

## CHAPTER-I: General

### 1.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Haryana during the year 2004-05, the State's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)						
Sl. No	Particulars	2000-2001	2001-2002	2002-2003	2003-04	2004-05
<b>I</b>	<b>Revenue raised by the State Government</b>					
(a)	Tax revenue	4,310.55	4,971.19	5,549.68	6,348.05	7,440.27
(b)	Non-tax revenue*	1,439.39 (1,128.10)	1,666.07 (1,266.56)	1,807.85 (1,374.40)	2,223.05 (1,663.73)	2,544.37 (1,842.83)
	<b>Total (I)</b>	<b>5,749.94</b> <b>(5,438.65)</b>	<b>6,637.26</b> <b>(6,237.75)</b>	<b>7,357.53</b> <b>(6,924.08)</b>	<b>8,571.10</b> <b>(8,011.78)</b>	<b>9,984.64</b> <b>(9,283.10)</b>
<b>II</b>	<b>Receipts from Government of India</b>					
(a)	State's share** of net proceeds of divisible Union Taxes	345.81	450.25	***756.59	600.75	619.26
(b)	Grants-in-aid	478.14	513.04	542.90	671.63	545.16
	<b>Total (II)</b>	<b>823.95</b>	<b>963.29</b>	<b>1,299.49</b>	<b>1,272.38</b>	<b>1,164.42</b>
<b>III</b>	<b>Total receipts of the State (I + II)</b>	<b>6,573.89</b> <b>(6,262.60)</b>	<b>7,600.55</b> <b>(7,201.04)</b>	<b>8,657.02</b> <b>(8,223.57)</b>	<b>9,843.48</b> <b>(9,284.16)</b>	<b>11,149.06</b> <b>(10,447.52)</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>87</b> <b>(87)</b>	<b>87</b> <b>(87)</b>	<b>85</b> <b>(84)</b>	<b>87</b> <b>(86)</b>	<b>90</b> <b>(89)</b>

\* The non-tax revenue for 2000-2001, 2001-2002, 2002-03, 2003-04 and 2004-05 includes gross receipts from State Lotteries amounting to Rs.295.52 crore, Rs.388.29 crore, Rs.406.53 crore, Rs.547.16 crore and Rs.697.02 crore against which expenditure of Rs.311.29 crore, Rs.399.51 crore, Rs.433.45 crore, Rs.559.32 crore and Rs.701.54 crore respectively was incurred on running of lotteries' schemes. The net receipts from State Lotteries was (-) Rs.15.77 crore in 2000-2001, (-) Rs.11.22 crore in 2001-2002, (-) Rs.26.92 crore in 2002-03, (-) Rs.12.16 crore in 2003-04 and (-) Rs.4.52 crore in 2004-05. To make the figures comparable for these years, receipts from prize-winning tickets have been accounted for and net receipts after reducing expenditure on prize-winning tickets have been shown in brackets.

\*\* For details please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 2004-2005. Figures of "tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

\*\*\* There was abnormal increase in State's share of net proceeds of divisible Union taxes during the year 2002-03. Reasons for increase were called for from the Department; their reply had not been received (September 2005).

### 1.1.1 Grants-in-aid

Details of grants-in-aid received from Government of India are as under:

(Rupees in crore)					
Particulars of grants-in-aid	2000-01	2001-02	2002-03	2003-04	2004-05
	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage
Non-Plan	88 (18)	159 (31)	109 (20)	117 (17)	84 (15)
Plan	390 (82)	354 (69)	434 (80)	555 (83)	461 (85)
<b>Total</b>	<b>478 (100)</b>	<b>513 (100)</b>	<b>543 (100)</b>	<b>672 (100)</b>	<b>545 (100)</b>

1.1.2 Details of tax revenue raised during the year 2004-05, along-with the figures for the preceding four years, are given below:

(Rupees in crore)							
Sl. No	Head of revenue receipts	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-2004
1.	Taxes on Sales, Trade etc.						
	(a) General Sales Tax	1,645.62	2,106.67	2,470.16	2,950.95	3,699.03	(+) 25
	(b) Central Sales Tax	927.77	838.14	867.27	887.05	1,061.88	(+) 20
2.	State Excise	840.56	875.39	878.72	923.28	1,013.16	(+) 10
3.	Stamp Duty and Registration Fee	419.24	488.29	541.39	695.63	726.58	(+) 4
4.	Taxes and Duties on Electricity (ED)	*0.68	**29.48	**0.87	**59.06	61.75	(+) 5
5.	Taxes on Vehicles	85.69	103.62	114.39	132.39	140.41	(+) 6

\* The actual receipt during 2000-2001 was Rs.42.27 crore. The difference between actual realisation of duty and the amount accounted for in the books of AG (A&E) Haryana, was due to non-adjustment of subsidy of Rs.39.18 crore sanctioned in lieu of Electricity Duty and non-receipt of duty amounting to Rs.2.41 crore from collecting agencies.

\*\* During 2001-02, actual receipt of Electricity Duty was Rs.52.01 crore and the difference was due to adjustment of government dues of Rs.22.53 crore by the Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), which were not accounted for in the Finance Accounts. Similarly, during 2002-03 actual receipt was Rs.52.65 crore and difference of Rs.51.78 crore was due to non-adjustment of Electricity Duty against the loans sanctioned by the State Government to Haryana Vidyut Prasaran Nigam Limited (HVPNL) as budget provisions under the head "6801-Loans for Power Projects" were not available. The increase in receipt during 2003-04 was mainly due to more receipts under taxes on consumption and sale of electricity as well as adjustment of electricity duty for the year 2002-03 by DHBVNL/UHBVNL and realisation of arrears.

(Rupees in crore)							
Sl. No	Head of revenue receipts	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-2004
6.	Taxes on Goods and Passengers	366.66	498.56	652.75	660.36	705.16	(+) 7
7.	Other Taxes and Duties on Commodities and Services	12.60	11.74	14.26	19.32	20.60	(+) 7
8.	Land Revenue	11.73	19.30	9.87	20.01	11.70	(-) 42
	<b>Total</b>	<b>4,310.55</b>	<b>4,971.19</b>	<b>5,549.68</b>	<b>6,348.05</b>	<b>7,440.27</b>	<b>(+) 17</b>

**1.1.3** Details of the major non-tax revenue received during the year 2004-2005, along with the figures for the preceding four years are given below:

(Rupees in crore)							
Sl. No.	Head of revenue receipts	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-2005 over 2003-2004
1.	Interest Receipts	236.22	332.87	334.27	478.01	472.41	(-) 1
2.	Dairy Development	0.12	0.09	0.02	0.05	0.03	(-) 40
3.	Road Transport	378.56	410.74	451.83	482.21	513.17	(+) 6
4.	Other Non-Tax Receipts	161.99	166.61	222.23	287.52	462.61	(+) 61
5.	Forestry and Wild Life	25.88	24.53	28.97	25.48	31.58	(+) 24
6.	Non-ferrous Mining and Metallurgical Industries	105.35	139.87	118.88	76.98	92.73	(+) 20
7.	Miscellaneous General Services						
	(i) State Lotteries*	295.52 {(-) 15.77}	388.29 {(-) 11.22}	406.53 {(-) 26.92}	547.16 {(-) 12.16}	697.02 {(-) 4.52}	(+) 27
	(ii) Other than Lotteries	3.78	(-) 0.73	27.13	26.32	8.61	
8.	Power	2.13	2.15	1.95	2.21	1.84	(-) 17
9.	Major and Medium Irrigation	54.30	68.51	52.05	183.00	103.32	(-) 44
10.	Medical and Public Health	23.40	28.32	28.38	31.96	40.92	(+) 28
11.	Co-operation	5.78	5.27	4.97	6.57	7.72	(+) 18
12.	Public Works	3.18	6.21	3.98	3.21	6.40	(+) 99
13.	Police	12.34	16.21	15.54	11.71	26.45	(+) 126
14.	Other Administrative Services	130.84	77.13	111.12	60.66	79.56	(+) 31
	<b>Total</b>	<b>1,439.39</b>	<b>1,666.07</b>	<b>1,807.85</b>	<b>2,223.05</b>	<b>2,544.37</b>	<b>(+) 14</b>

\* The figures shown in brackets from 2000-01 to 2004-05 show that the net receipts from lotteries were negative i.e. the Government was incurring more expenditure on lotteries than receipts. Government may consider the need for continuing the lottery schemes under these circumstances.

The reasons for variation in receipts during the year 2004-05 as compared to the year 2003-04 as intimated by the departments concerned were as under:

- **Dairy Development:** The decrease in receipt was due to withdrawal of training charges from the trainees by the Department and deletion of the condition of the renewal charges on the registration of milk plants/chilling centres by Government of India.
- **Forestry and Wildlife:** The increase in revenue was due to more receipts from the user agencies and due to cutting of more trees at departmental level.
- **Non-Ferrous Mining and Metallurgical Industries:** The increase in receipts was due to fresh auctions of the mines of Yamunanagar and Karnal districts at enhanced rates and good recovery of old dues from Irrigation Department.
- **Miscellaneous General Services:** The increase in receipt was due to more sales of lottery tickets and increase in weekly lottery schemes with effect from 30 October 2003.
- **Power:** The decrease in receipt was mainly due to less recovery of licence fee from HVPNL and others.
- **Major and Minor Irrigation:** The decrease in revenue during 2004-05 as compared to the year 2003-04 was due to more receipts from other States through U.P. Government has also been included.
- **Medical and Public Health:** The increase in revenue was due to more receipts during the year.
- **Co-operation:** The increase in receipt was due to more receipt of audit fees from the co-operative societies and licencing fees from Warehousing Corporation, Haryana.
- **Public Works:** The increase in revenue was due to disposal of surplus stores, sale of tender forms and other miscellaneous receipts.
- **Police:** The increase was due to receipts of outstanding dues from the railway authorities and amount received from the applicants for the recruitment made during the year 2004-05.
- **Other Administrative Services:** The increase in receipt was due to sale of evacuee land/properties, reimbursement from Government of India on account of Parliament Election, more recoveries on account of Rent, Rates and Taxes and Naturalization Fees, etc.

## 1.2 Initiatives for Mobilization of Additional Resources

### 1.2.1 Initiatives proposed in the Budget Speech

The budget speech proposed increasing revenue by strict, impartial and effective implementation of tax laws rather than by levying new taxes or raising the rates of taxes. VAT system of taxation promotes growth of trade and industry. It checks tax evasion and by introducing VAT system the State achieved a higher rate of growth in tax collection (Rs.923 crore) during 2004-05.

### 1.2.2 Implementation of Memorandum of Understanding

As per recommendation of 11<sup>th</sup> Finance Commission, the Haryana Government was entitled to Incentive grant of Rs.98.02 crore under Fiscal Reforms Programme. Against this, Haryana Government received Incentive of Rs.55.17 crore. Short receipt of Incentive of Rs.42.85 crore was stated to be (July 2005) due to non-signing of Memorandum of Understanding by the State Government with Central Government.

## 1.3 Analysis of budget preparation

Details of original budget estimates, revised budget estimates and percentage of variation under the principal heads of tax and non-tax revenue for the year 2004-05 are as under:

(Rupees in crore)					
Sr. No.	Head of revenue receipts	Budget estimates	Revised budget estimates	Difference between budget estimates and Revised budget estimates	Percentage of variation between budget estimates and revised budget estimates
1.	Taxes on Sales, Trade etc	4,250.00	4,764.79	(+) 514.79	(+) 12
2.	Other Taxes and Duties on Commodities	21.05	18.37	(-) 2.68	(-) 13
3.	Land Revenue	60.65	20.65	(-) 40.00	(-) 66
4.	Non-Ferrous Mining and Metallurgical Industries	150.00	90.00	(-) 60.00	(-) 40
5.	Major and Medium Irrigation	84.90	70.00	(-) 14.90	(-) 18
6.	Police	17.61	23.46	(+) 5.85	(+) 33
7.	Medical and Public Health	31.62	37.42	(+) 5.80	(+) 18

(Rupees in crore)					
Sr. No.	Head of revenue receipts	Budget estimates	Revised budget estimates	Difference between budget estimates and Revised budget estimates	Percentage of variation between budget estimates and revised budget estimates
8.	Contribution and Recoveries towards Pension and other Retirement Benefits	76.82	10.35	(-) 66.47	(-) 87
9.	Urban Development	80.00	233.10	(+) 153.10	(+) 191
10.	Education, Sports, Art and Culture	31.46	48.61	(+) 17.15	(+) 55

Above table shows that variations under different items between the revised estimates and the original budget estimates ranged between (+) 12 *per cent* to (+) 191 *per cent* indicating that the original budget estimates were not prepared on realistic basis.

#### 1.4 Variation between budget estimates and actuals

Variations between the budget estimates and actuals of revenue receipts for the year 2004-2005 in respect of principal heads of tax and non-tax revenue are given below:

(Rupees in crore)					
Sl. No.	Head of revenue receipts	Budget estimates	Actual receipts	Variations Increase (+) / Decrease (-)	Percentage Col.5 to Col.3
1	2	3	4	5	6
<b>A.</b>	<b>Tax Revenue</b>				
1.	Taxes on Sales, Trade etc.	4,250.00	4,760.91	(+) 510.91	(+) 12
2.	State Excise	995.00	1,013.16	(+) 18.16	(+) 2
3.	Stamp Duty and Registration Fee	700.00	726.58	(+) 26.58	(+) 4
4.	Taxes and Duties on Electricity	50.10	61.75	(+) 11.65	(+) 23
5.	Taxes on Vehicles	131.25	140.41	(+) 9.16	(+) 7
6.	Taxes on Goods and Passengers	711.00	705.16	(-) 5.84	(-) 1

(Rupees in crore)					
Sl. No.	Head of revenue receipts	Budget estimates	Actual receipts	Variations Increase (+) / Decrease (-)	Percentage Col.5 to Col.3
1	2	3	4	5	6
7.	Other Taxes and Duties on Commodities	17.50	20.60	(+) 3.10	(+) 18
8.	Land Revenue	60.65	11.70	(-) 48.95	(-) 81
<b>B.</b>	<b>Non-tax Revenue</b>				
9.	Interest Receipts	474.81	472.41	(-) 2.40	(-) 1
10.	Dairy Development	-	0.03	-	-
11.	Forestry and Wildlife	29.00	31.58	(+) 2.58	(+) 9
12.	Non-Ferrous Mining and Metallurgical Industries	150.00	92.73	(-) 57.27	(-) 38
13.	Misc. General Services	769.86	705.63	(-) 64.23	(-) 8
14.	Major and Medium Irrigation	84.90	103.32	(+) 18.42	(+) 22
15.	Co-operation	6.20	7.72	(+) 1.52	(+) 25
16.	Police	17.61	26.45	(+) 8.84	(+) 50
17.	Power	2.10	1.84	(-) 0.26	(-) 12
18.	Medical and Public Health	31.62	40.92	(+) 9.30	(+) 29
19.	Public Works	5.00	6.40	(+) 1.40	(+) 28
20.	Other Administrative Services	93.44	79.56	(-) 13.88	(-) 15

The reasons for variation between the budget estimates and actuals as furnished by the Departments are as under:

- **Power:** The decrease in receipt was mainly due to less recovery of licence fee from HVPNL and others.
- **Public Works:** The increase in revenue was due to disposal of surplus stores, sale of tender forms and other miscellaneous receipts.

- Reasons for variation were called for from the remaining Departments, their replies had not been received (September 2005).

### 1.5 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of sales tax for the year 2004-05 and the corresponding figures for the preceding three years as furnished by the department are as follows:

(Rupees in crore)						
Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount refunded	Net collection*	Percentage of collection at pre-assessment stage to net collection
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes on Sales, Trade etc	2001-02	2,884.09	76.97	11.81	2,949.25	98
	2002-03	3,234.99	110.54	12.85	3,332.68	97
	2003-04	3,655.00	194.15**	11.15	3,838.00	95
	2004-05	4,494.23	293.06**	26.38	4,760.91	94

The above table shows that collection of revenue at pre-assessment stage was 98 per cent during 2001-2002, 97 per cent during 2002-03, 95 per cent during 2003-04 and 94 per cent during 2004-05.

### 1.6 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 2002-03, 2003-04 and 2004-05 along with the

\* However, the net collection of sales tax as shown by the Department during the years 2001-02 and 2002-03 were at variance with that of Finance Accounts.

\*\* It includes amount recoverable on account of penalty for delay in payment of taxes and duties.



relevant All India average percentage for 2003-2004 are given below:

(Rupees in crore)						
Sl. No.	Head of revenue receipts	Year	Collection	Expenditure on collection of revenue	Percentage Col. 5 to Col. 4	All India percentage for the year 2003-2004
1	2	3	4	5	6	7
1.	Taxes on Sales, Trade etc.	2002-03 2003-04 2004-05	3,337.43 3,838.00 4,760.91	39.45 37.34 34.12	1.18 0.97 0.72	1.15
2.	Taxes on Vehicles	2002-03 2003-04 2004-05	114.39 132.39 140.41	5.45 6.57 6.28	4.76 4.96 4.47	2.57
3	State Excise	2002-03 2003-04 2004-05	878.72 923.28 1,013.16	11.26 6.74 8.92	1.28 0.73 0.88	3.81
4	Stamp Duty & Registration Fee	2002-03 2003-04 2004-05	541.39 695.63 726.58	3.44 5.59 5.25	0.64 0.80 0.72	3.66

It may be seen from the above that percentage in respect of taxes on vehicles was high as compared to All India percentage.

### 1.7 Arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.1,086.91 crore, of which Rs.238.31 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)				
Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
1.	Taxes on sales, trade etc.	909.04	160.78	Demand for Rs.279.11 crore was stayed by Courts and other Judicial Authorities, Rs.54.01 crore was held up due to dealers becoming insolvent, Rs.16.19 crore were proposed to be written off, Rs.9.21 crore were under rectification/ review, appeal. Specific action to recover the remaining amount of Rs.550.52 crore was not intimated.

(Rupees in crore)				
Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
2.	State excise	35.83	21.42	Rupees 4.59 crore were stayed by High Court and other Judicial Authorities, Rs.0.29 crore were proposed to be written off and action taken to recover the remaining amount of Rs.30.95 crore was not intimated by the Department.
3.	Taxes and duties on electricity	71.91	40.53	Rupees 0.38 crore were recoverable from M/s Rama Fibres, Bhiwani, Rs.0.30 crore from M/s Dadri Cement Factory, Charkhi Dadri, Rs.1.00 crore from M/s Haryana Concast, Hisar, Rs.0.16 crore from M/s Competent Alloys, Ballabgarh and a sum of Rs.70.07 crore from consumers by DHBVNL/UHBVNL.
4.	Taxes on goods and passengers	52.06	5.93	Rupees 0.81 crore were covered under recovery certificates, Rs.0.20 crore were stayed by the courts and other Judicial Authorities. Action to recover the remaining amount of Rs.51.05 crore was not intimated.
5.	Police	3.79	2.05	The amount of Rs.3.79 crore was due from 10* States.
6.	Other taxes and duties on commodities and services	6.41	3.48	Five sugar mills (Yamunanagar: Rs.0.77 crore, Panipat: Rs.3.49 crore, Rohtak: Rs.1.42 crore, Naraingarh Rs.0.25 crore and Bhadson Rs.0.48 crore) did not deposit the tax.
	(i) Receipt under the Sugarcane (Regulation of purchase and supply) Act			
	(ii) Receipts under entertainment duty and show tax	1.44	0.53	Rupees 1.07 crore were stayed by court and other Judicial Authorities, Rs.0.01 crore were likely to be written off and reasons for remaining amount of Rs.0.36 crore was not intimated by the Department.
7.	Non-ferrous mining and metallurgical industries	6.43	3.59	Rupees 4.04 crore were covered under recovery certificate which includes Rs.1.89 crore stayed by High Court and other judicial authorities, Rs.0.02 crore proposed to be written off and details of remaining amount of Rs.2.13 crore had not been

\* Assam, Bihar, Chandigarh (U.T), Delhi, Gujrat, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh and West Bengal.

(Rupees in crore)				
Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
				intimated by the Department. The break up of Rs.2.39 crore in respect of other stages was not available with the Department.
	<b>Total</b>	<b>1,086.91</b>	<b>238.31</b>	

The arrears outstanding for more than five years constituted 22 per cent of the total arrears. Substantial accumulation of arrears of taxes shows that the State Government did not tackle the problem vigorously as observed by 10<sup>th</sup> and 11<sup>th</sup> Finance Commission. It is recommended that effective steps for collecting these arrears be taken to augment government revenue.

### 1.8 Arrears in assessments

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each year during 2000-01 to 2004-05 as furnished by the Department are as follows:

Year	Head of revenue receipts	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of col 5 to col 4
1		2	3	4	5	6	7
2000-01	ST*	1,58,894	1,68,142	3,27,036	1,64,418	1,62,618	50
	PGT**	980	472	1452	450	1,002	31
2001-02	ST	1,62,618	1,59,063	3,21,681	1,14,003	2,07,678	35
	PGT	1002	693	1695	555	1,140	33
2002-03	ST	2,07,678	1,79,265	3,86,943	1,53,078	2,33,865	40
	PGT	1140	673	1813	711	1102	39

\* Taxes on sales, trade etc.

\*\* Passengers and goods tax.

Year	Head of revenue receipts	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of col 5 to col 4
1		2	3	4	5	6	7
2003-04	ST	2,33,865	1,64,386	3,98,251	1,92,321	2,05,930	48
	PGT	1102	667	1769	457	1312	26
2004-05	ST	2,05,930	1,59,740	3,65,670	1,42,901	2,22,769	39
	PGT	1,312	704	2016	536	1480	27

The above table shows that pending cases in respect of Taxes on Sales, Trade etc. at the beginning of 2000-01 were 1,58,894 which increased to 2,22,769 at the end of 2004-05 i.e. 40 *per cent* while the percentage of cases finalised decreased from 50 *per cent* in 2000-01 to 39 *per cent* in 2004-05. The closing balance at the end of 2004-05 was 2,22,769, an increase of 37 *per cent* over the position at the end of 2000-01. The percentage of cases finalised in respect of taxes on Passengers and Goods Tax remained at the level of 27 *per cent*.

### 1.9 Performance of assessments

Norms for Assessing Authorities viz. Excise and Taxation Officers and Assistant Excise and Taxation Officers have been prescribed by the state for assessment of Sales Tax cases.

Information furnished by the Department for the years 2000-01 to 2004-05 revealed that the performance of assessments finalised by Excise and Taxation officers ranged between 63.76 *per cent* and 101.42 *per cent* and by Assistant Excise and Taxation Officers between 53.18 *per cent* and 147.16 *per cent* of the norms.

### 1.10 Evasion of tax

The details of evasion of tax detected by the Sales Tax and State Excise Departments, cases finalised and the demands for additional tax raised as

reported by the departments are given below:

Sl. No.	Head of revenue receipts	Cases pending as on 31 March 2004	Cases detected during the year 2004-2005	Total (3+4)	Number of cases in which assessments/ investigations completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2005
					No. of cases	Amount of demand (Rupees in crore)	
1	2	3	4	5	6	7	8
1.	Taxes on Sales, Trade, etc.	115	1258	1373	1278	66.93	95
2.	State Excise	16	407	423	351	0.42	72
3.	Passengers and goods tax	615	4134	4749	3985	1.03	764

### 1.11 Write-off and waiver of revenue

During the year 2004-05, demands for Rs.14.86 crore in 294 cases and Rs.0.29 crore in 23 cases relating to Sales Tax and State Excise respectively were written off by the Departments as irrecoverable. Reasons for the write-off as reported by the Departments were as follows:

Sl. No.	Reasons	Sales Tax		State Excise	
		No. of cases	Amount (Rupees in lakh)	No. of cases	Amount (Rupees in lakh)
1.	Whereabouts of defaulters not known	130	553.10	8	11.85
2.	Defaulters no longer alive	11	41.29	6	5.24
3.	Defaulters not having any property	115	651.07	9	11.54
4.	Defaulters adjudged insolvent	7	26.69	-	-
5.	Other reasons	31	213.67	-	-
	<b>Total</b>	<b>294</b>	<b>1485.82</b>	<b>23</b>	<b>28.63</b>

### 1.12 Refunds

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2004-05, as reported by the Department are given below:

Sl. No.	Particulars	Sales Tax		Taxes and Duties on Electricity		State Excise	
		No. of cases	Amount (Rupees in lakh)	No. of cases	Amount (Rupees in lakh)	No. of cases	Amount (Rupees in lakh)
1.	Claims outstanding at the beginning of the year	353	932.61	-	-	8	6.04
2.	Claims received during the year	1535	4,374.29	02	0.29	11	8.50
3.	Refunds made during the year	1363	2,637.77	02	0.29	12	8.55
4.	Balance outstanding at the end of the year	525	2,669.13	-	-	5*	3.91*

### 1.13 Results of Audit

Test check of records of departmental offices relating to Taxes on Sales, Trade etc., Stamp Duty and Registration Fee, State Excise Duty, Passengers and Goods Tax, Taxes on Motor Vehicles, Agriculture (Purchase Tax and Crop Husbandry), Mines and Geology, Home (Police), Public Works (Building and Roads, Public Health and Irrigation), Forest, Finance (State Lotteries), Medical, Animal Husbandry, Food and Supply, Co-operation and Electricity Duty conducted during the year 2004-05, revealed under assessments, non levy and short levy of taxes, duties and losses of revenue amounting to Rs.464.90 crore in 34,209 cases. During the year 2004-05, the departments concerned accepted under assessment etc. of Rs.382.54 crore involving 16,791 cases. Out of these, 16,775 cases involving Rs.382.21 crore were pointed out by audit during 2004-05 and the rest in earlier years. An amount of Rs.13.21 crore was recovered in 368 cases during 2004-05 of which Rs.12.92 crore recovered in 342 cases related to earlier years.

\* The Department stated that 2 refund cases worth Rs.2.08 lakh in respect of State Excise were included in the closing balance for the year 2003-04 which had already been cleared during the year 2000-01. The Department had rectified the same in the year 2004-05.

This Report contains 21 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.367.24 crore. The Department accepted audit observations involving revenue of Rs.347.26 crore out of which Rs.0.24 crore had been recovered up to June 2005. In respect of observations not accepted by the Department, gist of reasons for Department's non acceptance has been included in the related paragraph itself along with suitable rebuttal. However, replies from the Government had not been received (August 2005).

#### **1.14 Failure of senior officials to enforce accountability and protect interest of Government**

##### ***Replies to Inspection Reports***

Accountant General (Audit) Haryana conducts periodical inspection of Government departments to test check transactions and verify the maintenance of important accounting and other records as prescribed in rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities etc. detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks from the dates of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and to the Government.

Inspection Reports issued upto December 2004 disclosed that 7,931 audit observations involving money value of Rs.1,120.42 crore relating to 3,450 IRs remained outstanding at the end of June 2005. Of these, 899 IRs containing 1,490 paragraphs involving money value of Rs.127.38 crore had not been settled for more than 10 years by various departments. Even the first replies, required to be received from the heads of offices within six weeks from the date of issue of the IRs, were not received in respect of 400 paragraphs of 46 IRs issued between April 2003 and December 2004.

Department wise break up of IRs and audit observations outstanding as on 30 June 2005 is given below:

Department	Position of Inspection Reports issued up to December 2004 but not settled at the end of June 2005			Position of Inspection Reports and paragraphs not settled for more than 10 years			Position of inspection reports in respect of which first reply not received		
	IRs	Paras	Money value (Rupees in crore)	IRs	Paras	Money value (Rupees in crore)	IRs	Paras	Earliest year to which IRs relate
<b>1. Revenue Department</b>									
(a) Land Revenue	68	90	0.24	70	70	0.14	-	-	-

Department	Position of Inspection Reports issued up to December 2004 but not settled at the end of June 2005			Position of Inspection Reports and paragraphs not settled for more than 10 years			Position of inspection reports in respect of which first reply not received		
	IRs	Paras	Money value (Rupees in crore)	IRs	Paras	Money value (Rupees in crore)	IRs	Paras	Earliest year to which IRs relate
(b) Stamp Duty and Registration Fee	895	2,183	33.61	244	275	5.97	-	-	-
<b>2. Co-operation</b>									
Receipts from Co-operative Societies	109	202	53.20	14	14	0.26	-	-	-
<b>3. Forest</b>									
Forest Receipts	282	672	39.18	52	57	3.21	20	88	2003-04
<b>4. Commerce and Industries</b>									
(a) Industries	33	48	0.95	-	-	-	-	-	-
(b) Mines and Minerals	147	205	25.14	31	46	3.85	-	-	-
<b>5. Sales Tax</b>									
Sales Tax Receipts	342	1,988	36.29	129	481	11.66	26	312	2003-04
<b>6. State Excise and Motor Vehicle Tax</b>									
(a) Passengers and Goods tax	172	327	36.77	40	66	8.96	-	-	-
(b) State Excise	203	332	161.89	93	161	29.10	-	-	-
<b>7. Transport</b>									
Motor Vehicles	494	923	45.31	96	149	56.79	-	-	-
<b>8. Others</b>									
Departmental Receipts	705	961	687.84	183	224	7.44	-	-	-
<b>Total</b>	<b>3,450</b>	<b>7,931</b>	<b>1,120.42</b>	<b>899</b>	<b>1,490</b>	<b>127.38</b>	<b>46</b>	<b>400</b>	<b>2003-04</b>

The large pendency of IRs due to non receipt of replies is indicative of the failure on the part of heads of offices and heads of departments to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

It is recommended that Government should take suitable steps to ensure that: -

- an effective procedure exists for prompt and appropriate response to the audit observations;
- action is taken against officials/officers failing to send replies to the IRs/Paras as per the prescribed time schedule; and
- action is taken to recover loss/outstanding demands in a time bound manner.



### **1.15 Departmental Audit Committee Meetings**

In order to expedite settlement of outstanding audit observations contained in Inspection Reports, Departmental Audit Committees were constituted by the Government in September 1985. These Committees are chaired by the Administrative Secretary of the Department concerned and attended among others by the officers concerned of the State Government and of the Office of the Accountant General (Audit), Haryana.

The meetings were required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations/audit paras. During the year 2004-05, only three Drawing and Disbursing Officers (DDOs) out of 23 DDOs concerned dealing with different heads of accounts convened meetings of the Audit Committee. Thus most Government departments did not take any initiative for settling outstanding audit observations through this meeting. Government should ensure periodical meetings of this committee for effective progress in this work.

### **1.16 Response of the departments to Draft Audit Paragraphs**

Department of Finance issued directions to all departments on 5 January 1982 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded by Accountant General to the Secretaries of the Departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non receipt of replies from the Departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty one draft paragraphs (clubbed in 19 paragraphs) and two reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2005 were forwarded to the Secretaries of the Departments concerned during December 2004 to May 2005 through demi official letters. However, replies were received in three cases.

### **1.17 Follow up on Audit Reports-Summarised position**

Public Accounts Committee of Haryana (PAC) recommended in 1982 that departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained in the Audit Report within the prescribed period.

The PAC took a serious view of the inordinate delays and persistent failures in furnishing the ATNs within the prescribed time by most of the departments and recommended on 30 May 1995 that pending ATNs pertaining to Audit Reports should be submitted within three months from the laying of the Reports in the State Legislature.

Review of outstanding ATNs on paragraphs included in Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year 1999-2000 to 2002-2003 as on 31 March 2005 disclosed that departments had failed to submit ATNs within the prescribed period in respect of 74 out of 125 paragraphs included in the Audit Reports upto the year ended

March 2003, though the Audit Report for the year ended March 2003 was laid on the table of Legislature on 13 February 2004 and time limit for furnishing the ATNs had lapsed on 12 May 2004.