

## CHAPTER 1: GENERAL

### 1.1 Trend of revenue receipts

The revenue receipts of the State Government comprise its own tax and non-tax revenues, State's share of divisible Union taxes and duties (Central tax transfers) and grants-in-aid received from the Government of India (GOI). The tax and non-tax revenues raised by Government of Haryana, Central tax transfers and grants-in-aid received from GOI, during the year 2008-09 and corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

| Sr. No.    | Particulars   | 2004-05                        | 2005-06                         | 2006-07                         | 2007-08                         | 2008-09                         |
|------------|---|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>I</b>   | <b>Revenue raised by the State Government</b>             |                                |                                 |                                 |                                 |                                 |
|            | • Tax revenue<br><i>(per cent)</i>                        | 7,440.27<br>(67)               | 9,078.65<br>(66)                | 10,927.76<br>(61)               | 11,617.82<br>(59)               | 11,655.28<br>(63)               |
|            | • Non-tax revenue<br><i>(per cent)</i>                    | 2,544.37<br>(23)               | 2,458.56<br>(17)                | 4,590.76<br>(26)                | 5,097.08<br>(26)                | 3,238.45<br>(18)                |
|            | <b>Total (I)</b><br><i>(per cent)</i>                     | <b>9,984.64</b><br><b>(90)</b> | <b>11,537.21</b><br><b>(83)</b> | <b>15,518.52</b><br><b>(87)</b> | <b>16,714.90</b><br><b>(85)</b> | <b>14,893.73</b><br><b>(81)</b> |
| <b>II</b>  | <b>Receipts from the GOI</b>                              |                                |                                 |                                 |                                 |                                 |
|            | • Central tax transfers <sup>1</sup><br><i>(per cent)</i> | 619.26<br>(5)                  | 1,200.97<br>(9)                 | 1295.64<br>(7)                  | 1,634.36<br>(8)                 | 1,724.62<br>(9)                 |
|            | • Grants-in-aid<br><i>(per cent)</i>                      | 545.16<br>(5)                  | 1,115.13<br>(8)                 | 1,138.27<br>(6)                 | 1,401.48<br>(7)                 | 1,833.96 <sup>2</sup><br>(10)   |
|            | <b>Total (II)</b>   | <b>1,164.42</b><br><b>(10)</b> | <b>2,316.10</b><br><b>(17)</b>  | <b>2,433.91</b><br><b>(13)</b>  | <b>3,035.84</b><br><b>(15)</b>  | <b>3,558.58</b><br><b>(19)</b>  |
| <b>III</b> | <b>Total receipts of the State (I + II)</b>               | <b>11,149.06</b>               | <b>13,853.31</b>                | <b>17,952.43</b>                | <b>19,750.74</b>                | <b>18,452.31</b>                |

The revenue receipts of the State Government have shown an increasing trend over the period 2004-05 to 2007-08 with an average 63 *per cent* share of its own taxes, 23 *per cent* share of its non-tax revenues, seven *per cent* each of central tax transfers and grants-in-aid.

The decrease of Rs. 1,298.43 crore (seven *per cent*) in revenue receipts in 2008-09 over the previous year was mainly on account of decrease in the State's own non-tax revenues of Rs. 1,858.63 crore (36 *per cent*).

<sup>1</sup> For details please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 2008-09. Figures under the head 0021 - Taxes on income other than corporation tax - share of net proceeds assigned to States booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

<sup>2</sup> This amount includes Rs. 10.13 crore as adjustment of previous years.

The increase of Rs. 432.48 crore (31 *per cent*) in grants-in-aid in 2008-09 over the previous year was mainly on account of increase in non-plan grants of Rs. 271.69 crore (19 *per cent*), State plan grants of Rs. 92.33 crore (seven *per cent*) and centrally sponsored schemes of Rs. 68.46 crore (five *per cent*).

**1.1.1** The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09:

(Rupees in crore)

| Sr. No.      | Heads of revenue                                   | 2004-05         | 2005-06         | 2006-07          | 2007-08          | 2008-09          | Percentage*     |
|--------------|--|-----------------|-----------------|------------------|------------------|------------------|-----------------|
| 1.           | Taxes on sales, trade etc.                         | 4,760.91        | 5,604.45        | 6,853.24         | 7,720.98         | 8,154.73         | (+) 06          |
| 2.           | State excise                                       | 1,013.16        | 1,106.86        | 1,217.10         | 1,378.81         | 1,418.53         | (+) 03          |
| 3.           | Stamp duty and registration fee                    | 726.58          | 1,339.73        | 1,764.98         | 1,763.28         | 1,326.39         | (-) 25          |
| 4.           | Taxes on goods and passengers                      | 705.16          | 757.60          | 738.41           | 379.39           | 370.29           | (-) 02          |
| 5.           | Taxes on vehicles                                  | 140.41          | 172.13          | 223.66           | 233.79           | 239.30           | (+) 02          |
| 6.           | Taxes and duties on electricity                    | 61.75           | 61.53           | 98.28            | 107.45           | 106.31           | (-) 01          |
| 7.           | Other taxes and duties on commodities and services | 20.60           | 23.23           | 19.10            | 24.74            | 31.15            | (+) 26          |
| 8.           | Land revenue                                       | 11.70           | 13.12           | 12.99            | 9.38             | 8.58             | (-) 09          |
| <b>Total</b> |  | <b>7,440.27</b> | <b>9,078.65</b> | <b>10,927.76</b> | <b>11,617.82</b> | <b>11,655.28</b> | <b>(+) 0.32</b> |

\* It represents percentage of increase (+)/decrease (-) in 2008-09 over 2007-08.

The concerned departments mentioned the following reasons for increase/decrease in receipts during 2008-09 over those of 2007-08:

- **Stamp duty and registration fee:** The decrease in revenue receipts (25 *per cent*) was due to global slowdown of economy leading to the less transaction of immovable properties and reduction in rates of stamp duty from October 2008.
- **Other taxes and duties on commodities and services:** The increase in revenue receipts (26 *per cent*) was due to more collection of entertainment tax.
- Other components exhibited relative stability with insignificant increase/decrease during the current year over the previous year.

**1.1.2** The following table presents the details of the major non-tax revenue raised by the State Government during the period from 2004-05 to 2008-09:

(Rupees in crore)

| Sr. No.      | Heads of revenue                                | 2004-05         | 2005-06         | 2006-07         | 2007-08         | 2008-09            | Percentage*   |
|--------------|---|-----------------|-----------------|-----------------|-----------------|--------------------|---------------|
| 1.           | Urban development                               | 317.96          | 714.09          | 2,562.34        | 2,805.24        | 884.50             | (-) 68        |
| 2.           | Interest receipts                               | 472.41          | 442.48          | 648.63          | 757.20          | 776.28             | (+) 03        |
| 3.           | Road transport                                  | 513.17          | 548.44          | 571.18          | 622.56          | 645.04             | (+) 04        |
| 4.           | Non-ferrous mining and metallurgical industries | 92.73           | 152.60          | 136.83          | 215.74          | 195.97             | (-) 09        |
| 5.           | Other administrative services                   | 79.56           | 84.35           | 61.94           | 105.54          | 120.95             | (+) 15        |
| 6.           | Miscellaneous general services <sup>3</sup>     | 705.63          | 183.38          | 130.22          | 91.25           | 89.39 <sup>4</sup> | (-) 02        |
| 7.           | Major and medium irrigation                     | 103.32          | 64.13           | 87.19           | 72.27           | 74.01              | (+) 02        |
| 8.           | Police  | 26.45           | 7.49            | 22.79           | 41.44           | 55.22              | (+) 33        |
| 9.           | Forestry and wildlife                           | 31.58           | 32.84           | 38.62           | 33.79           | 40.74              | (+) 21        |
| 10.          | Medical and public health                       | 40.92           | 30.50           | 31.59           | 64.91           | 30.94              | (-) 52        |
| 11.          | Other non-tax receipts                          | 160.64          | 198.26          | 299.43          | 287.14          | 325.41             | (+) 13        |
| <b>Total</b> |   | <b>2,544.37</b> | <b>2,458.56</b> | <b>4,590.76</b> | <b>5,097.08</b> | <b>3,238.45</b>    | <b>(-) 36</b> |

\* It represents percentage of increase (+)/decrease (-) in 2008-09 over 2007-08.

The concerned departments mentioned the following reasons for increase/decrease in receipts during 2008-09 over those of 2007-08:

- **Urban development:** The decrease in revenue receipts (68 per cent) was due to big recession in the real estate and accordingly less receipt received from the colonisers<sup>5</sup> and many colonisers had taken refund.

<sup>3</sup> Decrease in revenue receipts was due to prohibition of sale of tickets of a lottery organised, conducted or promoted by any State with effect from May 2005 within the State of Haryana.

<sup>4</sup> Includes Debt relief of Rs. 96.97 crore given by GOI on repayment of consolidated loan.

<sup>5</sup> 'Coloniser' means an individual, company or association, body of individuals, whether incorporated or not, owning or acquiring or agreeing, land for converting it into a colony and to whom a license has been granted under the Haryana Development and Regulation of Urban Areas Act, 1975.

- **Medical and public health:** The decrease in revenue receipts (52 *per cent*) was mainly due to less receipt from Employee State Insurance Corporation, New Delhi.
- **Police:** The increase in revenue receipts (33 *per cent*) was mainly due to higher receipt from the Railways and other Governments on account of deployment of police force.
- **Forestry and wildlife:** The increase in revenue receipts (21 *per cent*) was mainly due to more receipts from user agencies.

The other departments did not intimate (August 2009) the reasons for variations in receipts from that of the previous year despite being requested (March 2009).

## **1.2 Initiatives for mobilisation of additional resources**

The State Government has enacted the Haryana Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act) to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit by 2008-09 and generate revenue surplus thereafter. The State Government had achieved the target well in advance through improved and efficient tax collection and close monitoring of non-essential expenditure. The State Government had eliminated the revenue deficit and achieved a revenue surplus of Rs. 1,213.42 crore in 2005-06 and continued to maintain revenue surplus thereafter till 2007-08. During 2008-09, there was revenue deficit of Rs. 2,082.42 crore due to decrease in revenue receipts and payment due to implementation of Sixth Pay Commission Report.

Tax rules/procedures have been simplified and tax rates rationalised for better compliance of taxes. The value added tax (VAT), introduced in April 2003, had enhanced the buoyancy of sales tax/VAT collection and generated a higher collection. VAT revenue had increased by 112 *per cent* since introduction of VAT from Rs. 3,838 crore in 2003-04 to Rs. 8,154.73 crore in 2008-09. However, the average growth rate of post VAT receipts remained at 20.23 *per cent* during 2003-08 (five years), in comparison with pre-VAT receipts of 21.73 *per cent* during 1998-2003 (five years).

### 1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the main heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

| Sr. No.                   | Heads of revenue   | Budget estimates | Actual receipts | Variation increase (+)/ decrease (-) | Percentage of variation increase (+)/ decrease (-) |
|---------------------------|--|------------------|-----------------|--------------------------------------|--|
| <b>A. Tax revenue</b>     |  |                  |                 |                                      |  |
| 1.                        | Taxes on sales, trade etc.   | 9,785.00         | 8,154.73        | (-) 1,630.27                         | (-) 17   |
| 2.                        | Stamp duty and registration fee                                      | 2,100.00         | 1,326.39        | (-) 773.61                           | (-) 37   |
| 3.                        | Taxes on vehicles  | 275.00           | 239.30          | (-) 35.70                            | (-) 13   |
| 4.                        | Taxes on goods and passengers – tax on entry of goods in local areas | 485.25           | 370.29          | (-) 114.96                           | (-) 24   |
| 5.                        | Land revenue   | 13.50            | 8.58            | (-) 4.92                             | (-) 36   |
| <b>B. Non-tax revenue</b> |  |                  |                 |                                      |  |
| 6.                        | Interest receipts  | 675.19           | 776.28          | (+) 101.09                           | (+) 15   |
| 7.                        | Urban development  | 1,800.00         | 884.50          | (-) 915.50                           | (-) 51   |
| 8.                        | Forestry and wildlife  | 34.13            | 40.74           | (+) 6.61                             | (+) 19   |
| 9.                        | Miscellaneous general services                                       | 5.48             | 89.39           | (+) 83.91                            | (+) 1,531  |
| 10.                       | Major and medium irrigation  | 122.01           | 74.01           | (-) 48.00                            | (-) 39   |
| 11.                       | Police   | 25.00            | 55.22           | (+) 30.22                            | (+) 121  |
| 12.                       | Medical and public health  | 54.32            | 30.94           | (-) 23.38                            | (-) 43   |
| 13.                       | Public works   | 10.00            | 18.03           | (+) 8.03                             | (+) 80   |
| 14.                       | Other administrative services  | 94.48            | 120.95          | (+) 26.47                            | (+) 28   |

The reasons for variations between the budget estimates and actuals as furnished by the departments are mentioned below:

- **Stamp duty and registration fee:** The decrease in revenue receipts (37 per cent) was due to global slowdown of economy leading to decrease in transaction of immovable property.
- **Taxes on vehicles:** The decrease in revenue receipts (13 per cent) was due to non-posting of enforcement staff to check and compounding of vehicles violating the provisions of Motor Vehicle Act.
- **Taxes on goods and passengers:-** The decrease in revenue receipts (24 per cent) was due to lesser collection under Local Area Development Tax and reduction of rates of passenger tax.

- **Land revenue:** The decrease in revenue receipts (36 *per cent*) was due to less receipt of mutation fee, copying fee and revenue *talbanda*<sup>6</sup>.
- **Urban development:** The decrease in revenue receipts (51 *per cent*) was due to big recession in the real estate and accordingly less receipt received from the colonisers and many colonisers had taken refund.
- **Forestry and wildlife:** The increase in revenue receipts (19 *per cent*) was mainly due to more receipts from user agencies.
- **Miscellaneous general services :** The increase in revenue receipts (1,531 *per cent*) was mainly due to debt relief given by the GOI on repayment of consolidated loan.
- **Police:** The increase in revenue receipts (121 *per cent*) was mainly due to higher receipt from the Railway and other Governments on account of deployment of police force.
- **Medical and public health:** The decrease in revenue receipts (43 *per cent*) was mainly due to less receipt from Employee State Insurance Corporation, New Delhi.
- **Public works:** The increase in revenue receipts (80 *per cent*) was mainly due to more realisation of rent from non-residential Government buildings, rest houses, transit flat, more sales of tender forms and more disposal of stores, vehicles and machinery.

The other departments did not intimate (August 2009) the reasons for variations in actuals from that of the budget estimates despite being requested (March 2009).

#### **1.4 Analysis of collection**

The break-up of the total collection at pre-assessment stage and after regular assessments of sales tax cases for the year 2008-09 and the corresponding figures for the preceding three years as furnished by the Excise and Taxation

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<sup>6</sup> Charges for serving summons.

Department are mentioned below:

(Rupees in crore)

| Head of revenue receipts   | Year    | Amount collected at the pre-assessment stage | Amount collected after regular assessment (additional demand) | Amount refunded | Net collection        | Percentage of collection at pre-assessment stage to net collection |
|----------------------------|---------|--|---|-----------------|-----------------------|--|
| Taxes on sales, trade etc. | 2005-06 | 5,480.84                                     | 169.01 <sup>7</sup>   | 45.40           | 5,604.45              | 98   |
|                            | 2006-07 | 6,263.05                                     | 644.42 <sup>7</sup>   | 54.23           | 6,853.24              | 91   |
|                            | 2007-08 | 7,223.15                                     | 723.60 <sup>7</sup>   | 81.15           | 7,865.60 <sup>8</sup> | 92   |
|                            | 2008-09 | 8,132.08                                     | 528.42 <sup>7</sup>   | 101.34          | 8,559.16 <sup>9</sup> | 95   |

The above table indicates that collection of revenue at the pre-assessment stage ranged between 91 and 98 *per cent* during the years 2005-06 to 2008-09.

### 1.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 along with the relevant all India average percentage of expenditure of collection to gross collection for the year 2007-08 are mentioned below:

(Rupees in crore)

| Sr. No. | Heads of revenue           | Year    | Collection | Expenditure on collection of revenue | Percentage of expenditure on collection | All India average percentage for the year 2007-08 |
|---------|----------------------------|---------|------------|--------------------------------------|---|---|
| 1.      | Taxes on sales, trade etc. | 2006-07 | 6,853.24   | 45.42                                | 0.66                                    | 0.83  |
|         |                            | 2007-08 | 7,720.98   | 50.64                                | 0.66                                    |   |
|         |                            | 2008-09 | 8,154.73   | 65.92                                | 0.81                                    |   |
| 2.      | Taxes on vehicles          | 2006-07 | 223.66     | 6.93                                 | 3.10                                    | 2.58  |
|         |                            | 2007-08 | 233.79     | 5.47                                 | 2.34                                    |   |
|         |                            | 2008-09 | 239.30     | 8.00                                 | 3.34                                    |   |

<sup>7</sup> It includes amount recoverable on account of penalty for delay in payment of sales tax and purchase tax.

<sup>8</sup> There is a difference of Rs. 144.62 crore in the departmental figures and the figures given in the Statement No. 11 – Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2007-08.

<sup>9</sup> There is a difference of Rs. 404.43 crore in the departmental figures and the figures given in the Statement No. 11 – Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2008-09.

| Sr. No. | Heads of revenue                | Year    | Collection | Expenditure on collection of revenue | Percentage of expenditure on collection | All India average percentage for the year 2007-08 |
|---------|---------------------------------|---------|------------|--------------------------------------|---|---|
| 3.      | State excise                    | 2006-07 | 1,217.10   | 12.09                                | 0.99                                    | 3.27  |
|         |                                 | 2007-08 | 1,378.81   | 12.95                                | 0.94                                    |   |
|         |                                 | 2008-09 | 1,418.53   | 18.46                                | 1.30                                    |   |
| 4.      | Stamp duty and registration fee | 2006-07 | 1,764.98   | 10.59                                | 0.60                                    | 2.09  |
|         |                                 | 2007-08 | 1,763.28   | 12.04                                | 0.68                                    |   |
|         |                                 | 2008-09 | 1,326.39   | 16.31                                | 1.23                                    |   |

### 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 2,366.78 crore of which Rs. 606.22 crore were outstanding for more than five years as mentioned below:

(Rupees in crore)

| Sr. No. | Heads of revenue           | Amount outstanding as on 31 March 2009 | Amount outstanding for more than 5 years as on 31 March 2009 | Remarks   |
|---------|----------------------------|--|--|---|
| 1.      | Taxes on sales, trade etc. | 1,955.87                               | 417.20   | Recovery of Rs. 491.46 crore were stayed by the High Court and other judicial authorities, Rs. 23.11 crore was stayed due to the order of the Government. Rupees 34.97 crore were held up due to the dealers becoming insolvent, Rs. 17.82 crore were proposed to be written off, Rs. 34.67 crore were held up due to rectification, review and appeal. Recovery of Rs. 212.52 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Balance amount of Rs. 1,141.32 crore was at different stages of action. |
| 2.      | State excise               | 46.61                                  | 21.29  | Recovery of Rs. 4.63 crore were stayed by the High Court and other judicial authorities. Rupees 29.45 lakh was likely to be written off. Recovery of Rs. 1.10 crore was outstanding due to cases pending with the official liquidator/BIFR. Recovery of Rs. 2.74 crore was being made in instalments. Rs. 1.24 crore and Rs. 3.95 crore were due to inter state and inter district arrears. Balance amount of   |



| Sr. No. | Heads of revenue  | Amount outstanding as on 31 March 2009 | Amount outstanding for more than 5 years as on 31 March 2009 | Remarks   |
|---------|---|--|--|---|
|         |   |  |  | Rs. 32.66 crore was at different stages of action.  |
| 3.      | Taxes and duties on electricity   | 101.23 <sup>10</sup>                   | 61.91  | Rs. one crore was recoverable from M/s Haryana Concast, Hisar, Rs. 38 lakh from M/s Rama Fibres, Bhiwani; Rs. 30 lakh from M/s Dadri Cements, Charkhi Dadri and Rs. 16 lakh from M/s Competent Alloys, Ballabgarh. The remaining amount of Rs. 99.39 crore was pending towards the consumers of Dakshin Haryana Bijli Vitran Nigam Limited/ Uttar Haryana Bijli Vitran Nigam Limited.   |
| 4.      | <ul style="list-style-type: none"> <li>• Taxes on goods and passengers</li> </ul>                                       | 58.08                                  | 26.71  | Recovery of Rs. 2.33 crore were stayed by the High court, judicial and departmental authorities. Balance amount of Rs. 55.75 crore was at different stages of action.   |
|         | <ul style="list-style-type: none"> <li>• Tax on entry of goods into local areas (Local Area Development Tax)</li> </ul> | 158.64                                 | 63.46  | Recovery of Rs. 69.02 crore were stayed by the High Court, judicial and departmental authorities Recovery of Rs. 4.47 lakh was outstanding due to cases pending with the liquidator/BIFR. Recovery of Rs. 74.75 lakh was being made in instalments. Balance amount of Rs. 88.83 crore was at different stages of action.  |
| 5.      | Police  | 15.38                                  | 2.94   | Demands of Rs. 6.87 crore (out of Rs. 7.38 crore) were likely to be written off and balance amount of Rs. 51 lakh was recoverable from the Indian Oil Corporation. Recovery of Rs. 4.06 crore was outstanding from eleven <sup>11</sup> States. Remaining amount of Rs. 3.94 crore was recoverable from Civil Aviation, Bachod (Rs. 54 lakh), Bhiwani (Rs. 78 lakh), Hisar (Rs. 57 lakh), Karnal (Rs. 81 lakh) Pinjore (Rs. 95 lakh) and Thermal Plant Faridabad (Rs. 29 lakh). |

<sup>10</sup> Figures for the month of March 2009 are tentative.

<sup>11</sup> Bihar, Chandigarh, Chhattisgarh, Gujarat, Kerala, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

| Sr. No. | Heads of revenue   | Amount outstanding as on 31 March 2009 | Amount outstanding for more than 5 years as on 31 March 2009 | Remarks  |
|---------|--|--|--|--|
| 6.      | Other taxes and duties on commodities and services <ul style="list-style-type: none"> <li>• Receipt under the Sugarcane (Regulation, Supply and Purchase Control) Act</li> <li>• Receipts under entertainment duty and show tax</li> </ul> | 12.78<br><br>0.99                      | 8.65<br><br>0.81   | Five sugar mills (Bhadson: Rs. 5.11 crore, Naraingarh: Rs. 4.90 crore, Panipat: Rs. 1.82 crore, Yamunanagar: Rs. 85 lakh and Kaithal: Rs. 10 lakh) did not deposit the tax.<br><br>Recovery of Rs. 16.56 lakh had been stayed by the High Court and other judicial authorities. Rupees 1.26 lakh were likely to be written off. Balance amount of Rs.80.82 lakh was at the different stages of action. |
| 7.      | Non-ferrous mining and metallurgical industries  | 17.20                                  | 3.25   | Demands of Rs. 11.31 crore were covered by recovery certificates. Recoveries of Rs. 34.23 lakh were stayed by the High Court and other judicial authorities. Rupees 1.87 lakh was likely to be written off. Rupees 3.02 crore and Rs. 1.73 crore were due as inter State and inter district arrears. Rupees 77.77 lakh was at different stages of action.  |
|         | <b>Total</b>   | <b>2,366.78</b>                        | <b>606.22</b>  |  |

Of these, sales tax arrears of Rs. 1,955.87 crore contributed 83 *per cent* of the total arrears. Substantial accumulation of arrears of taxes show that the State Government did not tackle the problem vigorously. It is recommended that effective steps for collecting these arrears may be taken to augment Government revenue.

The position of arrears of revenue pending collection at the end of 2008-09 in respect of other departments was not furnished (August 2009) despite being requested (March 2009).

### 1.7 Arrears in assessments

The number of cases pending assessment at the beginning of the year, cases becoming due during the year, cases disposed during the year and number of cases pending at the end of each year during 2004-05 to 2008-09 as furnished by the Excise and Taxation Department in respect of taxes on sales, trade etc.

(ST) and taxes on goods and passengers (PGT) are mentioned below:

| Year    | Head of revenue receipts | Opening balance | Cases due for assessment during the year | Total    | Cases finalised during the year | Balance at the close of the year | Percentage of col. 6 to col. 5 |
|---------|--------------------------|-----------------|--|----------|---------------------------------|----------------------------------|--------------------------------|
| 1       | 2                        | 3               | 4  | 5        | 6                               | 7                                | 8                              |
| 2004-05 | ST                       | 2,05,930        | 1,59,740                                 | 3,65,670 | 1,42,901                        | 2,22,769                         | 39                             |
|         | PGT                      | 1,312           | 704                                      | 2,016    | 536                             | 1,480                            | 27                             |
| 2005-06 | ST                       | 2,22,769        | 1,63,789                                 | 3,86,558 | 1,86,761                        | 1,99,797                         | 48                             |
|         | PGT                      | 1,480           | 618                                      | 2,098    | 433                             | 1,665                            | 21                             |
| 2006-07 | ST                       | 1,99,797        | 1,76,682                                 | 3,76,479 | 1,59,608                        | 2,16,871                         | 42                             |
|         | PGT                      | 1,665           | 672                                      | 2,337    | 1,915                           | 422                              | 82                             |
| 2007-08 | ST                       | 2,16,871        | 1,81,128                                 | 3,97,999 | 1,75,124                        | 2,22,875                         | 44                             |
|         | PGT                      | 422             | 1,400                                    | 1,822    | 723                             | 1,099                            | 40                             |
| 2008-09 | ST                       | 2,22,875        | 1,83,153                                 | 4,06,028 | 1,64,132                        | 2,41,896                         | 40                             |
|         | PGT                      | 1,099           | 1,105                                    | 2,204    | 633                             | 1,571                            | 29                             |

The above table shows that pending cases in respect of ST at the beginning of 2004-05 were 2,05,930 which increased to 2,41,896 at the end of 2008-09 i.e. 17 per cent. The percentage of ST cases finalised to total cases during the years 2004-05 to 2008-09 ranged between 39 and 48 per cent. Sixty per cent of total cases (4,06,028) were pending assessment (2,41,896 cases) as on 31 March 2009. Pending cases in respect of PGT increased from 1,312 at the beginning of 2004-05 to 1,571 (20 per cent) at the end of 2008-09. The percentage of PGT cases finalised to total cases during the years 2004-05 to 2008-09 ranged between 21 and 82 per cent. Seventy one per cent of total cases (2,204) were pending assessment (1,571 cases) as on 31 March 2009.

### 1.8 Performance of assessments

No norms have been fixed for Deputy Excise and Taxation Commissioners for disposal of assessment cases. After the introduction of Haryana Value Added Tax Act, 2003, Assistant Excise and Taxation Officers (AETOs) have not been assigned the duty to frame assessment and there are no norms fixed for Excise and Taxation Officers to frame or dispose off assessment of sales tax cases.

However, an assessing authority is required to dispose off all the cases under Deemed Assessment Scheme within one year of the date prescribed for furnishing of last return for the year and all scrutiny cases within a period of three years from the close of the year to which the assessments relate.

### 1.9 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demand for additional tax raised during 2008-09 are mentioned below:

(Rupees in crore)

| Sr. No. | Heads of revenue              | Cases pending as on 31 March 2008 | Cases detected during the year 2008-09 | Total (3+4) | Number of cases in which assessments/ investigations completed and additional demand including penalty etc. raised |                  | Number of cases pending finalisation as on 31 March 2009 |
|---------|-------------------------------|-----------------------------------|--|-------------|--|------------------|--|
|         |                               |                                   |  |             | Number of cases  | Amount of demand |  |
| 1.      | Taxes on sales, trade etc.    | 59                                | 1,338                                  | 1,397       | 1,301  | 138.39           | 96   |
| 2.      | State excise                  | 149                               | 2,359                                  | 2,508       | 2,229  | 78.49            | 279  |
| 3.      | Taxes on goods and passengers | 622                               | 8,363                                  | 8,985       | 8,350  | 6.80             | 635  |

### 1.10 Write off and waiver of revenue

During the year 2008-09, demands for Rs. 16.07 crore in 267 cases and Rs. 29.95 lakh in 21 cases were written off as reported by the Excise and Taxation Department. The details are mentioned below:

(Rupees in lakh)

| Sr. No.      | Reasons                             | Sales tax       |                 | State excise    |              |
|--------------|-------------------------------------|-----------------|-----------------|-----------------|--------------|
|              |                                     | Number of cases | Amount          | Number of cases | Amount       |
| 1.           | Whereabouts of defaulters not known | 123             | 802.57          | 6               | 9.81         |
| 2.           | Defaulters no longer alive          | 17              | 111.20          | 7               | 8.12         |
| 3.           | Defaulters not having any property  | 88              | 424.19          | 8               | 12.02        |
| 4.           | Defaulters adjudged insolvent       | 4               | 2.09            | Nil             | Nil          |
| 5.           | Other reasons                       | 35              | 267.09          | Nil             | Nil          |
| <b>Total</b> |                                     | <b>267</b>      | <b>1,607.14</b> | <b>21</b>       | <b>29.95</b> |

### 1.11 Refunds

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09, as reported by the Excise and

Taxation, Power and Urban development departments are mentioned below:

(Rupees in crore)

| Particulars of claims | Sales tax    |        | State excise |        | Taxes and duties on electricity |        | Urban Development |        |
|-----------------------|--------------|--------|--------------|--------|---------------------------------|--------|-------------------|--------|
|                       | No. of cases | Amount | No. of cases | Amount | No. of cases                    | Amount | No. of cases      | Amount |
| Opening balance       | 301          | 31.84  | 47           | 0.20   | Nil                             | Nil    | Nil               | Nil    |
| Received              | 2,621        | 911.51 | 353          | 4.56   | 2                               | 0.03   | 150               | 800.00 |
| Refunds               | 2,586        | 883.70 | 383          | 4.59   | 2                               | 0.03   | 7                 | 222.18 |
| Closing balance       | 336          | 59.65  | 17           | 0.17   | Nil                             | Nil    | 143               | 577.82 |

Refund of Rs. 1,110.50 crore had been made to 2,978 claimants during the year 2008-09 by the departments.

### **1.12 Failure of the senior officials to enforce accountability and protect interest of the Government**

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

Inspection reports issued upto December 2008 disclosed that 6,553 audit observations involving money value of Rs. 8,663.68 crore relating to 2,868 IRs remained outstanding at the end of June 2009. Of these, 527 IRs containing 1,082 paragraphs involving money value of Rs. 95.20 crore had not been settled for more than 10 years by the various departments.

The large pendency of IRs is indicative of failure on the part of the heads of offices and heads of departments to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

To ensure that action to recover the revenue due does not become time barred, it is recommended that the Government may take suitable steps to ensure that:

- an effective procedure exists for prompt and appropriate response to the audit observations;
- action is taken against officials/officers failing to take effective steps to get the audit observations settled at the earliest after getting Government revenue recovered or other action as per law; and
- action is taken to recover loss/outstanding demands in a time bound manner.

### **1.13 Departmental audit committee meetings**

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees were constituted by the Government in September 1985. These committees are chaired by the Administrative Secretary of the department concerned and attended among others by the officers concerned of the State Government and of the office of the Accountant General (Audit) Haryana.

The meetings are required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations. During the year 2008-09, only 53 drawing and disbursing officers (DDOs) of four departments out of 699 DDOs from 23 departments dealing with various major heads of tax and non-tax revenue convened meetings of the audit committee. Thus, most of the Government departments did not take any initiative for expeditious settlement of the outstanding audit observations through this meeting. The Government should ensure periodical meetings of the committees for effective progress.

### **1.14 Response of the departments to draft audit paragraphs**

The Finance Department had issued directions to all the departments on 5 January 1982 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded by the Accountant General to the Secretaries of the departments concerned through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Forty one draft paragraphs (clubbed in 26 paragraphs) and two reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended March 2009 were forwarded to the Secretaries of the departments concerned during January to July 2009 through demi-official letters. However, reply was received only in five cases.

### 1.15 Follow up on Audit Reports - summarised position

According to the instructions issued by the Finance Department in October 1995 and reiterated in July 2001, the administrative departments were to initiate suo moto positive and concrete action on all paragraphs and reviews featuring in the Report of the Comptroller and Auditor General of India (Revenue Receipts) regardless of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. They were also to furnish detailed notes, duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the Legislature.

The position of paragraphs which have appeared in the Audit Reports and those pending discussion as on 30 June 2009 is mentioned in Annexure I. 122 paragraphs pertaining to the period 2003-04 to 2007-08 were pending for discussion by the PAC. The Administrative Departments had failed to submit action taken notes (ATNs) in respect of 79 (out of 122) paragraphs within three months from the date of presentation<sup>12</sup> of the Audit Reports to the Legislature.

Further, the response of the Administrative Departments towards the recommendations of the PAC was not encouraging as 526 recommendations pertaining to the period 1977-78 to 2002-03 were still pending for want of final action by the concerned departments (Annexure II).

### 1.16 Compliance with the earlier Audit Reports

During the years between 2003-04 and 2007-08, the department/Government accepted audit observations involving revenue of Rs. 1,009.70 crore out of which an amount of Rs. 451.26 crore was recovered till 31 March 2009 as mentioned below:

(Rupees in crore)

| Year of Audit Report | Total money value | Accepted money value | Recovery made |
|----------------------|-------------------|----------------------|---------------|
| 2003-04              | 315.26            | 126.27               | 126.27        |
| 2004-05              | 367.24            | 362.94               | 2.26          |
| 2005-06              | 200.60            | 98.17                | 6.19          |
| 2006-07              | 407.54            | 392.67               | 315.22        |
| 2007-08              | 122.75            | 29.65                | 1.32          |
| <b>Total</b>         | <b>1,413.39</b>   | <b>1,009.70</b>      | <b>451.26</b> |

The recovery in respect of the accepted cases was 45 per cent. The Government may advise the concerned departments to take necessary steps for speedy recovery.

<sup>12</sup> 2003-04: March 2005; 2004-05: December 2005; 2005-06: March 2007; 2006-07: March 2008 and 2007-08: February 2009.

### **1.17 Results of audit**

Test check of the records of sales tax, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax and non-tax receipts during the year 2008-09 revealed under assessment/short levy/loss of revenue amounting to Rs. 281.13 crore in 37,889 cases. During the year, the departments accepted under assessment of Rs. 15.75 crore in 2,861 cases. Out of these, 2,430 cases involving Rs. 13.11 crore were pointed out in 2008-09 and the rest in earlier years. An amount of Rs. 1.30 crore recovered in 364 cases during 2008-09 of which Rs. 56.89 lakh recovered in 213 cases related to earlier years. No replies have been received in respect of the remaining cases.

This report contains 28 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 82.74 crore. The department/Government accepted audit observations involving Rs. 75.64 crore of which Rs. 70.40 lakh had been recovered upto August 2009. These are discussed in succeeding chapters II to VI.