

OVERVIEW

This Report contains 31 paragraphs including two performance audit relating to non/short levy of taxes, duties, interest and penalty etc., involving ₹ 94.52 crore. Some of the major findings are mentioned below:

I. General

The total receipts of the State Government for the year 2009-10 were ₹ 22,156.58 crore. Revenue raised by the Government during the year was ₹ 17,692.18 crore, comprising tax revenue of ₹ 12,039.48 crore and non-tax revenue of ₹ 5,652.70 crore. The State Government also received ₹ 2,144.10 crore as State's share of divisible Union taxes and ₹ 2,320.30 crore as grants-in-aid from the Government of India.

(Paragraph 1.1.1)

Tax revenue in the year 2009-10 showed an increase of 7.98 *per cent* over 2008-09. Sales tax/VAT receipts of ₹ 7,577.49 crore amounted to 62.94 *per cent* of the tax revenue collected during the year 2009-10.

(Paragraph 1.1.2)

Non-tax revenue showed a decrease of 2.27 *per cent* in the year 2009-10 over 2008-09.

(Paragraph 1.1.3)

4,628 Inspection Reports issued upto December 2009 containing 9,650 audit observations with money value of ₹ 3,792.89 crore were outstanding for want of final replies from the departments as on 30 June 2010.

(Paragraph 1.2.1)

During test check of records of the taxes on sales, trade etc., taxes on vehicles, state excise, stamp duty and registration fees, land revenue and other departmental receipts conducted during year 2009-10, we noticed under assessments, short/non-levy, loss of revenue etc. amounting to ₹ 190.91 crore in 1,823 cases. The departments accepted audit observations involving ₹ 1.93 crore in 679 cases pointed out in 2009-10 and earlier years and recovered ₹ 8.19 crore in 472 cases.

(Paragraph 1.5.1)

II. Sales Tax/Value Added Tax

A review of **Transition from sales tax to value added tax** revealed the following:

- The VAT was introduced by the Punjab State Government w.e.f. 1st April 2005. The post VAT collection increased from ₹ 4626.88 crore to ₹ 7577.49 crore during the period 2005-06 to 2009-10 and the average growth rate during the period was 12.75 *per cent*. The number of registered dealers also increased from 1.46 lakh to 1.93 lakh.

(Paragraph 2.10.5)

- The shortages in manpower adversely affected the working of the Department in terms of shortfalls in scrutiny of returns and tax audits, an essential feature of the VAT system of levy.

(Paragraph 2.10.6.3)

- There was loss of revenue of ₹ 12.76 crore in time barred assessments under the Punjab General Sales Tax Act 1948.

(Paragraph 2.10.9)

- As a result of surveys conducted, 1937 dealers could be registered by the Department during the period 2005-06 to 2009-10, however two districts of Barnala and Patiala did not conduct any survey whereas negligible number of surveys were conducted in Ludhiana and Ropar district.

(Paragraph 2.10.10.3)

- Though 876 dealers in four districts had not filed quarterly returns, and 6654 dealers had not filed their annual statements, Department had not taken action under the Rules to initiate penal proceedings.

(Paragraph 2.10.11)

- It was seen that over the period 2005-06 to 2008-09, 10.98 lakh tax returns filed by the dealers were not scrutinised, non-scrutiny ranging from 70 to 100 percentage. Refunds allowed to the dealers were not pre-audit. Audit noticed omissions and irregularities in returns not scrutinised, resulting in short levy/payment of tax of ₹ 2.37 crore.

(Paragraph 2.10.11.2)

- Non-finalisation of the assessment as required in the Deferment & Exemption Rules saved under the Punjab Value Added Tax Act resulted in excess carry forward/availment of exemption of ₹ 1.47 crore.

(Paragraph 2.10.12)

- The PVAT Act/Rules prescribed for audit of returns by the Departmental Officer, to be carried out within a period of six years from the date of furnishing of returns. The State Government had neither finalised the parameters for audit of returns nor had they operationalised the module for Tax Audit in COVIS (October 2010).

(Paragraph 2.10.15)

- Internal audit of VAT returns was non existent.

(Paragraph 2.10.18)

Incorrect allowance of deductions from gross turnover without production/short production of prescribed declarations in form 'C' resulted in short levy of central sales tax of ₹ 26.07 lakh.

(Paragraph 2.12.1)

Non-levy of notional tax on branch transfer by an exempted unit resulted in excess carry forward of exemption of ₹ 1.22 crore.

(Paragraph 2.12.3)

Failure to apportion and reverse the input tax credit resulted in excess claim of input tax credit of ₹ 54.16 lakh.

(Paragraph 2.12.7(a))

An assessee had erroneously calculated the quantum of exemption as ₹ 4.15 crore instead of ₹ 9.03 crore. This resulted in excess allowance of exemption of ₹ 4.88 crore.

(Paragraph 2.12.9(a))

Inadmissible deduction of ₹ 4.02 crore from gross turnover resulted in loss of revenue of ₹ 50.27 lakh.

(Paragraph 2.13.1(b))

III. Taxes on Vehicles

Misappropriation of Government money of ₹ 7.37 lakh was noticed in three offices of the Transport Department.

(Paragraph 3.8.1)

There was non/short realisation of special road tax/motor vehicle tax of ₹ 1.89 crore.

{Paragraph 3.8.2 (a)}

Incorrect application of rates resulted in short levy of motor vehicle tax of ₹ 37.62 lakh.

(Paragraph 3.8.4)

IV. Other Tax/Non-Tax Receipts

Failure to achieve/enforce the norms for yield of spirit from molasses deprived the Government of excise duty of ₹ 2.31 crore during 2008-09.

(Paragraph 4.3.1)

Non-compliance of the Land Revenue Rules and Government instructions thereon resulted in non-recovery of service charges of ₹ 25.49 lakh.

(Paragraph 4.4.1)

Non-compliance of the notification issued by the Government of Punjab (Industries and Commerce department) resulted in failure to recover the guarantee fee of ₹ 31.75 crore.

(Paragraph 4.5)

Non-compliance of provisions of the Punjab State Lotteries Rules to deduct establishment cost resulted in loss of revenue of ₹ 1.94 crore.

(Paragraph 4.6)

V. Stamp Duty and Registration Fees

A review of **Levy and collection of stamp duty and registration fee** revealed the following:

- There were evasions of stamp duty and registration fee on sale of immovable property on powers of attorney and due to non-registration of agreements for sale.

(Paragraph 5.6.5)

- Misclassification of the instruments as agreements instead of deeds of conveyance resulted in non-levy of stamp duty and registration fee amounting ₹ 1.07 crore.

(Paragraph 5.6.6)

- There are no explicit provisions in the General Clauses (GC) Act, 1897 empowering the Government to remit the registration fee.

(Paragraph 5.6.7)

- Non-verification of stamp duty resulted in acceptance of fraudulently tempered bank receipts of ₹ 42.60 lakh.

(Paragraph 5.6.8)

- Inadmissible remissions of stamp duty and registration fee of ₹ 20.59 crore were noticed on instruments of conveyance, mega projects, subsidiary/ associate companies of the promoter companies, mortgages for securing loan and charitable institutions.

(Paragraph 5.6.9)

- Internal Control Mechanism prescribed for vendor records was not followed by the Departmental officers. Non-settlement of large number of internal audit objections had rendered the internal audit function ineffective.

(Paragraph 5.6.11)

- There were sale of fake stamps of ₹ 85.45 lakh not found entered in the vendor records.

(Paragraph 5.6.11.2)

- The NIC maintained software for registration activities PRISM, had several general and applications control deficiencies, resulting in manual intervention.

(Paragraph 5.6.13)