

## **Chapter-II**

### **Revenue Sector**

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### Revenue Sector

#### 2.1 Introduction

##### 2.1.1 Trends of Revenue Receipts

The tax and non-tax revenue raised by the Government of Uttarakhand during the year 2012-13, the State's share of net proceeds of divisible Union Taxes and Duties assigned to State, and Grants-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-2.1.1**.

**Table: 2.1.1**  
**Trend of revenue receipts** (₹ in crore)

| Sl. No. | Particulars   | 2008-09         | 2009-10         | 2010-11          | 2011-12          | 2012-13          |
|---------|---|-----------------|-----------------|------------------|------------------|------------------|
| 1.      | <b>Revenue raised by the State Government</b>                   |                 |                 |                  |                  |                  |
|         | • Tax Revenue   | 3,044.91        | 3,559.04        | 4,405.48         | 5,615.62         | 6,414.25         |
|         | • Non-Tax Revenue   | 699.44          | 631.86          | 678.06           | 1,136.13         | 1,602.88         |
|         | <b>Total</b>  | <b>3,744.35</b> | <b>4,190.90</b> | <b>5,083.54</b>  | <b>6,751.75</b>  | <b>8,017.13</b>  |
| 2.      | <b>Receipts from the Government of India</b>                    |                 |                 |                  |                  |                  |
|         | • Share of net proceeds of divisible Union Taxes and Duties     | 1,506.59        | 1,550.01        | 2,460.07         | 2,866.04         | 3,272.88         |
|         | • Grants-in-Aid   | 3,384.03        | 3,745.22        | 4,064.56         | 4,073.45         | 4,457.21         |
|         | <b>Total</b>  | <b>4,890.62</b> | <b>5,295.23</b> | <b>6,524.63</b>  | <b>6,939.49</b>  | <b>7,730.09</b>  |
| 3.      | <b>Total Revenue Receipts of the State Government (1 and 2)</b> | <b>8,634.97</b> | <b>9,486.13</b> | <b>11,608.17</b> | <b>13,691.24</b> | <b>15,747.22</b> |
| 4.      | <b>Percentage of 1 to 3</b>                                     | 43              | 44              | 44               | 49               | 51               |

Source: Finance Accounts

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 8,017.13 crore) was 51 per cent of the total revenue receipts and the balance 49 per cent of receipts (₹ 7,730.09 crore) were from the Government of India as share of net proceeds of divisible Union Taxes and Duties and Grants-in-aid.

##### 2.1.2 Tax Revenue

The details of tax revenue raised during the period 2008-09 to 2012-13 are indicated in **Table 2.1.2**.

**Table: 2.1.2**  
**Details of Tax Revenue raised** (₹ in crore)

| Sl. No | Head of Revenue Receipt                            | 2008-09         | 2009-10         | 2010-11         | 2011-12         | 2012-13         | Percentage of Increase (+)/ decrease (-) in 2012-13 over 2011-12 |
|--------|--|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| 1.     | Tax on Sales, Trade etc.                           | 1,910.64        | 2,246.84        | 2,940.48        | 3,643.51        | 4,289.41        | (+) 17.73  |
| 2.     | State Excise                                       | 528.35          | 704.64          | 755.92          | 843.65          | 1,117.92        | (+) 32.51  |
| 3.     | Stamp Duty and Registration Fees                   | 357.46          | 398.70          | 439.50          | 524.05          | 648.40          | (+) 23.73  |
| 4.     | Taxes on Vehicles, Goods and Passengers            | 166.98          | 184.56          | 227.26          | 334.69          | 304.29          | (-) 9.08   |
| 5.     | Taxes and Duties on Electricity                    | 51.61           | 2.11            | 2.16            | 229.02          | 2.71            | (-) 98.82  |
| 6.     | Land Revenue                                       | 17.90           | 8.80            | 18.31           | 10.18           | 10.59           | (+) 4.03   |
| 7.     | Other taxes and Duties on Commodities and Services | 5.87            | 6.27            | 12.15           | 16.52           | 23.13           | (+) 40.01  |
| 8.     | Others   | 6.10            | 7.12            | 9.70            | 14.00           | 17.80           | (+) 27.14  |
|        | <b>Total</b>                                       | <b>3,044.91</b> | <b>3,559.04</b> | <b>4,405.48</b> | <b>5,615.62</b> | <b>6,414.25</b> | <b>(+) 14.22</b>   |

Source: Finance Accounts

The respective departments reported the following reasons for variation:

- **Taxes on Sales, trade etc.:-**The Commercial Tax Department stated (October 2013) that the increase in revenue receipts was due to increase in trade, escalation of prices, establishment of new industrial units and special efforts made by the Department towards Input Tax Credit verification.
- **Stamp Duty and Registration Fee:-**The Stamp Duty and Registration Department stated (October 2013) that the increase in receipts over the previous year was due to increase in number of registration of Sale Deeds<sup>1</sup> from 2,10,501 (2011-12) to 2,25,831 (2012-13).
- **Taxes and Duties on Electricity:-**The Power Department stated that the increase in receipt during the year 2011-12 was due to deposit of an amount of ₹ 227.11 crore as outstanding Electricity Duty by the Uttarakhand Power Corporation whereas no such payment was made during the year 2012-13.

The other departments despite being requested (September 2013) did not furnish the reasons for variations in receipts from that of the previous year (December 2013).

### 2.1.3 Non-tax Revenue

The details of non-tax revenue raised during the period from 2008-09 to 2012-13 are indicated in Table 2.1.3.

**Table: 2.1.3**  
Details of non-tax revenue raised

| Sl. No | Head of revenue receipt  | 2008-09       | 2009-10       | 2010-11       | 2011-12         | 2012-13         | Percentage increase (+)/decrease (-) in 2012-13 over 2011-12 |
|--------|--|---------------|---------------|---------------|-----------------|-----------------|--|
| 1.     | Interest Receipts  | 68.49         | 53.71         | 53.76         | 50.62           | 114.76          | (+) 126.70   |
| 2.     | Forestry and Wildlife  | 207.16        | 235.70        | 229.69        | 234.26          | 238.20          | (+) 1.68   |
| 3.     | Power  | 171.37        | 56.13         | 13.54         | 41.24           | 150.04          | (+) 263.82   |
| 4.     | Non-Ferrous Mining/ Metallurgical Industries                           | 63.73         | 74.08         | 93.62         | 112.58          | 109.85          | (-) 2.42   |
| 5.     | Education, Sports, Art and Culture                                     | 28.66         | 34.18         | 47.47         | 37.14           | 38.80           | (+) 4.47   |
| 6.     | Public Works   | 15.53         | 19.50         | 24.83         | 17.85           | 18.13           | (+) 1.57   |
| 7.     | Major and Medium Irrigation  | 5.91          | 5.18          | 5.10          | 8.07            | 7.65            | (-) 5.20   |
| 8.     | Police   | 7.01          | 9.62          | 11.26         | 11.41           | 10.98           | (-) 3.80   |
| 9.     | Other Administrative Services  | 28.09         | 21.18         | 47.15         | 70.15           | 38.72           | (-) 44.80  |
| 10.    | Medical & Public Health  | 6.84          | 11.73         | 29.01         | 23.20           | 30.00           | (+) 29.31  |
| 11.    | Co-operation   | 3.19          | 1.78          | 1.70          | 2.93            | 1.38            | (-) 52.90  |
| 12.    | Crop Husbandry   | 3.62          | 4.55          | 3.78          | 4.54            | 15.83           | (+) 248.68   |
| 13.    | Contributions & Recoveries towards Pension & other Retirement Benefits | 27.21         | 37.43         | 49.09         | 448.11          | 748.65          | (+) 67.07  |
| 14.    | Others   | 62.63         | 67.09         | 68.06         | 74.03           | 79.89           | (+) 7.92   |
|        | <b>Total</b>   | <b>699.44</b> | <b>631.86</b> | <b>678.06</b> | <b>1,136.13</b> | <b>1,602.88</b> | <b>(+) 41.08</b>   |

Source: Finance Accounts

Non-tax revenue has increased by ₹ 467 crore (41.08 per cent) during the year 2012-13 over the previous year and constituted 10.18 per cent of the total revenue receipts. The jump in the Non-

<sup>1</sup> The number of sale deeds for 2011-12 has been amended from 2, 11,379 (which was reported earlier) due to change in number of deeds received from Districts Sub-Registrar.

tax revenue during the year was due to the apportionment of pension liabilities of composite erstwhile State of Uttar Pradesh between Uttar Pradesh and Uttarakhand. Non-tax revenue in Power Department increased by 263.82 *per cent* was due to higher receipts under Hydel generation (other receipts).

The other departments, having increase/decrease of more than 20 *per cent*, did not intimate the reasons for variations, despite being requested repeatedly (September and December 2013).

#### 2.1.4 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of tax and non-tax revenue for the year 2012-13 are mentioned in the **Table-2.1.4**.

**Table: 2.1.4**  
Variation between the budget estimates and actuals (*₹ in crore*)

| Sl. No. | Head of Revenue Receipt  | Budget estimates | Actuals   | Variation increase (+) decrease (-) | Percentage |
|---------|--|------------------|-----------|-------------------------------------|------------|
| 1.      | Taxes/VAT on Sales Trade etc.  | 4,088.10         | 4,289.41  | (+) 201.31                          | (+) 4.92   |
| 2.      | State Excise   | 942.15           | 1,117.922 | (+) 175.77                          | (+) 18.66  |
| 3.      | Stamp Duty and Registration Fees                                       | 573.95           | 648.40    | (+) 74.45                           | (+) 12.97  |
| 4.      | Taxes on Vehicles  | 275.00           | 304.29    | (+) 29.29                           | (+) 10.65  |
| 5.      | Taxes and Duties on Electricity  | 60.00            | 2.71      | (-) 57.29                           | (-) 95.48  |
| 6.      | Interest Receipts  | 35.00            | 114.76    | (+) 79.76                           | (+) 227.89 |
| 7.      | Other Administrative Services  | 11.82            | 38.72     | (+) 26.90                           | (+) 227.58 |
| 8.      | Crop Husbandry   | 2.71             | 15.83     | (+) 13.12                           | (+) 484.13 |
| 9.      | Police   | 10.11            | 10.98     | (+) 0.87                            | (+) 8.61   |
| 10.     | Medical and Public Health  | 23.16            | 30.00     | (+) 6.84                            | (+) 29.53  |
| 11.     | Roads and Bridges  | 6.20             | .22       | (-) 5.98                            | (-) 96.45  |
| 12.     | Public Works   | 16.16            | 18.13     | (+) 1.97                            | (+) 12.19  |
| 13.     | Forestry and Wildlife  | 296.71           | 238.20    | (-) 58.51                           | (-) 19.72  |
| 14.     | Non-Ferrous Mining and Metallurgical Industries                        | 131.00           | 109.85    | (-) 21.15                           | (-) 16.15  |
| 15.     | Education, Sports, Art and Culture                                     | 25.21            | 38.80     | (+) 13.59                           | (+) 53.91  |
| 16.     | Power  | 84.00            | 150.04    | (+) 66.04                           | (+) 78.62  |
| 17.     | Contributions & Recoveries towards Pension & other Retirement Benefits | 512.00           | 748.65    | (+) 236.65                          | (+) 46.22  |

Source: Receipt Budget and Finance Account

The respective departments reported the following reasons for the variations:

**State Excise:** State Excise Department stated (September 2013) that the increase was due to delayed deposit (May 2012) of advance license fee of retail shops of country/foreign liquor for year 2012-13 owing to State Legislative Elections whereas license fee for the year 2013-14 were deposited in time (March 2013).

**Transport Department:** Transport Department stated (September 2013) that the increase was due to implementation of revised tax structure with effect from December 2012 by Government in Uttarakhand Motor Karadhan Sudhar Act/Rules, 2003 in financial year 2012-13.

**Electricity Department:** The decrease in actual receipts of Taxes and Duties on electricity was due to non-payment of dues by the Uttarakhand Power Corporation Ltd. to the Government during 2012-13.

Other departments, having variations of more than 20 *per cent*, did not intimate the reasons for variations, despite being repeatedly requested (September and December 2013).

## 2.1.5 Cost of collection of revenue receipts

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2010-11 to 2012-13 along with the all India average percentage of expenditure on collection to gross collections for 2011-12 are depicted in the **Table-2.1.5**.

**Table: 2.1.5**

(₹ in crore)

| Sl. No. | Head of revenue                  | Year    | Gross Collection <sup>2</sup> | Expenditure on collection | Percentage of expenditure on collection to gross collection | All India average percentage for the year 2011-12 |
|---------|----------------------------------|---------|-------------------------------|---------------------------|---|---|
| 1.      | Sales/Commercial Tax/ VAT        | 2010-11 | 2,934.95                      | 33.46                     | 1.14  | 0.83  |
|         |                                  | 2011-12 | 3,635.97                      | 35.30                     | 0.97  |   |
|         |                                  | 2012-13 | 4,270.72                      | 39.34                     | 0.92  |   |
| 2.      | State Excise                     | 2010-11 | 755.98                        | 8.57                      | 1.13  | 2.98  |
|         |                                  | 2011-12 | 843.57                        | 7.75                      | 0.92  |   |
|         |                                  | 2012-13 | 1,117.80                      | 8.42                      | 0.75  |   |
| 3.      | Taxes on Vehicles                | 2010-11 | 223.26                        | 13.22                     | 5.92  | 2.96  |
|         |                                  | 2011-12 | 329.51                        | 13.47                     | 4.09  |   |
|         |                                  | 2012-13 | 298.17                        | 15.03                     | 5.04  |   |
| 4.      | Stamp Duty and Registration Fees | 2010-11 | 439.45                        | 11.37                     | 2.58  | 1.89  |
|         |                                  | 2011-12 | 524.02                        | 9.40                      | 1.79  |   |
|         |                                  | 2012-13 | 648.36                        | 14.70                     | 2.26  |   |

Source: Concerned State Government Departments.

It would be seen from the above that the cost of collection in all the Heads was more than the All India average except State Excise Department.

## 2.1.6 Analysis of collection of tax revenue

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on Sales, Trade *etc*, during last five years as furnished by the Commercial Taxes Department is mentioned in the **Table-2.1.6**.

**Table: 2.1.6**

(₹ in crore)

| Head of revenue            | Year    | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Penalty for delay in payment of taxes and duties | Amount refunded | Net collection as per Department | Percent of column 3 to 7 |
|----------------------------|---------|--|---|--|-----------------|----------------------------------|--------------------------|
| 1                          | 2       | 3  | 4   | 5  | 6               | 7                                | 8                        |
| Taxes/ VAT on Sales, Trade | 2008-09 | 1,896.92                                 | 10.40   | 0.96   | 9.13            | 1,899.15                         | 99.88                    |
|                            | 2009-10 | 1,843.75                                 | 407.57  | 1.08   | 19.83           | 2,232.57                         | 82.60                    |
|                            | 2010-11 | 2,451.60                                 | 502.48  | 1.36   | 26.46           | 2,928.98                         | 83.70                    |
|                            | 2011-12 | 3,509.26                                 | 145.40  | 1.97   | 26.45           | 3,630.18                         | 96.66                    |
|                            | 2012-13 | 4,246.41                                 | 44.05   | 2.65   | 24.38           | 4,268.72                         | 99.48                    |

Source: Information provided by the Commercial Tax Department

It would be seen from the above that the collections made under Commercial Tax at the pre-assessment stage were between 82.60 and 99.48 *per cent* whereas collection after regular assessment was very low. It is clear that no significant additions were made at the assessment stage.

<sup>2</sup> The figure for collection of all four taxes in the year 2010-11 to 2012-13 provided by the State Departments and reflected in the table are at variance with the figures reflected in the Finance Accounts.

### 2.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of the principal Heads of Revenue as reported by the Departments were ₹ 3,015.84 crore (excluding Public Works Department). Out of this ₹ 507.70 crore were outstanding for more than five years as mentioned in the **Table-2.1.7**.

Table: 2.1.7

(₹ in crore)

| Sl. No.      | Head of revenue                  | Amount outstanding  |                          | Remarks  |
|--------------|----------------------------------|---------------------|--------------------------|--|
|              |                                  | As on 31 March 2013 | For more than five years |  |
| 1.           | Taxes/VAT on Sales, Trades etc.  | 2,563.17            | 493.20                   | Recovery of ₹ 276.52 (1,764 cases) crore is subjudice. Recovery and duplicate recovery certificate have been issued for remaining ₹ 2,286.65 crore in the cases wherever required.     |
| 2.           | Taxes on Vehicles                | 7.08                | 4.45                     | Seven cases (₹ 0.05) were subjudice (three were more than five year old) and demand for recovery for rest (₹ 7.03 crore) of the cases had been processed through District Magistrates. |
| 3.           | State Excise                     | 0.60                | 0.60                     | Two cases amounting to ₹ 24.66 lakh are pending in the courts of law. In other cases, action is being taken to recover the amount (₹ 35.34 lakh).                                      |
| 4.           | Taxes and Duties on Electricity  | 421.78              | -                        | Department stated that it is in regular correspondence with the Uttarakhand Power Corporation Ltd regarding the matter.  |
| 5.           | Entertainment Tax                | 0.71                | 0.002                    | Cases amounting to ₹ 1.56 lakh are pending in the courts of law. In rest of the cases, recovery certificate for ₹ 69.44 lakh have been issued.   |
| 6.           | Stamp Duty and Registration Fees | 9.01                | 0.71                     | Recovery of ₹ 5.24 crore is subjudice and for rest of the cases, demand for recovery of ₹ 3.77 crore had been processed.   |
| 7.           | Co-Operation                     | 10.75               | 8.74                     | Demand for recovery has been processed through District Level Officer.   |
| 8.           | Taxes on purchase of Sugarcane   | 2.74                | -                        | Taxes on purchase of Sugarcane are being regularly deposited on issue of Sugar bags from sugar mills.  |
| <b>Total</b> |                                  | <b>3,015.84</b>     | <b>507.70</b>            |  |

Source: Concerned Departments.

It would be seen from the above table that recovery of ₹ 507.70 crore was pending for more than five years. Sincere efforts are required to be made to recover them.

### 2.1.8 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised and demands for additional tax raised in 2012-13, as reported by the Department are mentioned in **Table-2.1.8**.

Table: 2.1.8

| Name of tax/duty   | Cases pending as on 31 March 2012 | Cases detected during 2012-13 | Total | Number of cases in which assessments/investigation completed and additional demand including penalty etc. raised during the year 2012-13 |              | Number of cases pending as on 31 March 2013 |
|--------------------|-----------------------------------|-------------------------------|-------|--|--------------|---|
|                    |                                   |                               |       | No. of cases   | (₹ in crore) |   |
| Commercial Tax/VAT | 1,523                             | 3,327                         | 4,850 | 4,635  | 69.17        | 215   |

The amount of recovery made against the demand raised was not intimated by the Department (December 2013).

### 2.1.9 Disposal of Refund cases

Commercial Tax Department settled 80.14 *per cent* of the refund claims in 2012-13 while in the case of Stamp Duty and Registration; all the cases were settled during the year as mentioned in the **Table-2.1.9**.

**Table: 2.1.9**

(₹ in lakh)

| Sl. No. | Particulars                                     | Commercial Tax |          | Stamp Duty and Registration Fee |        |
|---------|---|----------------|----------|---------------------------------|--------|
|         |   | No. of cases   | Amount   | No. of cases                    | Amount |
| 1.      | Claims outstanding at the beginning of the year | 1,194          | 665.69   | -                               | -      |
| 2.      | Claims received during the year                 | 5,126          | 2,851.29 | 10                              | 274.89 |
| 3.      | Refunds made during the year                    | 5,065          | 2,437.83 | 10                              | 274.89 |
| 4.      | Balance outstanding at the end of the year      | 1,255          | 1,079.15 | Nil                             | Nil    |

Source: Concerned State Departments.

The increase in number of pending refund cases in Commercial Tax Department was not encouraging. Uttarakhand VAT Act, 2005 provide for payment of interest at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 90 days from the date of order and thereafter at the rate of 1.5 *per cent* per month till the refund is made. To avoid the interest liability, efforts may be made to dispose of the refund claims in time.

### 2.1.10 Response of the Departments/Government towards audit

#### 2.1.10.1 Failure of Head of the Departments to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Uttarakhand (AG) conducts periodical inspection of the Government Departments concerned to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the Rules. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected along with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government through draft audit paragraphs.

Inspection reports issued upto December 2012 disclosed that 1,936 paragraphs involving ₹ 178.58 crore relating to 919 IRs remained outstanding at the end of June 2013 along with the corresponding figures for the preceding two years is mentioned in the **Table-2.1.10**.

**Table: 2.1.10**

|  | June 2011 | June 2012* | June 2013 |
|--|-----------|------------|-----------|
| Number of IRs pending for settlement     | 1,213     | 851        | 919       |
| Number of outstanding audit observations | 2,432     | 1,797      | 1,936     |
| Amount involved (₹ in crore)             | 280.88    | 151.30     | 178.58    |

\*Outstanding IRs, Paras and amount related to Electricity Duty, Land Revenue, Departmental Receipt and Court Fees have been transferred to other sectors, hence excluded in June 2012.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned in the **Table-2.1.11**.

**Table-2.1.11**

| Sl. No.      | Name of the Department  | Nature of receipts               | Number of outstanding IRs | Number of outstanding audit observations | Money value involved (₹ in crore) |
|--------------|-------------------------|----------------------------------|---------------------------|--|-----------------------------------|
| 1.           | Commercial Tax          | Taxes/VAT on Sales, Trade etc.   | 399                       | 1,038                                    | 87.76                             |
| 2.           | Entertainment Tax       | Entertainment Tax, Luxury Tax    | 51                        | 67                                       | 10.85                             |
| 3.           | Excise                  | State Excise                     | 84                        | 133                                      | 33.47                             |
| 4.           | Transport               | Taxes on Motor Vehicles          | 103                       | 273                                      | 35.13                             |
| 5.           | Stamps and Registration | Stamp Duty and Registration Fees | 282                       | 425                                      | 11.37                             |
| <b>Total</b> |                         |                                  | <b>919</b>                | <b>1,936</b>                             | <b>178.58</b>                     |

The large pendency of the IRs and audit observations indicated that the Heads of Offices and the Heads of the Departments did not take prompt action to rectify the defects, omissions and irregularities pointed out by audit. The prolonged delay in settlement of the audit observations is fraught with the risk of their becoming too old for effecting recovery/taking action by the concerned departments.

#### **2.1.10.2 Departmental Audit Committee meetings**

In order to expedite the settlement of the outstanding audit observations contained in audit Inspection Reports on Revenue Receipts of the Government of Uttarakhand, the Departmental Audit Committees were constituted by the Government. However, no audit committee meeting was held during the year 2012-13.

#### **2.1.10.3 Response of the Departments to the draft audit paragraphs**

Serious and important audit observations (draft audit paragraphs) noticed during local inspections are proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded to the Secretaries of the Departments concerned, drawing their attention and requesting for their response within six weeks. The fact that non-receipt of replies from the Departments/ Government within stipulated time will tantamount to acceptance of facts and figures of draft paras by the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

#### **2.1.10.4 Follow up on Audit Reports-Summarized position**

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller & Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs. The action taken/ explanatory notes thereon are to be submitted by the Government for the consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately by Departments/Government. Revenue Chapter of the Reports of the Comptroller & Auditor General of India of the Government of Uttarakhand for the years 2000-01 to 2007-08 were discussed in the Public Accounts Committee during the period 2005-06 to 2012-13 and explanatory notes/action taken in 27 cases were awaited as on 31 March 2013.



### 2.1.11 Position of Audit Inspection Reports

The summarised position of the Audit Inspection Reports relating to Commercial Tax Department, issued during the last five years, paragraphs included in these Reports and their settlement as on 31 March 2013 is given in **Table-2.1.12**.

**Table-2.1.12**

(₹ in crore)

| Year    | Opening balance |             |             | Addition during the year |             |             | Clearance during the year |             |             | Closing balance at the end of the year |            |             |
|---------|-----------------|-------------|-------------|--------------------------|-------------|-------------|---------------------------|-------------|-------------|--|------------|-------------|
|         | IRs             | Para-graphs | Money Value | IRs                      | Para-graphs | Money Value | IRs                       | Para-graphs | Money Value | IRs                                    | Paragraphs | Money Value |
| 2008-09 | 233             | 557         | 19.30       | 49                       | 206         | 21.63       | 8                         | 69          | 2.32        | 274                                    | 694        | 38.61       |
| 2009-10 | 274             | 694         | 38.61       | 44                       | 105         | 12.04       | 6                         | 48          | 0.64        | 312                                    | 751        | 50.01       |
| 2010-11 | 312             | 751         | 50.01       | 54                       | 158         | 89.37       | 6                         | 32          | 0.70        | 360                                    | 877        | 138.68      |
| 2011-12 | 360             | 877         | 138.68      | 54                       | 192         | 8.56        | 12                        | 46          | 65.94       | 402                                    | 1,023      | 81.30       |
| 2012-13 | 402             | 1,023       | 81.30       | 37                       | 151         | 23.79       | 27                        | 78          | 11.20       | 412                                    | 1,096      | 93.89       |

As against 233 IRs with 557 outstanding paragraphs at beginning of 2008-09, the number of outstanding IRs rose to 412 with 1,096 paragraphs at the end of 2012-13, whereas only 273 paragraphs were cleared during the period 2008-13.

### 2.1.12 Audit Planning

The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2012-13, there were 239 auditable units, of which 115 units were planned and 104 units had been audited.

### 2.1.13 Results of audit

Test-check of the records of 104 units out of total planned 115 units of Commercial Tax State Excise, Motor Vehicles and Stamp and Registration Department conducted during the year 2012-13 showed underassessment/short levy/loss of revenue aggregating to ₹38.37 crore in 248 cases. The Departments accepted cases worth ₹ 26 lakh in 11 cases. However, the Departments recovered ₹ 0.59 crore in 81 cases during the year at the instance of audit, pertaining to the audit findings of the previous years.

### 2.1.14 Contents of the Revenue Chapter of this Report

The Chapter contains three paragraphs involving money value of ₹ 0.85 crore relating to "Arrears of revenue in Commercial Tax Department", non-recovery of tax and penalty and non-levy of stamp duty. The Commercial Tax Department has accepted audit objections amounting to ₹ 0.05 crore.

## COMPLIANCE AUDIT

## COMMERCIAL TAX DEPARTMENT

## 2.2 Arrears of Revenue in Commercial Tax Department

The arrear of tax revenue increased by ₹ 2061.74 crore over the period 2008-09 (₹ 501.43 crore) to 2012-13 (₹ 2563.17 crore). There were delays ranging between one month to eight years in issue of recovery certificates amounting to ₹ 48.03 crore. Also there were cases of non-vacation of stay cases ₹ 26.99 crore, non-settlement of ex-parte assessments ₹ 35.48 crore and overstatement of arrear of revenue ₹ 13.54 crore.

The Commercial Tax Department (Department) plays a significant role in the overall revenue generation of the State. It has contributed around 67 per cent (₹ 4,289 crore) of the total tax revenue (₹ 6,414 crore) collected during the year 2012-13. The effectiveness of the Department is measured with reference to the tax assessment, raising of demands and collection of arrears thereof. The levy of Commercial Tax in Uttarakhand was governed by the Uttar Pradesh Trade Tax Act, 1948 (UPTT Act) up to 30 September 2005, and thereafter, under Uttarakhand Value Added Tax Act 2005 (UK VAT Act).

UK VAT Act 2005 provides that every dealer who is liable to pay tax under this Act shall submit such return of his turnover to the Department for assessment. As soon as an assessment is made by the concerned Assessing Authority, a notice for demand together with a copy of assessment order is sent to the dealer. The dealer shall pay the tax so assessed within the period of sixty days. If the dealer fails to deposit the tax, it can be recovered as arrears of land revenue and a Recovery Certificate (RC) in this regard is forwarded by the Assessing Authority to the District Collector for collection of amount specified therein. The audit was conducted between April and June 2013 through test-check of records of the seven Commercial Tax Offices (CTOs)<sup>3</sup> out of 70 CTOs covering the period from 2008-09 to 2012-13 to assess the reasons of arrears and measures being taken by the Department to liquidate the same. The following are the audit findings:

## 2.2.1 Position of arrears of revenue

As per information provided by the Department, the position of year wise arrears of revenue is given in **Table-2.2.1** below:

Table: 2.2.1

(₹ in crore)

| Year    | Opening Balance on 1 <sup>st</sup> April |          | Demand Raised |          | Demand reduced by AA/App. Auth. |          | Amount Collected |        | Closing Balance of Arrears |          |
|---------|--|----------|---------------|----------|---------------------------------|----------|------------------|--------|----------------------------|----------|
|         | No. of Cases                             | Amount   | No. of Cases  | Amount   | No. of Cases                    | Amount   | No. of Cases     | Amount | No. of Cases               | Amount   |
| 2008-09 | 14,350                                   | 631.17   | 5,027         | 74.09    | 1,769                           | 180.89   | 2,144            | 22.94  | 15,464                     | 501.43   |
| 2009-10 | 15,464                                   | 501.43   | 10,450        | 589.83   | 2,867                           | 189.66   | 3,887            | 20.53  | 19,160                     | 881.07   |
| 2010-11 | 19,160                                   | 881.07   | 11,751        | 1,313.62 | 3,738                           | 1,019.22 | 4,264            | 29.28  | 22,909                     | 1,146.19 |
| 2011-12 | 22,909                                   | 1,146.19 | 8,511         | 579.35   | 3,721                           | 443.95   | 4,237            | 27.20  | 23,462                     | 1,254.39 |
| 2012-13 | 23,462                                   | 1,254.39 | 20,931        | 2,430.39 | 4,079                           | 1,089.79 | 4,939            | 31.82  | 35,375                     | 2,563.17 |

Source: Information provided by the Department.

<sup>3</sup> Deputy Commissioner (Assessment): Dehradun-V, Haridwar-I & II, Haldwani-I, Kashipur-I, Khatima, and Rishikesh.

Audit scrutiny showed that;

- The arrears of tax has increased 411 *per cent* (from ₹ 501.43 crore to ₹ 2,563.17 crore) during 2009-13 which was mainly attributed to increase in the number of tax payers after the implementation of VAT Act (October 2005) and its outcome<sup>4</sup> with effect from the year 2009-10.
- Apart from above, there was a sharp increase in demands raised during 2010-11 and 2012-13 due to ex-parte assessments made by the Department. However, these demands were reduced by 78 and 45 *per cent* in the same years by the Assessing Authority/Appellate Authority under Section 31 of the Act.
- Out of total arrear demand of ₹ 2,563.17 crore (in 35,375 cases), arrears of ₹ 273.06 crore (in 6,841 cases) were more than 10 years old and ₹ 220.14 crore (in 5,702 cases) were five to ten years old, which together constituted at 19.24 *per cent* of the total arrears.

### 2.2.2 Delayed/non-issue of Recovery Certificates (RCs)

Under the provision of UPTT Act/UK VAT Act, the tax assessed shall be deposited within 30 days (60 days with effect from 31 March 2008) of the service of the notice of assessment and demand. In case it is not deposited within the prescribed time, the Assessing Authority, after expiry of 45 days (90 days with effect from 1<sup>st</sup> October 2005) of the service of assessment orders, will issue immediately a RC for effecting recovery of tax as arrear of land revenue. Audit scrutiny of records of the test-checked Commercial Tax Offices (CTOs) showed that the RCs were not issued by the concerned Assessing Authorities in 55 cases involving demand of ₹ 52.88 crore raised during the period 2007-08 to 2012-13. Further, there were delays ranging from one month to eight years in issue of RCs in 63 cases involving demand of ₹ 48.03 crore against the defaulters.

On this being pointed out, the CTOs justified the delay and non-issue of RCs on the grounds of shortage of staff in the Department but it was not acceptable in the light of the above mentioned mandatory provisions of the Act.

### 2.2.3 Non-vacation of stayed cases

Whenever appeals are filed by a dealer against assessment orders issued by the Department before the appellate authority/Tribunal, High Court and Supreme Court, it is imperative that the Department has to initiate prompt action to have the stay (if any) granted by appellate authorities, vacated. The Department is also required to request the Appellate Authorities for early disposal of cases pending with them. Scrutiny of records of sampled CTOs showed that 52 cases (₹ five lakh and above) amounting to ₹ 26.99 crore were stayed by the different Authorities.

Audit observed that no action had been taken so far by the Department to vacate these stay orders granted by different Authorities.

### 2.2.4 Non-settlement of ex-parte Assessments

Section-31 of Uttarakhand VAT Act, 2005 provides that in any case in which an order of assessment or order of penalty is passed ex-parte, the dealer may apply to the Assessing Authority (AA) within thirty days of the service of the order, to *set-aside* such order and reopen

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<sup>4</sup> The cases pertaining to the year 2005-06 and onward could only be assessed in 2009-10 onward as assessment process of the Department is running behind with a delay of more than three years.

the case, if such officer is satisfied that the applicant did not receive notice or was prevented by sufficient causes from appearing on the date fixed, he may *set-aside* the order and reopen the case for hearing. During the course of audit it was observed that a demand of ₹ 35.48 crore remained outstanding in 31 cases which were assessed during 2009-10 to 2012-13 by the Department as ex-parte despite the facts that concerned dealers had appealed within prescribed time before the Assessing Authorities. The AAs neither rejected the requests nor *set-aside* the ex-parte orders in these cases. On this being pointed out in audit, most of the CTOs assured that the pending cases would be disposed off shortly.

### 2.2.5 Overstatement of arrear of revenue

Section-8(1) of the CST Act, 1956 provides that every dealer, who in the course of Inter-State Trade or Commerce, sells goods referred to Section-8(3), to a registered dealer, shall be liable to pay tax at prescribed rates. Further, Section-8(4) of the CST Act 1956 provides that provision of sub-section (1) of Section-8 shall not apply to any sale in the course of Inter-State Trade or Commerce unless the selling dealer furnishes the declaration Form (C&F) to the assessing authority duly filled and signed by the purchasing dealer containing the particulars of the sale. It is further provided that the declaration should be furnished within the prescribed time or within such further time as that Authority may, for sufficient cause, permit. At the time of assessment, any demand assessed against a dealer due to non-submission of form C&F, has to be reduced to the extent of declaration, if a dealer submits form C&F within time as allowed by the Assessing Authority.

Test-check of records of the CTO Haridwar-I showed that a demand of ₹ 13.54 crore (assessed during 2008-09 to 2012-13) was shown as outstanding in 17 cases against non-submission of form C&F by the dealers at the time of assessment. However, the dealers had already submitted form C&F within time as allowed by the assessing authority (AA). Yet, the AA had not reduced the demand. This resulted in overstatement of arrear of revenue.

In reply, it was stated by the Department that the demand against form C&F was not accounted for within time due to excess work load and shortage in the cadre of AAs (7 per cent), in the cadre of steno (49 per cent) and ledger keeper (41 per cent).

These points were reported to the Government/Department (August 2013); their reply is awaited (December 2013).

## COMMERCIAL TAX DEPARTMENT

### 2.3 Non-recovery of tax and penalty

**Assessment under wrong Section of Uttarakhand VAT Act resulted in non-imposition of penalty of ₹ 3.60 lakh besides short levy of tax of ₹ 1.02 lakh.**

Section-25 of Uttarakhand VAT Act, 2005 provides for assessment of Registered Dealers whereas Section-26 of the Act provides for assessment of unregistered persons liable to be taxed stipulating that “The Assessing Authority, upon information which has come to his possession, is satisfied that any person who is liable to pay tax under this Act in respect of any period has failed to get himself registered, he shall, before expiry of three years following the end of the relevant financial year, proceed to assess the person to the best of his judgment as to the amount of tax

due from such person in respect of such period and all subsequent periods and shall direct him further to pay, by way of penalty, a sum equal to the amount of tax due as a result of such assessment”.

Scrutiny of records (February 2013) of Assistant Commissioner, Commercial Tax (Sector-IV), Dehradun showed that an unregistered dealer<sup>5</sup> was assessed (May 2011) under Section 25(6) of VAT Act, 2005 for supply of cooked food amounting to ₹ 64.50 lakh for the years 2006-07 and 2007-08 and tax of ₹ 2.58 lakh was accordingly imposed. The assessment was however to be made under Section 26 as the assessee was an unregistered dealer and was therefore liable for penalty of a sum equal to the amount of tax but the same was not imposed by the Department. Besides, the cooked food was taxable at the rate of 12.5 per cent<sup>6</sup> from 19<sup>th</sup> November 2007 as against 4 per cent levied and additional tax of ₹ 1.02 lakh was to be charged.

On this being pointed out, the Department replied (May 2013) that the case has been reassessed (April 2013) and an additional demand of ₹ 4.62 lakh (after deducting the tax of ₹ 2.58 already paid) was raised including penalty of ₹ 3.60 lakh. The Department also intimated (October 2013) that dealer had moved (June 2013) in appeal to the Joint Commissioner (appeal) against the reassessment and a decision on the same is awaited. (December 2013).

The matter was referred to the Government (April 2013); their reply is awaited (December 2013).

## STAMP AND REGISTRATION DEPARTMENT

### 2.4 Non-levy of stamp duty amounting to ₹ 79.84 lakh

#### Inaction of the Department resulted in non-levy of stamp duty amounting to ₹ 79.84 lakh.

Provision of Schedule-1B 5(b-2) of the Indian Stamp Act 1899 stipulates that if relating to construction of a building on a land by a person other than the owner or lessee of such land and having a stipulation that after construction, such building shall be held jointly or severally by that other person and the owner or the lessee, as the case may be, of such land, or that it shall be sold jointly or severally by them or that a part of it shall be held jointly or severally by them and the remaining part thereof shall be sold jointly or severally by them, the Stamp Duty shall be levied as a Conveyance [No.-23 Clause (a)] of schedule-1B of the Indian Stamp Act 1899 for a consideration equal to the amount of value of land. Further, Section 17(b) of the Registration Act 1908 provides that all documents relating to non-testamentary instruments which purport or operate to create, declare assign, limit or extinguish, whether in present or in future, any right title or interest, whether vested or contingent, of the value of one hundred rupees and upwards, to or in immovable property, shall be registered compulsorily with local sub-registrar.

Audit of four Sub-Registrar (SR) offices showed that seven instruments were executed between vendors and vendee/vendees for purchase of ready built flats between the year 2008 and 2012. In all the cases, it was noticed that one of the vendors was land owner and other was the developer/consenting party. However, there was no evidence of any development agreement being registered between the land owner/owners and the developer/developers/consenting party. The details are given in **Table-2.4.1**:

<sup>5</sup> M/s Ashok Brothers, 1, Park Road, Dehradun.

<sup>6</sup> Vide Notification no. 709/XXVII(8)/Vanijya Kar (VAT)/2007, Dehradun dated 19 November, 2007.

Table: 2.4.1

| Sl. No.      | Name of Unit   | Book/Zild, Document No. & Date of Registration | Area of Land for whole project | Rate per Sqm (₹) | Market Price (₹) | Rate of Stamp duty <sup>7</sup> | Stamp Duty not levied (₹) |
|--------------|----------------|--|--------------------------------|------------------|------------------|---------------------------------|---------------------------|
| 1.           | SR-I, Dehradun | 1/4287/233 10.01.12                            | 4,974 Sqm                      | 5,000            | 2,48,70,000      | 10%                             | 24,87,000                 |
| 2.           |                | 1/4275/16 02.01.12                             | 133.78 Sqm                     | 7,000            | 9,36,460         | 06%                             | 56,188                    |
| 3.           | SR, Devprayag  | 1/246/1027 10.12.08                            | 11,000 Sqm                     | 2,040            | 2,24,40,000      | 10%                             | 22,44,000                 |
| 4.           |                | 1/241/678 26.06.08                             | 6,700 Sqm                      | 1,200            | 80,40,000        | 10%                             | 8,04,000                  |
| 5.           |                | 1/283/1123 01.09.11                            | 3,788 Sqm                      | 1,200            | 45,45,600        | 10%                             | 4,54,560                  |
| 6.           | SR-I, Roorkee  | 1/1950/405 11.01.12                            | 11,230.95 Sqm                  | 2,300            | 2,58,31,185      | 07%                             | 18,08,183                 |
| 7.           | SR, Rishikesh  | 1/1377/4765 15.07.11                           | 259.29 Sqm                     | 5,000            | 12,96,000        | 10%                             | 1,29,600                  |
| <b>Total</b> |                |  |                                |                  |                  |                                 | <b>79,83,531</b>          |

The Registering authorities ignored the facts mentioned in the sale deeds of the flats, and also did not ask for the development agreement between the vendors at the time of sale of flats. Thus, inaction of the Department resulted in non-levy of stamp duty amounting of ₹ 79.84 lakh.

On this being pointed out, no proper reply was given by the SR-Devprayag, SR (I)-Roorkee and SR-Rishikesh. However, the SR (I)-Dehradun, in its reply (April 2013), stated that one of the vendors was the consenting party and there was no mention in the sale deed regarding sharing of profit. There was also no evidence of any agreement between the two vendors. In the absence of instruments as per Section-3 of the Stamp Act and on mere basis of assumption, shortage of Stamp Duty cannot be arrived at. The reply was not acceptable as it was clearly mentioned in the sale deed that one of the vendors was the developer (consenting party) and other was the owner of the land and that they have an understanding for development and construction of a group housing project. Thus, in all such cases, a development agreement was required to be registered under Schedule 1 B 5 (b-2) of the Indian Stamp Act, 1899 and stamp duty amounting to ₹ 79.84 lakh was required to be levied.

The matter was referred to the Government (August 2013); their reply is awaited (December 2013).

<sup>7</sup> Including Aawas Vikas Shulk where applicable.