

PRESS BRIEF

The Report of the Comptroller and Auditor General of India (CAG) on Revenue Sector of the Government of Himachal Pradesh for the year 2015-16 was prepared for submission to the Hon'ble Governor of Himachal Pradesh under Article 151 of the Constitution of India for being placed before Legislative Assembly of Himachal Pradesh. The Audit Report was placed in the Legislative Assembly today / /2017.

The Audit Report comprises six chapters. Chapter-I contains Overview of Revenue collection in the State, Chapter-II contains compliance audit observations relating to Taxes/VAT on Sales and Trade, Chapter-III contains audit observations relating to State Excise, Chapter-IV contains audit observations relating to Stamp Duty, Chapter-V contains audit observations relating to Taxes on Vehicles, Goods and Passengers and Chapter-VI contains audit observations relating to Forest Receipts. Total revenue implication of the Report is ₹279.28 crore.

Chapter-I: General

This chapter deals with the details of revenue collection of the State including trends of revenue receipts, analysis of arrears of revenue, arrears in assessment, cases of evasion of tax, status of refund cases, details of inspection reports issued, responses of the department towards audit etc. Some of the significant points are summarised below:

The total revenue receipts of the State Government for the year 2015-16 was ₹23,440.48 crore as compared to ₹17,843.45 crore during the year 2014-15. Out of this, 37 *per cent* was raised through tax revenue (₹6,695.81 crore) and non-tax revenue (₹1,837.15 crore). The balance 63 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹3,611.17 crore) and Grants-in-Aid (₹11,296.35 crore). There was an increase in Revenue Receipts over the previous year by ₹5,597.03 crore.

Test check of the records of 217 units of Sales tax/Value Added Tax, State Excise, Stamp duty and Registration fees, Taxes on Vehicles, Goods and Passengers and Forest Receipts conducted during the year 2015-16 revealed under-assessment/short levy/ non-levy/loss of revenue aggregating ₹585.95 crore in 1,206 cases. During the year 2015-16, the Departments accepted under-assessment and other deficiencies of ₹182.20 crore in 664 cases. Of these, the Departments recovered ₹23.06 crore in 533 cases.

Chapter-II: Taxes/ VAT on Sales and Trade

This chapter deals with audit findings relating to tax administration of Value Added Tax (VAT)/Sales tax and brought out under-assessments and other deficiencies involving ₹56.76 crore. Some of the highlights are summarised below:

- The Department of Taxes/ VAT on Sales and Trade took no action to recover lease money from lessees of toll barriers amounting to ₹51.40 crore.
- The Assessing Authority applied incorrect rate of tax of four to 11 *per cent* instead of applicable rates of five to 30 *per cent* while finalising assessment of nine dealers during the years 2005-06 to 2013-14 resulting in short realisation of tax amounting to ₹0.54 crore. In addition, interest of ₹0.41 crore was also leviable.

- Acceptance of invalid, duplicate and defective statutory forms by Assessing Authorities and allowing concessional rate of tax on inter-state sales resulted in short levy of tax of ₹47.90 lakh in 15 cases. In addition, interest of ₹41.83 lakh was also leviable.
- A dealer had paid entry tax of ₹3.40 crore as against tax payable of ₹6.91 crore resulting in short levy of tax of ₹3.51 crore.
- The Assessing Authority during assessment of a dealer for the year 2008-09 excluded the sundry debtors from the Gross Turnover resulting in loss of revenue of ₹0.83 crore. Besides, interest was also leviable.

Chapter-III: State Excise

This chapter deals with audit findings relating to tax administration of State Excise and brought out non/short realization of excise duty/license fee/interest/penalty and other deficiencies involving ₹16.68 crore. Some of the highlights are summarised below:

- License fee amounting to ₹8.59 crore was short recovered from 29 licensees. In addition, interest of ₹1.03 crore was also leviable.
- Additional fee of ₹5.34 crore for short lifting of 20,16,928 proof liters of liquor by licensee of 451 vends was not levied. In addition, a penalty of ₹0.54 crore was also leviable.
- Interest amounting to ₹99.61 lakh on delayed payment of license fee of ₹76.39 crore was not demanded by the Department from the licensees of 109 vends resulting in short levy of interest to that extent.
- The Excise and Taxation Department did not levy entertainment duty on cable operators thereby forgoing revenue of at least ₹0.55 crore.

Chapter-IV: Stamp Duty

This chapter deals with audit findings relating to tax administration of Stamp duty and brought out non/short levy of stamp duty and registration fee, non-execution/renewal of lease deeds, non/short recovery of lease money and other deficiencies involving ₹103.58 crore. Some of the highlights are summarised below:

- The State Government failed to ensure adherence and enforcement of statutory and regulatory provisions while leasing land to users for various purposes resulting in short or non-recovery of revenue totalling ₹101.80 crore. The ability of the Department to monitor and properly manage leases was also undermined by non-maintenance of a centralized data of land and allotments made on lease basis. Lease deeds were not executed/renewed within the specified period, lease money was not fixed/revised as per prescribed rates on the basis of prevailing market value of the land and the Department had not taken any action to resume the land in favour of Government or cancel the lease deeds.
- Incorrect adoption of market rate for built up structure of ₹10.99 crore resulted in short realisation of Stamp Duty and Registration Fee of ₹0.79 crore.

- Incorrect valuation on the basis of affidavits regarding distance of the land from road filed by purchasers resulted in short realisation of Stamp Duty and Registration Fee of ₹0.56 crore. In addition, penalty of ₹27.94 lakh was also leviable.
- Application of incorrect rates of Stamp Duty in sale deeds resulted in short realisation of Stamp Duty of ₹31.87 lakh in 400 cases.
- Non-adopting of prevailing market rates on lease deeds resulted in short recovery of Stamp Duty and Registration Fee of ₹10.64 lakh.

Chapter-V: Taxes on Vehicles, Goods and Passengers

This chapter deals with the tax administration relating to registration of motor vehicles, issues of permits, issue of driving /conductor licenses, levy and collection of token tax, permit fee, license fee, levy and collection of passengers and goods tax etc. Some of the highlights of the audit findings involving ₹90.61 crore are given below:

- Poor maintenance of essential records coupled with inadequate enforcement and lack of co-ordination between Motor Vehicle Registering Authorities and the Excise and Taxation Department to ensure registration of all commercial vehicles under the Himachal Pradesh Passengers and Goods Tax Act resulted in non/short realisation of revenue amounting to ₹84.90 crore.
- Token tax ₹4.09 crore in respect of 11,018 vehicles for the years 2012-13 to 2014-15 was neither demanded by the Department nor paid by the vehicle owners.
- The e-Governance societies collected receipt of ₹43.02 lakh on account of user charges of which ₹10.76 lakh was to be deposited in the Government account. However, only ₹1.79 lakh was deposited resulting in of ₹8.97 lakh remaining outside Government account.
- Special Road Tax was not recovered from Himachal Road Transport Corporation, private stage carriages and stage carriages of other States amounting to ₹1.53 crore.

Chapter-VI: Forest Receipts

This chapter deals with the tax administration relating to forest receipts and brought out non/short recovery of royalty, non-levy of interest/extension fee, blocking/loss of revenue due to seized timber and other deficiencies involving ₹11.65 crore. Some of the highlights are summarised below:

- Short recovery of royalty of ₹8.30 crore due to application of incorrect rates of royalty by the Himachal Pradesh State Forest Development Corporation Limited.
- Cost of ₹32.50 lakh of 536 trees having standing volume of 257.434 cu.m coming in the alignment of projects was not recovered from the user agencies by the Department.
- Lease period of 36 timber lots handed over to Himachal Pradesh State Forest Development Corporation Limited for exploitation of timber were extended without demanding extension fee ₹17.20 lakh.