



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2018**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Government of Haryana
Report No. 4 of the year 2019**

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Comptroller and Auditor General of India**

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Revenue Sector

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 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 under Revenue Sector 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 2017-18 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 2017-18 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 “**Functioning of Mines and Geology Department**” and 27 illustrative audit paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, passenger and goods tax, royalty etc. with revenue implications of ₹ 1,711.40 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2017-18 were ₹ 62,694.87 crore as compared to ₹ 52,496.82 crore during the year 2016-17. Out of this, 80 *per cent* was raised through tax revenue (₹ 41,099.38 crore) and non-tax revenue (₹ 9,112.85 crore). The balance 20 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 7,297.52 crore) and Grants-in-aid (₹ 5,185.12 crore). There was an increase in revenue receipts over the previous year by ₹ 10,198.05 crore (19.43 *per cent*).

(Paragraph 1.1.1)

Test check of the records of 314 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fees, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2017-18 brought out under-assessments/short levy/non-levy/loss of revenue aggregating ₹ 3,298.68 crore in 22,744 cases. During the year 2017-18, the Departments accepted under-assessment of ₹ 1,525.34 crore in 5,743 cases. Of these, the Department recovered ₹ 29.66 crore in 164 cases of during the year 2017-18.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. GST levy on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products) separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) levy on inter-State supplies of goods or services (including imports) and the Parliament has exclusive power to levy IGST. There have been frequent changes in rules/regulations since 1 July 2017 which have resulted in non-implementation of many of the procedures laid down in GST. Further, the IT

solution was to be fully developed and problem regarding filing of returns was not resolved. The Department needs to sort out the issues related to legacy tax regime expeditiously through focused arrangements.

(Paragraph 2.3)

The Excise and Taxation Department has not established a system for collection of information from other departments to facilitate identification of un-registered dealers. Instances of non realisation of tax from un-registered contractors, non levy of interest on additional demand created by Assessing Authorities, non levy of tax and penalty for misuse of form VAT D-1, short levy of tax and interest due to application of incorrect rate of tax, under-assessment of tax due to allowing excess benefit of ITC, suppression of GTO by contractors and short assessment of tax under amnesty scheme were noticed, which resulted in revenue loss of ₹ 79.78 crore.

(Paragraph 2.4)

Assessing Authority allowed concessional rate of tax without verification of forms which resulted in under-assessment of tax of ₹ 3.53 crore. In addition, penalty of ₹ 10.59 crore was also leviable.

(Paragraph 2.5)

Assessment of tax on less turnover by Assessing Authority, resulted in under-assessment of tax of ₹ 13.19 crore. In addition, penalty of ₹ 43.62 lakh was also leviable.

(Paragraph 2.6)

AA, while finalising the assessment allowed the benefit of consignment sale against invalid 'F' forms resulting in non levy of tax of ₹ 1.78 crore. In addition, penalty of ₹ 5.34 crore was also leviable.

(Paragraph 2.7)

Short/non reversal of Input Tax Credit by Assessing Authority resulted in excess benefit of ITC of ₹ 9.04 crore.

(Paragraph 2.8)

AA, while finalising the assessment allowed inadmissible ITC claim for purchase of Duty Entitlement Pass Book (DEPB) which was not sold by the dealer resulting in incorrect grant of input tax credit of ₹ 2.89 crore. In addition, interest of ₹ 1.73 crore was also leviable.

(Paragraph 2.9)

AA, while finalising the assessment, assessed the sale of items worth ₹ 7.08 crore as tax free goods. However, these items are taxable at the rate of

5.25 *per cent* and 13.125 *per cent*. This resulted in non-levy of VAT amounting to ₹ 43.31 lakh. In addition, interest of ₹ 24.53 lakh was also leviable.

(Paragraph 2.10)

There was under-assessment of tax amounting to ₹ 41.46 lakh due to calculation mistake by Assessing Authorities.

(Paragraph 2.11)

Assessing Authorities, while finalising the assessments did not levy interest of ₹ 27.77 lakh on delayed payment of tax by two dealers.

(Paragraph 2.12)

Assessing Authority, while finalising the assessment allowed benefit of Input Tax Credit without verification of purchase from selling dealers resulting in incorrect grant of Input Tax Credit of ₹ 1.28 crore. In addition, penalty of ₹ 3.83 crore was also leviable.

(Paragraph 2.13)

Assessing Authorities, while finalising the assessment incorrectly levied tax at the rate of 5/5.25 *per cent* instead of 13.125 *per cent* resulting in under-assessment of tax of ₹ 2.12 crore. In addition, interest of ₹ 1.27 crore was also leviable.

(Paragraph 2.14)

Assessing Authorities, while finalising the assessment allowed incorrect benefit of tax deposit of ₹ 27.15 lakh to two dealers. In addition, interest of ₹ 14.96 lakh was also leviable.

(Paragraph 2.15)

3. Chapter-III

State Excise

There was loss of ₹ 3.95 crore due to non-levy of interest on delayed payment of licence fee of ₹ 149.19 crore by 195 licencees for the period April 2015 to January 2017.

(Paragraph 3.3)

Failure of the Deputy Excise and Taxation Commissioners (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 2.71 crore.

(Paragraph 3.4)

The Department failed to initiate action to recover the differential amount of licence fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.88 crore.

(Paragraph 3.5)

The Department had not initiated action to fully recover penalty of ₹ 73.84 lakh from the offenders for possession of illicit liquor either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.

(Paragraph 3.6)

Adjustment of participation fee against licence fee payable by vendors was allowed by the Department in contravention of State Excise Policy resulting in loss of revenue of ₹ 31.20 lakh to the Government.

(Paragraph 3.7)

4. Chapter-IV

Stamp Duty

Due to misclassification of lease agreements as simple agreements, 30 instruments of mining lease remained insufficiently stamped resulting in short levy of stamp duty and registration fee of ₹ 24.36 crore. Non-consideration of annual increase for calculating annual average rent and incorrect application of rate of stamp duty in 25 cases resulted in short recovery of Stamp Duty and Registration Fee of ₹ 13.17 crore.

Non-execution of lease deeds of 411 agreements of Haryana Mines & Geology Department, Haryana Tourism Corporation, Haryana Roadways, Municipal Corporations and non-registration of lease deeds of mobile towers resulted in short levy of stamp duty and registration fees of ₹ 29.60 crore.

(Paragraph 4.3)

Registering Authorities misclassified sale deeds as collaboration agreements instead of as agreement to sell in 10 cases resulting in short levy of stamp duty and registration fees of ₹ 5.99 crore.

(Paragraph 4.4)

Seventy four deeds were registered on the rates fixed by the Collector for agricultural land instead of residential/commercial property, resulting in short levy of stamp duty and registration fees of ₹ 4.69 crore.

Registering Authorities incorrectly assessed 100 sale deeds of plots with an area less than 1000 square yards falling within municipal limits at rates fixed for agricultural land instead of residential land resulting in short levy of stamp duty and registration fees of ₹ 2.45 crore.

(Paragraph 4.5)

The Registering Authorities misclassified conveyance on sale as release deeds and levied stamp duty and registration fees of ₹ 10,920 instead of ₹ 1.71 crore as per Collector rate resulting in short levy of Stamp Duty and Registration Fee of ₹ 1.71 crore.

(Paragraph 4.6)

Irregular remission of stamp duty in 53 instruments of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 88.78 lakh to the State exchequer.

(Paragraph 4.7)

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 0.87 crore.

(Paragraph 4.8)

Irregular exemption of stamp duty and registration fee was allowed to farmers who had, in 21 cases, purchased residential/commercial land and in five cases purchased agricultural land after two years of receiving compensation which resulted in non/short levy of Stamp Duty and Registration Fee of ₹ 25.51 lakh.

(Paragraph 4.9)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Transport Department

Owners of 1,584 goods carriages had not deposited Goods Tax during 2016-17 resulting in non realisation of Goods Tax of ₹ 1.62 crore. In addition, interest of ₹ 61.33 lakh was also leviable.

(Paragraph 5.3)

Owners of 1,305 goods carriages had not deposited Token Tax during the years 2015-16 and 2016-17 resulting in non realisation of ₹ 18.42 lakh. In addition, penalty of ₹ 36.84 lakh was also leviable.

(Paragraph 5.4)

6. Chapter-VI

Other Tax and Non-tax Receipts

Mines and Geology Department

The Performance Audit on “Functioning of Mines and Geology Department” brought out cases of delayed/non-execution of agreements by the contractors, delayed/non-deposit of balance bid security, short/non-deposit of monthly installments of contract money and interest thereon from the contractors, short contribution to the MMDRR Fund by the contractors as well as by the Government. Management and monitoring of the Fund by the Department was deficient. Delays in renewal of licences to operate stone crushers, cases of short/non-recovery of royalty, additional royalty and interest thereon from the brick kiln owners were also noticed resulted in loss of revenue of ₹ 1,476.21 crore.

- Seventy seven out of total ninety five contractors executed agreements after delay ranging between five and 891 days and nine contractors did not execute the agreements.

(Paragraph 6.3.8.2)

- Contractors/lessees are required to deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operations or before expiry of the period of 12 months from the date of issue of Letter of Intent, whichever is earlier. Fifty nine contractors deposited balance bid security of ₹ 132.02 crore with delay ranging between three and 854 days and 11 contractors did not deposit balance bid security of ₹ 29.28 crore.

(Paragraphs 6.3.8.3 (i) and (ii))

- Department did not initiate action against 69 contractors out of 84 contractors for short/non-deposit of contract money of ₹ 808.21 crore. Interest of ₹ 347.63 crore was also leviable.

(Paragraph 6.3.9.1)

- Department did not initiate action against 48 contractors for short/non-deposit of ₹ 49.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 17.44 crore was also leviable.

(Paragraph 6.3.9.3)

- Government did not deposit its share of contribution amounting to ₹ 17.70 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.4)

- Government did not credit interest of ₹ 4.61 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.5)

- Geo-spatial survey of selected sand and boulder/gravel mines revealed that there is mismatch between co-ordinates of mining sites as given in mining plans and as observed on site inspection.

(Paragraph 6.3.11.1)

- River flow regime had changed on account of obstruction in river flow by sand miners

(Paragraph 6.3.11.3)

- Brick kiln owners did not deposit ₹ 0.53 crore in 181 cases out of 4,139 on account of royalty and additional royalty. Interest of ₹ 0.24 crore was also leviable.

(Paragraph 6.3.13.1)

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 during the year 2017-18 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	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
1.	Revenue raised by the State Government					
	Tax revenue	25,566.60	27,634.57	30,929.09	34,025.69	41,099.38 ²
	Non-tax revenue	4,975.06	4,613.12	4,752.48	6,196.09	9,112.85
	Total	30,541.66	32,247.69	35,681.57	40,221.78	50212.23
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	3,343.24	3,548.09	5,496.22	6,597.47	7,297.52 ³
	Grants-in-aid	4,127.18	5,002.88	6,378.76	5,677.57	5,185.12 ⁴
	Total	7,470.42	8,550.97	11,874.98	12,275.04	12,482.64
3.	Total revenue receipts of the State Government (1 and 2)	38,012.08	40,798.66	47,556.55	52,496.82	62,694.87
4.	Percentage of 1 to 3	80	79	75	77	80

¹ Finance Account of the State Government.

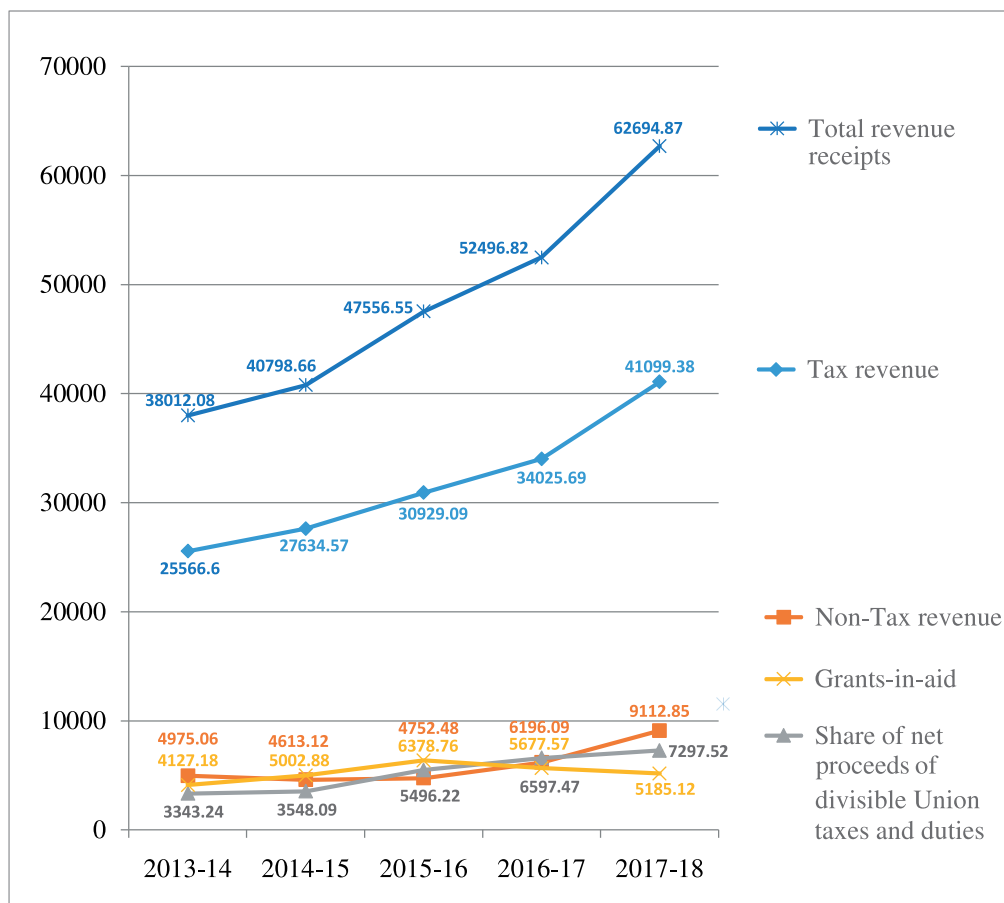
² This includes amount of ₹ 10,833.43 crore received under Major Head 0006-State Goods and Services Tax

³ This includes amount of ₹ 104.36 crore received from Government of India as share of Central Goods and Services Tax and ₹ 737.08 crore as share of Integrated Goods and Services Tax.

⁴ This includes amount of ₹ 1,199.00 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 2013-14 to 2017-18 is depicted in the **Chart 1.1**.

Chart 1.1



During the year 2017-18, the revenue raised by the State Government (₹ 50,212.23 crore) was 80 *per cent* of the total revenue receipts. The balance 20 *per cent* of the receipts during the year 2017-18 was from 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 2013-14 (80 *per cent*) to 2016-17 (77 *per cent*). Thereafter, for the year 2017-18 it increased to 80 *per cent*.

1.1.2 The details of tax revenue raised during the period 2013-14 to 2017-18 are given in the Table below:-

Table 1.1.2: Details of Tax Revenue raised

(₹ in crore)

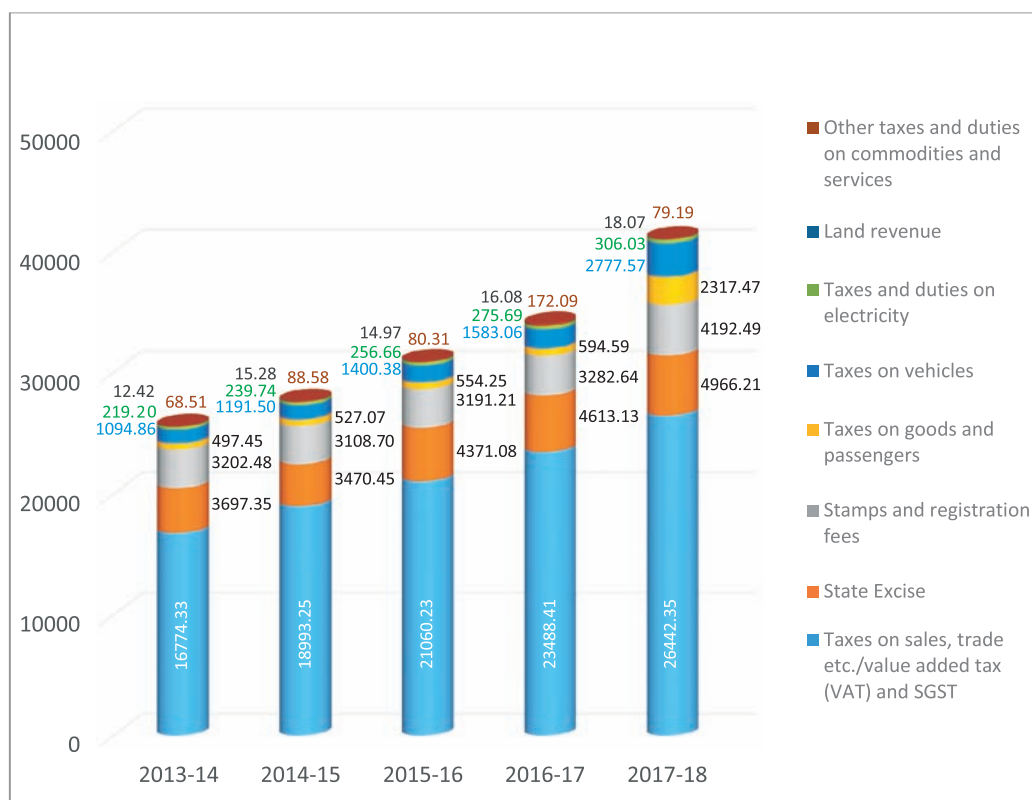
Sr. No	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	
		Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Percentage of increase (+) or decrease (-) of Actuals of 2017-18 over actuals of 2016-17
1.	Taxes on sales, trade etc./value added tax (VAT) & SGST	16,774.33 (65.61)	18,993.25 (68.73)	21,060.23 (68.09)	23,488.41 (69.03)	26,442.35 (64.34)	-33.55
2.	State Excise	3,697.35 (14.46)	3,470.45 (12.56)	4,371.08 (14.13)	4,613.13 (13.56)	4,966.21 (12.08)	7.65
3.	Stamps and registration fees	3,202.48 (12.53)	3,108.70 (11.25)	3,191.21 (10.32)	3,282.64 (9.65)	4,192.49 (10.20)	27.72
4.	Taxes on goods and passengers ⁵	497.45 (1.95)	527.07 (1.91)	554.25 (1.79)	594.59 (1.75)	2,317.47 (5.64)	289.76
5.	Taxes on vehicles	1,094.86 (4.28)	1,191.50 (4.31)	1,400.38 (4.53)	1,583.06 (4.65)	2,777.57 (6.76)	75.46
6.	Taxes and duties on electricity	219.20 (0.86)	239.74 (0.87)	256.66 (0.83)	275.69 (0.81)	306.03 (0.74)	11.00
7.	Land revenue	12.42 (0.05)	15.28 (0.06)	14.97 (0.05)	16.08 (0.05)	18.07 (0.04)	12.38
8.	Other taxes and duties on commodities and services	68.51 (0.27)	88.58 (0.32)	80.31 (0.26)	172.09 (0.51)	79.19 (0.19)	-53.98
	Total	25,566.60	27,634.57	30,929.09	34,025.69	41,099.38	20.79
	% increase over previous year		8.08	11.92	10.01	20.79	

⁵

PGT transferred to Transport Department with effect from 01.04.2017.

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

Chart 1.2



The tax revenue increased from ₹ 25,566.60 crore in 2013-14 to ₹ 41,099.38 crore in 2017-18. The growth of tax revenue over the years is eight to 21 per cent.

The respective Departments reported the following reasons for the variations:

- Stamps and Registration Fees:** During the last five years, the stamps and registration fees has increased to ₹ 4,192.49 crore in 2017-18 as against ₹ 3,282.64 crore in 2016-17 which was due to increase of transactions of immovable property.
- Taxes on Motor Vehicles:** The increase in actual receipts of ₹ 2,777.57 crore in 2017-18 against ₹ 1,583.06 crore in 2016-17 was due to merger of Passenger & Goods Tax in Motor Vehicles tax and intensive checking of overloaded vehicles on road.
- Taxes on goods and passengers:** The increase in actual receipts of ₹ 2,317.47 crore in 2017-18 against ₹ 594.59 crore in 2016-17 was due to amount deposited in the scheme namely “The Haryana one-time

settlement scheme for recovery of outstanding dues, introduced on 22 June 2017”.

- **Taxes on sales, trade etc./value added tax:** In 2017-18, VAT receipt was ₹ 15,608.92 crore and SGST receipt was ₹10,833.43 crore.

1.1.3 The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in the Table below:-

Table 1.1.3: Details of Non-Tax Revenue raised

(₹ in crore)

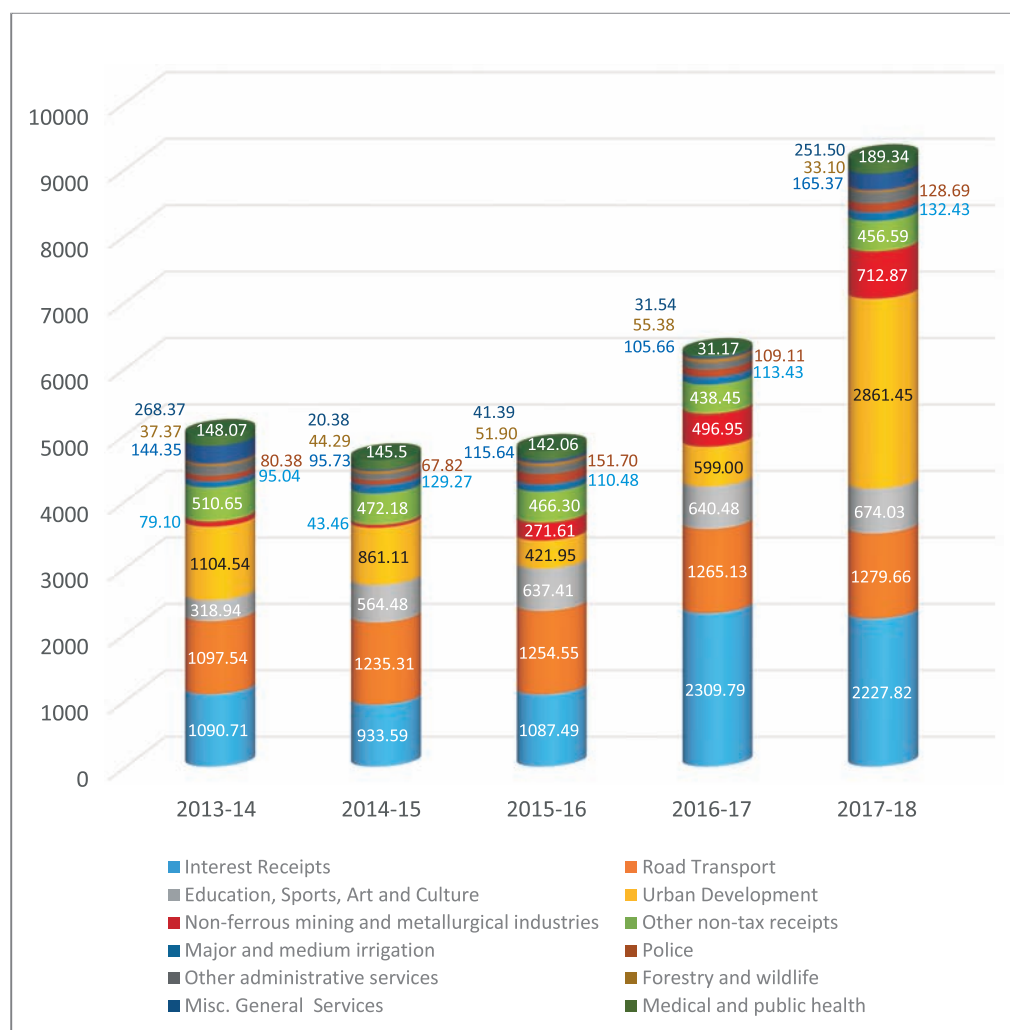
Sr. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) of Actuals of 2017-18 over actuals of 2016-17
		Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	Actual (percentage to total receipts)	
1.	Interest Receipts	1,090.71 (21.92)	933.59 (20.24)	1,087.49 (22.88)	2,309.79 (37.28)	2,227.82 (24.45)	-3.55
2.	Road Transport	1,097.54 (22.06)	1,235.31 (26.78)	1,254.55 (26.40)	1,265.13 (20.42)	1,279.66 (14.04)	1.15
3.	Education, Sports, Art and Culture	318.94 (6.41)	564.48 (12.24)	637.41 (13.41)	640.48 (10.34)	674.03 (7.40)	5.24
4.	Urban Development	1,104.54 (22.20)	861.11 (18.67)	421.95 (8.88)	599.00 (9.67)	2,861.45 (31.40)	377.70
5.	Non-ferrous mining and metallurgical industries	79.10 (1.59)	43.46 (0.94)	271.61 (5.72)	496.95 (8.02)	712.87 (7.82)	43.45
6.	Other non-tax receipts	510.65 (10.26)	472.18 (10.24)	466.30 (9.81)	438.45 (7.08)	456.59 (5.01)	4.14
7.	Major and medium irrigation	95.04 (1.91)	129.27 (2.80)	110.48 (2.32)	113.43 (1.83)	132.43 (1.45)	16.75
8.	Police	80.38 (1.62)	67.82 (1.47)	151.70 (3.19)	109.11 (1.76)	128.69 (1.41)	17.95
9.	Other administrative services	144.35 (2.90)	95.73 (2.08)	115.64 (2.43)	105.66 (1.71)	165.37 (1.81)	56.51
10.	Forestry and wildlife	37.37 (0.75)	44.29 (0.96)	51.90 (1.09)	55.38 (0.89)	33.10 (0.36)	-40.23

Report for the year 2017-18 (Revenue Sector)

Sr. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) of Actuals of 2017-18 over actuals of 2016-17
11.	Misc. General Services ⁶	268.37 (5.39)	20.38 (0.44)	41.39 (0.87)	31.54 (0.51)	251.50 (2.76)	697.40
12.	Medical and public health	148.07 (2.98)	145.50 (3.15)	142.06 (2.99)	31.17 (0.50)	189.34 (2.08)	507.44
Total		4,975.06	4,613.12	4,752.48	6,196.09	9,112.85	47.07

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

Chart 1.3



⁶ Unclaimed deposits, State Lotteries, Sale of land/property, Guarantee fee and other receipts.

There is an increase of 47.07 *per cent* in actual receipts in 2017-18 over actual receipts of 2016-17. Interest receipt (24.44 *per cent*), Urban development (31.40 *per cent*) and Road Transport (14.04 *per cent*) are main contributors to non-tax revenue and as a whole contribute approximate 70 *per cent* to total non-tax revenue.

The concerned departments attributed the following reasons for variations:-

- **Non-ferrous mining and metallurgical industries:** The increase in actual receipts in 2017-18 (43.45 *per cent*) over 2016-17 was due to effective recovery of dues, regular checking of illegal mining and recovery of penalty from persons found indulging in illegal mining.
- **Major and Medium Irrigation:** The increase in actual receipts in 2017-18 (16.75 *per cent*) over 2016-17 was due to recovery of outstanding arrears of previous year and increase in receipts from sale of mineral during de-silting of various major Canals.
- **Miscellaneous General Services:** The increase in actual receipts in 2017-18 (697.40 *per cent*) over 2016-17 was due to more receipt of guarantee fees.
- **Urban development:** There was sharp increase in revenue from ₹ 599.00 crore in 2016-17 to ₹ 2,861.45 crore in 2017-18. As per decision taken by the State Government, the amount of external development charges (EDC) recovered from licencees is being deposited in major receipts head 0217 of the Town and Country Planning (TCP) department w.e.f. 01 April 2017. Earlier EDC recovered by TCP Department from the licencees was transferred to Haryana Shahri Vikas Pradhikaran (HSVP) being Nodal agency of the State Government for execution of External Development Works in the Urban Estates of Haryana.
- The other Departments did not intimate the reasons for variations in receipts despite being requested (November 2018).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in some principal heads of revenue amounted to ₹ 12,446.12 crore of which ₹ 2,124.00 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 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department
1.	Taxes on sales, trade/VAT etc.	11,069.39	1,700.35	Recovery of ₹ 631.32 crore was stayed by the High Court and other judicial authorities and ₹ 289.17 crore was stayed by order of Government. Recovery of ₹ 101.49 crore was withheld due to the dealers becoming insolvent, ₹ 209.00 crore was likely to be written off and ₹ 1,208.34 crore was held on due to rectification/review/appeal. Recovery of arrears of ₹ 2,149.64 crore was pending on account of cases pending in court and ₹ 1,886.16 crore was pending on account of non-recovery by the department due to other reasons. Recovery of ₹ 544.19 crore was pending with official Liquidator/Board of Industrial and Financial Reconstruction (BIFR). Inter State arrears were ₹ 101.50 crore and Inter districts arrears were ₹ 88.75 crore. Recovery of ₹ 1.03 crore was being made in instalments. Balance amount of ₹ 3,858.80 crore was in different stages of action.
2.	State Excise	233.69	95.83	Recovery of ₹ 20.37 crore was stayed by High Court and other judicial authorities and ₹ 0.73 crore was stayed by order of Government ₹ 0.60 crore was likely to be written off. ₹ 17.49 crore was due to inter-State ₹ 48.84 crore inter-districts arrears. Recovery of ₹ 0.06 crore was being made in instalments. ₹ 15.41 crore was pending on account of cases pending in court. ₹ 48.12 crore was pending on account of non recovery by the department due to other reasons. ₹ 3.18 crore was pending with official liquidator/BIFR. Balance of ₹ 78.89 crore was outstanding at different stages of action.
3.	Taxes and duties on electricity	261.46	138.68	₹ 260.46 crore was pending towards consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and ₹ 1.00 crore was pending against M/S Haryana Concast, Hisar.
4.	Tax on entry of goods into local areas (Local Area Development Tax)	201.46	147.96	Recovery of ₹ 138.76 crore was stayed by High Court and other judicial authorities and an amount of ₹ 62.70 crore was outstanding at different stages of action.
5.	Police	92.50	8.20	Rupees ₹ 7.38 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

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department
				Government. ₹ 0.29 crore was recoverable from Bhakra Beas Management Board, Faridabad and ₹ 84.83 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	11.22	Recovery of ₹ 0.42 crore was stayed by the High Court and other judicial authorities, ₹ 0.02 crore was likely to be written off and balance amount of ₹ 11.25 crore was outstanding at different stages of action.
7.	Non-ferrous mining and metallurgical industries	575.93	21.76	₹ 271.44 crore was outstanding on account of demand covered by recovery certificate, ₹ 0.54 crore stayed by High Court and Judicial authority. ₹ 2.65 lakh was likely to be written off. Balance of ₹ 303.92 crore was outstanding at different stages of action.
	Total	12,446.12	2,124.00	

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 was as 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
	2016-17	2,29,719	2,28,741	4,58,460	2,03,533	2,54,927	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 40 only.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & 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 2017	Cases detected during 2017-18	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 2018
					Number of cases	Amount of demand (₹ in crore)	
1.	Taxes on sales, trade etc./ VAT	134	1,303	1,437	1,382	88.63	55
2.	State excise	589	8,053	8,642	8,246	6.99	396
Total		723	9,356	10,079	9,628	95.62	451

The number of cases pending at the end of the year has decreased in the case of Taxes on sales, trade etc./VAT and 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 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 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	579	115.30	41	7.16
2.	Claims received during the year	2352	659.83	806	57.20
3.	Refunds made/adjusted/rejected during the year	2583	685.17	802	62.90
4.	Balance outstanding at the end of year	348	89.96	45	1.46

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

1.6 Internal Audit

During the year 2017-18, out of 257 units planned for audit, Internal Audit Cell audited 219 units (85 per cent) as detailed in the Table below:-

Table 1.6: Internal Audit

Receipts	Number of units Planned	Number of units audited
Stamp Duty	142	142
State Excise	21	20
VAT/Sales Tax	Nil	Nil
Motor Vehicle Tax	94	57
Total	257	219

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. It is observed that there is no system of internal audit of VAT/Sales tax in the department.

1.7 Response of the Government/Departments towards audit

The Principal 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 2017 disclosed that 6,915 paragraphs involving ₹ 6,577.52 crore relating to 2,446 IRs remained

outstanding at the end of June 2018 as mentioned below in the Table below along with the corresponding figures for the preceding two years.

Table 1.7: Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	2,143	2,302	2,446
Number of outstanding audit observations	5,389	6,430	6,915
Amount of revenue involved (₹ in crore)	5,802.87	5,869.33	6,577.52

1.7.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2018 and the amounts involved are mentioned in the 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	Excise and Taxation	Sales tax /VAT	334	2,828	5,342.97
		State Excise	173	305	160.11
		Taxes on goods and passengers	247	441	38.70
		Entertainment duty and show tax	22	24	11.63
2	Revenue	Stamps and registration fees	1,057	2,493	370.43
		Land Revenue	135	174	0.81
3	Transport	Taxes on vehicles	380	524	27.70
4	Power	Taxes and duties on electricity	7	8	5.89
5	Mines and Geology	Non-ferrous mining and metallurgical industries	91	118	619.28
Total			2,446	6,915	6,577.52

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 2017-18 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	106	46.62
2	Transport Department	3	62	1.01
3	Revenue Department	2	30	1.14
4	Mines and Geology Department	1	8	0.11
	Total	12	206	48.88

857 paras were discussed in ACMs out of which 206 paras worth ₹ 48.88 crore were settled during 2017-18 whereas 1295 paras were discussed in ACMs during the year 2016-17 out of which 240 paras worth ₹ 570.45 crore were settled. It shows an increase in percentage of paras settled during the year 2017-18 (24 per cent) as compared to paras settled in 2016-17 (19 per cent).

1.7.3 Non production of records to audit for scrutiny

During the year 2017-18, 199 files out of 36,208 assessment files and other relevant records involving tax effect of ₹ 375.06 crore were not made available to audit. District-wise detail of cases is depicted in **Table 1.7.3** below:-

Table 1.7.3: Details of non-production of records

Name of the Office/Department	Year in which it was to be audited	Number of cases not produced	Tax amount/refunds (₹ in crore)
Assessment cases			
Deputy Excise and Taxation Commissioner (ST) Gurugram (west)	2017-18	156	248.06
DETC (ST) Rewari	2017-18	02	114.68
DETC (ST) Mewat	2017-18	02	1.78
DETC (ST) Kaithal	2017-18	01	0.71
DETC (ST) Sirsa	2017-18	38	9.83
Total		199	375.06

The above table shows that 199 cases amounting to ₹ 375.06 crore relating to DETCs (ST), Gurugram (West) Rewari, Mewat, Kaithal and Sirsa 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 PAG 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.

Thirty draft paragraphs (clubbed into 27 draft paragraphs) and one Performance Audit were sent to the Additional Chief Secretaries of the respective Departments between February and July 2018 and revised Performance Audit in July 2019. 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 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 65 paragraphs from four departments {Excise and Taxation (41), Transport (4), Revenue (17) and Mines and Geology (3)} as mentioned in **Annexure I** had not been received for the Audit Reports for the year ended 31 March 2015, 2016 and 2017 so far (June 2018).

The PAC discussed 18 selected paragraphs pertaining to the Audit Reports for the year 2012-13 and its recommendations on 18 paragraphs were incorporated in their 75th Report for the year 2017-18. 1,011 recommendations pertaining to the period 1979-80 to 2013-14 contained in 22nd to 75th Reports of PAC as mentioned in **Annexure II** were still pending for want of final corrective action to be taken by the concerned Departments.

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 Transport Department under Taxes on Motor Vehicles and cases detected in the course of local audit during the last 10 years included in the Audit Reports for the year 2008-09 to 2017-18.

1.8.1 Position of Inspection Reports

The summarised position of the inspection reports issued to the Transport Department during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 are brought out in **Annexure III**.

The number of outstanding IRs increased from 264 in 2008-09 to 360 in 2017-18 and paragraphs have increased from 340 in 2008-09 to 500 in 2017-18 as on 31 March 2018. 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**.

The progress of recovery even in accepted cases was low (12 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 Action taken on the recommendations on performance audit accepted by the Departments/Government

The Performance Audits conducted by the PAG are forwarded to the concerned Department/Government with a request to furnish replies. These Performance Audits were also discussed in exit conferences and the views of the Departments/Governments are included while finalising the Performance Audit for the Audit Reports.

The Performance Audit titled ‘System of Assessment under VAT’, ‘‘Receipt from State Excise Duty’’ and ‘‘Exemption and Concessions against declaration forms’’ of Excise and Taxation Department, Haryana that featured in the Audit Reports for the years 2014-15 to 2016-17 were yet to be taken up for discussion in the PAC.

1.10 Audit planning

There are a total of 522 auditable units in the State of Haryana of which 312 units were planned and 314 units audited during 2017-18. The units were selected on the basis of risk analysis.

1.11 Results of audit

Position of local audits conducted during the year

Out of 522 auditable units, test check of the records of 314 (Revenue 312 + expenditure 02) units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration fees, Motor Vehicles, Goods and Passengers and other Departmental offices conducted during the year 2017-18 revealed under-assessment/short levy/loss of revenue aggregating to ₹ 3,298.68 crore in 22,744 cases. During the course of the year, the departments concerned accepted under-assessment and other deficiencies of ₹ 1,525.34 crore involved in 5,743 cases. The departments recovered ₹ 29.66 crore in 164 cases during the year 2017-18.

1.12 Coverage of this Report

This Report contains one Performance Audit on ‘‘**Functioning of Mines and Geology Department**’’ and 27 audit paragraphs involving financial effect ₹ 1,711.40 crore.

The Departments/Government have accepted audit observations involving ₹ 1,422.28 crore out of which ₹ 29.29 crore had been recovered. These are discussed in the succeeding Chapters II to VI.

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 and is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy ETCs (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 2017-18, test check of the records of 35 units (Revenue: 33 and Expenditure: 02) out of 40 units relating to VAT/Sales tax assessments and other records revealed under-assessment of tax and other irregularities involving ₹ 1,653.05 crore, in 2,436 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	Thematic Audit on “Assessment, Levy and Collection of VAT from Contractors/Developers”	1,142	79.78
2.	Under-assessment of Tax	429	235.23
3.	Acceptance of defective statutory 'Forms'	217	261.12
4.	Evasion of taxes due to suppression of sales/purchases	80	279.58
5.	Irregular/Incorrect/Excess allowance of ITC	186	88.01
6.	Other irregularities	314	427.67
Total (I)		2,368	1,371.39
Expenditure			
1.	Non receipt of utilisation certificates	1	269.42
2.	Other irregularities	67	12.24
Total (II)		68	281.66
Grand Total (I+II)		2,436	1,653.05

Chart 2.1

(₹ in crore)

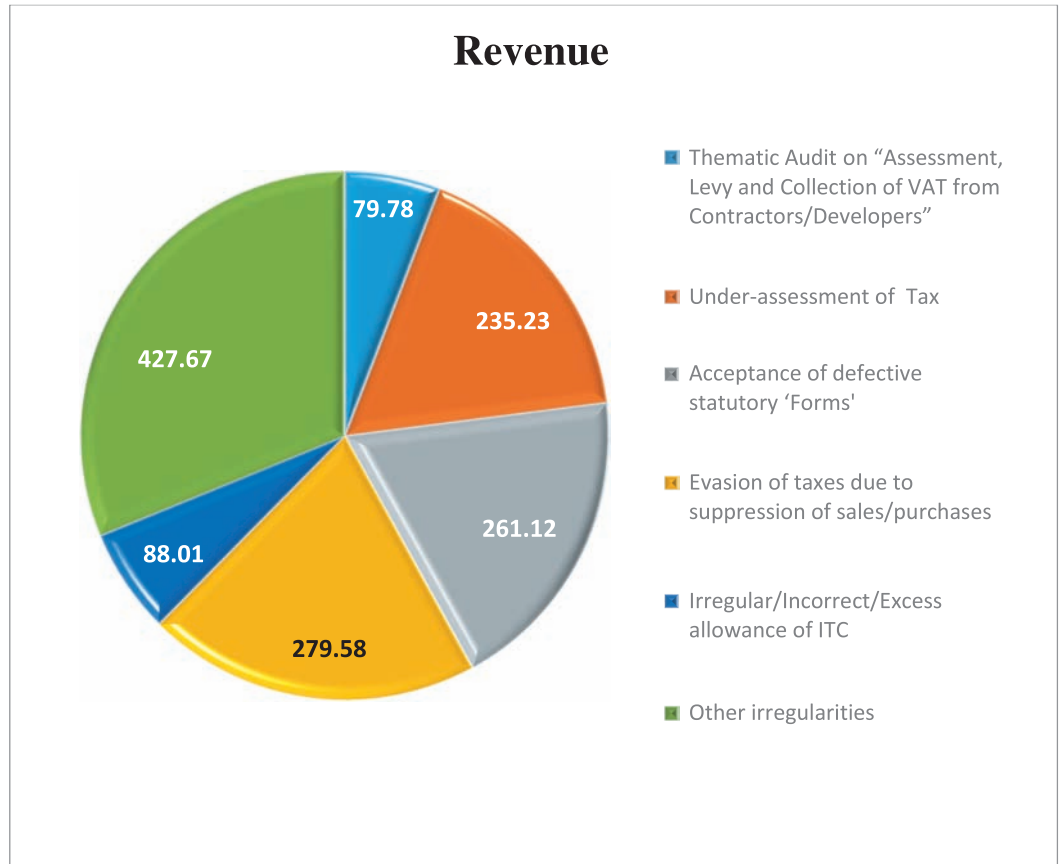
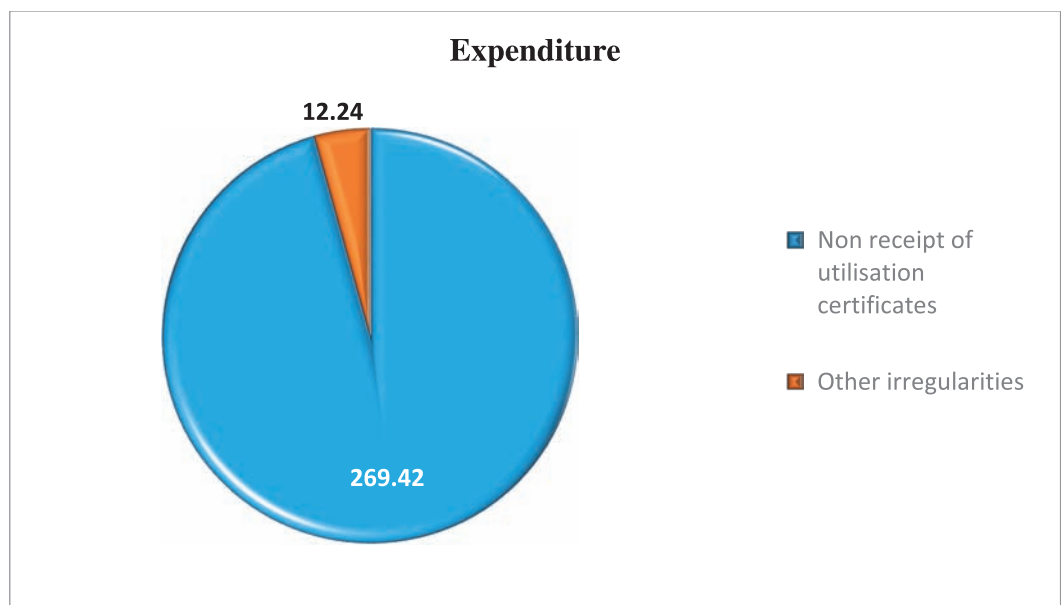


Chart 2.2

(₹ in crore)



During the year, the Department accepted under-assessment and other deficiencies of ₹ 153.19 crore in 272 cases, out of which ₹ 11.20 crore involved in 24 cases were pointed out during the year and rest in earlier years. The department recovered ₹ 46.10 lakh in 34 cases in the year 2017-18, out of which two cases involving ₹ 23.51 lakh relates to this year and rest in earlier years.

There is no internal audit of assessment cases in the department. Significant cases involving ₹ 138.60 crore are discussed in the following paragraphs.

2.3 Preparedness for transition to Goods and Services Tax (GST)

2.3.1 Introduction

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. GST¹ is being levied on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products²) separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-State supplies of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, VAT was leviable on intra-State sale of goods in the series of sales by successive dealers as per HVAT Act, 2003 and CST on sale of goods in the course of inter-State trade or commerce as per CST Act, 1956.

The State Government was empowered to regulate the provisions of HVAT Act whereas provisions relating to GST are being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States to recommend on the matters related to GST.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services. It provides *Front-end IT services* to taxpayers namely registration, payment of tax and filing of returns. Haryana opted as Model-I³ state and engaged M/s Wipro Limited as System Integrator to provide *Back-end IT services i.e.* registration approval, taxpayer details viewer, refund processing, MIS reports *etc.*

¹ Central GST: CGST and State GST/Union Territory GST: SGST /UTGST.

² Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

³ Model-1 States: only front-end services provided by GSTN,
Model -2 States: both Front-end and Back-end services provided by GSTN.

2.3.2 Trend of Revenue

Total receipts under GST including non-subsumed/subsumed taxes for the year 2017-18 was ₹ 27,109.35 crore against ₹ 23,488.41 crore under pre-GST taxes during the year 2016-17 i.e. an increase of 15.42 per cent. Actual receipts under pre-GST taxes⁴ and GST are given below:

Year	Revised Budget Estimate	Receipts under pre-GST taxes	Receipts under GST		Total receipts under pre GST taxes and GST	Increase (in per cent)	Compensation received	Protected Revenue
			SGST	Advance IGST apportionment				
2013-14	17,400.00	16,774.33	NA	NA	16,774.33	0	NA	NA
2014-15	19,930.00	18,993.25	NA	NA	18,993.25	13.23%	NA	NA
2015-16	25,000.00	21,060.23	NA	NA	21,060.23	10.88%	NA	NA
2016-17	26,400.00	23,488.41	NA	NA	23,488.41	11.53%	NA	NA
2017-18	17,380.00	15,608.92	10,833.43	667.00	27,109.35	15.42%	1,199.00	14,845.26
Total	1,06,110.00	95,925.14	10,833.43	667.00	1,07,425.57		1,199.00	14,845.26

Source: State Finance Reports and data furnished by the department

The above table indicates that there was an increasing trend in total receipts during the last four years, however, percentage of receipts decreased from 13.23 per cent in 2014-15 to 11.53 per cent in 2016-17 and thereafter increase to 15.42 per cent in 2017-18.

2.3.3 Compensation to State

As per Section 5 and 6 of the Goods and Services Tax (Compensation to States) Act, 2017 the projected nominal growth rate of revenue of the taxes subsumed in GST during the transition period shall be 14 per cent per annum. The projected revenue for the year 2017-18 was ₹ 19,794.00 crore. The compensation payable is the difference between the projected revenue and the actual revenue collected by a State. The compensation payable to the State was to be provisionally calculated and released at the end of every two months period. The state received compensation of ₹ 1,199.00 crore and ₹ 2,287.00 crore during the year 2017-18 and 2018-19 (upto January 2019).

2.3.4 Legal/Statutory Preparedness

The State Government notified (June 2017) the Haryana Goods and Services Tax Act, 2017 and the Haryana Goods and Services Tax Rules, 2017. E-way bill system was implemented in the State on inter-State transactions with effect from 01 April 2018 and on intra-State transactions with effect from

⁴ Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax.

20 April 2018. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the State. The State Government/Commercial Taxes Department (CTD) had issued 229 notifications/circulars/orders regarding GST upto February 2019.

2.3.5 IT infrastructure and preparedness

GSTN was to provide three front-end services to the taxpayers namely registration, payment and filing of returns. Haryana had opted as model-I for implementation of GST hence the back-end applications like registration approval, taxpayer detail viewer, refund processing, MIS reports *etc.* for GST administration were developed by the State itself.

During the pre GST regime under the National e-Governance Plan (NeGP) of Government of India (GoI) Mission Mode Project for Commercial Taxes (MMPCT) the department was selected for comprehensive computerisation of the departmental activities. The department had engaged M/s Wipro Ltd as System Integrator. After implementation of GST the fabrication of back end applications was also assigned to M/s Wipro Ltd and M/s Ernst and Young LLP was engaged as the consultant for the GST matters.

Under the MMPCT project internet connections were given to district offices at the rate of 2 mbps and head office at the rate of 5 mbps which were enhanced upto 15 mbps at head office and upto 10 mbps to district offices. All 59 offices across the State access Haryana Excise portal hosted at Haryana State Data Centre (SDC) via Reliance Internet Link. However, computers in case of field offices were connected through Haryana State Wide Area Network (HSWAN) to SDC.

177 Application Program Interfaces (APIs) were released by GSTN. However, only 85 APIs were completed (February 2019) and remaining APIs were in progress. Various technical issues were faced by the department for implementing APIs and the same were reported to GSTN. The department had 28 issues pending with GSTN in production environment and 2 issues in User Acceptance Testing (UAT) environment. No special infrastructures were procured for GST purpose. All infrastructures of the pre GST regime were utilised by the department.

2.3.6 Capacity Building efforts by the Department

Refresher training on GST for Master Trainers and Trainers was organised (May and July 2017) at centre of excellence, National Academy of Customs, Excise and Narcotics, New Delhi in two phases. IT training of 69 Master Trainers (officers) had been organised in Chennai at *Infosys* campus under the

supervision of GSTN. Further, IT training programmes were organised in Haryana Institute of Public Administration (HIPA) at Gurugram for 29 officers upto the level of Joint Excise and Taxation Commissioner in two phases.

The department also organised various IT trainings for the other departmental officers at CTD headquarter at Panchkula. 'GST Corner' tab was also started on departmental website to provide GST related information such as Act/ Rules, notifications/circulars/orders, help desks/Frequently Asked Questions (FAQs), important dates, e-Way bill and digital signature verifications etc. A 'centralised user manual was also established to solve the problems/queries of taxpayers. Helpdesks were established at the district level also for ease of doing business.

2.3.7 Implementation of GST

Three front-end services namely registration, payment of tax and filing of returns were being provided to taxpayers by GSTN. Further, migration facility was also provided to the existing taxpayers to implement the transitional provisions. Back-end services viz. registration approval, taxpayer detail viewer, Letter of Undertaking (LUT) processing, refund processing, management information system (MIS) reports etc. were being provided by State (through M/s Wipro Ltd).

2.3.7.1 Registration of taxpayers

Every person registered under any of the pre-GST laws and having a valid Permanent Account Number (PAN) was issued a certificate of registration on provisional basis and final certificate of registration was to be granted on completion of prescribed conditions. Further, taxpayers having turnover more than threshold limit of ₹ 20 lakh were required to be registered under GST.

2.3.7.2 Migration of existing taxpayers

As per Rule 24 of Haryana GST Rules, 2017, every person registered under any existing law and having a PAN shall enrol on common portal by validating his e-mail address and mobile number and such person shall be granted registration on a provisional basis. Every person who has been granted a provisional registration shall submit an application alongwith the information and documents specified in the application on common portal. A certificate of registration shall be made available to the registered person electronically if the information and the particulars furnished in the application

are found to be correct and complete. As per information provided (February 2019) by the Department, position of provisional registration and final registration of existing registered dealers in the CTD is given below:-

Total taxpayers registered under VAT (as on 30-06-2017)	Dealers migrated from VAT	New registration	Total
2,38,828	214678	232039	4,46,717

Source: Data furnished by the department

It is seen from the above table that 90 per cent of the existing dealers migrated from pre GST regime and were finally registered under GST. Remaining 10 per cent taxpayers did not migrate due to increase in threshold limit/closure of business etc.

2.3.7.3 Allocation of taxpayers between Centre and State

As per recommendation of GST Council, 90 per cent of migrated taxpayers having turnover up to ₹ 1.5 crore and 50 per cent of migrated taxpayers having turnover of more than ₹ 1.5 crore were allotted to the State. Accordingly, out of the total 2,42,000 taxpayers State was allotted the jurisdiction of 1,80,829 taxpayers in the first phase of distribution as detailed below:-

Jurisdiction	No. of taxpayers with GTO more than ₹ 1.5 crores	No. of taxpayers with GTO less than ₹ 1.5 crores	Total
State	25,172 (50%)	1,55,657 (90%)	1,80,829
Centre	25,171 (50%)	17,288 (10%)	42,459
Total	50,343	1,72,945	2,23,288

Source: Information furnished by the Department

The department intimated that 2,42,000 taxpayers were involved in allocation in the first phase and remaining taxpayers were yet to be allocated. Out of which only 2,23,288 taxpayers were allocated to state and centre. Remaining 18,712 taxpayers were not allocated being unauthorised taxpayers, invalid GSTIN etc.

2.3.7.4 Filing of returns

As per Rule 59 to 61 of Haryana GST Rules, 2017, taxpayers other than composition taxpayers were required to furnish details of outward supplies of goods or services in Form GSTR-1, details of inward supplies of goods or services in Form GSTR-2 and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) monthly, whereas composition taxpayers were required to file a quarterly return GSTR-4.

The prescribed process of return filing has been amended to address the teething trouble in the initial period of the new tax regime. Therefore, filing of GSTR-2 and GSTR-3 was postponed and all taxpayers were mandated to submit a simple monthly return in Form GSTR-3B with payment of tax by 20th of the succeeding month. Further, taxpayers having turnover below ₹ 1.5 crore were to file GSTR-1 on quarterly basis. Detail of returns filed was as under:

Period	Range of total eligible taxpayers	Range of percentage of taxpayers filed GSTR 3B	Range of percentage of taxpayers filed GSTR 4	Range of percentage of taxpayers filed GSTR 5	Range of percentage of taxpayers filed GSTR 6
July 2017 to March 2018	2,58,469 - 3,53,197	84.52 to 98.28	76.22 to 87.21	33.33 to 50.00	35.89 to 59.02
April 2018 to January 2019	3,60,761- 4,18,669	75.58 to 89.42	82.99 to 91.68	12.50 to 50.00	56.41 to 61.52

Source: Data furnished by the department

During the period July 2017 to March 2018 number of taxpayers increased from 2,58,469 to 3,53,197 but percentage of returns GSTR-3B decreased from 98.28 to 84.52 *per cent*. Similarly filing of returns by the Composition taxpayers in GSTR-4 decreased from 87.21 to 76.22 *per cent* (**Annexure V**).

During the period April 2018 to January 2019 number of taxpayers increased from 3,60,761 to 4,18,669 while filing of returns GSTR-3B decreased from 89.42 to 75.58 *per cent*. Filing of returns by the Composition taxpayers in GSTR-4 decreased from 91.68 to 82.99 *per cent*.

2.3.7.5 Transitional credit

As per Rule 117 of Haryana GST Rules read with Section 140 of Haryana GST Act, the registered taxpayers were entitled to take credit of amount of input tax credit carried forward in the VAT return filed under the pre-GST law and credit of unavailed input tax credit in respect of capital goods not carried forward in the returns. The registered persons were required to file a return in prescribed form TRAN-1. However, the taxpayers shall not be allowed to take credit where all the returns required under the pre-GST law for the period of six months immediately preceding the appointed date were not furnished.

49,253 taxpayers filed TRAN-1 and claimed transitional credit of ₹ 14,461.35 crore. 2,058 taxpayers claimed ITC of more than ₹ 10 lakh each amounting to ₹ 3,448.59 crore (1,203 taxpayers claimed ITC between ₹ 10 lakh to ₹ 25 lakh each amounting to ₹ 571.63 crore and 855 taxpayers claimed ITC of more than ₹ 25 lakh each amounting to ₹ 2,876.96 crore) in TRAN-1.

Centralised data of credit allowed/rejected was not provided by the department.

2.3.7.6 Refund under GST

Refund module under GSTN was not operational hence the refunds are being allowed through manual system to the applicants. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilised input tax credit at the end of particular tax period. Refund of unutilised input tax credit was allowed in case of zero-rated supplies made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. As per information provided by the Department position of refunds was as under:-

(₹ in crore)

Refund Claimed upto February 2019		Refund allowed		Refund rejected		Refund pending	
No. of taxpayers	Amount	No. of taxpayers	Amount	No. of taxpayers	Amount	No. of taxpayers	Amount
8,903	1,498.12	6,809	986.45	987	114.57	1,107	337.08

Source: Data furnished by the department

Thus the Department allowed refunds to 76 per cent of the registered taxpayers and 66 per cent of the total amount claimed was refunded.

2.3.7.7 E-Way Bill

The GST system provides generation of e-way bill, a document to be carried by the person in-charge of conveyance, generated electronically from the common portal prior to commencement of the movement of goods.

E-Way bill was implemented for inter-State transactions with effect from 01 April 2018 and for intra-State transactions with effect from 20 April 2018, after which 1,50,355 taxpayers were registered on the e-Way bill portal upto February 2019. 1,958 transporters were also enrolled. 2.12 crore interstate and 2.45 crore intrastate e-way bills were generated on the e-Way Portal. During roadside checking the department detected 2,573 e-way bills which are not genuine and 7,446 supplies without e-way bills as detailed below:

(₹ in crore)

No. of e-way bills checked upto February 2019	No. of cases where e-way bill were ingenuine	No. of cases which were without e-way bill	Total amount of tax and penalty
8,09,724	2,573	7,446	94.91

Source: Data furnished by the department

As is seen from the above table that total 10,019 e-way bills were either not genuine or goods were supplied without e-way bills. The department imposed tax and penalty of ₹ 94.91 crores for not genuine/without e-way bills.

2.3.8 Legacy Issues

GST is a revolutionary step which is set to replace a significant part of the State tax system. It will involve the entire manpower of the Department, hence, it is necessary that proper steps are taken so as to resolve the pending issues of the legacy system and effectively implement the new system. The position of legacy issues is as under:

2.3.8.1 Assessment of VAT cases

Dealers were registered under Haryana VAT Act, 2003, Central Sales Tax Act, 1956 and other taxes *i.e.* entry tax, luxury tax, entertainment tax, *etc.* prior to implementation of GST. Therefore, assessments of the dealers registered under VAT for the years 2015-16, 2016-17 and 2017-18 (1st quarter) was to be completed by the Department within the prescribed period of two years after the relevant year. Haryana VAT Act provides '*Deemed Assessment and Scrutiny Assessments*'. Instructions are issued for selection of scrutiny assessment every year. Deemed assessment for the year 2017-18 (1st quarter) and scrutiny assessment for the year 2016-17 was pending. Total 3,12,411 assessment cases were pending for assessment at the end of the year 2017-18. The department intimated that 3,23,689 cases under VAT and 3,23,153 cases under CST were pending (January 2019) for assessment.

2.3.8.2 Recovery of arrears

As per Section 26 of HVAT Act 2003 any amount due under this Act including the tax admitted to be due according to the returns filed, which remains unpaid after the last date specified for payment, shall be the first charge of the property of the defaulter and shall be recoverable from him as if the same were arrears of land revenue.

Arrears (VAT and CST) aggregating to ₹ 11,069.39 crore was pending as on 31 March 2018. Out of which ₹ 2,149.64 crore was locked up due to pending court cases, ₹ 1,208.34 crore was held up due to rectification/review/appeal. Remaining amount of ₹ 7,711.41 crore was held up on account of different stages of action *i.e.* stay order by court/judicial authorities, official liquidator *etc.*

2.3.8.3 Refunds of pre-GST period

Position of refunds allowed/adjusted for pre GST period during the period 2013-14 to 2017-2018 was as under:

(₹ in crore)

Year	No. of cases	Amount of refund
2013-14	3,141	677.77
2014-15	2,348	647.49
2015-16	1,805	611.91
2016-17	1,971	651.52
2017-18	2,583	685.17
Total		3,273.86

Source: Data furnished by the department

The department allowed/adjusted the refund of ₹ 3,273.86 crore during the last five years. At the end of year 2017-18, 348 refund cases amounting to ₹ 89.96 crore were still to be finalised by the Department. The department may also consider sensitising the dealers to apply for refunds, if any left unclaimed by dealers of pre-GST period. This is in the interest of Revenue of the State as the shortfall in revenue, if any, due to allowing refund would be compensated by Central Government during the transitional period of five years only and the refunds allowed after the transitional period would adversely affect revenue of the State.

2.3.9 Conclusion

The Department/Government was prompt in preparedness for implementation of GST as can be seen with reference to enactment of the Act and Rules as per model law approved by GST Council, primary enrolment of existing taxpayers, capacity building efforts *etc.* There have been frequent changes in rules/regulations since 1 July 2017 which have resulted in non-implementation of many of the procedures laid down in GST. Further, the IT solution was to be fully developed and problem regarding filing of returns was not resolved. The Department needs to sort out the issues related to legacy tax regime expeditiously through focused arrangements.

2.4 Assessment, Levy and Collection of VAT from Contractors/Developers

2.4.1 Introduction

The Excise and Taxation Department has not established a system for collection of information from other departments to facilitate identification of un-registered dealers. Instances of non realisation of tax from un-registered contractors, non levy of interest on additional demand created by Assessing Authorities, non levy of tax and penalty for misuse of form VAT D-1, short levy of tax and interest due to application of incorrect rate of tax, under-assessment of tax due to allowing excess benefit of ITC, suppression of Gross Turnover (GTO) by contractors and short assessment of tax under amnesty scheme were noticed, which resulted in revenue loss of ₹ 79.78 crore.

‘Works contract’, as per Haryana Value Added Tax (HVAT) Act, 2003, includes any agreement for carrying out for cash, deferred payment or other valuable consideration, the assembling, construction, building, altering, manufacturing, processing, fabrication, installation, fitting out, improvement, repair or commissioning of any moveable or immovable property.

HVAT Act, 2003 defines ‘Contractor’ as any person who executes either himself or through a sub-contractor a works contract. A contractor is to get himself registered under the HVAT Act either as a dealer under Section 11 or lumpsum dealer under Section 9 of the Act.

Lumpsum dealer is required to pay tax at the rate of four *per cent* (upto 11th August 2014) and five *per cent* (from 12th August 2014) of gross receipts and they are not eligible for availing benefit of input tax credit. Non lumpsum dealer/contractor is liable to pay tax at the applicable rates on goods used in the execution of works contract.

The records relating to assessments framed during the year 2014-15 to 2016-17 of 17 DETC Sales Tax (ST)⁵ offices out of 27 were test checked during audit (August 2017- March 2018) to ascertain whether various provisions relating to works contract contained in the HVAT Act/CST Act, have been followed; whether penal measures have been initiated for violations of the Act, and to check correctness of tax assessment under the amnesty scheme namely, the Haryana Alternative Tax Compliance Scheme for Contractors 2016 for the recovery of tax, interest, penalty or other dues payable under the said Act. Information was also collected from Haryana State

⁵ Ambala, Bhiwani, Faridabad (East), Faridabad (West), Gurugram (East), Gurugram (West), Hisar, Jagadhri, Jind, Kaithal, Karnal, Kurukshetra, Panchkula, Panipat, Rewari, Rohtak and Sonapat.

Agriculture Marketing Board (HSAMB), Haryana Urban Development Authority (HUDA), Municipal Corporations/ Municipal Council/Municipal Committee (MCs) and The Haryana State Co-operative Supply and Marketing Federation Ltd. (HAFED) for ascertaining instances of unregistered works contractors.

2.4.2 Evasion of tax by unregistered contractors

Registration of contractors

Section 48 of HVAT Act provides that the Taxing Authority may call for any information, data and statistics from other Departments/Corporations/Persons which may be relevant to any proceedings or useful for tax administration. Section 16 provides for levy of tax and penalty equivalent to tax determined during assessment of unregistered dealer.

Audit called for information from various departments such as offices of Executive Engineer, HSAMB⁶, HUDA⁷, MCs⁸ and HAFED Panchkula regarding works contractors engaged by them. From the information received from the departments, which were under the jurisdiction of 11 DETCs (ST)⁹, audit observed that the department had not established any system for collection of information from other departments to facilitate the process of identification, registration and assessment of unregistered dealers to detect evasion of tax.

Evasion of tax

Rule 10 (2) of HVAT Rules 2003 provides that a dealer in whose case taxable quantum as specified in Section 3 (2) of HVAT Act is above ₹ five lakh, shall be liable to pay tax on and from the day following the day his gross turnover in any year first exceed the taxable quantum. Registration is required under Section 11 (2) of HVAT Act for all such dealers.

Audit verified the information collected from offices of Executive Engineer, HSAMB, HUDA, MCs and HAFED Panchkula with registration records of 11 DETCs. It was observed that 1,043 works contractors had exceeded the threshold limit of taxable turnover of ₹ five lakh. They had received payment of ₹ 407.29 crore for execution of works contracts during 2014-15 to 2016-17. However, these contractors were not registered under HVAT Act and suppressed the sale of ₹ 407.29 crore.

⁶ Ambala, Bhiwani, Gurugram, Jagadhri, Jind, Rewari and Rohtak.

⁷ Bhiwani, Faridabad, Gurugram, Karnal, Panchkula, Panipat and Rewari.

⁸ Ambala, Gurugram, Jind, Panipat, Rewari and Rohtak.

⁹ Ambala, Bhiwani, Faridabad, Gurugram (East), Jagadhri, Jind, Karnal, Panchkula, Panipat, Rewari and Rohtak.

Failure of the department to conduct survey for the purpose of identifying unregistered dealers had resulted in non realisation of tax of ₹ 19.80 crore¹⁰ from these unregistered dealers and mandatory penalty of ₹ 19.80 crore was also leviable.

On this being pointed out, four DETCs (ST)¹¹ stated (between September 2017 and May 2018) that cases were under examination. Reply has not been received from remaining seven DETCs (ST).

The State Government may consider

- Issuing appropriate directions to the Boards, Corporations, PSUs to call for the TIN of the contractors at the stage of tendering.
- Directing the department to devise a system of exchange of information with other departments to detect the unregistered works contractors and monitoring the results of exchange of information.

2.4.3 Non levy of Interest

Section 14 (6) of the HVAT Act lays down that if any dealer fails to make payment of tax, 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 till the date he makes the payment.

In six DETCs (ST)¹², audit observed that 10 contractors had not paid tax as per provisions of the Act and Rules. Assessing Authorities (AAs) finalised the assessment of contractors and created the additional demand of ₹ 11.21 crore but failed to levy interest of ₹ 7.12 crore.

On this being pointed out, three AAs¹³ stated (February and May 2018) that a demand of ₹ 5.51 crore had been created in three cases. Further, AA Gurugram (East) stated that notice had been issued for reassessment in two cases. AA Jagadhri stated (December 2017) that case had been sent to Revisional Authority (RA) for taking *suo-motu* action. AA Rohtak stated (May 2018) in one case that the dealer had deposited WCT of ₹ 0.06 crore in May 2017 and the same had been adjusted in the year 2014-15.

¹⁰ G.T.O. minus 25% deduction on account of labour & service charges taxed @13.125% minus actual TDS deducted by contractee (upto 11.08.14 @4.2% and from 12.08.14 @ 5.25%). (GTO ₹ 407.29 crore –25% labour and service charges) = ₹ 101.82 crore. ₹ 407.29 crore - ₹ 101.82 crore = ₹ 305.47. ₹ 305.47crore X 13.125% = ₹ 40.09 crore - ₹ 20.29 crore (TDS deducted) = ₹ 19.80 crore).

¹¹ Ambala, Gurugram (East), Panchkula and Rohtak.

¹² Faridabad (East), Gurugram (East), Gurugram (West), Jagadhri, Rohtak and Sonapat.

¹³ Faridabad (East), Gurugram (East) and Gurugram (West).

The reply of AA was not correct as the dealer had deposited the tax for the year 2017-18 instead of 2014-15 and in another case verification of TDS submitted was still pending. AA Sonapat stated (May 2018) in two cases that the dealers had filed an appeal before Joint Excise and Taxation Commissioner (Appeal) against the order and the same was remanded back to the AA and proceedings for remand case had been initiated.

2.4.4 Non levy of Tax/Penalty for misuse of form VAT D-1

As per Section 9 of HVAT Act, only lumpsum contractors/dealers are entitled for use of VAT D-1¹⁴ for purchase of goods on concessional rate of tax. If a non lumpsum contractor/dealer use the Form VAT D-1, he is liable to pay additional tax and penalty not exceeding 1.5 time of additional tax is required to be imposed upon him under Section 7 (5) of HVAT Act.

In seven DETCs (ST)¹⁵, audit observed that nine non lumpsum works contractors had purchased goods/material valued at ₹ 16.28 crore against form VAT D-1 for use in construction of building/roads etc. Hence, the contractors were liable to pay additional tax and penalty. The AAs while finalising assessment failed to levy additional tax and penalty. This resulted in non levy of additional tax of ₹ 1.45 crore¹⁶. In addition, penalty of ₹ 2.18 crore was also leviable.

On this being pointed out, AA Sonapat stated (May 2018) that demand of ₹ 0.04 crore had been created. Three AAs¹⁷ stated (between September 2017 and May 2018) that three cases had been sent to RA for taking *suo-motu* action. AA Bhiwani stated (March 2018) in two cases that the dealers were registered as regular registered dealer and not as contractor.

The replies of AA were not correct as the dealers were registered for the business of works contract as per registration certificates. AA Jagadhri stated (May 2018) that the case had been taken for reassessment.

The State Government may direct the AAs to verify the admissibility of concession rate against D-1 Form before allowing benefit.

¹⁴ Form VAT D-1 is issued to a purchasing dealer by concerned AA to purchase goods on concessional rate for use in the manufacture of goods for sale, telecommunication network, mining, generation of power, and execution of works contract by lump-sum dealer.

¹⁵ Ambala, Bhiwani, Gurugram (South), Jagadhri, Kaithal, Panchkula and Sonapat.

¹⁶ Tax calculated on the basis of rate applicable on the goods purchased against VAT D-1.

¹⁷ Ambala, Gurugram (South) and Panchkula.

2.4.5 Short levy of tax and interest due to application of incorrect rate of tax

In 11 DETCs (ST)¹⁸, audit observed that 25 non lumpsum contractors executed works between 2014-15 and 2016-17 worth ₹ 107.44 crore and paid tax at rates applicable for lumpsum contractors. The AAs finalised the assessment at lumpsum rates instead of applicable rate of tax on material used in the contract. This resulted in short levy of tax ₹ 7.57 crore. In addition, interest of ₹ 0.69 crore was also leviable.

On this being pointed out,

- Seven AAs¹⁹ stated (between March and May 2018) that 16 cases had been sent to RA for *suo-motu* action.
- AA Gurugram (East) stated (May 2018) that demand of ₹ 0.17 crore had been created in one case and notice had been issued for reassessment in another case.
- AA Hansi (Hisar) stated (April 2018) that notice had been issued for reassessment. AA Karnal stated (March 2018) that notice had been issued in one case and matter was under examination in another case.
- AA Panipat stated (May 2018) in one case that the case was under examination and in other case (February 2017) that order had been revised and additional demand of ₹ 6.65 lakh had been created.
- AA Panchkula stated (December 2017) that the case was remanded back from RA and notice had been issued to dealer.
- AA Sonapat stated (May 2018) that MC was also a department of State Government. Thus, the tax has been correctly levied at lower rate. The reply of AA was not correct as the contractor was non lumpsum contractor and liable to pay tax at applicable rate on material.

2.4.6 Exemption of tax on Sub-Contract without supporting documents

Section 42 of HVAT Act provides that both contractor and sub-contractor are jointly and severally liable to pay tax in respect of transfer of property whether as goods or in some other form involved in execution of works contract by the sub-contractor. No tax is payable by contractor if he proves to the satisfaction

¹⁸ Ambala, Faridabad (West), Gurugram (East), Gurugram (South), Hisar, Jagadhri, Karnal, Kurukshetra, Panchkula, Panipat and Sonapat.

¹⁹ Ambala, Faridabad (West), Gurugram (East), Gurugram (South), Jagadhri, Kurukshetra and Panchkula.

of AA that the tax has been paid by the sub-contractor and assessment of such tax has been finalised.

In two DETCs (ST)²⁰, audit observed that ten contractors claimed tax exemption on sub-contract valued at ₹ 101.01 crore without supporting documents such as assessment order /proof of tax paid by sub contractors. While finalising the assessment, AAs allowed the exemption of sub contract on the basis of declaration made by contractors without supporting documents which involved the tax liability of ₹ 9.98 crore.

On this being pointed out, AA Gurugram (East) stated (May 2018) that in six cases reassessment proceedings had been initiated. AA Gurugram (South) stated (May 2018) that four cases had been sent to RA for taking *suo-motu* action.

2.4.7 Allowing benefit of Works Contract Tax (WCT) without verification

As per provision of Section 24(5) of HVAT Act 2003, any tax paid to the State Government in accordance with sub-section (3) shall be adjustable by the payee, on the authority of the certificate issued to him under sub-section (4), with the tax payable by him under this Act and the AA shall, on furnishing of such certificate to it, allow the benefit of such adjustment after due verification of the payment.

In three DETCs (ST)²¹, audit observed that 16 contractors claimed the benefit of WCT of ₹ 6.26 crore. The AAs while finalising the assessment allowed benefit of ₹ 6.26 crore without obtaining WCT certificates. Thus, correctness of allowing benefit of WCT to works contractors could not be verified in audit.

On this being pointed out, three AAs²² stated (May 2018) that in 15 cases letters had been issued to the concerned DETCs for verification of WCT. AA Gurugram (East) stated (May 2018) in one case that benefit of WCT had been given after verification. The reply of AA was not tenable, as payment of ₹ 2.26 lakh was not verified as per data in Daily Collection Register (DCR) statement.

2.4.8 Under-assessment of tax due to calculation mistake

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

²⁰ Gurugram (East) and Gurugram (South).

²¹ Bhiwani, Gurugram (East) and Gurugram (North).

²² Bhiwani, Gurugram (East) and Gurugram (North).

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.

In four DETCs (ST)²³, audit observed that while finalising the assessment in four cases, AAs had calculated the tax of ₹ 94.21 lakh but while totaling the figures it was shown as ₹ 40.86 lakh, which resulted in under-assessment of tax ₹ 53.35 lakh.

On this being pointed out, AAs Panchkula and Gurugram (West) stated (September 2017 and May 2018) that demand of ₹ 38.29 lakh had been created. AA Gurugram (East) stated (Jan 2018) that reassessment proceedings had been initiated. AA Shahabad (Kurukshetra) stated (August 2017) that the case would be re-examined.

2.4.9 Under-assessment of tax due to allowing excess benefit of ITC

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. If the goods purchased in the State are used or disposed partly by way of sale and partly by stock transfer, the input tax in respect of such goods shall be computed on pro rata basis.

Audit observed in the office of the DETC (ST) Gurugram (East) that while finalising the assessment the AA allowed ITC of ₹ 0.17 crore on account of purchase of goods worth of ₹ 1.61 crore. The dealer sold material worth ₹ 1.03 crore and used the remaining material in execution of works contract. As the dealer had not maintained separate accounts for trading and works contract, ITC was to be reversed proportionately for use of material in works contract. Hence non reversal of ITC proportionately had resulted in under-assessment of tax of ₹ 0.13 crore²⁴.

On this being pointed out, AA Gurugram (East) stated (January 2018) that reassessment proceedings had been initiated.

2.4.10 Under-assessment of tax due to short assessment of taxable turnover

In five DETCs (ST)²⁵, it was observed that in the case of nine contractors AAs had assessed taxable turnover (TTO) of ₹ 198.71 crore. However, as per WCT certificates issued by the Contractees, the dealers had executed works worth

²³ Gurugram (East), Gurugram (West), Kurukshetra and Panchkula.

²⁴ ₹ 16,66,499 (ITC) X ₹ 4,10,16,214(Lumpsum work).
₹ 5,13,48,163 (GTO)

²⁵ Ambala, Gurugram (East), Hisar, Kaithal and Panchkula.

₹ 225.80 crore (₹ 196.06 crore and ₹ 29.74 crore under lumpsum and non lumpsum respectively). Thus, there was short assessment of TTO ₹ 27.09 crore. This resulted in under-assessment of tax of ₹ 1.76 crore. In addition, interest of ₹ 0.21 crore was also leviable.

On this being pointed out,

- AAs Panchkula stated (May 2018) that demand of ₹ 37.20 lakh had been created.
- AA Ambala stated (March 2018) that case had been sent for reassessment.
- AA Gurugram (East) stated (September 2017) in one case that as per the total receipt statement GTO was ₹ 4.35 crore instead of ₹ 4.73 crore. Reply of AA was not tenable, as GTO/TTO was ₹ 4.73 crore as per WCT statement. In another case, AA stated (October 2017) that GTO of ₹ 66.86 crore was taken as per the return. The reply of AA was not tenable, as GTO/TTO worked out to ₹ 71.45 crore on the basis of WCT deducted. These were lumpsum contractors and their GTO is same as TTO. AA further stated (between December 2017 and May 2018) that reassessment proceedings had been initiated in three cases.
- AA Kaithal stated (April 2018) that the amount of ₹ 30.39 crore was taken as per balance sheet. The reply of AA was not tenable because as per WCT certificate GTO was ₹ 36.31 crore.

2.4.11 Excess deduction of Labour and Services without recorded reasons

As per sub-rule 2 of Rule 25 of HVAT Rules, the amount included in taxable turnover is the total consideration paid or payable to the dealer under the contract and shall exclude the charges towards labour, services and other like charges. Where the amount of charges towards labour services and other like charges are not ascertainable from the books of account of the dealer, the amount of such charges shall be calculated at 25 per cent of valuable consideration for civil works. If the dealer claims deduction on account of labour, service and other like charges exceeding 25 per cent of total contract value, the AA after examining the claims may allow the claim of the dealer and shall record reasons in writing for accepting the claim.

Audit observed in the office of the DETC (ST) Ambala that three contractors had carried out work of ₹ 10.11 crore. They claimed deduction of ₹ 3.91 crore (31.62 per cent to 40 per cent) on account of labour and services and AA

allowed the claim. The justification for allowing labour charges on higher rate was not mentioned in the assessment order by the AAs. Deduction at 25 per cent worked out to ₹ 2.53 crore. Thus, correctness of allowing deduction of labour and services in excess of 25 per cent amounting to ₹ 1.39 crore to works contractors could not be verified in audit.

On this being pointed out, AA Ambala stated (March 2018) that three cases had been sent to Revisional Authority for *suo-motu* action.

2.4.12 Non levy of tax on material supplied by contractee to contractor

Section 2 (1) (ze) of the HVAT Act provides that the transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract, where such transfer, is for cash, deferred payment or other valuable consideration such transfer shall be deemed to be sale of those goods by the person making the transfer.

Audit observed in the office of the DETC (ST) Panchkula that material worth ₹ 1.85 crore was provided by the department/contractee to contractor for execution of works contract and the same was shown by the contractor in his Trading Account. While finalising assessment AA allowed the deduction of ₹ 1.85 crore against the cost of material supplied by department which was not admissible. This resulted in under-assessment of tax of ₹ 0.21 crore.

On this being pointed out, AA stated (May 2018) that the case had been reassessed and demand of ₹ 1.54 crore²⁶ had been created including penalty and interest.

2.4.13 Short assessment of tax under amnesty scheme

The State Government notified (12th September, 2016) “The Haryana Alternative Tax Compliance Scheme for Contractors, 2016” for the recovery of tax, interest, penalty or other dues payable under the said Act. The scheme could be opted for any period which may commence with any financial year (to be chosen by the applicant i.e. developer/builder) and ending with 31st March 2014. A contractor opting under this scheme shall pay year wise, in lieu of tax, interest or penalty arising from his business, by way of one-time settlement, a lumpsum amount at the rate of one per cent of the entire aggregate amount, received/ receivable for the business carried out during the year, without deduction of any kind. Further, a surcharge at the rate of five per cent shall be charged on the amount so payable. The contractor opting for the scheme shall apply online in form TC-1 to the concerned AA within ninety days from the date of notification. A committee consisting of two

²⁶ AA levied tax of ₹ 76 lakh + Interest of ₹ 76.90 lakh + Penalty of ₹ 2.87 lakh – Excess Carry Forward of ITC ₹ 1.92 lakh = ₹ 153.85 lakh.

senior most ETO (other than the concerned AA) and the concerned AA posted in the district shall examine Form TC-1.

The State government had clarified that following components will also form part of aggregate amount:—

- i) Refund of cancelled units amounts
- ii) External Development Charges (EDC)
- iii) Internal Development Charges (IDC)
- iv) Transfer Charges
- v) Club Membership, Electricity, Gas and water charges
- vi) Interest received from prospective buyers for delayed payment.

In four DETCs (ST)²⁷, audit observed that 14 Developers engaged in construction of civil structures, flats, dwelling units, building etc. who had opted for the scheme had declared gross receipts of ₹ 12,525.13 crore for the opted period. The three member committee of the department after examining the Form TC-1, annual accounts and other records, recommended gross aggregate receipt of ₹ 12,771.37 crore. The concerned DETCs (ST) accepted the recommendations of committee and levied tax of ₹ 134.10 crore.

Scrutiny of records revealed that receipts like EDC/IDC charges, Transfer charges, Refund amount of cancelled units and interest received from prospective buyers for delayed payment etc. had not been included in aggregate amount by the developers nor by the departmental committee. After inclusion of these components, audit worked out gross receipt of ₹ 14,516.93 crore. This resulted in under-assessment of tax ₹ 18.33 crore (₹ 14,516.93 crore - ₹ 12,771.37 x 1.05%).

On this being pointed out, AA Faridabad (East) stated (April 2018) that in one case the dealer had developed a Special Economic Zone as a co-developer and development charges received was as rent of the building given to the co-developer and rental income was not in the preview of VAT and hence was not a part of gross receipt.

Reply of AA was not tenable because as per balance sheets the receipts were on account of development charges and not rental income. AAs Gurugram (North) stated in two cases that the aggregate amount had been taken on the basis of percentage of completion method (POCM) in two cases. The replies should be seen in light of the fact that in one case the dealer had shown gross receipt of ₹ 1,880.94 crore in form TC-1 which should have been taken for computing tax instead ₹ 1,842.25 crore was taken as gross receipt of the

²⁷ Faridabad (East), Gurugram (East), Gurugram (North) and Karnal.

contractor. In other case aggregate amount was to be ₹ 1,073.85 crore taking into consideration advance received from customers instead of ₹ 994.11 crore. AA Gurugram (East) stated (May 2018) in 10 cases that cases were under examination.

The State Government may consider review of all cases of developers settled under the amnesty scheme.

Conclusion

Irregularities pointed out by Audit indicate deficient internal control of the Department due to which there have been deviations and non compliance to provisions of the HVAT Rules. Department has not established any mechanism for cross verification of inter departmental data base of works contractors resulting in loss of revenue due to tax evasion by unregistered works contractors. Benefit of payment of tax/WCT was given to contractors without verification. Instances of non levy of interest on short deposit of tax, non levy of penalty for misuse of form VAT D-1, short assessment of taxable turnover, allowing excess ITC, non levy of tax on material supplied to contractor and short assessment of tax under amnesty scheme were noticed resulting in revenue loss of ₹ 79.78 crore.

This was reported to the Government in June 2018. Reply was awaited despite issuance of reminder in November 2018.

The issues pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

2.5 Under-assessment of tax due to allowing concessional tax on invalid forms 'C'

Assessing Authority allowed concessional rate of tax without verification of forms which resulted in under-assessment of tax of ₹ 3.53 crore. In addition, penalty of ₹ 10.59 crore was also leviable.

Section 8 (4) of the Central Sales Tax Act, 1956 provides that concession under sub section (1) shall not apply to any sale in the course of inter-State trade or commerce unless the dealer furnishes to the AA a declaration form duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in a prescribed form (Form 'C')²⁸ obtained from the prescribed authority. Under section 38 of HVAT Act, three

²⁸ This form is issued by the purchasing dealer to the selling dealer in Inter-State trade for claiming concessional rate of tax.

times of tax due is leviable as penalty for submitting wrong documents to evade payment of tax. Government of Haryana had issued instructions on 14 March 2006 and 16 July 2013 for verification of intra-State or inter-State transactions of more than one lakh rupees before allowing the benefit of tax/concession to the dealer.

Scrutiny of the records of seven Deputy Excise and Taxation Commissioners (Sale Tax) {DETCs (ST)}²⁹ and Excise and Taxation Officer (ETO) Tohana revealed that 18 dealers claimed concessional tax rate on their inter-State sales worth ₹ 38.49 crore in the years 2013-14 and 2014-15. In support of the claims, the dealers filed 50 'C' forms issued by Commercial Tax Department of Rajasthan (39), Uttarakhand (2), Delhi (8) and Punjab (1). The concerned Assessing Authorities (AAs) finalised the assessments between April 2016 and March 2017 and allowed concessional tax on the declarations filed without verification as per instructions *ibid*.

Audit referred these forms to the concerned States for verification and also checked the forms through Tax Information Exchange System (TINXSYS) and found that the respective States had cancelled the registration of the dealers. The position is as below;

Selling unit in Haryana	Number of dealers	Issuing State	Number of 'C' Forms	Checked through
Jind, Rohtak, Gurugram (E), Gurugram (W) and Hisar	13	Rajasthan	39	TINXSYS -13 Verification -26
Gurugram (W)	1	Uttarakhand	2	Verification -2
Jagadhri, Tohana and Faridabad (W)	3	Delhi	8	TINXSYS -5 Verification -3
Gurugram (W)	1	Punjab	1	TINXSYS -1
Total	18		50	

In response to request of audit for verification of forms, State Tax Officer (STO), Jaipur (November 2017) informed that eight forms issued by one dealer of Rajasthan were not genuine and the registration had already been cancelled. STO, Jaipur also informed that the matter had already been reported to DETC Jind on 25 May 2016 in response to a request made in June 2015 for verification of forms. Despite this AA, Jind allowed

²⁹ Faridabad (West), Gurugram (East), Gurugram (West), Hisar, Jagadhri, Jind and Rohtak.

(03 October 2016) concessional rate of tax on 'C' forms issued by the dealer of Jaipur.

AA, Jagadhri had also allowed (28 December 2016) concessional rate of tax on 'C' forms issued by two dealers of Delhi, despite being aware that the registration of the buying dealer of Delhi had been cancelled with effect from 10 September 2013 and 26 May 2014.

Thus, AA Jind and Jagadhri allowed concessions against invalid declarations. Further, AAs of the remaining six offices also finalised the assessments between April 2016 and March 2017 and allowed the concessional tax on the forms without verification.

This resulted in under-assessment of tax of ₹ 3.53 crore. In addition, penalty of ₹ 10.59 crore was also leviable.

On this being pointed out, in one case, AA, Gurugram (West) reassessed the case and demand of ₹ 15.62 lakh was created (July 2017). AA Jagadhri admitted the para and stated that the case would be reassessed (December 2017). DETC Jind intimated (October 2017) that letter had been issued to the Commercial Tax Officer (CTO) Jaipur for verification. The reply is not acceptable as CTO, Jaipur had already informed the facts to DETC Jind (May 2016). AA Rohtak stated that letter had been sent for verification of 'C' forms in two cases (August 2017). In one case, AA Rohtak claimed that the form issued by one dealer was duly verified from the website of Commercial Tax Department of Rajasthan. Reply was not acceptable as on verification by audit, it was found that the form was found invalid.

AA Gurugram (East), Gurugram (West), Tohana and Rohtak stated that action would be taken as per law after verification (July 2017 to December 2017). Reply has not been received from AA, Hisar.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in June and November 2018.

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

2.6 Under-assessment of tax due to assessment on less turnover

Assessment of tax on less turnover by Assessing Authority, resulted in under-assessment of tax of ₹ 13.19 crore. In addition, penalty of ₹ 43.62 lakh was also leviable.

Section 15 (5) of the HVAT Act provides that if a dealer fails to furnish returns in respect of any period by the prescribed date, the AA may, at any time before the expiry of three years from the close of the year to which such returns relate and after giving the dealer a reasonable opportunity of being heard, assess, to the best of its judgment, the amount of tax, if any due from him and for this purpose he may presume that his gross turnover for the assessment period is the same as for the corresponding period of the last year and input tax is nil.

A) Scrutiny of records of the DETC (ST), Faridabad (East) revealed that the AA assessed (25 March 2015) the case of a dealer for the year 2011-12 under Section 15 (5) of the HVAT Act as the assessee had not filed any return for 2011-12 and determined the tax on the GTO of ₹ 418.26 crore after adding 10 *per cent* to the preceeding years' GTO. Audit observed that AA Faridabad had received two references, one from Excise and Taxation Officer (ETO), Panchkula and another from ETO, Rohtak, regarding claims for ITC made by dealers under their jurisdiction. The references sought to confirm sale of material by the dealer of Faridabad.

Reference was received from ETO Rohtak (23 February 2015 and received at ETO office Faridabad on 17 March 2015) seeking confirmation of sale of ₹ 128.86 crore by the dealer of Faridabad since a dealer in Rohtak had claimed ITC on this amount. This amount was however not considered at the time of assessment of GTO by ETO, Faridabad on 25 March 2015.

ETO, Panchkula had also made a reference to ETO, Faridabad regarding claim of ITC by a dealer who had purchased material amounting to ₹ 388.78 crore from the dealer of Faridabad. However, ETO, Faridabad assessed the case without taking into consideration sale of ₹ 388.78 crore as reported by ETO, Panchkula. Hence there was under-assessment of tax of ₹ 13.04 crore (₹ 517.64 crore – ₹ 418.26 crore = ₹ 99.38 crore X 13.125 *per cent*).

On this being pointed out by Audit, (February 2016), AA Faridabad (East) stated (August 2018) that the case was reassessed (November 2016) and an additional demand of ₹ 13.04 crore was created and recovery proceeding had been started.

B) Section 38 of the HVAT Act, provides for levy of penalty for maintaining false or incorrect accounts or documents with a view to suppressing sales, purchases, imports which affect the tax liability of the dealer. A sum thrice the amount of tax avoided would be levied as penalty.

Scrutiny of records of the DETC Gurugram (West) revealed that a dealer had sold building material of ₹ 1.11 crore to a dealer of DETC Panipat during the year 2010-11. The dealer of Gurugram had filed returns for that period but did not include this sale in the returns. The AA also finalised the assessment in November 2012 according to returns. Audit further noticed that the DETC Panipat had requested DETC Gurugram for verification of purchase of ₹ 1.11 crore from the dealer of Gurugram. AA Gurugram stated (April 2014) that the dealer had not shown the sale of ₹ 1.11 crore in the returns. This case should have been reassessed soon after the concealment of sale of ₹ 1.11 crore came to notice in April 2014. This was not done. The dealer had falsified account, with a view to suppress the sales of ₹ 1.11 crore, to evade payment of tax and thereby became liable for penal action. Thus, non-levy of tax by AA on suppressed sale resulted in evasion of tax of ₹ 14.54 lakh (13.125 per cent of ₹ 1,10,81,042) In addition, penalty of ₹ 43.62 lakh was also leviable.

On this being pointed out by audit (January 2015), AA Gurugram (West) reassessed the case (November 2017) and created an additional demand of ₹ 58.18 lakh.

The matter was reported to the Government in March 2018/April 2018. Reply was awaited despite issuance of reminder in June and November 2018.

Department may strengthen its internal controls for ensuring that references received from other assessing officers are taken into account while finalising assessments. Department may review such cases and fix responsibility. Further, amount pointed out by Audit may be recovered under intimation to Audit.

2.7 Under-assessment of tax due to allowing benefit against invalid forms 'F'

AA, while finalising the assessment allowed the benefit of consignment sale against invalid 'F' forms resulting in non levy of tax of ₹ 1.78 crore. In addition, penalty of ₹ 5.34 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 assessing authority 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. Government of Haryana had issued instructions on 14 March 2006 and 16 July 2013 for verification of intra-State or inter-State transactions of more than one lakh rupees before allowing the benefit of tax/concession to the dealers.

Scrutiny of the records of the offices of DETC (ST) Jind and Kaithal revealed that 10 dealers claimed exemption on their branch transfers/consignment sale amounting to ₹ 33.94 crore to two firms in Jaipur and Hanumangarh in Rajasthan for the years 2013-14 and 2014-15. In support of the claims, the dealers filed 91 'F' forms obtained from their respective branches/agents located in Jaipur and Hanumangarh, Rajasthan. The concerned AAs finalised the assessments between June 2016 and March 2017 and allowed the exemptions based on the declarations filed without verification as per instructions *ibid*.

Audit referred these forms to Rajasthan for verification and found that none of the forms were genuine as the registration of the firm in Jaipur was cancelled from 1st April 2013 and that of Hanumangarh from 6th June 2012. Further, STO, Jaipur, Rajasthan had intimated audit (November 2017) that cancellation of registration of the firm in Jaipur was already reported to DETC Jind in May 2016 in response to the request (June 2015) of AA, Jind. However, AA Jind while finalising the assessments (August and October 2016) ignored the fact and allowed benefit. AA Kaithal also allowed the benefit of consignment sale without verification. Thus allowing the benefit of consignment sale against invalid "F" forms by AAs resulted in non levy of tax of ₹ 1.78 crore³⁰. Penalty of ₹ 5.34 crore was also leviable.

On this being pointed out, AA Jind intimated (October 2017) that the forms were verified from the Rajasthan Government website and letter had been written to the STO, Jaipur to know the genuineness. The reply was not acceptable as STO, Jaipur had already apprised DETC Jind of the factual position (May 2016). Reply has not been received from AA Kaithal.

The matter was reported to the Government in February 2018. Reply was awaited despite issuance of reminders in June and November 2018.

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

³⁰ ₹ 33.94 crore X 5.25 per cent = ₹ 1.78 crore.

2.8 Under-assessment of tax due to allowing excess benefit of ITC on stock transfer or losses

Short/non reversal of ITC by Assessing Authority resulted in excess benefit of ITC of ₹ 9.04 crore.

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.

If the goods purchased in the State are used or disposed partly by way of sale and partly by stock transfer, the input tax in respect of such goods shall be computed on pro rata basis.

Scrutiny of records of three offices³¹ of DETC (Sales Tax) revealed that two dealers purchased Building Material, Wheat, Paddy and Cement during 2012-13 and 2013-14 worth ₹ 20,899.62 crore after payment of VAT of ₹ 1,096.20 crore. The dealers had transferred material worth ₹ 19,120.61 crore against form 'F'³². ITC was to be reversed proportionately on stock transfer. The reversible ITC works out to ₹ 994.80 crore. However, AAs while finalising assessments incorrectly reversed only an amount ₹ 986.60 crore resulting in short reversal of ₹ 8.20 crore.

Further, one dealer purchased packing material worth ₹ 16.68 crore after payment of tax of ₹ 0.70 crore within the State during 2012-13 and transferred the entire material against 'F' form and hence the dealer was not eligible for ITC. The AA reversed ITC of ₹ 0.15 crore only. This resulted in wrong benefit of ITC of ₹ 0.55 crore (₹ 0.70 crore - ₹ 0.15 crore).

2.8.2 One dealer had booked loss of ₹ 4.66 crore. The proportional ITC worked out to ₹ 0.29 crore. The AAs while finalising assessments did not reverse ITC which resulted in wrong benefit of ₹ 0.29 crore.

Thus incorrect reversal resulted in wrong benefit of ITC of ₹ 9.04 crore (₹ 8.20 crore + ₹ 0.55 crore + ₹ 0.29 crore)

On this being pointed out DETC (ST) Gurugram (West) intimated (October 2017) that an additional demand of ₹ 28.91 lakh had been created in one case and one case has been sent to Revisional Authority (April 2017) for

³¹ Gurugram (East) (01 dealer), Gurugram (West) (02 dealers) and Panchkula (01 dealer).

³² a declaration filed by a dealer claiming tax exemption on the movement of goods from one State to another on the ground that such movement was occasioned by reason of transfer of such goods to any other place of his business or to his agent or principal and without recognising it as sale.

suo-motu action. DETC (ST) Panchkula intimated (June 2018) that an additional demand of ₹ 8.12 crore has been created. AA Gurugram intimated (October 2018) that the case has been sent to Revisional Authority for suo-motu action.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

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

2.9 Incorrect benefit of Input Tax Credit on goods not sold

AA, while finalising the assessment allowed inadmissible ITC claim for purchase of Duty Entitlement Pass Book (DEPB) which was not sold by the dealer resulting in incorrect grant of input tax credit of ₹ 2.89 crore. In addition, interest of ₹ 1.73 crore was also leviable.

Under Section 8 of 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 inter-State trade and commerce. Duty Entitlement Pass Book (DEPB) Scheme is an export promotion scheme introduced by Government of India in 1997 where an exporter gets duty credit entitlement on his exports in proportion to the value of the export goods. Under this scheme, DEPB scrips are issued by Director General Foreign Trade to exporters for availing DEPB credit. The Government of Haryana clarified (22 April 2013) that ITC is available only if the DEPB scrips are purchased for re-sale and no ITC would be admissible if these were used for adjustment of custom duty. Further, interest at the rate of two *per cent* per month was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of record of (DETC) (ST), Rewari revealed that a dealer purchased DEPB scrip worth ₹ 55.02 crore after payment of VAT of ₹ 2.89 crore during 2012-13. As the Scrips were not sold by the dealer, no ITC was admissible. However, while finalising assessment on 28th April 2015, AA allowed the ITC claim to the dealer resulting in incorrect grant of ITC of ₹ 2.89 crore. Interest of ₹ 1.73 crore³³ was also leviable.

On this being pointed out, AA Rewari intimated (February 2018) that the case had been sent for suo-motu action to Revisional Authority.

³³ Interest is charged from 1.11.2012 to 28.4.2015 i.e. 29 months and 28 days on ₹ 2.89 crore at the rate of two *per cent* per month. ₹ 2.89 crore X 2 *per cent* X 29 months = ₹ 1.68 crore + ₹ 2.89 crore X 2 *per cent* X 28/30 = 5.59 lakh. Total ₹ 1.68 crore + ₹ 0.05 crore = ₹ 1.73 crore.

The matter was reported to the Government in February 2018. Reply was awaited despite issuance of reminders in June and November 2018.

2.10 Non levy of tax

AA, while finalising the assessment, assessed sale of items worth ₹ 7.08 crore as tax free goods. However, these items are taxable at the rate of 5.25 per cent and 13.125 per cent. This resulted in non-levy of VAT amounting to ₹ 43.31 lakh. In addition, interest of ₹ 24.53 lakh was also leviable.

Under Section 7 (1) (a) (iii) and (iv) of the HVAT Act, tax is leviable at the rates specified in Schedules 'A' to 'G' of the Act depending upon the classification of goods. Schedule 'C' goods are taxable at 5 per cent. The items not classified in above schedules are taxable at general rate of tax of 12.5 per cent with effect from 1 July 2005. Further, surcharge at the rate of five per cent of the tax is also leviable w.e.f 2nd April 2010. In addition, interest is also leviable under Section 14 (6) at the rate of 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 records of the office of DETC (ST), Panchkula and Jagadhri revealed that three dealers sold steel screen pipes, felt and bio fuel worth ₹ 5.91 crore in 2013-14 and 2014-15 and claimed the sale as tax free. The AA, while finalising the assessment (November 2015, September 2016 and November 2016) allowed the claim of the dealer. However, these items are all Schedule 'C' items and are taxable at 5.25 per cent including surcharge. This has resulted in non-levy of VAT amounting to ₹ 31.04 lakh (₹ 5.91 crore X 5.25 per cent). Interest of ₹ 14.64 lakh was also leviable.

Further, a dealer of DETC, Jagadhri sold fixed tangible assets worth ₹ 1.17 crore in the year 2013-14. The AA while finalising the assessment in March 2017 omitted to levy tax on the sale. These goods were liable to tax at the rate of 5.25 per cent and 13.125 per cent. This resulted in non-levy of tax of ₹ 12.27 lakh³⁴. Interest of ₹ 9.88 lakh was also leviable.

On this being pointed out, AA Panchkula and Jagadhri intimated that the cases had been sent to the Revisional Authority for suo motu action (between March 2017 to June 2018).

The matter was reported to the Government in March and April 2018. Reply was awaited despite issuance of reminders in June and November 2018.

³⁴ ₹ 37,74,409 X 5.25 per cent = ₹ 1,98,156+ ₹ 78,17,507 X 13.125 per cent = ₹ 10,26,048 + ₹ 3000 = ₹ 12,27,204.

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

2.11 Under-assessment of tax due to calculation mistake

There was under-assessment of tax amounting to ₹ 41.46 lakh due to calculation mistake by Assessing Authorities.

Under Section 19 of the 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 a reasonable opportunity of being heard.

Scrutiny of the records of DETC, Gurugram (East) and Gurugram (West) revealed that two dealers made sales valued at ₹ 13.12 crore during 2013-14. The AAs while finalising the assessment in November 2015 and March 2017, assessed the tax of ₹ 29.41 lakh instead of the correct amount of ₹ 70.87 lakh due to calculation mistake. This resulted in under-assessment of tax of ₹ 41.46 lakh.

On this being pointed out (September 2017), DETC, Gurugram (West) stated (September 2017) that the case had been reassessed and additional demand of ₹ 46.96 lakh had been created. DETC, Gurugram (East) intimated that notice for reassessment had been issued (January 2018) to the dealer.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in June and November 2018.

2.12 Non levy of interest

Assessing Authorities, while finalising the assessments did not levy interest of ₹ 27.77 lakh on delayed payment of tax by two dealers.

Section 14 (6) of the 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, 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 records of offices of DETC (ST), Bahadurgarh and Gurugram (East) revealed that in two cases, interest had not been levied as required under the provisions *ibid*.

In Bahadurgarh, the dealer had paid monthly tax due during the period April 2013 to 31 March 2014, in November 2014 instead of the due date which is 15th of the following month. AA while finalising assessment for the year 2013-14 in March 2017, did not levy interest of ₹ 11.58 lakh on the delayed payment of ₹ 43.55 lakh.

In Gurugram, it is seen from the assessment for the year 2012-13 that on the date of assessment (18 March 2016) tax of ₹ 19.69 lakh was due from the dealer. AA while finalising assessment, did not levy interest of ₹ 16.19 lakh³⁵ on non payment of tax.

This resulted in non levy of interest of ₹ 27.77 lakh (₹ 11.58 lakh + ₹ 16.19 lakh).

On this being pointed out, DETC (ST) Bahadurgarh stated in March 2018 that the case had been sent to Revisional Authority, Jhajjar for taking suo motu action and AA Gurugram (East) stated in March 2018 that notice for reassessment had been issued to the dealer.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

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

2.13 Inadmissible Input Tax Credit

Assessing Authority, while finalising the assessment allowed benefit of Input Tax Credit without verification of purchase from selling dealers resulting in incorrect grant of Input Tax Credit of ₹ 1.28 crore. In addition, penalty of ₹ 3.83 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. ETC Haryana issued instructions in March 2006 and July 2013 that cent *per cent* verification of ITC up to the stage of actual payment of tax shall be done. Further, Section 38 of the Act provides for penal action (three times of tax avoided as penalty) for claims on the basis of false information and incorrect accounts or documents etc.

³⁵ ₹ 19,69,540 X 1233 /30 days (from 1 November 2012 to 18 March 2016) X two *per cent*.

Scrutiny of the records of the DETCs (ST) Panipat, Faridabad (East) Gurugram (East), revealed that AA while finalising the assessments of three dealers for the year 2013-14 (January 2015, May 2015 and March 2017) allowed benefit of ITC of ₹ 1.28 crore without verification of purchase from selling dealers. **On verification by audit, it was found that the selling dealers had not made sale to these dealers. This resulted in incorrect grant of ITC of ₹ 1.28 crore. In addition, penalty of ₹ 3.83 crore was also leviable.**

On this being pointing out, AA Gurugram (East) intimated (August 2018) that the case has been reassessed and demand of ₹ 0.47 crore has been created. AA Faridabad (East) intimated (April 2017) that the case had been reassessed and demand of ₹ 3.24 crore has been created. AA Panipat intimated (February 2018) that the case had been taken up for reassessment.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in June and November 2018.

Department may ensure putting in place stringent mechanism of allowing benefit of ITC after due verification. Amount pointed out by Audit may be recovered under intimation to Audit.

2.14 Under-assessment of tax due to application of incorrect rate of tax

Assessing Authorities, while finalising the assessment levied incorrectly tax at the rate of 5/5.25 per cent instead of 13.125 per cent resulting in under-assessment of tax of ₹ 2.12 crore. In addition, interest of ₹ 1.27 crore was also leviable.

Under section 7 (1) (a) (iv) of the HVAT Act, all 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 2nd April 2010. Interest is also leviable under Section 14 (6) at the rate of 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 records of four DETC (ST)³⁶ offices revealed that while finalising the assessments for the year 2012-13 to 2013-14, six dealers were assessed

³⁶ Panipat :1, Faridabad (East) : 2, Faridabad (West) : 2, Rohtak : 1.

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(between June 2014 and May 2016) at lower rate of tax on sale of unclassified goods as detailed below:-

(Amount in ₹)

Sr. No.	Name of DETC	Period/Month of Assessment	Commodity	Value of goods sold	Tax leviable @ 13.125 % including surcharge	Tax levied @ 5/ 5.25 %	Tax short levied	Response to audit observation
1	Panipat	2012-13 dated 18.03.2016	Fly ash	21413533	2810526	1124210	1686316	Fly ash is an unclassified item and taxable at the rate of 13.125 per cent. AA intimated (February 2017) that case had been sent to Revisional Authority for taking suo motu action.
2	Faridabad (East)	2012-13 dated 21.01.2016	Paneer	14953085	1962592	785037	1177555	The Government clarified on 23.06.2014 that Paneer is an unclassified item and taxable at the rate of 13.125 per cent. AA intimated (March 2017) that the case had been sent to Revisional Authority for taking suo motu action.
3	Faridabad (West)	2012-13 dated 02.06.2014 and 2013-14 dated 15.06.2015	Air compressor, accessories and parts	19106473	2507725	1003090	1504635	The Government clarified on 22.10.2009 that Air compressor/ Blower is an unclassified item and taxable at the rate of 13.125 per cent. AA intimated (May 2017) that notice has been issued to the dealer for submission of bills of goods sold.
4	Rohtak	2013-14 dated 20.11.2015	Plastic scrap	20009817	2626288	1000490 (5%)	1625798	Plastic scrap is an unclassified item and taxable at the rate of 13.125 per cent. AA intimated (April 2018) that the case has been sent to RA for suo motu action.
5	Faridabad (East)	2013-14 dated 14.12.2015	Machinery parts	53607058	7035926	2814371	4221555	AA intimated (November 2016) that the case had been sent to Revisional Authority for taking suo motu action.

Sr. No.	Name of DETC	Period/Month of Assessment	Commodity	Value of goods sold	Tax leviable @ 13.125 % including surcharge	Tax levied @ 5/ 5.25 %	Tax short levied	Response to audit observation
6	Faridabad (West)	2013-14 dated 31-05-2016	Currency Sorting devices	140057472	18382543	7353017	11029526	Currency sorting devices is an unclassified item and taxable at the rate of 13.125 per cent. AA intimated (December 2017) that currency sorting device is a computer. Reply of the AA is not correct as this is electronic goods and will be taxable at 13.125 per cent.
Total				269147438	35325600	14080215	21245385	

This resulted in under-assessment of tax of ₹ 2.12 crore. Interest of ₹ 1.27 crore was also leviable.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

Department may undertake scrutiny of more cases for ensuring that correct tax rates are being levied. Amount pointed out above may be recovered under intimation to Audit.

2.15 Incorrect benefit of tax deposit into Government Accounts without verification

Assessing Authorities, while finalising the assessment allowed incorrect benefit of tax deposit of ₹ 27.15 lakh to two dealers. In addition, interest of ₹ 14.96 lakh was also leviable.

As per provision contained in Rule 4.1 of Punjab Financial Rules Volume-1 as applicable to State of Haryana, it is the duty of the Revenue or the Administrative Department concerned, to see that dues of Government are correctly and promptly assessed, collected and paid into the treasury. The departmental controlling officers should see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury. Benefit of tax will be allowed after verification of tax deposited into treasury. If any credits are claimed but not found in the accounts, enquiries should be made first of the responsible departmental officer concerned. In addition, interest was also leviable under Section 14 (6) at the rate of 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 of the office of DETC (ST), Faridabad (west) revealed that AA while finalising assessment (April 2016) allowed benefit of tax deposit of ₹ 27.09 lakh for the year 2013-14 to a dealer. Verification by audit revealed that an amount of ₹ 20 lakh out of ₹ 27.09 lakh was actually not deposited by the dealer into Government account. Interest of ₹ 11.67 lakh³⁷ was also leviable.

In Gurugram (East) it was seen that a dealer had made tax deposit of ₹ 7.15 lakh for the year 2012-13 and AA allowed the benefit. The same amount was allowed in the year 2013-14 also by the AA (November 2015) though this was not deposited by the dealer. This resulted in incorrect benefit of ₹ 7.15 lakh. Interest of ₹ 3.29 lakh³⁸ was also leviable.

Thus AAs allowed benefit of tax deposit of ₹ 27.15 lakh (₹ 20 lakh + ₹ 7.15 lakh) into Government account without verification. Total interest of ₹ 14.96 lakh was also leviable.

Granting benefit of tax paid without ensuring that the amount has actually been remitted into Government account is a pointer towards deficient internal controls. There should be provision for online checking of tax deposits by dealers. Provision of benefits of tax deposited should be system enabled instead of being a manual exercise.

On this being pointed out, DETC Faridabad (West) stated in July 2018 that the dealer has deposited ₹ 20 lakh. DETC Gurugram (East) stated in August 2018 that the case had been reassessed and an additional demand of ₹ 10.99 lakh had been created.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

³⁷ ₹ 20,00,000 x 29 months and 5 days (01 Nov 2013 to 05 April 2016) x 2/100 = ₹ 11,66,667.

³⁸ ₹ 7,15,462 x 23 months (1 Nov 2013 to 30 Sept 2015) x 2/100 = ₹ 3,29,112.

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 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 administration of State Excise Acts/Rules in the field.

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

Section officer is posted at the district headquarter. His main function is to carry out the internal audit of income and expenditure of the department.

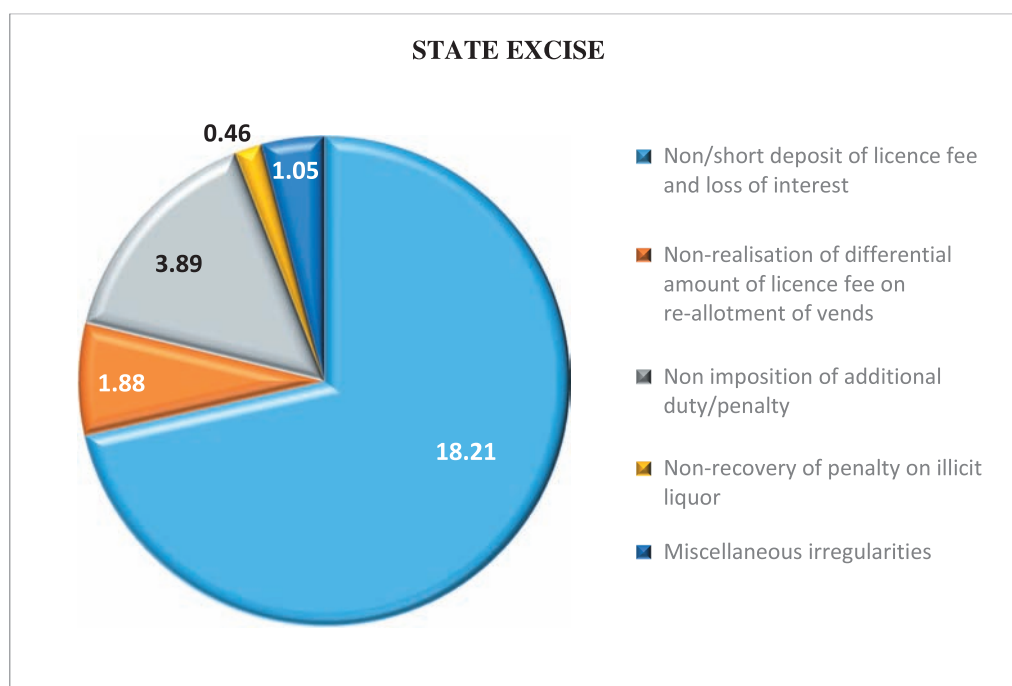
3.2 Results of audit

In 2017-18, test check of the records of 40 out of 76 units of State Excise Department revealed non/short realisation of excise duty/licence fee/interest/penalty and other irregularities involving ₹ 25.49 crore in 950 cases which fall under the following categories as tabulated in Table 3.1.

Table 3.1 – Results of audit

(₹in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short deposit of licence fee and loss of interest	335	18.21
2.	Non-realisation of differential amount of licence fee on re-allotment of vends	02	1.88
3.	Non imposition of additional duty/penalty	458	3.89
4.	Non-recovery of penalty on illicit liquor	138	0.46
5.	Miscellaneous irregularities	17	1.05
	Total	950	25.49

Chart 3.1



During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 9.86 crore involved in 720 cases out of which ₹ 9.54 crore involved in 682 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 32 lakh in 38 cases relating to earlier years.

Some significant cases involving ₹ 9.59 crore are discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

3.3 Non/short recovery of interest

There was loss of ₹ 3.95 crore due to non-levy of interest on delayed payment of licence fee of ₹ 149.19 crore by 195 licencees for the period April 2015 to January 2017.

Para 6.4 of State Excise policy for the year 2015-16 and 2016-17 stipulates that every licencee holding a licence for retail outlets of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) vends shall make payment of monthly instalment of licence fee by 20th of each month. Failure to do so renders the licencee 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 licence fee was due, to the date of payment of the instalment. Further as per para 6.5 of State Excise policy, if the licencee fails to deposit the monthly instalment in full along with

interest by the end of the month, the licenced vends shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the respective district.

Scrutiny of the records of 11 offices¹ of DETC (Excise) for the year 2015-16 and 2016-17 revealed that in 195 vends licencees had paid monthly instalments of licence fee of ₹ 149.19 crore for the period April 2015 to January 2017 with delay ranging from 21 to 218 days. There are total 650 vends under these offices. Thus in 30 *per cent* of the vends there was delay in payment of licence fees. The DETCs (Excise) did not initiate action to levy interest on belated payment of the licence fee. This resulted in non levy of interest of ₹ 3.95 crore.

On this being pointed out, DETC (Excise) Jhajjar stated (May 2018) that ₹ 17.55 lakh had been recovered and recovery proceeding had been initiated for balance amount of ₹ 15.58 lakh. DETCs (Excise) Jagadhri and Bhiwani stated (between September 2017 and April 2018) that an amount ₹ 2.88 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 10.58 lakh. Three DETCs (Excise)² stated (between August 2017 and April 2018) that efforts would be made/notices had been issued to recover the outstanding amount of ₹ 1.72 crore. Replies from remaining five DETCs³ had not been received for the outstanding amount of ₹ 1.77 crore.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

3.4 Non levy/realisation of penalty for short lifting of quarterly quota of liquor

Failure of the DETCs (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 2.71 crore.

As per Para 3.3.1 of State Excise Policy for the year 2016-17, a licensee is liable to lift the basic quota of IMFL and 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.

¹ Bhiwani, Jagadhri, Jind, Jhajjar, Kaithal, Karnal, Narnaul, Nuh, Panipat, Rewari and Rohtak.

² Narnaul, Rewari and Rohtak.

³ Jind, Kaithal, Karnal, Nuh and Panipat.

Scrutiny of the records of six offices⁴ of DETC (Excise) for the year 2016-17 revealed that 294 retail outlets did not lift the prescribed quarterly quota as detailed below:

	IFML in proof litres	CL in proof litres
Basic prescribed quota	10,06,270	48,50,449
Quota lifted	8,19,508	41,01,938
Short lifted	1,86,762	7,48,511
Rate of Penalty leviable	₹ 65	₹ 20
Amount of penalty	₹ 1,21,39,530	₹ 1,49,70,220

However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in non levy of penalty of ₹ 2.71 crore.

On this being pointed out, DETCs (Excise) Jind and Narnaul stated in April 2018 that an amount of ₹ 2.41 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 52.59 lakh. Remaining four DETCs (Excise) stated in March and June 2018 that efforts would be made to recover the outstanding amount of ₹ 2.16 crore.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

3.5 Non-realisation of differential licence fee

The Department failed to initiate action to recover the differential amount of licence fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.88 crore.

Para 6.5 and 2.19 of the State Excise policy for the year 2015-16 stipulates that in case an allottee fails to make payment of security deposit and defaults in payment of licence fee along with interest in any month, the licenced outlet shall cease to be in operation on the first day of the following month and the DETC (Excise) may re-allot it at the risk and cost of original allottee after seeking prior permission of the ETC.

Scrutiny of the records of DETCs (Excise) Kaithal and Rohtak for the year 2016-17 revealed that two retail outlets were auctioned in March and May 2016 for ₹ 6.24 crore. Out of the total bid amount of ₹ 6.24 crore, the

⁴ Gurugram, Jagadhri, Jind, Narnaul, Rewari and Rohtak.

allottees paid ₹ 1.68 crore (Security Deposit of ₹1.09 crore and Licence Fee of ₹ 0.59 crore) and failed to deposit the balance amount of ₹ 4.56 crore by due date. The Department cancelled their retail outlets in July 2016 and thereafter re-auctioned/re-allotted them in August and October 2016 for ₹ 2.68 crore for the remaining period at the risk and cost of original allottees. However, it failed to initiate action to recover the differential amount of ₹ 1.88 crore (₹ 4.56 crore – ₹ 2.68 crore) from the original allottees. This resulted in non-realisation of Government revenue of ₹ 1.88 crore.

On this being pointed out, DETC (Excise) Kaithal stated in August 2018 that an amount of ₹ 3.47 lakh has been recovered from the defaulter. DETC (Excise) Rohtak stated in November 2017 that efforts would be made to recover the outstanding amount of ₹ 1.27 crore from the defaulter.

The matter was reported to the Government in April 2018. The reply was awaited despite issuance of reminders in July and November 2018.

3.6 Non-recovery of penalty for illegal possession and trade of liquor

The Department had not initiated action to fully recover penalty of ₹ 73.84 lakh from the offenders for possession of illicit liquor either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.

Section 61 (1) (aaa) (c) (i) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, provides that penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milli-litres or part thereof is leviable on an offender for possession of illicit liquor⁵. Further, Section 59 of the Haryana Imposition and Recovery of Penalty Rules, 2003, provide that in case penalty is not paid within stipulated period, the Collector shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the order of confiscation.

Scrutiny of records of six offices⁶ of DETC (Excise) for the years 2015-16 and 2016-17 revealed that the Department had detained 64,647 bottles of illicit liquor between April 2015 and March 2017 in 157 cases and confiscated 61 vehicles. The Department, after serving notice and examining the evidence produced by the offenders, imposed penalty of ₹ 74.89 lakh in 106 cases. In the remaining cases audit worked out penalty of ₹ 11.30 lakh in 51 cases at the minimum rate of ₹ 50. The total amount of penalty therefore worked out to

⁵ Illicit liquor means liquor prepared unlawfully without any quality control checks, which is not suitable for human consumption due to higher alcoholic concentration than the permissible limit.

⁶ Ambala, Faridabad, Jagadhri, Jind, Kaithal and Panchkula.

₹ 86.19 lakh. The Department recovered only ₹ 12.35 lakh and had not initiated action to recover the balance penalty of ₹ 73.84 lakh either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.

On this being pointed out, all the DETCs (Excise) stated between August 2016 and April 2018 that notices would be issued to the concerned defaulters and recovery of ₹ 73.84 lakh would be made from the defaulters.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in July and November 2018.

3.7 Loss of revenue due to irregular adjustments of participation fee against licence fee

Adjustment of participation fee against licence fee payable by vendors was allowed by the Department in contravention of State Excise Policy resulting in loss of revenue of ₹ 31.20 lakh to the Government.

Para 2.15 of the State Excise Policy for the year 2015-16 stipulates that a bidder shall have to deposit a participation fee at the rate ₹ 10,000 for each liquor vend. The participation fee is non refundable and non adjustable.

Scrutiny of the records of DETCs (Excise) Faridabad and Sonapat for the year 2015-16 revealed that participation fee of ₹ 31.20 lakh was adjusted against the licence fee payable by 33 vendors which was against the provisions of the State Excise Policy. Failure to comply with the provisions of State Excise Policy by the Department resulted in loss of revenue of ₹ 31.20 lakh to the Government.

On this being pointed out, DETC (Excise) Sonapat stated in March 2017 that matter would be looked into and required action would be taken. Although DETC (Excise) Faridabad accepted the audit finding, action taken for recovery was not intimated to audit.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in July and November 2018.

The Department needs to strengthen its internal audit mechanism to ensure that dues are properly collected.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

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, 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 fee 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 Fee (RF) is leviable at different rates based on the transaction value¹.

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 2017-18, test check of the records of 103 out of 132 units of the Revenue Department showed non/short levy of stamp duty and registration fee etc. and other irregularities involving ₹ 135.68 crore in 2,353 cases, which fall under the following categories in **Table 4.1**.

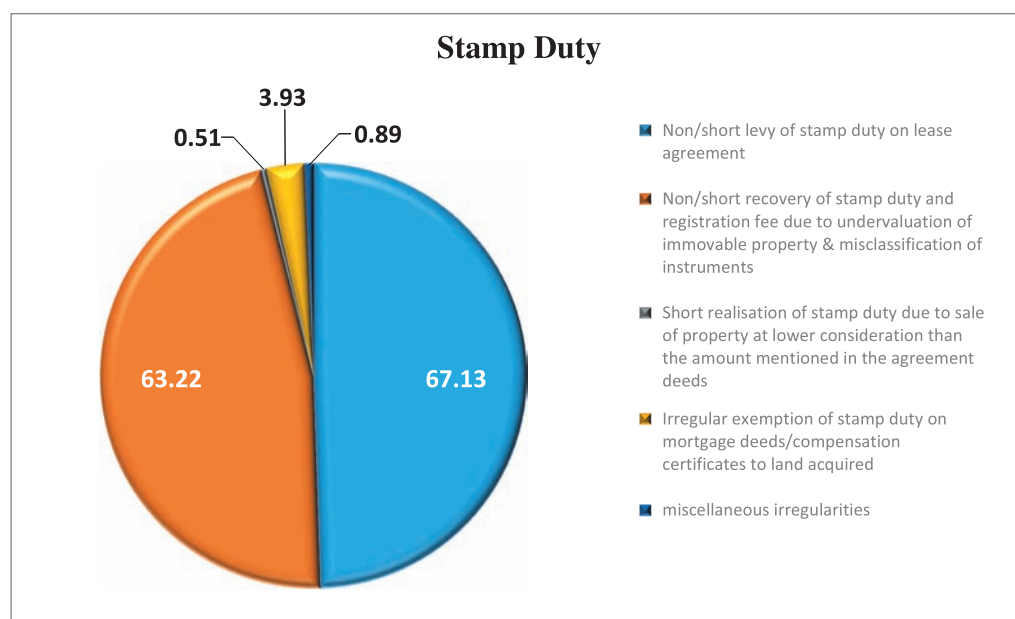
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Transaction Value (₹)	Registration Fee (₹)
1 to 50,000	100
50,001 to 1,00,000	500
1,00,001 to 5,00,000	1000
5,00,001 to 10,00,000	5000
10,00,001 to 20,00,000	10,000
20,00,001 to 25,00,000	12,500
Above 25,00,000	15,000

Table 4.1 – Results of audit

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short levy of stamp duty on lease agreement	466	67.13
2.	Non/short recovery of stamp duty and registration fee due to <ul style="list-style-type: none"> • undervaluation of immovable property • misclassification of instruments 	1300	54.53
		216	8.69
3.	Short realisation of stamp duty due to sale of property at lower consideration than the amount mentioned in the agreement deeds	51	0.51
4.	Irregular exemption of stamp duty on mortgage deeds/compensation certificates to land acquired	155	3.93
5.	Miscellaneous irregularities	165	0.89
Total		2,353	135.68

Chart 4.1



During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 84.56 crore involved in 1,030 cases out of which 992 cases involving ₹ 73.25 crore were pointed out during the year and rest in earlier years. The Department recovered ₹ 8.51 lakh in 21 cases during the year 2017-18.

Significant cases involving ₹ 84.22 crore are discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

4.3 Non/short Levy of Stamp Duty on Lease Agreements

4.3.1 Introduction

Due to misclassification of lease agreements as simple agreements, 30 instruments of mining lease remained insufficiently stamped resulting in short levy of stamp duty and registration fee of ₹ 24.36 crore. Non-consideration of annual increase for calculating annual average rent and incorrect application of rate of stamp duty in 25 cases resulted in short recovery of SD and RF of ₹ 13.17 crore. Non-execution of lease deeds of 411 agreements of Haryana Mines & Geology Department, Haryana Tourism Corporation, Haryana Roadways, Municipal Corporations and non-registration of lease deeds of mobile towers resulted in short levy of stamp duty and registration fees of ₹ 29.60 crore.

The State Government levies and collects stamp duty and registration fees on various types of instruments such as conveyance, mortgage, lease etc. Under Section 105 of Transfer of Property Act 1882, 'a lease of immovable property is a transfer of a right to enjoy such property, made for a certain time, express or implied or in perpetuity, in consideration of a price paid or promised, or of money, a share of crops, service or any other thing of value, to be rendered periodically or on specified occasions to the transferor by the transferee, who accepts the transfer on such terms'. Stamp duty (SD) and Registration fee (RF) in State are regulated by the Indian Stamp Act, 1899 (IS Act) and Indian Registration Act, 1908 (IR Act), as adopted by the Government of Haryana with suitable amendments.

Lease agreements of 103 offices out of the 130 offices of Joint Sub Registrars (JSRs)/Sub Registrars (SRs) in 21 districts² in the State for the years 2014-15

² Ambala, Bhiwani, Faridabad, Fatehabad, Gurugram, Hisar, Jhajjar, Jind, Kaithal, Karnal, Kurukshetra, Mewat, Mohindergarh, Palwal, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

to 2016-17 were test checked during audit between April 2017 and March 2018 to ascertain whether stamp duty and registration fees are levied correctly on the basis of rates fixed for registration of lease deeds.

Important findings in respect of registration of lease deeds are discussed in the following paragraphs:

4.3.2 Non/short levy of stamp duty and registration fees

Section 33 (1) of the IS Act, provides that every person in charge of a public office before whom any instrument chargeable with duty is produced shall impound the same if such instrument is not duly stamped. Under Section 38 (2) of the Act, the impounded documents are required to be sent to the Collector by the person so impounding such instrument.

(i) Misclassification of mining lease documents into simple agreement

Under Section 17 (i) (d) of the Registration Act, 1908 leases of immovable property from year to year or for any term exceeding one year, or reserving a yearly rent are compulsorily registerable documents. Article 35 of Schedule 1-A of the IS Act, provides for levy of stamp duty on lease deeds at prescribed rates³ for consideration equal to the amount of value of the fine or premium or advance in addition to the amount of the average annual rent reserved and on the basis of period of lease.

In 12 offices⁴ of SRs/JSRs, there were 30 instruments of mining lease for period ranging from seven to 20 years between November 2014 and January 2017. The lessees paid annual average rent amounting to ₹ 720.88 crore payable during the terms of contract. These deeds were required to be compulsorily registered under Section 17 of the Registration Act and stamp duty of ₹ 24.36 crore at the prescribed rates and registration fees of ₹ 4.40 lakh was leviable. However, these deeds were not duly stamped and were got executed on stamp paper of ₹ 6,720 and registration fees of ₹ 3.95 lakh only was levied. The public officer did not impound these instruments. This resulted in short levy of stamp duty of ₹ 24.36 crore and registration fees of ₹ 0.005 crore (₹ 45000) due to misclassification of lease agreements as simple agreements.

³ One year to five years: 1.5 per cent on average annual rent, exceeding five years and not exceeding 10 years: 3 per cent on average annual rent, exceeding 10 years and not exceeding 20 years: 6 per cent on average annual rent, exceeding 20 years and not exceeding 30 years: 9 per cent on average annual rent, exceeding 30 years and not exceeding 100 years: 12 per cent on average annual rent.

⁴ Chhachhrauli, Charkhi Dadri, Faridabad, Ganaur, Gharunda, Indri, Mohindergarh, Nangal Choudhary, Narnaul, Raipur Rani, Smalkha and Sonapat.

On this being pointed out, SR Narnaul and Samalkha stated in January and April 2018 that three cases had been decided by the Collector in May and July 2017 respectively and notices for recovery of ₹ 3.64 crore (Samalkha:- ₹ 3.21 crore two cases; Narnaul:- ₹ 0.43 crore one case) had been issued to the defaulters. SR Faridabad stated (October 2018) that one case would be sent to Collector for decision under Section 47-A of the Act. The remaining ten SRs stated (between March and September 2018) that the cases had been sent to the Collector for decision under Section 47-A of the IS Act.

(ii) Wrong calculation of annual average rent

In five offices⁵ of SRs, audit observed that in respect of 13 instruments registered for period ranging from three to 99 years between February 2016 and March 2017, the annual average rent was to be calculated as ₹ 114.83 crore and stamp duty of ₹ 13.30 crore and registration fee of ₹ 0.02 crore was leviable. However, the Registering Authorities assessed the average annual rent in these documents as ₹ 5.75 crore due to non consideration of annual increase for calculating annual average rent and levied stamp duty of ₹ 0.23 crore and registration fee ₹ 0.01 crore. This resulted in short levy of stamp duty of ₹ 13.07 crore and registration fee ₹ 0.002 crore (₹ 19000).

On this being pointed out, SR Manesar stated in May 2018, that an amount of ₹ 11,500 had been recovered. Superintendent Stamp & Registration, Revenue and Disaster Department, Government of Haryana has issued letter (2 August 2018) to the concerned Deputy Commissioners to recover the amount pointed out by audit.

(iii) Wrong calculation of rate of stamp duty

In 12 cases of four SRs⁶, stamp duty of ₹ 28.55 lakh at the rate of six to nine *per cent* for leases exceeding 10 years and not exceeding 30 years and registration fees of ₹ 0.52 lakh was leviable. The Registering Authority levied stamp duty of ₹ 18.27 lakh at the rate of 1.5 to three *per cent* and registration fees of ₹ 0.33 lakh. This resulted in short levy of stamp duty of ₹ 10.28 lakh and registration fee ₹ 0.20 lakh.

On this being pointed out, SR Jind stated in April 2018 that an amount of ₹ 33,706 had been recovered. SR Ferozpur Jhirka stated in May 2018 that order for recovery for outstanding amount of ₹ 79,872 had been issued. Remaining SRs Gurugram and Manesar stated in April and May 2018 that the

⁵ Farukhnagar, Manesar, Panipat, Smalkha and Sonapat.

⁶ SRs: Ferozpur Jhirka, Gurugram, Jind and Manesar.

cases had been sent to the Collector for decision under Section 47-A of the IS Act.

The Government needs to strengthen the internal audit to ensure timely detection and correction of error in levy and collection of revenue and avoid recurrence of misclassification of document.

4.3.3 Loss of stamp duty and registration fees due to non registration of lease agreement

Under section 17 (1) (d) of the IR Act, lease of immovable property from year to year, or for any term exceeding one year or reserving a yearly rent are to be compulsorily registerable documents. Further in the case of lease, the expenses for providing the proper stamp duty and registration fee shall be borne by the lessee.

(a) Loss of stamp duty and registration fees due to non registration of Mining lease agreement

As per condition contained in the Letter of Intent (LoI), Stamp Duty and Registration Fee are leviable on mining lease agreements. The Director, Mines & Geology Department Haryana directed all the Mining field offices vide letter dated 08 May 2017 that the agreement executed shall be got duly registered under relevant law with concerned Registering Authority and they shall be liable to pay stamp duty and registration fees as per the applicable rates.

Scrutiny of information collected from the Assistant Mining Engineers (AMEs)/Mining Engineers (MEs) revealed that in five AMEs/MEs⁷ out of 15, 40 lease agreements were executed for different period ranging from seven to 12 years between August 2015 and January 2018. The instruments of lease and contract exceeding one year were required to be registered compulsorily on payment of SD and RF. The licencees paid annual average lease rent of ₹ 827.26 crore for the grant of licences. These instruments were required to be registered and stamp duty of ₹ 29.22 crore and registration fee of ₹ 6.00 lakh was to be levied. Non-registration of lease deeds by these licencees deprived the Government of stamp duty and registration fees of ₹ 29.22 crore and ₹ 0.06 crore respectively.

On this being pointed out, all the AMEs/MEs stated between March and May 2018 that action would be taken according to the decision of Punjab and Haryana High Court in the case of writ petition 7991 of 2014. The replies of the field offices are not tenable because the High Court directed that the

⁷ Bhiwani, Hisar, Narnaul, Panipat and Yamunanagar.

agreements shall not be revoked due to non-payment of SD and RF. The High Court did not stay the registration of these documents. Moreover, the Department failed to insist on the registration of these documents as per condition contained in the Letter of Intent (LoI).

The matter was reported to the Government; (October 2018), the Government admitted the facts (October 2018) and issued directions to concerned Deputy Commissioners to take necessary steps for recovery of the deficient amount of SD and RF pointed out by Audit.

(b) Agreement between Government Corporation and private party

Scrutiny of information collected from the Haryana Tourism Corporation Chandigarh in respect of 20 Tourism complexes revealed that 204 agreements were executed between April 2014 and March 2017. The Haryana Tourism Corporation granted licenses on biennial/triennial basis to run the business in the premises of Tourism complex. The licencees paid annual average lease rent of ₹ 6.10 crore for the grant of licences. The Tourism Corporation accepted the instruments as agreements on non-judicial stamp paper of ₹ 11,070 only. The Corporation did not insist upon the licencees to get these instruments registered as lease deeds with the concerned SRs/JSRs. These instruments were required to be registered and stamp duty of ₹ 9.15 lakh and registration fee of ₹ 3.78 lakh was to be levied. Non-execution of lease deeds by these licencees resulted in revenue forgone in the form of stamp duty and registration fees of ₹ 9.04 lakh and ₹ 3.78 lakh respectively.

On this being pointed out, the Tourism Corporation stated in April 2018 that direction had been issued to all the Drawing and Disbursement Officers (DDOs) in the field units to get these instruments registered with the concerned SRs/JSRs. The DDOs had also been directed to collect the requisite stamp duty from these licencees.

(c) Agreement between Government Department and Private Party

Scrutiny of information collected from nine depots of Haryana Roadways revealed that 110 agreements were executed between April 2016 and July 2017 for grant of lease on biennial/triennial basis to run the business in the premises of Haryana Roadways bus stands. The licencees paid annual average lease money of ₹ 5.13 crore for the grant of lease. The Haryana Roadways accepted the instruments as agreements on non-judicial stamp paper of ₹ 3,880 only. These instruments were not registered as lease deeds with the concerned SRs/JSRs. SD and RF of ₹ 7.70 lakh and ₹ 3.03 lakh respectively was required to be levied. Non-execution of lease deeds by these

licences deprived the Government of revenue in the form of stamp duty and registration fee of ₹ 7.66 lakh and ₹ 3.03 lakh respectively.

On this being pointed out, nine General Managers (GMs) of Haryana Roadways stated in May 2018 that efforts would be made to recover the outstanding amount of ₹ 10.69 lakh from lessees and in future these instruments would be registered with the concerned SRs/JSRs.

(d) Non-registration of lease deed of mobile tower

As per information collected from Panchkula and Ambala Municipal Corporations, 55 mobile towers were erected between April 2014 and March 2017. No objection certificate was issued by the Municipal Corporations for installation of mobile phone towers. In these cases, the land for installation of mobile phone towers was taken by the mobile phone companies on lease from the land owners for the lease period ranging from nine to 20 years. These lease deeds were required to be compulsorily registered under the Act and stamp duty and registration fees of ₹ 5.57 lakh and ₹ 0.55 lakh respectively was to be levied. However, these lease deeds were not registered and were got executed on stamp paper of ₹ 5,410 only. This resulted in short levy of stamp duty of ₹ 5.52 lakh and registration fees of ₹ 0.55 lakh.

On this being pointed out, the MC Panchkula stated in June 2018 that efforts would be made to recover the outstanding amount of ₹ 2.76 lakh and lease agreements would be registered with the concerned SRs.

The matter was reported to the Government in June 2018. The Government has instructed (August 2018) the concerned department for taking necessary steps for the recovery of the deficient amount of stamp duty and registration fees.

(e) Municipal Corporation as lessee

In one case, the Municipal Corporation, Panchkula had taken a building for office use on monthly rent basis for three years from 16 October 2013 to 15 October 2019 in two spells of three years each. These lease deeds were also required to be compulsorily registered under the Act. Stamp duty of ₹ 1.40 lakh at the rate of 1.5 *per cent* on the annual average rent of ₹ 92.96 lakh and registration fees of ₹ 0.30 lakh was to be levied. However, these lease deeds were not registered and were got executed on stamp paper of ₹ 20 only. This resulted in short levy of stamp duty of ₹ 1.40 lakh and registration fee of ₹ 0.30 lakh.

State Government may consider issuing directions to all departments, boards, corporations, Public Sector Undertakings (PSUs) to making it mandatory to get all agreements for leasing out property registered as lease deeds.

4.3.4 Conclusion

Instances of non-compliance to provisions of IS Act and Registration Act as pointed out by Audit indicate weak internal controls of the Department. No mechanism existed in the Department to ascertain whether registration was being done in respect of those documents which were required to be registered compulsorily. There was no system of information sharing between public offices and the Registration Office as a result of which the department could not detect lease agreements that were not duly registered. This resulted in non/short levy of stamp duty and registration fee of ₹ 67.13 crore.

The issues pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

4.4 Short levy of stamp duty due to misclassification of sale deeds as collaboration agreements

Registering Authorities misclassified sale deeds as collaboration agreements in 10 cases resulting in short levy of stamp duty and registration fees of ₹ 5.99 crore.

As per Haryana Government notification issued in October 2013, any agreement that relates to giving authority or power to a promoter or a developer, by whatever name called, for construction on, development of or sale or transfer (in any manner whatsoever) of, any immovable property shall be liable to stamp duty as is leviable on a conveyance on the market value of the property mentioned in the agreement.

Scrutiny of records of nine SRs⁸ revealed that 10 collaboration agreements⁹ were registered between May 2015 and January 2017 on which stamp duty and registration fees of ₹ 0.17 crore was levied. Scrutiny of these agreements revealed that the owners of land had authorised the developers to take possession of the land with the right to construct, shop-cum-flats and residential houses. These agreements were therefore liable to be levied SD as

⁸ Dharuhera, Faridabad, Gurugram, Manesar, Nilokheri, Palwal, Panchkula, Ratia and Rewari.

⁹ An agreement between at least two parties looking to work together on a commercial project on a collaborative or cooperative basis. The agreement spells out the specific terms and conditions of the parties' working relationship including allocation of responsibilities and division of revenues derived from the exploitation of the work.

per Notification issued in October 2013. As per rates fixed by the Collector, value of land transferred to the developers worked out to ₹ 90.67 crore on which stamp duty¹⁰ and registration fees of ₹ 6.16 crore was leviable. Thus, misclassification of these documents as collaboration agreements resulted in short levy of stamp duty and registration fees of ₹ 5.99 crore (₹ 6.16 crore - ₹ 0.17 crore).

On this being pointed out, SR Rewari stated (April 2018) that Collector had passed an order to recover the amount of ₹ 2.81 lakh. Four SRs¹¹ stated between March and April 2018 that the cases had been sent to the Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Government in February 2018. Reply was awaited despite issuance of reminders in May and November 2018.

The Department may strictly follow the notification issued in October 2013 regarding collaboration agreement.

4.5 Short levy of stamp duty due to incorrect classification of residential/commercial properties as agricultural land

Seventy four deeds were registered on the rates fixed by the Collector for agricultural land instead of residential/commercial property, resulting in short levy of stamp duty and registration fees of ₹ 4.69 crore.

Registering Authorities incorrectly assessed 100 sale deeds of plots with an area less than 1000 square yards falling within municipal limits at rates fixed for agricultural land instead of residential land resulting in short levy of stamp duty and registration fees of ₹ 2.45 crore.

4.5.1 As per Section 47-A of the Indian Stamp Act, if the registering officer has reasons to believe that the value of the property or the consideration, has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector for determination of the value or consideration, as the case may be and the proper duty payable thereon.

Scrutiny of records of 15 Sub Registrars (SRs)/Joint Sub Registrars (JSRs)¹² for the year 2016-17 revealed that 74 deeds were assessed at ₹ 48.85 crore based on the rates fixed by the Collector for agricultural land on which the

¹⁰ Five per cent on ₹ 10,12,11,031 = ₹ 50,60,552 and 7 per cent on ₹ 80,54,59,375 = ₹ 5,63,82,156 (₹ 50,60,552 + ₹ 5,63,82,156 = ₹ 6,14,42,708 i.e. ₹ 6.14 crore).

¹¹ Faridabad, Gurugram, Manesar and Nilokheri.

¹² Assandh, Balla, Bilaspur, Chhachhrauli, Farukhnagar, Gharaunda, Gurugram, Jagadhri, Karnal, Manesar, Nissing, Pataudi, Radaur, Saraswati Nagar and Sohna.

department levied stamp duty and registration fees of ₹ 3.03 crore (SD ₹ 2.97 crore + RF ₹ 0.06 crore). However, as per land record/khasra numbers given in the Collector's rate lists, these immovable properties were commercial¹³/residential property as per land records (Jamabandis) maintained by the Revenue Department. The value of these properties based on the rates fixed by Collector for Commercial/residential properties were liable to be assessed for ₹ 140.41 crore on which stamp duty and registration fees of ₹ 7.72 crore (SD ₹ 7.65 crore + RF ₹ 0.07 crore) was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 4.69 crore (SD ₹ 4.68 crore + RF ₹ 0.01 crore) due to incorrect valuation of residential/ commercial properties as agricultural properties.

On this being pointed out, SRs/JRs Gurugram, Sohna and Manesar stated in April 2018 that cases had been sent to the Collector under Section 47-A for decision. 11 SRs/JSRs¹⁴ stated (between June 2017 and January 2018) that the cases would be sent to the Collector under Section 47-A of the Indian Stamp Act for decision. Reply from JSR Balla has not been received.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminder in June and November 2018.

4.5.2 In order to check evasion of stamp duty (SD) in sale deeds, the Government issued instructions in November 2000 to all Registering Authorities in the State to the effect that agricultural land sold within municipal limits, 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 than 1,000 square yards, be valued at the rate fixed for residential property of that locality for the purpose of levying SD.

Scrutiny of records of 20 registering offices¹⁵ revealed that 100 sale deeds of plots within the municipal limits and with area less than 1000 square yards were registered between April 2014 and March 2017. These deeds were assessed at ₹ 19.94 crore based on the rates fixed for agricultural land and SD and RF of ₹ 0.95 crore (SD = ₹ 0.88 crore + RF = ₹ 0.07 crore) was levied. However, these deeds were liable to be assessed for ₹ 45.98 crore based on the rates fixed for residential land of the areas and SD and RF of ₹ 3.40 crore

¹³ Educational institutes, factory, godown, poultry farm, rice sheller, warehouse and shop.

¹⁴ Assandh, Bilaspur, Chhachhrauli, Farukhnagar, Gharaunda, Jagadhri, Karnal, Nissing, Pataudi, Radaur and Saraswati Nagar.

¹⁵ Ambala Cantt, Ambala City, Ateli, Ballabgarh, Barara, Barwala, Faridabad, Farukhnagar, Fatehabad, Ferozpur Jhirka, Gaunchhi, Gharaunda, Gurugram, Jagadhri, Kalka, Karnal, Naraingarh, Panchkula, Pataudi and Tohana.

(SD = ₹ 3.28 crore + RF = ₹ 0.12 crore) was leviable. This resulted in short levy of SD and RF of ₹ 2.45 crore (SD = ₹ 2.40 crore + RF = ₹ 0.05 crore).

On this being pointed out, Sub Registrars (SRs) Kalka and Gurugram stated between October 2017 and April 2018 that the cases had been sent to the Collector for decision and 13 SRs¹⁶ stated between (January and November 2017) that the cases would be sent to the Collector for decision under Section 47-A of the Indian Stamp Act. Replies from remaining five SRs have not been received.

The matter was reported to the Government in February 2018. Reply was awaited despite issuance of reminders in May and November 2018.

The Government may direct the Department to correctly classify properties as residential or commercial on the basis of land record/other related record before registration for ensuring levy of correct rates of SD and RF.

4.6 Misclassification of Sale deeds as release deeds¹⁷ resulting in short levy of stamp duty

The Registering Authorities misclassified conveyance on sale as release deeds and levied stamp duty and registration fees of ₹ 10,920 instead of ₹ 1.71 crore as per Collector rate resulting in short levy of SD and RF of ₹ 1.71 crore.

As per Haryana Government clarification in December 2005 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-parcener¹⁸ of the renouncer, stamp duty will be levied at the rate of ₹ 15 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.

Scrutiny of records of 31 Sub Registrars (SRs)/Joint Sub Registrars (JSRs)¹⁹ revealed that 106 release deeds were executed between August 2014 and

¹⁶ Ambala City, Ambala cantt, Ateli, Barwala, Farukhnagar, Fatehabad, Ferozpur Jhirka, Gaunchhi, Jagadhri, Karnal, Naraingarh, Panchkula and Tohana.

¹⁷ Deed where a person renounces his/her rights in an ancestral property.

¹⁸ A person who inherited the property from the Hindu Undivided Family.

¹⁹ Ambala City, Ballabgarh, Bapoli, Balla, Barwala, Behal, Bhattu Kalan, Bilaspur, Charkhi Dadri, Faridabad, Farukhnagar, Ferozpur Jhirka, Gohana, Israna, Jagadhri, Karnal, Kharkhoda, Loharu, Matluada, Mohna, Nathusari chaupta, Nigdu, Nuh, Panipat, Pataudi, Ratia, Samalakha, Saraswati Nagar, Siwani, Sohna and Sonapat.

March 2017 in favour of persons other than those allowed as per clarification of the Government. Hence these deeds are to be treated as sale. The registering authorities, however treated these deeds as release deeds and incorrectly levied SD and RF of ₹ 10,920 (SD ₹ 4,950 + RF ₹ 5,970) only. The value as per Collector rate for these deeds is ₹ 32.99 crore, SD and RF of ₹ 1.71 crore (SD ₹ 1.61 crore + RF ₹ 0.10 crore) are leviable on these deeds. Misclassification of sale deeds as release deeds resulted in short levy of ₹ 1.71 crore.

On this being pointed out, all the SRs/JSRs (between November 2016 and December 2017) stated that the cases would be sent to the Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

4.7 Irregular remission of stamp duty

Irregular remission of stamp duty in 53 instruments of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 88.78 lakh to the State exchequer.

As per Government order of 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 records of the registered documents of transfer deeds in 20 Sub Registrars (SRs)/Joint Sub Registrars (JSRs)²⁰ for the years 2014-17 revealed that SD was remitted in 53 instruments of transfer deeds that were executed in favour of persons other than those allowed in the above orders of Government. This irregular remission of stamp duty resulted in loss of revenue to the extent of ₹ 88.78 lakh (SD ₹ 83.69 lakh + RF ₹ 5.09 lakh)

On this being pointed out, all the SRs/JSRs stated (between November 2016 and November 2017) that the cases would be sent to the Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in May and November 2018.

²⁰ Badhra, Bawal, Bahadurgarh, Ballabgarh, Bapoli, Behal, Beri, Faridabad, Fatehabad, Kanina, Kosli, Loharu, Matenhail, Mohna, Nagina, Nuh, Panchkula, Punhana, Ratia and Satnali.

4.8 Short levy of stamp duty due to application of normal rates on prime khasra land

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 0.87 crore.

Haryana Government issued instructions in September 2013 for constituting district level committees comprising of officers of Revenue Department and Municipal Committees for evaluating different categories of land for fixing collector rates. Further, Section 27 of the Indian Stamp Act, 1899 as applicable to the State of Haryana, provides that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of duty chargeable, should be fully or truly set forth therein.

Scrutiny of records of 30 SRs/JSRs²¹ revealed that 119 conveyance deeds were registered for sale at normal khasra rates for agricultural land during the period between April 2014 and March 2017. The khasras of these deeds as per land revenue records were prime khasras having higher land rates. Collector rate for these land was ₹ 62.38 crore on which SD and RF of ₹ 2.69 crore was leviable (SD ₹ 2.60 crore + RF ₹ 0.09 crore). The SRs/JSRs, assessed these land at rates fixed for normal khasra amounting to ₹ 42.40 crore and levied SD and RF of ₹ 1.82 crore (SD ₹ 1.75 crore + RF ₹ 0.07 crore). This resulted in short levy of stamp duty of ₹ 0.87 crore (SD ₹ 0.85 crore + RF ₹ 0.02 crore).

On this being pointed out, ASR Sahlawas stated in April 2018 that an amount of ₹ 7,440 had been recovered in one case. 11 SRs/JSRs²² stated between March and April 2018 that cases had been sent to the Collector under Section 47-A for decision. 15 SRs/JSRs²³ stated (between December 2016 and October 2017) that the cases would be sent to the Collector under Section 47-A of the Indian Stamp Act for decision. Replies from remaining three SRs have not been received.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

²¹ Assandh, Badhra, Bahadurgarh, Barwala, Bhattukalan, Bound Kalan, Chhachhrauli, Ellanabad, Fatehabad, Ferozpur Jhirka, Ganaur, Gharaunda, Gohana, Indri, Kalka, Khanpurkalan, Matlauda, Matanhail, Nagina, Nilokheri, Nissing, Panipat, Punhana, Raipur Rani, Rania, Sadharua, Salahawas, Samalkha, Sirsa and Tohana.

²² Assandh, Ganaur, Gharaunda, Gohana, Indri, Khanpurkalan, Matanhail, Nilokheri, Nissing, Panipat and Samalkha.

²³ Badhra, Bahadurgarh, Barwala, Bound Kalan, Chhachhrauli, Ellanabad, Ferozpur Jhirka, Kalka, Matlauda, Nagina, Punhana, Raipur Rani, Rania, Sadharua and Sirsa.

The Department may identify and record the khasra No. of prime land and colonies/ward/sectors in software HARIS for proper evaluation of stamp duty.

4.9 Irregular exemption of stamp duty

Irregular exemption of stamp duty and registration fee was allowed to farmers who had, in 21 cases, purchased residential/commercial land and in five cases purchased agricultural land after two years of receiving compensation which resulted in non/short levy of SD and RF of ₹ 25.51 lakh.

As per Government order issued in January 2011 under the Indian Stamp Act, 1899, the Government exempts stamp duty and registration fee 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.

Scrutiny of records of 14 SRs/JSRs²⁴ revealed that in 21 cases, farmers whose land had been acquired by the Government for public purposes purchased residential/commercial land valued at ₹ 2.87 crore. In five cases, agricultural land was purchased for ₹ 1.30 crore after two years. Value of land in these cases was ₹ 4.18 crore as per collector rate. SD and RF of ₹ 26.08 lakh (SD ₹ 23.86 lakh²⁵ + RF ₹ 2.22 lakh) was to be levied in these cases. The Department had, however, levied stamp duty and registration fees amounting to ₹ 0.57 lakh (SD ₹ 0.52 lakh + RF ₹ 0.05 lakh)²⁶. This irregular exemption of stamp duty resulted in non/short levy of stamp duty and registration fees of ₹ 25.51 lakh (SD ₹ 23.34 lakh + RF ₹ 2.17 lakh).

On this being pointed out, six SRs/JSRs²⁷ stated in April 2018 that cases had been sent to the Collector under Section 47-A for decision. Seven SRs/JSRs stated (between November 2016 and April 2018) that the cases would be sent to the Collector under Section 47-A of the Indian Stamp Act for decision. Further reply from SR Satnali had not been received.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

²⁴ Assandh, Bapoli, Bawal, Dharuhera, Fatehabad, Jagadhri, Kalanwali, Nathusari Chopta, Nilokheri, Panipat, Radaur, Satnali, Sirsa and Tohana.

²⁵ SD at the rate of three to seven *per cent*.

²⁶ SR Jagadhri levied SD ₹ 0.52 lakh + RF ₹ 0.05 lakh on ₹ 7,38,904 after adjusting compensation amount of ₹ 8,61,096 from the value of the property of ₹ 16,00,000.

²⁷ Assandh, Bapoli, Bawal, Fatehabad, Nilokheri and Panipat.

The Department may maintain a centralised database of the acquired land with compensation amount in software HARIS for proper evaluation of stamp duty.

4.10 Short levy of stamp duty due to under-valuation of immovable property

Fifty one conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty and registration fees of ₹ 20.50 lakh. In addition, penalty not exceeding ₹ 2.55 lakh was also leviable.

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 records of deed writers and agreements for sale registered were cross verified with the sale deeds executed in 17 SRs/JSRs²⁸. It was noticed that in 51 conveyance deeds registered between May 2014 and May 2017, SD and RF of ₹ 33.23 lakh (SD ₹ 31.72 lakh + RF ₹ 1.51 lakh) was levied on the sale deed of immovable properties valued at ₹ 7.62 crore. Cross verification of these sale deeds with the agreements executed between the concerned parties and the records of deed writers between January 2014 and October 2016 showed that the total sale value was ₹ 12.18 crore on which SD and RF of ₹ 53.73 lakh (SD ₹ 50.95 lakh + RF ₹ 2.78 lakh) was leviable. Thus, the conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties. Under-valuation of immovable properties in conveyance deeds resulted in short levy of SD and RF of ₹ 20.50 lakh (SD ₹ 19.23 lakh + ₹ RF 1.27 lakh). In addition, penalty not exceeding of ₹ 2.55 lakh²⁹ was also leviable for incorrect information in the document.

On this being pointed out, SR Rewari stated in April 2018 that the Collector had ordered to recover an amount of ₹ 69,000 and process of recovery had

²⁸ Balla, Bawal, Bhattu Kalan, Fatehabad, Gharaunda, Hathin, Indri, Jakhal, Jhajjar, Nagina, Nissing, Nuh, Palwal, Panipat, Punhana, Rewari and Tohana.

²⁹ ₹ 5000 X 51 = ₹ 2,55,000.

been started. Seven SRs/JSRs³⁰ stated in April 2018 that cases had been sent to the Collector under Section 47-A for decision. Eight SRs/JSRs³¹ stated (between November 2016 and December 2017) that recovery would be made as per rules. Reply from SR Punhana had not been received.

The matter was reported to the Government in March 2018. Reply was awaited despite issuance of reminders in June and November 2018.

The Government should strengthen internal audit to ensure timely detection and correction of errors in levy and collection of revenue and avoid recurrence of mistakes pointed out.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

³⁰ Balla, Bawal, Gharaunda, Indri, Jhajjar, Nissing and Panipat.

³¹ Bhattu Kalan, Fatehabad, Hathin, Jakhal, Nagina, Nuh, Palwal and Tohana.

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 licences, levy and collection of token tax, permit fee and licence 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 Licencing 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.

5.1.2 Passengers and goods tax

Levy and collection of passengers and goods tax (PGT) are governed by the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder as applicable to the State of Haryana. The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head. General superintendence of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field.

Two types of taxes are levied on Goods vehicles; Goods Tax and Token Tax. Goods tax is payable for carriage of goods and is levied under Section 3 (1) of Punjab Passenger and Goods Taxation Act 1952, applicable to Haryana. Token Tax is a road tax and is levied under Section 3 (1) of Punjab Motor Vehicles Taxation Act 1924 applicable to Haryana. Annual rate of tax for both are fixed on the basis of gross vehicle weight and are payable quarterly.

5.2 Results of Audit

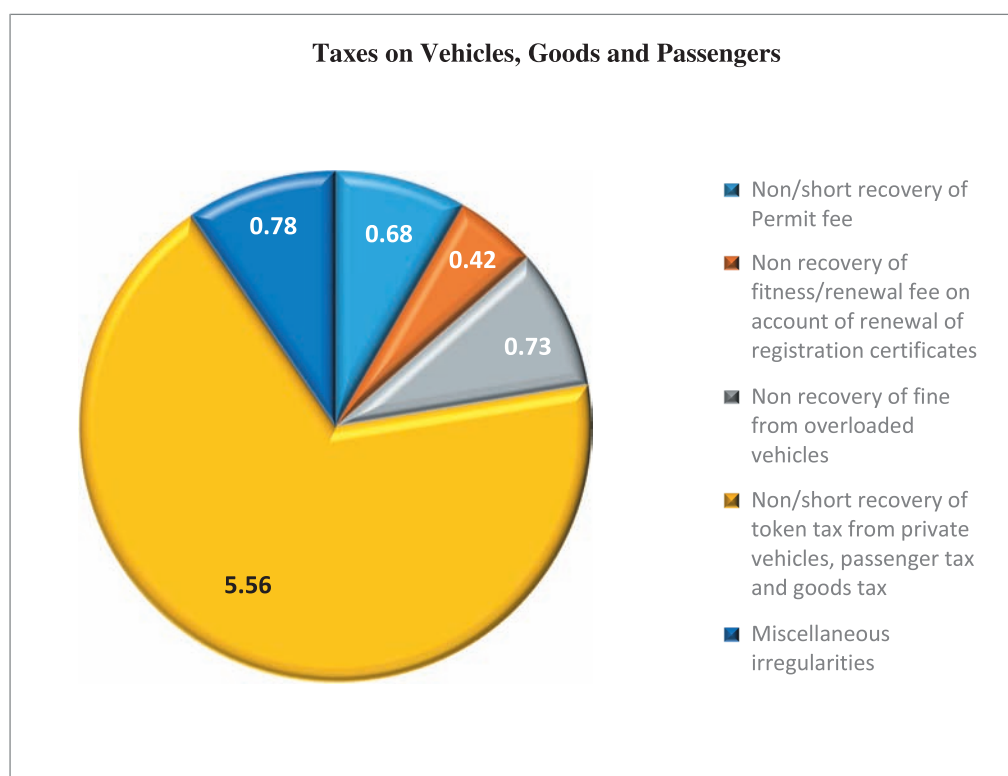
During 2017-18, test check of records of 84 out of 107 units revealed irregularities relating to token tax, permit fee, fitness/renewal fee, taxes on

goods and passengers and penalty involving ₹ 8.17 crore in 16,180 cases which fall under categories as detailed in **Table 5.1**.

Table 5.1 – Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of Permit fee	455	0.68
2.	Non recovery of fitness/renewal fee on account of renewal of registration certificates	6,541	0.42
3.	Non recovery of fine from overloaded vehicles	384	0.73
4.	Non/short recovery of <ul style="list-style-type: none"> • token tax from private vehicles • passengers tax • goods tax 	4,079 1,400 2,340	1.47 1.25 2.84
5.	Miscellaneous irregularities	981	0.78
Total		16,180	8.17

Chart 5.2



During the year, the Department accepted under-assessment and other deficiencies of ₹ 2.78 crore in 2,905 cases out of which 2,889 cases involving ₹ 2.74 crore were pointed out during the year and rest in earlier years. The Department recovered ₹ 3.32 lakh in 16 cases which relates to earlier years.

Significant cases involving ₹ 2.78 crore are discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

EXCISE AND TAXATION DEPARTMENT

5.3 *Non realisation of Goods Tax*

Owners of 1,584 goods carriages had not deposited Goods Tax during 2016-17 resulting in non realisation of Goods Tax of ₹ 1.62 crore. In addition, interest of ₹ 61.33 lakh was also leviable.

Goods tax is leviable in lump sum on public or private carriers plying in or passing through the State at rates¹ prescribed on the basis of loading capacity as per the Motor Vehicles Act with effect from 09 July 2015. Tax is payable in equal quarterly instalments within 30 days of the commencement of the quarter to which the payment relates. Rule 22 of the Punjab Passenger and Goods Taxation (PPGT) Rules, 1952 provides that if any sum is payable by an owner under the Act or these rules, the Assessing Authority shall serve a demand notice and fix a date not less than 15 days from the date of issue of notice by which the owner shall furnish the receipted challan in proof of such payment. Further, as per Section 14 (B) of the PPGT Act, where any tax or penalty is not paid within the prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the unpaid amount of tax.

Scrutiny of records of 15 DETC (PGT) offices² revealed that owners of 1,584 goods carriages had not deposited Goods tax of ₹ 1.62 crore for different periods between April 2016 and March 2017. No demand notices had been issued by the department nor was there any system for monitoring the

¹

Gross Vehicle weight	Amount of tax per annum (₹)
Upto 1.2 tons	Exempted
Exceeding 1.2 tons but not exceeding 6 tons	6,000
Exceeding 6 tons but not exceeding 16.2 tons	7,200
Exceeding 16.2 tons but not exceeding 25 tons	12,000
Exceeding 25 tons	18,000

²

Ambala, Bhiwani, Faridabad(East), Faridabad (West), Hisar, Jagadhri, Jind, Karnal, Kurukshetra, Narnaul, Panipat, Rewari, Rohtak, Sirsa and Sonapat.

recovery of dues. This resulted in non realisation of Goods tax of ₹ 1.62 crore. In addition, interest of ₹ 61.33 lakh³ was also leviable as per the PPGT Act.

On this being pointed out, DETCs (PGT) Sonapat and Jind stated in January and April 2018 that Goods tax of ₹ 3.95 lakh including interest had been recovered and notices had been issued to the remaining vehicle owners to recover the outstanding amount of ₹ 36.87 lakh. Four DETCs (PGT)⁴ stated (between October 2017 and April 2018) that notices had been issued/efforts would be made to recover the outstanding amount of ₹ 44.69 lakh from the defaulting vehicle owners. DETC Sirsa stated (July 2018) that an amount of ₹ 3.14 lakh has been recovered in 22 cases and efforts has been made to recover the balance amount. Reply from the remaining eight DETCs (PGT) have not been received.

The matter was reported to the Government in July 2018. Reply was awaited despite issuance of reminder in November 2018.

The department may initiate action for recovery of the outstanding amount and establish a system for monitoring recovery of dues.

TRANSPORT DEPARTMENT

5.4 Non/short recovery of Token Tax

Owners of 1,305 goods carriages had not deposited Token Tax during the years 2015-16 and 2016-17 resulting in non realisation of ₹ 18.42 lakh. In addition, penalty of ₹ 36.84 lakh was also leviable.

As per Haryana Government notification issued in January 2006, yearly token tax shall be leviable in advance on the basis of gross vehicle weight⁵ and is payable in equal quarterly instalments. The quarterly instalments should be paid on the first day of each quarter. Any broken period in such quarterly period shall, for the purpose of levying the tax, be considered as a full period. Further, Section 9 of the Act provides that in case of omission to comply with the provisions, penalty at the rate of one *per cent* per day of the token tax due

³ Interest calculated upto March 2018.

⁴ Ambala, Hisar, Kurukshetra and Rewari.

⁵

Gross Vehicle weight	Amount of tax per annum (₹)
Not exceeding 1.2 tonnes	300
Exceeding 1.2 tonnes but not exceeding six tonnes	1,200
Exceeding six tonnes but not exceeding 16.2 tonnes	2,400
Exceeding 16.2 tonnes but not exceeding 25 tonnes	3,500
Exceeding 25 tonnes	4,500

will be charged from the first day of May, August, November and February for each quarter. However, the maximum amount of penalty will not exceed twice the amount of tax due.

Scrutiny of the records of the offices of nine Secretary, RTA⁶ revealed that the vehicle owners of 1,305 goods carriages either had not deposited or short deposited token tax during the year 2015-16 and 2016-17. No action had been taken by the department to recover the token tax. This resulted in non realisation of token tax amounting to ₹ 18.42 lakh. In addition, penalty of ₹ 36.84 lakh was also leviable as per the Act.

On this being pointed out, five RTAs⁷ stated (between November 2017 and April 2018) that an amount of ₹ 0.64 lakh had been recovered and notices had been issued to recover the outstanding amount of ₹ 21.00 lakh. Reply from remaining four RTAs have not been received.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

The Government may consider issuing alerts to the road side checking team regarding the defaulting registration numbers.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

⁶ Faridabad, Hisar, Jind, Karnal, Narnaul, Nuh, Panchkula, Panipat and Sonapat.

⁷ Hisar, Jind, Narnaul, Panchkula and Sonapat.

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 2017-18, test check of the records of 52 units out of 167 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (17 units), Power Department (Taxes and duties on electricity) (03 units), Land Revenue (26 units) and Excise and Taxation Department (Entertainment Duty) (06 units) involving ₹ 1,476.29 crore in 825 cases which are categorised in **Table 6.1**.

Table 6.1

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Functioning of Mines and Geology Department	751	1,476.21
2.	Non deposit of copying and mutation fee	72	0.04
3.	Power Department (Taxes and Duties on electricity)	02	0.04
	Total	825	1,476.29

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 1,274.95 crore in 816 cases out of which ₹ 809.04 crore involved in 552 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 28.76 crore in 55 cases out of which ₹ 28.75 crore involved in eight cases relates to the year 2017-18 and the rest to earlier years.

Performance Audit on “Functioning of Mines and Geology Department” involving tax effect of ₹ 1,476.21 crore is discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

MINES AND GEOLOGY DEPARTMENT

6.3 *Functioning of Mines and Geology Department*

6.3.1 *Highlights*

- Seventy seven out of total ninety five contractors executed agreements after delay ranging between five and 891 days and nine contractors did not execute the agreements.

(Paragraph 6.3.8.2)

- Contractors/lessees are required to deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operations or before expiry of the period of 12 months from the date of issue of Letter of Intent, whichever is earlier. Fifty nine contractors deposited balance bid security of ₹ 132.02 crore with delay ranging between three and 854 days and 11 contractors did not deposit balance bid security of ₹ 29.28 crore.

(Paragraphs 6.3.8.3 (i) and (ii))

- Department did not initiate action against 69 contractors for short/non-deposit of contract money of ₹ 808.21 crore. Interest of ₹ 347.63 crore was also leviable.

(Paragraph 6.3.9.1)

- Department did not initiate action against 48 contractors for short/non-deposit of ₹ 49.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 17.44 crore was also leviable.

(Paragraph 6.3.9.3)

- Government did not deposit its share of contribution amounting to ₹ 17.70 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.4)

- Government did not credit interest of ₹ 4.61 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.5)

- Geo-spatial survey of selected sand and boulder/gravel mines revealed that there is mismatch between co-ordinates of mining sites as given in mining plans and as observed on site inspection.

(Paragraph 6.3.11.1)

- River flow regime had changed on account of obstruction in river flow by sand miners

(Paragraph 6.3.11.3)

- Brick kiln owners did not deposit ₹ 0.53 crore in 181 cases out of 4,139 on account of royalty and additional royalty. Interest of ₹ 0.24 crore was also leviable.

(Paragraph 6.3.13.1)

6.3.2 Introduction

The Mines and Geology Department, Haryana is responsible for systematic development, exploration and exploitation of the minor mineral resources, namely stone, sand, gravel, gypsum, etc. in the State. Mining offices are situated in 15 out of 22 districts of the State, out of which mining operations are carried out in 10 districts. In Bhiwani and Hisar gypsum is mined in addition to other minor minerals. Apart from regulating mining operations, the Department regulates grant/renewal of licences to operate stone crushers and permits for excavation of brick earth used in brick kilns.

Mining operations are of two types: (1) Mining of sand, gravel and boulders which are awarded as contracts for a period not less than seven years but not exceeding 10 years; and (2) Mining of stones which are awarded as leases for a period not less than 10 years but not exceeding 20 years.

Mining contracts and leases are awarded through e-auction. After auction, the Department issues Letter of Intent (LoI) to the successful bidder who is required to execute an agreement within 90 days from the date of issue of the LoI. The bid amount is the annual contract money or the amount payable in a year by the contractor¹ for extracting minerals from the area granted on contract. The successful bidder is required to deposit the annual contract money with the Department in equal monthly installments. First installment of contract money should be deposited before commencement of mining

¹ Contractor is a person holding the rights of mining on contract or lease basis.

operations or before the expiry of the period of 12 months from the date of issue of LoI, whichever is earlier.

In the case of lease, royalty² or dead rent³, whichever is higher, is payable to the Department in monthly installments at the beginning of each month. In case the amount of royalty computed at the prescribed rate on the quantum of the mineral extracted during a month is more than the monthly dead rent payable, the differential amount is payable by 7th of the following month. Interest is leviable, as per extant rules, on delayed/short/ non-deposit of monthly installments of contract money/dead rent/royalty by the contractor.

The successful bidder has also to deposit 25 *per cent* of the annual bid amount as security deposit, out of which 10 *per cent* is to be paid at the time of auction and the remaining 15 *per cent* is to be paid before commencement of the mining operations or within 12 months from the date of acceptance of contract, whichever is earlier.

In addition to the contract money, contractors are also required to pay user charges, which is an amount equal to 10 *per cent* of the contract money, dead rent or royalty, whichever is higher, towards the Mines and Minerals Development, Restoration and Rehabilitation Fund.

The successful bidder is also required to obtain Environment Clearance (EC) from the Ministry of Environment and Forest (MoEF), Government of India (GOI) before he can commence mining operations. For this, he is required to prepare a Mining Plan and get it approved from the Department. The Mining Plan lays down, *inter alia*, details of existing mining pits, their dimensions, proposed method of mining and rate of production, details of mining machinery to be deployed, measures to be taken for protection of environment in and around the mining area, measures to be taken for controlling water, noise and air pollution, progressive mine closure plan, and so on. The approved mining plan is a prerequisite for grant of EC by MoEF, GOI. Flow chart of the process is as given:-

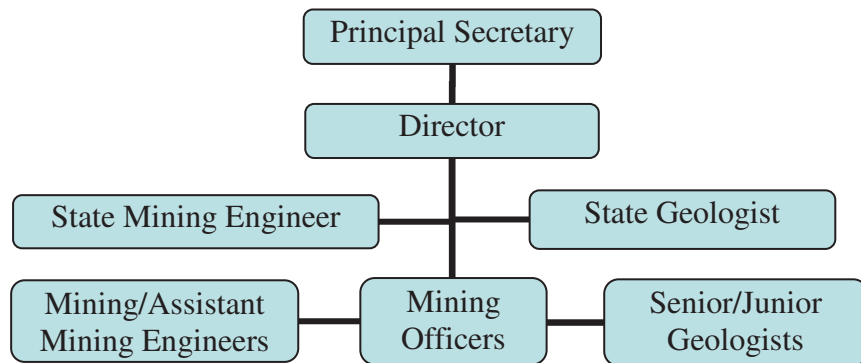
² Royalty is the value of any mineral extracted or removed or consumed from the leased area at the rate specified in the First Schedule contained in Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012. Amount payable as royalty is, therefore, determined by the quantum of minerals excavated.

³ Dead rent is the minimum amount payable in a year by the person granted a mining lease irrespective of whether or not he operated/could operate the area fully or partly.



6.3.3 Organisational set up

The organisational set up of the Mines and Geology Department, Haryana is given in the chart below:



6.3.4 Trend of revenue receipts

The main sources of revenue for the Department are: (i) contract money, dead rent, royalty; (ii) user charges from the contractors; and (iii) other receipts from brick kiln and stone crusher owners.

Para 4.2 of the Punjab Budget Manual, as applicable to the State of Haryana, provides that revised estimates (REs) of the revenue receipts of the Department shall be based on the actual receipts of those months of the year which have already elapsed and the growth or diminution of actual receipts compared with the corresponding period of the previous year, assuming a

continuance of the growth or decline at the same rate during the remaining months of the year.

The budget estimates, revised estimates and the actual receipts of the Department between the years 2012-13 and 2017-18 are detailed in the table below:-

Table No. 1: Budget estimates, revised estimates and actual receipts

Year	Budget estimates	Revised estimates	Actual receipts	Increase (+) or decrease (-) of actual receipts over		Percentage increase (+) or decrease (-) of actual receipts over	
	₹ in crore)			Budget estimates	Revised estimates	Budget estimates	Revised estimates
2012-13	225.00	75.00	75.49	(-) 149.51	(+) 0.49	(-) 66.45	(+) 0.65
2013-14	150.00	150.00	79.10	(-) 70.90	(-) 70.90	(-) 47.27	(-) 47.27
2014-15	500.00	40.10	43.46	(-) 456.54	(+) 3.36	(-) 91.31	(+) 8.38
2015-16	1,000.00	400.00	271.61	(-) 728.39	(-) 128.39	(-) 72.84	(-) 32.10
2016-17	1,040.00	600.00	496.95	(-) 543.05	(-) 103.05	(-) 52.22	(-) 17.18
2017-18	650.00	700.00	712.87	(+) 62.87	(+) 12.87	(+) 9.67	(+) 1.84

Source: State Budget and Finance Accounts

Mining operations were banned in the State from March 2010. The Hon'ble Punjab and Haryana High Court permitted resumption of mining operations from November 2013. The Department began auctioning its mines from December 2013. Receipts of the Department started rising from 2015-16 after commencement of mining operations from January 2015 onwards.

Budget estimates for 2013-14 were prepared assuming that mining in area less than five hectares would be permitted by the Hon'ble Supreme Court which could not materialise due to various litigations. The budget estimates between the period 2014-15 and 2016-17 were prepared on the assumption that full scale mining would resume after settlement of the pending litigations in the Hon'ble Supreme Court and after obtaining environmental clearance by the concession holders. However, this could not materialise and so REs had to be revised downward.

Actual receipts were less than the REs in the years 2015-16 and 2016-17 due to termination of contracts during the years 2015-16 (two contracts) and 2016-17 (four contracts) and delayed/non-payment of contract money/dead rent/royalty by 69 contractors after the expiry of 12 months from the date of issue of LoI.

Contribution of receipts of the Department to total non-tax revenue of the State rose from 1.62 *per cent* in 2012-13 to around eight *per cent* in 2016-17 but it came down to 7.82 *per cent* in 2017-18 as detailed below:-

Table No. 2: Actual receipts as compared to total non-tax revenue

Year	Total non-tax revenue collection	Actual receipts from minerals	Percentage share of actual receipts with reference to total non-tax revenue collection
	(₹ in crore)		
2012-13	4,673.15	75.49	1.62
2013-14	4,975.06	79.10	1.59
2014-15	4,613.12	43.46	0.94
2015-16	4,752.48	271.61	5.72
2016-17	6,196.09	496.95	8.02
2017-18	9,112.85	712.87	7.82

Source: State Budget and Finance Accounts

6.3.5 Audit objectives

The Performance Audit aims to ascertain whether:

- systems, procedures for approval of mineral concessions and process for auction of mining contracts/quarrying leases were as per provisions contained in acts, rules and instructions issued by the Government from time to time;
- provision for the levy, assessment and collection of all the prescribed mineral receipts were properly enforced to safeguard the revenue of the State;
- Mines and Mineral Development, Restoration and Rehabilitation Fund was managed and monitored as per Government instructions; and
- monitoring mechanism of mining and quarrying was adequate and effective.

6.3.6 Scope and methodology

Performance Audit covered activities of office of the Director, Mines and Geology Department, Haryana, Chandigarh and all the 15 mining offices⁴ of the State for the period from 2012-13 to 2016-17. The records relating to all 95 mines auctioned during the above period in 10 mining offices were checked. Besides this, the records relating to the grant/renewal of licences of stone crushers and permits for excavation of brick earth for brick kilns were also examined. In addition, geo-spatial survey of selected sand and

⁴ Ambala, Bhiwani, Faridabad, Gurugram, Hisar, Jind, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

boulder/gravel mines in Yamunanagar district was also conducted with the help of expert agency (Kalpana Chawla Chair of Geospatial Technology, Punjab Engineering College, Chandigarh).

An entry conference was held on 29 November 2017 with the Government in which audit objectives, audit criteria and scope and methodology of audit were discussed. The draft Performance Audit report was shared with the Government in July 2018. An exit conference was held on 6 November 2018. The replies/views of the Government/Department have been duly considered and suitably incorporated while finalising this Performance Audit report.

6.3.7 Audit criteria

The performance of the Department was measured against the following sources of audit criteria:

- Mines and Minerals (Development and Regulation) Act, 1957 and Amendment Act, 2015;
- Punjab Minor Mineral Concession Rules, 1964;
- Haryana Control of Bricks Supplies Order, 1972;
- Haryana Regulation and Control of Crusher Act, 1991 and Rules, 1992 framed thereunder;
- Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012; and
- Mines and Mineral Development, Restoration and Rehabilitation Fund, 2015 (Notified on 10th July 2015).

6.3.8 Management of mining contracts and leases

The Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012 (Rules, 2012) contains provisions for regulating the grant of various forms of mineral concessions, storage and transportation of minerals and prevention of illegal mining. During the Performance Audit period, 95 contracts were awarded in 10 mining offices and all the 95 contracts were examined in audit. Out of 95 contracts, 16 contracts were terminated. None of the terminated contracts were retendered by the Department till March 2018. The records of mining contracts and leases auctioned by the State Government between December 2013 and March 2017 were examined with reference to the provisions contained in the above rules. The following irregularities/shortcomings were noticed:

6.3.8.1 Termination of contract

Rule 50 of the Rules, 2012 provides that mineral concessions may be granted on application through a transparent process of inviting competitive bids/open auctions. The Government may in the interest of mineral conservation and scientific mining, pre-qualify the potential bidders, based on some objective assessment criteria, by inviting Expressions of Interest through general public and restrict the bids among the pre-qualified bidders.

However, the Department had not adopted a system of pre-qualifying potential bidders on the basis of financial adequacy for restricting bids amongst pre-qualified bidders with the result that contracts/leases were awarded at exceptionally high amounts which were economically unviable and unsustainable. As a consequence, several contracts had to be terminated due to default by contractors in payment of monthly contract amount.

The Department auctioned 95 mines in 10 districts up to 31 March 2017 out of which 16 contracts (17 per cent) were terminated. In 11 cases the bid money was more than 100 per cent of reserve price. Out of this, in 5 cases (45 per cent) contracts had to be terminated on account of non/short payment of contract money by the contractor. The details of terminated contracts are given below:-

Table No. 3: Details of contracts terminated

Sr. No.	District	Date of LoI Date of agreement	Due date of termination Date of termination	Delay in termination (in days)	Name of block of mining contract /lease	Reserve price	Bid amount	Percentage of increase in bid amount over reserve price	Reasons for termination
						₹ in crore)			
1.	Bhiwani	03-01-2014 19-02-2015	04-03-2015 04-11-2016	611	Kalali and Kalyana	19.05	32.45	70.34	Non/short payment of contract money
2.	Faridabad	03-01-2014 22-09-2014	31-05-2016 10-06-2016	10	Palwal Sand Unit 1	1.50	27.56	1,737.33	Non/short payment of contract money
3.		03-01-2014 22-09-2014	31-05-2016 15-05-2017	349	Palwal Sand Unit 2	1.80	29.50	1,538.89	Non/short payment of contract money
4.		03-01-2014 19-12-2014	01-03-2015 25-08-2017	908	Faridabad Sand Unit 1	2.56	62.50	2,341.41	Dispute in Mining Area

Sr. No.	District	Date of LoI Date of agreement	Due date of termination Date of termination	Delay in termination (in days)	Name of block of mining contract /lease	Reserve price	Bid amount	Percentage of increase in bid amount over reserve price	Reasons for termination
						(₹ in crore)			
5.	Kurukshe- tra	<u>03-01-2014</u> 07-11-2014	<u>04-03-2015</u> 12-06-2017	831	Kurukshe- tra Unit 1,	4.50	13.01	189.11	Non/short payment of contract money
6.	Mahender- garh (Narnaul)	<u>02-09-2015</u> 10-06-2016	<u>30-09-2016</u> 25-05-2017	237	Karota	11.20	11.205	0.04	Non/short payment of contract money
7.		<u>03-01-2014</u> 22-09-2014	<u>02-07-2016</u> 30-08-2016	59	Mahender- garh Unit 3	1.16	11.51	892.24	Scarcity of sand deposits
8.	Panchkula	<u>03-03-2016</u> Not executed	<u>01-06-2016</u> 02-06-2017	366	Mandlai Block 2	3.23	5.085	57.43	Non-execution of agreement and non-deposit of balance security
9.	Panipat	<u>03-01-2014</u> 09-09-2016	<u>30-11-2015</u> 02-06-2017	550	Karnal Unit 1	6.62	60.05	807.10	Non/short payment of contract money
10.		<u>03-01-2014</u> 01-10-2015	<u>30-11-2015</u> 28-12-2015	28	Karnal Unit 3	4.66	70.01	1,402.36	Non/short payment of contract money
11.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 12-09-2014	162	Panipat Unit 1	4.76	40.05	741.39	Surrendering of mining contract
12.	Sonipat	<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 21-03-2014	No delay	Sonipat Unit 1	5.78	71.00	1,128.37	Dispute in Mining Area
13.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 12-09-2014	162	Sonipat Unit 2	15.12	120.13	694.51	Dispute in Mining Area
14.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 11-08-2017	1226	Sonipat Unit 3	13.10	51.04	289.62	Dispute in Mining Area
15.		<u>02-01-2015</u> 07-07-2015	<u>02-04-2015</u> 27-06-2016	452	Tikola Sand Unit 1	9.04	9.07	0.33	Dispute in Mining Area
16.		<u>02-01-2015</u> 20-08-2015	<u>02-03-2016</u> 02-07-2017	487	Nandnaur Sand Unit	11.16	11.22	0.54	Non/short payment of contract money

These contracts were not retendered. The revenue forgone worked out to ₹ 192.64 crore upto March 2018 on the basis of reserve price.

The successful bidder is required to deposit annual contract money with the Department in equal monthly installments. First installment of contract money should be deposited before commencement of mining operations or before the expiry of the period of 12 months from the date of issue of LoI, whichever is earlier. As per para 5 (iv) of LoI, delay in payment of monthly contract money beyond 60 days would amount to a breach and invite action for termination of the contracts.

In 12 cases of terminated contracts, the contractors made payment between two and 32 months beyond the stipulated period of 60 days for payment of monthly installment. In these cases, the agreements were also executed after delay of three to 29 months beyond the stipulated period of 90 days.

In five cases (Sr. No. 8, 11, 12, 13 and 14) no agreements were executed. These contracts were terminated between three and 43 months from the date of issue of LoI.

During exit conference, the Department stated that in online open auction process the Department had no control on the highest bidding amount offered by the bidder. Bidders realised later that contract was not financially viable as production of minerals was controlled by the market demands. It was further stated that restriction of auction among only pre-qualified bidders would reduce competition and the Government wanted to encourage small contractors also. The Department was aware of the situation and action to avoid such instances in future was under active consideration of the Department.

6.3.8.2 Delayed/non-execution of agreements

Para 3 of the LoI provides that the contractor/lessee shall execute an agreement within a period of 90 days from the date of issue of the LoI. Further, in the event of failure to do so, (i) the LoI shall be deemed to have been revoked; (ii) an amount of 10 *per cent* initial bid security shall be forfeited; (iii) 15 *per cent* balance bid security shall be recovered as arrears of land revenue; and (iv) the defaulter shall be debarred from participation in any future mining auctions for the period of five years.

In the offices of 10 Mining Officers (MOs)⁵ LoIs were issued to 95 contractors between January 2014 and October 2016 and they were required to execute agreements between April 2014 and January 2017. However, 77 contractors

⁵ Ambala, Bhiwani, Faridabad, Hisar, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

executed agreements after the prescribed period of 90 days. The range of delay was between five and 891 days as detailed below:

Table No. 4: Range of delay in execution of agreements

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	8
2.	Between 91 and 180 days	27
3.	Between 181 and 270 days	21
4.	Between 271 and 365 days	13
5.	Above 365 days	8
Total		77

Department had not forfeited/recovered bid security as per extant rules. In nine contracts, the agreements were executed in time. Further, nine contractors in offices of three MOs at Panchkula (four), Panipat (two) and Yamunanagar (three) had not executed agreements upto 31 March 2018 as detailed below:

Table No. 5: Details of agreements not executed upto 31 March 2018

Sr. No.	Name of block and contractor/lessee	Date of LoI	Due date of execution of agreement	Delay (in days)
Panchkula				
1.	Gobindpur Block/PKL B 18	09-06-2015	06-09-2015	937
2.	Narainpur Block/PKL B 19	09-06-2015	06-09-2015	937
3.	Mandlai 2 Block/PKL B 22	03-03-2016	31-05-2016	669
4.	Manak Tabra Block/PKL B 20	06-10-2016	03-01-2017	452
Panipat				
5.	Karnal Unit 2	03-01-2014	02-04-2014	1459
6.	Panipat Unit 1	03-01-2014	02-04-2014	1459
Yamunanagar				
7.	Chuharpur Block/YNR B 26 and 27	03-03-2016	03-06-2016	639
8.	Ismailpur Block/YNR B 32	03-03-2016	03-06-2016	639
9.	Haldari Gujjar Block/YNR B 35	03-03-2016	03-06-2016	639

Mining has commenced in one contract in Panchkula (Sr. No. 1). One contract was terminated in Panchkula (Sr. No. 3) due to non-execution of agreement and non-deposit of balance security and one contract in Panipat (Sr. No. 6) was terminated due to surrender of mining contract.

However, in the remaining six contracts mining has not commenced and the Department had not revoked these contracts (March 2018).

During exit conference, the Department stated that the period of 90 days for execution of agreement was insufficient as Department had to verify/certify supporting documents/details of property of the sureties. It further stated that the documents were verified by a Chartered Accountant after seeking additional clarification/documents, if needed. Hence, the process took more than 90 days. The Department should review the rules in case it considered period of 90 days insufficient to execute the agreement. Department agreed and stated that the rule would be reviewed to avoid such situations in future.

There was delay in execution of agreement in 77 cases. In six cases agreements have not been executed even after more than two years of award of contract. Department has not revoked these contracts and the mines are not operational leading to loss of revenue.

6.3.8.3 Delayed/non-deposit of balance bid security

Para 3 of the LoI and para 2 of part 3 of the agreement provide that the contractor/lessee shall deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operation or before expiry of the period of 12 months from the date of issue of LoI, whichever is earlier. In the event of failure to do so, (i) the LoI is deemed to have been revoked; (ii) an amount of 10 per cent initial bid security shall be forfeited; (iii) 15 per cent balance bid security shall be recovered as arrears of land revenue; and (iv) the defaulter shall be debarred from participation in any future mining auctions for the period of five years.

(i) Delayed deposit of balance bid security

The Department auctioned 95 mines in 10 districts up to 31 March 2017. In the offices of nine MOs⁶ there was delay in depositing 15 per cent security by 59 contractors out of 84. The balance 15 per cent security was not due from the remaining 11 contractors during period of audit as they had not completed the period of 12 months from the date of issue of LoI up to 31 March 2017. The total bid amount of these 59 contracts was ₹ 880.13 crore for which LoIs were issued between January 2014 and October 2016. These contractors were required to deposit 15 per cent as security deposit amounting to ₹ 132.02 crore between January 2015 and October 2017.

⁶ Ambala, Bhiwani, Faridabad, Hisar, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Sonapat and Yamunanagar.

However, the contractors deposited the amount after delay ranging between three and 854 days as detailed below:-

Table No. 6: Range of delay in deposit of balance bid security

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	33
2.	Between 91 and 180 days	9
3.	Between 181 and 270 days	7
4.	Between 271 and 365 days	4
5.	Above 365 days	6
Total		59

Mining operations have commenced in 54 contracts and have not commenced in five contracts. Out of the 54 contracts where mining operations have commenced, in 12 contracts mining commenced before deposit of security money.

Deposition of balance security prior to commencement of mining operations is crucial for protecting the financial interest of the Department. The Department failed to enforce this requirement which indicates deficient monitoring.

(ii) Short/non-deposit of balance bid security

In the offices of six MOs⁷ (between January and May 2018) 11 contracts for ₹ 196.86 crore were awarded between January 2014 and July 2016. They were required to deposit 15 *per cent* as security deposit amounting to ₹ 29.53 crore between January 2015 and July 2017. However, 10 contractors did not deposit an amount of ₹ 27.05 crore. One contractor partly deposited ₹ 0.25 crore out of ₹ 2.48 crore, resulting in short/non-deposit of ₹ 29.28 crore upto 31 March 2018. Out of the above 11 contracts, mining operations has not commenced in eight contracts and the remaining three contracts have been terminated due to non/short payment of contract money and non-execution of agreement and non-deposit of balance security.

During exit conference, the Department stated that delayed/non-deposit of balance 15 *per cent* security in some cases was due to non-grant of environment clearance, non-commencement of mining operations, termination/cancellation of contracts, etc. Audit observed that as per contract, balance security amount was required to be deposited by the contractors before the commencement of mining operations or the period of 12 months from the date of issue of LoI, whichever is earlier. Thus, non-grant of

⁷ Faridabad, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

environment clearance had no relevance in such cases. In other cases, termination/cancellation of the contracts was done after the period of 12 months, before which the balance security should have been recovered from the contractors.

6.3.9 Receipts from mining contracts and leases

6.3.9.1 Short/non-deposit of contract money and interest thereon

Para 3 of the LoI provides that the contract/lease commences from the date of commencement of mining operations or on expiry of a period of 12 months from the date of issue of LoI, whichever is earlier. The contractor is liable to pay contract money/dead rent or the amount of royalty on the mineral excavated and dispatched, whichever is higher as soon as the contract comes into effect. Further, para 5/para 7 of part 3 of the contract/ lease agreement provides that short/non-deposit of advance monthly installment shall attract interest at the rate of 15 per cent (upto 30 days) and 18 per cent (31 to 60 days) per annum. Delay beyond 60 days would amount to a breach and invite action for termination of the contract/lease with recovery of entire outstanding amount along with interest at the rate of 21 per cent per annum for entire period of default.

The Department auctioned 95 mines in 10 districts up to 31 March 2017. However, in the offices of nine MOs⁸ it was observed that 69 contractors (Contracts = 53; and leases = 16) out of 84⁹ were required to deposit advance monthly installments of contract money of ₹ 1,413.29 crore (Contract money: ₹ 880.19 crore; dead rent: ₹ 532.77 crore; and royalty: ₹ 0.33 crore) between January 2015 and March 2017. The contractors deposited ₹ 605.08 crore resulting in short and non-deposit of advance monthly installments of ₹ 808.21 crore (Short deposit = ₹ 33.57 crore; and non-deposit = ₹ 774.64 crore). It was further observed that there was delay ranging between 63 and 1,184 days in depositing the contract money as detailed below:

Table No. 7: Range of delay in deposit of contract money

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	3
2.	Between 91 and 180 days	4
3.	Between 181 and 270 days	1
4.	Between 271 and 365 days	1
5.	Above 365 days	60
Total		69

⁸ Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

⁹ Mining operations did not commence in the remaining 11 contracts during the audit period (up to 31 March 2017).

Due to delayed/non-deposit of contract money by the above contractors, interest of ₹ 347.63 crore upto March 2018 was also leviable.

It was further observed that all the above 69 contractors did not deposit monthly advance installments of contract money within 60 days at one stage or another, which constituted breach of the contract/lease agreements. The Department, however, did not initiate action to terminate these contract/lease agreements.

On this being pointed out between December 2017 and May 2018, MOs, Ambala and Yamunanagar informed in May 2018 that recovery of ₹ 9.54 crore (Ambala = ₹ 6.00 crore and Yamunanagar = ₹ 3.54 crore) had been made and efforts would be made to recover the balance amount. During exit conference, the Department agreed to the observation but stated that the concession holders filed Special Leave Petition (SLP) in the Apex Court against the recovery of Government dues for un-commenced period of contract for want of environment clearance. Reply should be seen in view of the fact that there was no stay against the recovery of dues for the un-commenced period. Yet the Department was not pursuing recovery of government dues of un-commenced period.

Department failed to levy interest of ₹ 347.63 crore on delayed deposit of contract money/dead rent/royalty. Further, there was short deposit of monthly instalments of contract money amounting to ₹ 808.21 crore.

6.3.9.2 Management of Mines and Mineral Development, Restoration and Rehabilitation Fund

Rule 56 (5) of Rules, 2012 provides that contractor shall pay an additional amount equal to 10 *per cent* of due dead rent/royalty/contract money towards the Mines and Mineral Development, Restoration and Rehabilitation Fund (Fund). The Government of Haryana notified detailed instructions to establish the Fund on 10th July 2015. The Fund is established with a view to funding schemes/programmes/projects considered necessary for environmentally sustainable growth of the mining sector, protection, preservation and rehabilitation of the mining sites and to undertake other related works in the overall interest of protection and preservation of ecology and environment of the area.

The objectives intended to be achieved through the Fund are:-

- Funding of the restoration or reclamation or rehabilitation works in the sites affected by mining operations;
- Provision of common facilities for the benefit of community in and around areas where mining activities are undertaken;

- Development of infrastructure facilities for orderly growth of the mining operations and allied activities e.g. roads, stone crusher estates, water supply, etc.;
- Funding of the studies commissioned or activities related to the mining sector e.g. survey, exploration and prospecting of minerals, procurement of equipment and machinery required to support such activities;
- Education, awareness and training of the contractors and the staff of the Department through field visits and exposure to the best mining practices;
- Funding of expenditure incurred on implementation of any scheme of incentives that the State Government may frame for recognition and awards for scientific mining undertaken with highest regard to mineral conservation, rehabilitation measures along with environmental safeguards and other measures; and
- Any other objects, which the Government may consider expedient to support the overall interest of the mining sector.

Contributions to the Fund are to be made by contractors as well as by the Government. Every contractor has to contribute, each month, an amount equal to 10 *per cent* of the monthly installment of contract money/dead rent/royalty. State Government has to contribute an amount equal to five *per cent* of the amount received from the contractors in a financial year. Interest at the rate of six *per cent* per annum on the accumulated deposits as on 31st March is required to be credited to the Fund by the Government by the quarter ending June of the year.

A grace period of seven days is allowed for payment of monthly installments. Delay in deposit of monthly installment attracts interest at the rate of 15 *per cent* (upto 30 days) and 18 *per cent* (31 to 60 days) per annum. Delay beyond 60 days amounts to a breach and invites action for termination of the contract/lease with recovery of entire outstanding amount along with interest at the rate of 21 *per cent* per annum for entire period of default.

6.3.9.3 *Delayed/non-deposit of monthly installment to the Fund and interest thereon*

Monthly installments to the Fund were deposited by the contractor in MO, Hisar. In the remaining nine MOs¹⁰ (between September 2016 and May 2018) mining operations in 48 contracts commenced between May 2015¹¹ and March 2017. These contractors were required to deposit monthly installment

¹⁰ Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

¹¹ Mining operations commenced in May 2015.

of ₹ 97.72 crore. However, the contractors deposited ₹ 48.42 crore in the Fund resulting in short/non-deposit of ₹ 49.30 crore (Short deposit = ₹ 1.21 crore; and non-deposit = ₹ 48.09 crore). In addition, interest of ₹ 17.44 crore upto March 2018 was also leviable. However, the Department neither ensured contribution to the Fund by the contractors as per provisions of the contract nor levied interest for delayed/non-payment.

During exit conference, the Department agreed that 10 per cent contribution of annual contract money/dead rent/royalty, along with interest on delayed deposit was recoverable from the concession holders. Department further stated that action was being taken against the defaulters in this regard.

6.3.9.4 Short contribution to the Fund by Government

In nine MOs¹² 69 contractors deposited ₹ 605.08 crore on account of contract money, dead rent/royalty between the years 2014-15 and 2016-17 (2014-15 = ₹ 28.05 crore; 2015-16 = ₹ 215.24 crore; and 2016-17 = ₹ 361.79 crore). Thus, the State Government was liable to contribute ₹ 30.25 crore (2014-15 = ₹ 1.40 crore; 2015-16 = ₹ 10.76 crore; and 2016-17 = ₹ 18.09 crore) as share of Government in the Fund. However, the State Government deposited only an amount of ₹ 12.55 crore in March 2017 resulting in short contribution of ₹ 17.70 crore (₹ 30.25 crore - ₹ 12.55 crore) to the Fund. No amount was deposited in the Fund by the Government in 2015-16.

During exit conference, the Department stated that the necessary budget provision was to be made by the Finance Department for transfer of Government contribution to the Fund. The Government share could not be transferred/deposited into Fund due to procedural delay in allocation of budget. Department further stated that an amount of ₹ 28.61 crore was transferred upto 31 March 2017 against the due amount of ₹ 30.25 crore.

6.3.9.5 Non-credit of interest to the Fund by Government

Contribution to the Fund in the years between 2015-16 and 2016-17 is detailed below:

Table No. 8: Non-credit of interest to the Fund

Year	Contribution received in the Fund		Closing balance in the Fund as on 31 st March
	From contractors	From Government	
(₹ in crore)			
2015-16	14.90	0	14.90
2016-17	33.52	12.55	46.07
Total	48.42	12.55	60.97

¹² Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

The Government was required to credit interest of ₹ 4.61 crore at the rate of six *per cent* per annum on the accumulated Fund as on 31 March 2017 (2015-16 = ₹ 0.89 crore; and 2016-17 = ₹ 3.72 crore). However, Government did not credit the above interest in the Fund.

During exit conference, the Department stated that interest could not be credited to the Fund due to delay in grant of budget. Audit observed that interest of ₹ 3.15 crore, out of ₹ 4.61 crore due as on 31 March 2017, was transferred to the Fund by the Department in March 2018.

6.3.9.6 Non-execution of restoration/rehabilitation work after mining operations

Para 5.2.1 of the Fund provides that in case of execution of any restoration and/or rehabilitation work as part of any progressive mine closure plan, the contractor shall be entitled to get the expenditure reimbursed out of the Fund subject to such reimbursement being limited to the amount contributed by him. Any expenditure incurred over and above this limit shall be borne by the contractor.

The contractors were required to incur expenditure on the development of the area, school, treatment of poor, social work, tree plantation in nearby school, hospital, police station, community centre and other utility places. No claim for reimbursement of any expenditure on above works was made out of the Fund by the Department till March 2017 on account of carrying out any restoration and/or rehabilitation work as part of any progressive mine closure plan.

During exit conference, the Department stated that out of the collected Fund, proposals to impart skill training, improvement of roads, schools and staff training, etc. were under consideration and would be implemented soon.

6.3.9.7 Non-investment of corpus of the Fund

Para 77 (4) of Rules, 2012 provides that Department shall maintain complete account of receipts accumulated in the Fund and the expenditure incurred therefrom and shall invest the progressive accumulated corpus in the Fund in a manner so as to earn secure returns therefrom.

However, the Department did not invest the progressive accumulated corpus to earn secure returns therefrom.

During exit conference, the Department stated that deliberations were going on with the Finance Department for investment of part accumulation in secure schemes.

6.3.9.8 Lack of monitoring of the Fund

Paras 6, 7 and 8 of the Fund provide that it shall be administered by a Committee headed by the Administrative Secretary (Chairman) along with seven members, one special invitee and one Member Secretary. It further provides that the Committee shall meet at least three times during any financial year. The Committee shall review the status of the Fund, approve the projects found eligible for funding, monitor the progress on implementation of the projects approved, establish a mechanism for audit of physical deliverables and outcomes and take appropriate corrective measures, wherever required.

The Committee was required to convene at least five meetings between July 2015 and March 2017 to review the status of the Fund, etc. However, it did not meet even once during that period. The lack of monitoring of the Fund by the Committee resulted in the various shortcomings in the administration of the Fund, as discussed above.

During exit conference, the Department stated that contribution towards Fund started in the year 2015-16 and implementation of the projects to be carried out were at fledgling stage. Department agreed that no meeting of the committee was held so far but there was no irregularity/shortcoming in the administration of the Fund.

There was short contribution to the Fund by contractors as well as by the State Government. The purpose of establishing the fund was also not achieved as contractors failed to use available fund balances for carrying out restoration and/or rehabilitation work.

6.3.10 Non preparation of District Survey Report (DSR)

As per Sustainable Sand Mining Management Guidelines 2016, a Survey should be carried out by the District Environment Impact Assessment Authority (DEIAA) in each district with the assistance of Geology Department, Irrigation Department, Forest Department, Public Works Department, Ground Water Boards, Remote Sensing Department and Mining Department.

During the examination of the records (May-June 2019) in the office of the Director, Mines and Geology Department, Haryana, audit observed that out of 10 districts, DSRs were prepared by the Mining Officers of Panchkula and Yamunanagar districts only and submitted to the Department in April 2018 and August 2017 respectively. DSR in respect of Panchkula district was sent to the Deputy Commissioner, Panchkula in April 2018 for finalisation by DEIAA but approval of the same was not on record. DSR in respect of the remaining eight districts were not prepared by the concerned Mining Officers.

The Department did not independently assess mineral reserve on the basis of any survey. The data as mentioned in the EC/Mining Plan prepared by the contractor in respective mining blocks was adopted. Hence there is no independent assessment of available mineral resources by the Department.

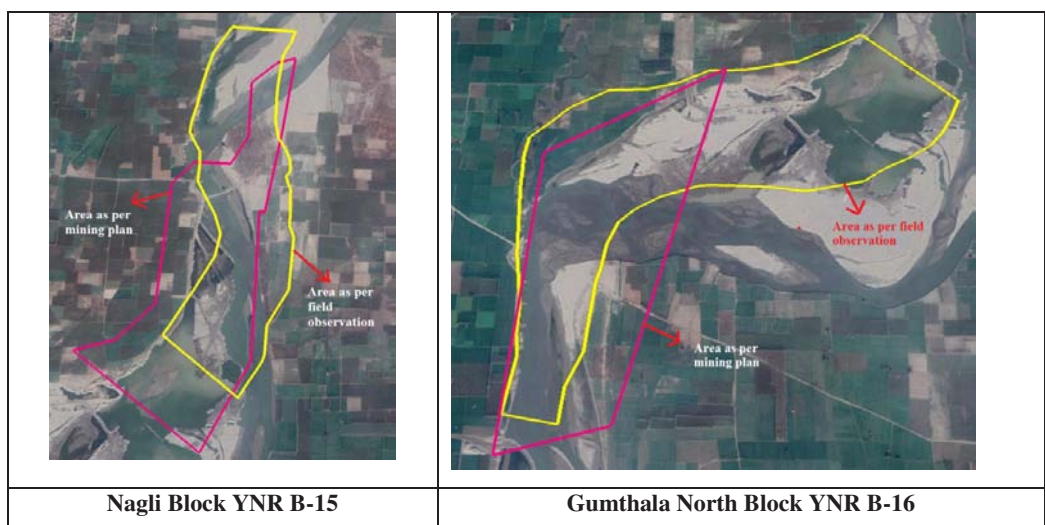
However, the Department stated (August 2019) that estimation of mineral reserve is being done now for newly identified areas and informed that District Survey Reports have been prepared in respect of four out of 15 districts in the State, namely, Panchkula, Yamunanagar, Chakri Dadri and Mahendergarh.

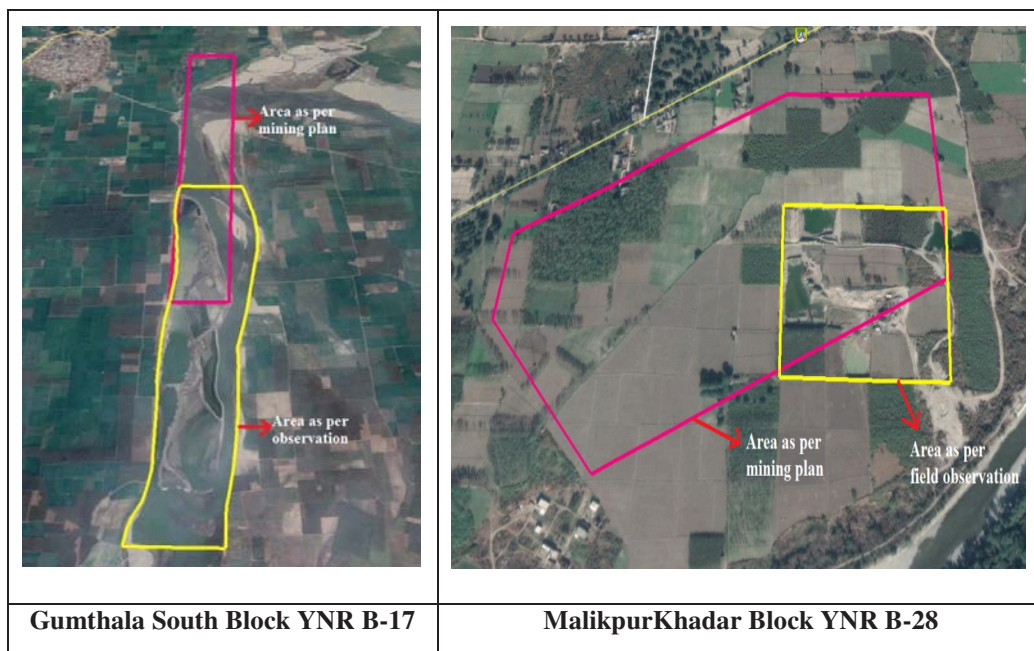
6.3.11 Findings of geo-spatial study of sand, boulders and gravel mining sites

Audit carried out a Geo-spatial field study of three river-bed sand mining sites (Nagli Block YNR B-15, Gumthala North Block YNR B-16 and Gumthala South Block YNR B-17) and one boulder/gravel outside river-bed mining site (Malikpur Khadar Block, YNR B-28) was conducted (June 2019) with an expert team from the Punjab Engineering College, Chandigarh in the presence of Mining Officer, Yamunanagar. The geo-spatial study was conducted to ascertain mapping/verification of allotted sand mining areas/operations, estimation of extracted sand quantity, identification of unauthorized mining activities and verification of environmental clearance conditions. The following were observed.

6.3.11.1 Mapping of allotted sand mining area

A red polygon demarcating the total area awarded for the mining block was formed using the coordinates given in the mining plan and to verify the area, Global Positioning System (GPS) receiver was used to demarcate actual area polygon (yellow) based on the feedback given by the contractor.





There is difference in area as given in mining plan and as observed during site inspection. Mining sites have not been clearly demarcated by boundary pillars and there is a mismatch between coordinates given in mining plan and actual coordinates observed.

In case of Gumthala North Block, this variation has significant impact on estimation of mineral reserve.

As per approved mining plan, the quantity of annual mineable reserve was estimated at 20,34,672 metric tonne (MT). However, the calculation of annual mineable reserve with reference to the area given in mining plan, by using the dimension of mining block observed in the field and by using the area calculated by the coordinates given in the mining plan is shown in the table below: -

Table No. 9: Calculation of annual mineable reserve in Gumthala North Block

Sl. No.	Source for calculation of area	Area in hectares	Area in m ²	Depth allowed (meter)	Volume in m ³	Bulk density of soil	Weight in MT	Annual mineable reserve in MT
1.	Given in mining plan	44.62	4,46,200	3	13,38,600	2000	26,77,200	20,34,672
2.	Observed in field	98.079	9,80,790	3	29,42,370	2000	58,84,740	44,72,402
3.	Given coordinates	62.20	6,22,000	3	18,66,000	2000	37,32,000	28,36,320

The above data revealed that the extraction of the annual estimated mineable reserve observed in the field was twice that of original estimates given in the mining plan. As per area of 44.62 hectare, the reserve price was fixed at ₹ 7.30 crore, whereas for 98.079 hectare, the reserve price should have been ₹ 16.04 crore (worked out on pro-rata basis), which is ₹ 8.63 crore more than amount at which the contract was finally awarded (₹ 7.42 crore).

This is based only on test check. Department may undertake this check in other blocks/mining sites.

Mining activities were carried out in an area larger than the approved area in Gumthala North Block. Department failed to detect this resulting in loss of revenue.

6.3.11.2 Verification of mining operations with reference to the approved mining plan

(A) There shall be an un-mined block of 50 meters width maintained after every block of 1000 meters. To evaluate the above condition, Google Earth tool was used to capture the area within the river bed where mining was being practised.

Within the river bed, the length of active mining zone was found to be 1.85 km, 1.52 km and 1.44 km in case of Nagli Block YNR B-15, Gumthala North Block B-16 and Gumthala South Block B-17 respectively, as illustrated below:-



	<p>B-16</p>
	<p>B-17</p>

The active mining zone was identified on the basis of the signatures observed at the edges of bunds/platform and point/sand bars. The capturing of signatures of active mining zone and mining free zone, as illustrated below:-



**Signature/pattern observed throughout the stretch
Gumthala South Block YNR B-17**

An un-mined block of 50 meters width was not maintained after every block of 1000 meters, as continuous mining for a greater stretch was observed in all three mining sites.

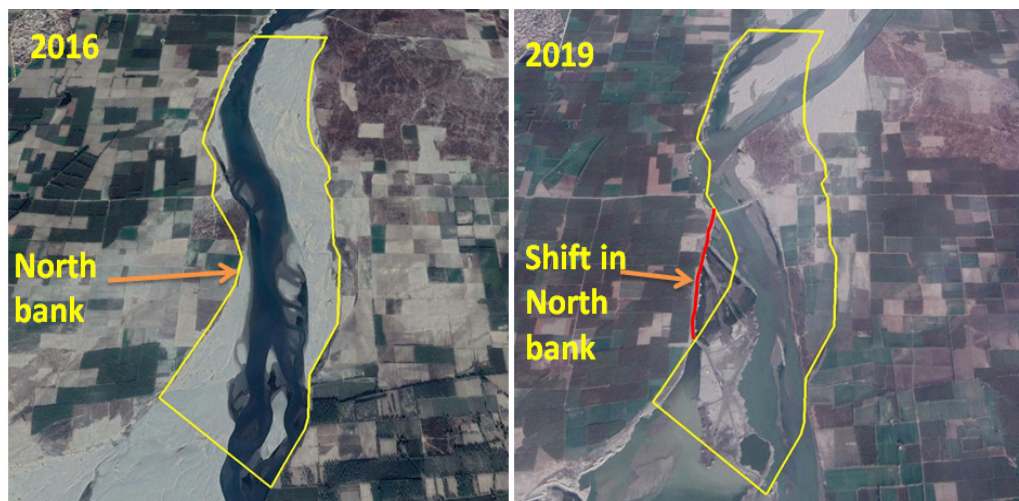
(B) The maximum depth of mining in the river-bed shall not exceed three meters measured from the un-mined bed level at any point in time with proper bench formation.

In the case of three river bed mining, no violation was observed in dry bed mining. However in the case of in-stream mining no instruments were deployed for ensuring that depth is not breached in in-stream mining.

In the case of Malikpur Khadar Block, the depth was calculated by expert team with the help of auto-level instrument. The results indicate that the maximum depth up to which mining was being carried out was 4.14 metre, which was less than the prescribed limit of nine meters.

Department did not have any mechanism for ensuring that depth of mining in the river-bed does not exceed three meters.

(C) The mining activities shall be restricted within the central 3/4th width of the river/rivulet. This criterion was evaluated using Google Earth images. In Gumthala North block and Gumthala South Block, it was noticed that mining was restricted to central 3/4th width of river, however in case of Nagli Block YNR B-15 Google Earth imageries of years 2016 (year of mining block award) and 2019 (mining practice at full swing) are illustrated below:-



**Shift in the river bed towards the north bank
Nagli Block YNR B-15**

The comparison between the two images indicated significant shift in the river bed towards the north bank. The shift in the north bank was on account of large scale mining practice very near to the river bank. Field evidence also indicated close to bank mining practice, as shown below:-



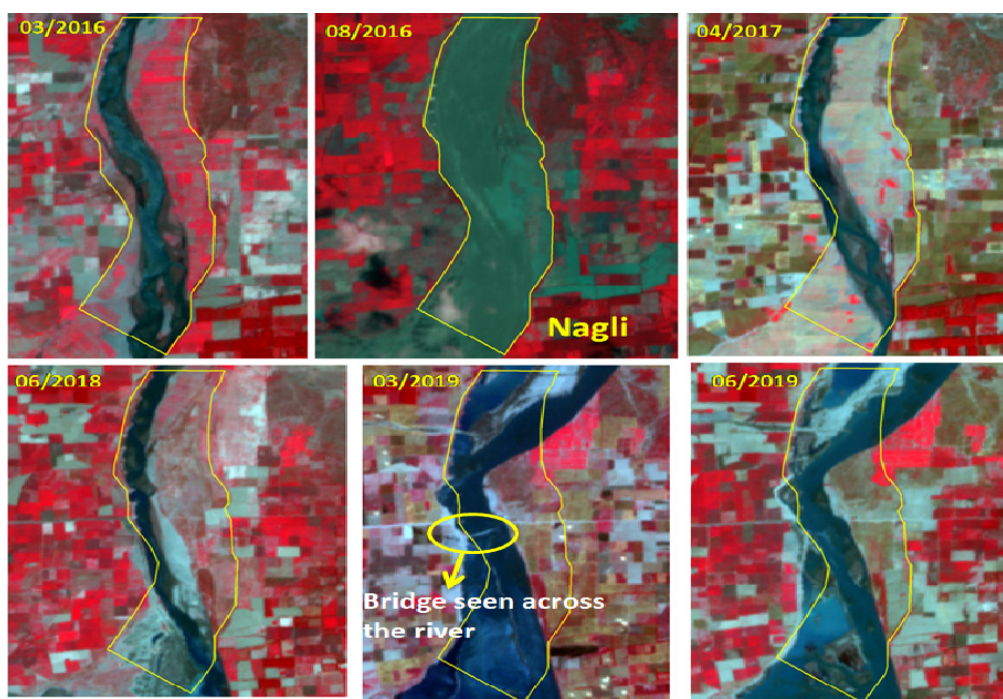
Mining activities were not restricted to the central 3/4th of the river in Nagli Block which caused large scale erosion on the north bank.

6.3.11.3 Assessment of river flow regime

The changes in the river flow regime due to mining practices were assessed on the basis of Sentinel 2 satellite temporal imageries of the mining sites.

(i) Nagli Block YNR B-15: Lacustrine regime due to damming of flow

In March 2016 image, the river flow regime appeared natural with prominent development of sand bars and point bars towards the south bank. August 2016 image showed flow at its peak (post monsoon) and covering entire stretch of the river bed. The mining activities were seen in June 2018, March 2019 and June 2019 images. March 2019 and June 2019 imageries clearly indicated development of a different flow regime in the river bed. A bridge across the riverbed was seen in the March 2019 image. This led to the development of reservoir in the upstream region. The water signatures appeared more representative of lacustrine regime (relating to or associated with lakes) rather than the natural river flow regime, as illustrated below:-



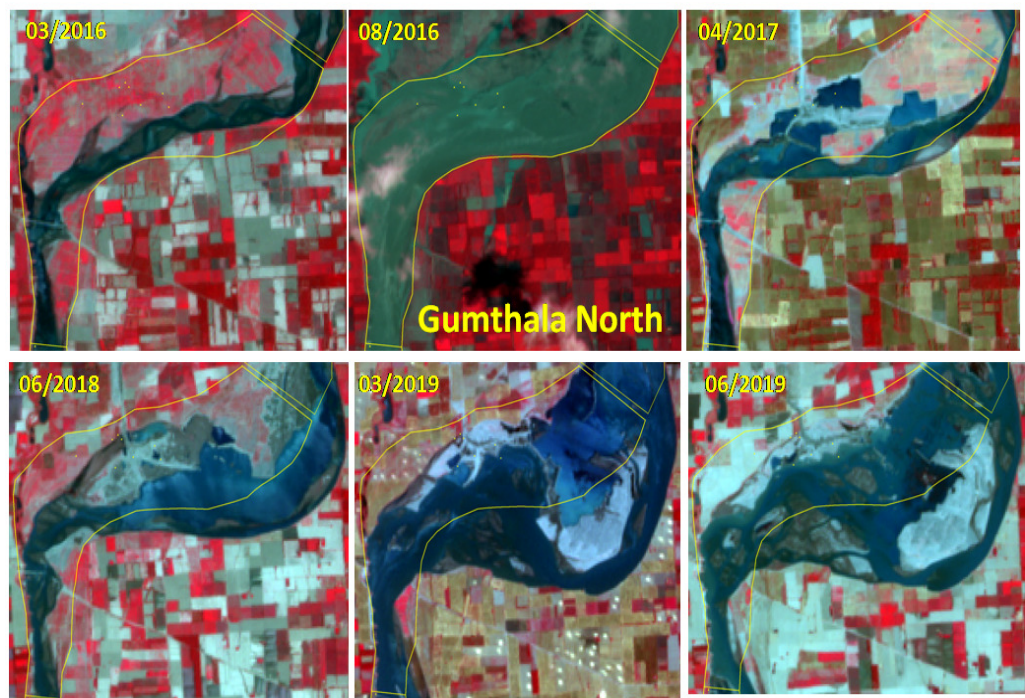
Flow regime imagery of the river Nagli Block YNR B-15



General physical observations of Nagli Block YNR B-15

(ii) Gumthala North Block YNR B-16: Widening of flow and Lacustrine regime due to damming of flow

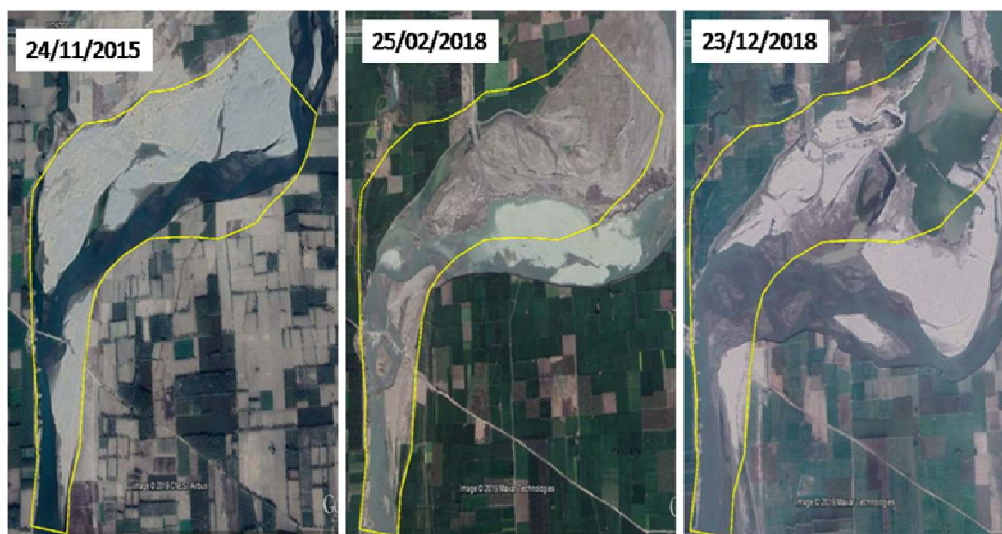
In the March 2016 image river flow regime appeared natural with development of sand bars and point bars at the north bank. August 2016 image showed flow at its peak and covering entire stretch of the river bed. The mining activities were seen in April 2017, June 2018, March 2019 and June 2019 images. April 2017, June 2018, March 2019 and June 2019 imageries clearly indicated development of a different flow regime towards the north bank. The water signatures appeared more a representative of lacustrine regime rather than the natural flow regime. The apparent change in flow regime is due to damming of river flow and/or probably intrusion of ground water.



Flow regime imagery of the Gumthala North Block YNR B-16

Image of the month November 2015 indicated normal flow concentrated towards south bank and huge formation of sand/point bars on the north bank. February 2018 imagery showed widening of the flow towards the southern bank. December 2018 image showed further migration of natural flow towards

south bank in addition to substantial widening of riverbed. Occurrence of floodplain capture within span of 10 month was on account of river damming by sand miners:-



**Changing river flow regime
Gumthala North Block YNR B-16**

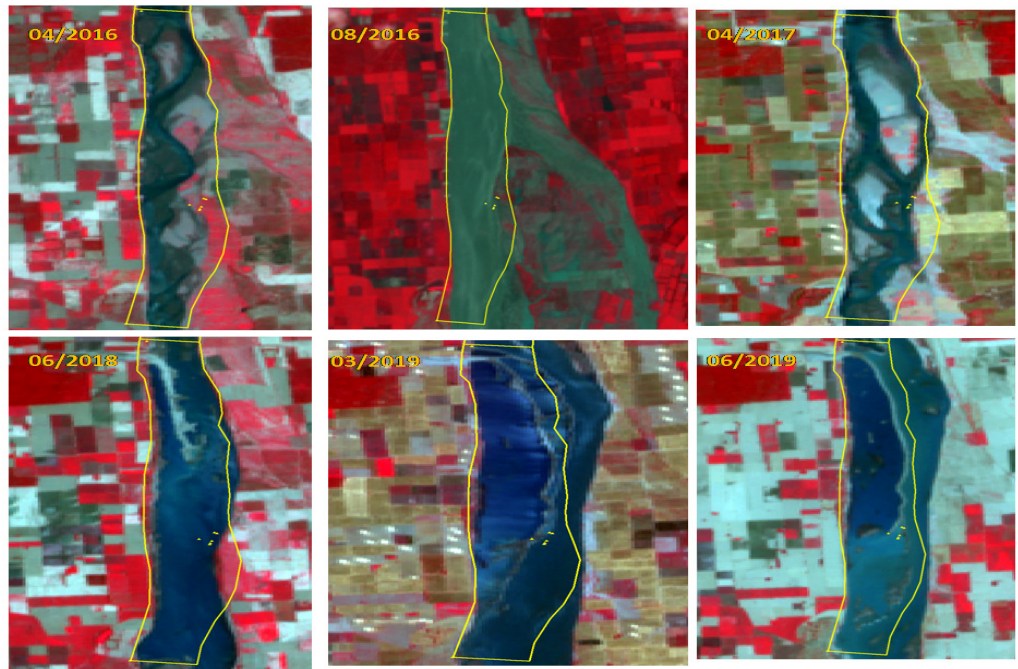


Damming of river flow in Gumthala North Block

(iii) Gumthala South Block YNR B-17: widening of flow and lacustrine regime

In March 2016 image, river flow regime appeared natural with development of braiding pattern, sand bars and point bars. In August 2016 image, river flow was at its peak going to monsoon precipitation. June 2018, March 2019 and June 2019 imageries clearly indicated development of a different river flow regime in which the water signatures appeared more representative of

lacustrine regime rather than the natural river flow regime, as illustrated below:-



Flow regime imagery of the river
Gumthala South Block YNR B-17

The above indicated damming of river flow and/ or intrusion of ground water. Natural flow blocking by means of bunds/mining platforms were also seen in the imageries, as illustrated below:-



Changing river flow regime
Gumthala South Block YNR B-17

The river flow regime has changed during short span of mining period in the three river bed mining blocks indicating damming of river flow and probable intrusion of ground water.

6.3.11.4 Identification of unauthorized mining activities

Nagli Block YNR B-1

At the time of field inspection, the audit team did not observe any trace of illegal mining activity at the north bank of the stream. In order to identify the illegal mining activity, time series imageries for the years 2014, 2015 and 2018 of Google Earth were visually interpreted. The interpretation was done to capture movement of trucks/trolleys in the river bed zone, stack of sand in and along river bed zone, obstruction to naturally occurring flow regime, movement of light weight excavator and traces of mining pits.

Though the mining operation commenced in Nagli block in April 2018 only, traces of illegal mining were seen in the imageries of years 2014 and 2015, as illustrated below: -



Time series imageries of illegal mining
Nagli Block YNR B-15

The Government of India, Ministry of Environment, Forest and Climate Change issued Sustainable Sand Mining Management Guidelines, 2016 for monitoring of mining activities. One of the recommendations was that at mining sites of small size (upto five hectares) shall be linked up with android based smart phone and large size (more than 5 hectares) mining site shall be linked up with CCTV cameras, personal computers, internet connection and power backup. The Department may initiate action to install these facilities in the mining sites at the earliest for preventing instances of illegal mining.

6.3.11.5 Verification of environmental clearance conditions

As per mining plan, proper spraying of water and plantation along the road side shall be done to prevent the spread of dust.

In Nagli Block YNR B-15, Gumthala North Block YNR B-16 and Gumthala South Block YNR B-17, no plantation and water spraying was observed along the roadside during the field visit. A visual observation revealed the high amount of dust that could lead to increase in particulate matter that needed to be monitored periodically. Further, workers were not provided with the dust mask and other protecting equipment.

Though environmental monitoring reports, prepared by the consultants, were submitted by the contractor twice a year, there were no regular checks on environmental monitoring of the quality of air, water, soil, noise, etc by concerned departments. The river banks were also not properly protected.

6.3.12 Stone crushers

The Haryana Regulation and Control of Crusher Rules, 1992 (Crusher Rules, 1992) regulates the provisions for the grant of licences and its renewal to the owners of stone crushers. The records of 229 out of 1,094 stone crushers were examined and measured against the provisions contained in the Crusher Rules, 1992. The following irregularities/ shortcomings were noticed:

6.3.12.1 Grant of renewal of licences for stone crushers

Rules 3 and 6 of the Crusher Rules, 1992 provide that an application for the grant of a licence and its renewal shall be made to the prescribed authority, which shall be accompanied by a prescribed fee of ₹ 10,000 and No Objection Certificate (NOC) from Haryana State Pollution Control Board (HSPCB). It further provides that the licensee shall apply for the renewal of the licence at least six months before its expiry. In case application for renewal is not disposed of before the expiry of the period of the previous licence, then it shall be deemed to have been refused.

(i) Delayed/non-submission of applications for grant of renewal of licences

A licence to the stone crusher owner is granted/renewed for a period of three years. There were 1,094 stone crushers in the State as on 31 March 2017, out of which licences of 229 stone crushers were due to be renewed during the year 2016-17. Audit checked files of these 229 cases. Out of this, 30 owners of stone crushers did not submit applications for renewal of their licences. The report of closure of these 30 stone crushers were not available in the relevant files. However, on physical verification of six out of these 30 stone crushers (five situated in Faridabad and one in Gurugram) it was found that all the six

stone crushers were closed. Owners of 199 stone crushers submitted applications for grant of renewal of their licences after the delay ranging between 11 and 650 days as detailed below:-

Table No. 10: Delayed/non-submission of applications for grant of renewal of licences of stone crushers

Sr. No.	District	Number of stone crushers for which renewal was due in 2016-17	Number of applications submitted with delay	Range of delay (in days)	
				From	To
1.	Ambala	2	0	NA	NA
2.	Bhiwani	25	25	132	443
3.	Faridabad	83	60	46	505
4.	Gurugram	55	52	11	547
5.	Mahendergarh (Narnaul)	8	8	105	343
6.	Panchkula	23	21	77	565
7.	Yamunanagar	33	33	85	650
Total		229	199		

During exit conference, the Department stated that closure reports of 30 stone crushers (Ambala = 2, Faridabad = 23, Gurugram = 3 and Panchkula = 2) had been sought from the concerned MOs. After rechecking the relevant records of 30 stone crushers, audit found that licences of three stone crushers (Faridabad) were renewed between March 2018 and October 2018, one stone crusher owner in Faridabad submitted incomplete application for renewal of licence in September 2018, the Department issued reminder/sought report in June 2017/April 2018 for renewal of licence in one case each in Gurugram and Faridabad respectively and the remaining 24 stone crushers (Ambala = 2, Faridabad = 18, Gurugram = 2 and Panchkula = 2) were found closed/dismantled/non-operational as per reports submitted by the concerned MOs between March 2018 and November 2018.

(ii) Delayed/non-grant of renewal of licences

There was delay in grant of renewal of licences by the Department. The details of grant of licences for renewal by the Department from the date of receipt of applications are given in the table below:-

Table No. 11: Delayed/non-grant of renewal of licences of stone crushers

Sr. No.	District	Number of applications submitted	Number of licences		Range of delay (in days)	
			Renewed with delay	Not renewed	From	To
1.	Bhiwani	25	23	2	13	317
2.	Faridabad	60	44	16	8	205
3.	Gurugram	52	52	0	7	454
4.	Mahendergarh (Narnaul)	8	8	0	9	91
5.	Panchkula	21	21	0	9	142
6.	Yamunanagar	33	33	0	8	494
Total		199	181	18		

The Department renewed licences with delay ranging between seven and 494 days after the date of receipt of applications. The stone crushers continued to be in operation even during the period of pendency of renewal of licences. The Department did not grant renewal of licences to owners of 18 stone crushers even though applications were submitted by them. The reasons for non-grant of renewal of licence were not available in the relevant files. However, these 18 stone crushers continued to operate despite their licences not being renewed. This indicated lack of control mechanism in the Department to ensure that stone crushers with only valid licences could operate.

In 57 cases out of 181, delay in renewal was on account of delayed receipt of NOCs. Range of delay was between four and 419 days, as detailed below:-

Table No. 12: Range of delay in receipt of NOCs from licencees

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	23
2.	Between 91 and 180 days	13
3.	Between 181 and 270 days	15

Sr. No.	Range of delay (in days)	Number of cases
4.	Between 271 and 365 days	4
5.	Above 365 days	2
Total		57

Of this, the records of 50 cases were checked in the office of HSPCB and it was observed that there was no delay in issuance of NOC by the HSPCB after completion of formalities by the applicants. Delay was either on account of owners submitting incomplete applications or submitting applications after delay. This resulted in delay in grant of renewal of licences to operate by the Department.

Further, it was found that three licences¹³ were granted renewal of licences by the Department and NOC from HSPCB was not found on record. The Department stated that NOCs (Gurugram = 2 and Panchkula = 1) were available in the office and licences were renewed only after obtaining NOCs from HSPCB. After rechecking the relevant records, audit found that out of the above three cases, NOC in one case (Gurugram) was found on record and it was received in time. In the remaining two cases (Gurugram = 1 and Panchkula = 1) NOCs were not found on record. Renewal of licences was granted in 133 cases¹⁴ against NOCs having lesser period of validity than the period of the renewal of the licences. The Department stated that period of grant of consent to operate by HSPCB was not related to the period of grant/renewal of licence of the stone crushers and the validity of NOC was seen on the date of grant of renewal of licence.

During exit conference (6th November 2018), the Department stated that 18 stone crusher owners in Bhiwani and Faridabad applied for renewal of licences but applications were found not signed, applied for renewal without licence fee, without valid NOC from HSPCB, etc. Audit rechecked after the exit conference and found that the Department renewed 11 licences in Faridabad between February 2018 and October 2018 whereas seven licences (Bhiwani = 2 and Faridabad = 5) were not renewed by the Department till date.

There was delay in renewing licences by stone crusher units. Department failed to ensure that only stone crushers with valid licences could operate.

¹³ Gurugram – 2 and Panchkula – 1.

¹⁴ Bhiwani – 13, Faridabad – 42, Gurugram – 35, Mahendergarh (Narnaul) – 6, Panchkula – 19 and Yamunanagar – 18.

6.3.12.2 Absence of system to monitor the source of procurement of raw material by Stone Crushers

Raw material for the stone crushers is procured from legal mines of Haryana as well as from mines of adjoining States of Rajasthan, Punjab, Himachal and Uttar Pradesh. Stone crushers operating in Haryana obtain licences from the Mining Department by filling in prescribed application form. However the application form does not contain information regarding the source of procurement of raw material. This information is essential for the Mining Department to ensure that the raw material procured from adjoining States is from legal mines of the respective States. Lack of monitoring of the source of procurement is fraught with the risk of procurement of raw material from illegal mines.

6.3.13 Brick kilns

Coal including coke, which is used in brick kilns, is covered under Essential Commodities Act, 1955 for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Thus, Food and Supplies Department was authorised for regulating the grant of licences and its renewal in respect of this specified essential commodity including grant of licences to the owners of brick kilns for the purpose of manufacturing, storage and sale of bricks. The Department regulates grant of permits for excavation of brick earth used in brick kilns. Presently, the grant of licences and its renewal to the owners of brick kilns is regulated under the provisions contained in the Haryana Control of Bricks Supplies Order, 1972. The records of 4,139 brick kilns were examined and measured against the provisions contained in the above Orders, 1972. The following irregularities/shortcomings were noticed:

6.3.13.1 Short/non-recovery of royalty, additional royalty and interest thereon from brick kiln owners

Section 24 of the Punjab Minor Minerals Concession Act, 1964, as applicable to the State of Haryana also, and Haryana Government notification of June 2012 provide that recovery of annual royalty of ₹ 30,000, ₹ 25,000, ₹ 15,000 and ₹ 5,000 is to be made from the owners of A, B, C and D category¹⁵ brick kilns respectively from 1st April of each year. Further,

¹⁵ A category: brick kiln which has more than 11 lakh bricks; B category: brick kiln which has between nine and 11 lakh bricks; C category: brick kiln which has between seven and nine lakh bricks; and D category: brick kiln not fired during the year in which stock in and outside the kiln as on 1st day of April and available stock of bricks of all types is no more than five lakh bricks.

additional royalty at the rate of 25 *per cent* of the annual royalty is also recoverable from the brick kiln owners (BKO). Failure to do so will attract interest at the rate of 15 *per cent* (upto 30 days) and 18 *per cent* (31 to 60 days) per annum. Delay beyond 60 days would invite action for termination of the permit with recovery of entire outstanding amount along with interest at the rate of 21 *per cent* per annum for entire period of default.

In the offices of 14 MOs¹⁶ (between September 2016 and January 2018) audit observed that 181 BKOs out of 4,139 were required to deposit ₹ 0.55 crore on account of annual royalty and additional royalty between April 2013 and April 2016. However, recovery of ₹ 0.02 crore only was made from seven BKOs and that too after due date, resulting in short/non-payment of royalty and additional royalty of ₹ 0.53 crore. In addition, interest of ₹ 0.24 crore upto March 2018 was also leviable. The Department neither initiated action to terminate the permits of these BKOs nor levied interest for delay beyond 60 days. In Rewari, no shortcoming was noticed in all 102 brick kilns.

During exit conference, the Department stated that recovery of royalty, etc. from BKOs was an on-going process and arrears of royalty, additional royalty and interest due thereon was recovered from the BKOs at the time of deposit of annual royalty for the next year. Audit observed that better monitoring was needed to recover the royalty, etc. from the BKOs in time to ensure collection of revenue in the year it became due.

6.3.14 Internal control and monitoring mechanism

Internal control is an integral process by which the Department governs its activities to ensure integrity and achieve its objectives effectively and efficiently. An inbuilt internal control mechanism and strict adherence to the provisions contained in the Departmental codes and manuals provide reasonable assurance to the Department about compliance of applicable rules, achieving reliability of financial reporting and effectiveness and efficiency in its operations.

6.3.14.1 Delayed/non submission of monthly/annual returns

Rule 56 (15) of Rules, 2012 provides that a contractor shall submit to the prescribed authority a monthly return in Form MMP-1 by 7th of every month containing details of total quantity of the mineral raised and dispatched from the area during the preceding calendar month, its value and such other details

¹⁶ Ambala, Bhiwani, Faridabad, Gurugram, Hisar, Jind, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Rohtak, Sirsa, Sonapat and Yamunanagar.

as prescribed in the said Form. Further, a contractor shall submit to the prescribed authorities an annual return in Form MMP-2 by 30th April of every year containing details of the quantity and value of the mineral extracted, dispatched, stacked during the previous financial year, average number of regular labourers employed, number of accidents, if any, compensation paid and number of days worked.

In the offices of the following 10 MOs audit observed that there was delay in submission of the monthly and annual returns in Forms MMP-1 and MMP-2 respectively by the contractors, the details of which are given in the table below:-

Table No. 13: Delayed/non-submission of monthly/annual returns

Sr. No.	Mining Office	Total number of mining contracts/leases where returns were delayed/not submitted	Range of delay (in days) in submission of monthly return in Form MMP-1		Range of delay (in days) in submission of annual return in Form MMP-2
			From	To	
1.	Ambala	1	1	12	Not submitted
2.	Bhiwani	9	1	100	Not submitted
3.	Faridabad	2	Not submitted		Not submitted
4.	Hisar	1	-	39	Not submitted
5.	Kurukshetra	1	5	110	Not submitted
6.	Mahendergarh (Narnaul)	10	2	175	Not submitted – except in one case
7.	Panchkula	3	14	249	Not submitted
8.	Panipat	4	8	68	Not submitted
9.	Sonipat	8	1	139	Not submitted
10.	Yamunanagar	11	1	166	Not submitted
Total		50	1	249	

No mines were auctioned in the remaining five offices¹⁷ of MOs during the period of audit. The contractors submitted monthly returns with a delay ranging between one and 249 days. Two contractors in Faridabad did not submit the monthly returns in Form MMP-1 during the year 2016-17. The annual returns in Form MMP-2 were not submitted by any of the contractors. In Mahendergarh (Narnaul) and Bhiwani where leases were granted, annual returns were not submitted except in one lease in Mahendergarh (Narnaul).

¹⁷ Gurugram, Jind, Rewari, Rohtak and Sirsa.

During exit conference, the Department agreed that delay in submission of monthly/annual returns were noticed in some of the cases and it was being ensured that these returns would be submitted in time in future. The Department further stated that initiation of proposed IT based system called E-rawanna¹⁸ would ensure real-time generation of information relating to mining activities.

The delayed/non-submission of monthly/annual returns resulted in failure to make timely assessment of the correct amount of dead rent or royalty to be recovered from the lessees as the Department resorted to only random checking of minerals excavated and transported by the lessees. Moreover, the records of such random checking were not available with the Department. The Department as a result also failed to assess whether the quantum of mineral extracted during the year was as per approved mining plan.

6.3.14.2 Monitoring of Minerals during transportation

Rules 98 (1) and (2) of Rules 2012 provides that no person shall transport any mineral from one place to another by any carrier without having a valid mineral transport pass. The mineral concession holder shall apply for and shall be issued the booklets containing duly numbered mineral transit passes by the concerned Mining Officer. The mineral concession holder shall maintain a register of all receipts and dispatches along with the particulars of the mineral transit passes issued by him and furnished such details in monthly production and dispatch reports and shall maintain a complete account of the booklets of mineral transit passes utilised by him.

Further, Rule 98 (5) of Rules, 2012 provides that all relevant details such as the source of dispatch, the registration number of vehicle, the weight of mineral or quantity of mineral dispatched from the source, the name of the transporter and the destination of the consignment shall be filled up in a legible manner in the mineral transit pass, which shall be presented on demand by an authorized officer.

During the examination of the records (May-June 2019) in the office of the Director, Mines and Geology Department, Haryana, audit was intimated that check post/barriers were established at inter-state entry or at any other points with a view to checking of transportation of minerals. These check

¹⁸ End to end E-governance Application in Administration and Regulation of Mining System through IT Enables Services to monitor mining operations, transportation of minerals, checking of illegal mining, etc.

posts/barriers are not permanent. The number of such check posts are increased and decreased as per situation.

Audit further observed that records relating to the minerals excavated, weighing of minerals, permits for transporting the minerals from the mining sites, etc. was maintained by the staff employed by the concerned contractors. The Department resorted to only random checking of minerals excavated and transported by the contractors. Moreover, the records of such random checking were not available with the Department and the Department was monitoring the mining activities manually without using any scientific methods.

The Government of India, Ministry of Environment, Forest and Climate Change issued Sustainable Sand Mining Management Guidelines, 2016 for monitoring of mining activities. Some of the important recommendations are:

- **Security features in transport permits:** The transport permit shall be printed on approved Magnetic Ink Character Recognition (MICR) code paper, which shall have unique barcode, unique quick response (QR) code, fugitive ink background, invisible ink mark, void pantograph and watermark;
- **Scanning of transport permits/receipts and uploading on server:** The data stored in the barcode of the transport permit shall be scanned through barcode scanner for uploading it on the server using computer/software, android application having internet connectivity on Subscriber Identification Module (SIM) card and by sending Short Message Service (SMS) through mobile facilitating generation of a unique invoice code for restricted usage within specified validity period.

During exit conference, the Department stated that the process of developing E-rawanna system was at an advanced stage, which would be useful in monitoring mining operations, transportation of minerals, checking of illegal mining, etc.

6.3.14.3 Human resources

The office of the Director, Mines and Geology Department, Haryana, Chandigarh (December 2017) had a sanctioned strength of 293 in different cadres in 2004-05. The Department had an overall working strength of 164 as on 31 March 2017 against the sanctioned strength of 268 in different cadres, which resulted in overall shortage of manpower to the extent of

104 (38.81 per cent). The main cadre-wise shortages in the field offices as on 31 March 2017 are given in the table below:-

Table No. 14: Shortage of manpower in field offices in specific cadres

Sr. No.	Name of post	Sanctioned strength	Men-in-position	Shortage	Shortage in per cent
1.	Mining Engineer/Officer	18	10	8	44.44
2.	Mining Inspector	40	22	18	45.00
3.	Mining Accountant/Clerk	31	9	22	70.97
4.	Mining Guard	117	84	33	28.21
Total		206	125	81	

There was 70.97 per cent vacancy in the cadre of mining accountant/clerk. This cadre is responsible for maintaining records relating to ledger account for contracts/leases containing details of the amount of contract money due, amount deposited, date of deposit, copies of challans, balance amount due, interest to be recovered, etc., Such a huge vacancy affected the maintenance of records and monitoring recovery of dues from the contractors. No mining accountants/clerks were posted in Hisar, Kurukshetra, Mahendergarh (Narnaul) and Rewari.

Further, it was observed that there was no rational deployment of staff. Seventeen and three Mining Guards were posted in mining offices at Gurugram and Jind respectively where mining contracts did not exist as on 31 March 2017. Two posts each of Mining Guards at Bhiwani (15 contracts), Hisar (one contract), Kurukshetra (one contract), Rewari (three contracts) and six posts each of Mining Guards at Faridabad (Four contracts) and Mahendergarh (Narnaul) (11 contracts) were lying vacant as given in the table below:-

Table No. 15: Details of Mining Guards posted in field offices

Sr. No.	District	Sanctioned strength	Number of contracts/ leases	Men-in-position	Requirement as per number of contracts/ leases	Excess (+)/ shortfall (-) as per number of contracts/ leases
1.	Gurugram	25	0	17	0	(+) 20
2.	Jind	3	0	3	0	
3.	Bhiwani	10	15	8	10	(-) 20
4.	Hisar	3	1	1	3	

Sr. No.	District	Sanctioned strength	Number of contracts/ leases	Men-in-position	Requirement as per number of contracts/ leases	Excess (+)/ shortfall (-) as per number of contracts/ leases
5.	Kurukshetra	3	1	1	3	
6.	Rewari	3	3	1	3	
7.	Faridabad	18	4	12	18	
8.	Mahendergarh (Narnaul)	8	11	2	8	
Total				45	45	0

Twenty Mining Guards posted in districts having no mining operations could have been posted in other mining districts having equal number of shortages. The Government reviewed the staff position of the Department and approved 125 posts in various cadres in March 2016. But these posts have not been filled up till March 2018.

There is no rational deployment of available manpower. Department may review the position of staff deployment for ensuring better monitoring.

6.3.14.4 Internal audit wing

Internal audit is a tool in the hands of management to assure itself that the prescribed systems are functioning well. It ensures adherence to the provisions of the acts, rules as well as the departmental instructions issued from time to time.

Audit observed that internal audit wing was not in existence in the Department. The non-existence of internal audit wing in the Department was also pointed out in the Audit Report (Revenue) of the Comptroller and Auditor General of India for the year 2003-04 but no remedial action was taken by the Department during the last 15 years. The non-existence of internal audit wing resulted in lack of effective monitoring and accumulation of huge arrears against the contractors. The Department did not collect ₹ 1,476.21 crore on account of balance bid security, contract money and Fund from the contractors, royalty/additional royalty from the BKO's, etc. in timely manner resulting in loss of revenue to that extent to the State Government.

During exit conference, the Department stated that internal audit system was not operational due to shortage of related staff. It was further stated that posts of Section Officers have been sought in the restructuring proposal.

6.3.15 Conclusion

The Performance Audit on the functioning of Mines and Geology Department revealed several shortcomings and deficiencies. Department has not done any independent assessment of mineral reserves available. There were instances of non-compliance of provisions of the Mines and Minerals (Development and Regulation) Act, 1957, Rules, 2012 and various instructions issued by the State Government. There were instances of delayed/non-execution of agreements by the contractors, delayed/non-deposit of balance bid security, short/non-deposit of monthly installments of contract money and interest thereon from the contractors. There was short contribution to the Fund by the contractors as well as by the Government. Management and monitoring of the Fund by the Department was deficient.

There is poor monitoring of mining operations by department. Boundaries of mines are not clearly demarcated in the ground. There were indications of change in river flow regime and ground water intrusion due to excessive mining.

There were delays in renewal of licences to operate stone crushers. Some stone crushers continued to operate without valid licences. Cases of short/non-recovery of royalty, additional royalty and interest thereon from the brick kiln owners were also noticed. There was delay in submission of monthly returns by the contractors and annual returns were not submitted.


6.3.16 Recommendations

Audit recommends that the Government may consider:-

- assessing the mineral reserve available within State;
- developing a system of pre-bid qualification of the potential bidders based on objective assessment criteria for ensuring sustainability of mining operations;
- adopting a procedure to obtain bank/performance guarantees from the contractors to ensure timely recovery of balance bid security, monthly installments of contract money and other recoverables and to reduce the quantum of outstanding dues;

- deploying scientific methods for remote monitoring of the mining activities by installing CCTV cameras at the mining sites and use of IT based computerised transport permits and receipts/slips for maintaining records of the mined minerals as recommended by GOI in Sustainable Sand Mining Management Guidelines, 2016;
- ensure rational deployment of staff based on the workload of field offices; and
- strengthening internal control mechanism for effective assessment, monitoring and timely recovery of Government revenue.

Chandigarh
The 01 October 2019


(FAISAL IMAM)
Accountant General (Audit), Haryana

Countersigned

New Delhi
The 04 October 2019


(RAJIV MEHRISHI)
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 2018.

Name of tax		2014-15	2015-16	2016-17	Total
Taxes on Sales, Trade etc.	Paras appeared in the AR/pending discussion in the PAC	11	12	12	35
	Paras replies not received	11	12	12	35
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	2	2	2	6
	Paras replies not received	-	2	2	4
Stamp duty and Registration fee	Paras appeared in the AR/pending discussion in the PAC	7	9	8	24
	Paras replies not received	-	9	8	17
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	3	1	2	6
	Paras replies not received	-	1	2	6
Others	Paras appeared in the AR/pending discussion in the PAC	1	1	2	4
	Paras replies not received	-	1	2	3
Total	Paras appeared in the AR/pending discussion in the PAC	24	25	26	75
	ATNs to Paras included in AR not received	14	25	26	65

ANNEXURE II

**(Refer Paragraph No. 1.7.5)
Details of PAC recommendations for CAG Report
(Revenue Receipts/Sector) outstanding as on 31 March 2018**

Sr. No.	PAC Report	Year of Audit Report	Total nos. of outstanding paras of PAC Reports 1979-80 to 2013-14 as on 31-07-2017
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	11
9	36th	1987-88	6
10	38th	1988-89	10
11	40th	1989-90	21
12	42nd	1990-91,91-92,92-93	26
13	44th	1990- 91, 91-92,92-93	39
14	46th	1993-94	9
15	48th	1993-94,1994-95	10
16	50th	1993- 94, 94- 95,1995-96	40
17	52nd	1996-97	30
18	54th	1997-98	43
19	58th	1998-99 and 1999-2000	64
20	60th	2000-01	38
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	50
25	67th	2005-06	48
26	68th	2006-07 and 2007-08	100
27	70th	2008-09	56
28	71th	2009-10	51
29	72nd	2010-11	59
30	73rd	2011-12	35
31	74th	2013-14	50
32	75th	2012-13	48
Total			1,011

ANNEXURE II
(Refer Paragraph No. 1.7.5)

Details of PAC recommendations for CAG Report
(Revenue Receipts/Sector) outstanding as on 31 July 2018

Sr. No	Name of the Department	Total recommendations outstanding for the period 1979-80 to 2013-14
1	Excise and Taxation	472
2	Revenue	218
3	Mines and Geology	51
4	Agriculture	41
5	Irrigation	16
6	Chief Electrical Inspector (Power)	18
7	Public Health	6
8	PWD (B&R)	5
9	Animal Husbandry	7
10	Transport	98
11	Finance/(Lotteries)	15
12	Haryana State Lotteries	2
13	Co-operative	20
14	Forest	11
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	5
19	General	1
20	Town and Country Planning	3
	Total	1,011

ANNEXURE III
(Refer Paragraph No. 1.8.1)
Position of Inspection Reports of Transport Department

(₹ in Lakh)

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
2008-09	264	340	923.24	52	86	248.60	41.	26	103.90	275	400	1,067.94
2009-10	275	400	1,067.94	48	98	150.82	58	129	408.04	265	369	810.72
2010-11	265	369	810.72	60	103	242.79	77	139	257.35	248	333	796.16
2011-12	248	333	796.16	36	62	162.08	14	35	152.22	270	360	806.02
2012-13	270	360	806.02	32	77	132.80	12	30	64.95	290	407	873.87
2013-14	290	407	873.87	53	123	319.97	31	76	146.17	312	454	1,047.67
2014-15	312	454	1,047.67	40	86	509.21	105	239	422.97	247	301	1,133.91
2015-16	247	301	1,133.91	39	74	438.24	9	13	42.15	277	362	1,530.00
2016-17	277	362	1,530.00	74	131	797.26	14	31	99.53	337	462	2,227.73
2017-18	337	462	2,227.73	38	100	478.09	15	62	100.27	360	500	2,605.55

ANNEXURE IV
(Refer Paragraph No. 1.8.2)
Recovery of accepted cases

(₹ 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 as on 31 March 2018
2007-08	05	3.15	05	3.15	Nil	Nil
2008-09	02	0.63	02	0.63	0.08	0.38
2009-10	02	0.81	02	0.81	0.07	0.28
2010-11	01	0.35	01	0.35	0.06	0.26
2011-12	01	0.61	01	0.61	0.41	0.41
2012-13	01	2.00	01	2.00	0.59	0.59
2013-14	01	0.05	01	0.05	0.04	0.04
2014-15	02	0.58	02	0.58	0.58	0.58
2015-16	01	12.78	01	12.78	Nil	Nil
2016-17	02	0.52	02	0.52	Nil	Nil
Total	18	21.48	18	21.48	1.83	2.54

ANNEXURE V
(Refer Paragraph No. 2.3.7.4)
Month wise details of eligible taxpayers

	Month	Eligible Tax-payers to File GSTR 3B	Filed GSTR-3B	Filed GST R-3B (in per cent)	Eligible Tax-payers to File GSTR 4	Filed GSTR-4	Filed GST R-4 (in per cent)	Eligible Tax-payers to File GSTR 5	Filed GST R-5	Filed GSTR-5 (in per cent)	Eligible Tax-payers to File GST R 6	Filed GST R 6	Filed GST R-6 (in per cent)
Hary- ana	July, 17	2,58,469	2,54,036	98.28	-	-	-	-	-	-	366	216	59.02
	August, 17	2,84,812	2,75,543	96.75	-	-	-	-	-	-	571	285	49.91
	September, 17	3,03,250	2,88,758	95.22	21,212	18,500	87.21	-	-	-	649	318	49.00
	October, 17	3,09,199	2,86,564	92.68	-	-	-	-	-	-	678	319	47.05
	November, 17	3,18,590	2,88,707	90.62	-	-	-	1	0	-	704	322	45.74
	December, 17	3,26,524	2,91,390	89.24	28,287	24,543	86.76	2	1	50.00	731	322	44.05
	January, 18	3,35,775	2,94,877	87.82	-	-	-	3	1	33.33	748	324	43.32
	February, 18	3,44,833	2,98,381	86.53	-	-	-	2	0	-	765	305	39.87
	March, 18	3,53,197	2,98,537	84.52	30,933	23,578	76.22	3	1	33.33	794	285	35.89
	April, 18	3,60,761	3,22,583	89.42	-	-	-	4	0	-	816	502	61.52
	May, 18	3,72,922	3,29,221	88.28	-	-	-	8	1	12.50	829	498	60.07
	June, 18	3,81,930	3,33,259	87.26	25,934	23,777	91.68	2	1	50.00	795	504	63.40
	July, 18	3,89,114	3,35,794	86.30	-	-	-	2	1	50.00	797	481	60.35
	August, 18	3,96,878	3,39,136	85.45	-	-	-	2	1	50.00	802	479	59.73
	September, 18	3,99,083	3,41,026	85.45	25,876	22,210	85.83	2	1	50.00	802	470	58.60
	October, 18	4,05,863	3,41,792	84.21	-	-	-	2	1	50.00	788	460	58.38
	November, 18	4,11,169	3,38,051	82.22	-	-	-	1	1	100.00	782	459	58.70
	December, 18	4,16,803	3,35,573	80.51	25,172	20,891	82.99	1	1	100.00	783	451	57.60
January, 19	4,18,669	3,16,421	75.58	-	-	-	1	1	100.00	780	440	56.41	

GLOSSARY

GLOSSARY OF ABBREVIATIONS

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

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

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