

OVERVIEW

This Report contains 49 paragraphs including one Review on “**Working of Enforcement Wing in Commercial Tax Department**” relating to short/non-levy of tax, duty and interest, penalty etc. involving financial effect of ₹ 427.93 crore. The Departments/Government have accepted audit observations involving ₹ 103.91 crore out of which ₹ 2.05 crore has been recovered. Some of the major findings are mentioned below:

I. General

The total receipts of the Government of Uttar Pradesh for the year 2012-13 were ₹ 1,45,903.99 crore against ₹ 1,30,869.70 crore during 2011-12. The revenue raised by the State Government amounted to ₹ 71,068.34 crore comprising tax revenue of ₹ 58,098.36 crore and non-tax revenue of ₹ 12,969.98 crore. The receipts from the Government of India were ₹ 74,835.65 crore (State’s share of divisible Union taxes: ₹ 57,497.86 crore and grants-in-aid: ₹ 17,337.79 crore). Thus, the State Government could raise only 49 *per cent* of the total revenue.

(Paragraph 1.1)

At the end of June 2013, 30,694 audit observations involving ₹ 6,305.36 crore relating to 10,808 Inspection Reports issued upto December 2012 remained outstanding.

(Paragraph 1.6.1)

Our test check of the records of 1,285 units relating to Tax on Sales, trade etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration fees and Other Tax and Non Tax Receipts conducted during the year 2012-13 revealed cases of underassessment/short levy and other deficiencies aggregating to ₹ 2045.28 crore in 6,373 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 3.35 crore in 496 cases and recovered ₹ 1.24 crore in 359 cases.

(Paragraph 1.12.3)

II. Tax on Sales, Trade etc.

A review of “**Working of Enforcement Wing of Commercial Tax Department**” and our compliance audit of the Department revealed that:

- Despite computerisation which was begun in 2009, the policies, rules and procedures are still being developed, change management controls are not adequate and there are no disaster recovery and business continuity plans.

(Paragraph 2.8.7.1, 2.8.7.2)

- Due to absence of mechanism regarding transiting of the taxable goods through the State number of seizure cases and value of goods involved

decreased from 14632 cases of ₹ 557.67 crore to 30 cases of ₹ 1.53 crore only.

(Paragraph 2.8.7.5)

- Online downloading of Form 38 (Form of declaration of import) without filling transaction details led to risk of loss of revenue.

(Paragraph 2.8.7.6)

- Insufficient man power, non-functional control rooms and non-availability of devices etc. in Mobile Squad Units of the Department contributed to poor functioning of the Mobile Squad Units of the enforcement wing.

(Paragraph 2.8.8, 2.8.8.2)

- The Mobile Squad Units remained inoperational for 23 days to 288 days in a year, as a result cases of unauthorised movement of goods remained undetected.

(Paragraph 2.8.8.1)

- Circular issued in violation of Act resulted in short realisation of security of ₹ 32.37 crore.

(Paragraph 2.8.8.4)

- Lack of monitoring of seizure cases of registered dealers led to short realisation of security of ₹ 39.64 crore.

(Paragraph 2.8.8.5)

- Application of incorrect rate of tax, lower rate of tax, misclassification of goods and non-levy of tax resulted in non/short levy of tax of ₹ 16.92 crore.

(Paragraph 2.10)

- There was non-charging of interest of ₹ 26.71 crore on delayed credit of Entry tax to Government account.

(Paragraph 2.17.2.1)

- Non detection of cases of wrong/false claim of Input Tax Credit (ITC) led to non-reversal of ITC, non-imposition of penalty and interest of ₹ 14.99 crore.

(Paragraph 2.21)

III. State Excise

Due to inconsistency in the treatment of fixing of Minimum Retail Price of Indian Made Foreign Liquor and Country Liquor, the Government was deprived of revenue of ₹ 481.20 crore by way of additional licence fee.

(Paragraph 3.8.7.1)

Incorrect allowance of wastage resulted in undue advantage of ₹ 111.57 crore to whole sellers of country liquor.

(Paragraph 3.8.7.2)

Failure of the Department to comply with the Rules deprived the Government of revenue of ₹ 53.68 crore by way of Basic Licence Fee and security deposit.

(Paragraph 3.8.8.1)

Short lifting of minimum guaranteed quota (MGQ) of country liquor in March resulted in loss of excise duty of ₹ 5.51 crore.

(Paragraph 3.8.8.3)

Low recovery of alcohol from molasses led to loss of revenue of ₹ 736.49 crore.

(Paragraph 3.8.10)

The non-forfeiture of security deposit for violation of the Rules resulted in short realisation of revenue of ₹ 47.74 crore.

(Paragraph 3.8.12)

IV. Taxes on Vehicles, Goods and Passengers

There was short levy of tax of ₹ 16.75 lakh from 723 vehicles in six Regional Transport Offices (RTOs)/Assistant Regional Transport Offices (ARTOs) due to adoption of lesser seating capacity during the period from April 2011 to August 2012.

(Paragraph 4.9)

There was non/short imposition of penalty of ₹ 2.97 crore in 23 RTOs/ARTOs in respect of 3,706 vehicles carrying excess load during the period from April 2012 to March 2013.

(Paragraph 4.13)

There was non-realisation of tax/additional tax of ₹ 87.55 lakh in 11 RTOs/ARTOs in respect of 179 vehicles surrendered for periods beyond three months during the period from May 2011 to October 2012.

(Paragraph 4.17)

V. Stamps and Registration Fees

Non-levy of additional stamp duty in development areas resulted in non realisation of revenue of ₹ 11.87 lakh.

(Paragraph 5.5)

Undervaluation of properties resulted in short levy of stamp duty and registration fees of ₹ 3.47 crore.

(Paragraph 5.6 to 5.10)

VI. Other Tax and Non-tax Receipts

In Entertainment Tax Department, there was non-realisation of license fee of ₹ 5.47 lakh in 122 cases of four offices and non-deposit of maintenance charges of ₹ 5.53 lakh in 13 cases of two offices.

(Paragraph 6.3 and 6.4)

There was non-realisation of royalty and interest of ₹ 10.22 crore from 1,655 brick kiln owners in 22 district Mining Offices during the period 2009-10 to 2012-13.

(Paragraph 6.5)

There was non-levy of penalty of ₹ 30.75 crore for illegal removal of brick earth by 1,400 brick kiln owners in 13 District Mining Offices during the period April 2009 to February 2013.

(Paragraph 6.6.1)

Unauthorised extraction of minerals during the period July 2003 to March 2012 in District Mining Office, Sonebhadra resulted in non-realisation of the cost of excavated mineral of ₹ 7.08 crore as well as penalty of ₹ one lakh.

(Paragraph 6.9.1)

Excavation of mineral without renewal of mining plan in two District Mining Offices during the period April 2003 and May 2012 resulted in non-realisation of the cost of excavated mineral of ₹ 18.82 crore.

(Paragraph 6.9.2)

In Weights and Measurement Department, there was non-realisation of fee/additional fee of ₹ 8.50 lakh besides penalties in three cases.

(Paragraph 6.11)