

## **EXECUTIVE SUMMARY**

This Report contains two Performance Audit and 18 paragraphs relating to non/short levy of taxes, duties, interest and penalty etc., involving tax effect of ₹ 1,746.01 crore.

### **1. Chapter-I**

#### **General**

Chapter I is based on the audit of Finance Accounts and State Budget for the year ended March 2012. This Report provides an analytical review of total revenue receipts of the State Government for the year 2011-12. Revenue raised by the Government comprises of tax and non-tax revenue.

- The total revenue receipts of the State Government for the year 2011-12 were ₹ 30,557.59 crore. Revenue raised by the Government during the year was ₹ 25,121.11 crore, comprising tax revenue of ₹ 20,399.46 crore and non-tax revenue of ₹ 4,721.65 crore. The State Government also received ₹ 2,681.55 crore as State's share of divisible Union taxes and ₹ 2,754.93 crore as grants-in-aid from the Government of India. The increase in Revenue Receipts over the previous year by ₹ 4,993.91 crore (20 *per cent*) was mainly on account of increase in the State's own tax and non-tax revenues.

**(Paragraph 1.1.1)**

- Test check of the records of the Sales Tax/Value Added Tax, Stamp Duty and Registration fee, State Excise, Taxes on Goods and Passengers, Taxes on Vehicles, Other tax and Non-Tax receipts conducted during the year 2011-12 revealed under assessments/short levy/non-levy/loss of revenue aggregating ₹ 2,866.67 crore in 9,130 cases. During the year 2011-12, the Departments accepted underassessment of ₹ 1,765.33 crore in 6,619 cases. Of these, the Department recovered ₹ 2.67 crore in 190 cases.

**(Paragraph 1.11.1)**

### **2. Chapter-II**

#### **Taxes/Value Added Tax on sales, trade etc.**

The Haryana Government decided in the year 2003 to introduce a taxation structure based on the value added tax (VAT) in the State in place of existing General Sales Tax Act. The objectives of implementation of VAT were inter-alia, to help common people, traders, industrialists and also the Government by making tax structure simple and more transparent. The revised system replaced the existing system of annual assessment by the assessing authority (AA) by a system of self assessment by the dealers subject to scrutiny/audit by Excise and Taxation Department. We observed the deficiencies in the

planning, strategies and in the transitional process in the VAT Acts and Rules across the State.

In this Chapter we present the findings of one Performance Audit “**Assessment, Levy and Collection of tax on Works Contracts**” involving ₹ 1,715.02 crore and illustrative cases of ₹ 10.99 crore selected from observations noticed during our test check of records relating to assessment and collection of VAT and CST in the office of the DETCs where we found that the provisions of the Acts/Rules were not being observed by the AAs.

### **Excise and Taxation Department**

A Performance Audit on **Assessment, Levy and Collection of tax on Works Contracts** revealed the following:

- Failure of the Department to analyse the available information and institute a system of exchange of inter Departmental database resulted in non-realisation of revenue of ₹ 283.88 crore from unregistered works contractors and short deduction of Works Contract Tax (WCT) by contractees ₹ 88.26 crore.

**(Paragraphs 2.2.8 and 2.2.9)**

- Failure of the Department to get their guidelines followed by the assessing authorities (AAs) resulted in non-levy of tax and penalty of ₹ 1,303.16 crore.

**(Paragraphs 2.2.12.1 and 2.2.12.2)**

- Allowance of inadmissible deductions from gross turnover resulted in short realisation of tax of ₹ 9.17 crore.

**(Paragraphs 2.2.12.3 to 2.2.12.6)**

- Wrong classification of transactions of sale as works contract resulted in short realisation of tax of ₹ 22.47 crore.

**(Paragraph 2.2.13)**

### **Compliance Deficiencies in VAT**

- Incorrect application of rate of tax in respect of unclassified item resulted in underassessment of tax of ₹ 8.82 crore (including interest of ₹ 3.81 crore).

**(Paragraph 2.3.1)**

- Failure of the AAs to cross verify the transactions of sales and purchases from the Departmental authorities within Haryana before finalising the assessments led to evasion of VAT amounting to ₹ 1.26 crore (including penalty of ₹ 94.53 lakh).

**(Paragraph 2.4.1)**

### **3. Chapter-III**

#### **State Excise**

State excise revenue is one of the most important sources of tax revenue. It consists mainly of shop rentals, fees for licenses issued to distilleries, breweries and liquor dealers, duty on liquor, taxes and composition fees, fines, penalties etc. State Excise Duty is levied by the State Government under a constitutional provision. State Government levies duty of excise on alcoholic liquors for human consumption and on opium, Indian hemp and other narcotic drugs manufactured or produced in the State and countervailing duties on similar goods manufactured elsewhere and brought into the State. The levy is governed by the State Excise Act and the rules made there under.

This Chapter contains illustrative cases of ₹ 4.75 crore selected from observations noticed during our test check of records relating to levy of State Excise Duty.

#### **Excise and Taxation Department**

- The Department did not take action to recover the differential amount of license fee from 17 defaulting allottees of retail liquor outlets, after re-auction of vends at the risk and cost clause of the contract conditions, depriving the Government of revenue of ₹ 2.67 crore.

**(Paragraph 3.2.1)**

- Non-levy of interest on delayed payment of monthly instalment of license fee by 97 licensees for the year 2010-11, resulted in loss of ₹ 1.06 crore to Government exchequer.

**(Paragraph 3.2.2)**

- The Department did not take action under the Rules to recover license fee from the defaulting 10 licensees of retail liquor outlets resulting in short recovery of license fee and interest of ₹ 1.02 crore.

**(Paragraph 3.2.3)**

## **4. Chapter-IV**

### **Stamp Duty**

The Indian Stamp Act, 1899 (IS Act) and the State Acts impose duty on various instruments specified in the Schedules thereto at the rates specified therein. Such duties are paid by the executors of instruments by either using impressed stamp paper of proper denomination or by affixing stamps of proper denomination on them. The State Governments have made rules for the purpose of the Act by virtue of powers vested in them. These rules lay down the detailed procedure for determination and collection of stamp duty. The Indian Registration Act, 1908 (IR Act) and the Rules made by the State Governments there under, broadly outline the system of assessment and collection of revenue under Registration Fees.

This Chapter contains illustrative cases of ₹ 4.13 crore selected from observations noticed during our test check of records relating to levy of Stamp duty and Registration fee.

### **Revenue and Disaster Management Department**

- Undervaluation of immovable properties in conveyance deeds resulted in evasion of SD of ₹ 23.92 lakh.

**(Paragraph 4.2.1)**

- Misclassification of instruments by the Department resulted in short levy of Stamp duty of ₹ 1.33 crore.

**(Paragraph 4.2.4)**

- Short levy of Stamp duty of ₹ 2.22 crore on sale deeds of plots with an area less than 1,000 square yards due to application of incorrect rates of agriculture land instead of residential land.

**(Paragraph 4.2.5)**

## **5. Chapter-V**

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

#### **Excise and Taxation Department (Passengers and Goods Tax)**

Under the State Motor Vehicles Taxation Act and the Rules made there under, the Motor Vehicles Tax and Passengers and Goods Tax are leviable at the specified rates on every motor vehicles used or kept for use. Similarly in respect of public service vehicles, an additional tax is to be paid by the owner at the prescribed rates.

This chapter contains Performance Audit on “Receipts from Passengers and Goods Tax” with financial impact of ₹ 6.60 crore and an illustrative case involving ₹ 33.51 lakh.

Performance Audit on “**Receipts from Passengers and Goods Tax**” revealed the following:

- Lack of co-ordination between RTAs and DETCs offices resulted in evasion of tax of ₹ 91.93 lakh in the case of 368 maxi cab/taxi.

**(Paragraph 5.2.12.1)**

- Non recovery of Passenger Tax amounting to ₹ 49.88 lakh, interest of ₹ 20.07 lakh besides penalty in 309 cases of maxi cabs/taxies.

**(Paragraph 5.2.13.1)**

- Non recovery of Passenger Tax amounting to ₹ 17.08 lakh and interest of ₹ 2.71 lakh in the case of buses owned by co-operative societies in four districts.

**(Paragraph 5.2.13.2)**

- Non recovery of Goods Tax in 10 DETCs offices amounting to ₹ 3.15 crore and interest of ₹ 1.18 crore in 2,630 cases.

**(Paragraph 5.2.14)**

- Non recovery of passenger tax amounting to ₹ 34.28 lakh including interest of ₹ 13.23 lakh in 81 cases out of 560 cases assessed.

**(Paragraph 5.2.15)**

### **Transport Department**

- Bid money of ₹ 33.51 lakh was neither deposited regularly nor demanded by five Regional Transport Authorities from the owners of 20 transport co-operative societies for the years 2009-10 and 2010-11.

**(Paragraph 5.3.1)**

### **6. Other tax and Non-tax Receipts**

This chapter contains an illustrative case relating to Mining Department, where the bid money and interest amounting to ₹ 3.84 crore was not recovered.

### **Mines and Geology Department**

- The Department failed to take timely action to recover the balance bid money from the contractors resulting in short realisation of bid money of ₹ 3.84 crore including interest of ₹ 80.10 lakh.

**(Paragraph 6.2.1)**