

# *OVERVIEW*



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This Report contains one Performance Audit on “**System of Assessment under VAT**” and 23 paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, passenger and goods tax, royalty etc., involving tax effect of ₹ 407.87 crore.

### 1. Chapter-I

#### General

The total revenue receipts of the State Government for the year 2014-15 were ₹ 40,798.66 crore as compared to ₹ 38,012.08 crore during the year 2013-14. Out of this, 79 *per cent* was raised through tax revenue (₹ 27,634.57 crore) and non-tax revenue (₹ 4,613.12 crore). The balance 21 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 3,548.09 crore) and Grants-in-aid (₹ 5,002.88 crore). There was an increase in Revenue receipts over the previous year by ₹ 2,786.58 crore.

**(Paragraph 1.1.1)**

Test check of the records of 319 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration fee, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2014-15 showed under assessments/short levy/non-levy/loss of revenue aggregating ₹ 2,677.30 crore in 3,89,086 cases. During the year 2014-15, the Departments accepted under assessment of ₹ 394.96 crore in 5,993 cases. Of these, the Department recovered ₹ 6.62 crore in 201 cases of earlier years.

**(Paragraph 1.11)**

### 2. Chapter-II

#### Taxes/Value Added Tax on sales, trade

A Performance Audit on “**System of Assessment under VAT**” showed the following:

Absence of provision for finalisation of assessments besides cancellation of registration certificate led to non realisation of revenue of ₹ 17.52 crore in two cases.

**(Paragraph 2.2.8)**

Failure of the Department to put in place a system of exchange of inter departmental data base from unregistered works contractors resulted in non realisation of tax of ₹ 35.66 crore besides penalty of ₹ 35.66 crore in 605 cases.

**(Paragraph 2.2.9)**

Incorrect application of rate of tax of four/five *per cent* on unclassified items valuing ₹ 235.50 crore, against the applicable rate of 12.5 *per cent*, resulted in underassessment of tax of ₹ 14.98 crore, in 49 cases, besides irregular refund of ₹ 92 lakh.

**(Paragraph 2.2.11.1)**

Assessing Authorities (AAs) allowed nil/concessional rate of tax on sale/transfer of goods against fake declaration forms C, F and H, which resulted in non levy of tax of ₹ 4.41 crore and penalty of ₹ 13.23 crore in 16 cases.

**(Paragraph 2.2.11.2)**

Assessing Authorities levied the differential amount of tax for not submitting the proof of movement of goods sold on C Forms and submitting false returns/VAT C-4 certificates but failed to levy mandatory penalty of ₹ 18.07 crore in 13 cases.

**{Paragraphs 2.2.11.3 (i) and (ii)}**

Assessing Authorities had wrongly calculated carry forward of tax, deduction of tax concession and did not levy interest and surcharge of ₹ 55 crore in 90 cases.

**(Paragraph 2.2.11.4)**

Despite issue of instructions/guidelines on March 2006/February 2007/July 2013 regarding preparation of check lists, obtaining accounts of declaration forms, proof of payment of tax, cross verification of sales/purchases and checking of movement of goods, the same were not being followed by the AAs while scrutinizing the cases.

**(Paragraph 2.2.12.2)**

Provisions relating to levy of penalty for non-filing of returns, obtaining refund application in proper proforma (VAT A-4), mentioning the nomenclature of the items sold/purchased in Form 'C', accepting complete C-4, VAT D-2/H Forms, were not complied with. Further, non-maintenance of demand and collection register, late serving of assessment orders/demand notices and delay in re-assessment of cases, resulted in short realisation of tax of ₹ 16.46 crore.

**{Paragraph 2.2.12.2(a-e) and 2.2.12.3}**

**Transaction audit**

Purchase of Duty and Entitlement Pass Book (DEPB)/Import License worth ₹ 95.81 crore, which are to be used for resale, was incorrectly allowed to be adjusted against Custom Duty payable, resulting in incorrect grant of ITC of ₹ 4.84 crore to a dealer.

**(Paragraph 2.3)**

Action to levy interest was not initiated even after a lapse of 12 months resulting in non levy of interest of ₹ 3.49 crore by the DETC (ST) Panchkula, in one case.

**(Paragraph 2.4)**

The AAs did not levy additional tax in the nature of surcharge at the rate of five *per cent* of the tax of ₹ 33.93 crore under VAT resulting in non levy of surcharge of ₹1.69 crore, in 42 cases.

**(Paragraph 2.5)**

Incorrect classification of steam/embroidered fabrics and spare parts and levying tax at lower rate against leviable rate of 12.5 *per cent*, resulted in non/short levy of tax and surcharge of ₹ 1.98 crore, in seven cases.

**(Paragraph 2.6)**

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

#### **State Excise**

Forty one licensees failed to pay the monthly instalments of license fee due for the year 2013-14 by the prescribed dates and DETCs (Excise) did not initiate action to seal the vends resulting in non/short recovery/levy of license fee of ₹ 15.39 crore and interest ₹ 4.58 crore.

**(Paragraph 3.2)**

### **4. Chapter-IV**

#### **Stamp Duty**

Eighty nine deeds were assessed at ₹ 258.45 crore instead of assessing at ₹ 566.65 crore based on the rates fixed by the Collector, resulting in short levy of SD of ₹ 14.53 crore.

**(Paragraph 4.2)**

The registering authorities assessed 127 sale deeds of plots with an area less than 1,000 square yards in urban areas and near residential areas in village but falling under the jurisdiction of municipality on the rates fixed for agricultural land instead of urban land which resulted in short levy of stamp duty of ₹ 2.46 crore.

**(Paragraph 4.3)**

Sixty five deeds were assessed as agricultural land at ₹ 35.92 crore on which SD of ₹ 1.63 crore was levied instead of the rates fixed for prime land by the collector for ₹ 66.78 crore on which SD of ₹ 2.86 crore was leviable which resulted in short levy of stamp duty ₹ 1.23 crore.

**(Paragraph 4.4)**

The registering authorities assessed the value of land at ₹ 4.27 crore and levied SD of ₹ 18.55 lakh on the basis of rates agreed to between the parties earlier instead of registration of documents as per Collector rates valued at ₹ 17.26 crore and SD of ₹ 89.80 lakh resulting in short realisation of SD of ₹ 71.25 lakh in 45 cases.

**(Paragraph 4.5)**

## **5. Chapter-V**

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

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

Due to lack of internal control, monitoring and follow-up action, the assessing authorities failed to send notices to the defaulting vehicles owners, resulting in either non-updating of DCRs or short realisation of Passengers and Goods tax to the extent of ₹ 24.10 crore, besides interest of ₹ 14.59 crore, in 15,850 cases.

**(Paragraph 5.2.1 to 5.2.4)**

#### **Transport Department**

HSRPs were affixed without snap lock which was mandatory for better security; affixation of HSRPs on new registered vehicles ranged between 27 and 81 *per cent* and replacement of HSRPs on old vehicle had not started. Due to lack of monitoring and follow up action, the department had failed to issue notices to recover pending licence fees from the defaulting PCC owners/Driving Training Schools resulting in non recovery of license fee of ₹ 7 lakh.

**(Paragraphs 5.3.1 to 5.3.5)**

Non-observance of the financial rules by the controlling officer resulted in suspected misappropriation of Government money of ₹ 4.46 lakh.

**(Paragraph 5.4)**

## **6. Chapter-VI**

### **Other Tax and Non-tax Receipts**

#### **Mines and Geology Department**

Royalty and interest amounting to ₹ 24.92 lakh was not recovered from 81 brick kiln owners, who were issued permits between April 2011 and April 2014 in respect of five Districts.

**(Paragraph 6.2)**