

OVERVIEW

This Report contains 31 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty, etc., involving tax effect of Rs. 122.75 crore. Some of the major findings are mentioned below:

1. General

- The total receipts of the State Government for the year 2007-08 was Rs. 19,750.74 crore. Revenue raised by the Government during the year was Rs. 16,714.90 crore, comprising tax revenue of Rs. 11,617.82 crore and non-tax revenue of Rs. 5,097.08 crore. The State Government also received Rs. 1,634.36 crore as State's share of divisible Union taxes and Rs. 1,401.48 crore as grants-in-aid from the Government of India.

(Paragraph 1.1)

- Arrears of revenue at the end of March 2008 as reported by some departments were Rs. 1,981.92 crore, of which Rs. 423.65 crore were outstanding for more than five years.

(Paragraph 1.6)

- Test check of the records of the taxes on sales/trade etc., motor vehicles tax, state excise, stamp duty and registration fee, land revenue, electricity duty, other tax and non-tax receipts conducted during the year 2007-08 revealed under assessments/short levy/non-levy/loss of revenue aggregating Rs. 527.31 crore in 2,05,891 cases. During the course of the year 2007-08, the departments accepted under assessment of Rs. 207.78 crore in 7,433 cases. Of these, the department recovered Rs. 75.06 crore.

(Paragraph 1.12)

- At the end of June 2008, 6,329 audit observations involving Rs. 6,451.39 crore relating to 3,642 inspection reports issued upto December 2007 remained outstanding.

(Paragraph 1.13)

2. Taxes on Sales, Trade etc.

A review of **Exemptions and concessions under sales tax/VAT Act** revealed the following:

- In the absence of details like bank draft/pay order/treasury challan number, amount and date of deposit of tax, particulars of goods sold etc. in form VAT C-4, genuineness of input tax credit of Rs. 270.16 crore allowed to 103 dealers in seven DETCs could not be verified.

(Paragraph 2.2.7)

- Assessments were finalised without cross verification of sales/purchases of 3,331 transactions having sales value of Rs. 1,969.14 crore involving tax effect of Rs. 163.01 crore.

(Paragraph 2.2.8.1)

- Due to failure of the assessing authorities to scrutinise the claim and cross verify the transactions, tax and penalty for false declarations amounting to Rs. 9.26 crore was not imposed.

(Paragraph 2.2.8.2)

- In the absence of any prescribed mechanism, correctness of exemption of tax of Rs. 1.75 crore on sales of PVC pipes to agriculturists as component parts of agricultural pumping sets valued as Rs. 17.46 crore could not be verified.

(Paragraph 2.2.9)

- Eighteen dealers purchased goods valued as Rs. 363.92 crore at concessional rate of tax against declaration in forms STD-IV/VAT-D1 for use in the manufacture of goods for sale and transferred goods as such or to their branches outside the State resulting in undue tax benefit of Rs. 20.99 crore.

(Paragraph 2.2.11.1)

- Undue tax benefit of Rs. 4.87 crore (including maximum penalty of Rs. 2.92 crore) was allowed in the case of two dealers who had purchased goods at concessional rate for use in the manufacture and sale but utilised these goods for the purpose (telecommunication services) other than that mentioned in form C.

(Paragraph 2.2.11.2)

- Incorrect allowing of concessional rates/exemptions without production of prescribed statutory declarations or furnishing of duplicate/incomplete/invalid forms resulted in short levy of tax of Rs. 30.38 crore.

(Paragraph 2.2.12)

- Tax and penalty amounting to Rs. 19.27 crore was not levied.

(Paragraph 2.2.13)

- Incorrect classification of mosquito mats/coils by the assessing authority in case of a dealer resulted in short levy of tax amounting to Rs. 1.17 crore.

(Paragraph 2.4)

3. Stamp Duty and Registration Fee

A review of **Grant of exemptions and remissions of stamp duty and registration fee** revealed the following:

- Revenue remitted during 2003-04 to 2006-07 on account of exemptions/ remissions in stamp duty (SD) and registration fee (RF) could not be quantified by the department in the absence of a centralised database.

(Paragraph 3.2.7)

- Irregular remission of RF of Rs. 9.58 crore in the absence of enabling provisions to remit the fee under the Indian Registration Act, 1908.

(Paragraph 3.2.8)

- Irregular availing of exemption of SD and RF of Rs. 1.26 crore due to non-execution of lease deeds by 12 entrepreneurs for collection of toll let by the Government departments/Corporation for concession periods ranging between two to eight years.

(Paragraph 3.2.9.1)

- Incorrect grant of exemption of SD of Rs. 4.58 crore on conveyance deeds registered by a developer under the Special Economic Zone (SEZ) wherein the land was already in his possession and without passing on the consideration.

(Paragraph 3.2.11.1)

- Irregular availing of exemption of SD of Rs. 4.20 crore due to non-execution of conveyance deed by Haryana Power Generation Corporation Limited, Panchkula (HPGCL) which had taken possession of land after making payment of the entire consideration.

(Paragraph 3.2.12)

- Irregular availing of exemption of SD of Rs. 3.15 crore due to non-execution of conveyance deeds by Housing Board, Haryana for the purchase of land for the construction of houses other than cheap houses.

(Paragraph 3.2.13.1)

- Delay in implementation of the enhanced rates resulted in short realisation of registration fee of Rs. 1.05 crore.

(Paragraph 3.3)

4 Taxes on vehicles

Transport Department

- Due to non-levy of passengers tax on student's concessional passes, the State Government suffered a loss of revenue of Rs. 1.63 crore.

(Paragraph 4.2)

- Permit fee of Rs. 1.06 crore was not demanded from holders of 4,601 permits who had applied for transfer of permits.

(Paragraph 4.3)

Excise and Taxation Department

- Passengers tax of Rs. 93.11 lakh in respect of buses of transport co-operative societies for the period 2005-06 and 2006-07 was not demanded by the department.

(Paragraph 4.7)

- Passengers tax of Rs. 45.41 lakh was not demanded by the department in respect of buses of 353 educational institutions.

(Paragraph 4.8)

5. Other Tax Receipts

Revenue Department

A review of **Computerisation of land records** revealed the following:

- Due to incomplete and inaccurate data, absence/inadequacy of validation checks in the HALRIS and HARIS database, discrepancies (like *salam khasra* existed more than once in 3,833 cases, owner's share of land was not equal to total land in 1,302 cases, cultivator's share of land was not equal to total land in 65 cases etc.) existed leading to compromising the integrity and reliability of the data.

(Paragraph 5.2.6)

- The system lacked controls viz. access controls, password policy, etc., which exposed it to the risk of unauthorised use.

(Paragraph 5.2.7)

- Incorrect classification of deeds of agreement because of lack of provision of capturing complete details of agreements i.e. type of agreement, price paid or promised or part paid or part promised, developer's share of land and its value etc. resulted in short levy of SD and RF of Rs. 12.50 crore.

(Paragraph 5.2.8.8)

- Difference between the amount of stamp duty of Rs. 90.68 lakh endorsed on sale deeds and amount of SD of Rs. 13.44 lakh actually levied/collected resulted in non-accounting of SD of Rs. 77.24 lakh shown in the computerised bill book.

(Paragraph 5.2.8.9)

State Excise

- Non-initiation of action to recover the differential amount of licence fee from six defaulting allottees of retail liquor outlets even after reauction of vends at their risk and cost deprived the Government of revenue of Rs. 98.64 lakh.

(Paragraph 5.3)

6. Non-Tax Receipts

Mines and Geology Department

- Non-observance of the financial rules and failure of the drawing and disbursing officer in exercising proper checks before accepting payments of monthly instalment of contract money against fictitious challans resulted in short realisation of contract money of Rs. 32.87 lakh.

(Paragraph 6.2)

Town and Country Planning Department

- Non-charging of revised rates of licence fee and conversion charges at the time of granting licences to 10 developers resulted in short realisation of licence fee and conversion charges amounting to Rs. 27.28 crore.
- (Paragraph 6.3)**
- Service charges amounting to Rs. 3.20 crore were short deposited by 13 licensees/colonisers and were also not demanded by the department.
- (Paragraph 6.4)**
- Conversion charges amounting to Rs. 93.05 lakh were short levied on land purchased for construction of hospital due to application of rate for institutional activities instead of commercial activities.

(Paragraph 6.5)