Overview

OVERVIEW

This Report contains 21 audit paragraphs, relating to non/short levy of taxes, interest, stamp duty, non/short realisation of motor vehicle tax etc., one Subject Specific Compliance Audit (SSCA) on Works Contract/Construction services under Goods and Services Tax with revenue implications of ₹ 509.22 crore.

Chapter-1

General

The revenue receipts of the State increased by 49.30 *per cent* during the period 2019-20 to 2023-24. State's own tax revenue increased by 69.32 *per cent*, the grants-in-aid from Government of India (GoI) decreased by 20.59 *per cent* and the share of net proceeds of divisible Union taxes and duties increased by 73.60 *per cent* during the same period. During the year 2023-24, the revenue raised by the State Government (₹ 80,614.12 crore) was 79.57 *per cent* of the total revenue receipts. The balance 20.43 *per cent* of the receipts during the year 2023-24 was from the GoI as State's share of net proceeds of divisible Union taxes and duties and of grants-in-aid.

(Paragraph 1.1.1)

Test check of the records of 143 units pertaining to Sales Tax/Value Added Tax, Stamp Duty and Registration fee, Excise and Transport conducted during the year 2023-24 revealed under assessment/short levy of tax/loss of revenue aggregating to ₹ 998.85 crore in 7,144 cases. During the course of the year, the Departments concerned acknowledged under assessment and other deficiencies of ₹ 814.62 crore involved in 5,769 cases. The departments recovered ₹ 0.24 crore in 41 cases during the year 2023-24 of which 41 cases amounting to ₹ 0.20 crore pertain to earlier years.

(Paragraph 1.10)

Chapter-2

State Excise/ Taxes/Value Added Tax on sales, trade

Subject Specific Compliance Audit on Works Contract/Construction services under Goods and Services Tax revealed instances of incorrect availing of exemptions and concessional rates, and non-payment of tax on advances and fixed assets and short payment of interest cumulatively leading to compliance irregularities of ₹ 389.07 crore. Further, granular records of 18 cases out of 30 taxpayers were not produced to audit due to which identified risks relating to irregular/mismatch of ₹ 37.69 crore in ITC availment and undischarged tax liability could not be examined in detail by Audit. Audit also observed instances of improper scrutiny, which had resulted in short payment of tax, suppression of turnover, mismatch of ITC and short levy of interest in functional audits, amounting to ₹ 4.83 crore.

Recommendations

The Government may consider instituting a mechanism for obtaining and providing granular taxpayer records to Audit, ensuring strict application of the provisions of Acts and Rules by all the concerned tax authorities in respect of works contract/construction services, ensuring that the Department verify the correctness of the returns, ITC availed and initiating suitable action on discrepancies or inconsistencies reflected in the returns.

(Paragraph 2.3)

The Assessing Authority, while finalising the assessment did not verify details of sales of five dealers with reference to closing stock resulting in non levy of tax of ₹ 6.67 crore.

(Paragraph 2.4)

The Assessing Authority, while finalising the assessments, applied lower rate of tax than the applicable rate of tax on sale of goods, resulting in under assessment of tax of ₹ 3.31 crore besides interest of ₹ 2.47 crore was also leviable.

(Paragraph 2.5)

The Assessing Authorities, while finalising the assessments, allowed concessional rate of tax without verification of statutory forms, resulting in under assessment of tax of ₹ 0.98 crore. In addition, penalty of ₹ 2.93 crore was also leviable.

(Paragraph 2.6)

The Assessing Authorities, allowed benefit of input tax credit without verification which resulted in incorrect grant of ITC of ₹ 2.32 crore, including penalty.

(Paragraph 2.7)

The Assessing Authorities allowed concessional sale to three dealers against VAT D-1 issued to ineligible dealers, resulting in under assessment of tax amounting to ₹ 2.16 crore.

(Paragraph 2.8)

Chapter-3

Stamp Duty

Stamp duty and registration fee of ₹ 49.60 crore was levied in 266 deeds, using the rates for agricultural land, however, land records (*Jamabandis*), revealed that those were residential, commercial or industrial plots/lands. This led to a short realisation of ₹ 34.08 crore of stamp duty and registration fee.

(Paragraph 3.3)

Misclassification/undervaluation of collaboration agreements in 59 cases, resulting in short levy of stamp duty and registration fee of ₹ 30.65 crore.

(Paragraph 3.4)

In 53 instruments, documents of mortgage were registered wherein the stamp duty/registration fee was either under charged or not charged at all which resulted into non-levy of stamp duty and registration fee of ₹ 9.43 crore. Further, in case of 10 instruments, misclassification of simple mortgage documents resulted into short levy of stamp duty and registration fee of ₹ 50.27 lakh. Thus, there was non/short levy of stamp duty and registration fee of ₹ 9.93 crore.

(Paragraph 3.5)

24 compromise decrees which were not bonafide, were registered by charging nominal stamp duty and registration fee resulted in irregular exemption of stamp duty and registration fee of ₹ 4.90 crore.

(Paragraph 3.6)

Registering Authorities while registering 32 exchange lands, levied stamp duty and registration fee of ₹ 16.10 lakh, however, stamp duty and registration fee of ₹ 1.92 crore was leviable as the exchange of land fell in different revenue estates or residential land. This resulted in short levy of stamp duty and registration fee of ₹ 1.76 crore.

(Paragraph 3.8)

Irregular remission of stamp duty in 21 instruments of transfer deeds executed in favour of persons other than blood relations, resulted in loss of revenue of ₹ 99.55 lakh to the State exchequer.

(Paragraph 3.9)

Registering Authorities incorrectly assessed prime *khasra* land at normal rates fixed for agricultural land, resulting in short levy of stamp duty of ₹ 28.54 lakh.

(Paragraph 3.10)

Chapter-4

Taxes on Vehicles

Non-observance of the financial rules by the Controlling Officer in Regional Transport Authority, Panchkula resulting in suspected misappropriation of Government money of ₹ 5.43 crore.

(Paragraph 4.3)