



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended 31 March 2019**



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Haryana  
Report No. 4 of the year 2020**



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Comptroller and Auditor General of India**

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## PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2019 has been prepared for submission to the Governor of Haryana under Article 151 of the Constitution of India.

The Report contains significant findings of audit of receipts and expenditure of major revenue earning departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2018-19 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2018-19 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



# *OVERVIEW*



## OVERVIEW

This Report contains one Performance Audit on “**Computerisation initiative for levy of stamp duty, registration fees and land record**” and 19 illustrative audit paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, motor vehicle tax, royalty etc. with revenue implications of ₹ 671.23 crore.

### 1. Chapter-I

#### General

The total revenue receipts of the State Government for the year 2018-19 were ₹ 65,885.12 crore as compared to ₹ 62,694.87 crore during the year 2017-18. Out of this, 77 *per cent* was raised through tax revenue (₹ 42,581.34 crore) and non-tax revenue (₹ 7,975.64 crore). The balance 23 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 8,254.60 crore) and Grants-in-aid (₹ 7,073.54 crore). There was an increase in revenue receipts over the previous year by ₹ 3,190.25 crore (5.09 *per cent*).

(Paragraph 1.1.1)

Test check of the records of 275 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fee, Motor Vehicle Tax and Non-Tax receipts conducted during the year 2018-19 brought out under assessment/short levy/non-levy/loss of revenue aggregating to ₹ 2,279.04 crore in 9,836 cases. During the year 2018-19, the Departments accepted under assessment of ₹ 948.12 crore in 5,211 cases. Of these, the Department recovered ₹ 13.29 crore (1.40 *per cent*) in 304 cases during the year 2018-19.

(Paragraph 1.10)

### 2. Chapter-II

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

17 dealers had suppressed sales worth ₹ 1,151 crore. Assessing Authorities did not verify sales/purchases, which resulted in evasion of tax of ₹ 60.06 crore. In addition, penalty of ₹ 180.17 crore was not levied.

(Paragraph 2.3)

Assessing Authority, allowed excess input tax credit of ₹ 5 crore. In addition, interest of ₹ 0.18 crore was also leviable.

(Paragraph 2.5)

Assessing Authorities, underassessed tax of ₹ 26.23 crore due to calculation mistake. In addition, interest of ₹ 18.63 crore was to be levied.

**(Paragraph 2.7)**

Assessing Authorities, allowed incorrect rate of tax to nine dealers, which resulted in under assessment of tax of ₹ 4.82 crore. In addition, interest of ₹ 3.91 crore was also leviable.

**(Paragraph 2.8)**

Assessing Authorities, while finalising the assessments allowed incorrect exemption of branch transfers/consignments worth ₹ 43.84 crore to 10 dealers, which resulted into non levy of tax of ₹ 2.30 crore. In addition, penalty of ₹ 6.90 crore was also leviable.

**(Paragraph 2.11)**

Assessing Authorities, disallowed inadmissible Input Tax Credit for suppressing stock to 10 dealers but did not levy prescribed penalty of ₹ 14.27 crore.

**(Paragraph 2.14)**

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

#### **State Excise**

Failure of the Deputy Excise and Taxation Commissioners (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 5.04 crore.

**(Paragraph 3.3)**

There was loss of ₹ 3.19 crore due to non levy of interest on delayed payment of license fee of ₹ 153.36 crore by 58 licensees for the period April 2016 to March 2018.

**(Paragraph 3.4)**

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

#### **Stamp Duty**

The Performance Audit on “**Computerisation initiative for levy of stamp duty, registration fees and land record**” showed deficiencies in mapping of business rules into the system which resulted into short/non realisation of revenue on account of undervaluation of immovable property and irregular exemption of Stamp Duty. There was deficiencies noted in system design which resulted into short levy of stamp duty and registration fees in number of cases. Referred cases of undervaluation of immovable property and refund

process were not automated which resulted into delayed disposal of referred cases and deficient stamp refund process. Inadequate application controls in the e-registration system affected the objective of transparency, removal of intermediaries, provision of hassle free services to citizen as envisaged in Right to Service Act. Audit observed that there was loss of ₹ 25.86 crore of revenue to the Government of Haryana as a result of the above. Further, the objective of computerisation of land record could not be achieved effectively as work related to modernisation/computerisation under National Land Records Modernisation Programme (NLRMP) was not completed even after lapse of eight years from the intended date. Some of the significant areas flagged by audit are highlighted as under:-

- The Department did not formulate Functional Requirement Specifications, Software Requirement Specifications and Change management Policy/ procedure.

**(Paragraph 4.3.7.1)**

- Deficiency in mapping of business rules in the system resulted in short levy of stamp duty and registration fees of ₹ 22.56 crore.

**{Paragraphs 4.3.7.2 (a) to (d)}**

- Deficient system design and non-implementation of manual verification process in absence of automation resulted in short levy of Stamp Duty and Registration Fees of ₹ 1.54 crore.

**(Paragraph 4.3.7.3)**

- Work related to Modernisation/Computerisation of land records under National Land Records Modernisation Programme was not completed.

**(Paragraph 4.3.10.2)**

- Business continuity plan to ensure continuity of IT system in the event of disaster was not developed.

**(Paragraph 4.3.11)**

- The Department has not formulated any password policy. In absence of this, 3,981 transactions were unauthorisedly made/accessed by using the user IDs allotted to the departmental official/personnel on the day/days of their absence due to leave etc.

**(Paragraph 4.3.12)**

- Delayed implementation of revised rates of registration fees resulted in short levy of registration fees of ₹ 1.69 crore.

**(Paragraph 4.3.15)**

## **5. Chapter-V**

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

#### **Motor Vehicle Tax**

Owners of 597 transport and goods vehicles had not deposited or short deposited Motor Vehicle Tax during the year 2017-18 resulting in non/short realisation of Motor Vehicle tax of ₹ 69.61 lakh. In addition, penalty of ₹ 69.61 lakh was also leviable.

**(Paragraph 5.3)**

Owners of 97 transport vehicles had not deposited the due penalty imposed for various offences under Motor Vehicle Act, 1988 resulting in non realisation of penalty of ₹ 28.28 lakh.

**(Paragraph 5.4)**

## **6. Chapter-VI**

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

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

The Department did not initiate action against 36 contractors for short/non deposit of monthly contract money of ₹ 195.76 crore. Interest of ₹ 80.05 crore was also leviable.

**(Paragraph 6.3)**

The Department did not initiate action against 22 contractors for short/non deposit of ₹ 21.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 7.08 crore was also leviable.

**(Paragraph 6.4)**

34 Brick Kiln owners did not deposit the due amount of royalty of ₹ 10.69 lakh during the year 2017-18. Interest of ₹ 4.11 lakh was also leviable.

**(Paragraph 6.5)**



***CHAPTER-I***  
***GENERAL***



## CHAPTER I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Haryana, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India (GOI) during the year 2018-19 and the corresponding figures for the preceding four years are depicted below:-

**Table 1.1.1: Trend of revenue receipts**

(₹ in crore)

Sr. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19 <sup>1</sup>
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	Tax revenue	27,634.57	30,929.09	34,025.69	41,099.38	42,581.34 <sup>2</sup>
	Non-tax revenue	4,613.12	4,752.48	6,196.09	9,112.85	7,975.64
	<b>Total</b>	<b>32,247.69</b>	<b>35,681.57</b>	<b>40,221.78</b>	<b>50,212.23</b>	<b>50,556.98</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	Share of net proceeds of divisible Union taxes and duties	3,548.09	5,496.22	6,597.47	7,297.52	8,254.60 <sup>3</sup>
	Grants-in-aid	5,002.88	6,378.76	5,677.57	5,185.12	7,073.54 <sup>4</sup>
	<b>Total</b>	<b>8,550.97</b>	<b>11,874.98</b>	<b>12,275.04</b>	<b>12,482.64</b>	<b>15,328.14</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>40,798.66</b>	<b>47,556.55</b>	<b>52,496.82</b>	<b>62,694.87</b>	<b>65,885.12</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>79</b>	<b>75</b>	<b>77</b>	<b>80</b>	<b>77</b>

<sup>1</sup> Finance Account of the State Government.

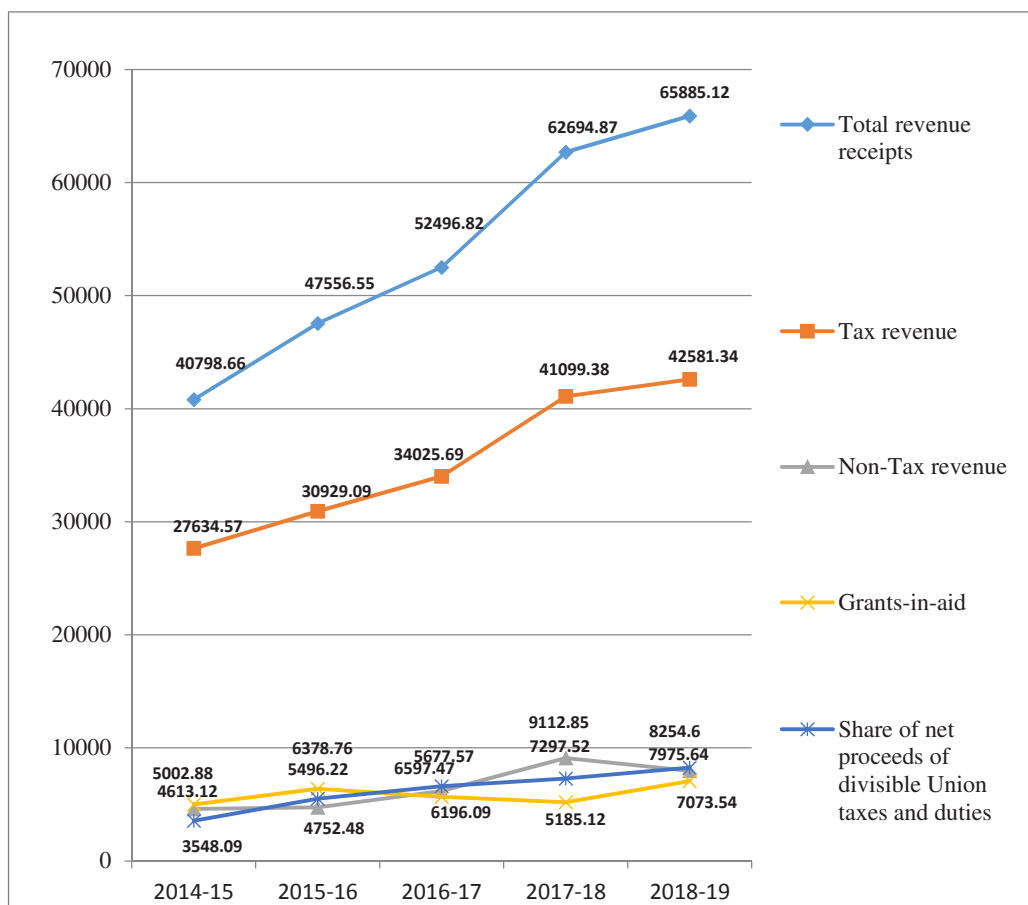
<sup>2</sup> This includes amount of ₹18,612.72 crore received under Major Head 0006-State Goods and Services Tax.

<sup>3</sup> This includes amount of ₹2,037.54 crore received from Government of India as share of Central Goods and Services Tax and ₹162.60 crore as share of Integrated Goods and Services Tax.

<sup>4</sup> This includes amount of ₹2,820.00 crore received from Government of India as a compensation of loss due to implementation of Goods and Services Tax.

The year-wise trend in revenue receipts during 2014-15 to 2018-19 is depicted in the **Chart 1.1**.

**Chart 1.1**



During the year 2018-19, the revenue raised by the State Government (₹50,556.98 crore) was 77 per cent of the total revenue receipts. The balance 23 per cent of the receipts during the year 2018-19 was from the GOI as State's share of net proceeds of divisible Union taxes and grants-in-aid.

The percentage of revenue receipts of the State Government from its own resources to total revenue receipts shows a decreasing trend from 2014-15 (79 per cent) to 2016-17 (77 per cent). For the year 2017-18 it increased to 80 per cent and thereafter for the year 2018-19 it decreased to 77 per cent.

1.1.2 The details of tax revenue raised during the period 2014-15 to 2018-19 are given in the Table below:-

**Table 1.1.2: Details of Tax Revenue raised**

(₹ in crore)

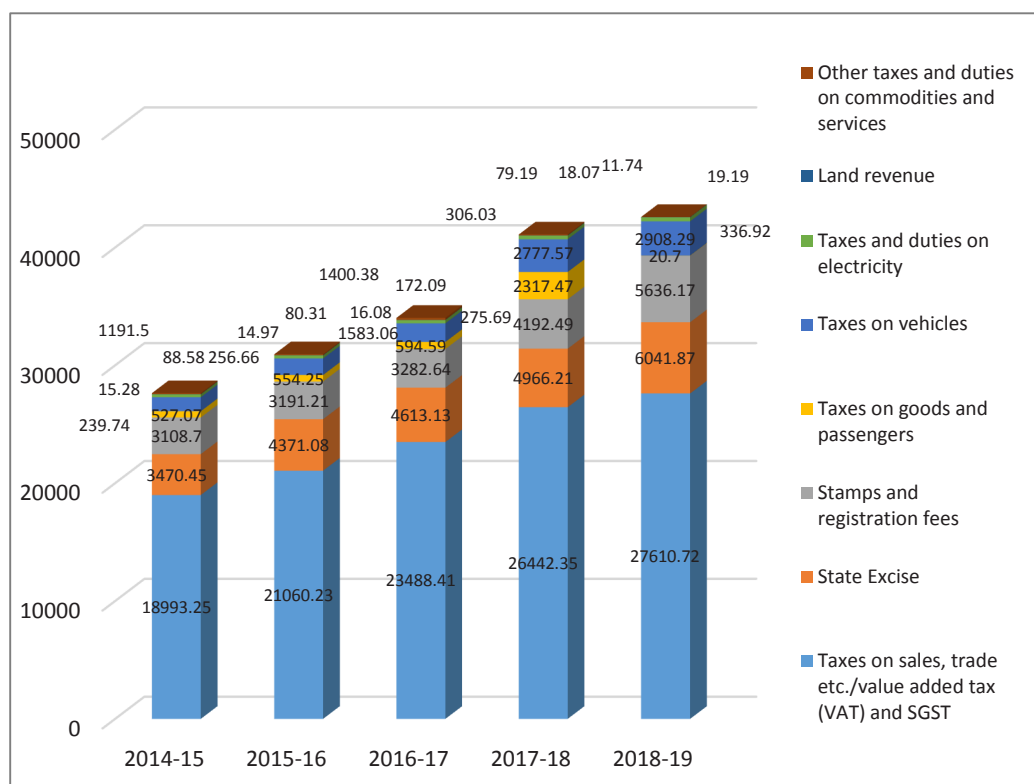
Sr No	Head of revenue	2014-15 Actual (percentage to total receipts)	2015-16 Actual (percentage to total receipts)	2016-17 Actual (percentage to total receipts)	2017-18 Actual (percentage to total receipts)	2018-19 Actual (percentage to total receipts)	Percentage of increase (+) or decrease (-) of Actuals of 2018-19 over actuals of 2017-18
1.	Taxes on sales, trade etc./value added tax (VAT)	18,993.25 (68.73)	21,060.23 (68.09)	23,488.41 (69.03)	15,608.92 (37.98)	8,998.00 (21.13)	(-) 42.35
	State Goods and Service Tax (SGST)	-	-	-	10,833.43 (26.36)	18,612.72 <sup>5</sup> (43.71)	-
2.	State Excise	3,470.45 (12.56)	4,371.08 (14.13)	4,613.13 (13.56)	4,966.21 (12.08)	6,041.87 (14.19)	21.66
3.	Stamps and registration fees	3,108.70 (11.25)	3,191.21 (10.32)	3,282.64 (9.65)	4,192.49 (10.20)	5,636.17 (13.23)	34.43
4.	Taxes on goods and passengers	527.07 (1.91)	554.25 (1.79)	594.59 (1.75)	2,317.47 <sup>6</sup> (5.64)	20.70 (0.05)	(-) 99.11
5.	Taxes on vehicles	1,191.50 (4.31)	1,400.38 (4.53)	1,583.06 (4.65)	2,777.57 (6.76)	2,908.29 (6.83)	4.71
6.	Taxes and duties on electricity	239.74 (0.87)	256.66 (0.83)	275.69 (0.81)	306.03 (0.74)	336.92 (0.79)	10.09
7.	Land revenue	15.28 (0.06)	14.97 (0.05)	16.08 (0.05)	18.07 (0.04)	19.19 (0.05)	6.20
8.	Other taxes and duties on commodities and services	88.58 (0.32)	80.31 (0.26)	172.09 (0.51)	79.19 (0.19)	7.48 (0.02)	(-) 89.87
	<b>Total</b>	<b>27,634.57</b>	<b>30,929.09</b>	<b>34,025.69</b>	<b>41,099.38</b>	<b>42,581.34</b>	<b>3.61</b>
	<b>% increase over previous year</b>	<b>8.08</b>	<b>11.92</b>	<b>10.01</b>	<b>20.79</b>	<b>3.61</b>	
	<i>Overall average growth and growth rate for five years</i>						<b>35,254.01/ 10.88</b>

<sup>5</sup> The GST figure for the year 2017-18 is only for nine months and 2018-19 is for 12 months. Hence comparison cannot be done.

<sup>6</sup> PGT transferred to Transport Department with effect from 01.04.2017. This includes ₹ 1,722.88 crore received under "The Haryana One time settlement for recovery of outstanding dues" introduced in June 2017.

The year-wise trend of various tax revenues is depicted in **Chart 1.2**.

**Chart 1.2**



Tax revenue increased by ₹ 14,946.77 crore (54.09 per cent) during the years 2014-15 to 2018-19 with an average rate of growth of 10.88 per cent. However, rate of growth for 2018-19 reduced to 3.61 per cent mainly due to decline in annual growth rate of tax on Sales (VAT + SGST) to 4.4 per cent from 12.58 per cent in 2017-18, as 65 per cent of Tax receipts is collected under this head alone.

The respective Departments reported the following reasons for variations:-

- **State Excise:** During the last five years, State Excise has increased to ₹ 6,041.87 crore in 2018-19 as against ₹ 4,966.21 crore in 2017-18 which was due to more receipts on country spirits.
- **Stamps and Registration Fees:** During the last five years, the stamps and registration fees has increased to ₹5,636.17 crore in 2018-19 as against ₹ 4,192.49 crore in 2017-18 which was due to increase of transactions of immovable property.

- **Taxes and duties on Electricity:** During the last five years, Taxes and duties on Electricity has increased to ₹ 336.92 crore in 2018-19 as against ₹ 306.03 crore in 2017-18 which was due to more realisation of electricity duty from the consumers by the power utility.

**1.1.3** The details of non-tax revenue raised during the period 2014-15 to 2018-19 are indicated in the Table below:-

**Table 1.1.3: Details of Non-Tax Revenue raised**

(₹ in crore)

Sr. No	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) or decrease (-) of Actuals of 2018-19 over actuals of 2017-18
		Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	
1.	<b>Interest Receipts</b>	933.59 (20.24)	1,087.49 (22.88)	2,309.79 (37.28)	2,227.82 (24.45)	1,953.84 (24.50)	(-) 12.30
2.	<b>Road Transport</b>	1,235.31 (26.78)	1,254.55 (26.40)	1,265.13 (20.42)	1,279.66 (14.04)	1,196.64 (15.0)	(-) 6.49
3.	<b>Education, Sports, Art and Culture</b>	564.48 (12.24)	637.41 (13.41)	640.48 (10.34)	674.03 (7.40)	272.17 (3.41)	(-) 59.62
4.	<b>Urban Development</b>	861.11 (18.67)	421.95 (8.88)	599.00 (9.67)	2,861.45 (31.40)	2,315.60 (29.03)	(-) 19.08
5.	<b>Non-ferrous mining and metallurgical industries</b>	43.46 (0.94)	271.61 (5.72)	496.95 (8.02)	712.87 (7.82)	583.20 (7.31)	(-) 18.19
6.	<b>Major and medium irrigation</b>	129.27 (2.80)	110.48 (2.32)	113.43 (1.83)	132.43 (1.45)	164.19 (2.06)	23.98
7.	<b>Police</b>	67.82 (1.47)	151.70 (3.19)	109.11 (1.76)	128.69 (1.41)	176.96 (2.22)	37.51
8.	<b>Other administrative services</b>	95.73 (2.08)	115.64 (2.43)	105.66 (1.71)	165.37 (1.81)	159.93 (2.01)	(-) 3.29

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Sr. No	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) or decrease (-) of Actuals of 2018-19 over actuals of 2017-18
9.	Forestry and wildlife	44.29 (0.96)	51.90 (1.09)	55.38 (0.89)	33.10 (0.36)	28.53 (0.36)	(-) 13.81
10.	Miscellaneous General Services <sup>7</sup>	20.38 (0.44)	41.39 (0.87)	31.54 (0.51)	251.50 (2.76)	166.03 (2.08)	(-) 33.98
11.	Medical and public health	145.50 (3.15)	142.06 (2.99)	31.17 (0.50)	189.34 (2.08)	195.70 (2.45)	3.36
12.	Other non-tax receipts	472.18 (10.24)	466.30 (9.81)	438.45 (7.08)	456.59 (5.01)	762.85 <sup>8</sup> (9.56)	67.07
<b>Total</b>		<b>4,613.12</b>	<b>4,752.48</b>	<b>6,196.09</b>	<b>9,112.85</b>	<b>7,975.64</b>	<b>(-) 12.48</b>

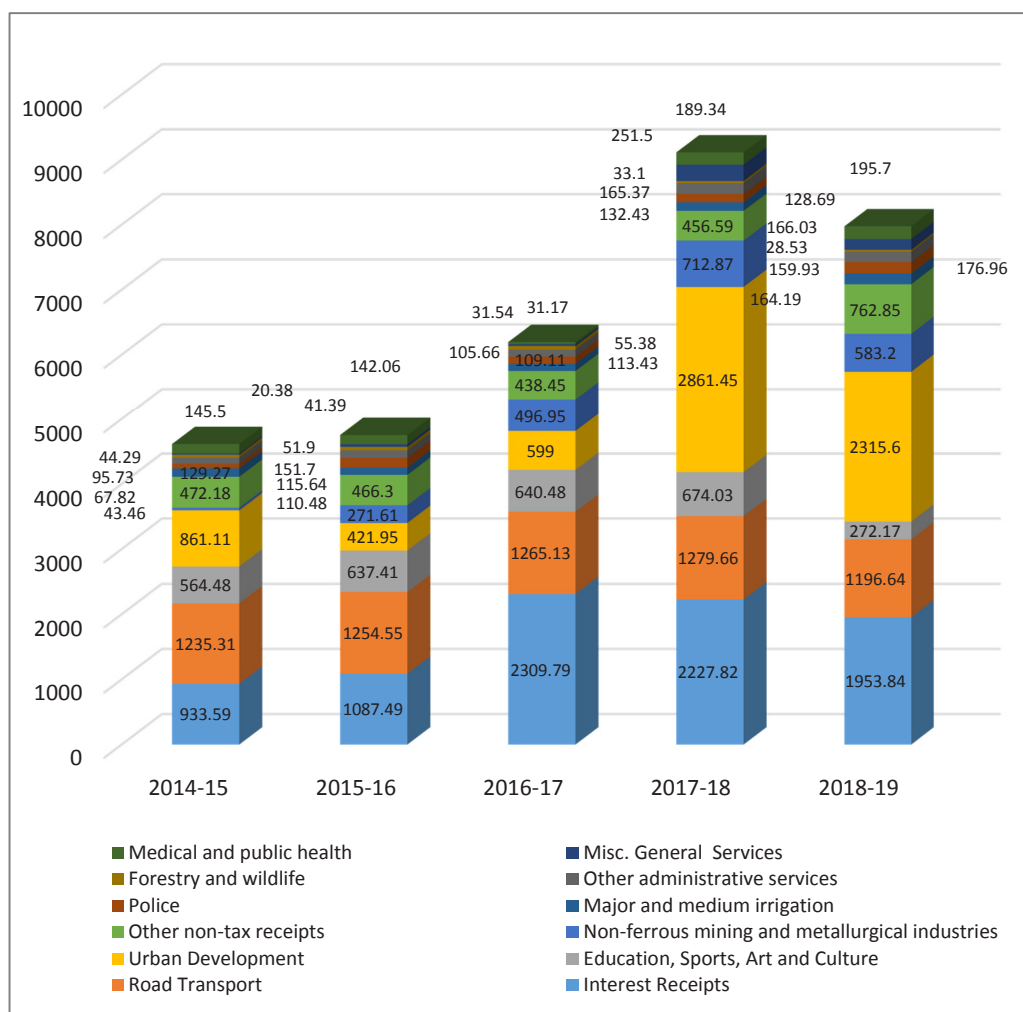
<sup>7</sup> Unclaimed deposits, State Lotteries, Sale of land/property, Guarantee fee and other receipts.

<sup>8</sup> Dividend and Profit- ₹ 56.60 crore, Public services Commission- ₹ 32.75 crore, Public work- ₹ 38.67 crore, Contribution and recoveries towards pension- ₹ 33.85 crore, Water supply and sanitation- ₹ 190.98 crore, Labour and employment- ₹ 37.02 crore, Social Security and Welfare- ₹ 59.79 crore, Other rural development programs- ₹ 130.63 crore, Road and bridge- ₹ 58.17 crore, Other scientific research- ₹ 31.25 crore; Jail- ₹ 2.44 crore, Supplies and disposal- ₹ 1.20 crore, Stationers and printing- ₹ 2.76 crore, Family Welfare - ₹ 0.12 crore, Housing- ₹ 4.22 crore, Information and publication- ₹ 0.57 crore, Other Social Services- ₹ 0.47 crore, Crop-Husbandry- ₹ 11.16 crore, Animal Husbandry- ₹ 24.78 crore, Dairy development- ₹ 0.03 crore, Fisheries- ₹ 2.06 crore, Food Storage and Warehousing- ₹ 0.41 crore, Cooperation- ₹ 9.71 crore, Other Agricultural programme- ₹ 1.72 crore, Land reform- ₹ 0.05 crore, New renewable energy- ₹ 0.18 crore, Village and small industries- ₹ 0.86 crore, Industries- ₹ 0.11 crore, Civil Aviation- ₹ 1.74 crore, Tourism- ₹ 06.18 crore, Other General Economic Services- ₹ 22.37 crore.



The year-wise trend of various non-tax revenues is depicted in **Chart 1.3**.

**Chart 1.3**



There is a decrease of 12.48 *per cent* in actual receipts in 2018-19 over actual receipts of 2017-18. Interest receipts (24.50 *per cent*), Urban development (29.03 *per cent*) and Road Transport (15.0 *per cent*) are main contributors to non-tax revenue and as a whole contribute approximate 68.53 *per cent* to total non-tax revenue.

The concerned departments attributed the following reasons for variations:-

- **Non-ferrous mining and metallurgical industries:** The decrease in actual receipts in 2018-19 (18.19 *per cent*) over 2017-18 was due to premature termination of mining contract/lease for non-payment of contract money/dead rent, surrender of contract, after apprehending that they may not be economically viable, filing civil

writ petition before the Hon'ble Punjab and Haryana High Court seeking reduction in annual bid amount obtaining favourable order and non commencement of mining operation due to non grant of environmental clearance by the Competent Authority.

- **Major and Medium Irrigation:** The increase in actual receipts in 2018-19 (23.98 *per cent*) over 2017-18 was due to recovery of outstanding arrears of previous year and increase of rates of raw water under Resource Mobilization Policy of the Department.
- **Education, Sports Art and Culture:** The decrease in actual receipts in 2018-19 (59.62 *per cent*) over 2017-18 was due to less receipts from Elementary Education.
- **Urban development:** The decrease in actual receipts in 2018-19 (19.08 *per cent*) over 2017-18 due to less receipts of license application and new affordable Group Housing Policy where license fee stands waived off.
- **Interest receipt:** The decrease in actual receipts in 2018-19 (12.30 *per cent*) over 2017-18 was due to less receipts of interest from Public Sector and other Undertakings.
- **Forestry and Wildlife:** The decrease in actual receipts in 2018-19 (13.81 *per cent*) over 2017-18 was due to short list of marking received as per departmental programme and merger of production wing into Haryana Forest Development Corporation.
- **Police:** The increase in actual receipts in 2018-19 (37.51 *per cent*) over 2017-18 was due to more revenue received from traffic challans, more recoveries from other Government, as well as more revenue receipts from other receipts in the financial year.
- The other Departments did not intimate the reasons for variations in receipts despite being requested.

## **1.2 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2019 in some principal heads of revenue amounted to ₹ 19,156.02 crore of which ₹ 3,223.75 crore

was outstanding for more than five years as depicted below:-

**Table 1.2: Arrears of Revenue**

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Replies of Department
1	Taxes on sales, trade/VAT etc.	17,595.10	2,758.65	Recovery of ₹ 1,690.43 crore (9.60 per cent) was stayed by the High Court and other judicial authorities and ₹ 323.70 crore was stayed by order of the Government. Recovery of ₹ 02.61 crore was held on due to the dealers becoming insolvent, ₹ 114.42 crore was likely to be written off and ₹ 3,063.78 crore was held on due to rectification/review/appeal. Recovery of arrears of ₹ 905.62 crore was pending on account of cases pending in court and ₹ 805.97 crore was pending on account of non-recovery by the department due to other reasons. Recovery of ₹ 1,194.86 crore was pending with official Liquidator/Board of Industrial and Financial Reconstruction (BIFR). Inter State arrears were ₹ 485.09 crore and Inter districts arrears were ₹ 131.82 crore. Recovery of ₹ 0.97 crore was being made in instalments. Balance amount of ₹ 8,875.83 crore was at other stages of action.
2	State Excise	272.78	136.93	Recovery of ₹ 18.69 crore (6.85 per cent) was stayed by High Court and other judicial authorities and ₹ 0.56 crore was stayed by order of the Government, ₹ 01.05 crore was likely to be written off. ₹ 82.19 crore was due to inter-State and inter-districts arrears. Recovery of ₹ 0.03 crore was being made in instalments. Balance amount of ₹ 170.26 crore was outstanding at different stages of action.
3	Taxes and duties on electricity	257.24	120.38	₹ 256.24 crore was pending towards consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and ₹ one crore was pending against M/S Haryana Concast, Hisar.

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Replies of Department
4	Tax on entry of goods into local areas (Local Area Development Tax)	205.62	147.96	Recovery of ₹ 165.44 crore (80.45 per cent) was stayed by the High Court and other judicial authorities and an amount of ₹ 40.18 crore was outstanding at other stages of action.
5	Police	122.55	8.19	Rupees 7.37 crore was due from Indian Oil Corporation Limited (IOCL) up to 31 March 2007. The matter of recovery from IOCL in Haryana State was pending at the level of State Government. ₹ 0.29 crore was recoverable from Bhakra Beas Management Board, Faridabad and ₹ 114.89 crore was recoverable from other States for election duties and Law and Order duty in other States.
6	Other taxes and duties on commodities and services – Receipts from Entertainment duty	11.69	11.69	Recovery of ₹ 3.18 crore (27.20 per cent) was stayed by the High Court and other judicial authorities, ₹ 0.01 crore was likely to be written off and balance amount of ₹ 8.50 crore was outstanding at other stages of action.
7	Non-ferrous mining and metallurgical industries	691.04	39.95	₹ 359.45 crore was outstanding on account of demand covered by recovery certificate, ₹ 0.55 crore stayed by High Court (0.07 per cent) and the Judicial authority. ₹ four lakh was likely to be written off. Balance of ₹ 331 crore was outstanding at different stages of action.
	<b>Total</b>	<b>19,156.02</b>	<b>3,223.75</b>	

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation

Department in respect of Sales Tax is depicted below:-

**Table 1.3: Arrears in Assessments**

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of disposal (col. 6 to 5)
1	2	3	4	5	6	7	8
Taxes on sales, trade etc./ VAT	2017-18	2,54,927	2,67,172	5,22,099	2,09,688	3,12,411	40
	2018-19	3,12,411	2,19,396	5,31,807	2,35,122	2,96,685	44

The number of cases pending at the end of the year has increased. It is further observed that percentage of disposal of cases was 44 only.

#### **1.4 Evasion of tax detected by the Department**

Under Section 29 to 31 of the HVAT Act, 2003, Department inspect business premises to detect tax evasion and inspect suspicious dealer on the basis of information received from third party. Department also conducts survey in business premises to bring the new taxpayer in the ambit of tax limit. Besides this, road side checking is also a tool to detect the tax evasion during the goods in transit by the Excise and Taxation Department.

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in the Table below:-

**Table 1.4: Evasion of Tax**

Sr. No.	Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2019
					Number of cases	Amount of demand (₹ in crore)	
1	Taxes on sales, trade etc./ VAT	55	1,541	1,596	1,578	12.90	18
2	State excise	396	6,669	7,065	6,647	6.67	418
<b>Total</b>		<b>451</b>	<b>8,210</b>	<b>8,661</b>	<b>8,225</b>	<b>19.57</b>	<b>436</b>

The number of cases pending at the end of the year has decreased in respect of Taxes on sales, trade etc./VAT and increased in the case of State Excise as compared to the number of cases pending at the start of the year.

### 1.5 Refund cases

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19 as reported by the Department is given in the Table below:-

**Table 1.5: Details of Refund Cases**

Sr. No.	Particulars	Sale Tax/VAT		State Excise	
		Number of cases	Amount (₹ in crore)	Number of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	348	89.96	45	1.46
2	Claims received during the year	1,571	440.65	196	20.33
3	Refunds made/adjusted/rejected during the year	1,592	461.46	212	21.15
4	Balance outstanding at the end of year	327	69.15	29	0.64

The number of outstanding cases at the end of year has decreased in Sales Tax/VAT and State Excise as compared to cases outstanding at the beginning of the year.

### 1.6 Internal Audit

During the year 2018-19, out of 261 units planned for audit, Internal Audit Cell of Revenue and Disaster Management, Excise and Taxation and Transport Departments, audited 173 units (66 per cent) as detailed in the Table below:-

**Table 1.6: Internal Audit**

Receipts	Number of units Planned	Number of units audited
Stamp Duty	143	143
State Excise	22	22
VAT/Sales Tax	Nil	Nil
Motor Vehicle Tax	96	8
<b>Total</b>	<b>261</b>	<b>173</b>

The irregularities discussed in the paragraphs of Chapters II to VI are indicators of inadequate internal control mechanism as the irregularities pointed out in the Audit Report were not detected by the internal audit parties. No internal audit was done by the Excise and Taxation Department (Sales Tax/VAT). Reasons for not conducting internal audit was not provided by the Department.

### **1.7 Response of the Government/Departments towards audit**

The Accountant General (Audit) Haryana conducts periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with 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 with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs, within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the department and the Government.

Inspection reports issued up to December 2018 disclosed that 7,701 paragraphs involving ₹ 8,455.42 crore relating to 2,588 IRs remained outstanding at the end of June 2019 as mentioned in the Table below along with the corresponding figures for the preceding two years.

**Table 1.7: Details of pending Inspection Reports**

	June 2017	June 2018	June 2019
<b>Number of IRs pending for settlement</b>	2,302	2,446	2,588
<b>Number of outstanding audit observations</b>	6,430	6,915	7,701
<b>Amount of revenue involved (₹ in crore)</b>	5,869.33	6,577.52	8,455.42

**1.7.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in Table below:-

**Table 1.7.1: Department-wise details of Inspection Reports**

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	<b>Excise and Taxation</b>	Sales tax /VAT	365	3,356	6,264.25
		State Excise	186	339	179.22
		Taxes on goods and passengers	254	465	40.01
		Entertainment duty and show tax	22	24	11.63
2	<b>Revenue</b>	Stamps and registration fees	1,097	2,599	387.75
		Land Revenue	138	175	0.79
3	<b>Transport</b>	Taxes on vehicles	418	579	36.44
4	<b>Power</b>	Taxes and duties on electricity	8	8	0.79
5	<b>Mines and Geology</b>	Non-ferrous mining and metallurgical industries	100	156	1,534.54
<b>Total</b>			<b>2,588</b>	<b>7,701</b>	<b>8,455.42</b>

The increase in the pendency of IRs was indicative of the fact that the heads of offices and the Departments did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs.

The Government may institute a system of effective monitoring of responses of departments to IRs to ensure prompt response to audit observations.

### **1.7.2 Departmental Audit Committee Meetings**

The Government has set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2018-19 and the paragraphs settled are mentioned in the Table below:-



**Table 1.7.2: Departmental Audit Committee Meetings**

Sr. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)
1	Excise and Taxation Department (Sales Tax)	6	202	360.27
2	Transport Department	1	27	0.57
3	Revenue Department	5	78	0.71
	<b>Total</b>	<b>12</b>	<b>307</b>	<b>361.55</b>

1,087 paras were discussed in Audit Committee Meetings out of which 307 paras worth ₹ 361.55 crore were settled during 2018-19 whereas 857 paras were discussed in Audit Committee Meetings during the year 2017-18 out of which 206 paras worth ₹ 48.88 crore were settled. It shows an increase in percentage of paras settled during the year 2018-19 (28 per cent) as compared to paras settled in 2017-18 (24 per cent).

### 1.7.3 Non production of records to audit for scrutiny

During the year 2018-19, 265 files out of 58,653 assessment files and other relevant records involving tax effect of ₹ 173.42 crore were not made available to audit. District-wise detail of cases are depicted in the Table 1.7.3 below:-

**Table 1.7.3: Details of non-production of records**

Name of the Office/Department Deputy Excise and Taxation Commissioners (Sales Tax) {DETCs (ST)}	Year in which it was to be audited	Number of cases not produced	Tax amount/refunds (₹ in crore)
<b>Assessment cases</b>			
<b>Bhiwani</b>	2018-19	04	2.13
<b>Gurugram (West)</b>	2018-19	20	8.70
<b>Panipat</b>	2018-19	02	-
<b>Narnaul</b>	2018-19	06	3.51
<b>Rewari</b>	2018-19	01	0.92
<b>Sirsa</b>	2018-19	172	92.82
<b>Bahadurgarh</b>	2018-19	32	13.89
<b>Ambala Cantt.</b>	2018-19	26	47.80
<b>Faridabad (East)</b>	2018-19	2	3.65
<b>Total</b>		<b>265</b>	<b>173.42</b>

Consequently, 265 cases with monetary value of amounting to ₹ 173.42 crore covering above DETCs (ST) could not be examined due to non-production of records.

#### ***1.7.4 Response of the Government to the draft audit paragraphs***

Draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General (Audit) to the Principal Secretary/Additional Chief Secretaries of the concerned Department drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is indicated at the end of such paragraphs included in the Audit Report.

Twenty two draft paragraphs (clubbed into 20 draft paragraphs) and one Performance Audit were sent to the Additional Chief Secretaries of the respective Departments between February 2019 and March 2020. No reply was received to any of the draft paragraphs and to the Performance Audit. However, replies received during exit conference at the conclusion of the Performance Audit held with the Government have been appropriately included at relevant places in the Report.

#### ***1.7.5 Follow up on the Audit Reports-summarised position***

According to the instructions issued by the Finance Department in October 1995 and reiterated in July 2001, it had been laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling of the Report, for consideration of the Public Accounts Committee (PAC).

In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed. However, action taken notes in respect of 39 paragraphs from four departments (Excise and Taxation: 27, Transport: 02 Revenue: 08 and Mines and Geology: 02) as mentioned in **Annexure I** had not been received for the Audit Reports for the year ended 31 March 2016 and 2017 (June 2019).

The PAC had discussed 24 selected paragraphs pertaining to the Audit Reports for the year 2014-15 and its recommendations on 24 paragraphs were incorporated in their 78<sup>th</sup> Report for the year 2018-19. 1,034 recommendations pertaining to the period 1979-80 to 2014-15 contained in 22<sup>nd</sup> to 78<sup>th</sup> Reports of PAC as mentioned in **Annexure II** were still pending for want of final

corrective action which was to be taken by the concerned Departments/ Government.

### ***1.8 Analysis of the mechanism for dealing with the issues raised by Audit***

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.8.1 to 1.8.2 discusses the performance of the Excise and Taxation Department under Sales Tax/VAT and cases detected in the course of local audit during the last 10 years included in the inspection Reports for the year 2009-10 to 2018-19.

#### ***1.8.1 Position of Inspection Reports***

The summarised position of the inspection reports issued to the Excise and Taxation Department (Sales Tax/VAT) during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 are brought out in **Annexure III**.

The number of outstanding IRs had increased from 343 in 2009-10 to 351 in 2018-19 and paragraphs had increased from 1,523 in 2009-10 to 3,154 in 2018-19 as on 31 March 2019. The Government should arrange more audit committee meetings to settle the long pending paragraphs.

#### ***1.8.2 Recovery in accepted cases***

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Annexure IV**.

While the Department had accepted objections valuing ₹ 1,944.38 crore during the last 10 years, the amount recovered out of the accepted amount was minuscule ₹ 3.73 crore. The progress of recovery even in accepted cases was insignificant (0.19 *per cent*) during the last 10 years. The Department may take appropriate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

## **1.9 Audit planning**

There were a total of 526 auditable units in the State of Haryana of which 276 units were planned and 275 units<sup>9</sup> audited during 2018-19. The units were selected on the basis of risk analysis.

## **1.10 Results of audit**

### ***Position of local audits conducted during the year***

Out of 526 auditable units, test check of the records of 275 (Revenue 273 + expenditure 02) units pertaining to Sales Tax/Value Added Tax, State Excise duty, Stamp Duty and Registration fees, Motor Vehicles tax and other Departmental offices conducted during the year 2018-19 showed under assessment/short levy/loss of revenue aggregating to ₹ 2,279.04 crore in 9,836 cases. During the course of the year, the departments concerned accepted under assessment and other deficiencies of ₹ 948.12 crore involved in 5,211 cases. The departments recovered ₹ 13.29 crore (1.40 *per cent*) in 304 cases during the year 2018-19.

## **1.11 Coverage of this Report**

This Report contains one Performance Audit on “**Computerisation initiative for levy of stamp duty, registration fees and land record**” and **19 paragraphs** involving a total financial implication of ₹ 671.23 crore.

The Departments/Government have accepted audit observations involving ₹ 670.32 crore, out of which ₹ 10.65 crore had been recovered. These are discussed in succeeding Chapters II to VI.

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<sup>9</sup> One new unit of Joint Sub Registrar Lakhan Majra (Rohtak) was planned but it was not in operation at the time of audit.

***CHAPTER-II***  
***TAXES/VAT ON SALES, TRADE***



## CHAPTER II: TAXES/VAT ON SALES, TRADE

### 2.1 Tax administration

The Haryana Value Added Tax Act, 2003 (HVAT Act) and rules framed thereunder are administered by the Additional Chief Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department, who is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy Excise and Taxation Commissioners (DETCs) and Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant tax laws and rules.

### 2.2 Results of audit

In 2018-19, test check of the records of 39 (Revenue 37 + expenditure 02) units (58,653 assessment cases were audited out of total 2,02,773 assessment cases) out of 45 units relating to VAT/Sales tax assessments and other records revealed under assessment/evasion of tax and other irregularities involving ₹ 1,730.24 crore in 1,442 cases, falling under the following categories as depicted in the **Table 2.1**.

**Table-2.1 – Result of Audit**

Revenue			
Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Under assessment of Tax	312	392.70
2.	Acceptance of defective statutory 'Forms'	361	231.93
3.	Evasion of taxes due to suppression of sales/purchases	75	345.28
4.	Irregular/Incorrect/Excess allowance of ITC	277	497.62
5.	Other irregularities	339	152.08
	<b>Total (I)</b>	<b>1,364</b>	<b>1,619.61</b>
Expenditure			
1.	Non receipt of utilisation certificates	1	106.39
2.	Other irregularities	77	4.24
	<b>Total (II)</b>	<b>78</b>	<b>110.63</b>
	<b>Grand Total (I+II)</b>	<b>1,442</b>	<b>1,730.24</b>

Chart 2.1

(₹ in crore)

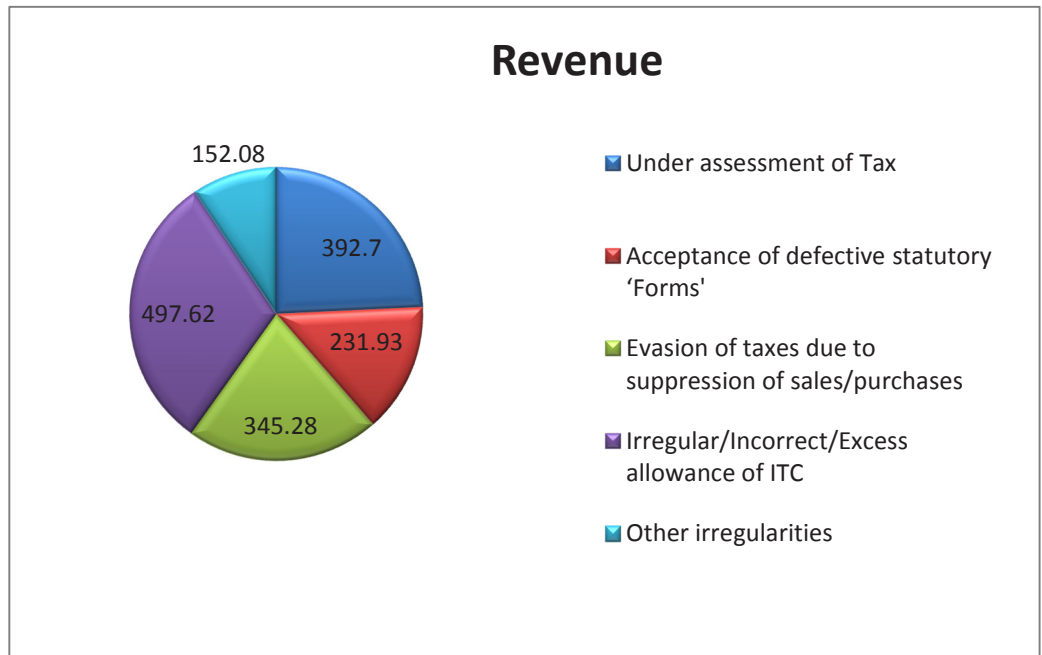
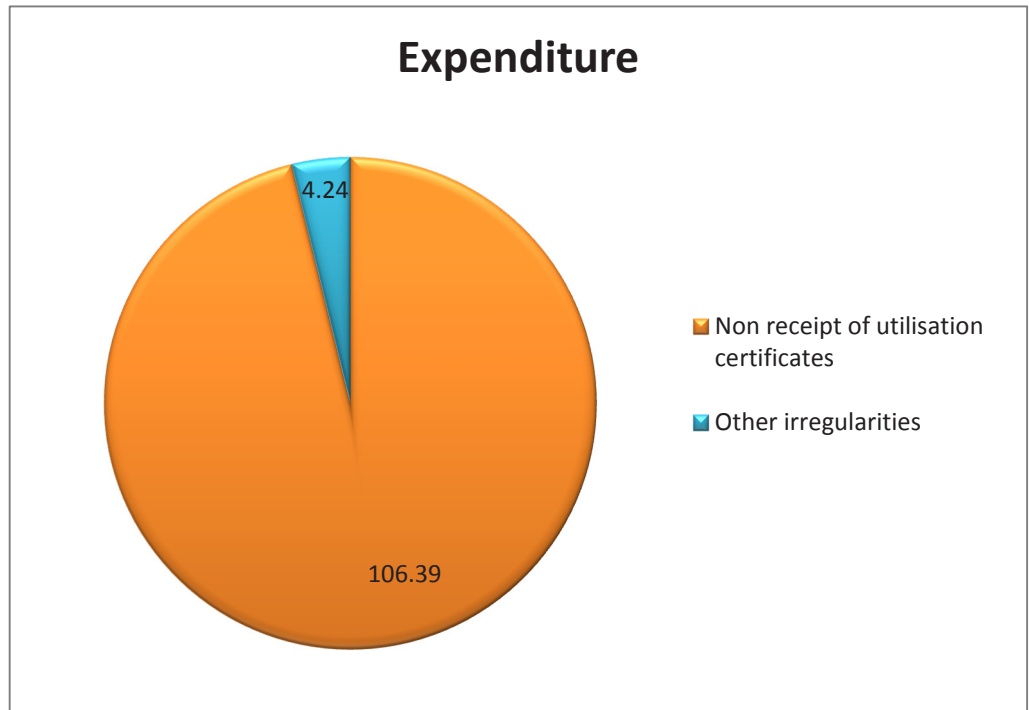


Chart 2.2

(₹ in crore)





During the year, the Department accepted under assessment and other deficiencies of ₹ 547.10 crore involved in 219 cases which were pointed out during the year. The Department recovered ₹ 0.75 crore in 61 cases pertained to the year.

Significant cases involving ₹ 331.13 crore are discussed in the following paragraphs.

### **2.3 Evasion of tax due to suppression of sales**

**17 dealers had suppressed sales worth ₹ 1,151 crore. Assessing Authorities did not verify sales/purchases, which resulted in evasion of tax of ₹ 60.06 crore. In addition, penalty of ₹ 180.17 crore was not levied.**

Under Section 38 of Haryana Value Added Tax Act, 2003 (HVAT Act), if a dealer has maintained false or incorrect accounts, returns or documents with a view to suppressing his sales, purchases, imports into State or stocks of goods, or has concealed any particulars or has furnished to or produced before any authority any account, return, document or information which is false or incorrect, such authority may direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information, as the case may be, been accepted as true and correct.

In order to prevent the tax evasion by issuing forged tax invoices or fictitious accounting of goods, the ETC, Haryana had issued instructions (March 2006) for verification of all sale/purchase transactions totaling more than ₹ one lakh from a single VAT dealer in a year.

Scrutiny of the records (January and December 2018) revealed that 17 dealers in 19 cases in the office of eight<sup>1</sup> DETC (ST) had not shown the sales of ₹ 1,151 crore in their quarterly/annually returns for the year 2013-14 to 2015-16, even though the purchasing dealers had claimed input tax credit (ITC) on purchases made from these dealers. The sale/purchase transactions were not uploaded on the website by the Department and AAs, while finalising the assessment did not verify details of suppression of sale with reference to records of the purchaser resulting in suppression of sale of ₹ 1,151 crore involving tax of ₹ 60.06 crore. This resulted in evasion of tax of ₹ 60.06 crore. In addition, penalty of ₹ 180.17 crore was also leviable.

<sup>1</sup> Ambala, Faridabad (East), Faridabad (South), Gurugram (North), Gurugram (South), Karnal, Mewat and Panipat.

On this being pointed out, the AAs of Gurugram (North) and Panipat stated that demand of ₹ 2.35 crore had been raised in four cases. In one case, AA Ambala intimated that the case had been sent to Revisional Authority for *suo motu* action. Four AAs stated that (June 2018 and March 2019) notice for re-assessment had been issued to the dealers in 10 cases. AA, Faridabad (East) stated that *Denovo* assessment had been initiated in one case. The ETO-cum-AA of Karnal stated that two cases had been assessed and penal action had been taken for levy of tax and penalty of ₹ 157.40 crore and notice had been served upon the dealer in one case.

The matter was reported to the Excise and Taxation Department in July 2018 and January 2019 and to the Government in July 2019; their replies were awaited.

**The Department may verify all sales transactions totaling more than ₹ one lakh from a single VAT dealer in a year as per instructions issued by the Government.**

#### **2.4 Evasion of tax due to suppression of purchase**

**A dealer had suppressed his purchase of ₹ 3.81 crore resulting in evasion of tax of ₹ 0.50 crore. In addition, penalty of ₹ 1.50 crore was also leviable.**

Under Section 38 of the HVAT Act, if a dealer has maintained false or incorrect accounts, returns or documents with a view to suppressing his sales, purchases, imports into State or stock of goods, or has concealed any particulars or has furnished to or produced before any authority any account, return, document or information which is false or incorrect, such authority may direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information, as the case may be, been accepted as true and correct.

Scrutiny of the records (August 2017) revealed that a dealer in the office of DETC (ST) Panchkula for the year 2012-13 made purchases of Batteries worth ₹ 9.70 crore but accounted for purchases of ₹ 5.89 crore only in the trading accounts. Thus, the dealer suppressed his purchases of ₹ 3.81 crore which resulted in evasion of tax of ₹ 0.50 crore<sup>2</sup>. In addition, penalty of ₹ 1.50 crore was also leviable.

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<sup>2</sup> Amount of suppression = ₹ 3,80,64,236 taxable @ 12.5 % plus surcharge @ 5 % of tax amount = ₹ 49,95,931.

On this being pointed out, the AA intimated (January 2020) that the case has been sent to Revisional Authority for taking *suo motu* action.

The matter was reported to the Excise and Taxation Department in November 2017 and to the Government in June 2019; their replies were awaited.

**The Department may verify all purchase transactions totaling more than ₹ one lakh from a single VAT dealer in a year as per instructions issued by the Government.**

### **2.5 Input Tax Credit incorrectly allowed on Capital Goods and Petroleum Products**

**Assessing Authority, allowed excess input tax credit of ₹ 5 crore. In addition, interest of ₹ 0.18 crore was also leviable.**

Under Section 8 of the HVAT Act, input tax in respect of any goods purchased by a VAT dealer shall be the amount of tax paid to the State on the sale of such goods to him. No ITC on goods which are disposed of otherwise than by way of sale is admissible. Surcharge at the rate of five *per cent* is payable on the tax leviable, under Section 7 (A) of HVAT Act w.e.f 2 April 2010.

**2.5.1** Scrutiny of the records (May 2017) of the office of DETC (ST) Panipat revealed that a dealer who was a manufacturer of synthetic rubber products awarded contract of construction of building to a contractor. The contractor supplied building material worth ₹ 60.11 crore to the dealer during 2011-12 and 2012-13. The dealer claimed ITC of ₹ 4.79 crore on purchases of building material. The AA, while finalising the assessments in August 2013 and August 2014 allowed the benefit of ITC without verifying the admissibility of input tax as per provision contained in Section 8 of HVAT Act 2003. This resulted in allowing inadmissible benefit of ITC on capital goods of ₹ 4.79 crore.

On this being pointed out, the AA intimated (March 2019) that the cases have been sent to Revisional Authority for taking *suo motu* action.

**2.5.2** As mentioned in Schedule E of HVAT Act, no ITC on petroleum products and natural gas is admissible when used as fuel. The Excise and Taxation Commissioner, Haryana, Panchkula had also issued instructions in 2011 that if the petroleum products and natural gas are used as fuel, ITC in respect of VAT paid on purchases of such goods shall be 'nil'. Surcharge at the rate of five *per cent* is payable on the tax leviable, under Section 7 (A) of

HVAT Act w.e.f 2 April 2010. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of the records (February and September 2018) revealed that a dealer in the office of DETC (ST) Ambala purchased Pet Coke of ₹ 4.25 crore during 2013-14 and 2014-15 and used the same as fuel and claimed ITC of ₹ 0.21 crore. While finalising assessments in these cases between March 2017 and March 2018, the AAs allowed ITC. This resulted in excess grant of ITC of ₹ 0.21 crore. In addition, interest of ₹ 0.18 crore<sup>3</sup> was also leviable.

On this being pointed out, AAs intimated (February and September 2018) that these cases had been sent to the Revisional Authority for *suo motu* action.

The matter was reported to the Excise and Taxation Department in February 2019 and to the Government in March and May 2019; their replies were awaited.

**The Department may verify the admissibility of input tax credit on capital goods and petroleum products as per provisions of the Act.**

## 2.6 Incorrect benefit of Input Tax Credit on goods not sold

**Assessing Authority, while finalising the assessment allowed inadmissible input tax credit claim for purchase of Duty Entitlement Pass Book which was not sold by the dealer resulting in incorrect grant of input tax credit of ₹ 0.93 crore. In addition, interest of ₹ 0.75 crore was also leviable.**

Under Section 8 of the HVAT Act, Input Tax Credit (ITC) on purchase of goods is admissible against tax liability on sale of goods as such or the goods manufactured therefrom in the State or interstate trade and commerce. The Government had also clarified (22 April 2013) that ITC is admissible only if the Duty Credit Scrips are purchased for re-sale as such and no ITC would be admissible if these were used for adjustment of custom duty. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of the records (February 2018) revealed that a dealer in the office of DETC (ST) Rewari purchased Duty Entitlement Pass Book (DEPB) worth ₹ 17.78 crore after payment of VAT ₹ 0.93 crore during 2013-14. The dealer used the same for adjustment of custom duty payable by him. As the goods (DEPB) were not sold by the dealer, no ITC was admissible. However, while

<sup>3</sup> ₹ 13,73,304 X 2 X 1,239/(30X100) = ₹ 11,34,349  
₹ 7,51,770 X 2 X 1,231/(30X100) = ₹ 6,16,952  
Total = ₹ 17,51,301

finalising assessment in March 2017, AA allowed the ITC resulting in incorrect grant of ITC of ₹ 0.93 crore. In addition, interest of ₹ 0.75 crore<sup>4</sup> was also leviable.

On this being pointed out, AA Rewari intimated (January 2019) that the case had been sent to Revisional Authority for taking *suo motu* action.

The matter was reported to the Excise and Taxation Department in May 2018 and to the Government in April 2019; their replies were awaited.

**The Department should verify the purchase of duty credit scrips for re-sale not the adjustment of custom duty so that correct ITC may be granted.**

## 2.7 Under assessment of tax due to mistake in calculation

**Assessing Authorities, underassessed tax of ₹ 26.23 crore due to calculation mistake. In addition, interest of ₹ 18.63 crore was to be levied.**

Under Section 19 of HVAT Act, any taxing authority or appellate authority, may, at any time, within a period of two years from the date of supply of copy of the order passed by it in any case, rectify any clerical or arithmetical mistake apparent from the record of the case after giving the person adversely affected thereby a reasonable opportunity of being heard. Further, under Section 14 (6) of HVAT Act, *inter alia* lays down that if any dealer fails to make payment of tax in accordance with the provisions of the Act and Rules made thereunder, he shall be liable to pay, in addition to the tax payable by him, simple interest at one *per cent* per month if the payment is made within ninety days, and at two *per cent* per month if the default continues beyond ninety days for the whole period, from the last date specified for the payment of tax to the date he makes the payment.

**2.7.1** Scrutiny of the records (July and September 2018) revealed that four dealers in the office of DETC (ST), Rohtak and Sonapat had made sales valued at ₹ 14.48 crore during 2014-15. The AAs, while finalising the assessments between January and March 2018 assessed the tax of ₹ 0.72 crore

<sup>4</sup> Interest @ 2% (1/11/2013 to 03/03/2017) = ₹  $\frac{93,34,383 \times 2 \times 1213}{100 \times 30}$  = ₹ 75,48,404.

instead of correct amount of ₹ 0.84 crore resulting in under assessment of tax of ₹ 0.12 crore<sup>5</sup>. In addition, interest of ₹ 0.10 crore was also leviable.

On this being pointed out, AA Rohtak and Sonapat stated between July and October 2018 that these cases had been re assessed and additional demand of ₹ 0.24 crore had been raised.

The matter was reported to the Excise and Taxation Department in February 2018 and to the Government in March 2019; their replies were awaited.

**2.7.2** Scrutiny of the records (January 2019) revealed that a dealer in the office of DETC (ST) Gurugram (West) had made sales valued at ₹ 221.04 crore during 2014-15. The AA, while finalising assessment (March 2018) assessed the tax of ₹ 2.90 crore instead of the correct amount of ₹ 29.01 crore due to calculation mistake and levied interest thereon of ₹ 2.41 crore instead of ₹ 20.94 crore. This resulted in under assessment of tax of ₹ 26.11 crore and interest of ₹ 18.53 crore<sup>6</sup>.

On this being pointed out, AA Gurugram (West) in April 2019 had raised demand of ₹ 44.64 crore.

The matter was reported to the Excise and Taxation Department in April 2019 and to the Government in June 2019; their replies were awaited.

**The Department may ensure to check all the calculations so that mistakes may be avoided.**

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<sup>5</sup>

TIN	Tax to be leviable	Tax levied	Tax short levied	Amount of interest (Amount in ₹)
06702818009	29,20,144	20,20,143	9,00,001	$9,00,001 \times 2 \times 1236/30 \times 100 = 7,41,600$
06813006752	43,86,785	42,80,989	1,05,796	$1,05,796 \times 2 \times 1229/30 \times 100 = 86,682$
06313013526	5,27,443	4,27,442	1,00,001	$1,00,001 \times 2 \times 1169/30 \times 100 = 77,934$
06143006878	5,45,143	4,54,143	91,000	$91,000 \times 2 \times 1232/30 \times 100 = 74,741$
<b>Total</b>	<b>83,79,515</b>	<b>71,82,717</b>	<b>11,96,798</b>	<b>9,80,957</b>

<sup>6</sup> Interest leviable ₹ 20,94,04,495- ₹ 2,41,41,138 (interest levied) = ₹ 18,52,63,357.

## 2.8 Under assessment of tax due to application of incorrect rate of tax

**Assessing Authorities, allowed incorrect rate of tax to nine dealers, which resulted in under assessment of tax of ₹ 4.82 crore. In addition, interest of ₹ 3.91 crore was also leviable.**

The rates under HVAT Act have been prescribed as per Schedules A to G. However, under Section 7 (1) (a) (iv) of the HVAT Act, any commodity other than commodities classified in any of the schedules is taxable at the rate of 12.5 per cent with effect from 1 July 2005. Surcharge at the rate of five per cent on the tax is leviable under Section 7 (A) of HVAT Act w.e.f 2 April 2010. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of the records (July 2017 and September 2018) revealed that AAs, while finalising the assessments (March 2017 to March 2018) in 10 cases of nine dealers in the office of five DETC (ST)<sup>7</sup> for the years 2013-14 to 2015-16 applied lower tax rates than applicable rate of tax on sale of goods as detailed below:-

(Amount in ₹)

Sr. No	DETC	Assessment year/ disposal	Commodity	Amount	Tax leviable	Tax levied	Short levy of tax	Interest	Departmental reply
1	Faridabad (North)	528 dt. 31.10.17 2015-16	Haryana Tourism Corporation Work	97,88,176	12,84,698	5,13,879	7,70,819	3,75,132	Suo motu action (March 2019)
2	Gurugram (North)	474 dt. 22.03.18 2014-15	Auto parts	2,80,31,087	36,79,080	14,71,632	22,07,448	18,20,409	Demand of ₹ 32,13,065 raised (July 2019).
3	Karnal	1208 dt. 21.03.17 2013-14	Barley malt and malt extracts	4,35,49,422	57,15,862	22,86,345	34,29,517	28,25,922	Suo motu action (April 2018).
4	Gurugram (North)	1179 dt. 14.03.17 2013-14	Biscuit, cakes, toffee, chocolates & cosmetic items	1,31,16,326	17,21,518	6,01,746	11,19,772	10,54,825	Suo motu action (August 2019)

<sup>7</sup> Faridabad (North), Gurugram (North), Karnal, Jind and Panchkula.

**Report for the year 2018-19 (Revenue Sector)**

Sr. No	DETC	Assessment year/ disposal	Commodity	Amount	Tax leviable	Tax levied	Short levy of tax	Interest	Departmental reply
5	Gurugram (North)	42 dt. 16.03.17 2013-14	Filters	2,96,13,996	38,86,837	15,54,735	23,32,102	13,46,400	Suo motu action (August 2019)
6	Karnal	1207 dt. 21.03.17 2013-14	Liquid glucose, malto dextrine powder, nondairy cream and noodles	16,06,69,374	2,10,87,855	84,35,142	1,26,52,713	1,04,25,836	Suo motu action (April 2018).
7	Gurugram (North)	70 dt. 29.03.17 2013.14	Paneer	1,63,35,986	21,44,098	8,57,639	12,86,459	10,66,903	Notice has been issued to the dealer (December 2018).
	Gurugram (North)	496 dt. 27.03.18 2014-15	Paneer	2,44,86,490	32,13,852	12,85,541	19,28,311	15,96,642	-do-
8	Jind	770 dt. 30.03.18 2014-15	Paneer	3,65,11,488	47,92,133	19,16,853	28,75,280	23,86,482	Case sent to RA (I) Rohtak (August 2019)
9	Panchkula	1387 dt. 28.03.17 2013-14	Security systems	24,85,05,160	3,26,16,302	1,30,46,521	1,95,69,781	1,62,16,825	Revisonal Authority has decided the case raising an additional demand of ₹ 1,95,69,781 Haryana Tax Tribunal also dismissed the appeal of the dealer.
<b>Total</b>				<b>61,06,07,505</b>	<b>8,01,42,235</b>	<b>3,19,70,033</b>	<b>4,81,72,202</b>	<b>3,91,15,376</b>	

The application of incorrect rate of tax has resulted in under assessment of tax of ₹ 4.82 crore. In addition, interest of ₹ 3.91 crore was also leviable.

On this being pointed out, DETC Gurugram (North) intimated in one case that the additional demand of ₹ 32.13 lakh had been created and in two cases notices (October 2019) have been issued to the dealers. DETC Panchkula intimated that demand of ₹ 1.96 crore had been created in one case. Further, it was intimated that matter had been sent to Revisonal Authorities for taking *suo motu* action in remaining six cases.



The matter was reported to the Excise and Taxation Department in October 2018 and to the Government in January 2020; their replies were awaited.

**The Department may undertake detailed scrutiny of cases for ensuring that correct tax rates are being levied.**

### **2.9 Under assessment of tax due to non inclusion of excise duty in gross turnover**

**While finalising the assessment, Assessing Authority assessed Gross Turnover of ₹ 188.39 crore instead of correct amount of ₹ 199.76 crore resulting in under assessment of tax of ₹ 1.49 crore. In addition, interest of ₹ 1.22 crore was also leviable.**

Under Section 2 (1) (zg) of the HVAT Act, provides that ‘sale price’ means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed at the time of sale as cash or trade discount according to the practice, normally prevailing in the trade, but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof would include any sum charged on account of freight, storage demurrage, insurance, handling charges, cess, excise duty, weighment, packing charges, warranty, drawing and designing, service charges and other incidental expenses. Further, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of the records (November 2018) revealed that the AA while finalising the assessment of a dealer in the office of DETC (ST) Gurugram (East), for the year 2014-15 did not include excise duty of ₹ 11.37 crore in gross turnover (GTO). The AA assessed GTO wrongly as ₹ 188.39 crore instead of correct amount of ₹ 199.76 crore. This resulted in under assessment of tax of ₹ 1.49 crore. In addition, interest of ₹ 1.22 crore was also leviable.

On this being pointed out (November 2018) the AA intimated (June 2019) that the case had been sent to Revisional Authority for taking *suo motu* action.

The matter was reported to the Excise and Taxation Department in March 2019 and to the Government in July 2019; their replies were awaited.

**The Department may issue instructions to all the AAs to consider proper GTO at the time of assessment by including all incidental expenditure in gross turnover.**

## 2.10 Under assessment of tax due to non levy of tax on handling charges

**Assessing Authorities, while finalising assessments did not levy tax on handling charges resulting in under assessment of tax of ₹ 0.22 crore. In addition, interest of ₹ 0.18 crore was also leviable.**

Under Section 2 (1) (zg) of HVAT Act, “Sale price” means the amount payable to a dealer as consideration for sale of any goods, less any sum allowed at the time of sale as cash or trade discount according to the practice, normally prevailing in the trade, but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof and the expression “purchase price” shall be construed accordingly. The Haryana Tax Tribunal in case of M/s Hisar Automobiles Hisar and Vipul Motors Faridabad v/s State of Haryana held that handling charges received by Automobile dealer are part of sale price and liable to tax (July 2017). Surcharge at the rate of five *per cent* is payable on the tax leviable, under Section 7 (A) of HVAT Act w.e.f 2 April 2010.

Scrutiny of the records (February and August 2018) revealed that an automobile dealer in the office of DETC (ST) Ambala for the year 2013-14 and 2014-15 had shown receipts of handling charges towards the receipts from automobile sale worth ₹ 1.71 crore<sup>8</sup>. Automobile being an unclassified items is taxable at general rate 12.5 *per cent* plus surcharge. However, while finalising assessment (February 2017 and February 2018), the AA did not levy tax on handling charges resulting in under assessment of tax of ₹ 0.22 crore. In addition, interest of ₹ 0.18 crore<sup>9</sup> was also leviable.

On this being pointed out, the AA replied (February and August 2018) that the cases had been sent to the Revisional Authority for *suo motu* action.

The matter was reported to the Excise and Taxation Department between June and October 2018 and to the Government in February 2019; their replies were awaited.

**The Department may instruct all the AAs to consider all the instructions issued by the Department and court judgements at the time of assessment.**

<sup>8</sup> 2013-14 = ₹ 74,73,912.

2014-15 = ₹ 95,87,373.

<sup>9</sup> ₹ 9,80,951 X 1,190 X 2%/30 = ₹ 7,78,221.

₹ 12,58,343 X 1,193 X 2%/30 = ₹ 10,00,802.

## 2.11 Tax benefits allowed against invalid forms 'F'

**Assessing Authorities, while finalising the assessments allowed incorrect exemption of branch transfers/consignments worth ₹ 43.84 crore to 10 dealers, which resulted into non levy of tax of ₹ 2.30 crore. In addition, penalty of ₹ 6.90 crore was also leviable.**

Section 6 (A) (1) of CST Act provides that where any dealer claims that he is not liable to pay tax under this Act on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or to his agent or principal, for this purpose he may furnish to the AA a declaration in form 'F' signed by the principal officer of the other place of business, or his agent or principal. Further, section 38 of HVAT Act, provides for penal action (three times of tax avoided/benefit claimed) for claims on the basis of false information and incorrect accounts or documents etc. The Government of Haryana had issued instructions on 14 March 2006 and 16 July 2013 for verification of intra-state and inter-State transactions of more than one lakh rupees before allowing the benefit of tax/concession to the dealers.

Scrutiny of the records (August and October 2018) revealed that 10 dealers in the office of DETC (ST) Jind and Kaithal claimed exemption on their branch transfers/consignment sale amounting to ₹ 43.84 crore to two firms situated in Rajasthan and Delhi for the years 2014-15 and 2015-16. In support of the claims, the dealers filed 73 'F' forms obtained from their respective branches/agents located in Rajasthan and Delhi. The concerned AAs finalised the assessments between August 2017 and May 2018 and allowed the exemptions based on the declarations filed without verification as per instructions, *ibid*.

Audit referred these 73 'F' forms to Concerned Authorities of Rajasthan and Delhi for verification. The Department of Trade and Taxes, Government of NCT Delhi intimated in February 2019 that registration of two firms were cancelled (Date of cancellation 23 September 2015 w.e.f. 21 April 2014) and cancellation of 'F' forms issued by one firm was under process (letter has been issued for obtaining cancellation date). Concerned Authorities of Rajasthan intimated that registration of two firms and 'F' forms issued by them were cancelled (Date of cancellation 31 March 2017 w.e.f. 01 August 2013 and Date of cancellation w.e.f. 01 April 2013). Thus, allowing the benefit of consignment sale against invalid 'F' forms by AAs resulted in non levy of tax ₹ 2.30 crore. In addition, penalty of ₹ 6.90 crore was also leviable.

On this being pointed out, DETC Kaithal intimated (August 2019) that demand of ₹ 1.48 crore had been created in 20 invalid forms 'F' and action is under consideration in remaining six forms 'F'. DETC Jind intimated (August 2019) that notice has been issued to the dealer in two forms 'F' and cases under verification in remaining 45 forms 'F'.

The matter was reported to the Excise and Taxation Department in January 2019 and to the Government in December 2019; their replies were awaited.

**The Department may ensure stringent enforcement of its instructions for grant of concession on intra-state and inter-state sales after due verification.**

## 2.12 Non levy of interest

**While finalising the assessments, Assessing Authorities failed to levy interest on late/non payment of tax. This resulted in non levy of interest of ₹ 1.15 crore.**

Under Section 14 (6) of Haryana Value Added Tax Act, 2003 (HVAT Act), inter alia lays down that if any dealer fails to make payment of tax in accordance with the provisions of the Act and Rules made thereunder, he shall be liable to pay, in addition to the tax payable by him, simple interest at one *per cent* per month if the payment is made within ninety days, and at two *per cent* per month if the default continues beyond ninety days for the whole period, from the last date specified for the payment of tax to the date he makes the payment.

Scrutiny of the records (September and October 2018) revealed that two dealers in the office of DETC (ST) Ambala, had paid tax amounting to ₹ 1,21,70,591 instead of payable tax of ₹ 2,21,54,609 in accordance with the provisions of the Act and Rules. While finalising assessments for the year 2014-15 in March 2018 the AAs failed to levy interest on late/non payment of tax. This resulted in non levy of interest of ₹ 1.15 crore<sup>10</sup>.

On this being pointed out, AA Ambala Cantt. intimated in one case in September 2018 that the case had been sent to Revisional Authority for taking

<sup>10</sup> Total tax payable = ₹ 2,21,54,609 - ₹ 1,21,70,591 (tax not paid) = ₹ 99,84,018.  
Interest calculation is detail below:-

Tax not paid	Late deposit of tax in days	Interest leviable
₹ 99,84,018	415 to 1369 days	₹ 99,84,018X2%X1369/30 = ₹ 88,12,476
₹ 91,34,012	367 to 548 days	₹ 91,34,012X2%X548/30 = ₹ 27,12,651
<b>Total</b>		<b>₹ 1,15,25,127</b>

*suo motu* action and in other case AA Ambala City intimated that notice had been issued to the dealer.

The matter was reported to the Excise and Taxation Department between October 2018 and January 2019 and to the Government in April 2019; their replies were awaited.

**The Department may ensure recovery of the interest amount under intimation to Audit.**

### 2.13 Non levy of tax on taxable goods

**While finalising the assessments, the Assessing Authority assessed the sale of ₹ 6.03 crore as tax free which included taxable goods of ₹ 1.80 crore, resulting in under assessment of tax of ₹ 0.18 crore. In addition, penalty of ₹ 0.54 crore was also leviable.**

Under section 7 (1) (a) (iii) and (iv) of the HVAT Act, any commodity classified in Schedule C is taxable at the rate of five *per cent* with effect from 15 February 2010 and the unclassified commodities are taxable at the rate of 12.5 *per cent* with effect from 1 July 2005. Surcharge at the rate of five *per cent* is payable on the tax leviable, under Section 7 (A) of HVAT Act w.e.f 2 April 2010. Further, Section 38 provides for penal action (tax avoided/benefit claimed and three times penalty) for claims on the basis of documents, false information and incorrect accounts.

Scrutiny of the records (July 2018) revealed that for a dealer in the office of DETC (ST) Panchkula, while finalising assessments of the dealer for the year 2013-14 and 2014-15 the AA assessed the sale of ₹ 6.03 crore as tax free. However, cross verification from official website of Excise and Taxation Department of Punjab made by audit revealed that taxable sale of cosmetic goods, mobile etc. worth ₹ 1.80 crore was included in total sale. Thus, sale of taxable goods of ₹ 1.80 crore as tax free resulted in under assessment of tax of ₹ 0.18 crore<sup>11</sup>. In addition, penalty of ₹ 0.54 crore is also leviable.

On this being pointed out, AA Panchkula intimated in November 2018 that demand of ₹ 3.17 crore was created.

The matter was reported to the Excise and Taxation Department in October 2018 and to the Government in June 2019; their replies were awaited.

<sup>11</sup> ₹ 1,10,29,171 taxable @ 12.5 % plus surcharge = ₹ 14,47,579 plus ₹ 69,37,131 taxable @ five *per cent* plus surcharge = ₹ 3,64,199 Grand total of tax = ₹ 18,11,778.

The Department may examine whether there are more such cases where tax exemption have been allowed incorrectly. Early recovery in respect of the cases pointed out by audit may be ensured.

#### 2.14 Non levy of penalty

**Assessing Authorities, disallowed inadmissible Input Tax Credit for suppressing stock to 10 dealers but did not levy prescribed penalty of ₹ 14.27 crore.**

Under Section 38 of the HVAT Act, if a dealer has maintained false or incorrect accounts or documents with a view to suppressing his sales, purchases, imports into State, export out of State, or stocks of goods, or has furnished to or produced concealed any particulars in respect thereof or has furnished to or produced before any authority under this Act or rules made there under any account, return, document or information which is false or incorrect, such authority may, after affording such dealer reasonable opportunity of being heard, direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information as the case may be, been accepted as true and correct.

Scrutiny of the records (May and August 2018) revealed that in 11 cases of 10 dealers in the office of three<sup>12</sup> DETC (ST) assessed during the year 2016-17 and 2017-18, the dealers had understated their purchases/sale/stock of ₹ 45.57 crore and evaded tax of ₹ 4.76 crore by claiming inadmissible ITC, suppressing stock etc. AAs, while finalising assessments disallowed ITC/levied tax but failed to levy penalty under Section 38 of HVAT Act. This resulted in non levy of penalty of ₹ 14.27 crore.

On being pointed out between May and September 2018, in eight cases, the AAs Gurugram (North) and Jind intimated (July 2018 to August 2019) that penalty/demand of ₹ 11.23 crore has been imposed/created and recovery proceedings had been initiated. In one case, the AA Gurugram (North) intimated (January 2019) that the case had been sent to Revisional Authority for taking *suo motu* action and in another case, the dealer had filed an appeal

<sup>12</sup>

Sr. No.	DETC/ETO	Cases assessed	Cases checked by audit
1	Gurugram (North)	8,892	2,361
2	Jind	5,695	1,559
3	Rohtak	6,305	1,580
	<b>Total</b>	<b>20,892</b>	<b>5,500</b>

before JETC (Appeal). The AA (Rohtak) intimated (August 2019) that proceedings had been initiated under Section 17 of the HVAT Act.

The matter was reported to the Excise and Taxation Department in October 2018 and to the Government in December 2019; their replies were awaited.

**The Department may ensure recovery of the amount under intimation to Audit.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**





***CHAPTER-III***  
***STATE EXCISE***



## CHAPTER III: STATE EXCISE

### 3.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is head of the Department. The ETC is assisted by the Collector (Excise) at Headquarters and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

Excise revenue is mainly derived from fee for grant of license of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

The allotment of Zone of vends is made by inviting e-tenders through a Departmental portal. The detailed procedure for e-tendering shall be finalised by the ETC which shall be displayed by uploading the same on the website of the Department.

### 3.2 Results of audit

In 2018-19, test check of the records of 25 out of 81 units of the State Excise Department highlighted non/short realisation of excise duty/license fee/ interest/penalty and other irregularities involving ₹ 45.72 crore (0.92 per cent of collection of ₹ 4,966.21 crore for the year 2017-18) in 576 cases which fall under categories depicted in **Table 3.1**.

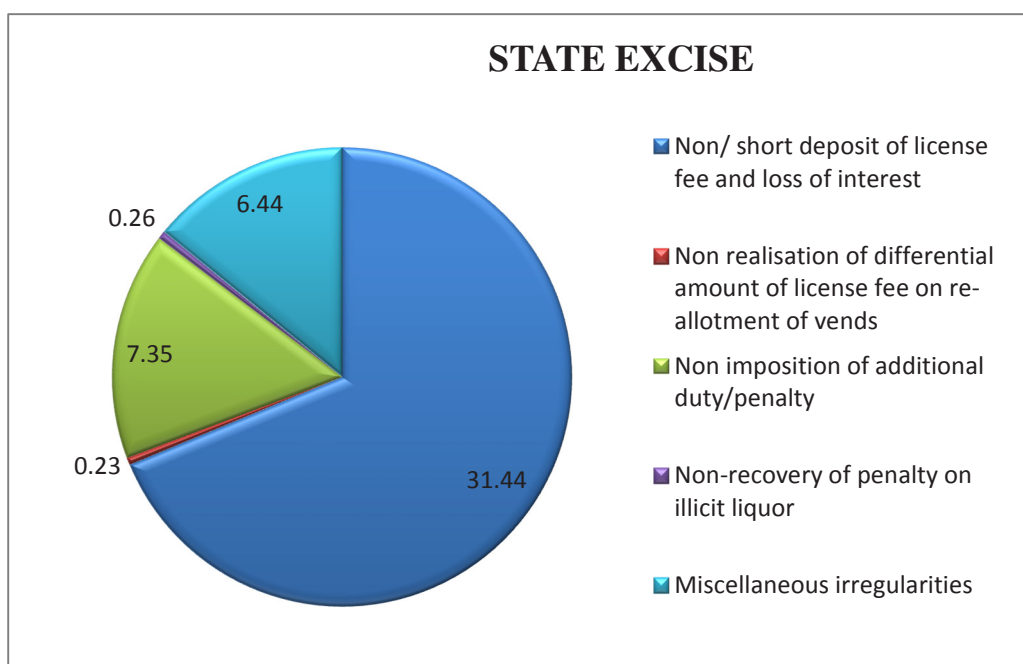
**Table 3.1 – Results of audit**

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short deposit of license fee and loss of interest	118	31.44
2.	Non realisation of differential amount of license fee on re-allotment of vends	01	0.23
3.	Non imposition of additional duty/penalty	146	7.35

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
4.	Non-recovery of penalty on illicit liquor	211	0.26
5.	Miscellaneous irregularities	100	6.44
	<b>Total</b>	<b>576</b>	<b>45.72</b>

Chart 3.1

(₹ in crore)



During the year, the Department accepted under assessment and other deficiencies amounting to ₹ 30.13 crore involved in 415 cases which were pointed out during the year. The department recovered ₹ 35 lakh involved in 19 cases out of which ₹ 15.78 lakh recovered in seven cases pertained to the year and rest to earlier years.

Some significant cases involving ₹ 8.23 crore are discussed in the following paragraphs.

### 3.3 Non levy of penalty for short lifting of quarterly quota of liquor

**Failure of the Deputy Excise and Taxation Commissioners (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 5.04 crore.**

As per Para 3.3.1 of State Excise Policy for the years 2016-17 and 2017-18, a licensee is liable to lift the entire basic quota of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) allotted to his vend as per the prescribed quarterly schedule failing which penal provisions are invoked. Non-lifting of prescribed quarterly quota attracts penalty at the rate of ₹ 65 and ₹ 20 per proof litre (PL) for IMFL and CL respectively for the deficient quantity. Further, in case of allotment of vends during the currency of financial year, the quarterly quota for the remaining quarters of the year shall be computed on proportionate basis from the quota allotted.

Scrutiny of records between August 2017 and February 2019 of five<sup>1</sup> DETC (Excise) offices for the year 2016-17 and 2017-18 showed that 80 retail outlets<sup>2</sup> did not lift the prescribed quarterly quota as detailed below:-

Details	IMFL in proof litres	CL in proof litres
Basic prescribed quota	15,56,124.10	75,37,609.10
Quota lifted	11,91,019.65	62,05,300.52
Short lifted	3,65,104.45	13,32,308.58
Rate of Penalty leviable	₹ 65	₹ 20
Amount of penalty	₹ 2,37,31,789	₹ 2,66,46,171.60

However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in loss of revenue of ₹ 5.04 crore.

<sup>1</sup> Bhiwani, Gurugram (East), Gurugram (West), Karnal and Kurukshetra.

<sup>2</sup> Number of vends = 80.

	2016-17		2017-18	
	CL	IMFL	CL	IMFL
Basic prescribed quota	-	55,000	75,37,609.1	15,01,124.1
Quota Lifted	-	45,084.71	62,05,300.52	11,45,934.94

On this being pointed out, DETCs (Excise) Bhiwani and Kurukshetra stated (April 2019) that penalty of ₹ 10.78 lakh had been recovered/adjusted from the security of the licensee. All the DETCs stated (April 2019) that the efforts would be made to recover the outstanding amount of ₹ 4.93 crore.

The matter was reported to the Excise and Taxation Department between November 2017 and March 2019 and to the Government in June 2019; their replies were awaited.

**The Department may consider to maintain a separate report of short lifting of quarterly quota.**

### **3.4 Non levy of interest on delayed payment of license fee**

**There was loss of ₹ 3.19 crore due to non levy of interest on delayed payment of license fee of ₹ 153.36 crore by 58 licensees for the period April 2016 to March 2018.**

Para 6.4 of State Excise policy for the years 2016-17 and 2017-18 stipulates that every licensee holding a license for retail outlets of IMFL and CL vends shall make payment of monthly instalment (8.3 *per cent* of the bid money in 10 equal instalments) of license fee by 20 of each month. Failure to do so renders him liable to pay interest at the rate of 18 *per cent* per annum for the period from the first of the month in which the license fee was due, to the date of payment of the instalment or any part thereof. Further, as per para 6.5 of State Excise policy, if the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed vends shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETCs (Excise) of the respective district.

Scrutiny of records (between August 2017 and February 2019) of seven<sup>3</sup> offices of DETC (Excise) for the years 2016-17 and 2017-18 revealed that 58 licencees had paid the monthly instalments of license fee amounting to ₹ 153.36 crore for the period between April 2016 and March 2018 with a delay ranging between 21 to 152 days. The DETCs (Excise) did not initiate any action to levy interest on belated payment of the license fee resulting in non levy of interest of ₹ 3.19 crore.

On this being pointed out, five DETCs<sup>4</sup> (Excise) stated (April 2019) that an amount of ₹ 6.30 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 2.23 crore. Reply from DETCs (Excise) Ambala and Faridabad have not been received.

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<sup>3</sup> Ambala, Faridabad, Gurugram (West), Jhajjar, Karnal, Kurukshetra and Sonapat.  
<sup>4</sup> Gurugram (West), Jhajjar, Karnal, Kurukshetra and Sonapat.

The matter was reported to the Excise and Taxation Department between November 2017 and May 2019 and to the Government in June 2019; their replies were awaited.

**The Department may consider for in built mechanism of automated calculation of interest in late payment cases.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**





***CHAPTER-IV***  
***STAMP DUTY***



## CHAPTER IV: STAMP DUTY

### 4.1 Tax administration

Receipts from the stamp duty and registration fees are regulated under the Indian Stamp Act, 1899 (IS Act), Registration Act, 1908 (IR Act), Punjab Stamp Rules, 1934, as adopted by the Government of Haryana and the Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978. The Additional Chief Secretary (ACS), Revenue and Disaster Management Department, Haryana is responsible for the administration of the registration of various documents. The overall control and superintendence over levy and collection of stamp duty and registration fees vests with the Inspector General of Registration (IGR), Haryana. The IGR is assisted by Deputy Commissioners (DCs), Tehsildars and Naib Tehsildars acting as Registrars, Sub Registrars (SRs) and Joint Sub Registrars (JSRs), respectively.

The value of property mentioned in the agreement or the market rate prescribed by the Collector, whichever is higher, is considered for levy of duty and fees on transfer of properties. Stamp Duty (SD) is leviable at the rate of five *per cent*. An addition of two *per cent* SD is leviable on properties located within Municipal limits. There is remission of two *per cent* for women. Registration Fees (RF) is leviable at different rates based on the transaction value<sup>1</sup>.

1

Transaction Value (₹)	Registration Fees (₹)
1 to 50,000	100
50,001 to 1,00,000	500
1,00,001 to 5,00,000	1,000
5,00,001 to 10,00,000	5,000
10,00,001 to 20,00,000	10,000
20,00,001 to 25,00,000	12,500
25,00,001 to 30,00,000	15,000
30,00,001 to 40,00,000	20,000
40,00,001 to 50,00,000	25,000
50,00,001 to 60,00,000	30,000
60,00,001 to 70,00,000	35,000
70,00,001 to 80,00,000	40,000
80,00,001 to 90,00,000	45,000
Above 90,00,000	50,000

A Stamp Auditor is posted in each district who covers all the SR/JSR offices in the district and checks all documents/deeds in each SR/JSR of that district. This is the internal audit mechanism established by the Department.

#### 4.2 Results of audit

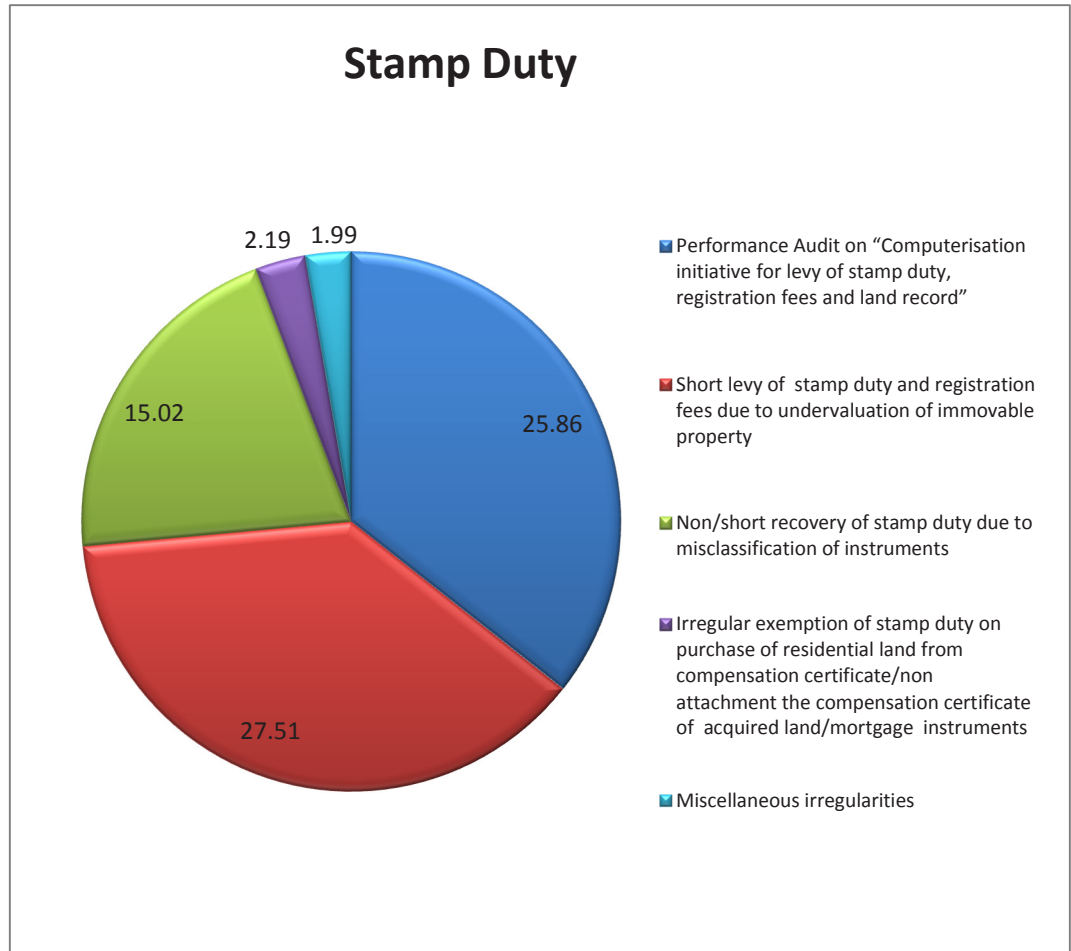
In 2018-19, test check of the records of 107 out of 143 units of Revenue Department revealed non/short levy of stamp duty and registration fees etc. and other irregularities involving ₹ 72.57 crore in 1,800 cases, which fall under following categories depicted in the **Table 4.1**.

**Table-4.1 – Result of Audit**

Revenue			
Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Performance Audit on “Computerisation initiative for levy of stamp duty, registration fees and land record”	1	25.86
2.	Short levy of stamp duty and registration fees due to undervaluation of immovable property	1,351	27.51
3.	Non/short recovery of stamp duty due to misclassification of instruments	194	15.02
4.	Irregular exemption of stamp duty on purchase of residential land from compensation certificate/non attachment the compensation certificate of acquired land/ mortgage instruments	135	2.19
5.	Miscellaneous irregularities	119	1.99
	<b>Total</b>	<b>1,800</b>	<b>72.57</b>

Chart 4.1

(₹ in crore)



During the year, the Department accepted under assessment and other deficiencies amount to ₹ 61.45 crore involved in 1,030 cases which were pointed out during the year. The Department recovered ₹ 1.59 crore involved in 100 cases out of which ₹ 0.68 crore recovered in 10 cases pertained to the year and rest to earlier years.

Significant cases involving ₹ 25.86 crore are discussed in the following paragraphs. The cases pointed out are based on the test checks conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

### **4.3 Computerisation initiative for levy of stamp duty, registration fees and land record**

#### **Highlights**

- The Department did not formulate Functional Requirement Specifications, Software Requirement Specifications and Change management Policy/procedure.

**(Paragraph 4.3.7.1)**

- Deficiency in mapping of business rules in the system resulted in short levy of stamp duty and registration fees of ₹ 22.56 crore.

**{Paragraphs 4.3.7.2 (a) to (d)}**

- Deficient system design and non-implementation of manual verification process in absence of automation resulted in short levy of Stamp Duty and Registration Fees of ₹ 1.54 crore.

**(Paragraph 4.3.7.3)**

- Work related to Modernisation/Computerisation of land records under National Land Records Modernisation Programme was not completed.

**(Paragraph 4.3.10.2)**

- Business continuity plan to ensure continuity of IT system in the event of disaster was not developed.

**(Paragraph 4.3.11)**

- The Department has not formulated any password policy. In absence of this, 3,981 transactions were unauthorisedly made/accessed by using the user IDs allotted to the departmental official/personnel on the day/days of their absence due to leave etc.

**(Paragraph 4.3.12)**

- Delayed implementation of revised rates of registration fees resulted in short levy of registration fees of ₹ 1.69 crore.

**(Paragraph 4.3.15)**

#### **4.3.1 Introduction**

Stamp Duty (SD) and Registration Fees (RF) in the State are regulated under the IS Act, IR Act, Punjab Stamp Rules, 1934, as adopted by the Government of Haryana with suitable amendments and the Haryana Stamp Act (Prevention of Undervaluation of Instruments) Rules, 1978.

The Department of Revenue and Disaster Management implemented the “Haryana Registration Information System (HARIS)” in the State during the year 2000-01 through National Informatics Centre Haryana State Unit (NIC-HSU). The objective of HARIS envisaged speed, accuracy, transparency, dispute resolution and online management of data. Haryana Land Records Information System (HALRIS) was also implemented (August 2003) mainly to computerise land record<sup>2</sup>. HARIS and HALRIS applications hosted on a server installed at unit level were used by the Department in a distributed environment. HARIS and HALRIS applications were replaced (April 2018) with a web-enabled workflow based integrated System namely web-HALRIS which was operational in 69 out of 142 Tehsils/Sub Tehsils (November 2019).

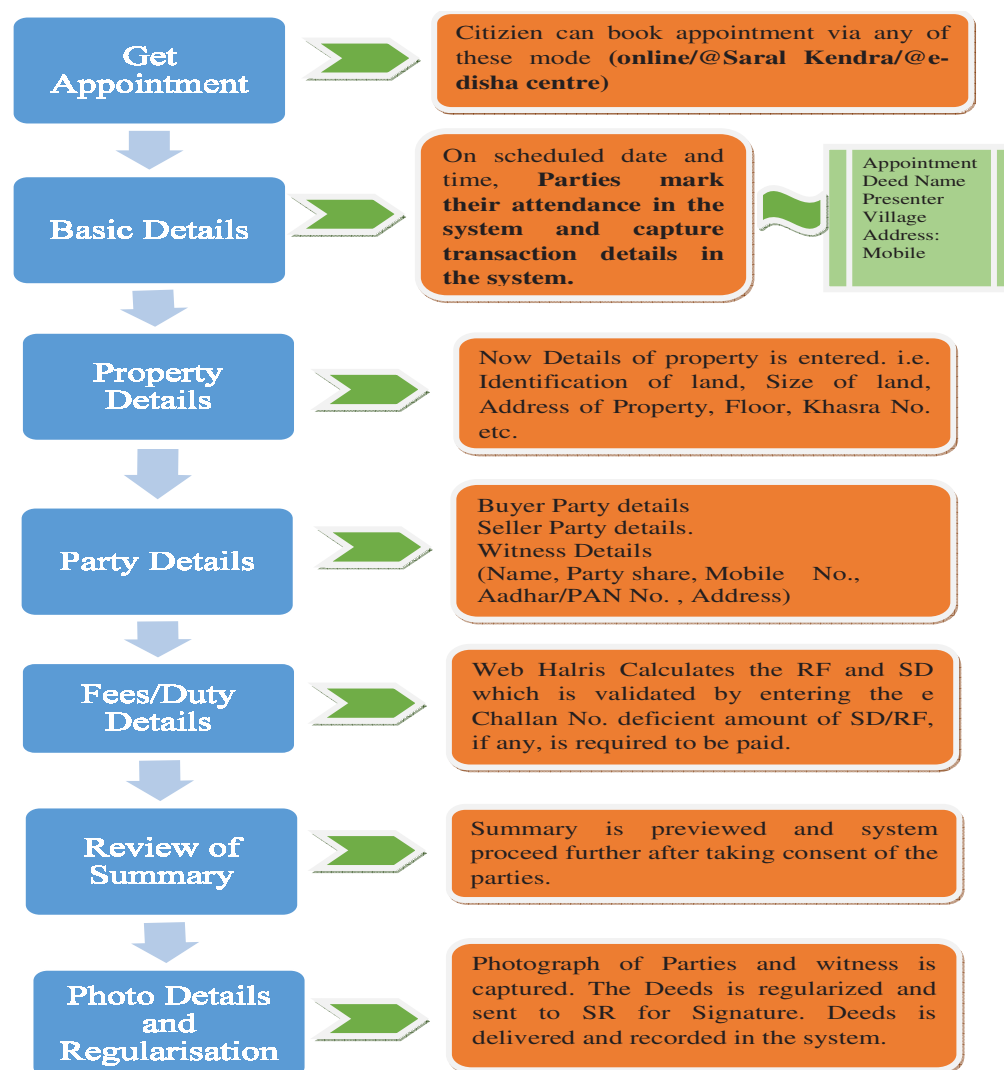
The Department also took initiatives to develop a modern, comprehensive and transparent land record management system under GOI sponsored National Land Record Modernization Programme (NLRMP) (2009) which was later renamed as Digital Indian Land Records Management Programme (DILRMP) (2014-15).

### **4.3.2 System setup**

Web-HALRIS application compatible with Window platform was designed by NIC-HSU and implemented on client/server architecture. The Front end outlining and web pages were designed by using ASP.NET and MS Visual basic. The database was hosted in Microsoft MS SQL server. The workflow in the web-HALRIS for registration of any document by the citizen is as under: -

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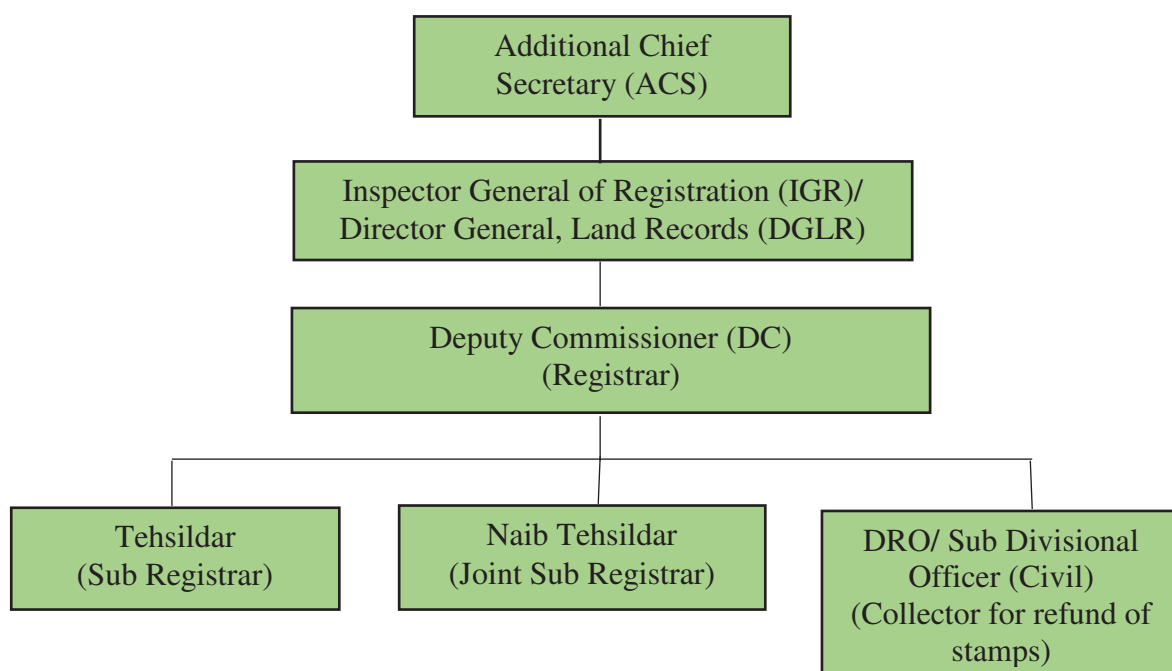
<sup>2</sup> Khasra Girdawari data entry, Jamabandi, Mutation and Nakals.



- Appointment for registration of documents are booked through e-registration module so as to be present on appointment date.
- The information regarding basic details, property details and party details is captured through the System.
- The System itself validates the share in possession of the seller from land records.
- The System compute/calculate due amount of the Stamp duty/Registration fees payable for the registration of the document.
- The entered details of payment i.e. e-Stamp Number and e-Challan is validated by the System.
- Finally the photographs of seller, purchaser and witness is captured along with SR/JSR and after regularisation of the documents unique registration number is assigned.



### 4.3.3 Organisational set up



### 4.3.4 Audit Objectives

The performance audit was conducted to assess whether:

- Automation of registration process and levy of stamp duty was done efficiently to ensure transparency and effectiveness;
- Land records were computerised effectively to ensure timely updation of record and its utilisation; and
- IT controls were in place to ensure completeness, accuracy and reliability of data.

### 4.3.5 Scope and methodology

The audit of receipts from SD and RF and land revenue in the State is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Out of 22 districts under six revenue divisions, eight districts<sup>3</sup> were selected. Faridabad and Gurugram on highest revenue collection basis and remaining six on stratified random sampling method using IDEA application for covering the period from 2014-15 to 2018-19 during performance audit. 20 offices<sup>4</sup> of

<sup>3</sup> Faridabad, Gurugram, Hisar, Kurukshetra, Panipat, Palwal, Rewari and Sonapat.

<sup>4</sup> Dhauj, Faridabad, Gaunchhi (District-Faridabad), Gurugram, Harsaru, Wazirabad (District-Gurugram), Hisar, Narnaud, Uklana (District-Hisar), Pehowa, Thanesar (District-Kurukshetra), Hodal, Palwal (District-Palwal), Israna, Panipat (District-Panipat), Dharuhera, Manethi, Rewari (District-Rewari), Gohana and Sonapat (District-Sonapat).

SRs/JSRs out of 56 in eight selected districts were selected for detailed analysis. Further, eight out of 20 offices were selected being district headquarter and remaining 12 offices were selected by stratified random sampling method by using IDEA application. Records/data maintained in the office of ACS and DGLR/IGR were also examined as and when required.

The performance audit has been conducted between February 2019 and January 2020, covered the activities like assessing adequacy of system documentation, mapping of business rules, adequacy of application controls by analysis of data of HARIS and web-HALRIS using IDEA/Tableau. Apart from record/data/process of registration, updation of Girdawari, Jamabandi, Mutation, Field measurement book etc. were also scrutinised. An entry conference was held on 07 February 2019 with the Department of Revenue and Disaster Management, Government of Haryana in which the audit objectives, audit criteria and scope and methodology of audit were discussed.

The draft Performance Audit report was issued (March 2020) to the Government/Department and an exit conference to discuss the draft Performance Audit report was held on 28 May 2020 with the Department/Government along with National Informatics Centre (NIC). Their replies/views have been considered and suitably incorporated in this Performance Audit report.

#### **4.3.6 Audit criteria**

The audit criteria were drawn from the following sources:

- Indian Stamp Act, 1899;
- The Registration Act, 1908;
- Transfer of Property Act, 1882;
- Punjab Stamp Rules, 1934, as adopted by the Government of Haryana with suitable amendments;
- Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978;
- Guidelines of Digital Indian Land Records management programme;
- Punjab Land Record Act, 1887; and
- Notifications and instructions issued by the Government from time to time.

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**Audit findings****4.3.7 Planning and Implementation****4.3.7.1 Non preparation/Inadequate documentation**

With a citizen centric approach of improved governance, development of software application enabled systems has assumed critical importance to the Government. A structural approach divides an information system development project into distinct stages. For a seamless implementation of a system, it is essential that System/User Requirement specification (SRS), Functional Requirement Specification (FRS), System Design Document (SDD), Change Management, etc. are prepared and properly documented. A final acceptance testing of the new/upgraded system (web-HALRIS) as per FRS/SRS would be required.

Scrutiny of the records of the Department showed that there was nothing on record to suggest that any structured approach for development of the IT system/application was adopted or documented. In absence of any documentation, the Department could neither monitor the development and implementation of the system nor ensure that all the functions performed manually by the Department were incorporated in the computerized system. Thus, the Department was largely dependent on NIC for implementation and monitoring. Further, it was also noticed that no FRS, SDD and SRS document for HARIS was on record making it evident that users were not involved in the process of development of the IT System. It was observed that the SRS for HALRIS was prepared but it was not updated for the changes made in the system since 2007.

Further, Audit noticed that the Department neither formed any Committee for testing the software changes made in the System, study of gap analysis determining the need for development of web-enable application (web-HALRIS) nor documented any test data or test reports before the implementation of the computerized IT system. Moreover, changes carried out in the system were not documented to show any approval thereof prior to the implementation of these changes. The issue of non/inadequate documentation was pointed out (January 2020).

During exit conference, NIC admitted the facts of non-preparation of documents at each stage of development. In the exit conference, the Department further stated that testing of web-HALRIS was done and test reports and changes made in various development iterations would be shared with the audit, however, no such reports were made available.

In addition to non/inadequate documentation, other deficiency as detailed below was observed:-

### ***Absence of change control mechanism***

Any information system requires a sound change management procedure covering control of the ongoing maintenance of system, standard methodology for recording and performing changes in the system, which need to be authorised at an appropriate level in the administration.

Scrutiny of the record of the Department showed that the Department had not prepared and documented any policy to control changes made in the system, keeping record of such changes and impact analysis of those changes during project life cycle. In absence of the documentation, it could not be ensured whether required changes were effected timely and effectively.

During exit conference, the Department informed that the change management policy has not been formulated and documented. NIC stated that as and when Government orders is forwarded to NIC, requisite changes are made in the system at the earliest. Further, the Department intimated that change management committee would be formed.

### ***4.3.7.2 Non mapping of Business Rules***

While transforming the functions required to be performed by an organisation into IT environment, it is necessary to map<sup>5</sup> all the required function in the IT system so as to safeguard the collection of revenue and to minimise manual intervention.

Data analysis of HARIS/web HALRIS, revealed that business rules pertaining to levy of SD and RF in certain class of transaction of immovable properties was not correctly mapped. As a result, the system failed to prevent undervaluation of property resulting into short/non recovery of SD and RF as discussed below:

#### ***(a) Short levy of SD and RF due to lack of auto calculation facility of land cost on the basis of residential rates in case of area of land/share of land less than 1,000 square yards***

As per Business rules no 5097STR-1-2000/spl dated 14 January 2000 and standing order issued dated 03 September 2013 of the Department, the agricultural land sold with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less

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<sup>5</sup> Mapping of Business rules means provisions of the applicable Act, rules made there-under and instructions issued by the Government/Department from time to time.

than 1,000 square yards, be valued at the rate fixed for the residential property of that locality for the purpose of levying SD and RF.

As per the above business rule, a check should have been incorporated in the application to validate the share of each purchaser of the agricultural land. In case, such share is less than 1,000 square yards, valuation of immovable property sold was required to be made on the basis of residential rates. There was no such provision of above business rules in the application which resulted in short levy of SD and RF as discussed in succeeding paragraphs (i to iii):-

**(i) Sale of immovable properties**

Analysis of the application and test check (December 2017 to January 2020) of the records of selected units revealed that in 18 SRs/JSRs<sup>6</sup> offices, 282 sale deeds of immovable properties (registered between August 2015 and January 2019), having area/share per purchaser less than 1,000 sq. yards were liable to be assessed for ₹ 175.18 crore based on the rates fixed for residential areas on which stamp duty ₹ 8.47 crore and registration fees of ₹ 41.25 lakh was leviable. However, the registering authorities assessed the value of immovable properties in these documents at ₹ 51.19 crore on the basis of rates fixed for agricultural land and levied stamp duty of ₹ 2.41 crore and registration fees of ₹ 22.13 lakh. This resulted in short levy of SD and RF amounting to ₹ 6.25 crore.

On this being pointed out, concerned SRs/JSRs intimated that out of 282 cases, 138 cases were sent to the collector under section 47-A of IS act for determination of the value or consideration and the proper duty payable thereon and out of above one case had been decided by the Collector but recovery was pending. Further it was intimated that remaining 144 cases would be sent to Collector for decision.

**(ii) Exchange of immovable properties**

As per Schedule 1A of the Indian Stamp Act, 1899, two parties can exchange their immovable properties and the same can be registered under category 'exchange' on which Stamp Duty will be leviable on the property having higher value.

<sup>6</sup> Dharuhera, Dhauj, Faridabad, Gaunchhi, Gohana, Gurugram, Harsaru, Hisar, Hodel, Israna, Manethi, Palwal, Panipat, Rewari, Sonapat, Thanesar, Uklana and Wazirabad.

Data analysis and test check (January 2017 to January 2020) of the 120 exchange deeds/records of selected units revealed that in 13 SRs/JSRs<sup>7</sup> offices, 32 deeds of immovable properties registered between September 2015 and January 2020 having area/share per purchaser less than 1,000 sq. yards were exchanged and so were liable to be assessed for ₹ 12.87 crore on which stamp duty of ₹ 64.17 lakh and registration fees of ₹ 4.37 lakh was leviable. However, the registering authorities assessed the value of immovable properties at ₹ 2.95 crore and levied stamp duty of ₹ 16.67 lakh and registration fees of ₹ 1.59 lakh. This resulted in short levy of SD and RF amounting to ₹ 50.28 lakh.

On this being pointed out, concerned SRs/JSRs intimated (April 2019 to January 2020) that seven cases had been sent to the Collector and remaining 25 cases would be sent to Collector for decision under Section 47-A of the Act.

### (iii) Gift of immovable properties

Analysis of data and test check (January 2017 to May 2019) of the 435 gift deeds/records of selected units revealed that in five SRs/JSRs<sup>8</sup> offices, immovable properties registered between October 2015 and February 2019 having area/share per purchaser less than 1,000 sq. yards in seven documents were gifted. These deeds were liable to be assessed for ₹ 3.41 crore based on the rates fixed for residential area on which stamp duty of ₹ 13.39 lakh (at the rate of five *per cent* in cases within MC area and three *per cent* in cases outside MC area) and registration fees of ₹ 0.95 lakh was leviable. However, the registering authorities assessed the value of these immovable properties at ₹ 72.43 lakh and levied stamp duty of ₹ 5.89 lakh and registration fees of ₹ 0.61 lakh. This resulted in short levy of SD and RF of ₹ 7.84<sup>9</sup> lakh.

<sup>7</sup> Dhauj, Faridabad, Gaunchhi, Gohana, Harsaru, Hisar, Manethi, Palwal, Pehowa, Rewari, Sonapat, Uklana and Wazirabad.

<sup>8</sup> Manethi, Palwal, Panipat, Rewari and Wazirabad.

<sup>9</sup>

No of deeds	Value liable to be assessed (₹ in crore)	SD leviable (₹ in lakh)	RF leviable (₹ in lakh)	Value assessed by the Department (₹ in lakh)	SD levied (₹ in lakh)	RF levied (₹ in lakh)	Short (₹ in lakh)
7	3.41	13.38	0.95	72.43	5.88	0.61	7.84

On this being pointed out, concerned SRs/JSRs intimated (April 2019 to November 2019) that one case relating to SR Panipat had been sent to the Collector and remaining six would be sent to Collector for decision under Section 47-A of the Act.

During exit conference, NIC and Department admitted that business rules were not mapped in the system and further stated that necessary guidelines in this regard would be provided to NIC for taking action on the recommendation of the Department.

**Non-mapping of business rule issued by the Government (November 2000) in the system led to short levy of stamp duty and registration fees of ₹ 6.83 crore in 321 cases.**

***(b) Short levy of SD and RF due to allowance of irregular exemption in release/transfer deed***

In order to validate the relationship between first and second party, application should have been designed to capture the notified inter-party relationship. It was observed that absence of provision for capturing inter-party relationship involved in the transaction of immovable property in the system resulted in short levy of SD and RF as discussed in para (i) and (ii).

***(i) Release deeds***

As per Haryana Government clarification in 2008 regarding Article 55 in schedule 1-A of the Indian Stamp Act, 1899 if an instrument of ancestral property is executed in favour of brother or sister (children of renouncer's parents) or son or daughter or father or mother or spouse or grand children or nephew or niece or co-parcener<sup>10</sup> of the renouncer, stamp duty would be levied at the rate of ₹ 15 per instrument and in any other case, the same duty will be levied as a conveyance relating to sale of immovable property for the amount equal to the market value of the share, interest, part or claim renounced.

During scrutiny of the data and test check (January 2018 to January 2020) of 2,412 release deeds/records of selected units revealed that in 16 SRs/JSRs<sup>11</sup> offices, 78 cases of immovable properties registered between April 2016 and March 2019 were released to relations other than those permitted vide notification of the Government, so were liable to be assessed for ₹ 23.55 crore on which stamp duty of ₹ 1.17 crore and registration fees of ₹ 8.20 lakh were leviable. However, the registering authority levied stamp duty of ₹ 0.09 lakh

<sup>10</sup> A person who inherited the property from the Hindu Undivided Family.

<sup>11</sup> Dharuhera, Dhauj, Faridabad, Gohana, Gurugram, Hisar, Israna, Manethi, Narnaund, Palwal, Panipat, Pehowa, Rewari, Thanesar, Uklana and Wazirabad.



and registration fees of ₹ 0.05 lakh, which resulted in short levy of SD and RF amounting to ₹ 1.25 crore.

On this being pointed out, concerned SRs/JSRs intimated (April 2019 to January 2020) that 18 cases had been sent to the Collector for decision under Section 47-A of the Act and remaining 60 cases would be sent to the Collector.

#### ***(ii) Transfer deeds***

As per Government order dated 16 June 2014, the Government may remit the stamp duty chargeable on an instrument if it pertains to transfer of immovable property by an owner during lifetime to any of the blood relations namely parents, children, grand children, brother (s), sister (s) and between spouse.

Scrutiny of the application and test check (March 2018 to December 2020) of the 16,999 transfer deeds/records of selected units revealed that in six SRs/JSRs<sup>12</sup> offices, 28 cases of immovable properties registered between January 2017 and October 2018 were transferred to relative other than blood relations, so were liable to be assessed for ₹ 10.79 crore on which stamp duty of ₹ 70.44 lakh and registration fees of ₹ 2.60 lakh was leviable. However, the registering authority levied SD and RF of ₹ 0.02 lakh which resulted in short levy of SD and RF amounting to ₹ 73.02 lakh.

On this being pointed out, concerned SRs/JSRs intimated (April to December 2019) that 16 cases had been sent to the Collector for decision under Section 47-A of the Act and remaining 12 cases would be sent to the Collector.

During exit conference, NIC admitted that inter party relationship were not being captured in the system and the Department stated that necessary guidelines in this regard would be issued to NIC for taking necessary action on the matter.

**Non mapping of permitted relation vide Government Notifications in the system, in case of transfer and release deeds resulted in short levy of stamp duty and registration fees amounting to ₹ 1.98 crore in 106 cases.**

#### ***(c) Non mapping of Khasra in the application***

##### ***(i) Prime khasras with prime rates***

Government of Haryana vide instructions (November 2000) directed all the Registration Authorities of State to identify the khasra numbers of agricultural/residential/commercial lands situated on National Highways, State Highways and link roads by District Level Evaluation Committee. Further, it

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<sup>12</sup> Gohana, Gurugram, Narnaund, Sonapat, Uklana and Wazirabad.



was also instructed (August 2018) that these khasra numbers should be entered in the System in order to ensure valuation of such khasras on prime rates fixed for those khasras for levy of stamp duty.

Scrutiny of the application and test check (February 2018 to January 2020) of the 1,02,274 deeds/records of selected units revealed that prime khasra was not linked in the system. Further, in six SRs/JSRs<sup>13</sup> offices, it was noticed that, in 24 sale deeds, the immovable property registered between April 2016 and March 2019 was situated in prime khasra so were liable to be assessed for ₹ 13.92 crore based on the higher rate fixed for prime land on which stamp duty of ₹ 59.86 lakh and registration fees of ₹ 4.40 lakh was leviable. However, due to non mapping of prime khasra in the system, the immovable property was incorrectly assessed in these documents at ₹ 10.35 crore on the basis of normal rates fixed and stamp duty of ₹ 45.24 lakh and registration fees of ₹ 3.26 lakh was levied, which resulted in short levy of SD and RF amounting to ₹ 15.76 lakh. Further, it was noticed that prime khasras were not identified in four SRs<sup>14</sup> offices.

On this being pointed out, the concerned SRs/JSRs intimated (August 2019 to January 2020) that six cases had been sent to the Collector and remaining 18 cases would be sent to Collector for decision under Section 47-A of IS Act.

During exit conference, NIC stated that reasons for non-mapping of khasra would be examined.

**(ii) Khasra of land falling within MC limits**

As per notification no 9/33/2000-5A-1 dated 11 March 2004 issued by the Government, two *per cent* additional SD is leviable in case of sale of land/property falling within MC limits.

During scrutiny of the application and test check (November 2019) of the records in the office of SR Panipat, it was noticed that in six cases, khasra number of the transacted immovable properties registered between April 2018 and May 2018 falls inside the MC. These deeds were liable to be assessed for ₹ 1.76 crore on which Stamp duty of ₹ 10.34 lakh was leviable. However, SD of ₹ 6.80 lakh was levied which resulted in short levy of SD and RF amounting to ₹ 3.54 lakh.

On this being pointed out, SR Panipat intimated (November 2019) that all the cases would be sent to Collector for decision under Section 47-A of IS Act.

<sup>13</sup> Gohana, Hisar, Hodel, Pehowa, Sonapat and Thanesar.

<sup>14</sup> Faridabad, Gaunchhi, Narnaund and Palwal.

During exit conference, it was intimated that the Department would obtain the list of Khasra number falling in MC area from the Urban Local bodies Department and the same would be incorporated in the software.

**Non mapping of prime khasra with prime rates and khasra of land falling within MC limits in the system resulted in short levy of stamp duty of ₹ 19.30 lakh in 30 cases.**

**(d) Short levy of SD and RF due to undervaluation of immovable property**

Section 27 of the Indian Stamp Act, 1899, stipulates that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of duty with which it is chargeable, should be fully or truly set forth therein. Further, Section 64 of the IS Act provides that any person who, with intent to defraud the Government, executes an instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, is punishable with a fine which may extend to ₹ 5,000 per instrument.

Scrutiny of HARIS/web-HALRIS application and test check (December 2017 to January 2020) of the records of selected units revealed that in 18 SRs/JSRs<sup>15</sup> offices, 158 sale deeds of commercial/residential lands registered between April 2016 and March 2019 were liable to be assessed for ₹ 509.83 crore at the rates fixed for this category and SD of ₹ 20.22 crore and RF of ₹ 26.72 lakh was leviable. However, immovable property in these documents were assessed at ₹ 108.70 crore on which stamp duty of ₹ 6.73 crore and registration fees of ₹ 20.88 lakh was levied. This resulted in short levy of SD and RF amounting to ₹ 13.55<sup>16</sup> crore.

<sup>15</sup> Dharuhera, Dhauj, Faridabad, Gaunchhi, Gohana, Gurugram, Hisar, Hodel, Israna, Manethi, Palwal, Panipat, Pehowa, Rewari, Sonapat, Thanesar, Uklana and Wazirabad.

<sup>16</sup>

No. of deeds	Value liable to be assessed (₹ in crore)	SD leviable@ 3 to 7 per cent of property value (₹ in crore)	RF leviable (₹ in lakh)	Value assessed by the Department (₹ in crore)	SD levied (₹ in crore)	RF levied (₹ in lakh)	Short (₹ in crore)
158	509.83	20.22	26.72	108.70	6.73	20.88	13.55

On this being pointed out, concerned SRs/JSRs intimated (March 2019 to January 2020) that 83 cases had been sent to the Collector for decision under Section 47-A of IS Act and remaining 75 cases would be sent to the Collector.

During exit conference, the Department accepted the fact and informed that work related to digitization of cadastral maps was allotted to Survey of India in 2019 and it was under progress. After completion of the project, unique ID number would be assigned to each property and using this unique ID exact location of the property can be determined.

**Non mapping of category/type of property with registration process in the system resulted in short levy of stamp duty of ₹ 13.55 crore in 158 cases.**

#### **4.3.7.3 System Design Deficiency**

During scrutiny of HARIS/web HALRIS application and analysis of data, it was noticed that business rules pertaining to levy of SD and RF in cases of compensation, lease and exchange deeds system were designed deficient which resulted in short/non levy of stamp duty as discussed in para (i) to (iii):

##### **(i) Exemption of Stamp duty**

As per Government's order issued in January 2011, the Government exempts stamp duty and registration fees in respect of sale deeds executed by farmers whose land is acquired by Haryana Government for public purposes and who purchase agricultural land in the State within two years of the compensation received by them. The exemption will be limited to the compensation amount and the additional amount involved in the purchase of agricultural land will be liable to stamp duty and registration fees as per Rules.

During scrutiny of HARIS/web-HALRIS application, it was noticed that system was not designed to capture the above mentioned critical information to determine the admissibility of amount, validity period of compensation certificate for remission of stamp duty and to disallow the exemption in case on purchase of residential/commercial property against compensation amount. Further test check (November 2016 to January 2020) of the 1,02,274 deeds/records of selected units revealed that in 17 SRs/JSRs<sup>17</sup> offices, 32 deeds registered between April 2015 and January 2019 the land purchased from compensation amount was not as per the conditions prescribed by the Government. Following type of irregularities were found in mentioned cases:-

<sup>17</sup> Dharuhera, Dhauj, Faridabad, Gaunchhi, Gohana, Israna, Harsaru, Hisar, Narnaund, Palwal, Panipat, Pehowa, Rewari, Sonapat, Thanesar, Uklana and Wazirabad.

Cases in which Commercial/Residential land were purchased	Cases in which residential rates was leviable due to land/share of land was less than 1,000 square yards per purchaser	Cases in which certificate was either enclosed for lesser amount or deduction was less than the value of land purchased	Cases in which there was undervaluation of immovable property	Total cases
10	04	14	4	32

These deeds were liable to be assessed for ₹ 24.94 crore on which stamp duty of ₹ 1.39 crore and registration fees of ₹ 4.41 lakh was leviable. But, on these deeds, SD and RF of ₹ 14.99 lakh was levied. This resulted in short levy of SD and RF amounting to ₹ 1.28 crore. Further, it was noticed that exemption of stamp duty was allowed in another 22 deeds registered between May 2015 and January 2019, however, no compensation certificate was found on record.

On this being pointed out, concerned SRs/JSRs intimated (May 2019 to January 2020) that 13 deeds had been sent to the Collector and remaining 41 cases would be sent to Collector for decision under Section 47-A of IS Act.

During exit conference, the Department stated that in the absence of land acquisition database, the check regarding admissibility of amount of remission of stamp duty could not be performed by the software. However, in such cases applicant was required to enclose the compensation certificate issued by Land and Acquisition Officer. Reply is not tenable as neither system was adequately designed so as to disallow the exemption of stamp duty in cases where conditions as contained in Government instruction (January 2011) were not fulfilled nor any effective/robust procedure for manual verification was devised for disallowing exemption of stamp duty on such cases.

#### **(ii) Computation of Annual Average Rent for lease deeds**

Section 35 of the Indian Stamp Act, 1899, also applicable in the State of Haryana, provides that the stamp duty on lease deed is chargeable on the basis of average annual rent. The stamp duty at the rate of 1.5 per cent is charged on the lease for the period up to 5 years, 3 per cent for above 5 years and up to 10 years, 6 per cent for above 10 years and up to 20 years, 9 per cent for above 20 years and up to 30 years and 12 per cent for the period of above 30 years.

During scrutiny of HARIS/web-HALRIS application, it was noticed that system was not designed to capture the year wise/periodic increase in rent for calculation of annual average rent on which stamp duty was leviable. Further, test check (February 2018 to May 2019) of 2,821 out of 16,923 registered lease deeds of selected units revealed that in 13 SRs/JSRs<sup>18</sup> offices, 42 deeds of lease rent of immovable properties registered between May 2016 and March 2019 were liable to be assessed for ₹ 18.54 crore on the basis of annual average rent on which stamp duty ₹ 56.74 lakh and registration fees of ₹ 3.32 lakh was leviable. However, annual average rent was assessed ₹ 15.06 crore and stamp duty ₹ 30.87 lakh and registration fees of ₹ 2.83 lakh was levied. This resulted in short levy of SD and RF amounting to ₹ 26.35 lakh.

On this being pointed out, concerned SRs/JSRs intimated (February 2019 to December 2019) that four cases had been sent to the Collector for decision under Section 47-A of IS Act and remaining 38 cases would be sent to Collector.

During exit conference, the Department and NIC intimated that required provisions would be made in the software.

**(iii) Non determination of higher value of property in exchange deed**

As per Schedule 1A of Indian Stamp Act, 1899, two parties can exchange their immovable properties and the same can be registered under category “Exchange” on which SD is leviable on immovable property having higher value.

During scrutiny of HARIS/web-HALRIS application in test checked offices, it was noticed that application was not designed to capture the details of both the immovable properties intended to be exchanged so the system was unable to identify the immovable property having higher value for the purpose of levy of stamp duty.

Thus, there was a design deficiency in the system to this extent as no field was created for capturing detail of both the immovable properties intended to be exchanged.

During exit conference, the Department and NIC intimated that required provisions would be made in the software.

<sup>18</sup> Dharuhera, Gurugram, Harsaru, Hisar, Manethi, Narnaund, Palwal, Panipat, Rewari, Sonapat, Thanesar, Uklana and Wazirabad.

**Thus, deficient system design and non-implementation of manual verification process in absence of automation resulted in short levy of SD and RF of ₹ 1.54 crore in 74 cases.**

#### **4.3.8 Deficient/ineffective system/process of stamp refund**

Section 54 of Indian Stamp Act, 1899 deals with refund of stamp which provides (a) that such stamp or stamps were purchased by such person with a *bonafide* intention to use them; and (b) that he has paid the full price thereof. It was also provided in the IS Act, 1899 that Form SR-1 needs to be maintained to keep track of stages involved in stamp refund from its receipt to refund stage. Though the functions related to document registration under the provisions of IS Act and IR Act had been automated but no initiatives were taken for automation of stamp refund process. During test check of record pertaining to refund of stamp in six<sup>19</sup> test checked units, following deficiencies were noticed: -

##### **(i) Non Maintenance of prescribed Records**

During test check of records in the offices of six SDOs<sup>20</sup> (Civil), it was noticed that prescribed format (Form SR-1) to record the various stages involved in the refund process was not being used.

On this being pointed out (November 2019 to January 2020), concerned authorities stated (November 2019 to January 2020) that prescribed format would be adopted in future.

##### **(ii) Payment of refund in the bank account of person other than bonafide purchaser of stamps**

During test check of record in the office of SDO (Civil) Sonapat (2018-19) it was noticed that in two cases, refund of stamps amounting to ₹ 3.30 lakh was credited into the bank account of a person other than the bonafide purchaser of the stamp.

On this being pointed out (December 2019), SDO (Civil) Sonapat (December 2019) admitted the facts of wrong credit of refund and intimated that the matter would be examined.

During exit conference, the Department stated that payment of refund was made in the bank account given at the time of applying for refund because as per online payment gateway guidelines Government does not keep record of the account from which payment has been made by the citizen.

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<sup>19</sup> Faridabad, Gohana, Hodel, Palwal, Panipat and Sonapat.

<sup>20</sup> Faridabad, Gohana, Hodel, Palwal, Panipat and Sonapat.

However, the fact remains that refund was made in the bank accounts of person other than bonafide purchaser of stamp.

***(iii) Failure to disallow the use of already refunded stamp paper and deposited challan***

In order to check whether in built/automated mechanism existed for disallowing the use of already refunded stamp paper and deposited challan, audit along with the office of SR Panipat jointly decided (November 2019) to book a dummy appointment for registration of dummy document by using 14 already refunded e-stamp papers with dummy particulars of the party. It was observed that when detail of these 14 already refunded stamp paper were entered, System displayed “already defaced” in respect of 13 e-Stamp paper thus disallowed already refunded e-stamps but one already refunded e-Stamp paper bearing no. “Q0272017L41” valuing ₹ 25,000 was accepted by the System for payment of stamp duty.

Further, System also allowed already used Challan, GRN No. 47972435 (used for issue of license to property dealer), amounting to ₹ 25,000 for payment of registration fees in respect of registration of dummy deed. Thus, the system was not fully capable to detect /disallow the use of already refunded e-stamp paper and deposited challan.

On this being pointed out (November 2019), SR Panipat admitted (November 2019) the facts regarding failure of system as mentioned above and intimated that reasons of the same would be examined under intimation to Audit.

During exit conference, the Department and NIC stated the provision to check status of e-stamp was incorporated in the appointment module.

Reply is not tenable as in above case, system did not block already used e-stamp at the time of appointment for payment of stamp duty and e-challan for payment of registration fees. Therefore, there is a possibility of use of already refunded stamp paper and deposited challan in registration process. In audit’s opinion, automated blocking of already used/refunded e-stamp paper is absolutely vital, and even isolated instances of failure cast doubts on the robustness and integrity of the e-stamp blocking functionality.

**Deficient system/process of refund resulted in non maintenance of records in prescribed form, allowance of payment of stamp refund into bank account of person other than bonafide purchaser of stamp and allowance the use of already refunded stamp paper and deposited challan for payment of SD and RF respectively in registration of deeds.**



### **4.3.9 Inadequate application controls**

Application controls are particular to an application are used to provide assurance that all transactions are valid, authorised, complete and recorded.

#### **4.3.9.1 E-registration module**

The Department implemented (February 2015) the e-registration module with the objectives to bring transparency and hassle-free services to the citizens. The module was aimed at facilitating appointment for registration documentation implementation of the time lines prescribed in Right to service Act 2014 and removal of intermediaries from the system.

Through the system appointment can be booked by the person directly or through any other person either on-line, or Citizen Service Centre/e-disha center. For booking an appointment, it is mandatory to mention the ID No. of the appointment seeker which helps to ensure that the person who booked the appointment had actually appeared for the registration process for which the appointment is booked. This ID number is verified at the time of registration of document against an appointment to ensure that the citizen for whom the appointment was booked had actually appeared for registration of the document. The appointment slot issued is communicated by way of SMS on the mobile number provided at the time of booking an appointment.

During analysis of the data pertaining to e-registration system it was noticed that 29,67,390 appointments were booked in the State for registration of documents between the period April 2015 and June 2019. Further, analysis of the data highlighted following deficiencies: -

#### **(i) Lack of Input Controls**

Input controls are the controls which seek to minimize the risk of incorrect data entry by applying validation checks, duplicate checks and other related controls. These provide the earliest opportunity to detect and correct possible input mistakes. During scrutiny of data captured in e-registration module following observations were noticed:

- PAN and Aadhaar detail of 18,922 & 4,93,864 appointments seeker respectively were invalid.
- 1,262 phone number used for booking 1,64,074 appointments were not standardized thus invalid yet accepted by the system.
- In 119 cases, allotted date of appointment was prior to the date on which request of booking was made.
- In 6,784 documents were shown to be registered prior to the date on which appointment fixed.



- In 1,097 documents were shown to be delivered prior to the date on which registration was done.

Thus, lack of input control in e-registration system resulted in capturing and accepting of unreliable data.

During exit conference, NIC stated that provision would be made in e-registration system to validate the PAN from NSDL portal in future. As an ID, Aadhaar was not mandatory, data of e-registration was not available in public domain so this information was not encrypted. However, the application would be modified to encrypt this information at all the stages of capturing and storage of Aadhaar Number.

#### **(ii) Multiple appointments on single mobile number**

During analysis of the data pertaining to e-registration module, it was noticed that out of 28,03,316 appointments, 9,07,854 allotted appointments were booked by using 3,105 mobile numbers and each mobile number was used to book appointment ranging between fifty and 8,559 .

Further, it was also noticed that system was not able to authenticate the mobile number used for seeking appointment, by sending OTP for validation in the system, thus, transparency and removal of middle men for seeking appointment in the process could not be ensured. Thus e-registration module did not have any validation control to neither authenticate mobile number nor restrict the number of appointments booked from a single mobile.

During exit conference, NIC stated that necessary corrective measures in this regard had been taken so that only five appointments could be booked from a single mobile number and OTP was being sent on the mobile number of the citizen seeking appointment.

#### **(iii) Registration Process beyond business hours**

During scrutiny of e-registration data, it was noticed that registration process of 3,51,347 out of 25,33,686 registered documents during the period 2015-16 to July 2019 was between 07.00 PM and 08.00 AM. Further, 2,888 documents were registered on Saturdays and Sundays. So it was evident that there was no control on login access time.

During exit conference, the Department stated that registry had been restricted in web-HALRIS system after 05.00 PM by logging off the centralized server. The registry of BPL deeds was made on Saturday and Sunday as one-time exercise.

#### **4.3.9.2 Non-Capturing of PAN**

Rule 114 B of Income Tax Act, 1961 provide that providing of PAN details of seller/purchaser of immovable property valuing more than ₹ 10 lakh is mandatory.

During scrutiny of WEB-HALRIS database in 20 SRs/JSRs, it was noticed that filling of PAN details in system was not mandatory for registration process so out of 1,83,316 deeds having value more than ₹ 10 lakh registered during the period 2014-15 to 2018-19, 1,60,428 deeds were registered without mention of required PAN details of seller/purchaser.

On this being pointed out (April 2019 to January 2020), all the 20 SRs/JSRs admitted (April 2019 to January 2020) the audit observation and intimated that attributes of the PAN in the system would be made mandatory.

During exit conference, the Department and NIC stated that the software would be amended accordingly.

#### **4.3.9.3 Non validation of stamp duty realised**

The application calculates the due amount of stamp duty leviable and deficient amount of stamp duty, if any, is shown and required to be paid through e-Stamps. The system does not allow the deed to be registered without payment of due amount of SD and RF. Section 35 of Indian Stamp Act provides that no instrument chargeable with duty shall be admitted in evidence for any purpose by any person having by law or consent of parties authority to receive evidence, or shall be acted upon, registered or authenticated by any such person or by any public officer, unless such instrument is duly stamped.

During scrutiny of data (between February 2019 to January 2020) of web HALRIS and registration record in five SRs/JSRs<sup>21</sup> offices, it was noticed that in 55 sale deeds of immovable properties registered between June 2016 and February 2019, though system assessed ₹ 38.53 lakh as due amount of stamp duty to be paid but these deeds were allowed to be registered on levy of stamp duty amounting to ₹ 31.16 lakh resulting into non recovery of deficient stamp duty amounting to ₹ 7.36 lakh. Thus, application control in this regard were not adequate so as to prevent registration of documents with deficient payment of stamp duty and these documents shall not be admitted in evidence for any purpose unless such instrument is duly stamped.

On this being pointed out (February 2019 to January 2020), SR Faridabad intimated (December 2019) that deficient amount of stamp duty would be

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<sup>21</sup> Faridabad, Gaunchhi, Palwal, Panipat and Sonapat.

recovered and remaining SRs<sup>22</sup> intimated (November 2019 to January 2020) that matter would be examined.

During exit conference, the Department and NIC informed that these cases would be examined.

#### **4.3.10 Computerisation of land records**

##### **4.3.10.1 Delay in sanction of Mutation**

NLRMP programme was launched in the year 2008-09 with one of its objective to speed-up the work related to land records which also included verification and sanctioning of the mutation, also mutation is required to be sanctioned within 15 days from its verification.

During analysis of the data relating to mutation in 17 offices of Tehsildar/Naib Tehsildars, it was noticed that delay in sanction of mutations during 2014-15 to 2018-19 were as under:-

Name of district	No. of total mutation	Mutation sanction with the delay less than 01 year	Mutation sanction with delay 01 to 03 years	Mutation sanction with the delay Above 03 years
Hisar	37,738	3,450	53	13
Faridabad(2)	14,693	3,153	76	50
Palwal	9,419	1,957	78	90
Panipat	70,397	9,928	176	186
Sonepat	47,426	9,050	166	56
Kurukshetra	40,787	4,110	36	05
Rewari	14,969	1,748	24	11
Gurugram (9)	51,936	9,899	203	124
<b>Total</b>	<b>2,87,365</b>	<b>43,295</b>	<b>812</b>	<b>535</b>

44,107 (15%) mutations were sanctioned with a delay up to 03 years due to which citizens were deprived of getting timely delivery of services.

On this being pointed out (October 2019), no reply was received (February 2020).

<sup>22</sup> Gaunchhi, Palwal, Panipat and Sonapat.

During exit conference, Additional Secretary stated that matter would be examined.

#### ***4.3.10.2 Non Completion of work related to modernisation/ Computerisation of land records under National Land Records Modernisation Programme***

In order to enhance the effectiveness, efficiency and transparency in the registration and land record system besides providing the easily accessible information regarding Records of Right (RoRs), National Land Records Modernization Programme (NLRMP) was launched (2009) by the Department of Land Resources (DoLR) and Ministry of Rural development Government of India. Main components of NLRMP were computerisation of land records such as Khasra Girdawari data entry, Jamabandi, Mutations and Nakals, and also included digitisation of cadastral maps and its linkage with Record of Rights, computerisation of registration, modern Record rooms/land records management centres, Training and Capacity Building etc. The work under this scheme was to be completed by 31 December 2011.

During scrutiny of the record in the office of DGLR, it was noticed that work relating to computerisation of land record such as *Khasra Girdawari data entry, Jamabandi, Mutations and Nakals* were digitised. However, other works such as digitisation of Field Measurement Book, deeds, survey/resurvey and digitisation of cadastral map was not completed even after a lapse of more than eight years since required date of completion of work.

On this being pointed out (July 2019), the Department intimated (September 2019) that vendors moved to the District Court (2016) and decision is pending with the Court. However, the Government of Haryana has signed another MOU with Survey of India on 08 March 2019 under State project (Haryana Land Record Modernization Programme) to achieve the objectives envisaged under NLRMP.

The reply shows that even after a lapse of eight years period since the intended date of completion of work ( December 2011), citizen could not take benefit of intended objective.

During exit conference, the Department admitted the above facts and informed that the work had been allotted to Survey of India and same was under progress.

#### **4.3.10.3 Non digitisation of Field Measurement Books (FMB)**

NLRMP provides for digitisation of FMB<sup>23</sup> which helps in investigation of boundary dispute, detection of encroachments etc., so that sketches of FMB are modified with higher clarity and quick delivery is ensured.

During scrutiny of land record in offices of 20 Tehsildars/Naib Tehsildars, it was noticed that Field Measurement Books was not digitised and were drawn up and maintained manually. Thus, citizens were deprived of the intended benefit of programme.

On this being pointed out (April 2019 to January 2020), all the SRs/JSRs admitted the fact of non digitisation of FMB.

During exit conference, the Department stated that work related to digitisation of field measurement book was being done as part of modern revenue record project.

#### **4.3.10.4 Non digitisation of deeds**

Para 2.3 and 2.4 (ii) of Chapter 3 of NLRMP guidelines provides for deed scanning, digital indexing of current and old deeds so as to ascertain automatic availability of details of immovable properties to the citizen.

During scrutiny of the records of scanned deeds in offices of 20 SR/JSR, it was noticed that while deeds earlier than the period 2014-15 were not scanned at all and scanning of deeds for the period thereafter till date was also not completed. Thus, citizen had to approach concerned authorities physically to obtain the detail of land.

On this being pointed out (April 2019 to January 2020), concerned SRs/JSRs admitted (April 2019 to January 2020) the fact of lack of scanning and indexing of deeds.

During exit conference, the Department stated that work related to digitisation of deeds was being done as part of modern revenue record project.

#### **4.3.11 Non existence of disaster recovery plans**

The objective of having a Business Continuity and Disaster Recovery Plan and associated controls is to ensure that in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities, the organisation can still accomplish its mission and it would not loose the capability to process, retrieve and protect information maintained.

During test check of record in the office of ACS, it was noticed that neither business continuity and disaster recovery plans were drawn up nor guidelines,

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<sup>23</sup> Contains record of measurement of individual fields and subdivisions.

emergency procedures, response and recovery procedure were put in system to bring business back in the event of disaster to retain source documents so that data was reproducible and to facilitate reconstruction in case of disasters.

On this being pointed out (January 2020), the Department admitted the fact (February 2020) of non installation of Disaster recovery server.

During exit conference, the Department stated that request had been sent to IT Department to provide the DR site for web-HALRIS.

**Thus, business continuity plan to take care of IT assets in case of disasters was not developed.**

#### ***4.3.12 Non-existence of Password policy***

The existence of adequate logical access security is particularly important where an organization makes use of wide area networks and global facilities such as the Internet. There must be appropriate password policies and procedures for effectiveness of passwords. Password policy and procedure must be known to all staff and adhered by them.

During test check of record in the office of SR Panipat and Faridabad, it was observed that user IDs allotted to four users each were used, in their absence due to being on leave etc. for 481 and 3,500 transactions respectively and in the office of SR Sonapat, a single user ID was used by the number of different operators working on registration process. Thus, no accountability for entered data in these cases could be ensured.

Further, it was observed that the Department had not formulated any password policy. There was neither any provision in the system to change the password by the user itself at its convenient time nor system forced the user to change its password at regular interval.

During exit conference, NIC stated that Password policy would be formulated and circulated amongst the users after the approval of the Department.

**Thus, in the absence of any comprehensive Password policy, 3,981 transactions were unauthorisedly made/accessed by using the user IDs allotted to the Departmental official/personnel on the day/days of their absence due to leave etc. Thus, system was fraught with risk of use/operation by unauthorised users.**

#### ***4.3.13 Lack of Audit module in the system***

Revenue Department has internal audit arrangement in place. Manual as well as computerised internal audit system ensures that the controls are in place. It is important to embed electronic controls and digital trails at the design stage.

During scrutiny of web-HALRIS application, it was observed that audit query module was not designed to facilitate the internal auditors to conduct audit in computerised environment. This indicates that though internal audit is an essential part of a system, the requirements of audit for facilitation of audit of electronic data were not incorporated in the system.

On this being pointed out (July 2019), the Department admitted (August 2019) the fact of lack of audit module in the system.

Further, during exit conference, NIC stated that requisite module would be developed and deployed.

#### **4.3.14 Non utilisation of digital signature certificates (DSCs)**

Certified copy of land records such as Jamabandi, Mutation order, Girdawari can be obtained from Tehsil office by paying prescribed fee. However, copy of Jamabandi can be downloaded from *jamabandi.nic.in*, which serves informative purpose only and is not acceptable to any Revenue Authority, as long as digital signature are not affixed. Digital signatures can be used to identify and verify individuals and ensure the integrity of the message and help secure and safeguard the integrity of data. Digital Signature Certificates (DSCs) were to be procured with an objective to use it for various e-services such as e-stamping, e-registration, HARIS and HALRIS applications besides Domicile Certificate, Cast Certificate, Income Certificate, Resident Certificate etc. Initially valid for a period of two years, DSCs may be renewed for continuous use for the intended objectives.

During scrutiny of records relating to procurement/use of DSCs in the office of ACS, and nine SRs/JSRs<sup>24</sup>, it was noticed that an advance payment of ₹ 8.44 lakh was made (February 2017) to National Informatics Centre Services Inc. (NICSI) for procurement of 830 Digital Signature Certificates (DSCs) for use as per above objective. No logs were found in the database regarding use of these DSCs, so it was evident that DSCs were not being used for intended purpose.

On this being pointed out (November 2019 to January 2020) the SRs/JSRs of Hodel, Palwal and Sonapat stated that no DSCs were received by their office and remaining six SRs/JSRs stated that due to absence of provision in the system, DSCs could not be utilized for registration process. In the absence of digital signature on instruments/land records, security and integrity of data as well as legality of the documents could not be ensured and thus the objectives of DSCs could not be achieved. However, these DSCs were used for issuance of various types of certificates.

<sup>24</sup> Dhauj, Faridabad, Gaunchhi, Gohana, Hodel, Israna, Palwal, Panipat and Sonapat.



During exit conference, the Department/NIC accepted that DSCs were not put to use in HARIS system. They further stated that in web-HALRIS system, e-sign would be used after completion of testing.

#### **4.3.15 Other compliance issue**

##### ***Delayed implementation of revised rates of registration fees***

Governments of Haryana vide its Notification No. S.O.65/C.A.16/1908/SS.78 and 79/2018 dated 3 October 2018 revised the rates of registration fees leviable for registration of various documents. Rates of RF for registration of deeds having transaction value exceeding ₹ 30 lakh were revised/enhanced.

Scrutiny of the records of the Department and 20 SRs/JSRs, revealed that notification dated 03 October, 2018 was circulated to the field offices on 17 October 2018. Further, between 3 and 17 October 2018, 5,963 deeds of sale, gift, lease, exchange and conveyance were registered and out of these in 945 deeds (**Annexure-V**) transactions value was more than ₹ 30 lakh on which registration fees at enhanced rates was leviable from the date of notification, but the Department levied RF at the pre-revised rates. The Department had not devised any procedure to effect such changes immediately in the system so, delayed implementation of changes resulted in short levy of registration fees of ₹ 1.69 crore.

During exit conference, NIC stated that instructions in this regard were received from the Department on 16 October 2018 and changes were implemented, accordingly. Further, the Department stated that amount of short levy of registration fees would be recovered and time period for effecting changes and change management process for implementation of changes in the central server would be laid down/documented.

#### **4.3.16 Conclusions**

Planning and implementation of the IT system was deficient and inadequate to meet the objectives of computerisation. The Department did not observe a structured approach by preparing URS/SRS (HARIS), due to which there were deficiencies in mapping of certain business rules into the system which resulted in short/non realisation of revenue, on account of undervaluation of immovable property and irregular exemption of SD. Absence of a systematic and documented change management mechanism resulted in delayed implementation of Government instructions regarding changes in rate of duties/fees. Deficient system design and non-implementation of manual verification procedure in the absence of automation resulted in short levy of SD and RF. Inadequate application controls in the e-registration system affected the objective of transparency, removal of middle men, provision of



hassle free services to citizen as envisaged in Right to Service Act. Lack of password policy rendered the system vulnerable to unauthorised access. Business continuity plan to take care of IT assets in case of disasters was not developed. There were delay in sanction of mutations and work related to modernisation/computerisation under NLRMP was not completed even after a lapse of eight years from the intended date of completion.

#### **4.3.17 Recommendations**

The Government may consider to:

- formulate and document a well-defined comprehensive IT plan and change management policy/procedure;
- ensure a systematic and documented methodology for mapping of business processes in accordance with the provisions of various Acts and Rules applicable, and there is a change control mechanism for changes thereto;
- strengthen security controls to prevent unauthorised access to the system by formulating and implementing password policy;
- draw up and implement a robust Business Continuity Plan in particular a Disaster Recovery System to obviate the high risk of loss of database in the event of natural or manmade disasters;
- complete digitisation of cadastral maps and FMB, scanning and indexing of deeds in a time bound manner; and
- implement the use of Digital signatures so as to ensure the legality of the documents.



***CHAPTER-V***  
***TAXES ON VEHICLES, GOODS AND***  
***PASSENGERS***



## **CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS**

### **5.1 Tax administration**

#### **5.1.1 Taxes on vehicles**

Registration of motor vehicles, issue of permits, issue of driving/conductor licenses, levy and collection of Motor Vehicle Tax (MVT), permit fee and license fee are governed by the Motor Vehicles Act, 1988, (MV Act), the Central Motor Vehicles Rules, 1989 (CMVR), the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana is the administrative head of the Transport Department and is assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licensing Authority (RLA) are being exercised by Sub-Divisional Officers (Civil) in respect of non-transport vehicles, while Secretaries, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport vehicles including goods vehicles.

### **5.2 Results of audit**

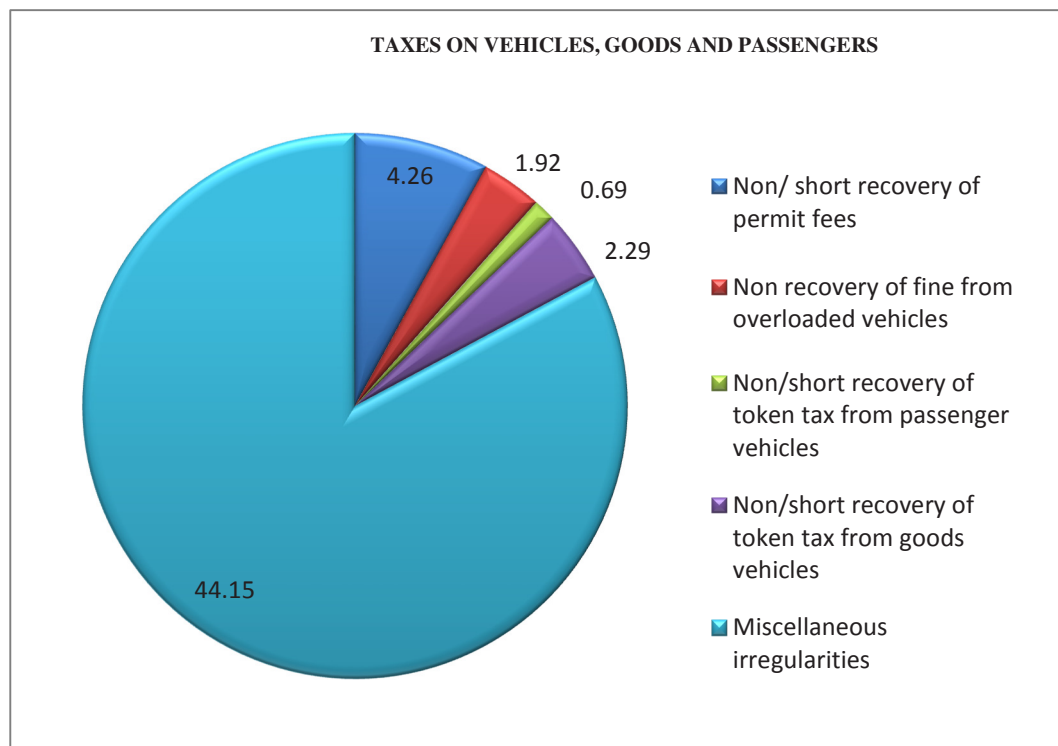
In 2018-19, test check of the records of 57 out of 94 units of Transport Department revealed non/short recovery of permit fee, fine from over loaded vehicles, token tax from goods and passenger vehicles and other miscellaneous irregularities involving ₹ 53.31 crore (1.92 *per cent* of receipt of ₹ 2,777.57 crore for the year 2017-18) in 5,387 cases which fall under following categories as detailed in **Table 5.1**.

**Table 5.1- Results of Audit**

<b>Sr. No.</b>	<b>Categories</b>	<b>Number of cases</b>	<b>Amount (₹ in crore)</b>
1.	Non/short recovery of permit fees	2,029	4.26
2.	Non recovery of fine from overloaded vehicles	1,136	1.92
3.	Non/short recovery of token tax from passenger vehicles	554	0.69
4.	Non/short recovery of token tax from goods vehicles	954	2.29
5.	Miscellaneous irregularities	714	44.15
<b>Total</b>		<b>5,387</b>	<b>53.31</b>

Chart 5.1

(₹ in crore)



During the year, the Department accepted under assessment and other deficiencies amounting to ₹ 6.50 crore involved in 3,163 cases which were pointed out during the year. The Department recovered ₹ 19.95 lakh in 39 cases, out of which ₹ 10.72 lakh was recovered in 32 cases pertaining to the year and rest to earlier years.

Significant cases involving ₹ 1.67 crore are discussed in the following paragraphs.

### 5.3 Non/short realisation of Motor Vehicle tax and penalty

**Owners of 597 transport and goods vehicles had not deposited or short deposited Motor Vehicle Tax during the year 2017-18 resulting in non/short realisation of Motor Vehicle tax of ₹ 69.61 lakh. In addition, penalty of ₹ 69.61 lakh was also leviable.**

As per Haryana Government Notification dated 28 March 2017 and dated 29 September 2017, tax shall be leviable quarterly in the first month of quarter at prescribed rates on motor vehicles. In case of omission to comply with the provisions, penalty at the rate of 0.5 per cent of the tax due for each day of delay will be charged. The actual amount of penalty shall not exceed the amount of tax due. The applicable rates of Motor Vehicle Tax are given below:-

<b>Goods Carriages (Annual Tax)</b>	<b>Rates applicable from 01.04.2017 to 30.09.2017 payable quarterly</b>	<b>Rates applicable from 1.10.2017 payable monthly/quarterly/ yearly</b>
Not exceeding 1.2 tonnes	₹ 500	₹ 300
Exceeding 1.2 tonnes but not exceeding 6 tonnes	₹ 7,875	₹ 7,200
Exceeding 6 tonnes but not exceeding 16.2 tonnes	₹ 10,400	₹ 9,600
Exceeding 16.2 tonnes but not exceeding 25 tonnes	₹ 16,400	₹ 15,500
Exceeding 25 tonnes	₹ 24,400	₹ 22,500
<b>Passenger Vehicles (Annual Tax)</b>	<b>Payable quarterly</b>	<b>Payable monthly/quarterly</b>
Four to six seats excluding driver (four wheeler)	₹ 625 per seat per year	₹ 625 per seat per year
Seven to twelve seats excluding driver (four wheeler)	₹ 1,450 per seat per year	₹ 1,450 per seat per year

Scrutiny of records relating to 11,112 out of 1,37,416 transport vehicles (April and December 2018) of offices of six<sup>1</sup> Regional Transport Authorities (RTA) revealed that the owners of 597<sup>2</sup> goods carriages and passenger vehicles had not deposited the tax of ₹ 62.51 lakh in 522 cases and short deposited tax of ₹ 7.10 lakh in 75 cases during the year 2017-18. No action had been taken by the Department to recover the tax. This resulted in non/short realisation of tax amounting to ₹ 69.61 lakh<sup>3</sup>. Besides, penalty of ₹ 69.61 lakh was also leviable as per Rule.

On this being pointed out, RTAs Fatehabad and Nuh stated (April 2019 and February 2020) that an amount of ₹ 8.57 lakh had been recovered. All the RTAs stated that efforts would be made to recover the balance amount of ₹ 1.31 crore.

<sup>1</sup> Ambala, Fatehabad, Karnal, Nuh, Panchkula and Sirsa.

<sup>2</sup> Passenger vehicle: Nuh: 31 and Karnal: 65, Goods carriages: Nuh:100, Karnal:27, Panchkula:20, Sirsa:31, Fatehabad:32 and Ambala:291.

<sup>3</sup> Passenger vehicle: Karnal: ₹ 6.73 lakh and Nuh: ₹ 1.78 lakh.  
Goods carriages: Ambala: ₹ 27.92 lakh, Fatehabad: ₹ 4.14 lakh, Karnal: ₹ 4.66 lakh  
Nuh: ₹ 17.30 lakh, Panchkula: ₹ 2.24 lakh and Sirsa: ₹ 4.84 lakh.

The matter was reported to the Transport Department between November 2018 and January 2019 and to the Government in May 2019; their replies were awaited.

**The Government may consider strengthening internal audit wing to ensure timely realisation of Motor Vehicle Tax.**

#### **5.4 Non recovery of penalty imposed on transport vehicles**

**Owners of 97 transport vehicles had not deposited the due penalty for various offences under Motor Vehicle Act, 1988, resulting in non realisation of penalty of ₹ 28.28 lakh.**

Section 194 of Motor Vehicle (MV) Act, 1988 provides that a person who drives a motor vehicle carrying goods exceeds the weight/gross vehicle weight specified in the certificate/registration of the vehicles under Section 113 of the MV Act, is liable to pay a minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 per tonne of excess load, together with the offloading charges of the excess load. Further, the revised notification of the Haryana Government dated 19 April 2017 states that if a motor vehicle driver carries over weight upto 25 per cent of the permissible load carrying capacity is liable to pay a minimum fine of two thousand rupees and an additional amount of one thousand rupees per tonne of excess load and if it exceeds 25 per cent of the permissible load carrying capacity he will be liable to pay a minimum fine of five thousand rupees and an additional amount of two thousand rupees per tonne of excess load, together with the offloading charges of the excess load.

Further, as per note below notification dated 28 March 2017, in case where the vehicle is registered in the State is found to be used without paying the due tax or for a different purpose than the purpose for which it is granted a permit, penalty of ₹ 10,000 shall be charged for Light Motor Vehicle and ₹ 25,000 in the case of other motor vehicle and the amount of penalty in the cases where the vehicles are registered in other States shall be ₹ 20,000 for Light Motor Vehicle and ₹ 50,000 in the case of other motor vehicle.

Scrutiny of records (September 2017 to December 2018) of five<sup>4</sup> Regional Transport Authorities (RTAs) offices for the years 2016-17 and 2017-18 revealed that out of 5,926 challans issued, penalty of ₹ 28.28 lakh was to be imposed on 97<sup>5</sup> transport vehicles for different offences (without paying MV Tax 10 cases - penalty ₹ 4,40,000, Commercial use of personnel vehicle two cases - penalty ₹ 50,000, overloading 85 cases - penalty ₹ 23,37,895) under

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<sup>4</sup> Jhajjar, Kaithal, Karnal, Kurukshetra and Yamunanagar.

<sup>5</sup> Jhajjar:52, Kaithal:09, Karnal:20, Kurukshetra:06 and Yamunanagar:10.



Motor Vehicle Act. No action was taken by the Department to recover the amount of penalty. This resulted in non-realisation of penalty amounting to ₹ 28.28 lakh.

On this being pointed out, RTAs Kurukshetra, Karnal and Kaithal stated (between January and April 2019) that the amount of ₹ 2.80 lakh had been recovered in seven challans. All the five RTAs stated (between May 2018 and April 2019) that efforts would be made to recover the balance amount of ₹ 25.48 lakh.

The matter was reported to the Transport Department between January 2018 and January 2019 and to the Government in May 2019; their replies were awaited.

**The Department needs to strengthen its internal control mechanism to ensure that government revenue is collected properly.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**



***CHAPTER-VI***  
***OTHER TAX AND NON-TAX RECEIPTS***



## CHAPTER VI: OTHER TAX AND NON-TAX RECEIPTS

### 6.1 Tax administration

This chapter consists of receipts from Entertainment Duty, Power (Taxes and duties on electricity), Mines and Geology and Land Revenue. The administration and levy of these taxes is governed by respective Acts/Rules framed separately for each administrative department.

### 6.2 Results of audit

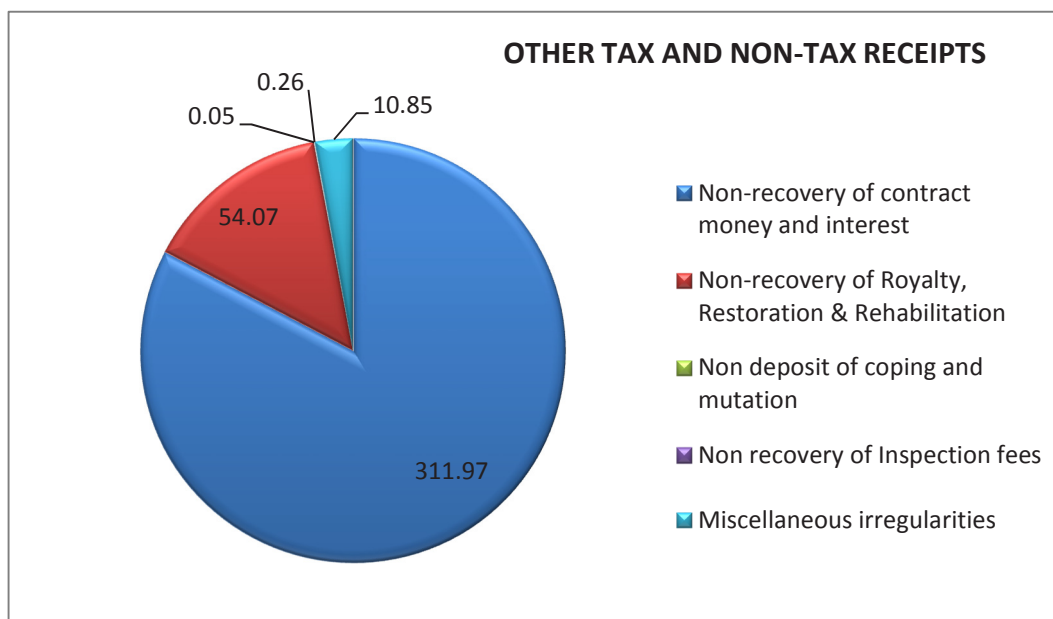
In 2018-19, test check of the records of 47 out of 163 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (11 Units), Power Department-Taxes and duties on electricity (02 units) and Land Revenue (34 Units) involving ₹ 377.20 crore (36.38 per cent of receipt of ₹ 1,036.97 crore for the year 2017-18) in 631 cases which falls in following categories depicted in **Table 6.1**.

**Table 6.1- Results of Audit**

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non-recovery of contract money and interest	39	311.97
2.	Non-recovery of Royalty, Restoration & Rehabilitation	132	54.07
3.	Non deposit of coping and mutation	221	0.05
4.	Non recovery of Inspection fee	196	0.26
5.	Miscellaneous irregularities	43	10.85
	<b>Total</b>	<b>631</b>	<b>377.20</b>

Chart 6.1

(₹ in crore)



During the year, the Department accepted under assessment and other deficiencies amounting to ₹ 302.94 crore involved in 384 cases which were pointed out during the year. The Department recovered ₹ 10.40 crore involved in 85 cases, out of which ₹ 10.36 crore recovered in 15 cases pertaining to the year and the rest to earlier years.

Significant cases involving ₹ 304.34 crore are discussed in the following paragraphs.

### MINES AND GEOLOGY DEPARTMENT

#### 6.3 Short/non recovery of advance monthly instalments and interest

**The Department did not initiate action against 36 contractors for short/non deposit of monthly contract money of ₹ 195.76 crore. In addition, interest of ₹ 80.05 crore was also leviable.**

As per the para 3 (i) of the Letter of Intent (LOI) issued by the Director General Mines and Geology Department, Haryana, the contract for extraction of Boulder, Gravel and Sand, commences from the date of grant of environment clearance certificate or on the expiry of a period of 12 months from the date of issue of LOI whichever is earlier. The contractor shall pay the instalments of contract money during the subsistence of the contract, in advance to the Government. Further, the agreement provides that in case of default in payment of instalment of contract money on the due date (s), interest would be chargeable at the rate of 15 per cent and 18 per cent per annum on the amount of default for delay upto 30 days and 60 days respectively. Delay beyond 60 days, invites action for termination of contract and the amount

would be recoverable along with interest at the rate of 21 *per cent* per annum for the entire period of default.

Scrutiny of records (October and November 2018) of five<sup>1</sup> Mining Offices revealed that 36 contractors who were awarded contracts for extracting Boulder, Gravel and Sand, were required to deposit advance monthly instalments of ₹ 377.52 crore between April 2017 and March 2018 but the contractors deposited ₹ 181.76 crore. The Department did not take action to recover the amount of outstanding dues which resulted in non recovery of advance monthly instalments of ₹ 195.76 crore. In addition, interest of ₹ 80.05 crore was also leviable.

On this being pointed out, the MOs Panipat and Panchkula stated that an amount of ₹ 10.28 crore had been recovered. All the MOs stated that efforts would be made to recover the outstanding amount of ₹ 265.53 crore.

The matter was reported to the Mines and Geology Department between November and December 2018 and to the Government in May 2019; their replies were awaited.

**The Department may consider to obtain bank guarantees from the contractor to ensure timely recovery of monthly instalments of contract money to reduce the quantum of outstanding dues.**

#### **6.4 Short/non deposit in Mines and Mineral Development, Restoration and Rehabilitation Fund**

**The Department did not initiate action against 22 contractors for short/non deposit of ₹ 21.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 7.08 crore was also leviable.**

As per Section 77 (1) of the Haryana Minor Mineral Concession, Stocking Transportation of Mineral and Prevention of Illegal Mining Rules, 2012 and para 3 (xiv) of the Letter of Intent (LOI), the contractor shall deposit an amount equal to ten *per cent* of the contract money alongwith the monthly instalments to Mines and Mineral Development, Restoration and Rehabilitation Fund (MMDRR). Further, para 5 of the Part III of agreement provides that in cases of default in payment on due dates interest would be chargeable at the rate of 15 *per cent* , 18 *per cent* and 21 *per cent* per annum on the amount of default upto 30 days, 60 days and 90 days respectively.

Scrutiny of records (October to November 2018) of five<sup>2</sup> Mining Offices (MOs) revealed that 22 contractors were required to deposit an amount of ₹ 27.63 crore between April 2017 and March 2018 towards the MMDRR fund. However, the contractors deposited an amount of ₹ 6.33 crore in the

<sup>1</sup> Ambala, Panchkula, Panipat, Sonapat and Yamunanagar.

<sup>2</sup> Ambala, Panchkula, Panipat, Sonapat and Yamunanagar.

fund. The Department did not either ensure contribution to the fund by the contractors as per provisions of the contract or levied interest which resulted in short/non deposit of monthly instalment of ₹ 21.30 crore in the MMDRR fund besides interest of ₹ 7.08 crore was also leviable.

On this being pointed out, the MO Panchkula stated (April 2019) that an amount of ₹ 4.52 lakh had been recovered. All the MOs stated (April 2019) that the efforts would be made to recover the outstanding amount of ₹ 28.33 crore.

The matter was reported to the Mines and Geology Department between November and December 2018 and to the Government in May 2019; their replies were awaited.

**The Department may ensure contribution to the Restoration and Rehabilitation Fund by the contractors as per Act.**

#### **6.5 Non/short recovery of royalty and interest**

**34 Brick Kiln owners did not deposit the due amount of royalty of ₹ 10.69 lakh during the year 2017-18. Interest of ₹ 4.11 lakh was also leviable.**

As per the First schedule of Haryana Minor Mineral Concession, Stocking, Transportation of Mineral and Prevention of Illegal Mining Rules, 2012, Brick Kiln Owners (BKO) shall pay annual amount of royalty at the prescribed rate in advance by 1 April of every year. In case payment is made after seven days but upto 30 days of the due date, after 30 days but within 60 days of the due date and beyond 60 days of the due date, interest at the rate of 15, 18 and 21 *per cent* (for the entire period of default) per annum respectively is chargeable for the period of default. A BKO register is maintained at each mining office for levy and collection of royalty. The permits of such BKO who do not pay royalty are to be cancelled by the department by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue.

Scrutiny of records (October to November 2018) of five<sup>3</sup> offices of Mining Officers/Assistant Mining Engineers (MOs/AMEs) revealed that 34 out of 725 BKO did not pay the due amount of royalty between April 2017 to March 2018. Though, a period of 24 months had elapsed upto March 2019, yet royalty of ₹ 10.69 lakh had neither been paid by the BKO nor had any action been taken by the department to recover the same or to cancel the permits. Lack of action on the part of the Department, resulted in non-realisation of royalty of ₹ 10.69 lakh. In addition, interest of ₹ 4.11 lakh was also leviable as per Rules.

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<sup>3</sup> Ambala, Faridabad, Panchkula, Panipat and Yamunanagar.



On this being pointed out, AME/MO of Faridabad and Yamunanagar stated (April 2019) that an amount of ₹ 3.04 lakh had been recovered. All the AMEs/MOs stated (April 2019) that efforts would be made to recover the outstanding amount of ₹ 11.76 lakh. Audit observed that better monitoring was needed to recover the royalty from the BKO's in time to ensure collection of revenue in the year it became due.

The matter was reported to the Mines and Geology Department between November 2018 and January 2019 and to the Government in May 2019; their replies were awaited.

**The Department may consider strengthening internal control mechanism for effective monitoring and timely recovery of Government revenue.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**

Chandigarh  
The 25 January 2021

  
(FAISAL IMAM)  
Accountant General (Audit), Haryana

Countersigned

New Delhi  
The 29 January 2021

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India



# *APPENDICES*



**Annexure I  
(Refer Paragraph No. 1.7.5)**

**Position of paragraphs which appeared in the Audit Reports and those pending discussion/replies not received as on 30 June 2019**

<b>Name of tax</b>		<b>2015-16</b>	<b>2016-17</b>	<b>Total</b>
Taxes on Sales, Trade etc.	Paras appeared in the AR/pending discussion in the PAC	12	12	24
	Paras replies not received	12	12	24
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	2	2	4
	Paras replies not received	-	2	2
Stamp duty and Registration fees	Paras appeared in the AR/pending discussion in the PAC	9	8	17
	Paras replies not received	-	8	8
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	1	2	3
	Paras replies not received	1	2	3
Others	Paras appeared in the AR/pending discussion in the PAC	1	2	3
	Paras replies not received	-	2	2
<b>Total</b>	<b>Paras appeared in the AR/pending discussion in the PAC</b>	<b>25</b>	<b>26</b>	<b>51</b>
	<b>ATNs to Paras included in AR not received</b>	<b>13</b>	<b>26</b>	<b>39</b>

ANNEXURE II

(Refer Paragraph No. 1.7.5)

Details of PAC recommendations for CAG Report (Revenue Receipts/Sector) outstanding as on 30 June 2019

Sr. No.	PAC Report	Year of Audit Report	Total nos. of outstanding paras of PAC Reports 1979-80 to 2014-15 as on 30-06-2019
1	22nd	1979-80	3
2	23rd	1980-81	4
3	25th	1981-82	4
4	26th	1982-83	3
5	28th	1983-84	2
6	29th	1984-85	7
7	32nd	1985-86	4
8	34th	1986-87	9
9	36th	1987-88	6
10	38th	1988-89	10
11	40th	1989-90	21
12	42nd	1990-91, 1991-92, 1992-93	26
13	44th	1990-91, 1991-92, 1992-93	39
14	46th	1993-94	9
15	48th	1993-94, 1994-95	10
16	50th	1993-94, 1994-95, 1995-96	40
17	52nd	1996-97	29
18	54th	1997-98	39
19	58th	1998-99 and 1999-2000	64
20	60th	2000-01	36
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	48
25	67th	2005-06	48
26	68th	2006-07 and 2007-08	98
27	70th	2008-09	55
28	71st	2009-10	51
29	72nd	2010-11	59
30	73rd	2011-12	24
31	74th	2013-14	50
32	75th	2012-13	47
33	78th	2014-15	49
<b>Total</b>			<b>1034</b>

**ANNEXURE II**  
**(Refer Paragraph No. 1.7.5)**

**Details of PAC recommendations for CAG Report**  
**(Revenue Receipts/Sector) outstanding as on 30 June 2019**

<b>Sr. No.</b>	<b>Name of the Department</b>	<b>Total recommendations outstanding for the period 1979-80 to 2014-15</b>
1	Excise and Taxation	498
2	Revenue	226
3	Mines and Geology	52
4	Agriculture	41
5	Irrigation	9
6	Chief Electrical Inspector (Power)	17
7	Public Health	5
8	PWD (B&R)	4
9	Animal Husbandry	7
10	Transport	100
11	Finance (Lotteries)	15
12	Haryana State Lotteries	2
13	Co-operative	20
14	Forest	7
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	5
19	General	1
20	Town and Country Planning	3
	<b>Total</b>	<b>1034</b>

**ANNEXURE III**  
**(Refer Paragraph No. 1.8.1)**  
**Position of Inspection Reports of**  
**Excise and Taxation Department (Sales Tax/VAT)**

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2009-10	343	1,523	689.71	27	344	84.89	141	659	304.01	229	1,208	470.59
2010-11	229	1,208	470.59	29	342	203.81	3	264	103.56	255	1,286	570.84
2011-12	255	1,286	570.84	29	335	261.37	10	350	91.78	274	1,271	740.43
2012-13	274	1,271	740.43	42	655	1,167.16	9	254	215.62	307	1,672	1,691.97
2013-14	307	1,672	1,691.97	33	529	1,346.42	89	510	146.07	251	1,691	2,892.32
2014-15	251	1,691	2,892.32	27	584	1,281.44	2	364	972.99	276	1,911	3,200.77
2015-16	276	1,911	3,200.77	32	552	3,317.08	9	402	1,272.15	299	2,061	5,245.70
2016-17	299	2,061	5,245.70	29	560	1,921.52	5	283	1,422.16	323	2,338	5,745.06
2017-18	323	2,338	5,745.06	19	442	293.61	13	50	762.95	329	2,730	5,275.72
2018-19	329	2,730	5,275.72	27	720	1,110.88	5	296	584.73	351	3,154	5,801.87



**ANNEXURE IV**  
**(Refer Paragraph No. 1.8.2)**  
**Recovery of accepted cases of**  
**Excise and Taxation Department (Sales Tax/VAT)**

(₹ in crore)

Year of the audit report	Number of paragraphs included	Money value of the paragraph	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative positions of recovery of accepted cases
2008-09	11 01 (PA)	5.48 38.23	11 01 (PA)	5.11 38.23	0.05 0.12	0.22 1.24
2009-10	11	119.01	11	30.95	-	0.30
2010-11	10 02 (PA)	147.03 148.10	05 02 (PA)	12.59 146.68	- 0.62	0.12 1.04
2011-12	7 01 (PA)	10.99 1,715.02	7 -	10.99 -	0.02 -	0.23 -
2012-13	3 01 (PA)	554.19 0.45	3 01 (PA)	547.42 0.45	- -	0.11 0.14
2013-14	9	266.99	9	63.27	0.13	0.13
2014-15	10 01 (PA)	17.46 310.48	10 01 (PA)	17.46 290.54	- -	- -
2015-16	10	604.67	10	209.94	-	-
2016-17	11 01 (PA)	122.23 518.66	11 01 (PA)	95.80 417.66	- -	- -
2017-18	13	138.60	13	57.29	0.20	0.20
<b>Total</b>	<b>95 7 (PA/TA/ IT Audit)</b>	<b>1,986.65 2,730.94</b>	<b>90 6 (PA/TA/ IT Audit)</b>	<b>1,050.82 893.56</b>	<b>0.40 0.74</b>	<b>1.31 2.42</b>
<b>Grand Total</b>	<b>102</b>	<b>4,717.59</b>	<b>96</b>	<b>1,944.38</b>	<b>1.14</b>	<b>3.73</b>

**ANNEXURE V**  
**Delayed implementation of revised rates of registration fees**

(Refer Paragraph No. 4.3.15)

Sr. No.	Name of the Unit	Category of the deed	Total Number of registered deed	Number of registered deed having value more than 3000000	Registration fees value	Registration fees levied	Registration fees short
1	Gurugram	Sale	394	222	79,95,000	33,30,000	46,65,000
		Conveyance	63	36	16,75,000	5,40,000	11,35,000
		Lease	101	26	8,90,000	3,90,000	5,00,000
		Gift	9	6	2,10,000	90,000	1,20,000
2	Wazirabad	Sale	246	76	28,50,000	11,40,000	17,10,000
		Conveyance	115	44	17,05,000	6,60,000	10,45,000
		Lease	71	3	1,00,000	45,000	55,000
		Exchange	1	1	20,000	15,000	5,000
3	Harsaru	Sale	70	33	11,15,000	4,95,000	6,20,000
		Conveyance	29	13	4,10,000	1,95,000	2,15,000
		Lease	3	0	0	0	0
		Gift	3	1	50,000	15,000	35,000
4	Panipat	Sale	153	28	7,55,000	4,20,000	3,35,000
		Conveyance	140	8	3,25,000	1,20,000	2,05,000
		Lease	6	0	0	0	0
		Gift	20	2	90,000	30,000	60,000
5	Israna	Sale	16	2	40,000	30,000	10,000
6	Sonapat	Sale	328	50	15,00,000	7,50,000	7,50,000
		Conveyance	86	19	5,65,000	2,85,000	2,80,000
		Lease	11	1	20,000	15,000	5,000
7	Gohana	Sale	127	7	1,85,000	1,05,000	80,000
		Conveyance	4	2	45,000	30,000	15,000
		Lease	2	0	0	0	0
		Exchange	1	0	0	0	0
8	Palwal	Sale	518	26	7,95,000	3,75,000	4,20,000
		Conveyance	12	0	0	0	0
		Exchange	1	1	35,000	15,000	20,000
9	Hodal	Sale	137	6	1,90,000	90,000	1,00,000
		Lease	5	0	0	0	0

Sr. No.	Name of the Unit	Category of the deed	Total Number of registered deed	Number of registered deed having value more than 3000000	Registration fees value	Registration fees levied	Registration fees short
10	Faridabad	Sale	426	123	38,25,000	18,45,000	19,80,000
		Conveyance	129	67	18,65,000	11,00,000	7,65,000
		Lease	481	2	60,000	30,000	30,000
		Exchange	6	0	0	0	0
		Gift	2	1	20,000	15,000	5,000
11	Dhauj	Sale	18	4	1,70,000	60,000	1,10,000
12	Gaunchhi	Sale	728	11	3,10,000	1,65,000	1,45,000
		Conveyance	24	0	0	0	0
		Lease	33	0	0	0	0
		Exchange	2	0	0	0	0
13	Rewari	Sale	143	32	7,70,000	4,80,000	2,90,000
		Conveyance	20	8	2,00,000	1,20,000	80,000
		Lease	1	0	0	0	0
		Exchange	1	0	0	0	0
		Gift	2	0	0	0	0
14	Dharuhera	Sale	504	12	3,00,000	1,80,000	1,20,000
		Conveyance	18	13	3,00,000	1,95,000	1,05,000
		Lease	104	0	0	0	0
		Exchange	3	0	0	0	0
		Gift	12	0	0	0	0
15	Manethi	Sale	10	1	30,000	15,000	15,000
16	Kurukshetra	Sale	224	13	3,75,000	1,95,000	1,80,000
		Conveyance	17	1	20,000	15,000	5,000
		Lease	3	0	0	0	0
		Exchange	1	0	0	0	0
		Gift	3	0	0	0	0
17	Pehowa	Sale	60	6	2,20,000	90,000	1,30,000
		Conveyance	2	0	0	0	0
		Lease	1	0	0	0	0
		Exchange	1	0	0	0	0
		Gift	1	0	0	0	0

*Report for the year 2018-19 (Revenue Sector)*

Sr. No.	Name of the Unit	Category of the deed	Total Number of registered deed	Number of registered deed having value more than 3000000	Registration fees value	Registration fees levied	Registration fees short
18	Hisar	Sale	176	32	10,15,000	4,80,000	5,35,000
		Conveyance	72	3	95,000	45,000	50,000
		Lease	8	1	20,000	15,000	5,000
		Gift	2	0	0	0	0
19	Narnaud	Sale	12	1	20,000	15,000	5,000
20	Uklana	Sale	22	1	20,000	15,000	5,000
		Conveyance	8	0	0	0	0
		Lease	1	0	0	0	0
		Exchange	10	0	0	0	0
<b>Total</b>			<b>5,963</b>	<b>945</b>	<b>3,12,00,000</b>	<b>1,42,55,000</b>	<b>1,69,45,000</b>

# ***GLOSSARY***



## GLOSSARY OF ABBREVIATIONS

<b>AAs</b>	<b>Assessing Authorities</b>
<b>AETOs</b>	<b>Assistant Excise and Taxation Officers</b>
<b>AMEs</b>	<b>Assistant Mining Engineers</b>
<b>ATNs</b>	<b>Action Taken Notes</b>
<b>BEs</b>	<b>Budget Estimates</b>
<b>BIFR</b>	<b>Board of Industrial and Financial Reconstruction</b>
<b>BKOs</b>	<b>Brick Kiln Owners</b>
<b>CGST</b>	<b>Central Goods and Service Tax</b>
<b>CL</b>	<b>Country Liquor</b>
<b>CMVR</b>	<b>Central Motor Vehicles Rules, 1989</b>
<b>CST Act</b>	<b>Central Sales Tax Act, 1956</b>
<b>DCs</b>	<b>Deputy Commissioners</b>
<b>DCR</b>	<b>Daily Collection Register</b>
<b>DDO</b>	<b>Drawing and Disbursement Officer</b>
<b>DEPB</b>	<b>Duty and Entitlement Pass Book</b>
<b>DETC</b>	<b>Deputy Excise and Taxation Commissioner</b>
<b>DHBVNL</b>	<b>Dakshin Haryana Bijli Vitran Nigam Limited</b>
<b>EC</b>	<b>Empowered Committee/Environmental Clearance</b>
<b>ETC</b>	<b>Excise and Taxation Commissioner</b>
<b>EDC</b>	<b>External Development Charges</b>
<b>ETOs</b>	<b>Excise and Taxation Officers</b>
<b>GM</b>	<b>General Manager</b>
<b>GOI</b>	<b>Government of India</b>
<b>GTO</b>	<b>Gross Turnover</b>
<b>HSVP</b>	<b>Haryana Shahri Vikas Pradhikaran</b>
<b>HSAMB</b>	<b>Haryana State Agriculture Marketing Board</b>
<b>HUDA</b>	<b>Haryana Urban Development Authority</b>
<b>HVAT Act</b>	<b>Haryana Value Added Tax Act, 2003</b>
<b>IDC</b>	<b>Internal Development Charges</b>
<b>IGR</b>	<b>Inspector General of Registration</b>
<b>IGST</b>	<b>Integrated Goods and Service Tax</b>
<b>IMFL</b>	<b>Indian Made Foreign Liquor</b>
<b>IOCL</b>	<b>Indian Oil Corporation Limited</b>
<b>IR Act</b>	<b>Registration Act, 1908</b>
<b>IRs</b>	<b>Inspection Reports</b>

<b>IS Act</b>	<b>Indian Stamp Act, 1899</b>
<b>ITC</b>	<b>Input Tax Credit</b>
<b>JETC</b>	<b>Joint Excise and Taxation Commissioner</b>
<b>JSR</b>	<b>Joint Sub Registrar</b>
<b>LOI</b>	<b>Letter of Intent</b>
<b>MC</b>	<b>Municipal Corporation</b>
<b>ME</b>	<b>Mining Engineer</b>
<b>MICR</b>	<b>Magnetic Ink Character Recognition</b>
<b>MOs</b>	<b>Mining Officers</b>
<b>MV Act</b>	<b>Motor Vehicles Act, 1988</b>
<b>NOC</b>	<b>No Objection Certificate</b>
<b>NLRMP</b>	<b>National Land Records Modernisation Programme</b>
<b>PA</b>	<b>Performance Audit</b>
<b>PAC</b>	<b>Public Accounts Committee</b>
<b>PAG</b>	<b>Principal Accountant General (Audit)</b>
<b>PGT</b>	<b>Passengers and Goods Tax</b>
<b>PL</b>	<b>Proof Litre</b>
<b>PMVT Act</b>	<b>Punjab Motor Vehicles Taxation Act, 1924</b>
<b>PSU</b>	<b>Public Sector Undertaking</b>
<b>RA</b>	<b>Revisional Authority</b>
<b>RE</b>	<b>Revised Estimate</b>
<b>RF</b>	<b>Registration Fees</b>
<b>RLA</b>	<b>Registering and Licencing Authority</b>
<b>RTA</b>	<b>Regional Transport Authority</b>
<b>SD</b>	<b>Stamp Duty</b>
<b>SED</b>	<b>State Excise Duty</b>
<b>SLP</b>	<b>Special Leave Petition</b>
<b>SR</b>	<b>Sub Registrar</b>
<b>STO</b>	<b>State Tax Officer</b>
<b>TCP</b>	<b>Town and Country Planning</b>
<b>TINXSYS</b>	<b>Tax Information Exchange System</b>
<b>UT</b>	<b>Union Territory</b>
<b>UHBVNL</b>	<b>Uttar Haryana Bijli Vitran Nigam Limited</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>WCT</b>	<b>Works Contract Tax</b>





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