and collect the fee under the PIDR Act and the provisions of the PVAT Act relating to assessment and collection shall apply accordingly. The rate of fee on the agricultural produces was raised from two *per cent* to three *per cent* w.e.f. 24 September 2008 except for cotton for which the rate remained two *per cent*. Further, the Government, in September and November 2012, exempted fee on purchase of paddy to the extent rice⁴ from such paddy is exported, and in February 2014, exempted fee on purchase of

³ Petrol, Diesel and all agricultural produces as defined in Punjab Agricultural Produce Markets Act 1961 except fruits, vegetables and pulses. The fee is to be levied at first stage of sale or purchase, as the case may be, in the State of Punjab.

⁴ Clause regarding exemption from fee on non-basmati rice was added w.e.f. 25 September 2012 and that on basmati rice was added w.e.f. 07 November 2012.

cotton seed and cotton (ginned and un-ginned). The Government ordered (27 July 2017) that fee collected under the PIDR Act will be credited⁵ to the Consolidated Fund of State.

Scrutiny of records of seven⁶ Assistant Commissioners of State Tax, revealed that 16 dealers purchased paddy worth ₹ 953.14 crore at first stage⁷ during the period 2011-12 and cotton worth ₹ 197.47 crore during the period 2011-12 and 2012-13. The DOs, while assessing the cases (between May 2018 and November 2018), did not levy Punjab Infrastructure Development Fee of ₹ 32.54 crore,⁸ which was payable on the purchases for 2011-12 and 2012-13. This resulted in non-levy of Punjab Infrastructure Development Fee of ₹ 32.54 crore.

The matter was reported to the Government/Department (January and March 2021). The Department accepted the audit observation in respect of 15 cases involving ₹ 32.28 crore and levied the fee. In one case of Ferozepur involving amount of ₹ 0.26 crore, the Department stated that the unit was export oriented unit and the dealer had exported more than 90 *per cent* of rice produced from paddy. Hence, fee under PIDR Act was not leviable in that case.

The reply in respect of ACST Ferozepur is not acceptable as exemption from payment of fee under PIDR Act in case of export of rice became available w.e.f. November 2012 i.e. 2012-13 whereas the instant case pertains to 2011-12. Hence, the exemption was not available in this case.

The Government may direct the Department to recover fee of ₹ 32.54 crore in the pointed-out cases.

2.4 Inadmissible allowance of concession of tax

Designated Officer (ACST Sangrur) allowed the concession of applicable tax in four assessment cases without ensuring the validity of statutory declaration forms ('C' and 'F' forms) which resulted in inadmissible allowance of concession of ₹ 0.32 crore.

Section 6A and Section 8 of Central Sales Tax (CST) Act 1956 read with Rule 12 of CST Rules provides that exemption /concession of central sales tax in case of branch transfer/interstate sale is not available to a registered dealer unless he furnishes to the assessing authority, declarations in Form 'C' (for claiming concession of tax on interstate sale) and 'F' (for claiming exemption from tax on branch transfer) obtained from the prescribed authority of the concerned State. Further, Section 9(2) and Rule 2(cc) of CST Act/Rules provide that prescribed authority in this case is the sale tax authority of the appropriate State.

⁵ Before 27 July 2017, the fee was credited to a Development Fund called Punjab Infrastructure Development Fund, created under PIDR Act.

⁶ Bathinda, Faridkot, Fazilka, Ferozepur, Mansa, Muktsar and Sangrur

⁷ First stage of purchase means purchase made from farmers either directly or through *arhtia* (commission agent)

⁸ ₹ 3.95 crore (two *per cent* of ₹ 197.47 crore of cotton) + ₹ 28.59 crore (three *per cent* of ₹ 953.14 crore of paddy)

Scrutiny of four assessment cases for 2011-12 and 2012-13, assessed in 2018-19 and 2019-20 under Assistant Commissioner of State Tax (ACST) Sangrur, revealed that three dealers claimed exemption /concession of central sales tax on branch transfer/interstate sale of goods worth ₹ 25.95 crore and submitted declaration forms 'F/C'. However, on cross verification with issuing authority of the concerned State (Chandigarh, Haryana and New Delhi), audit noticed that 12 'C' forms and four 'F' forms covering goods worth ₹ 8.39 crore were not issued by the prescribed authority of the concerned State and hence were not genuine. However, Designated Officers allowed the exemption/concession of ₹ 0.32 crore without ensuring that these forms were issued by the prescribed authority. This resulted in inadmissible allowance of exemption/concession of tax of ₹ 0.32 crore. Department should investigate the matter and responsibility may be fixed.

The matter was reported to the Government and Department (between August 2019 and April 2021). The Department accepted the audit observation in two cases and issued rectification order; reply in respect of remaining two cases was awaited.

The Government may direct the Department to investigate the source of induction and circulation of fake statutory declaration forms and recover tax of ₹ 0.32 crore in the assessment cases referred to in this para.

2.5 Non-levy of surcharge on tax

In Assistant Commissioner of State Tax Jalandhar-II, the Designated Officers short levied output tax of ₹9.27 lakh due to non-levy of surcharge on tax amount.

Section 8-B of PVAT Act 2005 provides for levy of surcharge at the rate of 10 *per cent* of tax payable under the Act. Section 8(2) of Central Sales Tax Act 1956 read with Section 8(1) of the CST Act and Rule 12 of CST Rules provides that in case of interstate sale not supported with statutory declarations, the tax payable by a dealer on such sale shall be at the rate applicable to sale or purchase of such goods inside the appropriate State under the sales tax law of that State.

Audit scrutiny of the records of Assistant Commissioner of State Tax Jalandhar-II revealed that, in two assessment cases for 2011-12 and 2014-15, the Designated Officers omitted to levy surcharge at the rate of 10 *per cent* of tax amount of ₹ 92.66 lakh resulting in non-levy of surcharge of ₹ 9.27 lakh.

The matter was brought to the notice of the Department and the Government (February 2021). The Department replied in one case involving amount of ₹ 1.50 lakh that the surcharge was correctly levied and, in another case of ₹ 7.77 lakh, rectification order has been issued and surcharge has been levied (August 2019).

The reply of the Department that in one case of ₹ 1.50 lakh, the surcharge was correctly levied is not tenable as surcharge was levied only on output tax on

local sale. Surcharge was not levied on interstate sale though the tax was calculated at the rate applicable to sale within State due to non-submission of statutory declaration.

Government may direct the Department to recover the tax of ₹ 9.27 lakh in the two cases referred to in this paragraph.

2.6 Short reversal of input tax credit

A) On tax-free sale

In three assessment cases under three Assistant Commissioners of State Tax, the Designated Officers reversed input tax credit of ₹0.29 crore from the available input tax credit of ₹ 1.27 crore, whereas ₹ 0.71 crore was required to be reversed on account of sale of tax-free goods worth ₹ 24.70 crore. This resulted in short reversal of input tax credit of ₹0.42 crore.

Section 13 of the Punjab VAT Act 2005 provides that VAT paid on local purchase of goods is available as input tax credit. Section 13-A of the Act provides that the entry tax⁹ paid would be admissible as input tax credit subject to the provisions of the Act. Section 13(5)(h) of the Act provides that a taxable person shall not qualify for input tax credit on goods used in manufacture, processing or packing of tax-free goods and proportionate input tax credit is required to be reversed.

Scrutiny of assessment cases of three¹⁰ Assistant Commissioners of State Tax (ACSTs) revealed that three dealers sold goods worth ₹ 37.33 crore during 2011-12 and 2016-17. Out of total sale of ₹ 37.33 crore, ₹ 24.70 crore was on account of sale of tax-free goods. Input tax credit of ₹ 1.27 crore was availed by the dealers on account of VAT paid on local purchases and entry tax paid on interstate purchases. The dealers were not eligible for input tax credit of ₹ 0.71 crore availed on goods consumed in manufacturing of tax-free goods and the Designated Officers were required to reverse input tax credit of ₹ 0.71 crore at the time of assessment. However, the Designated Officers reversed input tax credit of ₹ 0.29 crore only. This resulted in short reversal of input tax credit of ₹ 0.42 crore.

The matter was reported to the Department and the Government (January and March 2021); the Department replied that reversal of entry tax was not required to be made in view of provisions contained in Section 3(6) of Punjab Tax on Entry of Goods into Local Area Act 2000. The provisions of Section 13(4) and Section 13(5) apply to ITC of tax paid on local purchases and do not apply to entry tax which is paid on interstate purchases.

The reply of the Department is not acceptable as Section 3(6) states that reduction from tax was available where the dealer was liable to tax under PVAT

⁹ Entry tax is tax paid to the State of Punjab at the time of entry of goods into the State of Punjab.

¹⁰ Amritsar-I, Ludhiana-II and Ludhiana-III

Act. In the instant case, the dealer manufactured tax-free goods by using goods purchased from out of state on which entry tax was paid. Since, the dealer did not become liable to tax under PVAT Act due to manufacture of tax-free goods, the entry tax was not admissible as input tax credit. Further, Section 13-A clearly provides that admissibility of entry tax as input tax credit is subject to the provisions of the Act. Hence, provisions of Section 13(4) and Section 13(5) apply to input tax credit of entry tax also. Moreover, in one case of ACST Ludhiana-II, audit observation is in respect of input tax credit on local purchases for which no reply was furnished by the Department.

B) On concessional interstate sale

In Assistant Commissioner of State Tax Bathinda, the Designated Officer made short reversal of input tax credit on Schedule-H items consumed in manufacture of goods that were sold interstate at concessional rate of tax which resulted in excess allowance of input tax credit of ₹14.54 lakh.

Section 13(1) of Punjab Value Added Tax (PVAT) Act 2005 provides that VAT paid on local purchase of goods is available as input tax credit. Section 19(4) of the Act provides that purchase tax paid by a taxable person shall be admissible as input tax credit. Section 19(5) of the Act provides that input tax credit on goods specified in Schedule 'H'¹¹ or products made therefrom when sold in the course of inter-state trade or commerce, shall be available only to the extent of Central Sales Tax chargeable under the Central Sales Tax Act 1956.

Scrutiny of assessment records of Assistant Commissioner of State Tax (ACST) Bathinda revealed that a dealer purchased Schedule-H goods (cotton/*narma*) worth ₹ 78.78 crore¹² from within the State and ₹ 0.74 crore from outside the State of Punjab during 2011-12. The case was assessed in November 2018. Gross sale of the dealer was ₹ 106.83 crore, of which ₹ 16.82 crore was in the course of inter-state sales, on which Central Sales Tax of ₹ 33.64 lakh at the concessional rate of two *per cent* was paid. Audit calculated the input tax credit availed on local purchase of cotton/*narma* used in manufacture of goods for interstate sale. It was found that cotton/*narma* worth ₹ 11.34 crore was consumed in manufacture of goods that were sold interstate for ₹ 16.82 crore at concessional rate of tax. Input tax credit of ₹ 49.91 lakh¹³ was availed on value of cotton consumed in manufacture of goods sold interstate whereas the dealer was eligible for input tax credit of ₹ 33.64 lakh. The Designated Officer was required to reverse input tax credit of ₹ 16.28 lakh whereas only ₹ 1.73 lakh was reversed. This resulted in excess allowance of input tax credit of ₹ 14.54 lakh.

¹¹ Paddy, Wheat, Cotton, Sugarcane and Milk

¹² ₹ 65.58 crore under Section 19(1) + ₹ 13.20 crore under Section 13(1)

¹³ 4.40 *per cent* of ₹ 11.34 crore

The matter was reported (January and March 2021) to the Government/Department. The Department intimated that rectification of assessment order is under process.

The Government may direct the Department to recover tax of ₹ 14.54 lakh as referred to in the para.

2.7 Non/Short levy of interest

Application of incorrect provision relating to levy of interest in assessment orders by six ACSTs, resulted in short levy of interest of ₹ 3.83 crore in six cases.

Section 32(1) of the PVAT Act 2005 provides that if a person fails to pay the amount of tax due from him as per provisions of this Act, he shall be liable to pay simple interest on the amount of tax at the rate of half *per cent* per month from the due date of payment till the date he actually pays the amount of tax. Further, Section 32(3) provides that if a person fails to declare the amount of tax in a return, which should have been declared, such a person shall be liable to pay simple interest at the rate of one and half *per cent* per month on such amount of tax from the due date of payment till the date he actually pays such amount of tax. Further, Section 9(2B) of the CST Act 1956 provides that all the provisions of the sales tax law of each State relating to due date for payment of tax, rate of interest, assessment and collection of interest for delayed payment of tax, shall apply in relation to tax due under the CST Act.

Scrutiny of records of six¹⁴ Assistant Commissioners of State Tax (ACSTs) during 2019-20, revealed that six dealers declared interstate sale/branch transfer of taxable goods in their annual returns for the period from 2011-12 to 2014-15 and availed concession/exemption from Central Sales Tax. The dealers were required to avail concession/exemption from tax on the basis of statutory declarations available with them and declare due tax in the returns accordingly. However, at the time of assessment, the dealers failed to produce the statutory declarations in respect of the transactions on which concession/exemption from tax had been already availed. Thus, the dealers failed to declare the amount of due tax in their annual returns. While assessing the cases, the Designated Officers (DOs) raised additional tax demands of ₹ 4.03 crore. However, in three cases pertaining to three¹⁵ ACSTs, the DO levied interest of ₹ 0.84 crore at the rate of 0.5 *per cent* per month instead of applicable interest of ₹ 4.36 crore at the rate of 1.5 *per cent* per month. In the remaining three cases under three¹⁶ ACSTs, the DOs did not levy any interest, whereas interest of ₹ 0.31 crore was leviable at the rate of 1.5 *per cent* per month. This resulted in short levy of interest of ₹ 3.83 crore¹⁷.

¹⁴ Bathinda, Jalandhar-II, Ludhiana-I, Ludhiana-II, Ludhiana-III and SAS Nagar (Mohali)

¹⁵ Jalandhar-II, Ludhiana-I, and SAS Nagar (Mohali)

¹⁶ Bathinda, Ludhiana-II and Ludhiana-III

¹⁷ (₹ 4.36 crore - ₹ 0.84 crore) + ₹ 0.31 crore = ₹ 3.83 crore

The matter was reported to the Government/Department (December 2020 and January 2021). The Department replied that in case of non/short submission of statutory forms, transaction was duly declared and the dealer had *bona-fide* belief that he will be able to produce statutory forms. Since Section 32 (3) has an element of penal interest inherent in it and it can be applied only in case *mala-fide* is proven, this section is not applicable in such cases.

The reply of the Department is not acceptable as provisions regarding submission of statutory forms are clear. Thus, non-declaration of tax in annual return on short statutory forms is tantamount to failure in declaration of due tax. Similar view was adopted by Karnataka High Court in its decision dated 5 November 2014 in case of Fosroc Chemical India Private Limited v/s State of Karnataka. Hence, in these cases, interest under Section 32(3) was chargeable at the rate of 1.5 *per cent* per month. Similar findings were also included in earlier Reports of the year 2017-18 and 2018-19.

The Government may direct the Department to recover interest of ₹ 3.83 crore in six cases.

2.8 Inadmissible input tax credit of entry tax on furnace oil, lubricants and diesel

In three Assistant Commissioner of State Tax offices, the Designated Officers, in six assessment cases of four dealers, did not reverse input tax credit of ₹34.83 lakh on entry tax paid on furnace oil, lubricants and diesel.

Section 13(4) of the Punjab Value Added Tax (PVAT) Act 2005 provides that input tax credit on furnace oil, lubricants etc. shall be allowed only to the extent by which the amount of tax paid in the State exceeds a specific rate¹⁸. The ITC was required to be reversed at the rate of four *per cent* up to 3 December 2012 and five *per cent* from 4 December 2012 onwards. Section 13(5)(b) provides that input tax credit on diesel shall not be available unless the selling dealer is in the business of selling of such products. Further, Section 13-A of the Act provides that entry tax¹⁹ paid on interstate purchases of goods will be available as input tax credit subject to the provisions of the Act. Section 13(1-A)²⁰ provided that the tax collected in advance under sub-section(7) of Section 6 shall be treated as input tax credit.

¹⁸ Rates of entry tax

Date	Rate of entry tax on Furnace oil (in <i>per cent</i>)	Rate of entry tax on Lubricants (in <i>per cent</i>)	Rate of entry tax on Diesel (in <i>per cent</i>)	Rate of reversal of entry tax u/s 13(4) of PVAT Act (in <i>per cent</i>)
Up to 17 Sep 2012	4	12.5	8.80	4
18 Sep 2012 to 03 Dec 2012	4.5	13	8.75	4
04 Dec 2012 to 03 Oct 2013	4.5	13	8.75	5

¹⁹ Government of Punjab exempted taxable persons registered under Punjab VAT Act 2005 from payment of entry tax w.e.f. 4 October 2013 (Notification No.-S.O.89/P.A.9/2000/S.3-A/2013 dated 4 October 2013). However, at the same time, Government levied advance VAT under Section 6(7) of Punjab VAT Act w.e.f. 4 October 2013 on all items on which entry tax was leviable (Notification No.-S.O.90/P.A.8/2005/S.6/2013 dated 4 October 2013).

²⁰ Omitted w.e.f. 4 October 2013

Scrutiny of six assessment cases (2019-20) for the years 2010-11 to 2013-14 under three²¹ Assistant Commissioners of State Tax revealed that four dealers availed input tax credit of ₹ 61.44 lakh on account of entry tax paid on interstate purchase of furnace oil, lubricants and diesel valuing ₹ 8.07 crore. Since availability of entry tax as input tax credit was subject to the provisions of the Punjab VAT Act, the provision of reversal of input tax credit under Section 13(4) was also applicable to input tax credit on account of entry tax. Out of ₹ 61.44 lakh, entry tax of ₹ 38.35 lakh was not available as input tax credit as per provisions, *ibid* and was required to be disallowed during assessment. However, the Designated Officer disallowed input tax credit of ₹ 3.52 lakh only. The omission resulted in inadmissible allowance of input tax credit of ₹ 34.83 lakh.

The matter was reported to Government/Department (June 2019 and January 2021); the Department replied that reversal of entry tax was not required to be made in view of provisions contained in Section 3(6) of Punjab Tax on Entry of Goods into Local Area Act 2000. The provisions of Section 13(4) and Section 13(5) apply to ITC of tax paid on local purchases and do not apply to entry tax which is paid on interstate purchases.

The reply of the Department that Section 13(4) and Section 13(5) do not apply to entry tax is not acceptable as Section 13-A clearly provides that admissibility of entry tax as input tax credit is subject to the provisions of the Act. Hence, provisions of Section 13(4) and Section 13(5) apply to input tax credit of entry tax also.

The Government may direct the Department to recover tax of ₹ 34.83 lakh in these six cases.

2.9 Irregular release of detained vehicles

Mobile wings under two Assistant Commissioners of State Tax released detained vehicles, in 43 cases, without ensuring payment of tax/penalty of ₹ 77.03 lakh in Government account. Recovery of ₹ 70.76 lakh was made after audit observation and ₹ 6.27 lakh was pending for recovery.

Section 129 of Central/State Goods and Services Tax (GST) Act provides that where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the rules made there under, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released on payment of the applicable tax/penalty/fine etc. As per Section 73 of the Act, tax officer is required to verify the payment received from the tax payer and shall issue notice to tax payer in case such amount paid falls short of the amount actually payable. Further, payment of tax, interest or penalty in GST regime is

²¹ Ludhiana-I, Ludhiana-II and SAS Nagar (Mohali)

to be made by a dealer through electronic cash ledger. For this, a dealer may deposit requisite amount to electronic cash ledger and amount available in the electronic cash ledger may be used for making any payment in the prescribed form²² towards tax, interest, penalty, fees or any other amount payable.

Scrutiny of records of mobile wings relating to detention of vehicles and levy of penalty during 2017-19 under two²³ Assistant Commissioners of State Tax (ACSTs) revealed that in 43 cases of detention of vehicles, the State Tax Officer cum Proper Officer levied tax/penalty of ₹ 77.03 lakh and issued demand notices manually. Before releasing the vehicles/goods, the State Tax Officer was required to verify that the dealers had credited the tax/penalty of ₹ 77.03 lakh in the Government account by debiting their electronic cash ledgers. However, these vehicles were released after the dealers had deposited the amount equal to the amount of tax/penalty in their electronic cash ledgers but further debit to electronic cash ledger and credit to Government account through DRC-03 was not made. Release of vehicles by State Tax Officer without verifying credit of tax/penalty to Government account was in violation of the provision of Section 129 *ibid* and resulted in non-realisation of tax/penalty of ₹ 77.03 lakh²⁴.

The matter was reported to Department and Government (January and March 2021). The Department intimated that facility to set off through DRC-07 was made functional in the month of February, 2019. While facility of DRC-03 was available sometime earlier, the same was not in the notice of enforcement officers. Enforcement officers started using DRC-03 from December, 2018 onwards. There were other issues in set-off including the issue of transfer of enforcement officers who had left before the functionality came into existence. Orders were passed by Additional CST-1 for set off of all pending cases. Most of the cases were set off except some cases, where the record was not-traceable or there were issues due to transfer of charges. Amounts of ₹ 4.33 lakh in ACST Fazilka and ₹ 1.94 lakh in ACST Chandigarh-II are pending to be set off. Recovery in remaining cases have been made by setting off the amounts with cash/credit ledger.

Government may direct the Department to recover the balance tax/penalty of ₹ 6.27 lakh from the dealers as per provisions of Central/State GST, Act.

²² Form GST DRC-03 is a digital intimation of payment made by the taxpayer voluntarily or made against show cause notice towards tax/interest/penalty liability.

²³ Chandigarh-II and Fazilka

²⁴ ACST Fazilka - ₹ 48.87 lakh and ACST Chandigarh II - ₹ 28.16 lakh

Chapter-III

State Excise

Chapter-III State Excise

3.1 Tax administration

The Financial Commissioner Taxation and the Principal Secretary to the Government of Punjab is overall in-charge of the Excise and Taxation Department. The administration of the Punjab Excise Act 1914, is carried out by Additional Excise and Taxation Commissioner at Patiala and six Deputy Excise and Taxation Commissioners (DETCs) at Amritsar, Faridkot, Ferozepur, Jalandhar, Ludhiana and Patiala. Twenty six Assistant Excise and Taxation Commissioners (AETCs), assisted by Excise and Taxation Officers (ETOs) and other allied staff monitor the work at the district level.

3.2 Results of audit

There were 69 auditable units in the Department consisting of 26 district offices of AETCs and 43 distilleries/breweries and other units. Out of these, audit selected 58¹ units for test check during the year 2019-20. Audit of 56² units was conducted during 2019-20 and 02 units could not be audited due to Covid-19 pandemic. There were 783 groups under the district offices for which records relating to receipt of license fee were maintained. Test check of records showed irregularities of ₹ 33.90 crore in 1,731 cases (0.67 per cent of ₹ 5,072.40 crore of receipt under State Excise for the year 2018-19) as detailed in **Table 3.1** below:

Table 3.1: Results of audit

(₹ in crore)

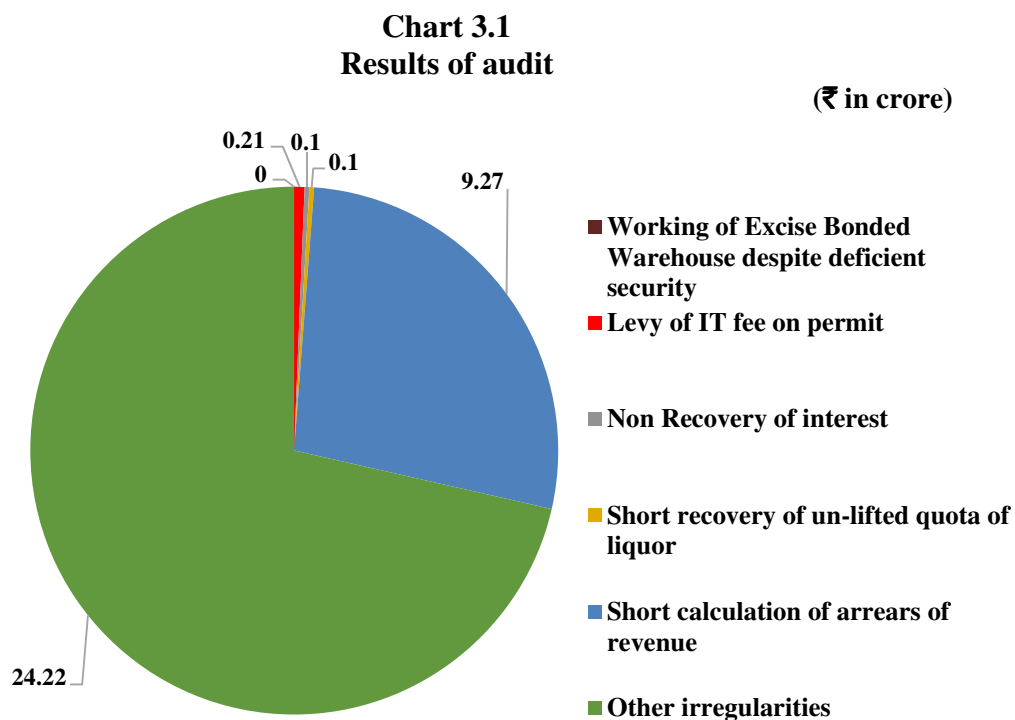
Sl. No.	Categories	No. of cases	Amount
1.	Working of Excise Bonded Warehouse despite deficient security	5	0
2.	Levy of IT fee on permit	38	0.21
3.	Non-recovery of interest	81	0.10
4.	Short recovery of un-lifted quota of liquor	8	0.10
5.	Short calculation of arrears of revenue	34	9.27
6.	Other irregularities	1,565	24.22
Total		1,731	33.90

Source: Data prepared by office

¹ 26 district offices and 32 others units

² 26 district offices and 30 others units

Category-wise audit findings noticed under State Excise are depicted in Chart 3.1.



Source: Data prepared by office

In 2019-20, the Department accepted and recovered ₹ 1.97 crore in 13 cases pertained to previous years.

An illustrative audit observation having a financial implication of ₹ 3.49 crore in 22 cases is discussed in the following Paragraph 3.3.

3.3 Short declaration of excise arrear

Assistant Excise and Taxation Commissioners Faridkot and Pathankot did not pursue recovery of ₹ 3.49 crore from licensees of 22 retail vends on account of non-payment of assessed fee and extra license fee on un-lifted quota of Beer and Indian Made Foreign Liquor respectively and consequently short declared arrear of revenue by ₹ 3.49 crore.

The Punjab Liquor License (Amendment) Rules 2016 (PLLR) provided for levy of excise duty on liquor³ in the form of fixed license fee and other levies viz. special license fee, additional license fee, extra license fee and assessed fee. Fixed license fee was payable at the level of retail licensee⁴ whereas other levies i.e., special license fee, additional license fee, extra license fee and assessed fee were payable at the level of wholesale licensee. However, Rule 25(3) of the

³ Punjab Medium Liquor (PML), Indian Made Foreign Liquor (IMFL), Imported Foreign Liquor (IFL) and Beer.

⁴ Wholesale licensee consisted of License L-1 for IMFL, IFL and Beer including Bottled in Origin (BIO) brands and License L-13 for PML. Retail licensee consisted of License L-2 for IMFL, IFL and Beer and L-14A for PML.

PLLR provided that in case of non-lifting of quota of liquor from wholesale licensee, the retail licensee was liable to pay all excise levies on un-lifted quota of liquor.

Audit scrutiny (January and March 2020) of the records of two⁵ Assistant Excise and Taxation Commissioners (AETCs) revealed that annual quota of Indian Made Foreign Liquor (IMFL) and Beer for the year 2016-17 was allocated as 18,96,410 proof litre⁶ and 16,96,483 bulk litre⁷ respectively. Out of total annual quota, 6,24,634.08 proof litre IMFL and 5,07,209.30 bulk litre beer was not lifted by licensees of 22⁸ out of 46⁹ retail vends and the licensees did not pay fixed license fee and other levies (special license fee, additional license fee, extra license fee and assessed fee) on quota of liquor not lifted. The Department pursued recovery of fixed license fee, special license fee and additional license fee and declared ₹ 26.03 crore¹⁰ as arrears recoverable from licensees of these 22 vends. However, audit observed that the Department did not include extra license fee of ₹ 2.37 crore for IMFL and assessed fee of ₹ 1.12 crore for beer in arrears which were payable by the licensees of 22 vends at prescribed rates¹¹ on un-lifted quota of liquor under Rule 25(3), *ibid*. The omission resulted in short declaration of excise arrear by ₹ 3.49 crore.

On this being pointed out, the Department declared ₹ 3.49 crore as arrear of revenue (September 2020 and November 2020).

The matter was reported to the Government and Department (March 2021). The AETC Faridkot intimated that an amount of ₹ 0.15 crore has been recovered and correspondence is being made with licensees for recovery of remaining amount (May 2021). Reply of the Government was awaited (May 2021).

The Department may ensure that omissions as pointed out in this para do not recur.

⁵ Faridkot and Pathankot

⁶ One case containing nine litres of 75-degree strength IMFL (12 bottles of 750 ml each) is equal to 6.75 Proof Litre of alcohol.

⁷ One Bulk Litre = One litre

⁸ Faridkot – 16, Pathankot – 6

⁹ Faridkot- 24, Pathankot- 22

¹⁰ Faridkot – ₹ 4.78 crore, Pathankot – ₹ 21.25 crore

¹¹ Assessed Fee ₹ 22 per BL for Beer and Extra License Fee ₹ 38 per PL for IMFL

Chapter-IV

Stamp Duty

Chapter-IV Stamp Duty

4.1 Tax administration

The State Government exercises control over the registration of instruments through the Inspector General of Registration, who is assisted by the Deputy Commissioners (Collectors), Tehsildars and Naib-Tehsildars acting as Registrars, Sub-Registrars (SRs) and Joint Sub-Registrars (JSRs) respectively. The Registrars exercise superintendence and control over the SRs and JSRs of the district. For the purpose of levy and collection of Stamp Duty and Registration Fee, the State has been divided into five Divisions and 22 Districts.

The value of property mentioned in the sale deed or the minimum market rate prescribed by the Collector, whichever is higher, is considered for levy of Stamp Duty and Registration Fee on transfer of properties. Following taxes/fees/cess are leviable at the time of executing an instrument:

- Stamp duty at the rate of five *per cent*;
- Additional Stamp Duty for Social Security Fund (SSF) at the rate of three *per cent* for transfer of properties situated within a Municipality/ Corporation/within an area of five kilometers from the outer limit of a Municipality/Corporation. However, this levy was suspended w.e.f 28 August 2017,
- Social Infrastructure Cess (SIC) at the rate of one *per cent*;
- Registration Fee (RF) is at the rate of one *per cent* subject to maximum of ₹ 2 lakh and;
- Infrastructure Development Fee (IDF) at the rate of one *per cent*.

4.2 Results of audit

Test check of the records of 110 units out of 178 auditable units of the Department revealed non/short levy of stamp duty due to misclassification/undervaluation and other irregularities of ₹ 21.15 crore in 8,080 cases. Beside regular audit, SSCA on “Remission of Stamp Duty and Registration Fee” was also conducted which brought out irregularities involving ₹ 279.55 crore in 76,347 cases. The results of audit involved ₹ 300.70 crore (13.09 *per cent* of receipt of ₹ 2,297.54 crore under stamp duty for 2018-19) in 84,427 cases, as mentioned in the **Table 4.1**.

Table 4.1
Results of audit

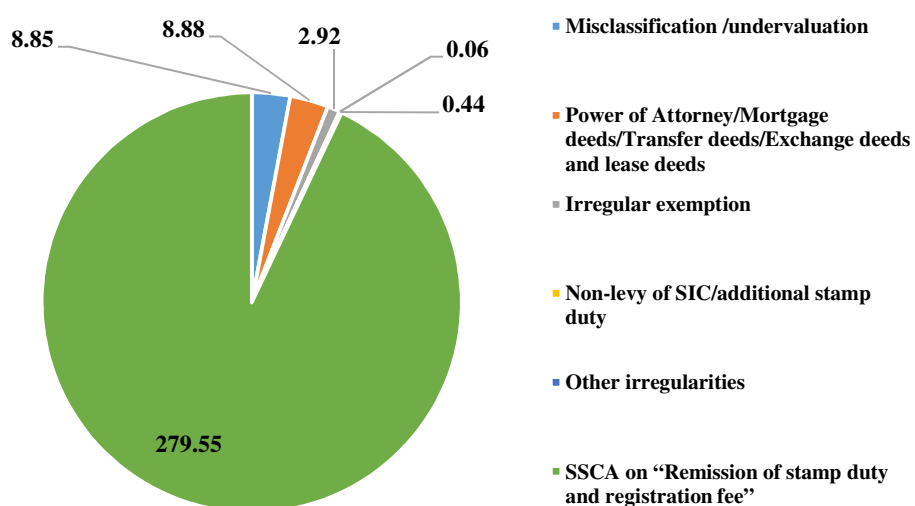
Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Non/short levy of stamp duty due to misclassification/undervaluation	558	8.85
2	Non-levy of Stamp Duty on Power of Attorney/Mortgage deeds/transfer deeds/Exchange deeds and lease deeds	6,410	8.88
3	Irregular exemption/remission of Stamp Duty and Registration Fee.	1,033	2.92
4	Non-levy of Social Infrastructure Cess (SIC)/additional stamp duty	8	0.06
5	Other irregularities	71	0.44
6	Subject specific compliance audit on “Remission of stamp duty and registration fee”	76,347	279.55
Total		84,427	300.70

Source: Data prepared by office

Category-wise audit findings noticed in audit under stamp duty are depicted in Chart 4.1.

Chart 4.1

(₹ in crore)



Source: Data prepared by office

Audit had pointed out similar omissions in the earlier years also, and these irregularities persisted during 2019-20 as well. The Department recovered ₹ 5.22 crore in 2,505 cases related to previous years.

Significant audit observations (04) having financial implication of ₹ 292.05 crore in 76,413 cases are discussed in the following Paragraphs 4.3 to 4.6.

4.3 Short levy of Stamp Duty on Power of Attorney

Joint Sub-Registrar Majri did not levy stamp duty at the rate of six per cent, as applicable to conveyance, on a power of attorney given for consideration of ₹125.39 crore and authorising the attorney to sell immovable property resulting in short levy of stamp duty of ₹7.52 crore.

The Supreme Court of India observed¹ (May 2009) that power of attorney sales are resorted to by the persons, *inter alia*, who deal in real estate to avoid multiple stamp duties/registration fees so as to increase their profit margin. The Court observed that the situation warranted special measures. Thereafter, the Punjab Government amended (October 2016) Entry 48 (f) of schedule 1-A of the Indian Stamp Act 1899 as applicable to Punjab and levied stamp duty on power of attorney at the rate as applicable to conveyances (Entry 23), when the power of attorney is given for consideration and the attorney is authorized to sell any immovable property.

Scrutiny of the records of Joint Sub-Registrar (JSR), Majri for 2017-18 revealed that a developer entered into a joint development agreement² with a land owner on 4 April 2017. The land owner, by virtue of this agreement, transferred his rights in respect of the said land to the developer and authorized the developer to develop, construct, market and sell flats/apartments/commercial spaces as per the developer's choice without requiring any consent from the land owner. Consideration of ₹ 125.39 crore was fixed in the joint development agreement in lieu of grant of such rights in respect of the land to the developer. Thereafter, a General Power of Attorney (GPA) was executed (17 July 2017) which inter-alia authorized the attorney (developer) to sell the flats/apartments/commercial spaces i.e. immovable property. While registering the power of attorney (18 July 2017), the Joint Sub-Registrar was required to levy stamp duty of ₹ 7.52 crore at the rate of six³ per cent on ₹ 125.39 crore as applicable to conveyance. However, the JSR registered the power of attorney by levying stamp duty of only ₹ 1,000. The omission resulted in short levy of stamp duty of ₹ 7.52 crore.

The matter was brought to the notice of the Department and the Government (July and December 2020); their replies were awaited.

The Government may direct the Department to fix the responsibility for the omission and recover Stamp Duty of ₹ 7.52 crore in respect of the power of attorney referred to in this para and ensure that stamp duty on such power of attorneys is invariably levied as per the notification.

¹ SLP (C) No. 5804 of 2009

² Executed in April, 2017 but registered in March, 2019.

³ Five per cent stamp duty and one per cent social infrastructure cess

4.4 Short levy of stamp duty, registration fee and infrastructure development fee due to misclassification of properties

Stamp duty, registration fee and infrastructure development fee of ₹ 4.85 crore in 64 cases was short levied by 20 Sub-Registrars/Joint Sub-Registrars due to misclassification of non-agricultural properties as agricultural properties and incorrect application of collector's rates.

Rule 3-A of the Punjab Stamp (Dealing of Under-valued Instruments) Rules 1983 empowers the Collector of a district to fix the minimum market value of land/properties located in the district, locality-wise and category-wise and convey the same to the Registering Officer(s) for the purpose of levying of stamp duty and registration fee on instruments of transfer of property. In exercise of these powers, the Collectors fix rates (Collector's rate) for arriving at minimum market value of various types of land and property in the district. The rates are generally updated each year.

Scrutiny of the records of 20⁴ Sub Registrars/Joint Sub-Registrars revealed that 64 instruments of transfer of properties, valued at ₹ 23.73 crore were registered by applying rates for agricultural properties, and stamp duty, registration fee and infrastructure development fee of ₹ 2.26 crore was levied. However, the category of these properties was residential/commercial at the time of registration as per revenue records (*girdawaril/jamabandi*) or the properties fell in such locations for which higher rates were prescribed in the rate list. The properties, as per their categories mentioned in the revenue records, were required to be valued at ₹ 78.84 crore and stamp duty, registration fee and infrastructure development fee of ₹ 7.11 crore was required to be levied. The misclassification of properties resulted in short levy of stamp duty, registration fee and infrastructure development fee of ₹ 4.85 crore⁵.

The matter was brought to the notice of the Department and the Government (between February 2019, November and December 2020). The Department intimated (April 2021) that recovery of ₹ 0.27 crore in six cases of four⁶ SR/JSR had been made. Recovery order in six cases of two⁷ SR/JSR involving ₹ 0.18 crore had been issued. 42 cases of 14⁸ SRs/JSRs were sent/being sent for decision by respective Addl. Deputy Commissioners u/s 47A. Efforts for recovery of ₹ 0.14 crore, under Section 82 and 83 of the Registration Act 1908, in two cases of JSR Macchiwara were being made. Reply in remaining eight cases of Sub-Registrars Majri and Mohali was awaited (May 2021).

⁴ Amargarh (4), Amritsar-I (4), Amritsar-II (3), Attari (2), Bathinda (2), Fatehgarhsahib (3), Jalandhar-I (1), Kharar (2), Ludhiana (East) (1), Ludhiana (South Central) (4), Ludhiana (West) (10), Machhiwara (2), Majri (4), Mansa (7), Mohali (4), Morinda (3), Mullanpur Dakhan (1), Patran (1), Sahnewal (3) and Zirakpur (3)

⁵ Stamp duty (₹ 3.89 crore), Registration Fee (₹ 0.42 crore), Infrastructure Development Fee (₹ 0.54 crore)

⁶ Amargarh (1), Ludhiana (East) (1), Mansa (2) and Sahnewal (2)

⁷ Amargarh (3) and Fatehgarh Sahib (3)

⁸ Amritsar-I (4), Amritsar-II (3), Attari (2), Bathinda (2), Jalandhar-I (1), Kharar (2), Ludhiana (South Central) (4), Ludhiana (West) (10), Mansa (5), Morinda (3), Mullanpur Dakhan (1), Patran (1), Sahnewal (1) and Zirakpur (3)

The Government may direct the Department to ensure that the Stamp Duty and Registration fee are levied as per the category of the land shown in the revenue records.

4.5 Short levy of Stamp Duty on agreement to sell

Joint Sub-Registrar Majri levied stamp duty of ₹0.04 lakh on an agreement to sell whereas stamp duty and Social Infrastructure Cess (SIC) of ₹12.60 lakh was required to be levied in accordance with Entry 5(CC) of Schedule I-A of Indian Stamp Act 1899, resulting in short levy of stamp duty and SIC of ₹12.56 lakh.

Entry 5 (CC) of the Schedule 1-A of Indian Stamp Act 1899 provides that if an agreement to sell an immovable property is followed by or evidences delivery of possession of the property agreed to be sold, stamp duty (SD) is chargeable at the same rate as is applicable for conveyance which amounts to sale of immovable property. Further, Social Infrastructure Cess (SIC) is also leviable at the rate of one *per cent* of the value of property.

Scrutiny of the records (June 2019) of the Joint Sub-Registrar (JSR) Majri revealed that the JSR registered (March 2019) an agreement to sell by levying SD of ₹ 0.04 lakh whereas the agreement evidenced delivery of possession of the property by the selling party to the purchasing party on receipt of amount of ₹ 2.10 crore. Hence, the agreement to sell was covered under Entry 5(CC) of Schedule I-A, *ibid* and the JSR was required to levy SD and SIC of ₹ 12.60 lakh⁹ at the time of registration. The omission resulted in short levy of SD and SIC of ₹ 12.56 lakh.

The matter was brought to the notice of the Department and the Government (July and December 2020). The Department intimated (April 2021) that the case had been sent to Addl. Deputy Commissioner, SAS Nagar for decision under Section 47-A of Indian Stamp Act 1899.

The Government may direct the Department to recover short levied stamp duty and SIC of ₹ 12.56 lakh (stamp duty ₹ 10.46 lakh and SIC ₹ 2.10 lakh) in respect of the agreement to sell referred to in this para.

⁹ SD of ₹ 10.50 lakh (five *per cent* of ₹ 2.10 crore) and SIC of ₹ 2.10 lakh (one *per cent* of ₹ 2.10 crore)

4.6 Remissions from payment of Stamp Duty and Registration Fee

The legislative intent behind remission of additional stamp duty was distorted by unauthorisedly extending time-limit of remission beyond the period prescribed by the Indian Stamp (Punjab Amendment) Act, 2017. Instances of remission of stamp duty and registration fee to charitable institutions without passing specific order and cases of remission of stamp duty to mega projects without obtaining eligibility certificate were noticed. Stamp duty under land pooling scheme and registration fee to an industrial park were remitted without issuing any notification in this regard.

4.6.1 Introduction

Section 2(14) of Indian Stamp Act 1899 defines “Instrument” as every document by which any right or liability is, or purports to be, created, transferred, limited, extended, extinguished or recorded. Execution and registration of an instrument are two distinct activities that attract stamp duty and registration fee respectively. Section 3 of the Indian Stamp Act 1899 provides for levy of stamp duty on execution of an instrument. Apart from stamp duty, additional stamp duty for social security fund and social infrastructure cess are also levied. The levy of additional stamp duty for social security fund was suspended w.e.f. 28 August 2017. Section 78 of The Registration Act 1908 provides for levy of registration fee on registration of a document. State Government remits, from time to time, stamp duty and registration fee to certain category of instruments. Section 9 of Indian Stamp Act empowers the State Government to remit stamp duty prospectively or retrospectively in the whole or any part of the territory under its administration. However, there is no separate section in ‘The Registration Act’ to empower the Government to remit registration fee retrospectively. The power to levy or remit registration fee is derived by the Government from Section 78 of ‘The Registration Act’ which empowers the State Government to prepare a table of fee payable for items enumerated therein. Seven¹⁰ States/UT incorporated separate provision as Section 78(2) or 78-A in The Registration Act as applicable to the respective States/UT regarding remission of registration fee prospectively or retrospectively in whole or any part of the State/UT. However, State of Punjab has not incorporated any such provision.

Scrutiny of records of 28¹¹ out of 39 Sub-Registrars/Joint Sub-Registrars for the period 2017-18 to 2019-20 revealed irregularities regarding remission of stamp duty and registration fee which have been discussed in the succeeding paragraphs:

¹⁰ Goa, Kerala, Pondicherry (UT), Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal

¹¹ Amritsar-II, Dehlon, Derabassi, Dirba, Fatehgarh Sahib, Jagraon, Kartarpur, Khanna, Kharar, Ludhiana (West), Ludhiana (East), Ludhiana (South/Central), Machhiwara, Majri, Mandi Gobindgarh, Moga, Mohali, Morinda, Mullanpur Dakha, Nathana, Payal, Phillaur, Raikot, Rupnagar, Sahnewal, Samrala, Sangrur and Zirakpur

4.6.2 Distortion of legislative intent by extending time period of remission in stamp duty

The Punjab Legislative Assembly passed the Indian Stamp (Punjab Amendment) Act 2017 which omitted the provisions regarding charging of additional stamp duty w.e.f. 28 August 2017. The Act further provided that it would cease to operate on 31 March 2019 and provisions of charging of additional stamp duty would be restored w.e.f. first day of April 2019. The Government of Punjab issued a memo¹² on 30 March 2019 and instructed all the Sub-Registrars/Joint Sub-Registrars (SRs/JSRs) not to charge additional stamp duty till further orders due to imposition of Model Code of Conduct (10 March 2019) in view of upcoming election.

Audit collected information from 23¹³ SRs regarding number of deeds registered pertaining to land/property situated within five kilometers of the outer limit of Municipality where additional stamp duty at the rate of three *per cent* on the amount of consideration was leviable. The SRs/JSRs informed that 76,334 instruments were registered during 2019-20 involving consideration of ₹ 9,312.67 crore, on which additional stamp duty at the rate of three *per cent* was not levied.

Perusal of Model Code of Conduct revealed that the Code provided for ban on new announcements or relief or benefit. In the instant case, no new announcement was to be made as the announcement regarding restoration of the provisions had already been made in the Amendment Act 2017. Thus, the instruction of the Government for non-restoration of provisions relating to charging of additional duty w.e.f. 1 April 2019 and thereby extending the relief/benefit was against the provisions of the Indian Stamp (Punjab Amendment) Act 2019. Moreover, the Government neither issued instructions for restoration of provision after the elections were over nor extended the period of reduction by passing an amendment Act. Holding an Act, passed by the Punjab Legislative Assembly, in abeyance by issuing an executive instruction amounted to distortion of legislative intent. Due to this, the State had to forgo revenue of ₹ 279.38 crore in 76,334 instruments registered under 23 Sub-Registrars/Joint Sub-Registrars during 2019-20.

The observation was communicated to the Department/Government in March 2021. The Office of Inspector General of Registration intimated (August 2021) that the additional stamp duty has not yet been resumed and the matter is under consideration of the Government.

¹² Memo No. 24/41/17-ST2/3002 dated 30 March 2019

¹³ Derabassi, Dirba, Fatehgarh Sahib, Jagraon, Khanna, Kharar, Ludhiana (West), Ludhiana (East), Ludhiana (South/Central), Machhiwara, Majri, Mandi Gobindgarh, Mohali, Morinda, Mullanpur Dakha, Payal, Phillaur, Raikot, Rupnagar, Sahnewal, Samrala, Sangrur and Zirakpur

4.6.3 Irregularities in allowing remissions

4.6.3.1 Charitable Institutions

The Government of Punjab remitted (February, 1981) stamp duty and registration fee chargeable on instruments of sale/gift, in favour of charitable institutions within the meaning of Charitable Endowment Act 1890. The remission was to be granted only in those cases where land was being purchased by these institutions for construction of roads or buildings of schools, colleges, hospitals and dispensaries on such land.

In order to decide whether an institution is a charitable institution within the meaning of Charitable Endowment Act 1890, the Government empowered (August 2014) Sub-Registrars/Joint Sub-Registrars to decide the same by passing a specific order before registering the deeds. The instructions provided that the applicant would submit documentary evidence to establish the eligibility of the institution to be classified as charitable as per the criteria stipulated in the instruction, *ibid* and the Sub-Registrars/Joint Sub-Registrars will record specific order as to on which grounds, the exemption has been granted.

Scrutiny of records of eight¹⁴ Sub-Registrars/Joint Sub-Registrars revealed that remission of ₹ 2.35 crore in 44 instruments registered between 2017-18 and 2019-20 was allowed without passing specific order as to on what ground the institutions were treated as charitable institutions. This led to remission of stamp duty and registration fee in a non-transparent manner without ascertaining the genuineness of the cases.

On this being pointed out, the Department intimated (April 2021) that the cases were sent to Addl. Deputy Commissioners (ADC) for decision under Section 47-A. Remission in 17 cases of SR Ludhiana-II have been found to be in order. In six cases of SR Moga, recovery order was issued. Partial recovery of ₹ 1.43 lakh out of ₹ 11.40 lakh was made in respect of one case of JSR Dehlon and efforts to recover remaining amount were being made. Decision in the remaining cases were pending.

The above decisions emphasize the necessity of ascertaining the eligibility of a charitable institution by Sub-Registrars/Joint Sub-Registrars before allowing remission of stamp duty and registration fee and passing specific order as per departmental instructions.

4.6.3.2 Mega Projects

The Government of Punjab remitted (24 June 2010) stamp duty chargeable on a document when executed by or in favour of any person purchasing land for setting up a Mega Project¹⁵ approved by the Empowered Committee.

¹⁴ Amritsar-II, Dehlon, Kartarpur, Kharar, Ludhiana (West), Majri, Moga, and Nathana

¹⁵ A Mega Project is a project, with fixed capital investment of ₹ 100 crore and above (₹ 25 crore or more for Agro Mega Projects) duly approved by the Empowered Committee.

Since, the Department of Industries was the agency to declare a project eligible for availing remission of stamp duty, a system was required to be put in place so that the registering authorities may be able to ascertain the eligibility of a project and quantum of remission of stamp duty before allowing remission. For this purpose, Department of Industries devised eligibility certificate. The eligibility certificate would contain details like name of developer, date of approval of project, name of villages in which the project was to be set up and area of total land eligible for remission. The Department of Industry forwarded sample of eligibility certificate being issued to the project, to the Department of Revenue in March 2011. The Department of Revenue forwarded the sample eligibility certificate along with copy of notification dated 24 June 2010 to all Sub-Registrars/Joint Sub-Registrars of State in April 2011 for necessary action.

Audit noticed that three¹⁶ Sub-Registrars allowed remission of stamp duty ₹ 3.06 crore in 45 instruments registered during 2018-19 and 2019-20 without obtaining eligibility certificate. This led to remission of stamp duty without ascertaining eligibility of the project and quantum of admissible remission.

The Department intimated (April 2021) that the cases were sent to Addl. Deputy Commissioners (ADC) for decision under Section 47-A.

4.6.4 Grant of remission without notification of the Government

4.6.4.1 Land Pooling Scheme

During 2001, the Government of Punjab acquired land (1,264 acres) for development of Sectors 76-80 in SAS Nagar by the Greater Mohali Area Development Authority (GMADA). Out of this, acquisition of 102 acres of land was quashed (January 2015) by the Supreme Court of India under Section 24(2) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and resettlement Act 2013.

In order to meet the requirement of the balance land, GMADA decided to get land from land owners under the Land Pooling Scheme¹⁷. Further, GMADA decided to grant some additional incentives to the land owners in the form of remissions from payment of stamp duty as under:

- (i) The transfer of developed land from the Authority to land owner(s) was to be exempted from the stamp duty.
- (ii) The land owners were allowed to sell the Letter of Intents issued to them for allotment of developed land and purchase land anywhere in the State of Punjab with sale proceedings thereof. Further, stamp duty was remitted on the instruments of conveyance that may be executed by such land owners for purchase of land in the State of Punjab.

¹⁶ Kharar, Majri and SAS Nagar (Mohali)

¹⁷ The Government of Punjab notified (Notification No. 6/23/13-6Hg1/1440 dated 19 June 2013) Land Pooling Scheme under which the land owners, as consideration for land offered for development, were to be returned a part of developed land. The first transfer of land from land owner to the Authority was exempted from the stamp duty.

In order to make these incentives available to the land owners, GMADA took decision to this effect in its meeting held under the chairmanship of the Chief Minister (ex-officio Chairman of GMADA). However, no notification under Section 9 of Indian Stamp Act was issued by the Government for grant of such remissions. The Sub-Registrar Mohali started giving these remissions on the basis of decision of GMADA. During 2019-20, Sub-Registrar Mohali granted remission of stamp duty of ₹ 0.86 crore and registration fee of ₹ 0.15 crore in 12 instruments in respect of (i) and (ii) above respectively. Though Government can issue notification under Section 9 of Indian Stamp Act to grant remission of Stamp Duty retrospectively but it can not issue notification to remit registration fee retrospectively.

The Department intimated (April 2021) that decision on remission of stamp duty and registration fee was taken in the 20th meeting of GMADA. This meeting was held under the chairmanship of Hon'ble Chief Minister of Punjab.

The reply is not acceptable as the Department was required to notify the decision of remission of stamp duty and registration fee under the powers conferred by the respective Acts. The notification of remission was not issued which rendered the above remissions as irregular.

4.6.4.2 Industrial Park

In order to attract private investment and participation for industrial infrastructure development, the Government of Punjab notified Industrial Policy 2003 wherein it announced some fiscal incentives to private industrial estate developers for setting up of industrial parks. One of these fiscal incentives was that there shall be no stamp duty on first sale/transfer of developed infrastructure by the developer. The Government of Punjab issued a notification on 27 March 2003 to give effect to the provision of Industrial Policy for grant of remission of stamp duty. Since the Industrial Policy 2003 did not mention remission of registration fee to industrial parks, the Government had not issued any notification under Section 78 of the Registration Act 1908.

Scrutiny of records of Joint Sub-Registrar Zirakpur for 2019-20 revealed that a project of industrial park namely "Development of Mixed Use Integrated Industrial park" under the Industrial Policy 2003 was approved by the Empowered Committee constituted under the Industrial Policy. An agreement was entered between the promoter and the Government of Punjab. In the agreement, the Government promised remission of both stamp duty and registration fee whereas the Industrial Policy 2003 mentioned remission of only stamp duty in case of industrial park. Joint Sub-Registrar allowed remission of registration fee of ₹ 2 lakh in addition to remission of stamp duty in a case of first sale/transfer of 11.43 acre of developed infrastructure to this industrial park project. The remission of registration fee in this case was irregular as it was not covered by any notification issued under Section 78 of the Registration Act 1908. Moreover, the Government may not be able to regularise this

irregularity retrospectively unless it inserts a provision in the Registration Act to remit registration fee retrospectively.

The above matter was reported to the Government/Departments (March 2021); their replies awaited (July 2021).

Conclusion

The legislative intent behind remission of additional stamp duty was distorted by unauthorisedly extending time-limit of remission beyond the period prescribed by the Indian Stamp (Punjab Amendment) Act 2017. Instances of remission of stamp duty and registration fee to charitable institutions without passing specific order and cases of remission of stamp duty to mega projects without obtaining eligibility certificate were noticed. Stamp duty under land pooling scheme and registration fee to an industrial park were remitted without having any notification in this regard.

Recommendations

The Government may consider:

- to regularise, by State Legislature, the deficiency that arose due to non-restoration of provisions relating to charging of additional duty w.e.f. 1 April 2019 as envisaged in Indian Stamp (Punjab Amendment) Act 2017;
- fixing responsibility in cases where remission of stamp duty and registration fee is allowed without passing specific order in case of charitable institutions and without obtaining eligibility certificate in case of mega projects;
- issuing a notification under Section 9 of Indian Stamp Act 1899 to allow remission of stamp duty under Land Pooling Scheme; and
- inserting provision in the Registration Act 1908 for remission of registration fee retrospectively in whole or any part of the State in line with amendments carried out by the seven States to regularize remission of registration fee promised to industrial park projects and granted under Land Pooling Scheme.

Chapter-V

Taxes on Vehicles and Other Tax Receipts

Chapter-V

Taxes on Vehicles and Other Tax Receipts

5.1 Tax administration

This Chapter relates to receipts from Taxes on vehicles and Land Revenue. The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, Chandigarh. There are 11 Regional Transport Authorities (RTAs) which, administer the Punjab Motor Vehicles Taxation Act 1924 and the Rules made there under, monitor and maintain the records of receipt of Motor Vehicles Taxes. The RTA is also responsible for collection of Motor Vehicles Taxes in respect of Stage Carriage Buses of other States. In addition, RTAs regulate the motor vehicles in the State in conformity with the Motor Vehicle Act 1988 and maintains the records of receipt of fees on motor vehicles. The Tax administration of Land Revenue is governed under Punjab Land Revenue Act 1887.

5.2 Results of audit

There were 88 auditable units under Major Head 0029-Land Revenue and 15 auditable units under Major Head 0041-Taxes on vehicles consisting of 11 Regional Transport Authorities (RTAs) and 04 other units. Audit selected 13¹ units under Major Head 0041-Taxes on vehicles for audit during the year 2019-20. Out of which, Audit of nine² units was conducted and four units could not be taken up due to Covid-19 pandemic. Test check of 6,73,117 permits relating to nine units of taxes on vehicles showed non/short realization of motor vehicle tax and other irregularities with a revenue implication of ₹ 41.64 crore in 73,122 cases (2.24 *per cent* of receipt of ₹ 1,861.39 crore under Taxes on Vehicles for the year of audit 2018-19). Further, 29 units of Land revenue showed Non/short levy of *chowkidara* tax, non- recovery of *abiana* fee and other irregularities in 522 cases involving revenue implication of ₹ 0.06 crore. The details are given in **Table 5.1**.

Table 5.1: Results of audit

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
A) Taxes on vehicles			
1.	Non/Short realization of Motor Vehicle Tax	39,094	28.25
2.	Non-levy of social security surcharge on transport vehicles	07	0.72
3.	Other irregularities	34,021	12.67
Total (A)		73,122	41.64

¹ 11 RTAs and 02 other offices

² 07 RTAs and 02 other offices

Sl. No.	Categories	No. of cases	Amount
B) Land Revenue			
1.	Non/short recovery of <i>chowkidara</i> tax	22	0
2.	Outstanding recoveries under other heads of a/c	284	0
3.	Non-recovery of <i>abiana</i> fee	22	0
4.	Over payment of dearness allowance	1	0.06
5.	Others	193	0
Total (B)		522	0.06
Total (A + B)		73,644	41.70

The Department of Transport accepted and recovered ₹ 0.24 crore in 63 cases out of which amount of ₹ 0.01 crore involved in one case was pointed out during the year 2019-20 and rest in previous years. The Revenue Department accepted and recovered ₹ 4.72 lakh in four cases pertained to previous years, under Land Revenue.

An illustrative audit observation involving ₹ 0.72 crore in seven cases is discussed in Paragraph 5.3.

5.3 Non-collection of social security surcharge on transport vehicles

Seven barriers under four Regional Transport Authorities viz. SAS Nagar Mohali, Patiala, Sangrur and Gurdaspur did not collect social security surcharge from transport vehicles registered in other states at the time of entry into State of Punjab from 16 November 2018 to 13 March 2019 resulting in non-collection of social security surcharge of ₹71.51 lakh.

Section 3(10) of Punjab Motor Vehicle Taxation Act 1924 provides that a transport vehicle, registered in a State other than the State of Punjab, shall become liable for paying tax, the moment it enters the State of Punjab at such rate as may be determined by the Government from time to time. Department of Finance, Government of Punjab levied³ (22 October 2018) surcharge on the transport vehicles at the rate of 10 *per cent* of the motor vehicle tax which was applicable w.e.f. 16 November 2018.

Audit noticed from the records of seven⁴ barriers under four⁵ Regional Transport Authorities for the period 2018-19 that tax of ₹ 715.89 lakh was collected between 16 November 2018 and 13 March 2019 from transport vehicles registered in other States at the time of entry into State of Punjab. Social Security Surcharge of ₹ 71.59 lakh (10 *per cent* of ₹ 715.89 lakh) was also required to be collected from these vehicles. However, social security surcharge was not collected by the barriers during the period from 16 November 2018 to 12 March 2019 because the software for generation of bill was not updated by National Informatics Centre (NIC). The notification was sent to NIC on 16 November 2018 for updation of the software as per notification but the same

³ Notification 150/PA8/2018/S3/ 2018 dated 22 October 2018

⁴ (i) Ghanauli, (ii) Jharmari (iii) Kharar (RTA SAS Nagar), (iv) Shambhu (RTA Patiala), (v) Moonak (RTA Sangrur) (vi) Madhopur, and (vii) Mamoon (RTA Gurdaspur)

⁵ (i) SAS Nagar, (ii) Patiala, (iii) Sangur and (iv) Gurdaspur

was updated by NIC on 13 march 2019 after delay of almost four months. The barriers started collecting social security surcharge from 14 March 2019 onwards. The omission resulted in non-collection of social security surcharge of ₹ 71.51 lakh from transport vehicles registered in other States due to non-pursuance of the matter with NIC.

The matter was reported to Government/Department between December 2020 and July 2021. RTA SAS Nagar replied (January 2021) that surcharge is being collected since March 2019. Surcharge for the previous period as pointed out by audit will be recovered in due course.

The Department's reply regarding recovery in pointed out cases does not seem reasonable because these cases involve vehicles registered in States other than the State of Punjab. The mechanism that may be adopted to pursue recovery in these cases was not intimated by the RTA.

The Government may direct the Department to ensure that taxes levied by Government are collected promptly and implementation systems for collection of taxes are updated timely.

Chandigarh
The 13 October 2021


(PUNAM PANDEY)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 20 October 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

GLOSSARY OF ABBREVIATIONS

ACST	Assistant Commissioner of State Tax
AETC	Assistant Excise and Taxation Commissioner
ATN	Action Taken Note
CST	Central Sales Tax
DCST	Deputy Commissioner of State Tax
DETC	Deputy Excise and Taxation Commissioner
DO	Designated Officer
ETO	Excise and Taxation Officer
GMADA	Greater Mohali Area Development Authority
GST	Goods and Services Tax
IAO	Internal Audit Organisation
IDF	Infrastructure Development Fee
IFL	Imported Foreign Liquor
IMFL	Indian Made Foreign Liquor
IR	Inspection Report
JCST	Joint Commissioner of State Tax
JSR	Joint Sub Registrar
PAG	Pr. Accountant General
PIDR	Punjab Infrastructure (Development & Regulation)
PLL	Punjab Liquor and License Rules
PML	Punjab Medium Liquor
PVAT	Punjab Value Added Tax
RF	Registration Fee
RTA	Regional Transport Authority
SD	Stamp Duty
SIC	Social Infrastructure Cess
SR	Sub Registrar
SSF	Social Security Fund
STC	State Transport Commissioner
STO	State Tax Officer
UT	Union Territory
VAT	Value Added Tax

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