

## **PREFACE**

This Report for the year ended 31 March 2009 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This report presents the results of audit of receipts comprising commercial tax, taxes on motor vehicles, stamp duty and registration fees and other tax and non-tax receipts of the State.

The cases mentioned in the report are among those which came to notice in the course of test audit of records during the year 2008-09 as well as those which came to notice in earlier years but could not be included in the previous years' reports.

## OVERVIEW

This report contains 13 paragraphs including two reviews relating to non/short levy of tax, penalty, interest etc. involving Rs. 109.07 crore. Some of the major findings are mentioned below:

### I. General

- The total receipts of the Government of Uttar Pradesh for the year 2008-09 were Rs. 77,830.73 crore against Rs. 68,672.47 crore during 2007-08. The revenue raised by the State Government amounted to Rs. 35,425.52 crore comprising tax revenue of Rs. 28,658.97 crore and non-tax revenue of Rs. 6,766.55 crore. The receipts from the Government of India were Rs. 42,405.21 crore (State's share of divisible Union taxes: Rs. 30,905.72 crore and grants-in-aid: Rs. 11,499.49 crore). Thus, the State Government could raise only 46 *per cent* of the total revenue. Taxes on sales, trade etc. (Rs. 17,482.05 crore) and miscellaneous general services (Rs. 1,698.79 crore) were the major source of tax and non-tax revenue respectively during the year 2008-09.

**(Paragraph 1.1)**

- As on 31 March 2009 arrears of revenue under principal heads of revenue as reported by concerned departments were Rs. 15,731.74 crore.

**(Paragraph 1.5)**

- Inspection reports numbering 8,547 issued upto 31 December 2008 containing 20,222 audit observations with money value of Rs. 4,559.97 crore had not been settled upto June 2009.

**(Paragraph 1.6)**

- Test check of the records of commercial tax, taxes on vehicles, goods and passengers, stamp duty and registration fees, public works, finance departments, forest and entertainment tax etc., conducted during the year 2008-09 revealed under assessments/short levy/loss of revenue amounting to Rs. 1,156.87 crore in 3,272 cases. During the year 2008-09, the concerned departments accepted under assessments and other deficiencies of Rs. 8.23 crore in 372 cases of which Rs. 3.31 crore had been recovered in 298 cases upto March 2009.

**(Paragraph 1.10)**

### II. Commercial tax

A performance review on “**Collection of arrears in Commercial Tax Department**” revealed as under:

- Frequent reopening of cases of assessments under Section 30 resulted in non-realisation of tax of Rs. 48.17 crore.

**(Paragraph 2.2.7)**

- Cross check of “Demand and Recovery Register” with monthly returns submitted by 85 assessing authorities to Joint Commissioner (Executive) revealed discrepancy in figures of Rs. 254.62 crore in revenue realisation.

**(Paragraph 2.2.8)**

- Non-observance of prescribed procedure, delay in issue of recovery certificates and non-ensuring of particulars of the dealers at the time of registration resulted in non-realisation of tax of Rs. 142.69 crore.

**(Paragraph 2.2.12)**

- Non-execution of write-off cases resulted in accumulation of arrears of Rs. 1,278.55 crore.

**(Paragraph 2.2.13)**

- Non-levy of penalty and interest leviable on dealers on trade offences resulted in non-realisation of Rs. 8 crore.

**(Paragraph 2.4)**

### **III. Taxes on Vehicles, Goods and Passengers**

- Short levy of additional tax on passenger vehicles resulted in short realisation of Rs. 4.16 crore.

**(Paragraph 3.3.1)**

- Non-levy of tax on gross laden weight of the vehicles resulted in short realisation of tax of Rs. 1.11 crore.

**(Paragraph 3.3.2)**

### **IV. Stamp Duty and Registration Fee**

- Short levy of stamp duty due to incorrect computation of lease period resulted in short realisation of Rs. 3.44 crore.

**(Paragraph 4.3.1)**

### **V. Other Tax and Non-Tax Receipts**

A performance review on **Public Works Department receipts** revealed as under:

- Non-adherence of financial rules resulted in misappropriation of departmental receipts of Rs. 13.24 crore towards departmental expenditure.

**(Paragraph 5.2.7.1)**

- Non-credit of stock profit to revenue resulted in short account of revenue of Rs. 6.73 crore.

**(Paragraph 5.2.10.1)**

- Non-realisation of compensation on late payment of monthly installments of lease resulted in loss of Rs. 92.39 lakh.

**(Paragraph 5.2.12.2)**

- Non-levy of centage charges on deposit works resulted in short realisation of revenue of Rs. 2.03 crore.

**(Paragraph 5.2.13)**

- Non/short levy of guarantee fees amounting to Rs. 14.75 crore.

**(Paragraph 5.5.1)**

## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)						
Sl. 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	15,692.61	18,857.90	22,997.97	24,959.32	28,658.97
	• Non-tax revenue	2,720.29	2,930.32	6,532.64	5,816.01	6,766.55
	<b>Total</b>	<b>18,412.90</b>	<b>21,788.22</b>	<b>29,530.61</b>	<b>30,775.33</b>	<b>35,425.52</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	15,055.26	18,203.13	23,218.31	29,287.74	30,905.72 <sup>1</sup>
	• Grants-in-aid	4,149.28	5,357.80	7,850.60	8,609.40	11,499.49
	<b>Total</b>	<b>19,204.54</b>	<b>23,560.93</b>	<b>31,068.91</b>	<b>37,897.14</b>	<b>42,405.21</b>
<b>III.</b>	<b>Total receipts of the State (I + II)</b>	<b>37,617.44</b>	<b>45,349.15</b>	<b>60,599.52</b>	<b>68,672.47</b>	<b>77,830.73</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>49</b>	<b>48</b>	<b>49</b>	<b>45</b>	<b>46</b>

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 46 per cent of the total revenue receipts (Rs. 77,830.73 crore) against 45 per cent in the preceding year. The balance 54 per cent of receipts during 2008-09 was from the Government of India.

<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 Uttar Pradesh for the year 2008-09. Figures under the major heads 0020 - Corporation tax, 0021 - Other taxes on income and expenditure, 0028 - Taxes on income other than corporation tax, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - 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 'State's share of divisible Union taxes' in this statement.

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

(Rupees in crore)

Sl. No	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase or decrease with reference to 2007-08
1.	Commercial tax	8,888.31	11,284.67	13,278.82	15,023.10	17,482.05	2,458.95	16.37
2.	State excise	2,686.19	3,088.54	3,551.25	3,948.40	4,720.01	771.61	19.54
3.	Stamp duty and registration fees	2,682.36	2,996.78	4,513.67	3,976.68	4,138.27	161.59	4.06
4.	Taxes on vehicles	775.84	965.20	1,017.60	1,145.84	1,124.66	-21.18	-1.85
5.	Taxes and duties on electricity	354.36	182.26	193.92	206.65	216.72	10.07	4.87
6.	Land revenue	102.44	108.69	187.52	392.53	549.28	156.75	39.93
7.	Other taxes and duties on commodities and services	112.28	114.76	131.57	137.50	140.58	3.08	2.24
8.	Taxes on goods and passengers	81.74	105.19	108.70	109.65	266.49	156.84	143.04
9.	Other (hotel receipts, corporation tax, etc.)	9.09	11.81	14.92	18.97	20.91	1.94	10.23
	<b>Total</b>	<b>15,692.61</b>	<b>18,857.90</b>	<b>22,997.97</b>	<b>24,959.32</b>	<b>28,658.97</b>	<b>3,699.65</b>	<b>14.82</b>

The concerned departments did not inform (August 2009) the reasons for variations despite being requested (April 2009).

**1.1.3** The following table presents the details of non-tax revenue realised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase/decrease with reference to 2007-08
1.	Misc. general services	58.02	75.02	2,281.23	1,153.53	1,698.79	545.26	47.27
2.	Interest receipts	597.93	457.94	828.86	1,247.84	963.87	-283.97	-22.76
3.	Forestry and wild life	107.42	161.98	212.37	294.80	271.92	-22.88	-7.76
4.	Major and medium irrigation	176.60	53.78	143.29	319.43	260.91	-58.52	-18.32
5.	Education, sports, art and culture	581.02	934.81	814.96	1,217.62	1,080.61	-137.01	-11.25
6.	Other administrative services	128.23	99.96	99.71	146.10	145.04	-1.06	-0.73
7.	Non-ferrous mining and metallurgical industries	292.01	354.60	345.34	395.20	427.31	32.11	8.13
8.	Police	97.58	96.66	209.60	147.17	160.78	13.61	9.25
9.	Crop husbandry	18.60	40.84	33.96	51.03	49.64	-1.39	-2.72
10.	Social security and welfare	17.25	14.23	15.77	19.73	34.06	14.33	72.63

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase/decrease with reference to 2007-08
11.	Medical and public health	42.03	39.75	62.67	72.11	618.84	546.73	758.19
12.	Minor irrigation	12.53	21.21	33.02	31.41	31.65	0.24	0.76
13.	Roads and bridges	31.67	55.36	58.83	74.24	60.69	-13.55	-18.25
14.	Public works	31.44	36.09	26.59	34.03	57.52	23.49	69.03
15.	Co-operation	8.15	6.27	7.02	6.33	26.46	20.13	318.01
16.	Others	519.81	481.82	1,359.42	605.44	878.46	273.02	45.09
	<b>Total</b>	<b>2,720.29</b>	<b>2,930.32</b>	<b>6,532.64</b>	<b>5,816.01</b>	<b>6,766.55</b>	<b>950.54</b>	<b>16.34</b>

The concerned department did not inform (August 2009) the reasons for variations despite being requested (April 2009).

## 1.2 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 principal heads of revenue are mentioned below:

(Rupees in crore)					
Sl. No	Head of revenue	Budget estimates	Actual receipts	Variation excess (+) short fall (-)	Percentage of variation
<b>Tax revenue</b>					
1.	Commercial tax	19,705.00	17,482.05	-2,222.95	-11.28
2.	State excise	5,040.00	4,720.01	-319.99	-6.35
3.	Stamp duty and registration fees	5,370.53	4,138.27	-1,232.26	-22.94
4.	Taxes on goods and passengers	737.75	266.49	-471.26	-63.88
5.	Taxes on vehicles	862.25	1,124.66	262.41	30.43
6.	Other taxes and duties on commodities and services	132.55	140.58	8.03	6.06
7.	Taxes and duties on electricity	275.35	216.72	-58.63	-21.29
8.	Land revenue	170.11	549.28	379.17	222.90
<b>Non-tax revenue</b>					
1.	Misc. general services	1,144.92	1,698.79	553.87	48.38
2.	Interest receipts	1,588.57	963.87	-624.70	-39.32
3.	Forestry and wild life	185.15	271.92	86.77	46.86
4.	Major and medium irrigation	56.99	260.91	203.92	357.82
5.	Education, sports, art and culture	79.80	1,080.61	1,000.81	1,254.15
6.	Non-ferrous mining and metallurgical industries	448.96	427.31	-21.65	-4.82

The concerned departments did not inform (August 2009) the reasons for variations despite being requested (April 2009).

### 1.3 Cost of collection

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

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the year 2007-08
1.	Commercial tax	2006-07	13,278.82	200.19	1.51	0.83
		2007-08	15,023.10	228.19	1.52	
		2008-09	17,482.05	272.54	1.56	
2.	Taxes on vehicles, goods and passengers	2006-07	1,126.30	30.25	2.69	2.58
		2007-08	1,255.49	36.15	2.87	
		2008-09	1,391.15	50.43	3.62	
3.	Stamp duty and registration fees	2006-07	4,513.67	61.36	1.36	2.09
		2007-08	3,976.68	72.71	1.83	
		2008-09	4,138.27	76.01	1.84	

### 1.4 Arrears in assessment

The details of assessments relating to commercial tax pending at the beginning of the year, additional cases became due for assessment during the year, cases disposed during the year and cases pending at the end of the year as furnished by the Commercial Tax Department during 2004-05 to 2008-09 are mentioned below:

Year	Opening balance	Cases which become due for assessment	Total	Cases disposed of during the year	Cases pending at the close of the year
2004-05	4,82,677	5,87,405	10,70,082	5,39,360	5,30,722
2005-06	5,30,722	5,33,349	10,64,071	5,22,962	5,41,109
2006-07	5,41,109	6,00,531	11,41,640	5,64,532	5,77,108
2007-08	5,76,968	6,19,710	11,96,678	2,58,011	9,38,667
2008-09	9,38,667	5,33,358	14,72,025	9,50,313	5,21,712

(The opening balance for the year 2007-08 did not tally with the closing balance for the year 2006-07. The department stated (November 2008) that opening balance for the year 2007-08 was correct. The difference was stated to be due to a clerical error).

### 1.5 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. 15,731.74 crore of which Rs. 9,210 crore relating to Commercial tax were outstanding for more than five years as mentioned below:



(Rupees in crore)

Sl. No.	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears outstanding for more than five years as on 31 March 2009	Remarks
1.	Commercial tax	15,389.85	9,210.00	Out of Rs. 15,389.85 crore, demand for Rs. 926.75 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 2,050.13 crore had been stayed by the Courts/ Government. Recoveries amounting to Rs.230.25 crore were outstanding against Government/semi-Government departments. Demand of Rs. 1,246.95 crore was likely to be written off. Rs. 74.51 crore were outstanding on transporters. Recovery certificates amounting to Rs. 869.84 crore have been sent to other States. Arrears not covered under recovery certificates but under specific action of department amounted to Rs. 9,991.42 crore.
2.	Entertainment tax	10.26	4.86	Out of Rs. 10.26 crore, demand for Rs. 4.70 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 5.24 crore had been stayed by the courts/Government. Notices have been issued for balance of Rs. 32 lakh.
3.	Stamp and registration	249.67	Not available	Out of Rs. 249.67 crore, demands for Rs. 95.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 154.58 crore had been stayed by court.
4.	Land revenue	9.90	Not available	Rs. 9.90 crore was pending for recovery.
5.	Taxes on vehicles, goods and passengers	72.06	Not available.	Out of Rs. 72.06 crore demands for Rs. 31 lakh and Rs. 1.18 crore had been stayed by court and Government respectively. Demand of Rs. 89 lakh was likely to be written off. Balance demand of Rs. 69.68 crore was pending for recovery.
<b>Total</b>		<b>15,731.74</b>	<b>9,214.86</b>	

### 1.6 Outstanding inspection reports and audit observations

Accountant General (Commercial and Receipts Audit) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during the

inspection are not settled on the spot, these IRs are issued to the heads of offices inspected with a copy to the next higher authorities. More important irregularities are reported to the heads of departments and the Government. The heads of offices are required to furnish replies to IRs through the respective heads of departments within a period of two months.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2008 which were pending settlement by the departments as on 30 June 2009, along with corresponding figures for the preceding two years are mentioned below:

Sl. No.		2007	2008	2009
1.	Number of inspection reports pending settlement	9,524	8,688	8,547
2.	Number of outstanding audit observations	21,445	21,049	20,222
3.	Amount of revenue involved (Rs. in crore)	4,782.48	2,642.28	4,559.97

The department wise details of IRs and audit observations outstanding as on June 2009 and the amount involved are indicated below:

Sl. No.	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved (in crores of rupees)	Year to which the observations relate
1.	Forestry and wild life	1,050	1,900	1,942.70	1991-92 to 2008-09
2.	Commercial tax	2,410	8,590	1,758.19	1984-85 to 2008-09
3.	Land revenue	592	848	25.93	1987-88 to 2008-09
4.	Taxes on vehicle, goods and passengers	968	2,766	246.32	1984-85 to 2008-09
5.	Public works	459	888	39.88	1986-87 to 2008-09
6.	Irrigation	255	654	87.31	1984-85 to 2008-09
7.	Taxes on purchase of sugarcane	96	111	53.53	1985-86 to 2008-09
8.	Stamp duty and registration fees	1,941	3,208	180.71	1984-85 to 2008-09
9.	Agriculture	185	309	22.22	1985-86 to 2008-09
10.	Electricity duty	250	305	167.07	1988-89 to 2008-09
11.	Food and civil supplies	105	179	19.76	1991-92 to 2008-09
12.	Co-operation	93	114	5.97	1985-86 to 2008-09
13.	Entertainment tax	81	120	5.15	1997-98 to 2008-09
14.	Medical and public health	59	227	5.21	2002-03 to 2008-09
15.	Jail	3	3	0.02	2002-03 to 2008-09
<b>Total</b>		<b>8,547</b>	<b>20,222</b>	<b>4,559.97</b>	

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

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

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Out of paragraphs/reviews included in Audit Reports relating to the period 2003-04 to 2007-08 which have already been laid before the State legislature, explanatory notes (ENs) in respect of 80 paragraphs/reviews were not received in audit office as on August 2009 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2003-04 are as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/ reviews included in the Audit Reports	No. of paragraphs/ reviews on which ENs have been received from the departments	No. of paragraphs/ reviews on which ENs have not been received from the departments
2003-04	20 July 2005	25	10	15
2004-05	11 March 2006	22	12	10
2005-06	25 January 2007	21	01	20
2006-07	15 February 2008	24	03	21
2007-08	17 February 2009	16	02	14
<b>Total</b>		<b>108</b>	<b>28</b>	<b>80</b>

### 1.8 Compliance with the earlier Audit Reports

In the Audit Reports 2003-04 to 2007-08 cases of under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs. 2,957.63 crore were reported. As of August 2009, the departments concerned have accepted observations of Rs. 1,071.88 crore and recovered Rs. 10.21 crore. Audit Report wise details of cases accepted and recovered are mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2003-04	473.20	104.01	0.12
2004-05	449.74	30.39	1.18
2005-06	906.66	7.91	0.05
2006-07	92.18	1.74	0.03
2007-08	1,035.85	927.83	8.83
<b>Total</b>	<b>2,957.63</b>	<b>1,071.88</b>	<b>10.21</b>

### 1.9 Departmental audit committee meetings

In order to expedite clearance of outstanding audit observations, it is necessary that audit committees should meet regularly and ensure appropriate action on all audit observations leading to their settlement. During the year 2008-09, out

of 11 departments, six departments convened 29 audit committee meetings in which 1,360 paras worth Rs. 25.67 crore were settled.

### **1.10 Results of audit**

Test check of the records of commercial tax, taxes on vehicles, goods and passengers, stamp duty and registration fees, public works, finance departments, forest and entertainment tax etc., conducted during the year 2008-09 revealed under assessments/short levy/loss of revenue amounting to Rs. 1,156.87 crore in 3,272 cases, out of which only few illustrative cases have been mentioned in this audit report. During the year 2008-09, the concerned departments accepted under assessments and other deficiencies of Rs. 8.23 crore in 372 cases of which Rs. 3.31 crore had been recovered in 298 cases upto March 2009.

This report contains 13 paragraphs including two reviews relating to non/short levy of tax, fees, interest and penalty etc. involving Rs. 109.07 crore. Of these, the departments/Government accepted audit observations amounting to Rs. 4.26 crore. The reply in the remaining cases has not been received. These are discussed in succeeding chapters II to V.

## CHAPTER-II COMMERCIAL TAX

### 2.1 Results of audit

Test check of the assessments and other records of commercial tax offices, conducted during 2008-09, revealed non/short levy of tax, non/short levy of tax due to misclassification of goods and incorrect rate of tax, irregular exemption of tax, etc. of Rs. 64.65 crore in 1,967 cases, which fall under the following categories :

(Rupees in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	<b>Collection of arrears in Commercial Tax Department (A review)</b>	<b>1</b>	<b>00.00</b>
2.	Non/short levy of penalty/interest	585	18.33
3.	Incorrect/short levy of tax	818	22.40
4.	Irregular grant of exemption from tax	315	9.78
5.	Misclassification of goods	28	4.23
6.	Irregularities relating to central sales tax	53	1.06
7.	Mistake in computation	11	0.35
8.	Turnover escaping tax	14	2.58
9.	Other irregularities	142	5.92
<b>Total</b>		<b>1,967</b>	<b>64.65</b>

During the year 2008-09, the department accepted under assessments and other deficiencies of Rs. 5.60 crore involved in 202 cases, of which, three cases involving Rs. 17.90 lakh had been pointed out during 2008-09 and the remaining in the earlier years. The department recovered Rs. 68.12 lakh in 128 cases during the year 2008-09, of which in one case involving Rs. 8,390 related to the year 2008-09 and the balance to the earlier years.

A performance review on **Collection of arrears in Commercial Tax Department** and few illustrative audit observations involving Rs. 9.23 crore, are mentioned in the succeeding paragraphs.

## **2.2 Performance review on Collection of Arrears in Commercial Tax Department**

### **Highlights**

- Frequent reopening of cases of assessments under Section 30 resulted in non-realisation of tax of Rs. 48.17 crore.

**(Paragraph 2.2.7)**

- Cross check of “Demand and Recovery Register” with monthly returns submitted by 85 assessing authorities to Joint Commissioner (Executive) revealed, discrepancy in figures of Rs. 254.62 crore in revenue realisation.

**(Paragraph 2.2.8)**

- Non-observance of prescribed procedure, delay in issue of recovery certificates and non-ensuring of particulars of the dealers at the time of registration resulted in non-realisation of tax of Rs. 142.69 crore.

**(Paragraph 2.2.12)**

- Non-execution of write-off cases resulted in accumulation of arrears of Rs. 1,278.55 crore.

**(Paragraph 2.2.13)**

### **2.2.1 Introduction**

Commercial Tax (CT) (known as Trade Tax upto December 2007) is the major source of revenue of the State and contributed 60 *per cent* (Rs. 15,023.10 crore) of the total tax revenue (Rs. 24,959.32 crore) to the State exchequer during the year 2007-08. The levy of commercial tax is governed by the provisions of Uttar Pradesh Trade Tax Act, 1948 (UPTT Act) and rules made thereunder upto 31 December 2007, thereafter by provisions of Uttar Pradesh Value Added Tax Act, 2007 (UPVAT Act). The levy of Central Sales Tax is regulated by the provisions of the Central Sales Tax Act, 1956 (CST Act) and the rules made thereunder.

The UPTT Act provides that as soon as an assessment is made by the concerned Assessing Authorities (AA) (Commercial Tax Officer) he shall send the dealer a notice in form XI, together with a copy of the assessment order and the dealer shall pay the tax so assessed within 30 days from the receipt of the notice. The demand notice depicts tax already paid by the dealer and the balance due from him. If the dealer fails to deposit the tax, it can be recovered as arrears of land revenue under the provisions of Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950 (UPZA & LR Act). A Recovery Certificate (RC) in this regard is forwarded by the AAs to the District Collectors for collection of the amount specified therein. However,

with effect from October 1998, in 14 districts<sup>1</sup>, the AAs have been empowered to act as a recovery officer of their concerned circles and have been entrusted the work of recovery under UPZA & LR Act. They work under the overall control of Commissioner Commercial Tax (CCT).

### **2.2.2 Organisational set-up**

Principal Secretary, *Kar Evam Nibandhan* Uttar Pradesh, is the administrative head at Government level. The overall control and direction of the Commercial Tax Department vests with the CCT, Uttar Pradesh with headquarter at Lucknow. He is assisted by 18 Additional Commissioners, 114 Joint Commissioners (JCs), 198 Deputy Commissioners (DCs), 376 Assistant Commissioners (ACs) and 376 Commercial Tax Officers (CTOs).

### **2.2.3 Scope and methodology of audit**

With a view to ascertain the extent of arrears, adequacy and effectiveness of the system and procedures prevailing in the department for collection of arrears, a review covering the period 2003-04 to 2007-08 was conducted between May 2008 and March 2009. For this purpose, 24 districts out of 70 districts were selected using simple random sampling<sup>2</sup> method and records of 139 offices (DCs and ACs) out of 244 offices of CT were test checked. The records of the office of CCT were also test checked. Audit noticed number of discrepancies which are mentioned in the succeeding paragraphs.

### **2.2.4 Audit objectives**

The review was conducted with a view to ascertain the :

- extent of arrears and reasons for the accumulation of arrears;
- adequacy of system to prevent accumulation of arrears and prompt realisation thereof;
- compliance of the provisions of the Acts and rules and departmental instructions related to recovery of arrears and
- effectiveness of internal control mechanism for prompt realisation of arrears.

### **2.2.5 Acknowledgement**

Indian Audit and Accounts Department acknowledges the co-operation of Commercial Tax Department in providing necessary information and records for audit. An entry conference was held with the CCT, Uttar Pradesh and other departmental officers on 20 August 2008 wherein they were apprised of

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<sup>1</sup> Agra, Aligarh, Allahabad, Bareilly, Noida, Gorakhpur, Ghaziabad, Jhansi, Kanpur, Lucknow, Meerut, Moradabad, Saharanpur, Varanasi.

<sup>2</sup> (i) 5 districts under High risk area (revenue arrear > Rs. 1,000 crore).  
(ii) 10 districts under Medium risk area (revenue arrear > Rs. 100 crore but < Rs. 1,000 crore).  
(iii) 9 districts under Low risk area (revenue arrear < Rs. 100 crore).

the objectives of the review being taken up by the audit. The draft review was forwarded to Government/department on 17 June 2009. An exit conference was held on 1 July 2009, wherein the findings of the review were discussed with Joint Commissioner (Audit) CT. The viewpoint of the department has been incorporated in the relevant paragraphs.

### 2.2.6 Trend of arrears

As per the information furnished by the department the position of arrears during the last five years is mentioned below :

(Rupees in crore)

Year	Opening balance (as on 1 <sup>st</sup> April)	Demand raised	Arrear reduced by Appellate authority	Amount collected	Closing balance
2003-04	5,496.34	3,887.31	2,780.21	306.35	6,297.09
2004-05	6,297.09	3,768.84	2,518.94	337.31	7,209.68
2005-06	7,209.68	4,735.05	3,052.03	436.37	8,456.33
2006-07	8,456.33	10,194.15	3,470.32	610.59	14,569.57 <sup>3</sup>
2007-08	14,569.19	4,264.26	7,041.89	709.62	11,081.94



The above table revealed the following :

- The collection of arrears during each year was far less than the addition during that year. The percentage of collection with reference to demand raised ranged between 5.99 per cent to 16.64 per cent. This resulted in accumulation of arrears. The amount of arrears increased from Rs. 6,297.09 crore on 1 April 2004 to Rs. 11,081.94 crore in 31 March 2008 i.e. an increase of 75.98 per cent.
- The major reason for the sharp increase in arrears in 2006-07 was the high rise in demand. The reasons for the steep rise though called for has not been received (August 2009).

<sup>3</sup> The closing balance as on 31 March 2007 does not tally with the opening balance as on 1 April 2007. The department has been asked (August 2009) to reconcile the figures.



The information relating to the stages at which the arrears were pending for collection, as furnished by the department, is mentioned below :

(Rupees in crore)

Sl. No	Year	Out-standing arrears	Recovery stayed by		Amount to be written-off	Arrear against		Arrear involved in RC sent to other States	Certified arrear	Percentage of certified arrears to outstanding arrears
			Court	Government/ Administrative officers		Government department /Semi-Government department/ Corporation	Transporters			
1.	2003-04	6,297.09	918.19	2,821.84	1,077.12	227.91	141.95	605.99	504.09	8.01
2.	2004-05	7,209.68	1,018.07	3,507.46	979.52	215.52	126.72	651.39	711.00	9.86
3.	2005-06	8,456.33	1,132.40 <sup>4</sup>	4,454.41 <sup>4</sup>	1,064.35	299.42	155.65	640.25	710.12 <sup>4</sup>	8.40
4.	2006-07	14,569.57	1,796.80	9,739.85	1,183.27	257.11	168.71	779.13	644.70	4.42
5.	2007-08	11,081.94	2,729.34	5,108.99	1,278.55	205.35	144.17	820.63	794.91	7.17

The above table revealed the following :

- The certified arrears increased from Rs. 504.09 crore as on 1 April 2004 to Rs. 794.91 crore as on 31 March 2008. The pace of recovery process was slow in comparison to mounting of arrear.
- Arrears pending with Government /Semi-Government departments and Corporations have not been shown as certified arrears. This reveals that no efforts were made to recover the recoverable amount against these departments.
- The arrears proposed for write off amounting to Rs. 1,077.12 crore in 2003-04 were shown to have been reduced to Rs. 979.52 crore in 2004-05. However, no records relating to the write off of Rs. 97.60 crore were shown to audit despite repeated requests.

### Audit findings

### System deficiencies

#### 2.2.7 Repeated utilisation of provisions of Section-30 (Ex-parte assessment)

Under the provision of the UPTT Act, assessment order of a dealer is passed within the stipulated time fixed by the department. In case a dealer does not appear to show his accounts, an order of assessment is passed *ex parte*. However, the dealer may apply to the assessing authority within the 30 days of the service of the order to set-aside such order and reopen the case. If such authority is satisfied that the applicant did not receive the notice or was prevented by sufficient cause from appearing on fixed date, it may set-aside the order and reopen the case for hearing. No such application for setting aside *ex parte* assessment order shall be entertained unless it is accompanied by satisfactory proof of the payment of tax admitted by the dealer. Audit noticed

<sup>4</sup> The figures are at variance with the figures furnished in the earlier audit reports.

that the dealers repeatedly requested for reassessment under section 30 of the Act and cases were assessed again and again.

Test check of the records of three commercial tax offices revealed that five dealers neither presented themselves nor submitted their accounts to their AA on the specified dates for finalising the assessments. Their assessments were finalised *ex-parte*. Thereafter, the dealers applied repeatedly for reopening the case, but again did not turn up. The reassessments were made *ex-parte* repeatedly between March 2000 and March 2007 for the years 1997-98 to 2004-05. This resulted in non realisation of tax of Rs. 47.24 crore and entry tax of Rs. 92.86 lakh as mentioned below :

(Rupees in lakh)								
Sl. No.	Name of office	No. of dealers	Assessment Year / Date of assessment	No. of times cases reopened	Date of last assessment	Time lapse YY-MM-DD (in days)	Entry Tax	Tax
1.	DC(A)-XI, CT, Lucknow	1	1997-98 / 01.03.2000	7	21.11.2008	08-07-22 (3,188 days)	-	122.73
		1	2001-02 / 26.12.2003	4	18.12.2008	04-11-24 (1,840 days)	-	145.46
		1	2004-05 / 15.03.2007	3	22.11.2008	01-08-08 (633 days)	-	378.92
2.	DC(A)-XIII, CT, Lucknow	1	1999-2000 / 28.02.2002	6	21.09.2008	06-06-25 (2,398 days)	-	456.30
			2000-01 / 24.01.2003	8	03.09.2008	05-07-11 (2,050 days)	-	1,087.03
			2001-02 / 31.12.2002	7	04.09.2008	05-08-05 (2,075 days)	-	573.88
3.	DC(A)-III, CT, Moradabad	1	2003-04 / 27.03.2006	3	28.05.2007	01-02-01 (428 days)	28.84	657.16
			2004-05 / 27.02.2007	3	06.05.2008	01-02-10 (435 days)	64.02	1,302.22
<b>Total</b>		<b>5</b>					<b>92.86</b>	<b>4,723.70</b>

It would be seen from the above table that repeated opening of the cases has resulted in non realisation of the amount. However, no provision has been made either in the Act or rules for not reopening such cases after affording a certain number of chances.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

## 2.2.8 Discrepancy in figures of collection

As per paragraph No. 318 of CT Manual, a register called Demand and Collection Register is required to be maintained by each AA. This register is to be prepared annually and indicates the amount due, recovered and recoverable in respect of each assessee. A monthly return indicating tax due and deposited by the dealer is being sent by each AAs (DCs and ACs) to the CCT through JC (Executive) / Additional Commissioner. This return shows the progress of total demand and collection made during the year.

Audit cross checked the details made in "Demand and Recovery Register" with monthly returns submitted by 85 assessing authorities to JC (Executive). As per demand and recovery register only Rs. 121.39 crore was recovered during the year 2006-07 and 2007-08 while as per the monthly return, the total

recoveries were Rs. 376.01 crore. Thus there was a discrepancy of Rs. 254.62 crore as mentioned below :

(Rupees in lakh)

Sl. No.	Name of office and district	2006-07			2007-08		
		Figures reported in monthly return	Figures as per demand and recovery register	Difference	Figures reported in monthly return	Figures as per demand and recovery register	Difference
1.	DC (A) I to XII, CT, Agra	1,358.39	428.51	929.88	1,047.34	521.38	525.96
2.	DC (A) I, III & IV CT, Allahabad	754.61	502.57	252.04	585.83	225.38	360.45
3.	DC (A) I, III,CT, Aligarh	-	-	-	287.78	155.80	131.98
4.	DC (A), CT, Chandauli	485.16	25.06	460.10	577.33	24.65	552.68
5.	DC (A), CT, Fatehpur	73.50	12.49	61.01	75.17	20.77	54.40
6.	DC (A) I to XII,CT, Ghaziabad	3,526.67	1,854.23	1,672.44	4,830.54	2,215.14	2,615.40
7.	DC (A) I, II CT, Gorakhpur	141.23	70.78	70.45	289.92	155.51	134.41
8.	DC (A) I to VII, IX, X, XII & XIV to XX, CT, Kanpur	2,615.25	639.25	1,976.00	3,581.86	879.34	2,702.52
9.	DC (A) I to XII, CT, Lucknow	4,342.38	685.50	3,656.88	7,016.71	1,468.11	5,548.60
10.	DC (A) & AC ,CT, Mathura	-	-	-	246.02	62.18	183.84
11.	DC (A) II, IV to VI & DC (A) Sardhana, CT, Meerut	869.40	355.48	513.92	1,638.25	383.94	1,254.31
12.	DC (A) CT, Mirzapur	35.97	25.00	10.97	54.81	21.73	33.08
13.	DC (A) I to III, CT, Moradabad	182.45	134.00	48.45	267.53	138.00	129.53
14.	DC (A),CT, Pratapgarh	1.65	1.11	0.54	2.75	0.44	2.31
15.	AC, CT, Sant Kabir Nagar	-	-	-	12.83	1.81	11.02
16.	DC (A),CT, Sonebhadra	540.33	360.85	179.48	618.43	456.16	162.27
17.	DC (A) I to VI,CT, Varanasi	335.88	112.87	223.01	1,205.23	200.93	1,004.30
<b>Total</b>		<b>15,262.87</b>	<b>5,207.70</b>	<b>10,055.17</b>	<b>22,338.33</b>	<b>6,931.27</b>	<b>15,407.06</b>

The figures of collection for both the years were thus not reliable and needed reconciliation.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### 2.2.9 Internal audit

Internal audit is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to

assure itself that the prescribed internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. Internal control also helps in creation of reliable financial and management information system for prompt and efficient services and for adequate safeguards against evasion of tax and other irregularities.

Test check of the records revealed that an internal audit wing was functioning under the administrative control of CCT. The department had sanctioned strength of 13 Audit Officers, 40 Senior Auditors and 51 Auditors but all the post of AOs, 09 Sr. Auditors and 46 Auditors were vacant. It was stated that 520 units were audited against 690 units during the year 2006-07. However, the extent of coverage of audit i.e. days taken, days required to be allotted for audit viz-a-viz allotted /actually taken, periodicity of units, observation made, Local Audit Inspection Reports issued were not furnished to audit though demanded. As such audit could not ascertain the efficiency and effectiveness of internal audit.

### Compliance deficiencies

#### 2.2.10 Delay in issue of recovery certificates

Under the UPTT Act read with the commissioner's circular dated 28 November 1991, the tax assessed shall be deposited within 30 days of the service of the notice of assessment and demand. In case it is not deposited within the prescribed time, the AA, after expiry of 45 days of the service of assessment order, will issue immediately a recovery certificate for effecting recovery of tax as arrears of land revenue.

Test check of Demand and Recovery Register of eight commercial tax offices<sup>5</sup> revealed that in 2006-07 and 2007-08, in 57 cases, RCs for Rs. 1.11 crore were issued after an average delay of 200 days. The recovery is still pending. The details are mentioned below :

Sl. No.	Delay in issue of recovery certificate	Year			
		2006-07		2007-08	
		No. of cases	Amount (Rs. in lakh)	No. of cases	Amount (Rs. in lakh)
1.	Upto 3 months	1	2.12	3	17.46
2.	Upto 3 to 6 months	5	8.58	18	38.71
3.	Upto 6 to 12 months	6	3.12	16	29.16
4.	Upto more than 1 year	4	10.68	4	1.02
<b>Total</b>		<b>16</b>	<b>24.50</b>	<b>41</b>	<b>86.35</b>

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

<sup>5</sup> DC (A) CT Chandauli, DC (A)-I CT Gorakhpur, DC (A)-XV & XX CT Kanpur, DC (A)-VIII CT Lucknow, DC (A)-I, II & III CT Moradabad.

### 2.2.11 Recovery certificates issued to transporters

Under Section 28B of UPTT Act, when a vehicle carrying goods coming from outside the State, intends to pass through the State, the driver or other person incharge of such vehicle shall obtain in the prescribed manner an authorization for transit of goods from the officer-in-charge of the first check post or barrier after its entry into the State and deliver it to the officer-in-charge of the last check post or barrier before his exit from the State. In the absence of which it shall be presumed that the goods carried thereby has been sold within the State and recovery certificate is issued to the transporter to recover the assessed tax on such goods. According to the Commissioner's circular dated 1 November 1991, RCs must be issued on correct address of the transporters. If it is not available, the truck number shall be noted in RC so that complete address of assessee may be obtained from transport department where the vehicle was got registered.

A perusal of monthly return submitted by 46 Commercial Tax Offices to CCT revealed that (as on 2006-07) RCs involving tax of Rs. 9.18 crore were sent to the transporters of the State for collection of dues, but no amount was realised. Similarly, RCs for Rs. 32.29 crore were sent to the transporters of the other state upto the year 2006-07. This resulted in non-realisation of Government revenue of Rs. 41.47 crore as mentioned below :

(Rupees in lakh)			
Sl. No.	Name of office and district	Arrears within State (2006-07)	Arrears outside State (2006-07)
1.	DC (A) I & II, AC, Sec. I to Sec. XIV, CT, Agra	288.16	1,086.09
2.	AC, Sec. I, CT, Chandauli	4.26	35.72
3.	DC (A) I, III & V, CT, Ghaziabad	-	492.69
4.	AC, Sec. III, Sec. V to Sec. IX, CT, Lucknow	5.97	135.78
5.	AC, Sec. I to IV & VI to VIII, CT, Meerut and AC, CT Sardhana (Meerut)	188.96	478.24
6.	AC, Sec. I to Sec. III, CT, Mirzapur	52.46	179.04
7.	AC, Sec. I to Sec. IX, CT, Varanasi	378.16	821.78
<b>Total</b>		<b>917.97</b>	<b>3,229.34</b>

As the records relating to recovery certificates were not furnished to audit, the action taken to collect the arrear could not be ascertained.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### 2.2.12 Non-observance of prescribed procedure

Every dealer, liable to pay tax, is required to obtain registration certificate under UPTT Act. Before granting registration certificate, it is the duty of the AA to verify the identity of the dealer, his source of livelihood, financial position and his local and permanent addresses. After satisfying himself he will grant registration certificate. Further, under the provision of Rule 211 (2) of Sales Tax Manual Khand-3, Part-I, assessment of new firms and closed

firms may be finalised on such priority which is observed in cases likely to be time barred shortly. Non observation of prescribed procedure resulted in non-realisation of Rs. 142.69 crore, as mentioned below :

**2.2.12.1** Test check of the records of the 10 Commercial Tax offices<sup>6</sup> revealed that 13 dealers had closed their business. Of these only two dealers intimated the department for closure of their firms. The remaining 11 dealers were found absconding from their place of business by the departmental authority. These cases, though required to be finalised on priority, were finalised after a delay of two to three years. The recovery certificates of Rs. 52.57 crore were issued but due to delay in finalisation of the cases, dealers could get time to leave their place of business. This resulted in non recovery of tax of Rs. 52.57 crore.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

**2.2.12.2** Test check of records of DC (Tax Recovery Officer), Ghaziabad revealed that in 2006-07 and 2007-08, 835 RCs for Rs. 106.57 crore were forwarded to Delhi State for collection of dues as arrears of land revenue. Of this, 456 RCs for Rs. 87.53 crore were received back between April 2006 and March 2008 with the remark that the RCs contained incorrect address of the dealers. Thus, non-ensuring the correctness of particulars of the dealers at the time of registration resulted in non-realisation of Government revenue.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

**2.2.12.3** Test check of the records of DC (A)-XX, CT, Kanpur revealed that two cases involving Rs. 2.59 crore were sent by the assessing authority to Dy. Collector Kanpur Dehat for collection. No action was taken by the department to recover the dues. Details are mentioned below :

(Rupees in lakh)

Sl. No.	Name of dealer	Assessment Year Date of assessment	Amount	RC No. and date of issue
1.	M/s Singh Traders, Kanpur	1999-00 23.04.2003	238.49	122 1 August 2003
			10.00	123 1 August 2003
2.	M/s Shivshakti Gramudyog Samiti, Kanpur	2001-02 18.08.2006	4.88	99 13 October 2006
		2003-04 18.08.2006	5.67	100 13 October 2006
<b>Total</b>			<b>259.04</b>	

Audit observed that even after the lapse of 2 to 4 years no action was taken for affecting recovery. Consequently the amount remained un-recovered.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

<sup>6</sup> AC Sect.X CT Agra, DC (A)IV CT Allahabad, AC Sect. II & III CT Ghaziabad, DC (A)I CT Gautam Budh Nagar, DC (A) XVIII B CT Kanpur, DC (A)XIX CT Kanpur, DC (A) CT Pratapgarh, DC (A) CT Sonebhadra and AC Sect.VI CT Varanasi.

### 2.2.13 Non-execution of write-off

In accordance with the Commissioner's circular dated 9 June 1992, arrears pending for more than 6 years become irrecoverable and may be submitted to competent authority for write off after completion of joint enquiry. Further, arrears pending for less than six years may be avoided for write off. However, in special circumstances such cases may be submitted for write-off after completion of joint inquiry by forwarding a copy to the Government for information. The amount proposed for write-off was Rs. 1,278.55 crore upto 2007-08 against total arrear of Rs. 11,081.94 crore (11.54 per cent). The matter is pending between AAs and CCT and is still under correspondence.

Test check of the records of seven commercial tax offices revealed that tax amounting to Rs. 47.49 crore was recoverable from 18 dealers for the period between 1984-85 and 2002-03. The joint enquiries against all such cases were constituted to ascertain the possibility of recovery of tax. Enquiries completed between March 1998 and September 2005 revealed that no amount was recoverable. After this the AAs sent proposals for write off of the amounts to the Commissioner CT for Rs. 47.49 crore. The matter of write-off was under correspondence between AAs and CCT from one to nine years. No amount has been written off (June 2009). The details are mentioned below :

(Rupees in lakh)

Sl. No.	Name of office	No. of dealer	Arrear of tax	First date and Last date of submission to CCT for write off	Pending period (in years)	Date of completion of joint enquiry
1.	DC(A)-XII, CT, Agra	1	597.52	<u>24.02.05</u> 04.02.09	4	Prior to February 2005
2.	AC, Sec. III, CT, Agra	7	474.98	<u>15.02.05</u> 04.02.09	4	
			222.30	<u>16.02.05</u> 03.02.09	4	
			117.37	<u>16.02.05</u> 04.02.09	4	
			322.75	<u>16.02.05</u> 09.07.08	3	
			218.66	<u>16.02.05</u> 18.08.06	1	
			161.41	<u>16.02.05</u> 03.02.09	4	
			153.37	<u>16.02.05</u> 03.02.09	4	
3.	DC(A)-I, CT, Aligarh	1	120.29	<u>22.12.04</u> 12.12.08	4	Prior to December 2004
4.	AC, CT, Chandauli	3	554.70	<u>Prior to 13.11.06</u> 31.11.08	2	February 2005
			536.51	<u>Prior to 13.11.06</u> 31.11.08	2	January 2003
			161.05	<u>Prior to 13.11.06</u> 31.11.08	2	February 2005
5.	DC (A)-XIII, CT, Kanpur	3	1.95	<u>27.04.04</u> 14.07.09	5	Prior to April 2004

Sl. No.	Name of office	No. of dealer	Arrear of tax	First date and Last date of submission to CCT for write off	Pending period (in years)	Date of completion of joint enquiry
			4.10	<u>03.07.04</u> 14.07.09	5	30 July 1999
			4.64	<u>03.07.04</u> 14.07.09	5	22 October 2000
6.	AC, Sec.VIII CT, Meerut	2	679.00	<u>13.08.99</u> 19.11.08	9	21 March 1998 & 30 July 1999
			233.60	<u>18.02.99</u> 19.11.08	8	30 December 1998, 30 July 1999 & 18 March 2001
7.	AC-I, CT, Varanasi	1	185.03	<u>09.09.05</u> 23.01.09	3	Prior to September, 2005
<b>Total</b>			<b>4,749.23</b>			

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

#### 2.2.14 Conclusion

Commercial tax is a major source of revenue in the State. Though an increasing trend in the arrear position was noticed during the years 2003-04 to 2006-07, but the correctness of dues remained doubtful in view of the fact that the demand and recovery register was not maintained properly. Hence, the exact amount outstanding against assesseees and the stages of action for recovery were not ascertainable. Proper follow up action was not taken to effect the recovery of arrears.

Delay in issue of RCs, time barred assessments of defaulter dealers were some of the factors which not only lead to non recovery of arrears but also brought out short comings in the system for timely realisation of dues.

#### 2.2.15 Summary of recommendations

Government may consider :

- creation of mechanism for constant monitoring of the dues and collections;
- taking effective measure for recovery of pending dues; and
- fixation of time limit and number of chances for reopening of cases under *ex-parte*.



### **2.3 Other Audit observations**

*Scrutiny of assessment records of commercial tax department revealed several cases of non-observance of provisions of Acts/Rules, non/short levy of tax/penalty/interest/acceptance of false statutory forms, irregular concession, incorrect application of rate of tax, etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of Assessing Authorities (AAs) are pointed out in audit each year, but not only the irregularities persist; these remained undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.*

### **2.4 Non-compliance of the provisions of the Act/Rules**

*The UPTT Act provide :*

- (i) imposition of penalties for various kinds of trade offences;*
- (ii) charging of interest in case of belated payment of admitted tax;*
- (iii) levy of tax and interest at the prescribed rates; and*
- (iv) exemption/concessional rate of tax subject to prescribed conditions.*

*The AAs while finalising the assessment did not observe some of the above provisions. This resulted in short levy of tax / penalty amounting to Rs. 8 crore as mentioned in the following paragraphs :*

#### **2.4.1 Non-levy of penalty and interest**

*The AAs while finalising the assessments, did not notice the trade offences of the dealers i.e. irregular transactions, transactions out of account books, transactions against the provisions of the act and rules. Though there are clear cut provision for imposition of penalties and charging the interest in the Act, no action was initiated in that regard, resulting in non-imposition of penalty and non-charging of interest amounting to Rs. 5.33 crore as mentioned in the following paragraphs :*

**2.4.1.1** Under the UPTT Act, a registered dealer, intending to import taxable goods from outside the State, shall furnish a declaration in Form XXXI to the AA where such goods are intended to be imported from outside the State by road, rail, river or air. The importer shall not obtain delivery thereof unless he furnishes to the AA the declaration in duplicate, duly filled in and signed by him for endorsement by such authority. In the event of violation of these provisions, the AA may direct that such dealer or person shall pay, by way of penalty, a sum not exceeding 40 *per cent* of the value of goods, imported or three times of the tax leviable on such goods, whichever is higher. Further, the Commissioner Commercial Tax directed in October 2005 that timely penal action may be taken against import of goods, not supported with the declaration form.

Test check of the records of four commercial tax offices between October 2004 and February 2009 revealed that five dealers imported goods from

outside the State valued at Rs. 3.17 crore without declaration in Form XXXI. The AAs levied the tax but neither imposed the penalty nor discussed the reason for non-imposition of penalty for unauthorised import of goods. Penalty upto Rs. 1.27 crore could have been levied as mentioned below :

(Rupees in lakh)

Sl. No.	Name of the office	Number of dealer	Assessment year (Month and year of assessment)	Value of the goods imported	Name of commodity	Maximum penalty leviable
1.	AC, CT, Chandpur, Bijnore	1	2005-06 (October 2007)	24.28	Three wheeler	9.71
2.	AC, Sec.II, CT, Noida	1	2005-06 (March 2008)	12.79	Polyester yarn	5.11
		1	2001-02 (February 2004)	2.18	Hardware, Paints, GP Store and marble	0.87
3.	AC, Sec. IV, CT, Noida	1	2005-06 (March 2008)	274.48	Electrical goods	109.79
4.	AC, Sec. II, CT, Sitapur	1	2005-06 (October 2007)	2.98	Uncertified seed	1.19
<b>Total</b>		<b>5</b>		<b>316.71</b>		<b>126.67</b>

After the cases were reported to the department, the AC Sect. II, CT, Noida stated that it had reopened the case (2001-02) and had found transaction valued at Rs. 2.71 lakh worth of declaration form and levied penalty of Rs. 1.08 lakh. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between March 2008 and March 2009; their reply has not been received (August 2009).

**2.4.1.2** Under the provisions of the UPTT Act, if the AA is satisfied that a dealer has concealed his turnover or has deliberately furnished incorrect particulars of his turnover, he may direct such dealer to pay by way of penalty, in addition to tax, a sum not less than 50 *per cent* but not exceeding 200 *per cent* of the amount of tax which would thereby have been avoided.

Test check of the records of 16 commercial tax offices between September 2005 and March 2009 revealed that 16 dealers had concealed sales turnover of Rs. 17.23 crore during the year 1999-2000 to 2005-06. The AAs levied tax of Rs. 116.81 lakh but did not impose any penalty which at minimum rate would be Rs. 58.40 lakh as shown in Appendix-I.

After the cases were reported to the department, the AAs stated between March 2006 and January 2009 that the penalty of Rs. 7.53 lakh in five cases had been imposed. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between November 2005 and March 2009; their reply has not been received (August 2009).

**2.4.1.3** Under the provisions of the UPTT Act, if the AA is satisfied that any dealer or other person, without reasonable cause, has failed to deposit the admitted tax within the prescribed period, he may direct the dealer to pay by way of penalty, in addition to tax, if any, payable by him, a sum which shall

not be less than 10 *per cent* but not exceeding 25 *per cent* of the tax due, if the tax due is upto Rs. 10,000, and 50 *per cent*, if it is above Rs. 10,000.

Test check of the records of three commercial tax offices<sup>7</sup> between November 2006 and February 2009 revealed that three dealers, assessed for the years 2004-05 to 2005-06, did not deposit their admitted tax of Rs. 2.74 crore within the prescribed period. The average delay was 147 days. Belated payment of admitted tax attracted minimum penalty of Rs. 27.44 lakh which was not imposed. This resulted in short realisation of revenue to that extent.

The matter was reported to the department and the Government between December 2006 and December 2008; their reply has not been received (August 2009).

**2.4.1.4** Under the UPTT Act, a person responsible for making payment to a contractor, for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of works contract, shall deduct an amount equal to four *per cent* of such sum, payable under the Act, on account of such works contract. In case of failure to deduct the amount or deposit the amount so deducted into the Government treasury before the expiry of the month, following the month in which the deduction was made, the AA may direct that such person shall pay by way of penalty a sum not exceeding twice the amount so deducted.

Test check of the records of 16 commercial tax offices between May 2005 and January 2009 revealed that 17 dealers, while making the payment to the contractors, deducted the tax of Rs. 52.63 lakh at source, during the years 2002-03 to 2005-06 but deposited the same into the Government treasury after an average delay of 137 days. The AAs failed to impose the maximum penalty of Rs. 1.05 crore as shown in Appendix-II.

After the cases were reported between December 2007 and February 2009 the department stated that penalty amounting to Rs. 13.57 lakh had been imposed in four cases. A report on recovery and reply in other cases has not been received (August 2009).

The matter was reported to the Government between August 2005 and February 2009; their reply has not been received (August 2009).

**2.4.1.5** Under the provisions of the CST Act, if a registered dealer purchases goods from outside the State at concessional rate of tax, on the strength of declaration in Form C by falsely representing that such goods are covered by his registration certificate (RC) under the CST Act, the dealer is liable to be prosecuted. However, in lieu of prosecution, if the AA deems it fit, he may impose a penalty upto one and half times of the tax, payable on the sale of such goods.

Test check of the records of 34 commercial tax offices between September 2004 and March 2009 revealed that during the years 2001-02 to 2006-07, 37 dealers purchased goods valued at Rs. 11.97 crore, at concessional rate of tax,

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<sup>7</sup> DC (A)-XII CT Lucknow, DC (A)-VII CT Noida and DC (A) CT Sonebhadra.

against declaration in Form C. The items purchased by the dealers were not covered by their RCs. None of these dealers had been prosecuted and they were liable to pay penalty upto Rs. 1.89 crore which was not levied by the concerned AAs as shown in Appendix-III.

After the cases were reported between December 2004 and April 2009, the department stated that the penalty of Rs. 38.64 lakh in 14 cases had been imposed. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between August 2008 and March 2009; their reply has not been received (August 2009).

**2.4.1.6** Under the provisions of UPTT Act, if a dealer realises any amount as commercial tax on sale or purchase of goods or any amount in lieu of such tax by giving it any different name or colour in contravention of the provisions of sub-section (2) of Section 8-A, he may be liable for penalty for a sum not less than the amount of tax realised but not more than three times of the said amount.

Test check of the records of two commercial tax offices<sup>8</sup> between July 2008 and August 2008 revealed that during the year 2005-06, two dealers had realised Rs. 5.90 lakh as excess tax from the customers. The AAs forfeited the amount of excess tax but failed to impose the minimum penalty of Rs. 5.90 lakh.

The matter was reported to the department and the Government between November 2008 and February 2009; their reply has not been received (August 2009).

**2.4.1.7** Under the provisions of the UPTT Act, every dealer liable to pay tax, is required to deposit the amount of tax into the Government treasury before the expiry of the month, following the month in which the tax was due. The tax admittedly payable by the dealer, if not paid by the due date, attracts interest at the rate of two *per cent* per month upto 11 August 2004 and thereafter at the rate of 14 *per cent* per annum on the unpaid amount, till the date of deposit.

Test check of the records of four commercial tax offices between January 2008 and February 2009 revealed that four dealers, assessed between March 2004 and August 2007 for the year 2001-02 to 2006-07, deposited admitted tax of Rs. 41.23 crore after an average delay of 446 days. Belated payment of admitted tax attracted interest of Rs. 20.08 lakh, which was not levied by the AAs as mentioned below :

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<sup>8</sup> DC (A)-II CT Kanpur and DC (A)-II CT Meerut.

(Rupees in lakh)

Sl. No	Name of the Office	Number of dealer	Assessment year (Month and year of assessment)	Admitted tax	Period of delay (in days)	Rate of interest per annum	Interest leviable
1.	DC (A) I-A, CT Ghaziabad	1	2004-05 (March 2007)	5.62	981	14	2.15
2.	DC (A)-XII, CT Lucknow	1	2004-05 (March 2007)	4,101.49	4 to 6	24	11.96
3.	AC, Sec.I, CT Pilibhit	1	2001-02 (March 2004)	6.25	982	24	4.09
4.	DC (A), CT Sonebhadra	1	2006-07 (August 2007)	9.23	527 to 553	14	1.88
<b>Total</b>		<b>4</b>		<b>4,122.59</b>			<b>20.08</b>

The matter was reported to the department and the Government between January 2009 and March 2009; their reply has not been received (August 2009).

### 2.4.2 Non/short levy of tax due to application of incorrect rate of tax and misclassification of goods

*The AAs while finalising the assessments, did not apply the correct rate of tax, given in schedule of rates and in some of the cases lower rate of tax was applied due to misclassification of goods which resulted in non/short levy of tax of Rs. 2.67 crore as mentioned in the following paragraphs :*

**2.4.2.1** Under the Central Sales Tax Act (CST Act), tax on interstate sale of goods (other than declared goods) not covered by declaration in form 'C' is leviable at the rate of 10 per cent or at the rate applicable on sale or purchase of such goods inside the appropriate State, whichever is higher.

- Test check of the records of AC, Sect. II, CT, Hathras in August 2008 revealed that a trader sold broken glass beads (*Munga, moti* made of glass) valued at Rs. 1.06 crore without declaration in form 'C' during the year 2004-05. The AA did not levy tax on interstate sale of broken glass beads treating it as glass beads which is exempted from tax under notification dated 29 November 2001. As glass beads after breaking become pieces of glass which fall under the entry of broken glass on which tax is leviable at the rate of 10 per cent on interstate sale made without declaration in form 'C'. Thus, this resulted in non levy of tax of Rs. 10.58 lakh.

The matter was reported to the department and the Government in February 2009; their reply has not been received (August 2009).

- Test check of the records of two commercial tax offices<sup>9</sup> between February 2008 and April 2008 revealed that during the years 2003-04 to 2005-06, three dealers made inter-state sale of adhesive, coaltar, enamel, primer, white paint, epoxy-thinner and DEPB worth Rs. 8.74 crore without declaration in Form 'C'. The AAs levied tax at lesser rates than those prescribed on sale of goods. This resulted in short levy of tax amounting to Rs. 61.13 lakh.

<sup>9</sup> DC (A) CT Koshikalan (Mathura) and DC (A)-IX CT Noida.

The matter was reported to the department and the Government between July 2008 and August 2008; their reply has not been received (August 2009).

**2.4.2.2** Under the UPTT Act, tax on classified goods is leviable as prescribed in the schedule of rates, notified by the Government from time to time. The goods not classified prescribed in the schedule of rates, are taxable at the rate of 10 *per cent*, from 1 December 1998.

- Test check of the records of 14 commercial tax offices between June 2005 and March 2009 revealed that in cases of 15 dealers, the AAs applied incorrect rate of tax on sale of goods valued at Rs. 11.44 crore due to misclassification of goods. This resulted in short levy of tax of Rs. 47.79 lakh as shown in Appendix-IV.

After the cases were reported, the department stated that tax of Rs. 8.13 lakh in five cases had been levied. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between August 2008 and March 2009; their reply has not been received (August 2009).

- Test check of the records of 10 commercial tax offices between March 2008 and January 2009 revealed that in case of 11 dealers, the AAs levied tax at lesser rate on the turnover of Rs. 32.99 crore. This resulted in non/short levy of tax of Rs. 90.65 lakh as shown in Appendix-V.

After the cases were reported to the department, a tax of Rs. 78,000 in one case has been levied by the department. A report of recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between July 2008 and March 2009; their reply has not been received (August 2009).

**2.4.2.3** Under Section 3-H of the UPTT Act read with the Commissioners circular dated 3 May 2005 as applicable from 1 May 2005, State Development Tax (SDT) at the rate of one *per cent* of the taxable turnover shall be levied on the dealers whose annual aggregate turnover exceeds fifty lakh rupees. The SDT shall be realised in addition to the tax payable under any other provision of this Act. Further, the SDT shall be adjustable in the monetary limit specified in the eligibility certificate issued under Section 4-A.

Test check of the records of three commercial tax offices between July 2008 and November 2008 revealed that three dealers whose aggregate turnover exceeded Rs. 50 lakh sold taxable goods valued at Rs. 67.93 crore during the year 2005-06. The dealers were liable to pay SDT of Rs. 67.92 lakh. Of these, one dealer paid SDT of Rs. 10.53 lakh against Rs. 12.59 lakh while other two dealers did not pay any tax. The AAs, while finalising the assessments between August 2007 and March 2008, did not detect the mistake resulting in non/short levy of SDT of Rs. 57.39 lakh as mentioned below :

(Rupees in lakh)

Sl. No.	Name of office	Number of dealer	Assessment year (Month and year of assessment)	Taxable turnover	Amount of SDT leviable	Amount of SDT levied	SDT non/short levied
1.	DC (A)-I, CT, Agra	1	2005-06 (March 2008)	79.03	0.79	--	0.79
2.	DC (A)-VI, CT, Noida	1	2005-06 (February 2008)	5,454.34	54.54	--	54.54
3.	DC (A)-VII, CT, Noida	1	2005-06 (August 2007)	1,259.44	12.59	10.53	2.06
<b>Total</b>		<b>3</b>		<b>6,792.81</b>	<b>67.92</b>	<b>10.53</b>	<b>57.39</b>

After the cases were reported between November 2008 and December 2008, the department stated in June 2009 that tax of Rs. 79,000 has been levied in one case. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between November 2008 and March 2009; their reply has not been received (August 2009).

### 2.4.3 Evasion of tax due to misuse of statutory forms

*The AAs while finalising the assessments accepted false declaration forms and allowed concessions, without verifying the facts from the original records of the dealer, which resulted in grant of irregular concession of tax of Rs. 65.06 lakh.*

Under the provisions of Section 3B of UPTT Act, if a person issues a false or wrong declaration, by reason of which tax on sales or purchase ceases to be leviable or becomes leviable at concessional rate, the dealer shall be liable to pay a sum equal to the amount of relief in tax secured by him on purchase of such material.

Test check of the records of four commercial tax offices between May 2008 and January 2009 revealed that during the year 2005-06, four dealers had purchased goods valued at Rs. 37.77 crore, at concessional rate of tax, by issuing prescribed declaration. As the goods purchased were not mentioned in the recognition certificate, they were not eligible for concessional rate of tax. However, the AAs did not levy the differential amount of tax of Rs. 65.06 lakh, as mentioned below :

(Rupees in lakh)

Sl. No.	Name of Office	Number of dealer	Assessment year (Month and year of assessment)	Name of goods	Value of goods	Differential rate of tax	Amount to be recovered
1.	DC(A)-IX, CT, Agra	1	2005-06 (June 2007)	Adhesive and rubber sheets	8.27	9.5	0.79
2.	DC(A), CT, Firozabad	1	2005-06 (October 2007)	Natural gas	53.02	15	7.95
3.	DC(A)-VII CT, Kanpur	1	2005-06 (March 2008)	Upgraded oil	3,700.55	1.5	55.51
4.	DC(A),CT, Mainpuri	1	2005-06 (October 2007)	Machinery	14.71	5.5	0.81
<b>Total</b>		<b>4</b>			<b>3,776.55</b>		<b>65.06</b>

The matter was reported to the department and the Government between November 2008 and March 2009; their reply has not been received (August 2009).

## **2.5 Non-observance of the terms and conditions of the Government notification and departmental order**

*The AAs while finalising the assessments did not verify the terms and conditions of the specific notifications and departmental circulars and even in absence of required terms and conditions, exemption and adjustment of tax were allowed, which resulted in non-levy of Rs. 48 lakh, as mentioned in the following paragraphs :*

**2.5.1** As per Government notifications dated 31 January 1985 and 27 February 1997 issued under the U.P. Trade Tax Act 1948, institutions certified by All India *Khadi* and Village Industries Commission or the U.P. *Khadi* and Village Industries Board, are exempt from payment of tax on the sale of products and the purchase of any goods connected with manufacture or purchase of products of village industries as specified in the Schedule (mentioned under the notification). Manufacturing of machinery spare parts (rubber roll) and sports goods treated as rubber goods and manufacturing of rice from paddy, are not covered under the aforesaid notifications and as such not entitled to exemption.

Test check of the records of five commercial tax offices<sup>10</sup> between March 2008 and January 2009 revealed that eight dealers sold self manufactured machinery spare parts (rubber roll) and sports goods treated as rubber goods and rice from paddy valued at Rs. 5.32 crore for the years 2002-03 to 2006-07. The AAs incorrectly allowed exemption of tax of Rs. 23.18 lakh under the aforesaid notification, though these goods were not eligible for exemption. Incorrect grant of exemption resulted in non-realisation of Government revenue amounting to Rs. 23.18 lakh.

The matter was reported to the department and the Government between August 2008 and March 2009; their reply has not been received (August 2009).

**2.5.2** Under the provision of Section 15 (C) of Central Sales Tax Act read with Commissioner's circular dated 27 March 2007, tax is levied on purchase of paddy inside the State. If the rice is produced out of such paddy, the purchase tax is deducted from the tax levied on sale of rice only in case of intra-State sale and if it is sold in the course of inter-State trade/commerce, such adjustment is not permissible.

Test check of the records of 11 commercial tax offices between February 2008 and December 2008 revealed that 18 dealers, purchased paddy valued at Rs. 13.50 crore from within the State and manufactured rice from it. During the years 2003-04 and 2005-06, the dealers made inter-state sales of rice manufactured from paddy on which purchase tax of Rs. 24.82 lakh was paid. The AAs incorrectly allowed the benefit of purchase tax resulting in short realisation of revenue of Rs. 24.82 lakh as shown in Appendix-VI.

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<sup>10</sup> DC (A) CT Ambedkar nagar, DC (A)-I CT Bareilly, DC (A) CT Chandauli (Mughal Sarai), DC (A)-V CT Meerut and DC (A)-III CT Saharanpur.



After the cases were reported between June 2008 and February 2009, the department stated in April 2009 that the benefit of purchase tax of Rs. 2.24 lakh in respect of two dealers of Budaun has been withdrawn. A report on recovery and reply in the remaining cases has not been received (August 2009).

The matter was reported to the Government between August 2008 and March 2009; their reply has not been received (August 2009).

## **2.6 Non-levy of tax due to issue of incorrect clarification**

*The AAs while finalising the assessment did not levy the tax because Commissioner Commercial Tax had clarified that DEPB was an export licence whereas DEPB is an incentive scheme but due to issue of incorrect clarification, tax of Rs. 10.47 lakhs was not levied.*

Under the UPTT Act, tax is leviable as per the schedule of rates, notified by the Government from time to time. In case of goods, not classified elsewhere, tax is leviable at the rate of 10 *per cent* with effect from 1 December 1998. Further, under section 2 (g) of the Foreign Trade (Development and Regulation) Act, 1992 (FT Act) license means a license to import or export and includes a customs clearance permit and any other permission issued under the Act. Duty entitlement pass book (DEPB) is an export incentive, introduced by the Government of India, Ministry of Commerce. By a circular issued on 13 August 2003, the department clarified that DEPB is covered under import license under section 2 (g) of FT Act and import license was exempted from levy of tax vide notification of 17 February 2000 whereas DEPB does not fall under the category of any license.

Test check of the records of DC (A), CT, Koshikalan (Mathura), in February 2008 revealed that a dealer sold DEPB, valued at Rs. 1.05 crore during the period 1 April 2003 to 31 December 2003. The assessing authority (AA) exempted the turnover from levy of commercial tax under the circular of August 2003 issued by the CCT which stipulated that DEPB was a license and was not eligible to tax. The circular issued by the CCT was not in consonance with the UPTT Act. Treatment of an export incentive as a license resulted in non levy of tax of Rs. 10.47 lakh. Thus, issue of incorrect clarification resulted in a loss of Government revenue to that extent.

The matter was reported to the department and the Government between July 2008 and August 2008; their reply has not been received (August 2009).

**CHAPTER-III  
TAXES ON VEHICLES, GOODS AND PASSENGERS**

**3.1 Results of audit**

Test check of the records of the Transport Department conducted during the year 2008-09, revealed non/short levy of taxes, under assessment of road tax, goods tax and other irregularities amounting to Rs. 118.34 crore in 344 cases, which fall under the following categories :

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short levy of passenger tax /additional tax	139	79.76
2.	Under assessment of road tax	47	5.34
3.	Short levy of goods tax	22	2.18
4.	Other irregularities	136	31.06
<b>Total</b>		<b>344</b>	<b>118.34</b>

During the year 2008-09, the department accepted and recovered Rs. 2.49 crore, in 148 cases of non/short levy of passenger tax/additional tax, short levy of goods tax and other irregularities, pointed out in earlier years.

A few illustrative audit observations involving Rs. 5.80 crore, are mentioned in the succeeding paragraphs.

### **3.2 Audit observations**

*Scrutiny of records of the offices of Transport Department relating to revenue received from taxes on vehicles, taxes on goods and passengers revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/additional tax and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only do the irregularities persist; they remain undetected till an audit is conducted. There is need for the Government to consider directing the Department to improve the internal control system including strengthening internal audit so that such omission can be avoided, detected and corrected.*

### **3.3 Non-compliance of the provisions of Acts/Rules**

*The Uttar Pradesh Motor Vehicle Taxation Act, 1997 (UPMVT Act) and Rule provide for :*

- (i) payment of motor vehicle tax/additional tax by the owner of the vehicles at the prescribed rates; and*
- (ii) advance payment of tax within the prescribed period.*

*The Transport department did not observe some of the provisions of the Act/Rules in cases mentioned in the paragraph 3.3.1 to 3.3.4 for levy and collection of tax and additional tax, etc. which resulted in non/short realisation of tax and additional tax of Rs. 5.80 crore.*

**3.3.1** Under the provision of the Uttar Pradesh Motor Vehicle Taxation Act (UPMVT Act), additional tax on stage carriage upto a distance of 9,000 kms on 'A' and 'B' class routes was applicable in four slabs upto 01 November 2002. From 02 November 2002, these slabs were merged into one slab and additional tax upto 9,000 kms on 'A' and 'B' class routes was payable at the rate of Rs. 376 and Rs. 393 per seat per quarter. Further, it was revised on 17 March 2006 and according to the revised rates, additional tax exceeding 18,000 kms on 'A' and 'B' class routes was payable at the rate of Rs. 705 plus Rs. 256 and Rs. 787 plus Rs. 288 for every 5,700 kms. or part thereof per seat per quarter.

Test check of the records of two Regional Transport Officers (RTOs) and nine Assistant Regional Transport Officers (ARTOs), between March 2008 and February 2009 revealed that 571 vehicles were plying on 'A' and 'B' class routes during the period April 2003 to March 2008. Additional tax of Rs. 5.58 crore was levied at pre-revised rates instead of Rs. 9.74 crore at revised rates which resulted in short realisation of additional tax of Rs. 4.16 crore as shown in Appendix-VII.

The matter was reported to the department and Government between April 2008 and March 2009; their reply has not been received (August 2009).

**3.3.2** Under the provisions of the UPMVT Act, tax at the rate of Rs. 45 per metric ton or part thereof on registered gross laden weight (GLW) of the vehicle per quarter is leviable on public service vehicle, plying for the conveyance of limited number of passengers and the transport of limited quantity of passengers' goods.

Test check of the records of four RTOs and 14 ARTOs between March 2008 and February 2009 revealed that 1,594 public service vehicles were plying for carrying passengers and limited quantity of passengers' goods without paying tax on GLW of the vehicles between April 2004 and March 2008. While the regular tax and additional tax was being charged from those vehicles, the tax of Rs. 1.11 crore on gross laden weight of the vehicles was neither levied by the department nor paid by the owners of the vehicles as shown in Appendix-VIII.

The matter was reported to the department and the Government between April 2008 and March 2009; their replies have not been received (August 2009).

**3.3.3** Under the provision of the Motor Vehicle Tax Act (MVT Act) , read with the UPMVT Act and conditions of bilateral agreement, tax and additional tax in respect of public service vehicles, owned or controlled by a State Transport Undertaking other than the Uttar Pradesh State Road Transport Corporation shall be levied and paid in accordance with the agreement entered into with the concerned states under sub-section (6) of Section 88 of the MVT Act and where there is no such agreement, it shall be levied and paid at the rate, given at Serial No. 8 of the table of rates of additional tax under Clause (a) of Article 1 of the Fourth Schedule. The rates under the schedule were enhanced from 17 March 2006.

Test check of the records of RTO, Meerut and two ARTOs<sup>1</sup> between May 2008 and December 2008 revealed that 13 stage carriages of Madhya Pradesh, Rajasthan and Haryana plied in Uttar Pradesh on 'A' class routes without having countersigned permits from April 2003 to March 2008. The owners of the vehicles paid tax and additional tax of Rs. 28.92 lakh at pre-revised rates instead of Rs. 76.16 lakh at revised rates. This resulted in short realisation of tax and additional tax of Rs. 47.24 lakh.

The matter was reported to the department and the Government between June 2008 and August 2008; their reply has not been received (August 2009).

**3.3.4** Under the provisions of the MVT Act, (read with the Government notification dated 27 September 2007), no motor vehicle registered or adapted to carry more than nine persons excluding the driver shall be kept for use without permit unless a monthly additional tax, payable for a minimum 10 days at the rate of Rs. 300 and Rs. 500 per day for the vehicles with seating capacity upto 35 persons and above 35 persons respectively.

Test check of the records of the offices of three ARTOs<sup>2</sup> between July 2008 and December 2008 revealed that 31 vehicles were plying without permit

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<sup>1</sup> 1. Baghpat and 2. Chitrakoot.

<sup>2</sup> 1. Farukhabad, 2. Jaunpur and 3. Unnao.

during the period October 2007 to March 2008. The department did not levy the additional tax which resulted in non realisation of revenue of Rs. 5.91 lakh.

The matter was reported to the department and the Government between August 2008 and December 2008; their reply has not been received (August 2009).

**CHAPTER-IV**  
**STAMP DUTY AND REGISTRATION FEE**

**4.1 Results of audit**

Test check of the records of the Stamp and Registration Department conducted during the year 2008-09, disclosed non/short levy of stamp duty and registration fees amounting to Rs. 14.70 crore in 608 cases which fall under the following categories :

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Short levy of stamp duty due to misclassification of documents	167	4.73
2.	Short levy of stamp duty and registration fee due to under valuation of properties	398	9.19
3.	Other irregularities	43	0.78
<b>Total</b>		<b>608</b>	<b>14.70</b>

During the year 2008-09, the department accepted and recovered Rs. 7.73 lakh, involving 20 cases of non/short levy of stamp duty and registration fees and other irregularities, of which in one case involving Rs. 12,808 related to the year 2008-09 and the balance to the earlier years.

A few illustrative audit observations involving Rs. 4.05 crore, are mentioned in the succeeding paragraphs.

## **4.2 Audit observations**

*Scrutiny of records in the offices of Stamp and registration department revealed cases of non/short levy of stamp duty, incorrect determination of market value of the property, etc. as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.*

## **4.3 Non-observance of the instructions of the Government**

*The instructions issued under Indian Stamp Act, 1899 by the Government/department provide for;*

- (i) charging of stamp duty at prescribed market rates of the land and building; and*
- (ii) charging of stamp duty for lease deed.*

*Non-compliance of the above instructions in cases mentioned in paragraphs 4.3.1 to 4.3.4, resulted in non/short realisation of Government revenue of Rs. 4.05 crore.*

**4.3.1** Under the Indian Stamp Act, on an instrument, where the lease purports to be for a term exceeding 30 years or in perpetuity or does not purport to be for any definite term, stamp duty is chargeable as for conveyance for a consideration equal to the market value of the property. The Inspector General (Stamp and Registration) clarified on 22 April 2003 that if a lease for a period upto 30 years, contained provision for further extension for a certain or indefinite period, stamp duty shall be charged on the consideration of market value of the property.

Test check of the records of 26 Sub-Registrars revealed that 43 lease deeds for a period upto 30 years were registered between February 2005 and June 2008, on which stamp duty of Rs 17.92 lakh was levied. Since the recital of the deeds contained the provision of extension, stamp duty of Rs. 3.62 crore, based on market value of the property of Rs. 39.29 crore was leviable. Incorrect computation of lease period resulted in short levy of stamp duty of Rs. 3.44 crore as shown in Appendix-IX.

The matter was reported to the department and Government between September 2007 and January 2009; their reply has not been received (August 2009).

**4.3.2** Under the Indian Stamp Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of consideration set forth therein, whichever is higher. As per Uttar Pradesh Stamp (Valuation of property) Rules 1997, market rates of various categories of land situated in a district are to be fixed biennially by the collector concerned for the guidance of the Registering Authorities.

Test check of the records of six Sub-Registrars between September 2007 and September 2008 revealed that five deeds of conveyance relating to non-agricultural land were registered for a consideration of Rs. 1.18 crore at agricultural rates instead of Rs. 4.84 crore and three deeds of conveyance relating to commercial land and building were registered for a consideration of Rs. 53.26 lakh at residential land and building instead of Rs. 1.40 crore. The incorrect valuation of property resulted in short levy of stamp duty amounting to Rs. 39.88 lakh as shown in Appendix-X.

The matter was reported to the department and Government between May 2008 and January 2009; their reply has not been received (August 2009).

**4.3.3** Under the provisions of Indian Stamp Act 1899, if a building is constructed on a land by a person other than the owners of the land having a stipulation that after construction, such building or part thereof shall be held or sold jointly or severally by that other person and the owner of the land, stamp duty on such agreement shall be charged as a conveyance for a consideration equal to the amount or value of land.

Test check of records of Sub-Registrar, Sadar-IV, Varanasi in December 2008 revealed that an agreement was registered in June 2008 between the builder and the owner of the land. Stamp duty of Rs. 4.69 lakh was levied on value of land of Rs. 46.84 lakh, against the stamp duty of Rs. 10.81 lakh leviable on the value of owner's share in the building valued at the circle rate amounting to Rs. 1.08 crore which resulted in short levy of stamp duty of Rs. 6.12 lakh.

The matter was reported to the department and Government between December 2008 and March 2009; their reply has not been received (August 2009).

**4.3.4** As per Government order issued by the Housing department on 20 July 2002, read alongwith guidelines issued by the Inspector General Registration (IGR), Uttar Pradesh on 14 August 2002, possession of all the properties of development authorities where total cost has been fully paid, should be handed over to the allottees, only after registration of the sale deed. Further, under the provisions of Indian Stamp Act 1899 and Registration Act 1908, stamp duty and registration fees is leviable on valuation of property at the rate of Rs. 100 per thousand (including additional stamp duty) and two *per cent* subject to the maximum of Rs. 5,000 respectively.

Test check of the records of Gorakhpur Development Authority, Gorakhpur in August 2008 revealed that cost of 49 houses/shops valued at Rs. 1.27 crore was paid in full by allottees to the development authority during the year 2007-08, but possession of these houses/shops was transferred to the allottees without registration of documents. This resulted in non-levy of stamp duty and registration fees amounting to Rs. 14.68 lakh.

The matter was reported to the department and Government in November 2008; their replies has not been received (August 2009).



## CHAPTER-V OTHER TAX AND NON-TAX RECEIPTS

### 5.1 Results of audit

Test check of the records of the offices of public works, finance, forest, entertainment tax, development authorities, irrigation and medical/public health department conducted during the year 2008-09, revealed non-payment of interest, etc. of Rs. 959.18 crore in 353 cases which fall under the following categories :

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
<b>Public Works Department</b>			
1.	<b>Performance review on Public Works Department receipts (a review)</b>	<b>1</b>	<b>74.61</b>
2.	Non-adjustment of Government receipts in proper head	5	0.90
3.	Non-realisation of centage charges	3	0.22
4.	Non-recovery of royalty	5	0.11
5.	Other irregularities	19	2.77
<b>Total</b>		<b>33</b>	<b>78.61</b>
<b>Finance Department</b>			
1.	Non-payment of interest	8	15.40
2.	Non-recovery of royalty	2	0.01
3.	Other irregularities	17	765.67
<b>Total</b>		<b>27</b>	<b>781.08</b>
<b>Forest Department</b>			
1.	Fraudulent draws, misappropriation, embezzlement, losses	30	59.89
2.	Idle investment, idle establishment, blocked of funds	19	1.96
3.	Regulatory issues	7	0.51
4.	Recoveries	48	19.13
5.	Non achievement of objectives	4	0.21
6.	Other irregularities	12	3.78
<b>Total</b>		<b>120</b>	<b>85.48</b>
<b>Entertainment tax Department</b>			
1.	Non-charging of interest	11	0.11
2.	Non-realisation of tax	19	1.41
3.	Other irregularities	29	0.49
<b>Total</b>		<b>59</b>	<b>2.01</b>
<b>Irrigation Department</b>			
1.	Non-realisation of centage charges	4	0.09
2.	Non-realisation of royalty	4	4.51
3.	Other irregularities	28	5.59
<b>Total</b>		<b>36</b>	<b>10.19</b>
<b>Medical and Public Health Department</b>			
1.	Non-increasing of medical charges at the rate of 10 <i>per cent</i> per annum	24	0.58
2.	Non-imposition of penalty on unregistered genetic centres	9	0.24
3.	Other irregularities	45	0.99
<b>Total</b>		<b>78</b>	<b>1.81</b>
<b>Grand Total</b>		<b>353</b>	<b>959.18</b>

During the year 2008-09, the department accepted and recovered Rs. 6.10 lakh in two cases which were pointed out in earlier years.

A Performance review on **Public Works Department Receipts** involving Rs. 74.61 crore and few illustrative audit observations involving Rs. 15.38 crore, are mentioned in the succeeding paragraphs.

## **5.2 Performance review on Public Works Department Receipts**

### **Highlights**

- Non-adherence of financial rules resulted in misappropriation of departmental receipts of Rs.13.24 crore towards departmental expenditure.  
**(Paragraph 5.2.7.1)**
- Non-credit of stock profit to revenue resulted in short account of revenue of Rs.6.73 crore.  
**(Paragraph 5.2.10.1)**
- Non-realisation of compensation on late payment of monthly installments of lease resulted in loss of Rs. 92.39 lakh.  
**(Paragraph 5.2.12.2)**
- Non-levy of centage charges on deposit works resulted in short realisation of revenue of Rs. 2.03 crore.  
**(Paragraph 5.2.13)**

### **5.2.1 Introduction**

Public Works Department (PWD) of the Government of Uttar Pradesh is responsible for planning and construction of Government buildings, roads and bridges and their maintenance as well as to carry out deposit works awarded by the other agencies in the entire State. PWD collects the non- tax receipts under the provisions of the Uttar Pradesh Financial Rules, Uttar Pradesh Public Works Manual as well as circulars and notifications, issued by the department/ Government from time to time. The public works receipts include rents of land and buildings, toll tax on roads and bridges, centage charges leviable on deposit works, profits on stock on revaluation, lapsed deposits, confiscated deposits, license fee, fines, sale of tender forms and other miscellaneous receipts.

### **5.2.2 Organisational set up**

The Principal Secretary is the administrative head of the department at Government level. Engineer-in-Chief (E-in-C) Development is the head of the department and E-in-C Planning and E-in-C Village roads are responsible for management, implementation and monitoring of various activities of the department. They are assisted by 28 Chief Engineers (CEs), 89 Superintending Engineers (SEs) and 393 Executive Engineers (EEs) in day to day activities of the department. Finance Controller (FC) is responsible for financial management and control over budget and receipts of the department and allied functions.

### 5.2.3 Scope of audit

In order to ascertain the correctness of non-tax revenue collection and its impact and extent of compliance with the provisions of UP Financial Rules and instructions issued by the Government of Uttar Pradesh, test check of the records of PWD offices in 24 districts<sup>1</sup> out of 70 districts of the State was done on the basis of statistical random sampling<sup>2</sup>. The review was conducted between May 2008 and March 2009 covering the receipts for the period 2003-04 to 2007-08.

### 5.2.4 Audit objectives

The test check of the records relating to non tax receipts of PWD was conducted with a view to ascertain that :

- adequate system exists to prepare realistic budget estimate and achievement there against to ensure financial discipline;
- effective control procedure exists for collection of public works receipts and their remittances in proper head;
- an effective and efficient the system of monitoring mechanism exists for realisation of tolls on road and bridges and
- whether an adequate internal control mechanism exists in the department to prevent loss and leakage of Government revenue.

### 5.2.5 Acknowledgement

Indian Audit & Accounts Department acknowledges the co-operation of PWD department in providing necessary information and records for audit. The objectives of the review were discussed in an entry conference held on 21 August 2008 with the E-in-C (Development) and other departmental officers. The exit conference was held on 13 July 2009. The department was represented by the E-in-C (Development). The views of the department have been incorporated in the relevant paragraphs.

### 5.2.6 Trend of revenue

As per the paragraph 25 of UP Budget Manual, the budget estimate of the revenue receipts has to be prepared as close an approximation as possible to the actual receipts. Further, the estimates shall be prepared in the light of existing rules and rates of taxes, duties, fees, etc. and also based on the actual

<sup>1</sup> (i) 10 districts under High risk area (revenue > Rs. 2 crore).

(ii) 04 districts under Medium risk area (revenue > Rs. 1 crore but < Rs. 2 crore).

(iii) 10 districts under Low risk area (revenue < Rs. 1 crore).

<sup>2</sup> High Risk Area-Lucknow, Allahabad, Bijnore, Meerut, Jaunpur, Gorakhpur, Saharanpur, Bagpat, Deoria, Farrukhabad (10).

Medium Risk Area - Kanpur Nagar, Siddharthnagar, Kheri, Unnao (4).

Low Risk Area- Agra, Kannauj, Barabanki, Basti, Sonebhadra, Maharajganj, Sitapur, Mau, Balrampur, Budaun (10).

receipts of previous years after allowing abnormal features of any extra items and may be actually realised in the ensuing year.

The budget estimates, actual receipts and percentage increase/decrease in receipts of the department during the last five years are mentioned below :

(Rupees in crore)

Head of account	Year	Budget estimate	Actual Receipts	Difference of actuals to estimate	Percentage of difference to estimate
"0059 Public Works"	2003-04	35.00	19.92	15.08	(-) 43.08
	2004-05	35.00	31.44	3.56	(-) 10.17
	2005-06	35.00	36.09	1.09	3.11
	2006-07	35.00	26.59	8.41	(-) 24.02
	2007-08	47.10	34.03	13.07	(-) 27.75
"1054 Roads and Bridges"	2003-04	32.30	41.79	9.49	29.38
	2004-05	32.30	31.67	0.63	(-) 1.95
	2005-06	32.30	55.36	23.06	71.39
	2006-07	82.30	58.83	23.47	(-) 28.51
	2007-08	106.04	74.24	31.80	(-) 29.99
"0216 Housing"	2003-04	25.21	10.40	14.81	(-) 58.74
	2004-05	25.21	9.85	15.36	(-) 60.93
	2005-06	23.46	10.84	12.62	(-) 53.79
	2006-07	23.46	12.21	11.25	(-) 47.95
	2007-08	34.64	11.36	23.28	(-) 67.21

There were wide variations between estimates and actual receipts.

- "0059 Public Works" actual receipts during the years 2003-04, 2004-05, 2006-07 and 2007-08 were less than budget estimate and ranged between from (-) 43.08 per cent to (-) 10.17 per cent.
- "1054 Roads and Bridges" actual receipts during the years 2006-07 and 2007-08 were less than budget estimate by (-) 28.51 per cent to (-) 29.99 per cent respectively.
- "0216 Housing" actual receipts during the years 2003-04 to 2007-08 were less than budget estimate and ranged between (-) 67.21 per cent to (-) 47.95 per cent.

The reasons for the variation though called for have not been received (August 2009).

## Audit findings

## System deficiencies

### 5.2.7 Mis-appropriation of departmental receipts

Paragraph 21 of UP Financial Hand Book volume-V Part I and paragraph 97 (iii) of budget manual lays down that the departmental authority are required to see whether all revenue receipts due to Government are correctly and properly assessed and credited into Government account without undue delay. Such receipts shall not be utilised towards departmental expenditure without proper authorisation by the Government.

**5.2.7.1** Test check of the records of 29 divisions revealed that during the years 2003-04 to 2007-08, amount received from seven agencies<sup>3</sup> on account of road cutting charges for different roads, was utilised on repair and maintenance of roads without sanction of competent authority/Government instead of remitting into treasury under head “0059 Public works”, which was in contravention of financial rules. This resulted in misappropriation of departmental receipts of Rs.13.24 crore as shown in Appendix-XI.

After this was pointed out, the concerned divisions stated that there was no provision to deposit the amount in the receipt head. The money received was utilised for the purpose for which it was received. However, the reply of the divisions is not in consonance with the provisions of Financial rules which stipulate the remittance of the receipt to revenue head “0059 PWD”. The approval of Government/legislature necessary for the utilisation of departmental receipts as departmental expenditure was also not obtained.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

**5.2.7.2** Test check of records of 21<sup>4</sup> divisions revealed that an amount of Rs. 6.39 crore received on account of road cutting charges of different roads from various agencies was lying under the head “8443 Civil Deposit” – Part III (Deposit for works to be done) at the end of 31 March 2008. This amount should have been credited under revenue head “0059 Public works”.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

<sup>3</sup> BSNL, M/s Reliance Ltd, Airtel, UP Network Ltd., Tata Telecom, UP Jal Nigam, UPSEB, etc.

<sup>4</sup> Construction Division (CD)-I Allahabad, CD Deoria, CD-II Gorakhpur, CD & CD-I Jaunpur, CD-II Kanpur, CD Lakhimpur kheri, CD-II Lucknow, CD Maharajganj, CD Saharanpur, CD-I Sitapur, Provincial Division (PD) Barabanki, PD Deoria, PD Farrukhabad, PD Gorakhpur, PD Jaunpur, PD Kannauj, PD Maharajganj, PD Meerut, PD Saharanpur and PD Sonebhadra.

### **5.2.8 Non-credit of miscellaneous receipts**

Under the provision of paragraph 621 of Financial handbook vol.-VI deposits classified as 'miscellaneous deposit' include until clearance all item of receipts, the classification of which cannot at once be determined or which represent errors in accounting awaiting adjustment.

Test check of the records of 22<sup>5</sup> divisions revealed that Government receipts<sup>6</sup> amounting to Rs. 33.37 crore were lying in "Civil Deposits"-Part-V (Miscellaneous deposits)<sup>7</sup> as on 31 March 2008. These were required to be credited to the concerned receipts heads which was not done. This resulted in understatement of the revenue receipts to that extent under these heads.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### **5.2.9 Non-credit of balances/unclaimed amount into revenue head**

Paragraph 622 (iii) of the Financial Hand Book volume-VI provides that all balances of unclaimed deposits for more than three years lying in the public works deposits shall be credited into revenue of the State as lapsed deposits.

#### **5.2.9.1 Non-credit of unclaimed security deposits into revenue head**

Test check of the records of 25 divisions<sup>8</sup> revealed that during the period February 1981 to March 2005, security deposits of Rs 1.26 crore received from the contractors was shown as closing balance in public work deposits at the end of 31 March 2008. The amount remained unclaimed after an average delay of 8.27 years. These deposits were required to be credited into the revenue head of the department. However, no action was taken to credit these receipts into revenue head.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

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<sup>5</sup> CD-I Agra, CD-I Allahabad, CD Budaun, CD Jaunpur, CD-II Kanpur Nagar, CD-I Lakhimpur kheri, CD-II Lucknow, CD Maharajganj, CD-I Sitapur, CD-I Unnao, PD Agra, PD Allahabad, PD Budaun, PD Deoria, PD Farukhabad, PD Gorakhpur, PD Kannauj, PD Lakhimpur kheri, PD Meerut, PD Saharanpur, PD Unnao and Maintenance Division (MD)-III Civil Lucknow.

<sup>6</sup> Sale of tender forms & documents, Technical Audit Cell recovery, Stamp duty, royalty, commercial tax, toll tax and other miscellaneous receipts, etc.

<sup>7</sup> 0059-PWD Rs. 32.47, 1054-Road and bridges Rs. 0.51, 0216-Housing Rs. 0.02, 0021-I. Tax Rs. 0.01, 0040-TT Rs. 0.04, 0030-Stamp Rs. 0.02 and 0853-Mines and Mineral Rs. 0.03 (Figures in crore).

<sup>8</sup> CD-I Agra, CD-I & III Barabanki, CD-I Gorakhpur, CD Kannauj, CD-III Kanpur nagar, CD-I Lakhimpur kheri, CD-I Sitapur, CD Unnao, PD Agra, PD Allahabad, PD Baghpat, PD Bijnore, PD Budaun, PD Deoria, PD Farukhabad, PD Jaunpur, PD Kannauj, PD Lakhimpur kheri, PD Maharajganj, PD Meerut, PD Saharanpur, PD Sitapur, PD Sonebhadra and MD-I Civil Lucknow.

### 5.2.9.2 Non-credit of unspent balance of deposit to revenue

Test check of the records of 13 divisions<sup>9</sup> revealed that an unspent amount of Rs. 9.94 crore received from June 1973 to November 2005 for the construction works from different departments/units was lying in “Civil Deposits”-Part-III at the end of 31 March 2008. The balance amounts were to be credited to revenue head as per provisions but was not done resulting in short account of revenue to that extent.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### 5.2.10 Stock profit not credited to revenue

**5.2.10.1** Paragraph 217-A of UP Financial Hand Book volume–VI provides that the amount of annual excess or short-fall representing the differences of value due to revision of rate or loss should be worked out *pro forma* and credited to revenue as receipt or charged off as “losses on stock”, as the case may be.

Test check of the records of 20 divisions<sup>10</sup> revealed that annual excess stock valued at Rs. 6.73 crore for the period September 2005 to March 2008 was not credited to revenue as receipt but was being carried forward in the store suspense accounts of the divisions. This resulted in short account of revenue to that extent.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

**5.2.10.2** As per the Government order dated 03 March 1997, the system of inter-divisional transfer of stock on credit basis has been stopped. Now, it has to be done on cash basis and the amount received has to be credited into revenue head.

Test check of the records of the EE, Provincial Division, Allahabad in May 2008 revealed that during the period September 1995 to March 2008, an amount of Rs. 33.25 lakh, received from the different divisions for supply of bitumen, pontoons etc. was lying in civil deposits-Part-V (Miscellaneous deposit) whereas it was required to be credited into revenue head. This resulted in short account of revenue to that extent.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

<sup>9</sup> CD-I Agra, CD-III Barabanki, CD-II Kanpur nagar, CD-II Lucknow, PD Baghpat, PD Bijnore, PD Budaun, PD Deoria, PD Farrukhabad, PD Lakhimpur kheri, PD Sonebhadra, MD-I & III Civil Lucknow.

<sup>10</sup> CD-I Allahabad, CD-I & III Barabanki, CD-II Budaun, CD Deoria, CD-I Gorakhpur, CD Kanpur nagar, CD-I Lakhimpur kheri, CD Maharajganj, CD-III Saharanpur, CD-I Sitapur, CD-I Unnao, PD Allahabad, PD Jaunpur, PD Kanpur nagar, PD Lakhimpur kheri, PD Lucknow, PD Maharajganj, PD Meerut and PD Sonebhadra.

**5.2.10.3** As per the Government order dated 03 March 1997, the proceeds of store material, sold to another division, cannot be utilised towards the payments of other works by obtaining deposit credit limit.

Test check of the records of three divisions<sup>11</sup> revealed that during the years 2004-05 to 2005-06, an amount of Rs. 9 lakh was received from various units for supply of bitumen, of this, Rs. 7.92 lakh was utilised in construction of the roads instead of crediting into the receipt of the department which was against the financial rules. The balance amount was lying in civil deposits at the end of March 2008.

After this was pointed out, the concerned divisions, stated that the amount received from the other divisions was utilised on the construction of the roads. The reply of the divisions was not in consonance with the Financial Rules and the Government order dated March 1997.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

#### **5.2.11 Internal audit**

Internal Audit is a vital component of the internal control mechanism and it generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. It is entrusted with the interest to safeguard the receipts against any loss or leakage of revenue arising under the various revenue heads.

It was observed that internal audit wing was not functioning in the department. At present no staff was provided for conducting the internal audit of the department. The department stated in August 2008 that matter regarding the sanction of manpower for internal audit wing was under correspondence with the Government.

#### **5.2.12 Collection of toll**

Provisions of UP Tolls Regulation, Levy & Collection Rules, 1980 and departmental instructions issued by the Chief Engineer lays down the procedures for levy and collection of toll for use of a bridge and its approach road. The toll can be levied only after the issue of Government notification and is collected either departmentally or through an agent. Further, in case a proposal for levy of toll is not feasible, prior approval for non-levy of toll shall be obtained before opening the road bridge to traffic.

##### **5.2.12.1 Non-issue of notification for the collection of toll tax**

Under the provisions of UP Tolls Regulation, Levy & Collection Rules, 1980, tolls on bridges can be levied or exempted only after the issue of the Government notification. As per *Mukhya Abhiyanta's* circular dated 23 March

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<sup>11</sup> Provincial Division Baghpat, Kanpur nagar and Meerut.



1966, EE of the concerned division is required to submit the proposal for levy of toll on newly constructed bridge three months before the bridge is likely to be completed. There is no time limit for issuing notification at Government level.

Test check of records of five divisions revealed that construction of 13 bridges valued at Rs. 32.86 crore were completed between March 2004 and January 2008. The proposals for levy of tolls in case of eight bridges were submitted by the department to the Government between December 2006 and October 2008. However, no notification of the Government has been issued till date. Further, proposal for levy of tolls in case of five bridges were not submitted for levy of tolls by the department. There was no system for watching the timely submission of the proposal either at the department or at the Government level. This resulted in non-realisation of tolls of Rs. 32.86 crore from bridges as mentioned below :

(Rupees in lakh)

Sl. No.	Name of division	No of bridge	Date of completion of work	Date of submission of proposal for levy of toll /toll free	Cost of bridge
1.	Provincial Division, Kannauj	5 <sup>12</sup>	April 2004 to June 2006	April 2008	1,351.84
2.	Provincial Division, Lakhimpur khiri	1 <sup>13</sup>	March 2007	October 2008	395.64
3.	Provincial Division, Saharanpur	2 <sup>14</sup>	March 2006 and January 2008	December 2006 and June 2008	624.14
4.	Construction Division, Kannauj	3 <sup>15</sup>	March 2004 to June 2006	-	618.22
5.	Provincial Division, Farrukhabad	2 <sup>16</sup>	June 2007	-	295.73
<b>Total</b>		<b>13</b>			<b>3,285.57</b>

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### Compliance deficiencies

#### 5.2.12.2 Non-realisation of compensation

As per term and condition No.11 (1) of lease deed for collection of toll executed under UP Tolls Regulation, Levy & Collection Rules, 1980, if a contractor fails to deposit monthly installments of annual toll, on due dates

<sup>12</sup> (i) Kali river bridge at km 26 on Shringirampur –Ibrahimpur road district Kannauj, (ii) Mallapurava ghat on from G.T.Road to miraganva road district Kannauj, (iii) Daraura Ghat bridge on river kali on Nauli Nandpur Daraura road district Kannauj, (iv) Kandauli Ghat bridge on kali river on Kandauli –Tajpur road district Kannauj and (v) Dhobi ghat bridge on Isan river on GurshahaiGanj Tirva Road district Kannauj.

<sup>13</sup> Gomti bridge at km 8 in Aurangabad –Barbar road at Gomti river district Lakhimpur Khiri.

<sup>14</sup> Gagangro river bridge on behat Shakumbhari road at Saharanpur and Hindan river bridge at km 1 on Ghoghare berilagu road district Saharanpur.

<sup>15</sup> (i) Nera Ghat bridge on Isan river at Dhadhiya manimau road district Kannauj, (ii) Isan river on Saurikh Tirva road district Kannauj and (iii) Pandu river bridge on Zanakhil Biharipur road district Kannauj.

<sup>16</sup> (i) Sota Nala setu on Amritpur to Fakarpur road district Farrukhabad and (ii) Ganga Nala Setu on Leelapur Kirachin road district Farrukhabad.

mentioned in the lease deed, he is liable to pay to the department compensation ranging from one *per cent* to 10 *per cent* of the amount of annual toll for such default.

Test check of the records of two divisions revealed that during the period 2003-04 to 2007-08, the contractors deposited the installment of annual toll late by two to 123 days beyond the grace period of seven days but no action was taken to recover compensation for the delay in payment of Government dues. This resulted in non-realisation of Government revenue of Rs. 92.39 lakh calculated at the minimum rate of one *per cent* of amount of annual toll as mentioned below :

(Rupees in lakh)					
Sl. No.	Name of division	Number of bridge	Lease period	Period of delay in days	Compensation leviable
1.	Provincial Division, Lucknow	1 <sup>17</sup>	2003-04 to 2007-08	5 to 64	90.47
2.	Provincial Division, Sonebhadra	1 <sup>18</sup>	2005-06 to 2007-08	2 to 123	1.92
<b>Total</b>					<b>92.39</b>

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### 5.2.13 Non-levy of centage charges on deposit works

Under the provisions of Financial Hand Book Volume-VI read with Government order dated 18 August 1998, centage charges at the rate of 12.5 *per cent* in respect of Public Works Department (PWD) on the actual outlay on works (road and bridges) are to be levied and credited to the Government account in respect of deposit works undertaken by the PWD on behalf of commercial departments and autonomous bodies/local bodies in the State.

Test check of records of four divisions revealed that during the years 2002-03 to 2007-08, the centage charges amounting to Rs. 2.03 crore on deposit works valued at Rs. 16.27 crore undertaken by the divisions on behalf of Development Authorities and Power Grid Corporation of India for construction of road and bridges, drains etc. were not levied. This resulted in non- realisation of centage charges of Rs. 2.03 crore as mentioned below :

(Rupees in lakh)					
Sl. No.	Name of division	Name of agency	Details of work	Cost of construction	Amount of centage charges leviable
1.	Provincial Division, Agra	Agra Development Authority, Agra	Strengthening and repairing of roads of Agra city and Fatehpur Sikri	135.36	16.92
2.	Provincial Division, Allahabad	Power Grid Corporation of India, Allahabad	Construction of road from Champatpur Primary school to Baghara	12.51	1.56

<sup>17</sup> B.R. Ambedkar bridge, Lucknow-Hardoi Road, Lucknow.

<sup>18</sup> Jamalpur Setu at Km.30 Bawatpur Jalalpur road on Basuhi River.

Sl. No.	Name of division	Name of agency	Details of work	Cost of construction	Amount of centage charges leviable
3.	Provincial Division, Sonebhadra	Shaktinagar Special Area Development Authority (SADA)	Construction of roads and bridges, drains and displacement of colony	10.15	1.27
4.	Construction Division, Sonebhadra		Construction of road from Bagaha Nala to Obra	1,468.73	183.59
<b>Total</b>				<b>1,626.75</b>	<b>203.34</b>

After this was reported the concerned divisions stated that constructed roads were the property of the Public works department therefore centage charges were not levied. The replies of the divisions were not consonance with the financial rules, which stipulated that centage charges were leviable as PWD was carrying the deposit works on behalf of agencies mentioned above.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

#### 5.2.14 Non-realisation of rents from occupants

Rent of residential buildings allotted to employees of different department are realised through pay bills on the basis of demands received from divisions maintaining the buildings. After effecting the recovery, the drawing and disbursing officer (DDO) sends a statement to maintenance divisions which records the particulars of recovery in a ledger.

Test check of the records of five divisions revealed that “Rent Recovery Register” was not maintained by the division with the result the divisions had no control to watch the recovery of rent. This resulted in non-realisation of rent of Rs. 32.20 lakh from 91 occupants of the Government residential buildings as mentioned below :

(Rupees in lakh)			
Sl. No.	Name of division	Period	Amount of rent
1.	Provincial Division, Agra	July 2003 to March 2008	4.07
2.	Construction Division-I, Allahabad	April 2006 to March 2008	4.03
3.	Construction Division-II, Kanpur	June 2004 to November 2005	4.32
4.	Construction Division-I, Gorakhpur	November 1999 to March 2008	10.84
5.	Maintenance Division-III, Civil, Lucknow	September 2003 to March 2008	8.94
<b>Total</b>			<b>32.20</b>

The concerned divisions intimated that non-realisation was due to non-receipt of recovery statement from the drawing and disbursing officers.

The matter was reported to the department and the Government in June 2009; their reply has not been received (August 2009).

### **5.2.15 Conclusion**

The review revealed that the department lacked mechanism for preparation of budget estimates and for timely issue of notification for collection of toll tax and for collection of centage charges. The practice of utilising the government receipts towards the expenditure without any lawful authority prevailing in the departmental was against the broad canons of financial propriety. This defeated the very purpose of appropriation by the legislature and need to be stopped forth with.

### **5.2.16 Summary of recommendations**

The Government may consider;

- to strengthen the system of preparation of budget estimates to ensure that the estimates are prepared in accordance with prescribed rules and are accurate and realistic;
- to evolve a mechanism to ensure that revenue receipts of the department are promptly credited to the concerned receipt heads and in no case these are utilised for meeting the departmental expenditure besides deposits that are due to be credited to the Government account should be credited to revenue head;
- establish internal audit wing in the department to safeguard the interest of revenue receipt; and
- to evolve system/mechanism for timely issue of notifications for levy of tolls and its collection of charges due to the department.

### **5.3 Other audit observations**

*Scrutiny of records in the offices of Finance, Entertainment tax, Irrigation, Forest and Medical & Public health departments revealed cases of non/short levy of guarantee fees, short payment of interest, irregular utilisation of Entertainment tax/Medical receipts, non-recovery of compensation and short realisation of lease rent as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.*

### **5.4 Non-compliance of provisions of standing Rules**

*Financial Hand Book (Vol-V Part-I) and UP Budget Manual provide that;*

- (i) all money realised by Government departments should be promptly remitted to Government account under relevant receipt head and*
- (ii) no receipts should be utilised for meeting any departmental expenditure.*

*The departments did not observe some of the provisions of the standing Rules in cases as mentioned in the paragraph 5.4.1 and 5.4.2 for remittance of Government money, which resulted in non-accountal of Rs. 18.12 lakh in Government account.*

## **MEDICAL AND PUBLIC HEALTH AND ENTERTAINMENT TAX**

**5.4.1** In June 2000, Government authorised medical department to utilise 50 per cent of the receipt of the department for meeting its expenditure.

Test check of the records of the offices of five Chief Medical Officers/Chief Medical Superintendents<sup>19</sup> between May 2008 and December 2008, revealed that out of total medical receipts of Rs. 16.08 lakh realised between January 2005 and March 2008, only Rs. 8.04 lakh was deposited into Government treasury and the balance amount of Rs. 8.04 lakh was utilised as departmental expenditure. Utilisation of Rs. 8.04 lakh of departmental receipts as departmental expenditure was against the provisions of the Financial Hand Book / UP Budget Manual.

The matter was reported to the department and the Government in February 2009; their reply has not been received (August 2009).

**5.4.2** In July 2000, Government authorised owners of Cinema Hall to utilise the entertainment tax collected from public as grants-in-aid sanctioned from time to time, with certain terms and conditions.

<sup>19</sup> Azamgarh, Bulandshahar, Faizabad, Mathura and Moradabad.

Test check of records of the District Entertainment Tax Officer, Pilibhit in January 2009 revealed that grants-in-aid of Rs. 11.76 lakh was sanctioned to an owner of a cinema hall during the years 2001-02 to 2006-07. The cinema hall owner was authorised to utilise the collected entertainment tax as grants-in-aid and out of that Rs. 10.08 lakh was utilised too. Authorisation to utilise the entertainment tax as grants-in-aid was against the provisions of Financial Hand Book and UP Budget Manual.

The matter was reported to the department and the Government in February 2009; their reply has not been received (August 2009).

### **5.5 Non-observance of Government instructions regarding safeguard of the revenue**

*The instructions issued from time to time by the Government/department provide for;*

- (i) the recovery of guarantee fees on outstanding amount of Government loan;*
- (ii) terms and conditions of the loan;*
- (iii) mode of recovery of rent of departmental guest house; and*
- (iv) mode of recovery of premium and lease rent of forest land.*

*Non-compliance of the Government instructions in some cases as mentioned in the paragraphs 5.5.1 to 5.5.4 resulted in non-realisation of Government revenue of Rs. 15.38 crore.*

## **FINANCE DEPARTMENT**

**5.5.1** Guarantee fees ranging between 0.25 to 2.5 *per cent* per annum is leviable on loanee institutions on the amount of guarantee including outstanding amount of guarantee on that date for which State Government has given guarantee vide Finance Department order dated 15 September 2000. The guarantee fee is to be recovered at the time of giving guarantee of loan and at the beginning of financial year for the outstanding amount of loan. In the event of default in payment, guarantee fee will be leviable at double the normal rate.

Scrutiny of records of the General Managers (Finance and Accounts), Uttar Pradesh Power Corporation Ltd., Lucknow (UPPCL) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Ltd., Lucknow (nigam) and its three Thermal Power Stations between December 2008 and January 2009 revealed that Government gave guarantee worth Rs. 2,610.54 crore during the years 2002-03 and 2006-07 to raise loans from various financial institutions/banks and Power Finance Corporation (PFC), New Delhi. The guarantee fees amounting to Rs. 57.25 crore was payable but the nigam/undertakings paid only Rs. 42.50 crore. This resulted in non/short levy of guarantee fee of Rs. 14.75 crore as shown below :

(Rupees in crore)

Sl. No.	Name of Undertakings/ Nigam	Amount/ outstanding amount of guarantee	Guarantee fee payable	Guarantee fee paid	Guarantee fee non/short paid
1.	Uttar Pradesh Power Corporation Ltd., Lucknow	2,431.43	48.03	41.51	6.52
2.	Uttar Pradesh Vidyut Utpadan Nigam Ltd., Lucknow	135.90	5.17	0.99	4.18
	Thermal Power Station, Anpara 'A', Sonbhadra	8.73	0.77	--	0.77
	Thermal Power Station, Panki, Kanpur	15.71	1.55	--	1.55
	Thermal Power Station, Parichha, Jhansi	18.77	1.73	--	1.73
<b>Total</b>		<b>2,610.54</b>	<b>57.25</b>	<b>42.50</b>	<b>14.75</b>

Provision for payment of guarantee fee (non/short paid) was not made in the balance sheet of the loanee units.

It was observed that the essential details like financial status of the loanees, cabinet approval of guarantees, rate of guarantee fee and payments made/to be made on account of guarantee fee were neither recorded by the Administrative departments nor by the Finance Department in their records indicating therein that systems of maintenance of records was weak and needed improvement for effective monitoring.

The matter was reported to the department and the Government in February 2009; their reply has not been received (August 2009).

**5.5.2** Interest bearing loans are sanctioned from time to time for implementation of various development schemes of the development authorities of the State. As per terms and conditions of the loan, the responsibility for payment of interest and refund of loans rests with the development authority concerned.

Test check of the records of Meerut Development Authority, Meerut (MDA) in February 2009 revealed that an interest bearing loan of Rs. 6.77 crore was sanctioned (March 2000) to MDA for various development activities under a housing development scheme. The loan was repayable in ten equal installments in 10 years and interest thereon was payable by the loanee at the rate of 15.5 *per cent* per annum. The loanee paid interest of Rs. 4.97 crore only upto December 2008, at the rate of 12 *per cent* per annum, instead of accrued interest of Rs. 5.46 crore.

After the case was reported, the MDA stated that a rebate on interest at the rate of 3.5 *per cent* is allowable as the repayment of loan and payment of interest

was made on prescribed date (s). However, the facts revealed that there was no such provision of rebate in the Government sanction.

The matter was reported to the department and the Government in March 2009; their reply has not been received (August 2009).

## IRRIGATION DEPARTMENT

**5.5.3** As per the office memorandum issued by the Government of Uttar Pradesh on 17 October 1998, compensation in lieu of rent at the rate of Rs. 40 per day per suite for first seven days and Rs. 70 thereafter is payable from such visitors who occupy the Irrigation Department guest house for more than seven days and Rs. 100 is payable per day per suite for continuous stay for more than 30 days.

Test check of the records of the Executive Engineer Irrigation Division, Faizabad in March 2009 revealed that Central Reserve Police Force officers/officials occupied the guest house for 3,652 days during the period January 1999 to December 2008, for which compensation of Rs. 7.30 lakh was payable by the occupants. Although, the amount has not been paid yet, the department has neither assessed the compensation nor issued any notice to the occupants for recovery of the compensation. This resulted in non-realisation of revenue of Rs. 7.30 lakh.

The matter was reported to the department and the Government in March 2009; their reply has not been received (August 2009).

## FOREST RECEIPTS

**5.5.4** As per standing order of October 1976 of Forest Department (FD) also applicable to Uttar Pradesh Forest Corporation (UPFC) from 7 September 1978, lease rent at the rate of Rs. 1,000 per hectare per year was realisable for the forest land used for the purpose other than forest. Further, orders of Government of Uttar Pradesh (GO) of July 1989 and October 1992 also applicable to UPFC provides that the lessee will have to pay an amount of premium at the rate of market value of the forest land and ten *per cent* of premium amount per year as lease rent, in cases where leases are of permanent nature. The Government clarified in the year 1992 that rates of the lease rent would be applicable to all leases including forest corporation.

Test check of records of Divisional Forest Officer (DFO), FD, Renukoot, Sonbhadra revealed in February 2009 that 16.5 hectare (40.7715 acre) forest land was transferred to UPFC for establishing a depot at Govindpur in Muirpur forest area of Sonbhadra. The premium and lease rent of Rs. 7.34 lakh, worked out on the basis of market value, was recoverable from UPFC while Rs. 82,500 was recovered from FD on account of lease rent for the period April 2003 to March 2008. This resulted in short realisation of premium and lease rent amounting to Rs. 6.51 lakh.



After the case was reported in March 2008, the DFO stated that a meeting between officers of FD and UPFC was held in November 1992 and it was decided that lease rent at the rate Rs. 1,000 per hectare may only be realised from UPFC. The decision was also referred to the Government for approval in December 1993. However, no approval has been received (December 2008).

The matter was reported to the department and the Government in March 2008; their reply has not been received (August 2009).

**Lucknow,  
The**

**(REEMA PRAKASH)  
Accountant General (C&RA)  
Uttar Pradesh**

**Countersigned**

**New Delhi,  
The**

**(VINOD RAI)  
Comptroller and Auditor General of India**

## Appendix-I

### Non-compliance of the provisions of the Act/Rules Non-levy of penalty and interest (Reference Para No. 2.4.1.2)

(Rupees in lakh)

Sl. No.	Name of unit	No. of dealer	Assessment Year (Month and Year of assessment)	Concealed turnover	Tax levied on concealed turnover	Minimum penalty leviable	Penalty levied
1.	AC, Sec. XII, CT, Agra	1	2002-03 (September 2007)	25.00	2.00	1.00	--
2.	DC (A)-III, CT, Allahabad	1	2003-04 (January 2005)	23.96	1.89	0.94	--
3.	AC, Sec.III, CT, Allahabad	1	2003-04 (March 2007)	23.08	1.00	0.50	0.90
4.	AC, Sec. VI, CT, Allahabad	1	2000-01 (June 2004)	16.44	1.91	0.96	1.14
5.	AC, CT, Amroha	1	2003-04 (March 2006)	18.00	1.80	0.90	0.90
6.	DC (A), CT, Banda	1	2002-03 (March 2005)	125.00	10.00	5.00	-
7.	DC (A),CT, Budaun.	1	1999-2000 (September 2007)	78.31	12.43	6.21	--
8.	DC, CT, Chandausi	1	2005-06 (October 2007)	100.00	2.00	1.00	--
9.	AC,Sec. IV, CT, Gorakhpur	1	2002-03 (January 2004)	11.71	1.19	0.59	0.59
10.	DC (A)-II, CT, Jhansi	1	2002-03 (March 2004)	600.59	24.02	12.01	--
11.	A C Sec. XIII C T Kanpur	1	2001-02 (March 2008)	139.11	13.91	6.95	-
			2002-03 (March 2008)	191.77	19.18	9.59	-
			2003-04 (March 2008)	106.50	10.65	5.33	-
12.	AC,CT, Khatauli	1	2004-05 (July 2006)	16.67	2.66	1.33	--
13.	AC, Sec. I, CT, Orai	1	1999-2000 (June 2007)	37.68	3.01	1.51	--
14.	AC, Sec. I, CT, Pilibhit	1	2003-04 (March 2006)	98.68	4.56	2.28	--
15.	DC (A),CT, Sultanpur	1	2003-04 (March 2006)	60.30	2.60	1.30	--
16.	AC, Sec. I, CT, Sultanpur	1	2001-02 (January 2005)	50.00	2.00	1.00	4.00
<b>Total</b>		<b>16</b>		<b>1,722.80</b>	<b>116.81</b>	<b>58.40</b>	<b>7.53</b>

## Appendix-II

### Non-compliance of the provisions of the Act/Rules Non-levy of penalty and interest (Reference Para No. 2.4.1.4)

(Rupees in lakh)

Sl. No.	Name of unit	Number of dealer	Assessment year (Month and year of assessment)	Amount of tax	Period of delay in days	Maximum penalty leviable	Penalty levied at the instance of audit
1.	AC, Sec.II, CT, Aligarh	1	2002-03 (January 2005)	0.53	14	1.06	1.06
2.	AC, CT, Auraiya	1	2003-04 (March 2006)	1.38	5 to 159	2.76	2.76
3.	AC, CT, Baghpat	1	2003-04 (March 2006)	1.44	723 to 967	2.88	--
			2004-05 (March 2007)	2.07	328	4.14	--
4.	DC (A), CT, Budaun	1	2004-05 (March 2007)	0.71	3 to 433	1.42	--
5.	CTO, Sec. I, Budaun	1	2003-04 (January 2006)	1.71	6 to 190	3.42	--
6.	AC, Sec. I, CT, Etawah	1	2003-04 (March 2006)	0.93	6 to 160	1.86	--
7.	AC, CT, Kannauj	1	2004-05 (March 2007)	16.12	5 to 46	32.24	--
		1	2004-05 (March 2007)	2.98	17	5.96	--
8.	AC, CT, Kaushambi	1	2003-04 (February 2006)	2.42	14 to 44	4.84	--
9.	CTO, Kaushambi	1	2004-05 (November 2006)	0.74	26 to 94	1.48	--
10.	DC (A), CT, Koshikalan	1	2004-05 (March 2007)	9.31	9 to 70	18.62	--
11.	AC, Sec. I, CT Lakhimpur Kheri	1	2005-06 (September 2007)	3.93	6 to 11	7.86	7.86
12.	AC, Sec. IX, CT Lucknow	1	2003-04 (January 2008)	3.65	16 to 146	7.30	--
13.	CTO, Najibabad	1	2004-05 (March 2007)	0.78	302 to 545	1.56	--
14.	DC (A)-II, CT, Rampur	1	2004-05 (February 2007)	1.08	679	2.16	--
15.	AC, Sec. II, CT, Rampur	1	2004-05 (December 2006)	1.88	5	3.76	--
16.	DC (A)-II, CT, Sitapur	1	2005-06 (February 2008)	0.97	94	1.94	1.89
<b>Total</b>		<b>17</b>		<b>52.63</b>		<b>105.26</b>	<b>13.57</b>

## Appendix-III

### Non-compliance of the provisions of the Act/Rules Non-levy of penalty and interest

(Reference Para No. 2.4.1.5)

(Rupees in lakh)

Sl. No.	Name of unit	Number of dealer	Assessment year (Month and year of assessment)	Name of commodity	Amount of purchase	Rate of tax	Rate of penalty imposable	Penalty imposable	Penalty imposed at the instance of audit
1.	AC Sec. VIII, CT, Agra	1	2004-05 (September 2006)	Cotton Yarn	4.12	8	12	0.49	--
			2005-06 (October 2007)		5.13	8	12	0.62	
2.	AC Sec. II, CT, Aligarh	1	2002-03 (May 2005)	Generator set	4.25	10	15	0.64	0.64
3.	AC Sec. VI, CT, Aligarh	1	2005-06 (October 2007)	Generator Set	26.70	10	15	4.01	--
4.	DC (A)-III, CT, Allahabad	1	2005-06 (December 2007)	Colours, Chemicals and Essence	16.37	10	15	2.46	--
5.	DC (A)-IV, CT, Allahabad	1	2003-04 (March 2006)	Animal glue, glue powder, gum powder, tuba cone gum powder and PVA powder	13.18	10	15	1.98	--
			2004-05 (March 2007)		2.60	10	15	0.39	--
		1	2003-04 (September 2005)	Makhana	5.47	10	15	0.82	--
			2004-05 (August 2006)		5.32	10	15	0.80	--
			2005-06 (July 2007)		13.00	10	15	1.95	--
6.	AC Sec IV, CT, Allahabad	1	2001-02 (March 2004)	Paper & Wrapper	38.19	10	15	5.73	5.73
			2002-03 (January 2005)		53.07	10	15	7.96	4.63
7.	DC (A), CT, Azamgarh	1	2002-03 (March 2005)	D.G. Set	5.40	10	15	0.81	0.81
8.	AC Sec. I CT, Ballia	1	2005-06 (September 2007)	Karahi	5.74	10	15	0.86	--
		1	2005-06 (March 2008)	Acrylic yarn	10.75	10	15	1.61	
9.	DC (A)-III, CT, Bareilly	1	2004-05 (March 2007)	Perfume	5.34	16	24	1.28	--
10.	AC Sec. III, CT Bareilly	1	2002-03 (February 2005)	Glazed tiles	2.42	16	24	0.58	0.58
				PVC tank	0.90	10	15	0.13	0.13
11.	AC Sec. V, CT, Bareilly	1	2005-06 (June 2007)	Tiles	22.38	16	24	5.37	--
12.	DC (A), CT, Chandauli (Mughal Sarai)	1	2003-04 (March 2006)	Diesel Oil	2.10	20	30	0.63	1.38
			2004-05 (March 2007)		2.51	20	30	0.75	
13.	AC Sec. II, CT, Etawah	1	2004-05 (February 2008)	Tandem roller	23.42	12	18	4.22	--
14.	AC Sec. II, CT, Faizabad	1	2005-06 (May 2007)	Acrylic Yarn	15.76	10	15	2.36	2.36

Sl. No.	Name of unit	Number of dealer	Assessment year (Month and year of assessment)	Name of commodity	Amount of purchase	Rate of tax	Rate of penalty imposable	Penalty imposable	Penalty imposed at the instance of audit
15.	DC (A)-V, CT, Ghaziabad	1	2002-03 (March 2005)	Aluminium castings, bearings, Electrical goods, grinding wheel, Hardware and Electric cables	18.63	10	15	2.79	2.79
16.	AC Sec. V, CT, Ghaziabad	1	2005-06 (June 2007)	Socks	19.06	10	15	2.86	--
17.	DC (A)-II, CT, Hapur	1	2002-03 (March 2005)	Stitching Wire	7.98	10	15	1.20	1.20
18.	DC (A), CT, Jaunpur	1	2005-06 (June 2007)	Electrical goods and machinery parts	47.68	10	15	7.15	--
19.	DC (A)-II, CT, Jhansi	1	2003-04 (March 2006)	Excavator	43.30	12	18	7.79	6.50
20.	DC (A)-VII, CT, Kanpur	1	2005-06 (March 2008)	Sal seed oil	8.91	10	15	1.34	--
21.	AC Sec. XV, CT, Kanpur	1	2004-05 (March 2007)	M.S. Bar	6.86	8	12	0.82	0.82
22.	AC Sec. II, CT, Lakhimpur Kheri	1	2005-06 (July 2007)	Hydrogenated caster oil	15.74	10	15	2.36	--
23.	DC (A)-VII, CT, Lucknow	1	2005-06 (March 2008)	D.G.Set, Dish Washing, Treatment PLA and Toothprick	29.85	10	15	4.48	--
				Freezer	1.45	16	24	0.35	
24.	DC (A)-XII, CT, Lucknow	1	2004-05 (March 2007)	Regulators, valves, blue dyes, PP caps, Aluminium and aluminium seal	388.43	10	15	58.26	--
25.	AC, CT, Maharajganj	1	2003-04 (March 2006)	Kaurdeal Kauder Machine	21.73	10	15	3.26	--
				Truck Chasis	35.60	12	18	6.41	
26.	AC Sec. III, CT, Mathura	1	2004-05 (January 2007)	Marble	5.48	12	18	0.99	--
27.	AC, CT, Mau	1	2004-05 (March 2007)	Loader (motor vehicle)	16.20	12	18	2.92	2.92
28.	DC (A)-II, CT, Meerut	1	2005-06 (March 2008)	Foam	36.73	16	24	8.81	--
29.	DC (A)-IV, CT, Meerut	1	2004-05 (January 2007)	Generator and Machinery	13.45	10	15	2.02	2.02
30.	AC Sec. IV, CT, Meerut	1	2004-05 (February 2007)	Computer machinery	6.62	10	15	0.99	0.96
31.	DC (A)-III, CT, Noida	1	2004-05 (March 2007)	Eliminator, Window glass and Mist-eliminator	26.58	10	15	3.99	--
32.	DC (A)-VII, CT, Noida	1	2006-07 (February 2008)	PVC containers (water storage tanks)	12.13	10	15	1.82	--
33.	DC (A)-IX, CT, Noida	1	2005-06 (November 2007)	Bars, MS Strips and iron sheets	8.91	8	12	1.07	--
		1	2005-06 (October 2006)	Monograms, Stickers/ P Parts and Stickers/ Manuals	107.26	10	15	16.09	--
34.	DC (A), CT, Pratapgarh	1	2001-02 (January 2004)	Clinker	34.46	10	15	5.17	5.17
<b>Total</b>		<b>37</b>			<b>1,197.16</b>			<b>189.39</b>	<b>38.64</b>

## Appendix-IV

### Non/short levy of tax due to application of incorrect rate of tax and misclassification of goods (Reference Para No. 2.4.2.2 first bullet)

(Rupees in lakh)

Sl. No.	Name of unit	Number of dealer	Assessment year (Month and year of assessment)	Nature of irregularities	Turnover	Rate of tax leviable levied	Tax short levied	Tax levied at the instance of audit
1.	DC (A)-IV, CT Allahabad	1	2004-05 (May 2006)	Preserved food treated as sweetmeat and namkeens	78.08	$\frac{12}{5}$	5.47	-
			2005-06 (June 2007)		71.34	$\frac{12}{5}$	4.99	-
2.	AC (A)-IV, CT Allahabad	1	2002-03 (July 2004)	Preserved food articles were treated as sweetmeat and namkeen	21.39	$\frac{12}{5}$	1.50	1.50
3.	DC (A)-II, CT Bareilly	1	2005-06 (March 2008)	Foam cutting treated as waste product	83.26	$\frac{10}{5}$	4.16	-
4.	DC (A)-IA, CT Ghaziabad	1	2004-05 (December 2006)	Purfumary compound treated as oil of all kinds	46.42	$\frac{16}{10}$	2.79	--
5.	DC (A)-V, CT Ghaziabad	1	2002-03 (February 2005)	UPS treated as electronic component	17.04	$\frac{8}{4}$	0.68	0.68
6.	DC (A)-VI, CT Ghaziabad	1	2004-05 (January 2007)	Textile hardner treated as chemical	13.06	$\frac{8}{4}$	0.52	-
			2005-06 (October 2007)		15.07	$\frac{8}{4}$	0.60	-
		1	2003-04 (November 2005)	Old machinery treated as old and discarded	43.95	$\frac{8}{5}$	1.32	-
			2004-05 (June 2006)		21.35	$\frac{8}{5}$	0.64	-
			2005-06 (May 2007)		7.20	$\frac{8}{5}$	0.21	-
7.	DC (A)-II, CT, Hathras	1	2006-07 (January 2008)	Electronic toys treated as toys	36.65	$\frac{12}{2}$	3.67	-
8.	DC (A)-II, CT Jhansi	1	2004-05 (March 2007)	Footwear treated as PVC footwear	52.14	$\frac{8}{4}$	2.09	2.09
9.	DC (A)-III, CT Kanpur	1	2004-05 (May 2006)	Motor lamp treated as electrical goods	100.74	$\frac{12}{10}$	2.01	-
			2005-06 (July 2007)		117.52	$\frac{12}{10}$	2.35	-
10.	DC (A)-XVI, CT Kanpur	1	2005-06 (July 2007)	Vicco turmeric cream treated as Ayurvedic medicine instead of cosmetics	79.98	$\frac{16}{8}$	6.40	-
11.	DC (A)-V, CT Lucknow	1	2004-05 (January 2007)	Aurvedic Anmol Amla Hair Oil treated as medicated oil	22.17	$\frac{16}{8}$	1.77	1.77
12.	DC (A)-II, CT Noida	1	2005-06 (January 2008)	Auto locks treated as electronic goods	52.23	$\frac{12}{8}$	2.09	2.09
13.	DC (A)-III, CT Saharanpur	1	2004-05 (June 2006)	Acrylic yarn treated as all kind of yarn	95.24	$\frac{5}{4}$	0.95	-
			2005-06 (October 2007)		106.05	$\frac{5}{4}$	1.06	-
14.	DC (A)-VI, CT Varanasi	1	2006-07 (February 2008)	Preserved food treated as confectionery and biscuits	63.03	$\frac{12}{8}$	2.52	--
<b>Total</b>		<b>15</b>			<b>1,143.91</b>		<b>47.79</b>	<b>8.13</b>

## Appendix-V

### Non/short levy of tax due to application of incorrect rate of tax and misclassification of goods (Reference Para No. 2.4.2.2 second bullet)

(Rupees in lakh)

Sl. No.	Name of unit	Number of dealer	Assessment Year (Month and year of assessment)	Name of commodity	Taxable turnover	Rate of tax leviable levied	Tax short levied	Tax levied at the instance of audit
1.	DC (A)-X, CT Agra	1	2005-06 (July 2007)	Paper	80.33	$\frac{4}{2.5}$	1.20	--
2.	CTO, Sec. II Azamgarh	1	2005-06 (March 2007)	Thermate	22.69	$\frac{10}{4}$	1.36	--
3.	DC (A) CT Dhampur	1	2005-06 (October 2007)	Imported polyester filament yarn	146.64	$\frac{20}{4}$	23.46	--
4.	DC (A)-II, CT Gautam Budh Nagar	1	2003-04 (March 2006)	Auto parts and Car AC parts	139.38	$\frac{12}{10}$	2.79	--
5.	DC (A)-I, CT Hapur	1	2005-06 (July 2007)	Steel and pipe	270.18	$\frac{4}{2}$	5.40	--
6.	DC (A)-XII, CT Lucknow	1	2005-06 (April 2007)	Warranty claim (two wheeler auto parts)	6.27	$\frac{12}{--}$	0.75	--
7.	DC (A)-II, CT Noida	1	2002-03 (January 2008)	Wooden Furniture	9.78	$\frac{8}{--}$	0.78	0.78
8.	DC (A)-VII, CT Noida	1	2004-05 (March 2007)	VCD Player	103.64	$\frac{12}{8}$	4.14	--
			2005-06 (October 2007)		18.20	$\frac{12}{8}$	0.73	--
9.	DC (A) CT Pratapgarh	1	2004-05 (December 2006)	Achar and Murabba	24.24	$\frac{12}{10}$	0.48	--
			2005-06 (June 2007)		33.19	$\frac{12}{10}$	0.66	--
10.	DC (A)-VI, CT Varanasi	1	2006-07 (March 2008)	Hingange Aurvedic Oil	2,299.84	$\frac{10}{8}$	46.00	--
		1	2005-06 (June 2007)		145.07	$\frac{10}{8}$	2.90	--
<b>Total</b>		<b>11</b>			<b>3,299.45</b>		<b>90.65</b>	<b>0.78</b>

## Appendix-VI

### Non-observance of the terms and conditions of the Government notification and departmental order (Reference Para No. 2.5.2)

(Rupees in lakh)						
Sl. No.	Name of unit	No. of dealer	Assessment year (Month and year of assessment)	Total CST sale	Irregular exemption of purchase tax	Exemption withdrawn at the instance of audit
1.	DC (A) CT Budaun	1	2004-05 (March 2007)	91.28	1.66	2.24
		1	2004-05 (October 2006)	31.22	0.58	
2.	DC (A) CT, Faizabad	1	2004-05 (March 2007)	55.62	1.10	--
		1	2004-05 (March 2007)	52.04	0.99	--
		1	2004-05 (March 2007)	37.77	0.70	--
3.	AC, CT Kaushambi	1	2003-04 (March 2006)	11.19	0.24	--
			2004-05 (March 2007)	64.73	1.30	--
4.	DC (A) CT, Koshikalan	1	2004-05 (January 2007)	103.30	1.81	--
5.	DC (A)-II, CT Lakhimpur Kheri	1	2004-05 (June 2006)	87.81	2.07	--
		1	2004-05 (September 2006)	45.71	1.20	--
		1	2004-05 (September 2006)	35.58	0.77	--
6.	AC, CT, Maharajganj	1	2003-04 (November 2006)	56.08	1.10	--
7.	DC (A) CT, Mirzapur	1	2003-04 (August 2006)	39.87	0.86	--
8.	DC (A)-III, CT, Moradabad	1	2004-05 (February 2007)	53.92	1.04	--
			2005-06 (January 2008)	35.85	0.67	--
9.	DC (A)-II, CT Rampur	1	2004-05 (December 2006)	169.27	1.69	--
10.	DC (A)-I, CT, Shahjahanpur	1	2004-05 (December 2006)	97.72	2.06	--
11.	DC (A), CT, Sultanpur	1	2004-05 (March 2007)	111.60	2.24	--
		1	2004-05 (February 2007)	109.87	1.53	--
		1	2004-05 (February 2007)	59.66	1.21	--
<b>Total</b>		<b>18</b>		<b>1,350.09</b>	<b>24.82</b>	<b>2.24</b>



## APPENDIX-VII

### Non-compliance of the provisions of Acts/Rules

(Reference Para No. 3.3.1)

(Rupees in lakhs)

Sl. No.	Name of unit	Name of route	Class of route	No. of vehicles	Period	Additional tax		
						Leviable	Levied	Short levied
1.	ARTO, Ballia	Ballia to Manghi Ghat via Barania	A	5	March 2006 to March 2008	9.01	6.39	2.62
		Ballia Nagra via Riddha Garwar Ratsar	B	19	March 2006 to March 2008	16.99	14.49	2.50
2.	ARTO, Bijnore	Nagina-Kalagarh Kashipur	A	40	April 2003 to March 2008	184.14	147.16	36.98
3.	ARTO, Budaun	Budaun-Dataganj Sahaswan via Vilsi	B	10	January 2006 to November 2007	22.38	8.20	14.18
		Bareilly-Dataganj Balia	A	13	April 2006 to March 2008	19.28	13.75	5.53
		Budaun-Vilsi Islamnagar via Ujhani	B	5	April 2004 to March 2008	27.25	14.99	12.26
		Budaun-Usaunva to Deharpur Road	A	10	April 2006 to March 2008	22.99	10.61	12.38
		Budaun-Vilsi Islamnagar via Kuroo	B	40	April 2006 to March 2008	50.37	40.07	10.30
		Sahaswan to Risauli Awala Road	B	16	April 2003 to March 2008	30.31	17.09	13.22
4.	ARTO, Fatehpur	Jafarganj-Ghatampur	A	19	April 2004 to March 2008	56.57	46.44	10.13
5.	ARTO, Hamirpur	Rath-Jalalpur-Virar Moudaha	A	21	April 2007 to March 2008	17.89	11.18	6.71
6.	ARTO, J.P. Nagar	Nagli-Joyas Pokwara	B	17	April 2007 to March 2008	11.12	7.49	3.63
		Sherpur-Dhysee Amroha	B	13	April 2007 to March 2008	9.61	6.47	3.14
		Kanth-Amroha Pokwara	B	30	April 2007 to March 2008	22.16	17.68	4.48
7.	RTO, Kanpur nagar	Kanpur-Auraiya	A	5	April 2005 to February 2008	39.43	25.63	13.80
		Kanpur-Rasoolabad	A	14	April 2005 to February 2008	18.82	16.27	2.55
8.	ARTO Kushi Nagar	Chitaini Samuer	A	24	October 2007 to March 2008	23.99	6.39	17.60
		Chiraiyakot via Khadda to Samour	A	27	October 2007 to March 2008	25.81	6.88	18.93
		Kasaya-Banraha mod	A	10	April 2007 to March 2008	11.37	5.15	6.22
		Portowal-Maruadeeh	A	15	April 2007 to March 2008	32.23	6.78	25.45
		Katwa-Banraha mod	A	12	April 2007 to March 2008	40.76	6.03	34.73
		Siswa-Maruadeeh	A	11	April 2007 to March 2008	38.18	5.65	32.53

9.	RTO, Meerut	Meerut-Kaliprikshit Aisabad laliana	B	48	March 2006 to March 2008	166.64	60.98	105.66
10.	ARTO, Siddharth Nagar	Bansi Barni via Dumariaganj	A	52	July 2007 to March 2008	24.14	16.44	7.70
		Bansi Itwa via Vithkaheer	A	41	July 2007 to March 2008	10.34	7.04	3.30
11.	ARTO, Unnao	Dahi chauki Purauna Maurawa Unnao	A	24	April 2006 to March 2008	22.88	16.10	6.78
		Shuklaganj Sandila	A	10	April 2006 to March 2008	6.53	5.59	0.94
		Unnao-Hardoi	A	20	April 2006 to March 2008	12.63	10.83	1.80
<b>Total</b>				<b>571</b>		<b>973.82</b>	<b>557.77</b>	<b>416.05</b>

## APPENDIX-VIII

### Non-compliance of the provisions of Acts/Rules

(Reference Para No. 3.3.2)

(Rupees in lakh)

Sl. No.	Name of unit	Period of audit (Month of audit)	Number of vehicles	Tax leviable
1.	ARTO Baghpat	April 2003 to March 2008 (December 2008)	8	1.22
2.	ARTO Ballia	April 2005 to March 2008 (June 2008)	18	1.36
3.	RTO Banda	April 2003 to March 2008 (March 2008)	158	13.37
4.	ARTO Bijnore	April 2003 to March 2008 (February 2009)	247	2.58
5.	ARTO Bulandshahar	July 2003 to March 2008 (August 2008)	57	6.15
6.	ARTO Chitrakoot	April 2003 to March 2008 (July 2008)	17	0.88
7.	ARTO Etawah	April 2003 to March 2008 (May 2008)	80	10.40
8.	RTO Faizabad	April 2003 to March 2008 (February 2009)	218	22.49
9.	ARTO Fatehpur	April 2003 to March 2008 (March 2008)	115	3.92
10.	ARTO Hamirpur	April 2003 to March 2008 (June 2008)	53	5.71
11.	ARTO Hardoi	April 2003 to March 2008 (December 2008)	91	5.93
12.	RTO Kanpur Nagar	April 2003 to March 2008 (March 2008)	200	9.14
13.	ARTO Kaushambi	April 2003 to March 2008 (June 2008)	61	5.03
14.	ARTO Maharajganj	April 2003 to March 2008 (January 2009)	36	2.28
15.	ARTO Mahoba	April 2003 to March 2008 (April 2008)	15	0.75
16.	RTO Meerut	April 2003 to March 2008 (May 2008)	88	10.01
17.	ARTO Pratapgarh	April 2003 to March 2008 (April 2008)	109	8.77
18.	ARTO Siddharthnagar	January 2006 to March 2008 (March 2008)	23	1.16
<b>Total</b>			<b>1,594</b>	<b>111.15</b>

## APPENDIX-IX

### Non-observance of the instructions of the Government

(Reference to Para 4.3.1)

(Rupees in lakh)

Sl. No.	Name of unit	Khand & Deed No.	Month of registration audit	Property valuation	Stamp duty and registration fees		Stamp duty short levied
					Leviable	Levied	
1.	Sub-Registrar Bah Agra	<u>1166</u> 2049	<u>June 2008</u> July 2008	86.19	6.95	0.01	6.94
2.	Sub-Registrar Bara, Allahabad	<u>416</u> 2082	<u>October 2004</u> July 2008	17.00	1.75	0.32	1.43
		<u>494</u> 1461	<u>October 2005</u> July 2008	53.62	4.34	0.002	4.34
3.	Sub-Registrar Jalalpur Ambedkar Nagar	<u>990</u> 386	<u>February 2008</u> June 2008	76.50	6.17	0.04	6.13
		<u>990</u> 385	<u>February 2008</u> June 2008	18.20	1.51	0.02	1.49
		<u>871</u> 782	<u>March 2007</u> June 2008	58.88	4.71	0.06	4.65
		<u>871</u> 781	<u>March 2007</u> June 2008	49.23	3.94	0.06	3.88
4.	Sub-Registrar Baraut (Baghpat)	<u>1679</u> 1153	<u>February 2008</u> August 2008	42.28	4.28	0.01	4.27
		<u>1679</u> 1160	<u>February 2008</u> August 2008	24.71	2.03	0.06	1.97
		<u>1754</u> 3446	<u>April 2008</u> August 2008	87.25	7.03	0.01	7.02
5.	Sub-Registrar Vilsa, Budaun	<u>970</u> 3755	<u>November 2007</u> December 2008	92.24	7.43	0.15	7.28
6.	Sub-Registrar Jalesar Etah	<u>1459</u> 1914	<u>May 2006</u> August 2008	278.91	22.31	0.05	22.26
7.	Sub-Registrar Sadar, Etah	<u>5494</u> 4325	<u>May 2008</u> November 2008	12.11	1.26	0.18	1.08
		<u>5387</u> 2250	<u>March 2008</u> November 2008	402.04	40.25	0.01	40.24
		<u>5327</u> 750	<u>January 2008</u> November 2008	54.14	5.46	0.09	5.37
8.	Sub-Registrar Etawah	<u>3123</u> 1705	<u>April 2008</u> October 2008	13.02	1.35	0.22	1.13
		<u>3115</u> 1544	<u>April 2008</u> October 2008	9.86	1.04	0.15	0.89
		<u>3115</u> 1542	<u>April 2008</u> October 2008	13.02	1.30	0.26	1.04
9.	Sub-Registrar-II, Jhansi	<u>1293</u> 4999	<u>September 2007</u> November 2008	180.00	18.00	0.56	17.44
10.	Sub-Registrar Mauranipur Jhansi	<u>2212</u> 5674	<u>November 2007</u> June 2008	44.58	4.46	0.22	4.24
11.	Sub-Registrar-III Kanpur	<u>8385</u> 3291	<u>March 2008</u> January 2009	75.02	7.50	1.91	5.59
12.	Sub-Registrar Kasya Kushinagar	<u>1097</u> 1879	<u>July 2007</u> June 2008	62.89	5.03	0.01	5.02
13.	Sub-Registrar Sadabad Mahamaya Nagar	<u>1335</u> 6702	<u>October 2007</u> July 2008	174.10	13.93	0.02	13.91
		<u>1339</u> 5220	<u>November 2007</u> July 2008	62.16	4.97	0.01	4.96

Sl. No.	Name of unit	Khand & Deed No.	Month of registration audit	Property valuation	Stamp duty and registration fees		Stamp duty short levied
					Leviable	Levied	
14.	Sub-Registrar Sikandararau Mahamaya Nagar	<u>2305</u> 5751	<u>October 2007</u> July 2008	48.75	3.90	0.17	3.73
15.	Sub-Registrar Ghosi Mau	<u>1152</u> 1362	<u>November 2005</u> May 2008	7.82	0.78	0.16	0.62
16.	Sub-Registrar Madhuban Mau Ghosi	<u>476</u> 1122	<u>August 2007</u> May 2008	42.00	3.16	0.17	2.99
		<u>478</u> 1181	<u>September 2007</u> May 2008	9.60	0.77	0.29	0.48
		<u>479</u> 1185	<u>September 2007</u> May 2008	9.60	0.77	0.29	0.48
17.	Sub-Registrar Chunar, Mirzapur	<u>1161</u> 5501	<u>December 2006</u> June 2007	26.91	2.15	0.01	2.14
18.	Sub-Registrar Mirzapur	<u>3267</u> 4866	<u>October 2007</u> August 2008	16.64	1.38	0.04	1.34
		<u>3267</u> 4870	<u>October 2007</u> August 2008	22.60	1.86	0.04	1.82
		<u>3089</u> 1101	<u>March 2007</u> August 2008	41.50	3.32	0.93	2.39
19.	Sub-Registrar Kanth Moradabad	<u>134</u> 186	<u>February 2005</u> April 2008	38.40	3.07	0.05	3.02
20.	Sub-Registrar II Moradabad	<u>5420</u> 3559	<u>June 2007</u> March 2008	1,123.20	112.32	0.36	111.96
21.	Sub-Registrar Sambhal, Moradabad	<u>3970</u> 1119	<u>February 2008</u> August 2008	44.70	4.32	0.01	4.31
22.	Sub-Registrar-II, Muzaffar Nagar	<u>2721</u> 2056	<u>March 2008</u> February 2009	156.77	15.68	4.73	10.95
23.	Sub-Registrar Bisalpur, Pilibhit	<u>2348</u> 1084	<u>February 2007</u> March 2008	37.80	3.02	0.31	2.71
24.	Sub-Registrar Sadar-II, Saharanpur	<u>1298</u> 3419	<u>June 2008</u> March 2009	44.62	4.51	1.15	3.36
		<u>1304</u> 3732	<u>April 2008</u> March 2009	53.54	5.40	3.45	1.95
		<u>3767</u> 3583	<u>June 2008</u> March 2009	158.10	12.70	0.07	12.63
26.	Sub-Registrar II Varanasi	<u>1704</u> 1353	<u>March 2007</u> May 2008	45.00	4.50	0.56	3.94
		<u>1976</u> 4885	<u>September 2007</u> May 2008	13.93	1.39	0.70	0.69
		<b>Total</b>				<b>3,929.43</b>	<b>362.00</b>

**APPENDIX-X**  
**Non-observance of the instructions of the Government**  
*(Reference Para No. 4.3.2)*

(Rupees in lakh)

Sl. No.	Name of unit	Deed No Month of registration	Area of land in Squire meter	Property valuation as per deed	Property valuation as per market rate	Stamp duty leviable	Stamp duty levied	Stamp duty short levied	
1.	Sub-Registrar Sandila, Hardoi	<b>Non-Agricultural land 'A'</b>							
		<u>3424</u> June 2007	4365.00	8.19	152.78	12.22	0.66	11.56	
2.	Sub-Registrar Derapur, Kanpur (Rural)	<u>499</u> March 2007	10890.00	22.00	119.79	9.58	1.76	7.82	
3.	Sub-Registrar Sadar, Faizabad	<u>3400</u> August 2007	8870.00	20.41	40.81	4.08	2.04	2.04	
4.	Sub-Registrar III, Lucknow	<u>519</u> January 2008	4300.00	30.75	77.40	7.74	3.08	4.66	
		<u>624</u> February 2008	5190.00	37.11	93.42	9.34	3.71	5.63	
		<b>Total (A)</b>			<b>118.45</b>	<b>484.20</b>	<b>42.96</b>	<b>11.25</b>	<b>31.71</b>
		<b>Commercial land 'B'</b>							
		<u>7163</u> December 2007	476.95	28.62	76.31	7.63	2.86	4.77	
5.	Sub-Registrar, Sadar Mau	<u>1168</u> April 2007	240.00	13.74	40.78	3.88	1.71	2.17	
6.	Sub-Registrar, Debai, Bulandshahar	<u>1574</u> May 2008	45.40	10.90	23.16	2.12	0.89	1.23	
<b>Total (B)</b>				<b>53.26</b>	<b>140.25</b>	<b>13.63</b>	<b>5.46</b>	<b>8.17</b>	
<b>Grand Total (A+B)</b>				<b>171.71</b>	<b>624.45</b>	<b>56.59</b>	<b>16.71</b>	<b>39.88</b>	

## APPENDIX-XI

### Mis-appropriation of departmental receipts (Reference para No. 5.2.7.1)

(Rupees in lakh)

Sl. No.	Name of Division	2003-04	2004-05	2005-06	2006-07	2007-08	Total
1.	Provincial Division, Agra	-	-	5.99	1.45	7.33	<b>14.77</b>
2.	Construction Division, Agra	-	38.83	5.08	1.07	-	<b>44.98</b>
3.	Provincial Division, Allahabad	12.36	-	-	-	-	<b>12.36</b>
4.	Construction Division-I, Allahabad	-	-	-	9.05	16.59	<b>25.64</b>
5.	Provincial Division, Baghpat	-	-	1.00	-	9.21	<b>10.21</b>
6.	Provincial Division, Barabanki	-	-	-	8.98	1.18	<b>10.16</b>
7.	Construction Division-I, Barabanki	-	-	10.02	3.82	23.88	<b>37.72</b>
8.	Construction Division-III, Barabanki	-	14.68	6.70	5.15	-	<b>26.53</b>
9.	Provincial Division, Bijnor	-	-	-	22.42	56.27	<b>78.69</b>
10.	Construction Division-II, Bijnor	-	-	-	-	16.90	<b>16.90</b>
11.	Provincial Division, Deoria	-	-	-	4.74	17.08	<b>21.82</b>
12.	Construction Division, Deoria	-	-	-	-	8.35	<b>8.35</b>
13.	Construction Division, Farrukhabad	-	-	-	-	3.92	<b>3.92</b>
14.	Provincial Division, Gorakhpur	-	-	-	-	13.42	<b>13.42</b>
15.	Construction Division-I, Gorakhpur	6.06	3.90	2.48	3.80	30.74	<b>46.98</b>
16.	Provincial Division, Jaunpur	18.19	-	-	-	-	<b>18.19</b>
17.	Construction Division, Jaunpur	-	3.91	-	3.09	-	<b>7.00</b>
18.	Provincial Division, Kannauj	-	-	-	2.96	1.05	<b>4.01</b>
19.	Provincial Division, Lakhimpur kheri	-	-	51.47	-	18.97	<b>70.44</b>
20.	Construction Division-I, Lakhimpur kheri	-	-	12.19	-	-	<b>12.19</b>
21.	Provincial Division, Lucknow	67.31	38.93	168.96	98.98	191.15	<b>565.33</b>
22.	Construction Division-II, Lucknow	-	-	-	6.77	17.92	<b>24.69</b>
23.	Provincial Division, Maharajganj	-	-	-	-	9.57	<b>9.57</b>

<b>Sl. No.</b>	<b>Name of Division</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>Total</b>
24.	Construction Division, Maharajganj	-	-	-	-	5.05	<b>5.05</b>
25.	Provincial Division, Meerut	-	-	34.10	51.44	40.90	<b>126.44</b>
26.	Provincial Division, Saharanpur	5.20	1.50	4.20	-	-	<b>10.90</b>
27.	Construction Division, Saharanpur	-	-	-	-	23.53	<b>23.53</b>
28.	Provincial Division, Sitapur	-	9.08	8.46	9.78	19.07	<b>46.39</b>
29.	Construction Division-I, Sitapur	-	-	-	26.52	1.11	<b>27.63</b>
<b>Total</b>		<b>109.12</b>	<b>110.83</b>	<b>310.65</b>	<b>260.02</b>	<b>533.19</b>	<b>1,323.81</b>