

OVERVIEW

This Report contains 23 paragraphs relating to State Excise, Tax on Sales, Trade etc., Stamps and Registration Fees, Mining Receipts and Taxes on Vehicles, Goods and Passengers. The total financial implication of the Audit findings is ₹ 1,881.32 crore, of which the concerned Departments accepted audit observations amounting to ₹ 36.91 crore. Some of the major findings are mentioned below:

Chapter-I: General

Total receipts of the Government of Uttar Pradesh for the year 2018-19 were ₹ 3,29,977.51 crore, of which ₹ 1,50,222.57 crore (45.53 *per cent*) constituted the State's own receipts. Government of India contributed ₹ 1,79,754.94 crore (54.47 *per cent*), comprising State's share of divisible Union taxes and duties of ₹ 1,36,766.46 crore (41.45 *per cent* of total receipts) and grants-in-aid of ₹ 42,988.48 crore (13.03 *per cent* of total receipts). The State's own tax revenues and the State's share in Central taxes increased during the period 2014-15 to 2018-19.

Wide variations between the budget estimates approved by the Finance Department and actual revenues during the year 2018-19 under different heads of revenue indicated that the budget estimates were not prepared on a realistic basis.

Audit recommends that the Finance Department should revisit their budgeting methods to make the budget estimates more realistic.

(Paragraph 1.2)

The arrears of revenue as on 31 March 2019 on Tax on Sales, Trade etc., Stamps and Registration Fees, Taxes on Vehicles, Goods and Passengers, State Excise and Entertainment Tax amounted to ₹ 30,285.43 crore, of which ₹ 13,129.57 crore were outstanding for more than five years. The Departments did not maintain any centralised database of outstanding arrears. Figures of outstanding arrears were compiled by the concerned Departments each year, at the instance of Audit, from the data furnished by their respective field offices.

Audit recommends that the Departments should create a centralised database of outstanding arrears addressing issues relating to integrity of the data and monitor the progress of arrears on a periodic basis. The reasons for accumulation of the arrears should also be analysed and mechanisms/procedures developed to prevent any further accumulation of arrears.

(Paragraph 1.3)

Chapter-II: State Excise

The Excise Department failed to effectively monitor the quantity of inputs utilised by the assessee and the resultant products manufactured during the period 2013-14 to 2016-17 resulting in non-realisation of revenue of ₹ 1,646.04 crore.

Audit recommends that:

- 1. The Government may take immediate action to raise the demand from the assessee and recover the same.**
- 2. The Government may consider issue of appropriate instructions to its field offices for cross-verification of the information submitted by the assesseees with those submitted to the other taxation authorities.**
- 3. The Government may consider undertaking an investigation on how the assessing officer, including those located in the premises of the assessee, failed in the discharge of their duties, which led to concealment of large amounts of revenue by the assessee. Responsibility may be suitably fixed.**

(Paragraph 2.3)

The Department failed to act on the recommendation made by the Public Accounts Committee for timely deposit of basic license fee and license fee on settlement of shops. It did not initiate any action for cancellation of settlement and forfeiture of license fee/basic license fee (₹ 8.41 crore) and security (₹ 6.88 crore) totalling ₹ 15.29 crore, in contravention of the rules.

Audit recommends that the Department should ensure adherence to the provisions of the Act/Rules and the recommendation made by the Public Accounts Committee, to safeguard the financial interests of the State.

(Paragraph 2.4)

There was loss of additional consideration fee of ₹ 4.01 crore on 3.58 crore small bottles of Indian Made Foreign Liquor due to anomaly in the Excise Policy 2018-19.

(Paragraph 2.5)

Chapter-III: Tax on Sales, Trade etc.

Audit cross-verified the records submitted by the dealer to the Income Tax Department and the Commercial Tax Department and found that he had concealed turnover of goods valued at ₹ 21.85 crore which resulted in non-levy of tax of ₹ 3.17 crore and penalty of ₹ 9.51 crore.

Audit recommends that:

- 1. The Department may consider instituting a system for undertaking cross-verification of actionable information submitted to the Commercial Tax Department with the other taxation authorities to protect the interest of revenue.**
- 2. The Department may initiate action against the Chartered Accountant firms for furnishing false certificates by *inter-alia* taking up the matter with the Institute of Chartered Accountants of India.**

(Paragraphs 3.3)

Assessing Authorities accepted the tax rates on sale of goods worth ₹ 23.07 crore as mentioned in the tax returns without verification. Thus, tax amounting to ₹ 1.95 crore was short/not levied.

Audit recommends that the Department should institute a system of periodic reviews of the assessment orders passed by the Assessing Authorities by the higher level authorities.

(Paragraphs 3.4)

The dealers had purchased goods valued at ₹ 14.32 crore, which were not covered under the Registration Certificates or used them for purposes other than those for which the Registration Certificates were granted, at concessional rates of tax against the declaration in form 'C'. However, penalty of ₹ 2.48 crore was not imposed by the Assessing Authorities.

Audit recommends that the Department may ensure that when finalising the assessments, the Registration Certificates and Utilisation Certificates, where such concessions are being considered, should be carefully examined.

(Paragraphs 3.5)

The dealers wrongly claimed Input Tax Credit amounting to ₹ 2.88 crore which was irregularly allowed by the Assessing Authorities. This resulted in non-reversal of Input Tax Credit along with interest totalling ₹ 4.52 crore.

Audit recommends that the Department should carefully examine and verify the transactions where Input Tax Credit are being claimed by the dealers and benefit of Input Tax Credit are being allowed by the Assessing Authorities.

(Paragraphs 3.6)

The Assessing Authorities had not imposed penalty amounting to ₹ 16.29 crore on dealers for not depositing the tax deducted at source amounting to ₹ 8.15 crore within the prescribed time.

Audit recommends that the Department should ensure levy of penalty in cases of delay in deposit of tax deducted at source by the dealers/contractors.

(Paragraphs 3.7)

Chapter-IV: Stamps and Registration Fees

Under Section 39 of the Uttar Pradesh Urban Planning and Development Act, 1973, two *per cent* additional stamp duty shall be levied on any deed of transfer of immovable property situated within a 'development' area. All amounts collected as additional stamp duty shall, after deduction of incidental expenses, if any, be allocated and paid by the State Government at its discretion, either to the Development Authority alone or to the Development Authority, the Uttar Pradesh *Avas Evam Vikash Parishad* and the *Nagar Mahapalika* or the Municipal Board, as the case may be, in such proportion as may from time to time be determined.

In absence of a sub-head to account for additional stamp duty, the levies with respect to stamp duty for transfer of immovable property in ‘development’ areas and other areas are getting merged with collection of additional stamp duty for the transfer of property in ‘development’ areas. As such, it is not possible at present to ascertain specifically how much money is received in the Government account with respect to two *per cent* additional stamp duty leviable in transfer of an immovable property within a ‘development’ area. Further, as additional stamp duty collected on leases and mortgages for immovable properties have been booked as stamp duty in *SYAHA* (Fees Register) and not separately noted or accounted for, it is not clear whether the amounts of additional stamp duty so collected with respect to leases and mortgages are being transferred/allocated to the entities.

Audit recommends that:

- 1. With a view to effecting transparency in the budgeting and accounting of additional stamp duty a distinct sub-head may be opened in the Government account to account for their levy and collection.**
- 2. While accounting for additional stamp duty it needs to be ensured that all receipts under this category are included *viz.* conveyance deeds, leases and mortgages.**

(Paragraph 4.3)

Limiting the amount of stamp duty on mortgage deeds to ₹ five lakh resulted in short levy of stamp duty of ₹ 8.82 crore.

(Paragraph 4.4)

Residential land measuring 2.03 lakh square meter was wrongly registered for ₹ 37.74 crore at agricultural rates. Correct valuation at the residential rate worked out to ₹ 125.43 crore which resulted in short levy of stamp duty and registration fees by ₹ 5.66 crore.

Audit recommends that the Department should ensure correct valuation of property using the *PRERNA* software and after mandatory physical verification by the Sub-Registrar or *Tehsildar/Patwari* where a part of the same *arazi* (land holding number) has been sold within a reasonably short period at residential rates.

(Paragraph 4.5)

Stamp duty of ₹ 1.47 crore was short levied as Service Tax/Goods and Services Tax amount was not included in the consideration amount on which the stamp duty was calculated.

(Paragraph 4.6.1)

Contribution payable to the District Mineral Foundation Trust was not included in consideration of 56 mining lease deeds which resulted in short levy of stamp duty of ₹ 6.53 crore.

(Paragraph 4.6.2)

Chapter-V: Mining Receipts

The State Government, in violation of Articles 266 (1) and 204 (3) of the Constitution, formed District Mineral Foundation Trusts, maintained the Trust funds in the scheduled commercial banks and allowed the Governing Councils and the Management Committees to incur expenditure therefrom without prior legislative authorisation.

Audit recommends that:

1. **The amount of royalty being contributed to the Trust should form part of Government Accounts of the State. The Government may create District Mineral Foundation Trust fund in the Public Accounts to enable incurrence of expenditure in accordance with the codal provisions. The Government may take steps to ensure that the District Mineral Foundation Trust fund maintained in the Public Accounts are transferred and used for the intended purposes only.**
2. **The Government may provide for audit by the Comptroller And Auditor General of India of the District Mineral Foundation Trust fund on the lines of the National Mineral Exploration Trust where the Union Government had effected amendment in the relevant rules in this respect.**

(Paragraph 5.3)

Failure of the State Government to amend penal provisions with respect to grant of mining lease through auction led to a peculiar situation where the leaseholder has to pay lower penalty for illegal extraction as against the amount payable for legal extraction.

Audit recommends that:

1. **The Government should clearly define/redefine what constitutes ‘price of mineral’ and royalty in terms of Section 21(5) of the Mines and Mineral (Development and Regulations) Act in areas leased out through auction.**
2. **The Government may review and revise the amount of penalty payable as provided for in the Uttar Pradesh Minor Mineral Concession Rules, 1963 for illegal mining to serve as a deterrent.**

(Paragraph 5.4)

The Department did not recover cost of minerals amounting to ₹ 116.85 crore and due penalty in 904 cases from contractors undertaking civil works, for raising mineral without lawful authority.

Audit recommends that the Department should ensure co-ordination with the executing agencies undertaking civil works to ensure that the contractors have sourced minerals from legitimate licensees, and possess valid MM-11/Form C for transporting such minerals.

(Paragraph 5.5)

Cost of excavated minerals valuing ₹ 2.99 crore was not recovered from four lessees for excavating 35,319 cu.m. of minor minerals without Environmental Clearance.

(Paragraph 5.6.1)

Cost of minerals amounting to ₹ 79.20 lakh was not recovered from a lessee for excavating minerals beyond the limit fixed in the mining plan.

(Paragraph 5.6.2)

Cost of minerals amounting to ₹ 1.44 crore was not recovered from four lessees for excavating minerals without mining plan.

(Paragraph 5.6.3)

The Department failed to forfeit pre-bid earnest money of ₹ 1.05 crore for delayed deposit of royalty and security deposit of ₹ 12.96 crore.

(Paragraph 5.7)

Royalty of ₹ 7.38 crore, permit application fees of ₹ 9.32 lakh and District Mineral Foundation Trust amount of ₹ 94.06 lakh was not realised in 570 cases from brick kiln owners, though the same was specified in the One Time Settlement Scheme.

Audit recommends that the Department should ensure that all brick kiln owners in the State abide by the provisions of the One Time Settlement Scheme as applicable in the given brick year (October to September). Efforts should also be made to recover the outstanding royalty from the defaulting brick kiln owners.

(Paragraph 5.8)

Interest of ₹ 2.78 crore was not charged on 38 lessees and interest of ₹ 90.13 lakh was not charged on 281 brick kiln owners for delay in deposit of royalty/dead rent.

(Paragraph 5.9)

Chapter-VI: Taxes on Vehicles, Goods and Passengers

Non-deposit of Government receipts led to embezzlement of ₹ 9.48 lakh.

(Paragraph 6.3)

Additional tax of ₹ 4.98 crore was not levied on 557 Jawarharlal Nehru National Urban Renewal Mission buses plying outside the designated municipal areas.

(Paragraph 6.4)

Penalty of ₹ 9.48 crore was not imposed on Jawarharlal Nehru National Urban Renewal Mission buses for delay in payment of additional tax.

(Paragraph 6.5.1)

Penalty of ₹ 4.46 crore was not imposed on Uttar Pradesh State Road Transport Corporation buses for delay in payment of additional tax.

(Paragraph 6.5.2)

Composite and authorisation fees amounting to ₹ 1.36 crore was not realised from 778 goods vehicles found plying on roads without renewal of authorisation of national permit.

(Paragraph 6.6)

The errors/omissions pointed out are on the basis of a test audit. The Government/Department may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and if so, to rectify them and put in place a system that would prevent such errors/omissions.