



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



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Himachal Pradesh
Report No. 2 of the year 2019

**The Report of
the Comptroller and Auditor General of India**

on

Revenue Sector

for the year ended 31 March 2018

Government of Himachal Pradesh
Report No. 2 of the year 2019

TABLE OF CONTENTS

<i>DESCRIPTION</i>	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
<i>Preface</i>		<i>v</i>
<i>Overview</i>		<i>vii-x</i>
CHAPTER-I: GENERAL		
Trend of revenue receipts	1.1	1
Analysis of arrears of revenue	1.2	5
Arrears in assessments	1.3	6
Evasion of tax detected by the Department	1.4	6
Refund cases	1.5	7
Response of Government/Departments towards Audit	1.6	7
Departmental audit committee meetings	1.6.2	8
Response of Departments to draft audit paragraphs	1.6.3	9
Follow up on the Audit Reports-summarised position	1.6.4	9
Action taken by Departments on issues raised by Audit: Detailed position for Revenue Department	1.7	10
Position of Inspection Reports	1.7.1	10
Recovery of accepted cases	1.7.2	10
Action taken on audit recommendations accepted by the Department/ Government	1.7.3	11
Internal Audit	1.8	11
Audit planning	1.9	12
Results of audit	1.10	12
Coverage of this Report	1.11	13
CHAPTER-II: TAXES/VAT ON SALES AND TRADE		
Tax administration	2.1	15
Results of audit	2.2	15
Audit on 'Preparedness for transition to Goods and Services Tax'	2.3	17-25
Audit on 'Grant of concessions to dealers'	2.4	26-32
Audit on 'Arrears of Revenue in Excise and Taxation Department under different Receipts heads'	2.5	33-43
Allowance of Input Tax Credit	2.6	44
Application of incorrect rate of tax	2.7	46
Incorrect determination of turnover	2.8	46
Suppression of Sale and Stock	2.9	47
Excess allowance of labour charges	2.10	48

Short-levy of interest	2.11	49
Non-realisation of Entertainment Duty	2.12	49
CHAPTER-III: STATE EXCISE		
Tax administration	3.1	51
Results of audit	3.2	51
Short recovery of license fee	3.3	52
Non-levy of additional fee and penalty on short lifting of Minimum Guaranteed Quota	3.4	53
Non-levy of interest on delayed payment	3.5	54
Non-recovery of license fee on unsold stock of liquor	3.6	55
Non-levy of Excise duty on sale of Extra Neutral Alcohol and Rectified Spirit	3.7	55
CHAPTER-IV: STAMP DUTY		
Tax administration	4.1	57
Results of audit	4.2	57
Short realisation of Stamp Duty and Registration Fee on built up structures	4.3	59
Short determination of market value of properties	4.4	59
Non-revision of lease rent	4.5	61
CHAPTER-V: TAXES ON VEHICLES, PASSENGERS AND GOODS		
Tax administration	5.1	63
Results of Audit	5.2	63
Non/short recovery of Special Road Tax	5.3	64
Non-realisation of Token tax	5.4	66
Non-realization of Passenger and Goods Tax	5.5	68
Non-registration of commercial vehicles with Excise and Taxation Department	5.6	69
CHAPTER-VI: FOREST RECEIPTS		
Tax administration	6.1	71
Results of audit	6.2	71
Non-disposal of seized timber	6.3	72
Short handing over of trees for resin tapping	6.4	73
Non-levy of extension fee	6.5	73
Non-tapping of resin blazes	6.6	74

<i>DESCRIPTION</i>		<i>Reference to</i>	
<i>Annexure</i>		<i>Paragraph</i>	<i>Page</i>
I	Trend of revenue receipts	1.1.2	77
II	Position of Inspection Reports	1.7.1	78
III	Recovery of accepted cases	1.7.2	78
IV	Acceptance of ineligible declaration forms (form- <i>C</i>)	2.4.7.1	79
V	Acceptance of ineligible declaration forms (form- <i>F</i>)	2.4.7.2	81
VI	Introduction (The Process of recovery of arrears)	2.5	82
GLOSSARY OF ABBREVIATIONS			83-84

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 Himachal Pradesh under article 151 of the Constitution of India.

The Revenue Sector of the State Government is audited as per provisions of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971.

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 done 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 Regulations on Audit and Accounts, 2007 and Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains two Thematic Audits and 23 paragraphs relating to non/short levy of VAT/CST, State Excise, Stamp duty and Registration Fee, Passenger and Goods tax and Royalty with revenue implication of ₹330.87 crore.

I General

The total revenue receipts of the State Government for the year 2017-18 was ₹27,367.06 crore as compared to ₹26,264.34 crore during the previous year. Out of total revenue receipts of ₹27,367.06 crore for the year 2017-18, 35 per cent was raised through tax revenue (₹7,107.67 crore) and non-tax revenue (₹2,363.85 crore). The balance 65 per cent was received from the Government of India as State's share of divisible Union taxes (₹4,801.31 crore) and Grants-in-Aid (₹13,094.23 crore). There was an increase in revenue receipts over the previous year by ₹1,102.72 crore.

(Paragraph 1.1)

Test check of the records of 178 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Passengers & Goods Tax and Forest Receipts conducted revealed under-assessment/short levy/loss of revenue aggregating ₹490.09 crore in 863 cases. The Departments concerned accepted under-assessment and other deficiencies of ₹13.61 crore in 317 cases during the year 2017-18, out of which an amount of ₹4.16 crore was realised in 298 cases, of which ₹4.15 crore in 296 cases related to audit findings of previous years and ₹0.01 crore in two cases related to the audit findings of year 2017-18.

(Paragraph 1.10)

II Taxes/VAT on Sales and Trade

The Government/Department was prompt in its preparedness for implementation of GST which can be seen with reference to enactment of Act and Rules as per model law approved by GST Council. Frequent changes were made in Rules/regulations since 1st July 2017 on recommendations of the GST Council. Filing of returns was postponed due to difficulties faced by the tax payers. GSTN was not able to provide the complete IT solution regarding filing of returns. The State Government was hamstrung in implementing the provisions of GST as it had limited role in these matters. A complete network system needs to be devised with required speed for successful implementation of GST Act. The Department needs to sort out the legacy issues like assessments of pre-GST cases, recovery of arrears and expedite clearance of pending cases in a time bound manner. Dealers to be sensitized to apply for refunds of pre-GST regime.

(Paragraph 2.3)

The Department had allowed concessional rate of tax to dealers who had not employed prescribed limit of *Himachalis* and by applying incorrect rate of tax on goods falling under negative list to ineligible dealers. Concession was granted

even without submission of declaration form. No System existed in the Department to review and verify grant of concessions to dealers for substantial expansion. Assessing Authorities had not verified the forms and defective/ineligible forms were accepted and concessional rate of tax was allowed.

(Paragraph 2.4)

Lack of monitoring, non maintenance of detailed database and non reconciliation resulted in wrong depiction of arrears. Inordinate delay in finalizing the assessments of the dealers and absence of follow-up action as per Act/Rules against the firms/dealers resulted in revenue losses as the dealers have closed their businesses. Non-obtaining of security/sureties from the dealers at the time of registration, non-assessment of remanded back cases and delayed assessment by AAs resulted in accumulation of arrears. Attached properties were not auctioned. Non compliance to the provisions regarding sureties resulted in short payment of excise dues. Irregular allotment of toll lease to defaulter against the provisions led to non-recovery of dues.

(Paragraph 2.5)

Assessing Authorities allowed the Input Tax Credit to 138 dealers in 160 cases without taking into consideration the closing stock/sale of tax free goods/branch transfer resulted in deferment of tax liability of ₹7.01 crore for the tax period 2007-08 to 2015-16.

(Paragraph 2.6)

Assessing Authority applied incorrect/lesser rate of tax of four to five *per cent* instead of applicable tax rates of five to 13.75 *per cent* while finalising the assessments for the tax period 2009-10 to 2015-16 of 11 dealers in 23 cases resulting in short realisation of tax amounting to ₹11.56 crore. In addition, interest of ₹5.73 crore was also leviable.

(Paragraph 2.7)

Assessing Authorities assessed the Gross Turnover/Taxable Turnover of 37 dealers in 44 cases for the years 2007-08 to 2014-15 on lesser than the actual receipts resulting in loss of revenue of ₹5.47 crore, besides, interest of ₹4.61 crore was also leviable.

(Paragraph 2.8)

Assessing Authorities while finalising the assessments of 26 dealers in 28 cases, who had under reported their sales and closing stock during the tax periods from 2005-06 to 2014-15, did not cross-check and link the annual returns with their annual accounts. As a result of this failure to carry out basic checks, there was loss of revenue of ₹1.08 crore. In addition, interest of ₹71.35 lakh was not recovered and penalty at the prescribed rate was also recoverable.

(Paragraph 2.9)

The Excise and Taxation Department did not levy entertainment duty on all the 28 cable operators registered in selected three district of Bilaspur, Kangra and Mandi for the years 2014-15 to 2016-17, resulting in forgoing revenue of at least ₹3.78 crore.

(Paragraph 2.12)

III State Excise

Assistant Excise and Taxation Commissioner did not take any action to recover the short deposited license fee of ₹38.90 crore from 49 licensees or seal vends (liquor shops) as the licensees of these vends were in default of payment of monthly instalment from April 2016 to March 2017.

(Paragraph 3.3)

The Department did not levy additional fee of ₹12.74 crore for short lifting of 40,58,893 proof litres of liquor against the annual Minimum Guaranteed Quota fixed for the year 2016-17 by licensees of 561 vends. In addition, a penalty of ₹1.81 crore was also leviable for short lifting of Minimum Guaranteed Quota by 80 per cent.

(Paragraph 3.4)

The Department did not raise the demand to realise the interest amounting to ₹3.77 crore on delayed payment of license fee/bottling fee/franchisee fee from the licensees of 156 vends for the year 2016-17, resulting in non-levy of interest to that extent.

(Paragraph 3.5)

IV Stamp Duty

The Sub-Registrars adopted the pre-revised market rates for built-up structure of residential/non-residential buildings against the 358 sales deeds registered between November 2013 and December 2016, which resulted in short realisation of Stamp Duty and Registration Fee of ₹3.64 crore.

(Paragraph 4.3)

13 Sub-Registrars had made incorrect valuation of the land on the basis of affidavits regarding distance from road filed by purchasers at the time of registration of sale deeds, resulting in short realisation of Stamp Duty and Registration Fee of ₹1.18 crore.

(Paragraph 4.4)

The Department did not revise the lease rent, which was to be revised after every 10 years at the rate of five per cent of the prevailing market value of land as per the condition of the lease agreement, resulting in loss of revenue of ₹3.59 crore.

(Paragraph 4.5)

V Taxes on Vehicles, Passengers and Goods

The Transport Department did not demand the Special Road Tax amounting to ₹23.38 crore, which was recoverable from Himachal Road Transport Corporation and Private Stage Carriages as per issued route permits, for the period 2016-17.

(Paragraph 5.3)

The Transport Department neither demanded the Token tax of ₹8.50 crore recoverable from the 16,588 commercial vehicles for the years 2015-16 to 2016-17, nor was the tax paid by the commercial vehicle owners, resulting in non-recovery of token tax to that extent.

(Paragraph 5.4)

The Excise Department did not demand the Passenger and Goods tax amounting to ₹1.74 crore from 2,320 commercial vehicles owners for the period 2015-16 to 2016-17 nor the owners of commercial vehicles paid the tax, resulting in non-realisation of Passenger and Goods tax to that extent.

(Paragraph 5.5)

Lack of co-ordination between the concerned Regional Licensing Authorities/ Regional Transport Officers and Assistant Excise and Taxation Commissioner, the owners of the commercial vehicles did not register their vehicles with the Excise and Taxation offices, which were registered with the RLAs/RTOs between 2015-16 and 2016-17, resulted in non-realisation of Passenger and Goods tax amounting to ₹1.23 crore.

(Paragraph 5.6)

VI Forest Receipts

The Department had seized timber measuring 225.916 cu.m during 2015-16 and 2016-17, lying in various depots of the Department which were not disposed off resulting in blocking of revenue of ₹1.18 crore but also incurring of expenditure on watch and ward and further deterioration of timber.

(Paragraph 6.3)

The Department did not hand over the 1,22,618 trees to Himachal Pradesh State Forest Development Corporation Ltd. for enumeration during 2014 and 2015 tapping seasons which resulted in loss of revenue of ₹82.90 lakh.

(Paragraph 6.4)

The Department handed over 62 timber lots to HPSFDC Ltd. for exploitation which were not exploited during the lease period for which extension fee of ₹29.86 lakh was neither demanded by the Department nor paid by HPSFDC Ltd.

(Paragraph 6.5)

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 Himachal Pradesh during the year 2017-18, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are depicted below:

Table: 1.1 Trend of revenue receipts

₹in crore						
Sr. No.	Particular	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
1.	Revenue raised by the State Government					
	Tax revenue	5,120.91	5,940.16	6,695.81	7,039.05	7,107.67 ²
	Non-tax revenue	1,784.53	2,081.45	1,837.15	1,717.24	2,363.85
	Total	6,905.44	8,021.61	8,532.96	8,756.29	9,471.52
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	2,491.53	2,644.17	3,611.17	4,343.70	4,801.31 ³
	Grants-in-Aid	6,314.11	7,177.67	11,296.35	13,164.35	13,094.23 ⁴
	Total	8,805.64	9,821.84	14,907.52	17,508.05	17,895.54
3.	Total revenue receipts of the State Government (1 and 2)	15,711.08	17,843.45	23,440.48	26,264.34	27,367.06
4.	Percentage of 1 to 3	44	45	36	33	35

During the year 2017-18, the revenue raised by the State Government (₹9,471.52 crore) was 35 per cent of the total revenue receipts. The balance 65 per cent of the receipts during 2017-18 was from the Government of India as share of net proceeds of divisible union taxes and Grants-in-Aid. There was an increase in revenue receipts over previous year by ₹1,102.72 crore. The trends of revenue receipts are depicted below:

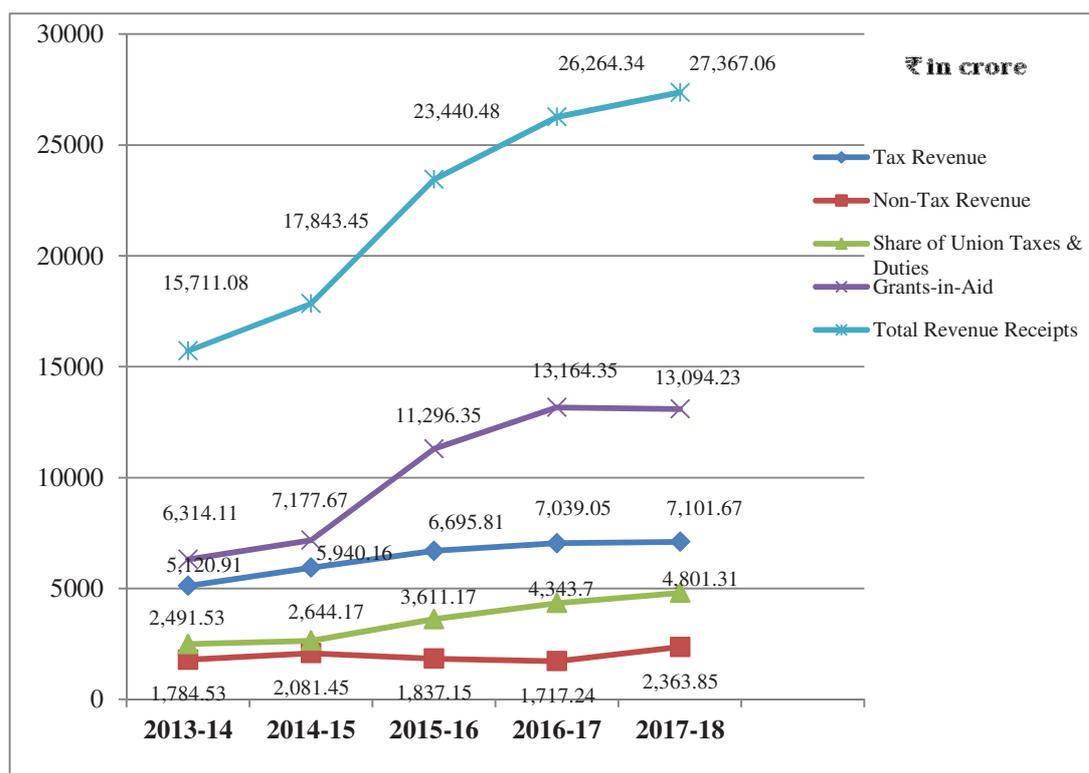
¹ Finance Accounts of the State Government.

² This includes amount of ₹1,833.16 crore received under Major Receipt Head '0006-State Goods and Services Tax'.

³ This includes amount of ₹68.36 crore received from Government of India as share of Central Goods and Services Tax and ₹484.84 crore as share of Integrated Goods and Services Tax.

⁴ This includes amount of ₹1,059 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax

Graph 1.1



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

Table: 1.2 Details of Tax Revenue Receipts

₹ in crore							
Sr. No.	Major Head of revenue receipts	Tax Revenue Receipts (percentage to total tax revenue receipts)					Percentage of increase (+) or decrease (-) in 2017-18 over actual of 2016-17
		2013-14	2014-15	2015-16	2016-17	2017-18	
1.	GST/VAT on sales and trade	3,141.10 (61.34)	3,660.57 (61.62)	3,992.99 (59.63)	4,381.91 (62.25)	4,359.03 ⁵ (61.33)	0
2.	State Excise	951.96 (18.59)	1,044.14 (17.58)	1,131.22 (16.89)	1,307.87 (18.58)	1,311.25 (18.45)	0
3.	Motor vehicles tax	207.81 (4.06)	220.10 (3.71)	317.05 (4.74)	279.58 (3.97)	367.16 (5.17)	31
4.	Stamp Duty	187.50 (3.66)	190.58 (3.21)	205.52 (3.07)	209.16 (2.97)	229.18 (3.22)	10
5.	Taxes and Duties on electricity	191.36 (3.74)	332.82 (5.60)	551.06 (8.23)	371.67 (5.28)	360.79 (5.08)	-3
6.	Others	441.18 (8.62)	491.95 (8.28)	497.97 (7.44)	488.86 (6.94)	480.26 ⁶ (6.76)	-2
Total		5,120.91	5,940.16	6,695.81	7,039.05	7,107.67	1

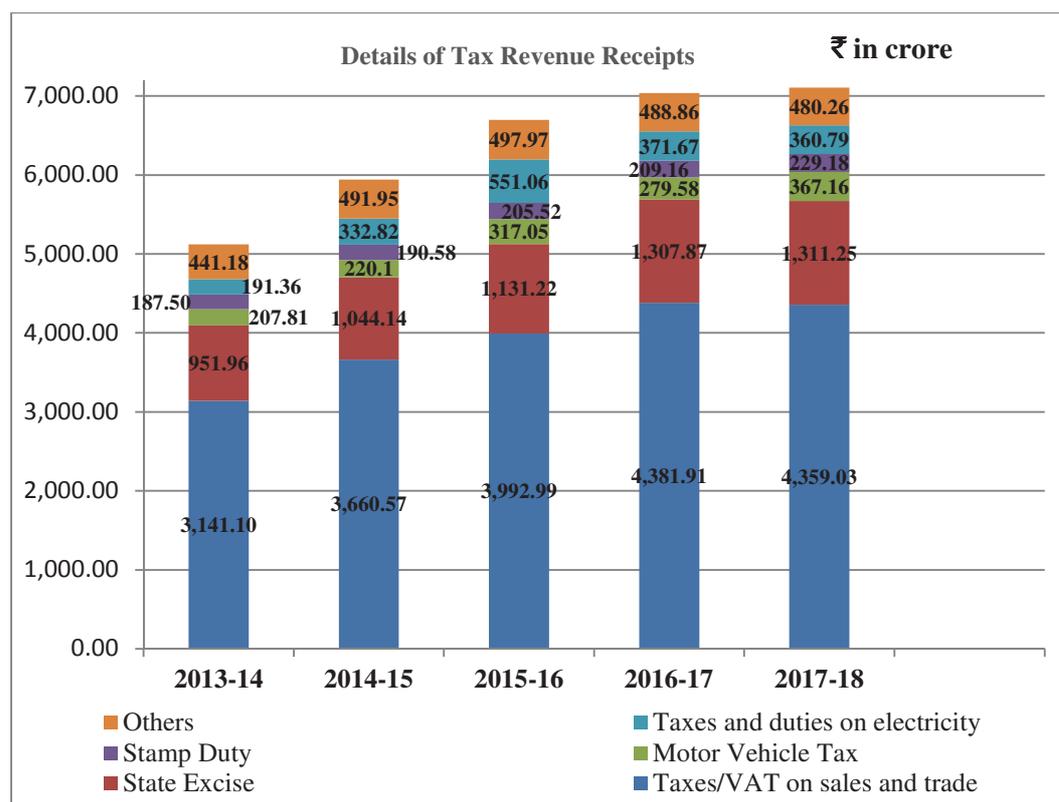
Source: Finance accounts

The trend of tax revenue receipts during 2013-14 to 2017-18 is depicted in graph as below:

⁵ This includes an amount of ₹1,833.16 crore of GST leviable from 1 July 2017.

⁶ Other Receipts-Land Revenue: ₹16.96 crore, Taxes on Goods and Passengers: ₹111.69 crore and Other Taxes and Duties on Commodities and Services: ₹351.61 crore

Graph 1.2



There was an increase in the overall tax revenue from ₹5,120.91 crore in 2013-14 to ₹7,107.67 crore in 2017-18.

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

Table: 1.3 Details of Non-tax Revenue Receipts

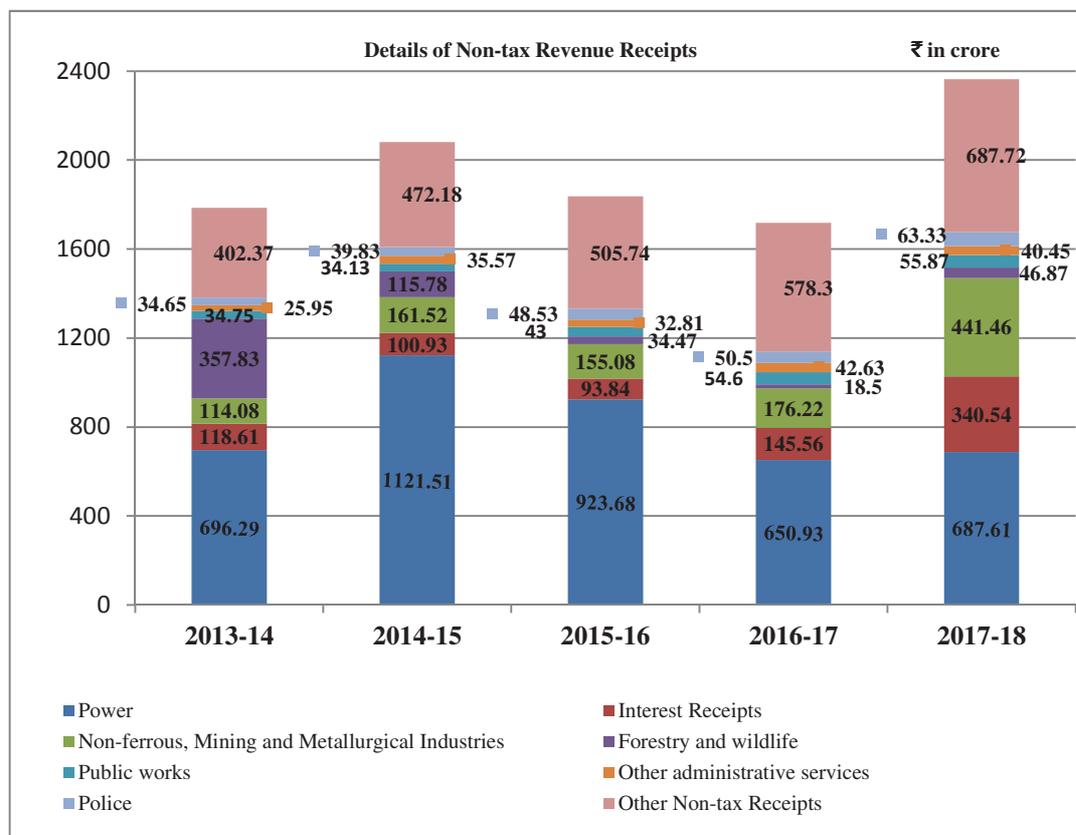
Sr. No.	Major Head of revenue receipts	Non-tax Revenue Receipts (percentage to total Non-tax Revenue Receipts)					Percentage of increase (+) or decrease (-) in 2017-18 over actual of 2016-17
		₹ in crore					
		2013-14	2014-15	2015-16	2016-17	2017-18	
1.	Power	696.29 (39.02)	1,121.51 (53.88)	923.68 (50.28)	650.93 (37.91)	687.61 (29.09)	6
2.	Interest receipts	118.61 (6.65)	100.93 (4.85)	93.84 (5.11)	145.56 (8.48)	340.54 (14.41)	134
3.	Non-ferrous, Mining and Metallurgical Industries	114.08 (6.39)	161.52 (7.76)	155.08 (8.44)	176.22 (10.26)	441.46 (18.68)	151
4.	Forestry and Wildlife	357.83 (20.05)	115.78 (5.56)	34.47 (1.88)	18.50 (1.08)	46.87 (1.98)	153
5.	Public works	34.75 1.95	34.13 (1.64)	43.00 (2.34)	54.60 (3.18)	55.87 (2.36)	2
6.	Other administrative services	25.95 (1.45)	35.57 (1.71)	32.81 (1.79)	42.63 (2.48)	40.45 (1.71)	-5
7.	Police	34.65 (1.94)	39.83 (1.91)	48.53 (2.64)	50.50 (2.94)	63.33 (2.68)	25
8.	Other Non-tax revenue⁷	402.37 (22.55)	472.18 (22.69)	505.74 (27.53)	578.30 (33.68)	687.72 (29.09)	19
Total		1,784.53	2,081.45	1,837.15	1,717.24	2,363.85	38

Source: Finance accounts

⁷ The details of Other Non-tax revenue are in *Annexure-I*.

The trend of non-tax revenue during 2013-14 to 2017-18 is depicted in graph as below:

Graph 1.3



The overall non-tax revenue receipts increased from ₹1,717.24 crore in 2016-17 to ₹2,363.85 crore in 2017-18 (increase of ₹646.61 crore or 38 per cent). This was primarily on account of sharp increase in actual receipts from Interest receipts, Non-ferrous, mining and metallurgical Industries and Miscellaneous General Services as compared with actual receipts in 2016-17.

The respective Departments reported the following reasons for variation during the year.

- **Power:** During 2017-18, there was increase in receipts under Power Sector due to higher average per unit sale price of power as compared to previous year.
- **Interest receipts:** The increase was due to interest received (₹231 crore) on account of loan given to DISCOM under UDAY.
- **Non-ferrous, mining and metallurgical Industries:** The increase was due to payment of upfront premium of ₹194.20 crore on account of transfer of mining leases and deposit of interest on delayed payment of royalty by M/s Ultratech Ltd.
- **Forestry and Wildlife:** The increase was mainly due to amount of ₹10.13 crore received from National Highway Authority of India for sale of trees and sale of other forest produce.

- **Public works:** The increase was due to taking up of 189 works during 2017-18 as compared to 77 works during the previous year.
- **Police:** The increase was due to recoveries from contribution to railway police, guards made available to Bhakra Beas Management Council, recovery of excess payment of salary from employees and issue of permits to vehicles for plying on restricted roads in Shimla.

The other Departments did not intimate reasons for variation of actual receipts from the previous year (August 2019).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 realisable under some Major Receipt Heads amounted to ₹4,035.69 crore, of which ₹373.23 crore was outstanding for more than five years as depicted below:

Table: 1.4 Arrears of revenue

₹ in crore				
Sr. No.	Major Head of revenue receipts	Amount outstanding as on 31 March 2018	Amount outstanding for more than 5 years as on 31 March 2018	Replies of the Departments
1.	Taxes/VAT on Sales and Trade	3,086.23	118.61	Arrears for ₹2,610.10 crore had been referred for recovery as arrears of land revenue, ₹109.89 crore were stayed by the Courts, ₹16.69 crore was recoverable from Government Departments/undertakings/Boards, ₹27.88 crore was proposed to be written off, ₹27.19 crore was pending under appeal and ₹294.48 crore recoverable from others.
2.	Water supply, Sanitation, Housing and Minor Irrigation	297.59	198.74	Arrears of ₹236.32 crore pertains to Municipal Corporation/Committees, ₹58.87 crore and ₹77.41 lakh pertains to non-Government Bodies and Government Departments respectively, ₹1.58 crore to Abiana charges and ₹4.54 lakh to Housing.
3.	State Excise	222.63	14.88	Arrears for ₹72.49 crore had been referred for recovery as arrears of land revenue, ₹7.64 crore were stayed by the Courts, ₹28.88 crore was recoverable from Government Departments/undertakings/Boards, ₹21.32 lakh was proposed to be written off and ₹113.41 crore recoverable from the bidders/licensees/others.
4.	Taxes and duties on electricity	211.04	0.0	The amount was recoverable from the Government of HP.
5.	Forestry and Wildlife	100.21	16.04	The amount was recoverable from the Himachal Pradesh State Development Corporation Ltd. and the contractors.
6.	Other Taxes and Duties on Commodities and Services	68.35	12.62	Arrears of ₹42.23 crore had been referred for recovery as arrears of land revenue, ₹11.03 crore were stayed by the Courts, ₹2.27 crore was pending under appeal and ₹12.82 crore recoverable from others.
7.	Police	30.17	1.89	Arrears accumulated from the years 1971-72. Out of this ₹22.89 lakh pertains to M/s Patel Engineers Ltd. Kullu and the remaining from the Government Department/Undertakings for supply of Police force.
8.	Village and Small Industries	0.23	0.13	Arrears accumulated from the year 1989-90. Arrears pertain to rent of sheds (Industrial Estate), rent of Government accommodation/receipt of sale of Mulberry plants etc.
9.	Taxes on Goods and Passengers	6.89	6.87	From the total arrears, ₹3.29 crore had been referred for recovery as arrears of land revenue, ₹12.00 lakh were stayed by the Courts, ₹11.17 lakh was recoverable from Government Departments/undertakings/Boards, ₹38.32 lakh was proposed to be written off and ₹2.99 crore recoverable form the others.

10.	Printing and Stationery	3.92	0.34	Arrears accumulated from the year 1999. Arrears of ₹59.08 lakh from the State Project Officer, SSA Lal-Paani, ₹26.56 lakh from Director HP State Women & Child Development, ₹23.31 lakh from MD Civil Supply Corporation, ₹21.03 lakh from Director Industries and ₹2.62 crore from other Industries/Departments/Corporations were recoverable.
11.	Non-ferrous, Mining and Metallurgical Industries	0.80	0.59	Arrears accumulated from the year 1970-71. Arrears pertain to Mining Offices and DDO (Headquarter) Geological Wing Directorate of industries on account of recovery of royalty/drilling charges etc.
12.	Public Works	0.58	0.15	Arrears pertain to residential and non-residential buildings.
13.	Industries	7.05	2.37	Arrears accumulated from the year 1980-81. Arrears pertain to premium of plots (Industrial areas) etc.
Total		4,035.69	373.23	

Source: Departmental figures

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalization at the end of the year as furnished by the Excise Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are depicted below:

Table: 1.5 Arrears in assessments

Major Head of revenue receipts	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed off during 2017-18	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes/VAT on Sales and Trade	1,79,308	97,713	2,77,021	61,573	2,15,448	22
Luxury Tax	3,553	2,956	6,509	2,538	3,971	39
Tax on Works Contracts	1,270	729	1,999	875	1,124	44
Motor Spirit Tax	28	21	49	21	28	43

Source: Departmental figures

The low percentage of disposal (22 per cent) in the case of Taxes/VAT on Sales and Trade was a matter of serious concern because of the large and increasing volume of arrears.

The Department may take necessary steps to reduce the pendency in the interest of revenue.

1.4 Evasion of tax detected by the Department

Excise and Taxation Department carried out surveys and checking on roads for tax evasion and 14,493 cases of evasion of tax were detected during the year. The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and demands for additional tax raised as reported by the Department are depicted below:

Table: 1.6 Evasion of Tax

Sr. No.	Major Head of revenue receipts	Cases pending as on 1 April 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 finalization as on 31 March 2018
					Number of cases	Amount (₹ in crore)	
1.	Taxes/VAT on Sales and Trade	156	2,836	2,992	2,881	9.44	111
2.	State Excise	62	1,375	1,437	1,410	1.56	27
3.	Passengers and Goods Tax	325	9,277	9,602	9,574	3.99	28
4.	Other Taxes and Duties on Commodities and Services	97	1,005	1,102	1,097	3.90	5
Total		640	14,493	15,133	14,962	18.89	171

Source: Departmental figures

The total number of cases pending for finalisation had decreased from 640 at the beginning of financial year to 171 at the end of the financial year 2017-18.

1.5 Refund cases

The details 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 are depicted below:

Table: 1.7 Pendency of refund cases

Sr. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	42	21.69	19	0.53
2.	Claims received during the year	210	35.98	31	4.43
3.	Refund made during the year	211	52.72	35	3.93
4.	Balance outstanding at the end of year	41	4.95	15	1.03

Source: Departmental figures

The number of cases outstanding at the end of the financial year 2017-18 had decreased for both Sales Tax/VAT and State Excise as compared to cases outstanding at the beginning of the financial year.

1.6 Response of Government/Departments towards Audit

The Principal Accountant General (Audit), Himachal Pradesh (PAG), conducts periodic 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 the offices 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.

Taking into consideration IRs issued up to March 2018, 7,924 paragraphs involving ₹1,958.98 crore relating to 2,660 IRs remained outstanding at the end of June 2018 as shown in Table 1.8 along with the corresponding figures for the preceding two years.

Table: 1.8 Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	2,549	2,582	2,660
Number of outstanding audit observations	7,512	7,764	7,924
Amount of revenue involved (₹ in crore)	1,512.30	1,817.56	1,958.98

The number of IRs, audit observations pending for settlement and the total money value showed an increasing trend during the last three years.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2018 and the amounts involved are depicted below:

Table: 1.9 Department-wise details of pending 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 & Taxation	Taxes/VAT on Sales and Trade	136	860	385.93
		State Excise	67	314	281.43
		Passengers & Goods Tax	184	395	280.67
		Other Taxes & Duties on Commodities and Services	114	144	6.70
		Entertainment & Luxury tax etc.	58	113	12.63
2.	Revenue	Land Revenue	219	413	169.05
		Stamp and Registration Fees	644	1,412	55.04
3.	Transport	Taxes on Motor Vehicles	695	2,598	299.78
4.	Forestry and Wildlife	Forest Receipts	543	1,675	467.75
Total			2,660	7,924	1,958.98

Audit received the first reply from the respective Heads of Offices after the stipulated time of four weeks in respect of 54 IRs out of 174 IRs issued during the year 2017-18.

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systematic weaknesses and failures. The large number and increasing trend of IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of avoidable loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues persistently raised by Audit.

1.6.2 Departmental audit committee meetings

The Government had set up audit committees to monitor and expedite the settlement of paragraphs included in the IRs. The details of audit committee meetings held during the year 2017-18 and the paragraphs settled are depicted below:

Table: 1.10 Details of Departmental Audit Committee meetings

Sr. No.	Department	Number of meetings held	Number of paragraphs outstanding	Number of paragraphs settled	Amount (₹ in crore)
1.	Revenue	1	1,270	42	0.50
2.	Forest	1	1,659	21	6.48
Total		2	2,929	63	6.98

Out of 2,929 outstanding paragraphs, 63 paragraphs (2.15 per cent) involving an amount of ₹6.98 crore were settled in two Audit Committee meetings held during 2017-18 involving Revenue and Forest Departments. No Audit Committee meetings were held in respect of Excise & Taxation and Transport Departments.

The Government should ensure holding of meetings of the Audit Committee at regular intervals for all Departments.

1.6.3 Response of Departments to draft audit paragraphs

Draft audit paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/ Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The issue of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

31 draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments between June and August 2018, of which, 23 paragraphs have featured in this Report. The Departments concerned had not furnished replies to six draft paragraphs, and the same have been included in this Report without the response of the Department. The Government had not furnished any reply and the same have been included in the report without the response of the Government. Progress of recovery even in accepted cases was very slow which is depicted in graph in Para 1.7.2.

Submission of replies is essential for ensuring the logical completeness of the facts highlighted in the draft audit paragraphs and enabling holistic appreciation of issues presented in the Audit Report by PAC.

1.6.4 Follow-up on the Audit Reports-summarised position

The Public Accounts Committee notified in December 2002 that after the presentation of the Audit Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and action taken notes thereon should be submitted by the Government within three months of tabling the Report for consideration of the Committee. However, in spite of these provisions, the action taken notes on audit paragraphs of the Reports were delayed inordinately. A total of 116 paragraphs (including Performance Audits) included in the Audit Reports of the Comptroller and Auditor General of India of the Government of Himachal Pradesh for the years ended

31 March of 2013, 2014, 2015 and 2016 on Revenue Sector were placed before the State Legislative Assembly between 21 February 2014 and 31 March 2017. Action taken notes on these paragraphs were, however, received very late, from the Departments concerned with an average delay of 14, 10, seven and nine months respectively for these Audit Reports. Action taken notes in respect of two paragraphs of the Audit Report for the year ended 31 March 2016 had not been received from the Revenue Department (August 2019).

The PAC did not discuss any paragraph pertaining to the Audit Reports on Revenue Sector during the year 2017-18.

1.7 Action taken by Departments on issues raised by Audit: Detailed position for Revenue Department

The action taken on the Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for Revenue Department under Major Receipt Head '0030-Stamp Duty and Registration fee' was evaluated and is detailed in the succeeding paragraphs 1.7.1 to 1.7.3.

1.7.1 Position of Inspection Reports

The summarized position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018, relating to Revenue Department is depicted in *Annexure-II*.

Against 607 IRs with 1,181 paragraphs outstanding as on start of 2008-09, the number of outstanding IRs increased to 646 with 1,449 paragraphs at the end of 2017-18. The corresponding money value pointed out in IRs increased from ₹15.43 crore to ₹59.49 crore.

1.7.2 Recovery of accepted cases

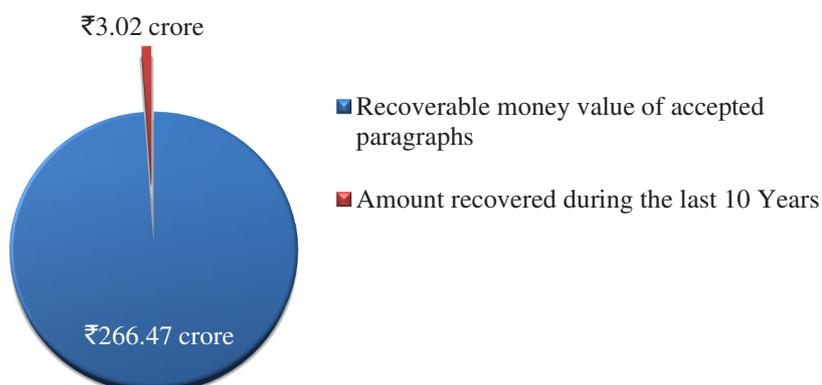
The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Revenue Department and the amount recovered is depicted in *Annexure-III*.

The progress of recovery even in accepted cases was very slow as only ₹3.02 crore (one *per cent*) were recovered upto 31 March 2018 against the total recoverable revenue of ₹269.49 crore in accepted paragraphs.

The recovery of accepted cases and the amount recovered by the Revenue Department is depicted in graph below:

Graph 1.4

Recovery in accepted Cases



1.7.3 Action taken on audit recommendations accepted by the Department/Government

The Draft report of Performance Audit conducted by the PAG is forwarded to the concerned Department/Government with a request to furnish their replies. The Performance Audit Report is also discussed in an exit conference and the Department/ Government's views are included while finalizing the Performance Audit for the Audit Report.

Audit recommendations were included in one Performance Audit on the Revenue Department under Major Receipt Head '0030-Stamp Duty' which featured in the Audit Report for the year 2011-12 on Revenue Sector, as depicted below:

Table: 1.11 Action taken on the recommendations

Sr. No.	Year of Audit Report	Title of the Performance audit	Number of recommendations made in PA	Remarks
1.	2011-12	'Stamp duty and Registration fee on lease deed'	Five recommendations	The Department accepted all recommendations and stated that efforts were being made for their implementation.

1.8 Internal Audit

Internal Audit Cells (IAC) in the Departments under the charge of the Assistant Controller (F&A), were required to conduct test check of the cases of assessment as per the approved action plan and in accordance with the criteria decided by the Steering Committee to ensure adherence to the provisions of the Acts and Rules as well as Departmental instructions issued from time to time.

The position of internal audits conducted during the year 2017-18 is depicted below:

Table: 1.12 Position of Internal Audit

Name of the Department	Total auditable units	No. of units planned for audit	No. of units audited	Shortfall
Excise and Taxation	13	13	04	09
Revenue	Details not provided			
Transport				
Forest				

The Excise and Taxation Department attributed the shortfall in internal audit to shortage of staff. Information regarding internal audit was not provided by Revenue and Transport Departments while Forest Department stated that there was no IAC in the Department.

1.9 Audit planning

The auditable entities under various Departments are categorised into high, medium and low risk units according to their revenue position, past audit observations and other criteria. An annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes issues in government revenue and tax administration derived from the budget speech, the white paper on State finances, reports of the Finance Commissions (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of revenue earnings during the past five years and audit coverage.

During the year 2017-18, there were 386 auditable units of which 178 units⁸ were audited. Two thematic audits on '*Grant of concessions to the dealers*' and '*Arrears of Revenue in Excise and Taxation Department under different receipt heads*' were conducted. Besides, audit on '*Preparedness for transition to Goods and Services Tax*' was also conducted to examine the effectiveness of the Departments concerned in realisation of revenue receipts.

1.10 Results of audit

Out of 386 auditable units, audit of 178 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers Tax and Forest Receipts was conducted during the year 2017-18 through test check of records. The major deficiencies observed in the functioning of the Departments included; failure to detect suppression of sales and purchases; under-assessment/wrong allowance of Input Tax Credit; application of incorrect rate of tax; short recovery of excise duty, license fee and interest by AAs; short levy of stamp duty and registration fee, incorrect determination of market value of property by SRs; short recovery of token tax, special road tax, composite fee by Transport Department; short recovery of royalty and extension fee by Forest Department. The total revenue loss on account of the deficiencies highlighted by Audit through IRs during 2017-18 amounted to ₹490.09 crore in 863 cases.

⁸ These units included three units of Apex level of Excise, Transport and Revenue Departments, one unit (Economic Intelligence Unit) of the office of the ETC, Shimla (these four Inspection Reports had not been issued), units of Luxury Tax, Entertainment Tax, Toll Tax and Multi-Purpose Barriers.

During the year, the Departments concerned accepted audit observations of ₹13.61 crore in 317 cases out of which an amount of ₹4.16 crore was realised in 298 cases, of which ₹4.15 crore in 296 cases related to audit findings of previous years and ₹0.01 crore in two cases related to the audit findings of 2017-18.

1.11 Coverage of this Report

This Report contains 25 paragraphs including two thematic audits with revenue implication of ₹330.87 crore. The Departments/Government accepted 19 audit observations involving ₹87.87crore, of which ₹4.30 crore was recovered in 11 cases.

CHAPTER-II
TAXES/ VAT ON SALES, TRADE ETC.

CHAPTER-II TAXES/VAT ON SALES AND TRADE

2.1 Tax administration

The Principal Secretary (Excise) administers Sales Tax/Value Added Tax at the Government level. The Excise & Taxation Commissioner (ETC) is the Head of the Excise and Taxation Department and is assisted by two Additional ETCs, one Joint ETC, six Deputy ETCs. There are 12 Assistant ETCs at District level in the field, assisted by 69 Excise & Taxation Officers (ETOs). In addition, there are Excise and Taxation Inspectors in the field to control all the activities of Department and other allied staff for administering the relevant tax laws and rules.

2.2 Results of audit

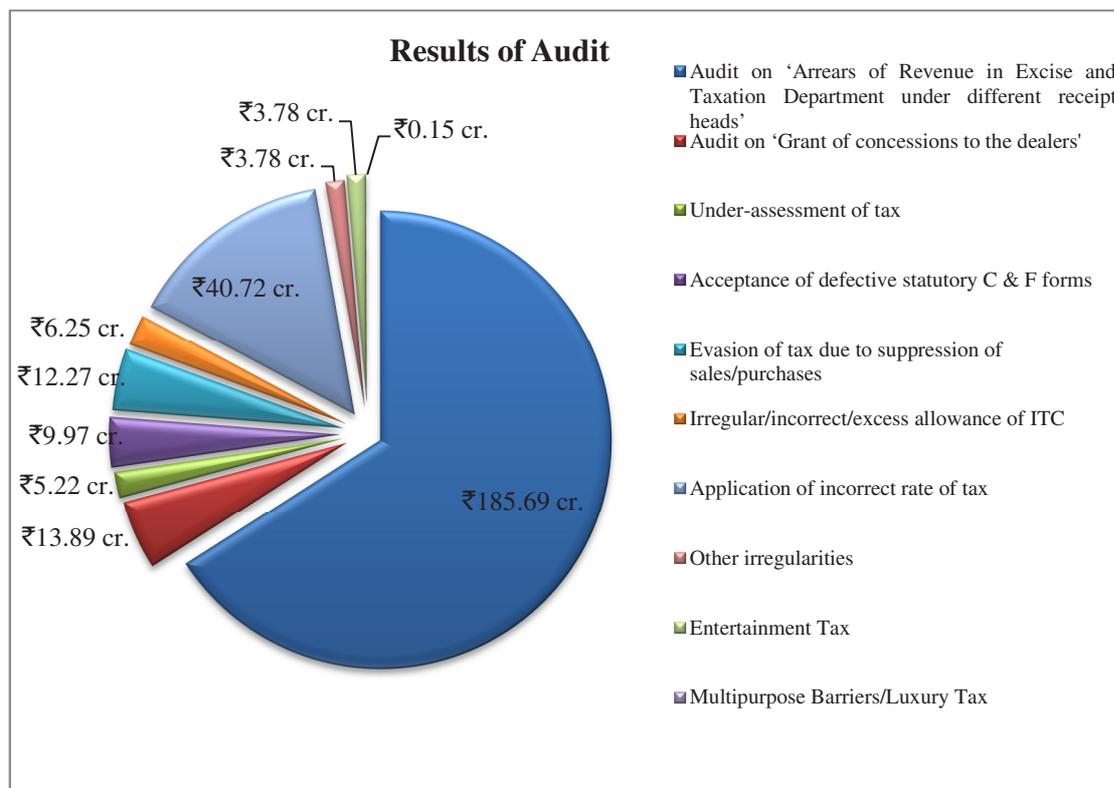
During 2017-18, test check of records of 33 units involving receipt of ₹1,865.44 crore under VAT/GST, Luxury and Multipurpose Barrier, out of 89 units revealed under assessment of tax and other irregularities involving ₹281.72 crore in 300 cases which fall under the following categories as depicted below:

Table: 2.1 Results of audit

			₹ in crore	
Sr. No.	Categories	Number of cases	Amount	
1.	Audit on 'Arrears of Revenue in Excise and Taxation Department under different receipt heads'	01	185.69	
2.	Audit on 'Grant of concessions to the dealers'	01	13.89	
3.	Under-assessment of tax	24	5.22	
4.	Acceptance of defective statutory forms C and F	19	9.97	
5.	Evasion of tax due to suppression of sales/purchases	47	12.27	
6.	Irregular/incorrect/excess allowance of ITC	70	6.25	
7.	Application of incorrect rate of tax	32	40.72	
8.	Other irregularities	78	3.78	
Total		272	277.79	
Others Tax and Non-Tax				
1.	Entertainment Tax	03	3.78	
2.	Multipurpose Barriers	13	0.15	
3.	Luxury Tax	12		
Total		28	3.93	
Grand Total		300	281.72	

The position of results of audit is depicted in the graph below:

Graph 2.1



During the year 2017-18, the Department accepted under-assessment and other deficiencies of ₹2.74 crore in 75 cases out of which an amount of ₹86.63 lakh was realised in 66 cases relating to audit findings of earlier years.

Significant cases in the form of two thematic audits having money value of ₹199.58 crore and as seven paragraphs having money value of ₹29.74 crore are discussed as follows:

2.3 Preparedness for transition to Goods and Services Tax

Introduction

As per model law approved by Goods and Services Tax Council, the Government/Department was prompt in its preparedness for implementation of Goods and Services Tax under the Act/Rules. Due to frequent changes in the rules/regulations since 1 July 2017 on the recommendations of the Goods and Services Tax Council, the State Government could not implement many of the procedures. The Department needs to sort out the legacy issues like assessments of pre-Goods and Services Tax cases, recovery of arrears and refund of tax relating to pre-Goods and Services Tax regime expeditiously in a time bound and focused manner. The Goods and Services Tax Network had also not been able to provide the complete IT solution.

Goods and Services Tax (GST) is 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 products*²) separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) is being levied on interstate supply of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, Value Added Tax was leviable on intra-State sale of goods in the series of sales by successive dealers as per Himachal Pradesh Value Added Tax (HPVAT) Act, 2005 and Central Sale Tax (CST) on sale of goods in the course of interstate trade or commerce as per CST Act, 1956.

The State Government was empowered to regulate the provisions of HP VAT Act whereas provisions relating to GST are being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC), which is constituted with representation from Centre and all the States, to recommend on the matters related to GST. The State Government notified (June 2017) the Himachal Pradesh Goods and Services Tax (HP GST) Act, 2017 and Himachal Pradesh Goods and Services Tax Rules, 2017. Various taxes³ are subsumed under GST.

Goods and Services Tax Network (GSTN) is set up by the Government of India to provide IT services. It provides *Front-end* IT services to taxpayers namely registration, payment of tax and filing of returns. *Back-end* IT services *i.e.* registration approval, taxpayer detail viewer, refund processing, MIS reports etc. are also being provided by GSTN to Model-II⁴ States. Himachal Pradesh has opted for Model-II.

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

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

³ Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax etc.

⁴ **Model-I State:** only front-end services provided by GSTN and **Model-II State:** both Front-end and Back-end services provided by GSTN

2.3.2 Scope of Audit

The activities of the State Government/Commercial Taxes Department relating to implementation of GST since 162nd amendment to the Constitution of India *i.e.* September 2016 to March 2018 were reviewed. Besides, records of the office of the Commissioner, Commercial Taxes (CCT) and data available on the Departmental web based application *www.gst.gov.in* regarding legacy issues *i.e.* assessment, recovery/refund, rectifications, submission of declaration forms etc. were examined.

2.3.3 Trend of Revenue

GST was implemented from July 2017 and total receipts under GST including non-subsumed/subsumed taxes from April 2017 to March 2018 were ₹4,843.86 crore (including IGST advance ₹484.84 crore) against ₹4,381.91 crore under pre-GST taxes during the same period of previous year 2016-17 *i.e.* an increase of 10.54 per cent. Actual receipts under pre-GST taxes and GST is depicted below:

Table: 2.2 Trend of Revenue

Year	Budget Estimate	Receipts under pre-GST taxes	Receipts under SGST and IGST		Total receipts under pre-GST taxes and GST	Increase compared with last year receipts (in percentage)	Compensation received	Total receipts
			SGST	IGST apportionment				
2013-14	3,232.90	3,141.10	-	-	3,141.10	-	-	3,141.10
2014-15	3,195.62	3,660.57	-	-	3,660.57	16.53	-	3,660.57
2015-16	3,937.01	3,992.99	-	-	3,992.99	9.08	-	3,992.99
2016-17	4,715.67	4,381.91	-	-	4,381.91	9.74	-	4,381.91
2017-18	5,135.48	2,525.87 ¹	-	-	4,843.86	10.54	1,059.00 ³	5,902.86
2017-18			1,833.15 ²	484.84				

Protected figure under the GST is ₹3,546 crore for the period July 2017 to March 2018 for the State.

¹ April to June 2017 ² July 2017 to March 2018

³ ₹539.00 crore was received during 2017-18 and ₹520 crore in 2018-19.

Source: Finance Accounts and Budget Estimates

There was an increasing trend in receipts during the last four years.

2.3.4 Legal/statutory preparedness

The State Government notified (June 2017) the Himachal Pradesh Goods and Services Tax Act, 2017 and the Himachal Pradesh Goods and Services Tax Rules, 2017. E-way bill system was implemented in the State on interstate transactions with effect from 27 March 2018 and on intra-state transactions with effect from 31 May 2018. Further, State Government had issued necessary notifications from time to time for facilitating the implementation of GST in the State. The State Government/Commercial Taxes Department had issued 237 notifications/circulars/orders regarding GST from June 2017 to March 2019.

2.3.5 IT preparedness and capacity building efforts by the Department

GSTN is to provide three *front-end* services to taxpayers namely registration, payment of tax and filing of returns. As Himachal Pradesh has opted for Model-II for implementation of GST, *back-end* applications like registration approval, taxpayer detail viewer, letter of undertaking (LUT) processing, refund processing,

management information system (MIS) reports etc. for GST administration are being developed by GSTN. As per information provided by the Department, the access for *back-end* application was available to State through Multi-Protocol Level Switching (MPLS) connectivity at State Data Centre.

Under overall supervision of Excise and Taxation Commissioner, Shimla, training programmes for Officers were organised. Orientation Training Program on GST upto the level of Excise and Taxation Officer (ETO) was organized in three batches at Thiruvananthapuram, Kerala during October/November 2015. Training on Back Office Modules and Refund Modules was organized at Delhi upto the level of Deputy Commissioner during December 2018. Moreover, 20 workshops were organized on GST at the unit level. The Department also intimated that the target of providing training to officers/officials at various levels was fully achieved by training 517 officers/officials. The website named *www.gst.gov.in* had been in place for providing GST related information such as Act/rules, notification/circulars/orders, e-Way bill etc. A centralized Call Centre was also established to attend to the problems/queries of taxpayers.

2.3.6 Implementation of GST

Audit observed that major issues/challenges faced by the Department in implementation of GST were in registration, migration, allocation of taxpayers, filing of returns, payment of tax, transitional credit, refund etc. These issues alongwith the changes in Rules and Regulations made since 1 July 2017 by the State Government were analyzed in audit as discussed below:

2.3.7 Registration of taxpayers

Every person registered under any of the pre-GST laws and having a valid Permanent Account Number (PAN) is to be issued a certificate of registration on provisional basis. The final certificate of registration is to be granted on completion of prescribed conditions. Further, taxpayers having turnover of more than the threshold limit of ₹10 lakh are required to be registered under the GST Act. This limit remained upto 31 January 2019 and was revised to ₹20 lakh from 01 February 2019.

2.3.8 Migration of existing taxpayers of Commercial Taxes Department

Under the Himachal Pradesh GST Act, 2017, every person registered under any existing law of subsumed taxes and having a PAN shall enroll on common portal by validating his e-mail address as well as mobile number. 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 by the Department, position of provisional registration and final registration of existing registered dealers in the Commercial Taxes Department is depicted below:

Table: 2.3 Migration of existing taxpayer

Total number of existing dealers as on 30 June 2017	Total number of provisional ID received from GSTN (percentage w.r.t. column I)	Complete enrolment done (percentage w.r.t. column I)	Total number of dealers not finally enrolled under GST
1	2	3	4
73,520	72,688 (99 per cent)	53,537 (72.82 per cent)	19,151

Source: Departmental figures

99 per cent of the existing dealers received provisional ID from GSTN but only 72.82 per cent of the existing dealers completed the migration process and were finally registered under GST.

The Department stated that the reason for short enrollment was that, in the VAT regime, dealers having GTO of ₹5 lakh were to be registered, whereas in GST, the dealers having GTO upto ₹10 lakh were exempted from registration.

2.3.9 Allocation of taxpayers between Centre and State

(a) Existing registered taxpayers of Commercial Taxes Department and Central Excise Department

As per recommendation of GST Council, 90 per cent of existing registered taxpayers having turnover up to ₹1.50 crore and 50 per cent of existing registered taxpayers having turnover of more than ₹1.50 crore were allotted to the State. Accordingly, State was allotted the jurisdiction of 48,506 existing registered taxpayers (November 2017) as detailed below:

Table: 2.4 Existing registered taxpayers

Description	Turnover above ₹1.50 Crore	Turnover below ₹1.50 Crore	Total
Centre	3,799	4,968	8,767
State	3,798	44,708	48,506
Total	7,597	49,676	57,273

Source: Departmental figures

(b) New taxpayers

Jurisdiction of newly registered taxpayers is being allotted to the State and Centre by GST portal electronically during submission of application for registration by the taxpayers. The position of new registration under the jurisdiction of State as on 31 March 2019 is depicted below:

Table: 2.5 Newly registered taxpayers

Application received upto March 2019	Number of applications rejected	Number of applications approved	Number of applications pending
63,789	9,504	53,747	538

Source: Departmental figures

Thus, 538 applications were pending at various stages of registration as on March 2019. These included the cases received from date of framing rules viz. 22 June 2017.

2.3.10 Filing of returns

As per Himachal Pradesh GST Act, 2017, taxpayers, other than composition taxpayers, are required to furnish details of outward supplies of goods or services in Form GSTR-1⁵, details of inward supplies of goods or services in Form GSTR-2⁶ and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) monthly. The taxpayers under composition levy are required to file a quarterly return GSTR-4.

The prescribed process of return filing was amended to address the difficulties faced by the taxpayers in the initial period of the new tax regime. The filing of GSTR-2 and GSTR-3 was postponed and all taxpayers were mandated to submit a simple monthly return in Form GSTR-3B⁷ with payment of tax by 20th of the succeeding month. Further, taxpayers having turnover below ₹1.50 crore were to file GSTR-I on quarterly basis. The details of taxpayers who have filed their return (GSTR-3B) during the period from July 2017 to March 2018 are depicted in table:

Table: 2.6 Month-wise details of returns filed

Month/year	Total taxpayers	No. of taxpayers filed the returns	No. of taxpayers who had not filed returns	Percentage of taxpayers who filed the returns
July 2017	50,631	49,701	930	98
August 2017	56,145	53,445	2,700	95
September 2017	60,003	55,881	4,122	93
October 2017	58,024	52,223	5,801	90
November 2017	59,612	52,163	7,449	88
December 2017	60,836	52,440	8,396	86
January 2018	62,906	53,455	9,451	85
February 2018	65,080	54,457	10,623	84
March 2018	67,654	55,316	12,338	82

It can be seen that percentage of returns filed has decreased from 98 *per cent* to 82 *per cent*. Thus, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers.

2.3.11 Payment of tax by dealers under composition

Any taxable person whose aggregate turnover in any preceding financial year is less than ₹75 lakh can opt for a simplified composition scheme where tax will be payable at a concessional rate of one *per cent* on the turnover in a State without

⁵ **GSTR-1:** (a) invoice wise detail of all interstate and intrastate supplies made to the registered persons and interstate supplies with invoice value more than ₹2.50 lakh made to the unregistered persons, (b) consolidated details of all intrastate supplies made to the unregistered persons and state wise interstate supplies with invoice value upto ₹2.50 lakh made to the unregistered persons and (c) debit and credit notes, if any, issued during the month.

⁶ **GSTR-2:** (a) invoice wise details of all interstate and intrastate supplies received from the registered persons or unregistered persons, (b) import of goods and services made and (c) debit and credit notes, if any, received from supplier.

⁷ **GSTR-3B:** monthly return required to be filed by all taxpayers other than taxpayers opted for composition levy.

benefit of input tax credit. The limit was revised to one crore from October 2017. Quarterly return GSTR-4⁸ is required to be filed after payment of due tax.

The position of returns filed is as below:

Table: 2.7 Details of taxpayers and returns filed

Quarter	Eligible taxpayers to file GSTR-4	Total returns filed	Percentage
June 2018	21,482	19,471	91
September 2018	21,691	18,949	87
December 2018	21,360	18,075	85

It can be seen that percentage of returns filed had decreased from 91 *per cent* to 85 *per cent*. Thus, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers.

2.3.12 Transitional credit

As per HP GST Act, 2017, registered taxpayers were entitled to carry forward and claim un-availed amount of ITC of the pre-GST regime (as per VAT returns) in the GST regime other than a person opting to pay tax under Section 10 (composition levy). This included un-availed input tax credit in respect of capital goods not carried forward in the VAT returns. Further, the taxpayers are also entitled to take credit of VAT in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on which credit is not claimed in earlier law and the taxpayer is eligible for input tax credit on such inputs under the HPGST Act. The registered taxpayers are required to file a return in prescribed form TRAN-I. However, 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 are not furnished.

Scrutiny of relevant dump data provided (March 2019) by Department and cross verification with VAT returns (VAT-XXV) for the period April to 30 June 2017 filed by taxpayers revealed that 14,367 taxpayers had filed TRAN-I and claimed transitional credit of ₹558.89 crore. Audit test checked 580 cases where transitional credit was claimed and cross verified with VAT returns (VAT-XXV). Audit observed the following:

- 25 taxpayers had claimed ITC of ₹1.27 crore in TRAN-01 against the available ITC of ₹78.06 lakh as per returns submitted by the dealers for the quarter ending 30 June 2017. Thus, ITC of ₹48.94 lakh had been claimed in excess of what was available to dealers on unsold stock/ capital goods etc.
- 33 tax payers had claimed ITC of ₹3.73 crore in TRAN-01, whereas no ITC was available as per returns submitted by these dealers for the quarter ending 30 June 2017.

The action taken by the Department against these taxpayers was not on records.

⁸ GSTR-4: Returns to be filed by the composition dealers.

2.3.13 Refund under GST

Refund module under GSTN was not operational, hence, refunds are being allowed through manual system to applicants. Specific procedures are prescribed for refund of the balance amount in the electronic cash ledger or un-utilised input tax credit at the end of particular tax period. Refund of un-utilised input tax credit is 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:

Table: 2.8 Details of refund allowed

						₹ in crore
Applications received for refund upto March 2019		Refunds allowed within prescribed period		Refunds allowed after prescribed period		Number of applications rejected
Number of taxpayers	Amount	Number of tax payers	Amount	Number of taxpayers	Amount	
773	196.59	617 (79.81 per cent)	167.04	5 (0.70 per cent)	6.08	151

It is observed that the Department allowed refunds to 79.81 per cent of the registered taxpayers within the prescribed period of sixty days and 151 applications were rejected.

2.3.14 Legacy issues

Audit assessed the legacy issues regarding assessment, recovery of arrears and other related matters as follows:

2.3.14.1 Recovery of arrears

As per information furnished by the Department, arrears (VAT and CST) aggregating ₹3,086.23 crore were pending as on 1 April 2018. The Department had classified the arrears in different categories. Arrears of ₹2,610.10 crore had been referred for recovery as arrears of land revenue, ₹109.89 crore were stayed by the Courts, ₹16.69 crore was recoverable from Government Departments/undertakings/Boards, ₹27.88 crore was proposed to be written off, ₹27.19 crore was pending under appeal and ₹294.48 crore was recoverable from others.

2.3.14.2 Assessment of dealers

Dealers are registered under HP VAT Act, 2005, CST Act, 1956 and for other minor taxes *i.e.* Entry Tax, Luxury Tax, Entertainment Tax, etc. prior to implementation of GST. Therefore, assessments of the dealers registered under old tax regime upto 30 June 2017 were to be completed by the Department within the prescribed period⁹. The Department entered into agreement with the World Bank (December 2016) to implement Himachal Pradesh Public Financial Management Project. The period of the agreement is 2018-2022. One of the terms is to clear the pendency under VAT/CST regime. As per above agreement, the Department is required to complete 90 per cent of assessments by the end of program period.

⁹ Within five years after the returns of a year has been filed.

No time line has been prescribed under VAT Act/Rules for assessment of the dealer except if dealer fails to comply with the terms of a notice issued under the Act *ibid*. Assessing Authority shall, within five years after the expiry of such period, proceed to assess to the best of his judgment the amount of the tax due from the dealer.

As per information supplied by the Department, 1,68,690 cases were pending as on 31 October 2018. The Department proposed to clear the pendency under pre-GST regime by November 2020. Further, the Department forwarded a scheme to the Secretary, GST Council (January 2019) to waive off 35 *per cent* of disputed tax payable from tax payers along with interest and penalty. The further progress in the matter was awaited.

Dy. Commissioner of revenue districts Baddi and Solan attributed the reasons of pendency of assessments to non-receipt of statutory forms 'C' and 'F' from dealers and shortage of staff.

2.3.14.3 Delay in issue of notice for assessment

HPVAT Act, 2005 provides that if the returns relating to any year have been filed and are correct and complete in material particulars, the dealer shall be deemed to have been assessed for that year. If the AA is not satisfied with the return, the AA may issue a notice for assessment within five years of filing of return. If the assessee does not respond, AA has to finalise the assessment within five years of issue of notice, to the best of his judgment. However, if assessee responds, then there is no time limit for assessment of the case.

Audit scrutiny of arrear cases of three AETCs (Solan, Sirmour and Baddi) revealed that 1,17,986 cases under VAT and CST were pending for finalization (June 2019). Out of this, 29,037 cases pertained to the period 2005-06 to 2012-13. The Department had issued notices to these dealers during 2018 and 2019, after the prescribed time limit of five years after filing of return. As per the provisions *ibid*, the AAs were to issue notices for assessment within five years of filing of return but the same not done. This will have impact on the revenue realisation of the State.

The Deputy Commissioner State Taxes & Excise stated (April 2019) that network and connectivity issue was the main constraint. Against the required speed of 10 Mbps speed of only 512 kbps was available due to which data could not be accessed on the common portal and sometimes the connections were timed out. Further, proper MIS data in order to view the mismatches, return defaulter and refund application was not available. Data mine and analysis was very difficult as extraction of data was to be done from cloud based data. Access to check input tax credit was also not available online due to which it could not be ascertained whether at source point the dealer had deposited the tax. It was suggested that a complete online refund system be devised.

Conclusion

The Government/Department was prompt in its preparedness for implementation of GST which can be seen with reference to enactment of Act and Rules as per model law approved by GST Council. Frequent changes were made in Rules/regulations since 1st July 2017 on recommendations of the GST Council. Filing of returns was postponed due to difficulties faced by the tax payers. GSTN was not able to provide the complete IT solution regarding filing of returns. The State Government was hamstrung in implementing the provisions of GST as it had limited role in these matters. A complete network system needs to be devised with required speed for successful implementation of GST Act. The Department needs to sort out the legacy issues like assessments of pre-GST cases, recovery of arrears and expedite clearance of pending cases in a time bound manner. Dealers need to be sensitized to apply for refunds of pre-GST regime.

The above points were reported to the Department and the Government in April 2019; replies were awaited (August 2019).

2.4 Audit on 'Grant of concessions to dealers'

Assessing Authorities allowed concessions and excess rebate to dealers without verifying their entitlement on inter-state sales. Invalid, duplicate and defective statutory forms were accepted and concessions were allowed without form 'C'. This resulted in loss of revenue of ₹13.89 crore, besides, interest of ₹8.87 crore was also leviable.

Introduction

To promote industrial growth in the State, a package of incentives and concessions to industrial units under Central Sales Tax (CST) Act, 1956 were announced by the Government. CST Act, 1956 provides for concessional rate of tax of two *per cent* in Inter-State trade. Purchasing dealer has to obtain *form-C*¹⁰ from his State and give it to the selling dealer to avail this concession. The concessional rate of tax of two *per cent* with *form-C* is available for both manufacturer and trader. If the inter-state sale is carried out without *form-C*, then the applicable rate of tax for the item sold in the State of selling dealer is applicable.

A dealer sending goods from one State to his branch in other State can avail the concession of zero tax on production of *form-F*¹¹ which is issued by the State where the branch of the unit is situated.

As per HPVAT Act 2005, interest at the rate of one *per cent* on tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter is payable, till the default continues.

Government of Himachal Pradesh through Industrial Policy Guidelines of 1991, 1996, 1999, 2004 and 2013 introduced package of incentives and concessions to industrial units under Himachal Pradesh General Sales Tax (HPGST) Act, 1968, HPVAT Act, 2005 and the Central Sales Tax (CST) Act, 1956. Under these policy guidelines units engaged in manufacturing activities will be eligible for payment of tax at concessional rate of one *per cent* (upto 31 March 2013). This was changed to one and half *per cent* (from 1 April 2013) in respect of sale in the course of interstate trade or commerce on production of *form-C*. However, industrial units coming into operation on or after 1 April, 2013, with effect from the date of commencing of production, or on existing industrial units which carry out substantial expansion (25 *per cent*) both on installed capacity and manpower, the concessional rate of tax would still be one *per cent* for a period of five years or till the implementation of Goods and Services Tax, whichever is earlier.

To avail this concession, any manufacturing unit should be located in Category-'C' areas¹² and has at least 70 *per cent* of its total employee from amongst the bonafide *Himachalis*. As a proof of employing 70 *per cent* of its total employee from

¹⁰ *Form-C* is issued by purchasing dealer to the selling dealer to avail concession on interstate sale.

¹¹ *Form-F* is used for transferring goods to its branches in other States.

¹² **Category-A-area:** falling under *Kanungo* (Revenue Authority) circles, **Category-B area:** under development blocks and **Category-C area:** all tribal areas.

amongst bonafide *Himachalis*, the industrial unit shall obtain *form-I* from the Department of Industries of the GoHP and give it to the assessing authority.

The concessional rate of tax of one *per cent* upto 31 March 2013 was available to all items including those in the negative list¹³ on production of *form-C*. However, from 1 April 2013, breweries, distilleries, non-fruits/vegetables-based wineries and bottling plants and industrial units specified in the negative list were to be levied CST of two *per cent* on production of *form-C*.

In case of any violation of this condition at any point of time by the concerned industrial unit, no further concession shall be admissible to it and in such an event all incentives already availed by such unit shall be recovered and such unit shall be liable for action under the Act.

Audit on '**Grant of concessions to dealers**' covering period 2014-15 to 2016-17 was conducted between December 2017 and April 2018 through test check of records maintained in seven, out of 12 AETCs¹⁴. There were total 3,769 assesseees in seven test checked AETCs, who claimed concessions. Audit selected 692 dealers (18%) in these seven AETCs. Out of 692 dealers, irregularities were found in 103 dealers (15%) involving tax effect of ₹13.89 crore. The total CST receipts of the State during the review period was ₹1,344.05 crore. The audit findings are discussed in the succeeding paragraphs.

2.4.2 Irregular allowance of concessional rate of tax

As per notification of Excise and Taxation Department of March 2005, the units engaged in manufacturing activities will be eligible for payment of tax at concessional rate of one *per cent* instead of applicable rate of two *per cent* in respect of sale in the course of interstate trade or commerce if the unit obtains certificate in *form-T* from the Department of Industries of the GoHP that unit has employed at least 70 *per cent* bonafide *Himachalis* and has furnished the same certificate to assessing authority.

Scrutiny of records of seven AETCs revealed that in AETC Baddi, AA while finalising the assessments (March 2017) of one dealer for the years 2012-13 to 2013-14 accepted *form-I* which was issued for the year 2005-06 and which depicted that unit had employed 54.66 *per cent* instead of 70 *per cent* bonafide *Himachalis*. This dealer was not eligible for the concessional rate of tax. AA incorrectly levied concessional rate of tax of one *per cent* on interstate sale of ₹77.34 crore instead of applicable rate of two *per cent*. This resulted in loss of revenue of ₹77.34 lakh¹⁵, besides, interest of ₹59.35 lakh (for the period April 2014 to December 2017) was also leviable.

Allowing concessional rate of tax to ineligible dealer resulted in short levy of tax of ₹77.34 lakh.

¹³ Negative list contains items on which concession rate of tax is not applicable.

¹⁴ AETCs Baddi, Chamba, Nurpur, Shimla, Sirmour, Solan and Una

¹⁵ Two *per cent* of ₹77.34 crore is ₹154.68 lakh and one *per cent* is ₹77.37 lakh (loss ₹154.68-₹77.34)

2.4.3 Application of incorrect rate of concessional tax

The Government of Himachal Pradesh, Excise and Taxation Department notification dated 1 April 2013 provides that in respect of sale in course of interstate trade or commerce of goods (other than those in the negative list) manufactured by a dealer running any existing industrial unit in the State of Himachal Pradesh, tax levied under the Central Sales Tax Act, shall be calculated and payable at rate of 1.5 *per cent* of the taxable turnover of such goods with effect from 1 April 2013 for a period of five years or till the date of implementation of Goods and Service Tax, whichever is earlier.

Scrutiny of records of seven AETCs revealed that in two AETCs¹⁶, AAs had allowed concessional rate of tax to four dealers who were engaged in manufacturing of craft & printing papers and plastic articles falling in the negative list¹⁷. These dealers were not entitled to avail any concessional rate of tax on interstate sales of ₹104.63 crore for the tax period 2010-11 to 2014-15. AAs, while finalising the assessments of the dealers between October 2014 and August 2016, allowed one or one & half *per cent* concessional rate of tax and levied tax of ₹1.47 crore instead of leviable tax at the rate of two *per cent* amounting to ₹2.09 crore. Thus, failure of AAs to verify the nature of manufactured goods led to application of incorrect concessional rate of tax resulting in short levy of tax of ₹62.00 lakh. Interest of ₹50.43 lakh (for the period April 2011 to December 2017) was also leviable.

Not verifying the nature of manufactured goods resulted in short levy of tax of ₹62.00 lakh.

2.4.4 Non-verification of substantial expansion for concessions

The Government of Himachal Pradesh, by notification dated 1 April 2013 prescribed that concessional rate of tax of one *per cent* instead of two *per cent* shall be levied on new industrial units coming into operation on or after 1 April, 2013 with effect from date of commencing of production, or on existing industrial units which carry out substantial expansion (25 *per cent*) both on installed capacity and manpower for a period of five years or till the implementation of Goods and Services Tax, whichever is earlier.

Scrutiny of assessment records of seven AETCs revealed that in two AETCs¹⁸ AAs had finalized the assessment of four dealers who made interstate sales of ₹78.19 crore for the years 2013-14 and 2014-15. AAs while finalising the assessments applied concessional rate of tax of one *per cent* and levied tax of ₹78.19 lakh instead of leviable tax at the rate of one and half *per cent* amounting to ₹1.17 crore without verifying the substantial expansion of the industrial units. Audit observed that there was nothing on record to show that units had carried out substantial expansion on or after 1 April, 2013 and as such these units did not qualify to avail

¹⁶ AETCs Baddi and Una

¹⁷ Industrial units which are not eligible for concessional rate of tax as per notification of April 2013

¹⁸ AETCs Solan and Una

concessional rate of tax. Thus, without verification of substantial expansion, AAs had applied incorrect rate of tax resulting in under assessment of tax to the tune of ₹39.10 lakh. Interest of ₹24.06 lakh (for the period April 2014 to December 2017) was also leviable.

Concessional rate was granted without verification of substantial expansion resulted in under assessment of tax of ₹39.10 lakh.

2.4.5 Incorrect application of concessional rate of tax on interstate sale

HP Government vide notification of May 1992, notified that one *per cent* tax will be levied on cotton-yarn, *rajmash* and cereals etc. in the course of interstate trade and commerce of goods. Further, as per notification of April 2013, concessional rate of tax is changed from one *per cent* to one and half *per cent* from 1 April 2013 in the course of interstate trade and commerce of goods including the items covered under notification of May 1992 (other than those manufactured by breweries, distilleries, non-fruits/vegetables based wineries and bottling plants and industrial units specified in the negative list).

Scrutiny of assessment records of seven AETCs revealed that in two AETCs¹⁹ AAs had finalised the assessments of four dealers between May 2015 and October 2016 for the tax period between 2013-14 and 2014-15. The items of sale were cotton-yarn, rice and *rajmash*, taxable at the rate of one & half *per cent*. AA incorrectly levied tax at the rate of one *per cent* on inter-state sales of ₹168.65 crore amounting to ₹1.69 crore instead of leviable tax of ₹2.53 crore at applicable tax rate of one & half *per cent*. This resulted in underassessment of tax of ₹84.33 lakh. Interest of ₹48.90 lakh was also leviable.

Incorrect application of rate of tax resulted in under assessment of tax of ₹84.33 lakh.

2.4.6 Grant of concessions without form-C

Central Sales Tax(CST) Act, 1956 prescribes that in the course of interstate trade or business, the selling dealer has to submit *form-C* obtained from the purchasing dealer to avail concessional rate of tax or else the tax at full rate is to be paid.

Scrutiny of records of seven AETCs revealed that in two AETCs²⁰, AAs had finalised assessments in April 2015 (for the year 2009-10) and in November 2016 (for the year 2014-15) of two dealers who had made interstate sales of ₹25.74 crore out of which sales valued at ₹57.74 lakh were not supported with *form-'C'*. AAs had levied concessional rate of tax of one & half *per cent* and two *per cent* amounting to ₹0.89 lakh, whereas these interstate transactions were taxable at the rate of

¹⁹ AETCs Baddi and Nurpur

²⁰ AETCs Chamba: one dealer: ₹0.57 lakh and Solan: one dealer: ₹6.41 lakh

13.75 per cent and 12.50 per cent amounting to ₹7.87 lakh. This resulted in short levy of tax of ₹6.98 lakh²¹. Interest of ₹2.88 lakh was also leviable.

The Department stated (September 2018) that AETCs had issued notices to the dealers for reassessment. The reply of the Government was still awaited (August 2019).

2.4.7 Acceptance of ineligible declaration forms

In case of sale in the course of interstate trade or commerce seeking full or partial exemption from tax, statutory forms 'C', and 'F' are pre-requisite for claiming tax exemption under the CST Act, 1956 before finalisation of assessment of dealer. The form-C is provided by the purchasing dealers to the selling dealer for claiming concession in the course of interstate trade or commerce. These forms are issued in three parts i.e. *Original, Duplicate and Counterfoil*. It has been judicially held that production of original forms containing full particulars like date of issue, transaction details, name of selling and purchasing dealers, value of form and period to which these forms pertain etc. for claiming concessional rate of tax is mandatory. Audit test checked the concessional forms in respect of 237 dealers and found irregularities in 48 dealers (20%) involving tax effect of ₹10.18 crore.

2.4.7.1 Form-‘C’

(i) Scrutiny of records of seven AETCs revealed that in five AETCs²², AAs while finalising the assessments between April 2015 and March 2017 of 33 dealers for the tax periods 2005-06 to 2014-15, incorrectly allowed concessional rate of tax on interstate sales on ineligible forms-‘C’. The forms contained wrong address of seller/purchaser, had overwriting or cuttings over critical inputs and entries, or photocopies/counter-foils instead of original forms (*Annexure-IV*). It had also been judicially held that production of original copy of Form-‘C’ for claiming concessional rate of tax was mandatory to prevent the misuse of the form for the commission of fraud and collusion with a view to evade payment of tax. These forms were liable to be rejected at the time of assessments.

The amount involved in the ineligible forms-‘C’ was ₹12.80 crore and AAs levied tax of ₹13.12 lakh at the concessional rate of one/two per cent whereas tax of ₹83.76 lakh at the rate of four, five, 12.50 and 13.75 per cent was leviable. Thus, non-rejection of the invalid and defective statutory forms resulted in short levy of tax of ₹70.64 lakh. Interest of ₹84.15 lakh was also leviable.

The Department stated (December 2018) that in eight cases, an additional demand of ₹21.14²³ lakh had been created and recovered, whereas five dealers had

²¹ ₹52.33 lakh X 12.25 per cent (13.75% – 1.50%) + ₹5.41 lakh X 10.5 per cent (12.5%-2%)

²² AETCs 2015-16-Baddi (12 dealers: ₹31.60 lakh), Nahan (three dealers: ₹3.56 lakh), Nurpur (two dealers: ₹3.46 lakh), Solan (seven dealers: ₹2.64 lakh) and Una (four dealers: ₹22.30 lakh 2016-17-Una (five dealers: ₹7.08 lakh)

²³ AETCs Sirmour: one dealer: ₹5,000, Solan: five dealers: ₹20.90 lakh, Una: two dealers: ₹0.19 lakh

submitted the original *form-C*, and the remaining cases were under process for re-assessment.

(ii) Audit examined *forms-C* attached with the assessment files in AETCs Baddi, Sirmour and Solan and observed the following deficiencies:

- (a) Audit cross verified *forms-C* valuing ₹4.57 crore placed in the assessment files with details of the same forms in the online system of the concerned State. In eight forms, the names of the purchasing dealers were different. In one form date of issue was different.
- (b) In six cases, verification report of *forms-C* valuing ₹2.88 crore, were placed on record. Online verification of these forms showed status as '*No matching record found for the above inputs*' in five cases and '*No record exists for this form*' in one case.
- (c) In one case, *form-C* valuing ₹6.75 lakh was placed in the file of a dealer whereas value of the same form was ₹2.91 lakh in online verification report.

There could not be a mismatch in forms placed on record and verified through online system as the contents of the forms were not editable in the online system because these forms were generated through the websites of the concerned State in which dealers were registered. Thus, possibilities of malpractices/fraudulent use of forms for above mismatches generated online could not be ruled out.

(iii) Name of the purchasing and selling dealers with TIN, date of issue, details of invoices with amount, the quarter of transaction and validity year are to be mentioned in *forms-C*. One *form-C* is to be used for transactions for a quarter. Audit observed deviations as detailed below:

- (a) In eight forms valuing ₹2.62 crore, transactions pertained to two different assessment years which was in contradiction of the provisions of the CST Act.
- (b) In 65 forms having value of ₹14.87 crore, period of transactions was later than the issuing date which indicate that statutory forms were issued in advance to the dealers.
- (c) In 149 forms valuing ₹298.16 crore, the dates of issue of forms and validation period were not mentioned on forms.
- (d) In six forms having value ₹46.48 lakh, the date of issue was 1983, 1996, 2000, 2007 and 2008 whereas the transactions pertained to 2011-12 onwards.
- (e) Five forms amounting to ₹74.58 lakh were used beyond the validity period mentioned in the forms.
- (f) In 10 forms valuing ₹8.29 crore neither the date of issue nor the bill date was recorded but the AA accepted these forms without verification.

The total value of *form-C* on which no tax concession was available worked out to ₹332.65 crore. This resulted in short levy of tax of ₹10.18 crore. Interest of ₹8.87 crore was also leviable.

The deficiencies pointed out above were indicative of the fact that Assessing Authorities had not verified the forms and defective/ineligible forms were accepted and concessional rate of tax was allowed resulting in short levy of tax of ₹10.89 crore.

The Department stated that it was not feasible to verify all the statutory forms. It was further stated that forms were verified at random either online through 'TINXSYS' and website of concerned State or by writing to the concerned State for verification of correctness.

2.4.7.2 Form-'F'

CST Act 1956, read with CST Rules 1957, provides that exemption of tax to a registered dealer is granted in case of branch transfer/consignment sale, provided these are supported by a declaration *form-'F'*. Further, single *form-'F'* is to cover the transactions of only one calendar month. Besides, interest at the prescribed rate under the Act is also leviable on the unpaid amount of tax.

Scrutiny of records of seven AETCs revealed that in four AETCs²⁴, AAs while finalising the assessments of seven dealers between May 2015 and March 2016 for the tax periods 2009-10 to 2013-14, had allowed exemption of tax of ₹30.61 lakh on transfer of stock amounting to ₹5.82 crore against declaration *form-'F'*. Audit observed that *form-'F'* were liable to be rejected at the time of assessments as these were covering transactions for more than one calendar month. However, AAs concerned did not properly scrutinise these forms and allowed concessions which resulted in non-levy of tax of ₹30.61 lakh. Interest of ₹29.92 lakh was also leviable (*Annexure-V*).

The Department stated (December 2018) that in two cases an additional demand of ₹5,000²⁵ had been created and recovered whereas the remaining cases of the dealers were under process for re-assessment. The reply of the Government was still awaited (August 2019).

Conclusion

The Department had allowed concessional rate of tax to dealers who had not employed prescribed limit of Himachalis and by applying incorrect rate of tax on goods falling under negative list to ineligible dealers. Concession was granted even without submission of declaration form. No system existed in the Department to review and verify grant of concessions to dealers for substantial expansion. Assessing Authorities had not verified the forms and defective/ ineligible forms were accepted and concessional rate of tax was allowed. Concession was allowed on F forms covering transactions of more than one month.

The above points were reported to the Department and the Government in July 2018 and April 2019; replies were awaited (August 2019).

²⁴ AETCs Baddi (two dealers: ₹11.71 lakh), Shimla (one dealer: ₹7.01 lakh) Solan (two dealers: ₹8.05 lakh) and Una (two dealers: ₹3.84 lakh)

²⁵ AETCs Solan: one dealer: ₹0.02 lakh and Una: one dealer: ₹0.03 lakh

2.5 Audit on 'Arrears of Revenue in Excise and Taxation Department under different Receipts heads'

Incorrect reporting of arrears by field units and deficient monitoring led to incorrect depiction of arrears in the Departmental records. Lack of timely action by the Department to realise the arrears, delay in assessments of remanded-back cases, non-auctioning of attached properties and non-provision of time limit in the Act/Rules to recover the arrears resulted in accumulation of arrears of ₹185.69 crore.

Introduction

The unpaid amount of tax, additional tax demand, interest and penalty, which is recoverable from dealers but not paid within the prescribed time, is termed as 'arrears'. Tax on sales and trade is a major source of revenue for the State, which is collected by the Excise and Taxation Department (ETD). HPVAT Act prescribes that a dealer is required to file his return along-with treasury receipt of tax deposited on a monthly or quarterly basis²⁶. If the tax due is not paid within the date mentioned in the Tax Demand Notice, the Department can proceed to recover the amount, in the following manner:

After the arrears on account of Government dues have been assessed and finalized by the Department, AA will issue a notice to the defaulter to pay the dues mentioned in the notice. If the defaulter even after serving three notices does not pay the Government dues or respond to the Department or prefer an appeal before the Appellate Commissioner, AETC shall declare the amount due as arrears of land revenue and take up the matter with the Revenue Authority to insert red entry in the revenue record so that property of the dealer cannot be disposed off in any manner i.e. by way of power of attorney, sale, transfer of rights and lease etc. Revenue Recovery Act (RRA) provides that if Arrears of Land Revenue (ALR) are payable by a defaulter having property in a District other than that in which the arrears accrued, the Collector may send Revenue Recovery Certificate (RRC) to the Collector of that District, stating therein the name of the defaulter and such other particulars as may be necessary for identification of the property, the amount payable by dealer and details of due.

Powers have been delegated²⁷ to the Excise and Taxation Department to recover the Government dues as arrears of land revenue under the Himachal Pradesh Land Revenue (HPLR) Act, 1954. The recovery of Government dues can be made by service of writ demand on defaulter, arrest and detention, distress and sale of moveable property, sale or attachment of estate or holding and proceedings against moveable property of the defaulter. However, no time limit has been fixed in the Act to complete the recovery process (*Annexure-VI*).

²⁶ (**Quarterly return**) up to one Crore within 40 days, exceeding one crore but not exceeding five crore within 45 days from the end of each quarter and (**Monthly return**) exceeding five crore within forty five days from the expiry of each month of a financial year.

²⁷ Delegated the power of Collectors and Assistant Collectors to the Excise Department between December 1990 and January 1993

Excise and Taxation Department is also responsible for collection of revenue under the receipts head '0039-State Excise', '0040-Taxes/VAT on Sales and Trade', '0042-Passenger and Goods Tax' and '0045-Other Taxes and Duties on Commodities and Services'.

Collection of Excise Duty, License Fee, Brand Fee, Import/Export Fee, Overtime Fee, interest and penalty, under receipt head '0039-State Excise', is collected by Excise and Taxation Department. The receipt from commercial motor vehicles under receipt head '0042-Passenger and Goods Tax' consists of passenger tax, goods tax, additional goods tax, and other receipts. Levy and collection of receipts from the Passenger and Goods Tax is regulated under the Himachal Pradesh Passengers and Goods Taxation Act (HPPGT), 1955 and Himachal Pradesh Passengers and Goods Tax Rules (HPPGTR), 1957.

During November 2017 to April 2018, Audit examined the arrears records of office of the Excise and Taxation Commissioner (ETC), Shimla and seven²⁸ out of 12 Assistant Excise and Taxation Commissioners (AETCs) for the period from 2014-15 to 2016-17. Out of total 8,725 cases of pending arrears, Audit selected 7,500 cases involving arrears of ₹3,060.83 crore. Out of these, irregularities in 1,004 cases involving money value of ₹185.69 crore were noticed as discussed below:

2.5.2 Position of Arrears and ALR cases

The demands on account of VAT after the due dates²⁹ if not recovered under the provisions of VAT Act/Rules, shall become recoverable as Arrears under Land Revenue. The Departmental authorities have been delegated with the powers of the Assistant Collector/Collector under the Himachal Pradesh Land Revenue Act, to ensure prompt recovery of the government dues from the defaulters.

The position of the arrears in the State *vis-a-vis* in selected units as on 31 March 2017 under different Major Receipt Heads is depicted below:

Table: 2.9 Position of arrears

						₹ in crore	
Arrears pending for recovery	Major Head 0039-SED	Major Head 0040-VAT	Major Head 0042-PGT	Major Head 0045-OTD	Total arrears	Total no. of cases involved	
State	86.40	2,958.37	7.06	65.63	3,117.46	8,725	
Test checked seven units							
Baddi	7.52	406.87	0.74	20.29	435.43	1,225	
Bilaspur	1.35	30.40	0.21	19.15	51.11	424	
Mandi	2.30	16.50	1.93	0.01	20.74	433	
Shimla	18.53	16.68	0.41	0.85	36.46	1,222	
Sirmour	10.94	2,249.14	0.35	10.25	2,270.68	768	
Solan	7.52	92.54	0.58	7.30	107.94	2,392	
Una	28.31	107.43	0.32	2.41	138.47	1,036	
Total of units	76.47	2,919.56	4.54	60.26	3,060.83	7,500	

²⁸ AETC Baddi, Bilaspur, Mandi, Shimla, Sirmour, Solan and Una

²⁹ Tax should be deposited within 30 days after issue of tax demand notice or as the time specified therein by the Assessing Authority.

Arrears under Major receipt head '0040-Taxes/VAT on Sales and Trades'

Arrears of ₹2,958.37 crore for the whole State under Major receipt head '0040-Taxes/VAT on Sales and Trades' were pending for recovery, which had accumulated since 1989-90.

Age-wise analysis of the arrears cases under VAT in test checked units was as given below:

Table: 2.10 Position of ALR cases under VAT

Category of arrears	₹ in crore							
	More than 10 years (Upto 2006-07)		More than 3 years (2007 to 2014)		Less than 3 years (2014 to 2017)		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Total arrears pending for recovery	1,456	52.70	2,878	114.82	2,891	2,752.04	7,225	2,919.56
Arrears declared to be pursued under the provisions of the HPLR Act	219	41.04	120	60.88	268	2,487.96	607	2,589.88
Arrears not declared as ALR and pending with Department	1,237	11.66	2,758	53.94	2,623	264.08	6,618	329.68

Audit observed that 7,225 cases involving ₹ 2,919.56 crore were pending for recovery, out of which only 607 cases involving ₹ 2,589.88 crore had been declared as ALR under the HPLR Act. No action had been taken to declare the remaining 6,618 cases involving ₹ 329.68 crore as ALR under the HPLR Act.

2.5.3 Mismatch of arrears figures

Arrears figures are compiled at different levels. ETO is the field level unit. Each AETC receives monthly statement of arrears from ETO under his jurisdiction. AETC consolidates the figures and sends monthly figures to ETC. At ETC level the arrears figures received from all AETCs is consolidated every month. The compiled figures at the ETC level give the arrear figures of the whole State. For monitoring of recovery of arrears initiated by the concerned AAs, a centralized up-to date database, showing district-wise/party-wise details of outstanding amount in the beginning of the year, addition, recovery during the year and outstanding amount at the end of the year, is required to be maintained at the apex level.

Scrutiny of records of ETC revealed that the office had not maintained detailed information in respect of recovery of arrears showing district-wise/party-wise details of outstanding recoverable amount at the beginning of year, addition during the year, recovery made during the year and balance outstanding at the end of year.

Audit examined consolidated records of ETC and seven AETCs. The following inconsistencies in the arrears figures were observed:

- In AETC Mandi, arrears pendency was shown as ₹16.50 crore whereas in the records of ETC it was shown as ₹14.69 crore.
- In the records of ETC, arrears as on 31 March 2017 was shown as ₹406.87 crore for AETC Baddi and ₹16.68 crore for Shimla whereas it was ₹389.15 crore in the records of AETC Baddi and ₹15.35 crore in the records of AETC Shimla.

Audit analysed the reasons for variation/mismatch and noticed that AETC Shimla had not accounted for arrears in arrears statement of two ETOs for the year 2016-17.

Audit further observed that ETC had communicated to the Government an amount ₹7.49 crore as arrears for AETC Shimla for the year 2016-17, whereas outstanding arrears of ₹16.68 crore was communicated to Audit.

The ETC, while accepting (June 2018) the audit observations, stated that no centralised database was maintained.

Lack of monitoring, non-maintenance of detailed database and non-reconciliation resulted in wrong depiction of arrears.

2.5.4 Non-monitoring of arrears statements

As per instruction issued by the Excise and Taxation Commissioner in November 2014, all field offices shall ensure that the arrears register is maintained party-wise and is updated with recovery figures on monthly basis. The Commissioner, Excise and Taxation shall monitor arrears through monthly statement of arrears being forwarded by the field offices.

Audit scrutiny of monthly statement of arrears (between November 2017 and April 2018) in seven selected field units revealed the following:

- Audit cross-checked arrears statement with ALR register of AETC Shimla and revealed that AA was not maintaining arrears register party-wise and updated with recovery figures on monthly basis. Audit noticed that 76 cases involving ₹1.10 crore were declared as ALR as on 31 March 2017 in the arrear statement, whereas in ALR register, 12 cases involving ₹95.28 lakh were entered out of which only one case of ₹15.69 lakh was matching with arrears statement. However, remaining cases of arrears were not found entered in the ALR register or did not match with the arrears statement.
- Scrutiny of arrears statement of seven AETCs revealed that in AETC Baddi, AA had not maintained the party-wise arrears register and recovery figures on monthly basis was not updated. Audit observed in one case that demand notice amounting to ₹2.34 crore were issued to a dealer against which ₹62.62 lakh had been recovered and remaining amount of ₹1.71 crore was still pending for recovery. However, only ₹87.57 lakh was shown as outstanding in the arrears statement, which resulted in short account of arrears of ₹83.43 lakh.

AETC Baddi stated (January 2019) that process of compilation of arrears was being done and would rectify shortly.

Lack of monitoring, non-maintenance of detailed database and non-conducting of regular review and reconciliation of figures resulted in wrong depiction of arrears.

2.5.5 Lacunae in the Acts/Rules

No time limit had been prescribed under HPGST/VAT Acts for assessment/scrutiny, completion of various processes of recovery of arrears and for initiating and completing recovery proceedings under HPLR Act/Rules. Further, the ETC had not fixed any time limit for periodic review of arrears by the AETCs and to obtain security/surety from the dealers with reference to the quantum of business.

The above deficiencies in the Act coupled with fact that the pendency of assessments was already phenomenal, resulted in accumulation of arrears. This would have adverse impact on the revenue of the State. Audit cross checked VAT Acts with reference to neighboring States viz. Haryana and Punjab, and observed that a timeline of three years has been specified for the assessment of the dealers in VAT Acts of neighboring States whereas in HPVAT Act no timeline has been specified for assessment except giving a notice for assessment within five years from the date of filing of annual return despite the fact that Himachal Pradesh usually follows Punjab Acts in many cases. Loss of revenue which occurred due to the above inadequacies, are discussed below:

2.5.5.1 Accumulation of arrears due to delay in assessment and inaction of the Department

HPVAT Act provides that when the registration certificate (RC) of a dealer is cancelled under the Act, the tax payable by the dealer for the period upto the date of cancellation of RC may be assessed.

Further, as per instruction issued by the Excise and Taxation Commissioner in November 2014, all the Assessing Authorities shall maintain recovery files of individual defaulters, so that the actual status of the defaulters can be ascertained. In all cases where the arrears are pending for more than six months and recovery could not be effected, the cases should be identified and declared as ALR. There should be regular follow-up of cases sent to the Dy. Commissioner of other Districts/States under the Revenue Recovery Act (RRA), 1905 to ensure recovery of arrears.

Audit scrutiny of seven AETCs revealed that three AETCs³⁰, did not take timely action to finalise the assessments or to verify the outstanding arrears. Audit observed that AETCs had not pursued the cases under the provision of HPLR Act as detailed below:

I. In AETC, Una, a dealer had applied for cancellation of his RC in May 2009 whereas his tax liabilities were pending for assessment for the tax years 2007-08 to 2009-10. AA cancelled his RC without assessing the tax liabilities. Further, AA assessed the dealer between January and August 2013 for the same tax period on ex-parte basis with an additional tax demand (AD) of ₹17.44 crore but dealer did not deposit the tax. Thus, due to failure on part of AA to assess the liabilities before cancellation of the RC, there was accumulation of arrears and loss of revenue of ₹17.44 crore.

³⁰ AETCs Baddi, Sirmour and Una

II. In AETC Baddi, AA had finalized the assessments of a dealer for the year 2006-07 in September 2009 and created additional demand of ₹17.07 lakh. The dealer did not pay the demand. A red entry³¹ was made in the revenue records of the dealer in April 2012 against the tax liability of ₹17.07 lakh. The firm was auctioned in June 2012 and another dealer purchased the firm. The new owner of the firm paid the outstanding tax liability of ₹17.07 lakh in October 2012. AA assessed the original dealer for the year 2007-08 to 2011-12 in September 2016 and created additional tax demand of ₹8.48 crore.

AA was aware of the default of the original dealer in payment of demand for the year 2006-07 and also made red entry in April 2012. AA should have assessed the dealer for the years 2007-08 to 2011-12 immediately as the firm was changing a hand, which was not done. Thus, delay in assessment of a dealer, who was a defaulter, resulted in non-recovery of tax of ₹8.48 crore.

III. Audit scrutiny of the AETC, Nahan revealed that AA had framed assessment of a dealer for the period 1989-90 to 1992-93 between March 1995 and March 2002. AA had created an additional demand of ₹1.98 crore whereas the firm was already taken over by the Himachal Pradesh State Industrial Development Corporation on 20th January 1993 for non-payment of loan. Thus, long time taken in finalisation of the assessment (5 to 12 years) led to non-realisation of revenue even after lapse of 28 years resulting in accumulation of arrears of ₹1.98 crore and loss of revenue to the State exchequer.

IV. In AETC Nahan, audit scrutiny revealed that AAs had made assessments between December 2006 and November 2008 of four dealers for the years 1997-98 to 2004-05 and created an AD of ₹59.12 lakh, which was not paid. Audit noticed that AA had not declared the outstanding recoveries as ALR case to attach the properties of defaulters. Thus, due to inaction on the part of concerned AA to pursue the case under ALR, there was little possibility of recovery of ₹59.12 lakh which resulted in accumulation in the arrears to that extent.

Inordinate delay in finalizing the assessments of the dealers and absence of follow-up action as per Act/Rules against the dealers resulted in loss of ₹26.51 crore.

2.5.6 Non-obtaining of security and surety bond

HPVAT Act provides for obtaining the solvent sureties along-with personal bonds to the satisfaction of AA. The security shall not be less than ten thousand rupees but not exceeding the estimated tax liability for one year.

Audit scrutiny of seven AETCs revealed that three AETCs³² AAs while registering 12 dealers, out of 278 dealers under the purview of VAT, did not obtain the surety/securities amount. AAs finalised the assessments (between October 2007

³¹ An entry in the revenue records showing liabilities of Government dues so that property could not be disposed of in any manner.

³² AETCs Mandi, Solan and Una

and January 2017) of the dealers for the years 2002-03 to 2014-15 and created an AD of ₹64.86 crore but the dealers had not deposited the tax demand.

Non-obtaining of security/sureties from the dealers at the time of registration and delayed assessment by AAs resulted in accumulation of arrears of ₹ 64.86 crore.

2.5.7 Non-assessment of remanded back cases

Under HPVAT Act, if a dealer is aggrieved with orders of the Assessing Authority for additional demand, he can file appeal for revision with the Appellate Authority. Further, as per instruction issued by the Excise and Taxation Commissioner in November 2014, all Assessing Authorities shall take due care for timely disposal of all pending assessment cases including remanded-back cases.

Scrutiny of the records of seven AETCs revealed that in two AETCs³³, AAs had issued notices for assessment within the prescribed period of five years and framed assessments in July 2004 (for the years 1994-95 to 1997-98) and March 2015 (for the years 2008-09 to 2010-11). Additional demand of ₹51.40 crore was created. The dealers aggrieved with the orders of AAs preferred appeal. The Appellate Authority remanded back the cases in July 2005 and August 2015 respectively with direction to dealers to be present before AAs for re-assessment along with all relevant records within one month. It was observed that the cases were not re-assessed till the date of audit (April 2018). The non-reassessment of these cases resulted in accumulation of arrears of ₹51.40 crore.

Delay in assessment and not assessing the remanded back cases within the period of one month as ordered by Appellate Authority resulted in accumulation of arrears of ₹51.40 crore.

2.5.8 Non-initiation of recovery process under Revenue Recovery Act

Revenue Recovery Act (RRA) provides that if Arrears of Land Revenue are payable by a defaulter having property in a District other than that in which the arrears accrued, the Collector may send to the Collector of that District for Revenue Recovery Certificate (RRC), stating therein name of the defaulter and such other particulars as may be necessary for identification and the amount payable by him and account on which it is due.

Scrutiny of the records of seven AETCs revealed that in AETC, Solan, AAs assessed (between October 1995 and July 2014) 12 dealers for the years 1985-86 to 2013-14, and created AD of ₹1.34 crore including interest and penalty but the same was not deposited by the dealers. AAs declared the cases between September 2001 and August 2015 to be recovered as ALR. As properties of these dealers fall outside the jurisdiction of concerned Collector, RRC had to be issued to the District Collectors where the property was situated which was not done.

³³ AETCs Baddi and Sirmour

Non-initiation of recovery process under RRA resulted in accumulation of arrears of ₹1.34 crore.

2.5.9 Non-auction of attached properties

Under HPLR Act 1954, recovery of Government dues can be made by adopting any one or more of the processes such as servicing of writ demand on defaulter, arrest and detention, distress and sale of movable property proceedings against movable property and sale or attachment of estate or holding of the defaulter by the Collector.

Scrutiny of records of seven AETCs revealed that in four AETCs³⁴ assessments of six dealers were finalised between January 2011 and September 2015 for the tax periods 2005-06 to 2014-15 and an additional demand of ₹45.88 crore was created. The dealers had not deposited the AD. AAs had made red entries in the revenue record of the dealers during the years 2011-12 and 2014-15 and attached the properties but AAs did not make further efforts to auction the attached properties to recover the amount due.

Non-action to auction properties resulted in accumulation of arrears to the tune of ₹45.88 crore.

Arrears under Major Receipt Head '0039-State Excise'

Arrears of ₹86.40 crore under Major receipt head '0039-State Excise' were pending for recovery, which had accumulated since 1972-73.

2.5.10 Non-recovery of revenue due to administrative failure

Excise Announcement (EA) 2016-17, provides that a successful allottee will furnish 10 *per cent* security in the shape of cash or FDR or Bank Guarantee or National Savings Certificates duly pledged in favour of AETC concerned or Excise and Taxation Officer-cum-in-charge of the District or two sureties who have own immovable property in Himachal Pradesh equal to the amount of 15 *per cent* of annual license fee within a period of seven days from the date of allotment. The sureties, who have filed a Surety Bond for any licensee, shall file undertaking that they have not given surety to any other licensee/person in the State for the same land. Further, if any person who has been allotted vends/unit fails to make deposit of the amount of basic license fee/security, the license may be resold and such allottee shall not be entitled for refund.

Scrutiny of records of seven AETCs revealed that in AETC, Shimla, same two individuals furnished sureties to licensees of seven vends. This is in contravention to the provisions of Excise Announcement 2016-17. The licensees were required to deposit license fee of ₹29.00 crore for the year 2016-17 but paid only ₹19.97 crore resulting in short payment of ₹9.03 crore. The Department had not taken any action to recover the dues from the surety or the licensee.

³⁴ AETCs Baddi, Mandi, Sirmour and Solan

Non-compliance to the provisions regarding sureties resulted in short payment of ₹9.03 crore.

Arrears under Major Receipt Head-'0042-Taxes on Passengers and Goods'

2.5.11 Non-maintenance of Daily Collection Register and Demand and Collection Register

Under HP Passenger and Goods Taxation (HPPGT) Act, 1955 owners of vehicles are required to pay PGT at the prescribed rates either quarterly or annually. As per HP Passenger and Goods Taxation (HPPGT) Rules 1957, Excise and Taxation office of each District shall maintain a daily collection register in form PGT-23 and demand and collection register (DCR) in form PGT-24 in which particulars of every *challan* for proof of tax payment, surcharge or penalty or any other amount due as made by the owners of motor vehicle shall be recorded. Further, *challans* shall be filled up in quadruplicate; a copy of the *challan* shall be retained by the treasury, one copy shall be sent to the Assessing Authority and the other two copies shall be returned to the owners of the vehicles, of which one copy shall be attached to the monthly return and the other copy shall be retained with the owner for his record in proof of payment made. Further, if any sum is payable by an owner of vehicle, the AA shall serve a notice in Form PGT-11 to deposit the PGT under the Act *ibid*.

Scrutiny of DCR of seven AETCs revealed that amount paid by vehicle owners was not mentioned properly in the Demand and Collection Register. As DCR was not updated, total amount of PGT due and paid was not known to the Department. Due to this arrear records maintained by the Department did not reflect the correct outstanding dues.

Audit scrutiny of demand and collection register in AETC Shimla revealed that out of 874 commercial vehicles, which were registered (during 2007-08 to 2016-17) with AETC Shimla, 691 were liable to pay PGT of ₹80.43 lakh at prescribed rates³⁵. This amount was not paid by the vehicle owners. The Department had not declared the amount as ALR.

Audit pointed out non-payment of PGT of ₹2.99 crore during the years 2014-15 to 2016-17 in all seven AETCs. This amount was not entered in the arrear records.

In view of non-updation of DCRs, whether the actual outstanding had been paid or not, could not be verified in audit.

³⁵ **Goods vehicles**-Loading capacity (in qtls) 0-10: ₹1,000, 10-20: ₹2,000, 20-30: ₹3,000, 30-120: ₹6,000 above 120: ₹10,000, **Passenger Vehicles**- (on seating capacity) 4+1: ₹1,350, 5-6: ₹2,400, 6-8: ₹5350, 9-13: ₹8,000, **School Buses**-(on seating capacity) upto 29: ₹7,200 and more than 29: ₹9,000

Arrears under major receipt head '0045-Other Taxes and Duties on Commodities and Services'

Arrears of ₹65.63 crore under major receipt head '0045-Other Taxes and Duties on Commodities and Services' were pending for recovery, which had accumulated since 1989-90.

2.5.12 Non-recovery of toll lease money

As per provisions of the Himachal Pradesh Toll Act 1975, when a lease has been allotted to any lessee after completing of all codal formalities, the lessee shall have to pay the lease money in 10 instalments on 20th day of each month, or as the Excise and Taxation Commissioner may fix. 15 per cent of lease amount shall be deposited by lessee on or before 10th February as security money and remaining 85 per cent shall be paid by lessee in 10 instalments in on 20th day of each month from April to January. If toll lessee fails to deposit 15 per cent payment of the monthly instalments of the respective financial year on or before 10th February each year as security money, his lease shall be deemed to have been cancelled without any notice, and the process to recover the amount as arrears under the HPLR Act 1954 would be initiated. It is also provided in eligibility conditions that allottee or person concerned should not be a defaulter under any taxation statute in Himachal Pradesh.

- i. Scrutiny of records of seven AETCs revealed that in two AETCs³⁶, toll leases were allotted to two lessees on annual lease money of ₹45.06 crore for the year 2013-14. These lessees had deposited lease money of ₹33.17 crore against payable amount of ₹45.06 crore, which was short by ₹11.89 crore. Audit observed that AETCs had made red entries in land records of the defaulters for recovery of ₹11.89 crore under ALR Act but the Department did not take any action to auction the properties.
- ii. In AETC Baddi, a toll lease for annual lease money of ₹14.38 crore for the year 2013-14 was allotted to a firm which had five partners out of which two partners were already in default of payment of ₹2.22 crore for the year 2012-13. Further, out of ₹14.38 crore, lessee had paid an amount of ₹12.68 crore and an amount of ₹1.70 crore was not deposited by lessee which remained outstanding for the year 2013-14. Thus, allotment of lease to defaulter lessees was in contravention of the provisions of the Act resulting in loss of revenue to State exchequer and consequently further accumulation of arrears.

Irregular allotment of toll lease to defaulter in violation of provisions led to non-recovery of ₹13.59 crore (₹11.89 crore + ₹1.70 crore).

³⁶ AETCs Bilaspur and Una

2.5.13 Incorrect reflection of arrears

Test check of records of two AETCs³⁷ revealed that in three cases, arrears of ₹18.78 lakh pertaining to the years between 1994-95 and 2001-02 were shown as recovered in the ALR register whereas these were still shown as recoverable in the arrears statement. This resulted in incorrect reflection of arrears to extent of ₹18.78 lakh.

Conclusion

Lack of monitoring, non-maintenance of detailed database and non-reconciliation resulted in wrong depiction of arrears. Inordinate delay in finalizing the assessments of the dealers and absence of follow-up action as per Act/Rules against firms/dealers resulted in revenue loss as the dealers have closed their businesses. Non-obtaining of security/sureties from the dealers at the time of registration, non-assessment of remand back cases and delayed assessment by AAs resulted in accumulation of arrears. Attached properties were not auctioned. Non-compliance to the provisions regarding sureties resulted in short payment of excise dues. Irregular allotment of toll lease to defaulters in violation of provisions led to non-recovery of dues.

The above points were reported to the Department and the Government in July 2018; replies were awaited (August 2019).

³⁷ AETCs Baddi: ₹4.98 lakh and Shimla: ₹13.80 lakh

2.6 Allowance of Input Tax Credit

Assessing Authorities allowed Input Tax Credit without taking into consideration the closing stock/sale of tax free goods/branch transfer resulting in deferment of tax liability of ₹7.01 crore for 138 dealers.

I. Excess allowance of ITC

As per HP VAT Act, 2005 input tax credit (ITC) shall be allowed to the extent of amount of input tax paid by the purchasing dealer on the purchase of taxable goods made by him from a registered dealer in State. Further, as per notification of May 2007, amount of input tax credit shall be admissible to a dealer on the purchase value of goods sold by him during the tax period. If a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* for one month and thereafter one and half *per cent* per month till the default continues.

During 2017-18, Audit scrutinised the records of 12 AETCs³⁸ where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that two AAs while assessing the annual returns of 129 dealers in 142 cases having Gross Turnover (GTO) of ₹1,161.50 crore for the tax periods between 2007-08 and 2015-16 had allowed ITC of ₹65.61 crore on local purchases of ₹656.47 crore. On the basis of proportion of local purchases to total purchases, ITC amounting to ₹10.66 crore on closing stock of ₹213.38 crore was required to be withheld whereas AAs withheld ITC of only ₹4.38 crore. Non-application of the provisions of the Act resulted in excess allowance of ITC amounting to ₹6.28 crore. Besides, interest amounting to ₹1.00 crore was also recoverable.

The Department stated (December 2018) that in 43 cases, an additional demand of ₹23.90³⁹ lakh had been created, out of which in 40 cases an amount of ₹12.89 lakh had been recovered, whereas remaining cases of the dealers, were under process for re-assessment.

II. ITC on sale of tax-free goods

HP VAT Act 2005 provides that no ITC shall be claimed by a purchasing dealer and this shall not be allowed to him for tax collected on the purchase of goods used in the manufacture or processing or packing of goods, declared tax free under the Act *ibid*.

During 2017-18, Audit scrutinised the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and

³⁸ AETCs Baddi, Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Nahan, Nurpur, Shimla, Solan and Una

³⁹ AETCs **2016-17**: Bilaspur: six dealers: ₹0.43 lakh, Hamirpur: one dealer: ₹0.90 lakh, Mandi: two dealers: ₹0.07 lakh, Nurpur: two dealers: ₹0.78 lakh, Shimla: one dealer: ₹5.28 lakh, Solan: four dealers: ₹1.56 lakh, **2015-16**: Chamba: 19 dealers: ₹10.53 lakh, Nurpur: five dealers: ₹2.54 lakh, Shimla: 3 dealers: ₹1.81 lakh

found that four AETCs⁴⁰ allowed ITC on sale of tax free goods to 6 dealers in 13 cases. AAs assessed the dealers at a GTO of ₹107.02 crore for the years 2008-09 to 2014-15, this included a tax free turnover of ₹34.68 crore. AAs allowed ITC of ₹1.58 crore whereas ITC worked out to ₹1.10 crore on the basis of tax free sales of ₹34.68 crore. This resulted in excess allowance of ITC of ₹47.96 lakh⁴¹. Interest of ₹7.67 lakh was also leviable.

The Department stated (December 2018) that in two cases, an additional demand of ₹0.89⁴² lakh had been created, out of which an amount of ₹0.11 lakh had been recovered, whereas remaining cases of the dealers were under process for re-assessment.

III. Incorrect allowance of ITC on branch transfer

HP VAT Act, 2005 provides that notwithstanding anything contained in sub-section, ITC shall be allowed only to the extent by which the amount of input tax paid in the State exceeds four *per cent* on purchases of goods sent outside the State otherwise than by way of sale in the course of inter-state trade.

During 2017-18, Audit scrutinised the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that AETCs, Bilaspur and Una allowed ITC on branch transfer also to three dealers in five cases. AAs while finalising the assessments of three dealers having GTO of ₹667.67 crore for the tax periods 2010-11 and 2011-12, had disallowed ITC of ₹0.14 lakh only on stock transfer of ₹414.78 crore against the disallowable ITC of ₹25.45 lakh. This resulted in under assessment of revenue of ₹25.31 lakh⁴³. Besides interest of ₹4.05 lakh was also leviable.

The Department stated (December 2018) that in one case, an additional demand of ₹0.32⁴⁴ lakh had been created and recovered, whereas remaining cases of the dealers were under process for re-assessment.

The matters were reported to the Government between August 2016 and May 2018; replies were still awaited (August 2019).

⁴⁰ AETCs Hamirpur, Kullu, Solan and Una

⁴¹ AETCs Hamirpur (three dealers: ₹1.03 lakh), Kullu (one dealer: ₹40.18 lakh), Solan (one dealer: ₹1.68 lakh) and Una (one dealer: ₹5.07 lakh)

⁴² AETC Hamirpur: two dealers: ₹0.89 lakh

⁴³ AETCs Bilaspur: one dealer: ₹22.75 lakh and Una: two dealers: ₹2.56 lakh

⁴⁴ AETC Una: one dealer: ₹0.32 lakh

2.7 Application of incorrect rate of tax

Assessing Authorities applied incorrect rate of tax of four and five per cent instead of applicable rates of five and 13.75 per cent while finalising the assessments of 11 dealers resulting in undue benefit to the dealers and short realisation of tax amounting to ₹11.56 crore. Interest of ₹5.73 crore was also recoverable.

Schedule-A under the HPVAT Act, 2005 provides that tax is leviable on sales made by a dealer. Further, Act *ibid* provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and one and a half *per cent* per month thereafter till the default continues.

During 2017-18, Audit test checked the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that four AAs while finalising the assessment of 11 dealers in 23 cases between May 2015 and February 2017, levied incorrect rate of tax. These dealers had made intra and inter-state sales amounting to ₹137.79 crore during the years 2009-10 to 2015-16. AAs levied tax of ₹6.64 crore at the rate of four and five *per cent* instead of ₹18.20 crore at the applicable rate of five and 13.75 *per cent*. Thus, application of incorrect rate of tax resulted in short realisation of tax of ₹11.56 crore⁴⁵, (₹18.20 crore-₹6.64 crore). Interest of ₹5.73 crore was also leviable.

The Department intimated (December 2018) that notices had been issued to dealers in six cases, whereas for remaining cases re-assessment was under process. The reply of the Government was still awaited (August 2019).

2.8 Incorrect determination of turnover

Assessing Authorities assessed the Gross Turnover on lesser than the actual turnover resulting in loss of revenue of ₹5.47 crore, besides, interest of ₹4.61 crore was also leviable.

As per HPVAT Act, 2005, turnover means the aggregate amount of sales, purchases or any part of sales and purchases made by any dealer and includes any sum charged on account of freight, storage, demurrage, insurance and for anything done by the dealer in respect of the goods at the time of or before delivery thereof.

During 2017-18, Audit test checked the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that nine AAs while finalising (between January 2015 and February 2017) assessments of 37 dealers in 44 cases for the years 2007-08 to 2014-15 assessed GTO at ₹997.93 crore against the actual GTO of ₹1,106.43 crore as shown in the certified accounts. Thus, there was short assessment of GTO of ₹108.50 crore

⁴⁵ AETCs (2016-17): Baddi (two dealers: ₹9.50 crore), Shimla (one dealer: ₹1.41 lakh), Solan (four dealers: ₹1.19 crore), (2015-16) (one dealers: ₹55.24 lakh) and Una (three dealers: ₹29.84 lakh)

leading to short levy of tax by ₹5.47 crore, besides interest of ₹4.61 crore was also leviable.

The Department intimated (December 2018) that in 11 cases an additional demand of ₹29.03⁴⁶ lakh was created and recovered and notices had been issued in 12 cases whereas remaining cases were under process. The reply of the Government was still awaited (August 2019).

2.9 Suppression of Sale and Stock

26 dealers in 28 cases suppressed sales and closing stock of ₹8.54 crore which escaped assessment resulting in loss of revenue of ₹1.08 crore. Besides, interest of ₹71.35 lakh and minimum penalty of ₹9.94 lakh was also leviable.

HPVAT Act 2005 provides that if a dealer has maintained false accounts with a view to suppressing his Sales, Purchases or stocks of Goods, or has concealed any particulars of his sales or purchases, or produced false accounts before any Authority under the Act then he is liable to pay penalty not less than 25 per cent of tax due.

(i) During 2017-18, Audit test checked the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that in five AETCs⁴⁷, 25 dealers in 27 cases having GTO of ₹386.19 crore during tax periods 2005-06 to 2014-15 had not disclosed sales of ₹3.17 crore in the annual returns which were otherwise depicted in their Trading and Profit and Loss accounts as sale of assets. Further, audit of AETC Shimla revealed that a dealer having GTO of ₹99.37 lakh for the year 2012-13 had shown opening stock of ₹8.99 lakh whereas closing stock of ₹38.40 lakh was depicted in his certified accounts of the previous year. AAs while finalising the assessments (between May 2014 and March 2016) of the dealers did not cross-check the annual returns with their annual accounts.

Thus, due to failure on the part of AAs to cross-check annual returns and annual accounts, dealers were able to suppress TTO of ₹3.46 crore (₹3.17 crore + ₹29.41 lakh) which escaped assessment, resulting in evasion of tax of ₹39.77⁴⁸ lakh. Interest of ₹35.69 lakh and minimum penalty of ₹9.94 lakh was also leviable.

(ii) In AETC Nahan 3,297 assessments cases were completed. Out of which, Audit test checked 1154 cases and found that AA while finalising assessment of a dealer in May 2016 for the year 2014-15, assessed sales as ₹12.11 crore and levied tax of ₹1.37 crore (at the prescribed rate of tax of 13.75 per cent). Audit observed

⁴⁶ AETC Shimla: one dealer: ₹12.84 lakh, Solan: one dealer: ₹0.24 lakh, Chamba: one dealer: ₹0.28 lakh, Mandi: one dealer: ₹13.35 lakh, Nurpur: one dealer: ₹0.10 lakh, Solan (2015-16): one dealer: ₹0.02 lakh, Una: five dealers ₹2.20 lakh

⁴⁷ AETC, Baddi, Bilaspur, Chamba, Kangra and Una

⁴⁸ AETCs Baddi: 10 dealers: ₹11.52lakh, Bilaspur: four dealers: ₹1.63 lakh, Chamba: one dealer: ₹5.73 lakh, Kangra: two dealers: ₹6.32 lakh and Una: eight dealers: ₹13.10 lakh and Shimla: one dealer: ₹1.47 lakh

that dealer had made sales of ₹17.10 crore as per annual return and had shown tax payable as ₹2.35 crore (at the tax rate of 13.75 per cent). However, AA had not recorded reasons in assessment order for taking sales as ₹12.11 crore instead of as ₹17.10 crore. Thus, short assessment of sales by ₹4.99 crore by the AA resulted in under assessment of tax by ₹68.57 lakh and consequent loss of revenue to that extent. Interest of ₹35.66 lakh was also recoverable.

The Department intimated (December 2018) that two AETCs⁴⁹ had created an additional demand of ₹0.12 lakh against two dealers, whereas in remaining cases, notices had been issued for re-assessment which were under process. The reply of the Government was awaited (August 2019).

2.10 Excess allowance of labour charges

Excess deduction of labour charges of ₹14.56 crore from GTO by AAs resulted in under assessment of tax of ₹67.02 lakh.

HPVAT Act, 2005 provides that where the labour charges are not determinable from the accounts of the works contractors or are considered un-reasonably high in consideration of the nature of the contract, the deductions towards labour charges shall be allowed by the AAs according to limits prescribed for the type of contract specified in the Act/Rules *ibid*.

During 2017-18, Audit test checked the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that six AAs while finalising the assessments of eight contractors in 13 cases between May 2016 and February 2018 for the tax period 2007-08 to 2015-16 allowed labour charges of ₹9.67 crore against the admissible deduction of ₹4.50 crore without verifying the labour accounts of the contractors. Thus, allowance of excess labour charges of ₹5.17 crore by the AAs without any reasons recorded in the assessment orders led to short levy of tax of ₹25.64 lakh. This resulted in short realisation of revenue to that extent.

In three AETCs⁵⁰, 15,123 assessments cases were completed, out of which, Audit test checked 4,310 cases and found that AAs had allowed deduction of labour charges of ₹14.15 crore while assessing three contractors in eight cases for the tax period 2007-08 to 2015-16. However, these contractors had booked labour charges of ₹4.75 crore as depicted in their certified accounts. Thus, failure of AAs to cross-check the returns with the certified accounts of the contractors led to excess allowance of labour charges of ₹9.40 crore. This resulted in under assessment of tax by ₹41.38 lakh. Besides, interest of ₹25.64 lakh was also leviable.

⁴⁹ AETCs Bilaspur: ₹0.01 lakh and Una: ₹0.11 lakh

⁵⁰ AETCs Bilaspur: one dealer: ₹0.54 lakh, Kangra: one dealer: ₹34.81 lakh and Mandi: one dealer: ₹6.03 lakh

The Department intimated (December 2018) that in three AETCs, an additional demand of ₹13.95⁵¹ lakh was created and recovered from four contractors, whereas remaining cases of contractors were under process. The reply of the Government was awaited (August 2019).

2.11 Short-levy of interest

Assessing Authorities levied interest of ₹8.40 lakh instead of leviable interest of ₹24.30 lakh on additional demand created, resulting in short levy of interest of ₹15.90 lakh.

As per HPVAT Act 2005, if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

During 2017-18, Audit test checked the records of 12 AETCs where 93,619 assessments were completed. Out of which, Audit test checked 37,448 cases and found that in two AETC⁵², AAs while finalising the assessments (between June 2015 and March 2017) in respect of 11 dealers in 18 cases for the tax period 2007-08 to 2013-14, created additional tax demands of ₹20.43 lakh and levied interest of ₹2.77 lakh against the leviable interest of ₹16.60 lakh on additional demand created upto the date of assessment. Further in AETC Baddi, AA assessed (December 2016) the cases of entry tax of a dealer for the tax period 2011-12 to 2015-16 and created entry tax demand of ₹19.24 lakh on interstate purchases of ₹23.74 crore. AA had levied interest of ₹5.63 lakh instead of ₹7.70 lakh which was short by ₹2.07 lakh. This resulted in short levy of interest of ₹15.90 lakh (₹13.83 lakh + ₹2.07 lakh).

The Department stated (December 2018) that AETCs had issued notices to the dealers for re-assessment. The reply of the Government was still awaited (August 2019).

2.12 Non-realisation of Entertainment Duty

The Excise and Taxation Department did not levy entertainment duty on cable operators thereby forgoing revenue of at least ₹3.78 crore.

The Cable TV Network (Regulation) Act, 1995, provides for mandatory registration of cable operators with the registering authority namely Head Postmaster of the area. HP Entertainment Act, 1968 provides for levy of entertainment duty at the rates to be specified by the Government. Television exhibition includes an exhibition with the aid of any type of antenna with a cable network attached to it.

⁵¹ AETCs Chamba: two dealers ₹0.52 lakh, Bilaspur: one dealer: ₹0.08 lakh and Mandi: one dealer: ₹13.35 lakh

⁵² (2015-16) AETCs Baddi: ₹4.70 lakh and Kangra: ₹0.69 lakh and (2016-17)Baddi: ₹10.51 lakh

The Excise and Taxation Department, by notification of May 2012, had stipulated that duty on all kinds of entertainments shall be levied at the rate of 10 *per cent* of the payment for admission with immediate effect. Further, if the proprietor fraudulently evades the payment of any dues, he shall be liable to a fine of ₹2000 and when the offence is continuing, a daily fine not exceeding ₹50, during the period of the continuance of the offence

Audit obtained information from District Public Relation Officers (DPROs) regarding registration of cable operators in three districts (Bilaspur, Kangra and Mandi) and found that there were 28 cable operators registered in these three Districts. Audit test checked the records regarding payment of entertainment duty from the concerned AETCs and found that none of the 28 cable operators registered in these districts was paying entertainment duty. *The Department did not recover the entertainment duty of ₹3.78 crore from the operators, as depicted below:*

Table: 2.11 Non-realisation of Entertainment Duty from cable TV operators

Name of District	Total no. of cable operators	No. of Cable Connections 2014-15	No. of Cable Connections 2015-16	No. of Cable Connections 2016-17	Rate per connection	Period of Entertainment duty	Total No. of months	Amount realized by operators from cable connections	Entertainment duty @ 10 per cent
1	2	3	4	5	6	7	8	9	10
Bilaspur	7	0	0	28,200	200	April 2016 to March 2017	12	6,76,80,000	67,68,000
Kangra at Dharamshala	6	23,870	23,870	23,870	280	April 2014 to March 2017	36	24,06,09,600	2,40,60,960
Mandi	15	9,435	13,260	16,262	150	April 2014 to March 2017	36	7,01,22,600	70,12,260
Total	28							37,84,12,200	3,78,41,220

Besides, penalty at the rates prescribed in the Act was also leviable for non-payment of entertainment duty.

The Department intimated (December 2018) that all AETCs had issued notices to the cable operators for recovery. The reply of the Government was still awaited (August 2019).

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

CHAPTER-III
STATE EXCISE

CHAPTER-III STATE EXCISE

3.1 Tax administration

The Principal Secretary (Excise) is the Administrative Head at the Government level. The Department is headed by the Excise and Taxation Commissioner (ETC). The Department has three Zones¹, which are headed by the Additional ETC (South Zone) and Deputy ETCs of North Zone and Central Zone. Besides, 255 Excise and Taxation Inspectors under the control of the Assistant Excise and Taxation Commissioners (AETCs) of the respective Districts are deputed to oversee in field and regulate levy/collection of excise duties and allied levies.

3.2 Results of audit

In 2017-18, test check of records of nine units, out of 13 units having receipt of ₹1,015.63 crore relating to State Excise revealed non-realisation and short realisation of Excise Duty, License Fee, Interest, Penalty and other irregularities involving ₹67.37 crore in 61 cases as detailed below:

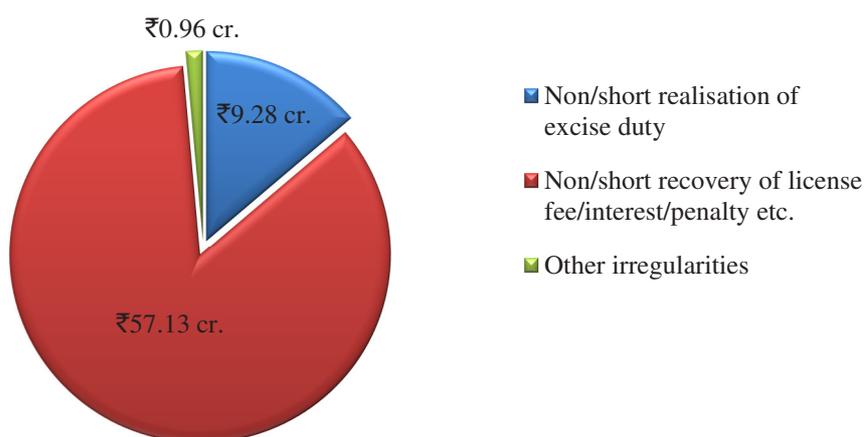
Table: 3.1 Results of audit

			₹ in crore
Sr. No.	Categories	Number of cases	Amount
1.	Non/short realisation of excise duty	03	9.28
2.	Non/short recovery of license fee/interest/penalty etc.	35	57.13
3.	Other irregularities	23	0.96
Total		61	67.37

The category wise audit findings are depicted in the graph as below:

Graph 3.1

Results of audit



During the year 2017-18, the Department accepted under-assessment and other deficiencies worth ₹9.21 lakh in five cases pertaining to audit findings of earlier years and recovered the same.

¹ South Zone (Shimla, Solan, Sirmour, Kinnaur and Baddi), North Zone (Chamba, Kangra, Nurpur and Una) and Central Zone (Bilaspur, Hamirpur, Kullu and Mandi)

Significant cases involving an amount of ₹55.86 crore are discussed in the following paragraphs.

3.3 Short recovery of license fee

AETCs did not take any action either to recover the short deposited license fee of ₹38.90 crore from 49 licensees or to seal vends.

The Excise Announcement (EA) 2016-17 provides that annual license fee of a particular vend shall be predetermined based on the Minimum Guaranteed Quota (MGQ) of liquor fixed for each vend for the whole of the year. The fee so fixed is required to be levied in 12 monthly instalments and paid by the last day of each month and last instalment for the month of March has to be paid in full by 15th of March. It further, provides that if the licensee fails to pay the amount of licence fee and interest on due dates, AETC in-charge of the District or any other officer authorised by him would ordinarily seal vend on 1st day of the following month or 16th March as the case may be.

During 2017-18, Audit test checked the records relating to M-2 registers² of nine AETCs involving 1,134 vends and observed that in five AETCs³, having 720 vends, Department recovered short licence fee from 49 vends (shops). The Department recovered licence fee of ₹185.30 crore against the recoverable licence fee of ₹224.20 crore for the year 2016-17. AETCs took no action either to recover the balance license fee or to seal vends as per EA, even though the licensees of these vends were in default of payment of monthly instalment between April 2016 and March 2017. This resulted in short recovery of license fee amounting to ₹38.90 crore.

The Department intimated (January 2019) that two AETCs⁴ had recovered an amount of ₹2.34 crore and three AETCs⁵ had declared arrears of ₹26.18 crore under ALR; besides, notices were being issued to defaulters to recover the balance amount. The reply of the Government was still awaited (August 2019).

² A register showing the quantity of Foreign Spirit including IMFL and CL issued for sale, amount of additional license fee payable and received during the month.

³ Baddi: nine units: ₹6.63 crore, Mandi: seven units: ₹6.09 crore, Shimla: 13 units: ₹12.56 crore, Sirmour: two units: ₹0.41 crore and Una: 18 Units: ₹13.21 crore

⁴ AETCs Baddi: ₹2.33 crore and Mandi: ₹1.01 lakh

⁵ AETCs Shimla: ₹12.56 crore, Sirmour: ₹0.41 crore and Una: ₹13.21 crore

3.4 Non-levy of additional fee and penalty on short lifting of Minimum Guaranteed Quota

The Department did not levy additional fee of ₹12.74 crore for short lifting of 40,58,893 proof litres of liquor against benchmark of 100 per cent by licensees of 561 vends. Penalty of ₹1.81 crore was also leviable for short lifting of MGQ against benchmark of 80 per cent.

EA 2016-17 stipulates that each licensee shall be required to lift MGQ both of Country Liquor (CL) and Indian Made Foreign Liquor (IMFL) as fixed for each vend and shall be liable to pay license fee fixed on the basis of the MGQ. The licensee shall also be liable to pay additional fee of ₹10 per proof litre (pls) on CL and ₹56 per pls on IMFL on the un-lifted quota of liquor which falls short of the benchmark of 100 per cent of MGQ. Further, licensee shall also be liable to pay penalty of ₹7 per pls on CL and ₹14 per pls on IMFL on the un-lifted quota of liquor which falls short of the benchmark of 80 per cent of MGQ. AETC or Excise and Taxation Officer (ETO) in-charge of the District shall review the position of lifting of MGQ on quarterly basis and ensure recovery of the additional license fee as well as the amount of penalty on un-lifted MGQ.

During 2017-18, Audit test checked the records of nine AETCs involving 1,134 vends and observed that in seven AETCs having 897 vends, licensees of 561 vends had short lifted MGQ of liquor. Additional fees for short lifting of MGQ of ₹12.74 crore⁶ was required to be levied as shown below:

Table: 3.2 Position of MGQ fixed and lifted

Liquor quota	Country Liquor	Indian Made Foreign Liquor	Total
MGQ fixed (In pls)	79,47,178	67,25,511	1,46,72,689
MGQ lifted (In pls)	57,75,382	48,38,414	1,06,13,796
MGQ short lifted (In pls)	21,71,796	18,87,097	40,58,893
Additional fee (In ₹)	10 per proof litre	56 per proof litre	--
Additional fee payable (In ₹)	2,17,17,960	10,56,77,432	12,73,95,392

Further, out of these 561 licensees, it was observed that lifting against MGQ was also short of the 80 per cent benchmark by 18,29,846 pls (CL:10,70,548 pls and IMFL: 7,59,298) in respect of 550 licensees and penalty of ₹1.81 crore was required to be levied on these licensees. However, in violation of the EA, AETC/ETO did not review the quota lifting statement to check the lifting position of MGQ on quarterly basis in spite of the fact that Audit had pointed out the same deficiencies repeatedly for the last five years, thereby indicating either negligence or unwillingness in applying provisions of EA. Thus, failure on the part of AETC/ETO resulted in short realisation of additional fee and penalty of ₹14.55 crore (₹12.74 crore + ₹1.81 crore) and extending undue benefit to the licensees.

⁶ Baddi: 44 vends: ₹1.48 crore, Chamba: 88 vends: ₹1.10 crore, Kinnaur: 11 vends: ₹0.11 crore, Mandi: 145 vends: ₹2.86 crore, Shimla: 155 vends: ₹5.35 crore, Sirmour: 23 vends: ₹0.39 crore and Una: 95 vends: ₹1.45 crore.

The Department intimated (January 2019) that AETCs had issued directions to all AAs to issue notices to the defaulters for recovery of additional fee and penalty. The reply of the Government was still awaited (August 2019).

The Department may ensure that field offices review the position of Minimum Guarantee Quota by vends on monthly/quarterly basis as provided in the Excise Announcements.

3.5 Non-levy of interest on delayed payment

Interest amounting to ₹3.77 crore on delayed payment of license fee/bottling fee/franchisee fee was not demanded by the Department from the licensees of 156 vends resulting in non-levy of interest to that extent.

EA 2016-17 stipulates that if the licensee is unable to lift the MGQ within a month, he shall be required to pay the full instalment of license fee for that month by the last day of the month and fee for the month of March shall be paid in full by 15th of March. It further provides that Bottling Fee⁷ and the Franchisee Fee⁸ at the rates prescribed shall be payable on quarterly basis i.e. within seven days of the expiry of each quarter of the financial year. It further provides that if the licensee fails to pay the amount of fees or part thereof on due dates, interest at the rate of 14 *per cent* upto one month and 18 *per cent* per annum thereafter shall be leviable.

During 2017-18, Audit test checked the records of nine AETCs involving 1,134 vends and observed that in eight AETCs⁹ having 1,106 vends, the licensees of 156 vends had deposited between April 2016 and November 2017 License Fee/Bottling Fee/ Franchisee Fee of ₹225.02 crore after the due dates. The delay ranged between two and 434 days. Therefore, these licensees were liable to pay interest of ₹3.77 crore¹⁰ on the delayed payments. However, the AETCs concerned did not raise any demand for the same. Further, in violation of the EA, AETC/ETO did not review the same deficiencies, even after being repeatedly pointed out by Audit for the last five years, indicating either negligence or inaction in applying the provisions of EA. This resulted in non-levy of interest amounting to ₹3.77 crore.

The Department intimated (January 2019) that two AETCs¹¹ had recovered ₹4.31 lakh and AETCs Solan and Shimla had declared arrears of ₹40.38 lakh in two cases under HPLR Act. All other AETCs had issued directions to all AAs to issue notices to defaulters for recovery. The reply of the Government was still awaited (August 2019).

⁷ Bottling Fee is fee paid by the distillery on bottling of liquor. For Country Liquor it is 88 *paise* per bottle of 750 ml and ₹1.10 per bottle if bottled for others and ₹2.20 per bottle for own brand.

⁸ Franchise Fee is fee paid by the licensee who takes a distillery on lease and bottles own brands, rate is ₹8.00 per proof litre.

⁹ AETCs Baddi, Chamba, Kullu, Mandi, Shimla, Sirmour, Solan and Una

¹⁰ AETCs Baddi 13 vends: ₹1.32 crore, Chamba 22 vends: ₹0.26 crore, Kullu 14 vends: ₹0.21 crore, Mandi eight vends: ₹0.30 crore, Shimla 24 vends: ₹1.02 crore, Sirmour 45 vends: ₹0.12 crore, Solan 10 vends: ₹0.28 crore and Una 20 vends: ₹0.26 crore

¹¹ Shimla: ₹4.29 lakh and Una ₹0.02 lakh

3.6 Non-recovery of license fee on unsold stock of liquor

License fee of ₹27.16 lakh was recoverable in respect of three vends due to non-levy of license fee on unsold stock of preceding year.

EA 2015-16 stipulates that in case of renewal of license of a vend, the unsold stock of liquor in vend upto three *per cent* of MGQ of preceding year i.e. 2014-15 shall not be accounted towards the MGQ for the year 2015-16. The licensee shall have to take this unsold stock on payment of additional license fee at the rate of 50 *per cent* as prescribed for the year 2015-16.

During 2017-18, Audit test checked the records of nine AETCs involving 1,134 vends and observed that ETO Kinnaur having 24 vends, had not recovered license fee on unsold stock of 22,361.779 pls of IMFL of the preceding year 2014-15. On this unsold stock of liquor quota, additional license fee of ₹27.16 lakh at the rate of 50 *per cent* of applicable license fee for the year 2015-16 was payable by these licensees. Audit, however, observed that demand for the license fee of ₹27.16 lakh was not raised by the AETC resulting in non-recovery of license fee to that extent.

The Department stated (November 2018) that ETO had issued notices to the licensees for recovery of the amount. The reply of the Government was still awaited (August 2019).

3.7 Non-levy of Excise Duty on sale of Extra Neutral Alcohol and Rectified Spirit

AETC did not demand Excise Duty on the sale of Extra Neutral Alcohol and Rectified Spirit within the State resulting in loss of revenue of ₹18.08 lakh.

Punjab Excise Act 1914 (also applicable in the State of HP) provides that no intoxicant shall be removed from any distillery, brewery, warehouse or other place of storage established or licensed under the Act, unless the duty has been paid or a bond has been executed for the payment thereof. Further, EA 2016-17 prescribes the rate of Excise Duties on Extra Neutral Alcohol (ENA) and Rectified Spirit as ₹11.77 per bulk litre.

During 2017-18, Audit test checked the records of nine AETCs involving three distilleries and observed that AETC Baddi having one distillery, had not levied excise duty on sale of Extra Neutral Alcohol and Rectified Spirit in one licensee (distillery) who sold 1,53,644 bulk litres of ENA and Rectified Spirit during the year 2016-17 in the State. Audit noticed that neither the licensee had paid any Excise Duty on the sale of ENA and Rectified Spirit nor any demand was raised by the Department. This resulted in loss of revenue of ₹18.08 lakh (1,53,644 bulk litre X ₹11.77 per bulk litre).

The Department intimated (January 2019) that AETCs had issued directions to all AAs to issue notices to the defaulters for recovery of Excise Duty. The reply of the Government was still awaited (August 2019).

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

CHAPTER-IV
STAMP DUTY

CHAPTER-IV STAMP DUTY

4.1 Tax administration

The State Government exercises control over the registration of instruments through the Additional Chief Secretary (Revenue) at the Government level. The Inspector General of Registration (IGR) is the Head of the Revenue Department assisted by Deputy Commissioners (Collectors) and Sub-Registrars (SRs). The IGR is empowered with the task of superintendence and administration of registration work. For levy and collection of Stamp Duty and Registration Fee, the State has 12 Collectors and 117 *Tehsildars/Naib-Tehsildars* acting as the Registrars and SRs respectively.

The consideration or market value of property, whichever is higher, is considered for levy of Stamp Duty and Registration Fee on transfer of properties. Stamp Duty is leviable at the rate of six *per cent*. For women, Stamp Duty is leviable at the rate of four *per cent*.

Registration Fee is leviable at the rate of two *per cent* on consideration or market value of property, whichever is higher.

4.2 Results of audit

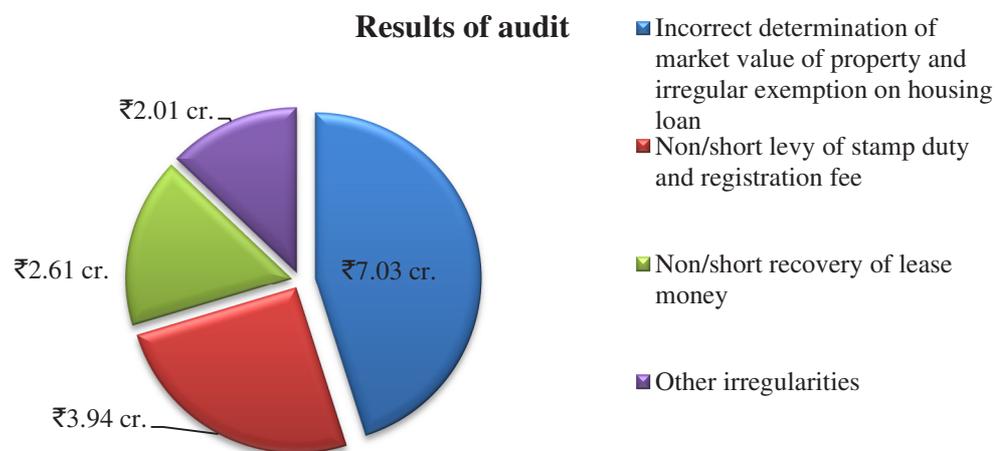
Test check of records of 73 units, out of 155 units, having receipts of ₹101.40 crore, during the year 2017-18 relating to Revenue Department, showed incorrect determination of market value of property and irregular exemption on housing loan, non/short levy of Stamp Duty and Registration Fee, non/short recovery of Stamp Duty on lease deeds and other irregularities involving ₹15.59 crore in 218 cases, which fall under the following categories as depicted below:

Table: 4.1 Results of audit

			₹in crore
Sr. No.	Categories	Number of cases	Amount
1.	Incorrect determination of market value of property and irregular exemption on housing loan	83	7.03
2.	Non/short levy of Stamp Duty and Registration Fee	32	3.94
3.	Non/short recovery of lease money	25	2.61
4.	Other irregularities	78	2.01
Total		218	15.59

The category wise audit findings are depicted in the graph as below:

Graph 4.1



During the year 2017-18, the Department accepted under-assessments and other deficiencies with revenue implication of ₹1.10 crore in 144 cases, out of which an amount of ₹55.23 lakh was realised in 134 cases, of which ₹54.61 lakh in 132 cases related to audit findings of earlier years, and ₹0.61 lakh in two cases were related to audit findings of the year 2017-18.

Significant cases involving an amount of ₹8.41 crore are discussed in the following paragraphs.

4.3 Short realisation of Stamp Duty and Registration Fee on built-up structures

Adoption of pre-revised market rates for built-up residential and non-residential structures by Sub-Registrars resulted in short realisation of Stamp Duty and Registration Fee of ₹3.64 crore.

Deputy Commissioner of the District finalises the Law/Rules for calculating Stamp Duty and Registration Fee for any transaction depending upon classification of building into *Pucca*, *Semi-Pucca*, *Kutchra*, location etc.

During 2017-18, Audit test checked the records of 73 SRs, where 1,19,748 sale and lease deeds were registered. On scrutiny of deeds of 73 SRs, it was found that 45 SRs, where 91,705 sale/lease deeds were registered, out of which 59,608 deeds were test checked in audit, levied short Stamp Duty and Registration Fee on built up structures in 358 sale deeds. These deeds were registered between November 2013 and December 2016 for a consideration amount of ₹81.21 crore calculated on the basis of valuation of properties prepared by private architects. The valuation was not based on rates for built-up structures as notified by the Department. Audit observed that on the basis of plinth area rates fixed/revised by HPPWD or DCs of concerned Districts, the actual value of the properties, including value of built-up structures, worked out to ₹131.32 crore. However, SRs while registering these sale deeds did not verify the consideration amount with reference to fixed/revised plinth area rates of built-up structures which led to short realisation of Stamp Duty and Registration Fee by ₹3.64 crore.

The Department replied (between March and December 2018) that 16 SRs¹ had recovered an amount of ₹32.32 lakh in 114 cases. The remaining SRs stated that cases would be reviewed. The reply of the Government was still awaited (August 2019).

4.4 Short determination of market value of properties

Incorrect valuation on the basis of affidavits regarding distance of the land from road filed by purchasers resulted in short realisation of Stamp Duty and Registration Fee of ₹1.18 crore.

The valuation of land for the purpose of registration of sale deeds, both in the case of rural and urban areas, is made on the basis of classification of land and in accordance with the Himachal Pradesh Land Record Manual 1992. A notification issued in January 2012 categorized the classification of land in rural areas for

¹ SRs Bangana: 12 cases: ₹2.64 lakh, Bhunter: 13 cases: ₹4.83 lakh, Bijhari: 19 cases: ₹1.51 lakh, Dalhousie: four cases: ₹0.78 lakh, Dehra: three cases: ₹1.07 lakh, Gohar: one case: ₹0.08 lakh, Hamirpur: six cases: ₹3.22 lakh, Joginder Nagar: eight cases: ₹2.54 lakh, Khudiyani: nine cases: ₹1.23 lakh, Kullu: 11 cases: ₹5.53 lakh, Lad-Bhadol: two cases: ₹0.63 lakh, Manali: nine cases: ₹4.53 lakh, Mandi: eight cases: ₹2.21 lakh, Nadaun: three cases: ₹0.20 lakh, Rohru: three cases: ₹0.56 lakh and Thunag: three cases: ₹0.76 lakh

valuation purpose into three categories viz. (i) property in which any point of the concerned *Khasra Number* (Kh. No.) or part thereof abuts any road (ii) property not falling in (i) above in which any point of the concerned Kh. No. or part thereof is up to a distance of 50 metres from the road, and (iii) property not falling in (i) above, in which no point of the concerned Kh. No. or part thereof is within 50 metres from such road. In case of land falling in urban areas, the limit of 25 metres is applicable as against 50 metres in rural areas. The roads are categorised as National Highway (NH), State Highway (SH) and Other Road (OR). The purchaser will be required to file affidavit stating the distance of the relevant land or holding from a NH, SH or OR which will be the basis for the rate to be used for Stamp Duty calculation. If the affidavit of purchaser is found false, penalty upto 50 per cent of the applicable Stamp Duty/Registration Fee may be levied and recovered.

During 2017-18, Audit test checked the records of 73 SRs, where 1,19,748 sale and lease deeds were registered. On scrutiny of deeds of 73 SRs, it was found that 13 SRs², where 39,729 sale/lease deeds were registered, out of which 25,423 deeds were test checked in audit, short determined the market value of properties in 56 sale deeds. These sale deeds were registered between June 2014 and December 2016 for a consideration amount of ₹27.40 crore. Stamp Duty of ₹1.48 crore and Registration Fee of ₹0.55 crore were levied on the basis of affidavits filed by the purchasers regarding distance of the sold properties from different categories of roads against the registered documents. However, the lands were classified merely on the basis of the distances of lands/holdings from NH, SH or OR as stated in affidavits filed by the purchasers and valuation of ₹27.40 crore was made. Audit cross verified the affidavits with maps (*lattha*) available with *Kanungo* (Revenue Authority) and calculated the actual valuation of ₹43.40 crore. Thus, Stamp Duty of ₹2.34 crore and Registration Fee ₹0.87 crore was required to be levied which was not done. This resulted in short levy of Stamp Duty and Registration Fee of ₹1.18 crore³ (SD ₹0.86 crore + RF ₹0.32 crore). Besides, penalty at the prescribed rate was also leviable.

The Department intimated (September 2018) that SRs had been directed to furnish the reply. The reply of the Government was still awaited (August 2019).

The Government may consider setting up a mechanism to verify the actual distance of lands from the roads.

² SRs Amb, Baddi, Balh, Bhunter, Dharamshala, Fatehpur, Hamirpur, Kullu, Manali, Nadaun, Palampur, Shimla (R) and Theog

³ SRs Amb: four cases: ₹12.94 lakh, Baddi: three case: ₹25.01 lakh, Balh: seven cases: ₹16.12 lakh, Bhunter: three cases: ₹1.41 lakh, Dharamshala: four cases: ₹12.17 lakh, Fatehpur: eight case: ₹4.76 lakh, Hamirpur: two cases: ₹1.70 lakh, Kullu: one case: ₹0.80 lakh, Manali: three cases: ₹2.36 lakh, Nadaun: two cases: ₹2.41 lakh, Palampur: five case: ₹6.35 lakh, Shimla (R): seven cases: ₹23.65 lakh and Theog: seven cases: ₹8.18 lakh

4.5 Non-revision of lease rent

The Department did not revise the lease rent as per the condition of the agreement, resulting in loss of revenue of ₹3.59 crore.

Under the Himachal Pradesh Lease Rules (HPLR) 1993, Government land can be leased out to individual/companies for various purposes. As per condition of the lease deed, the lease is required to be renewed after every 10 years on the basis of prevailing market rates of the land. Further, Himachal Pradesh Lease (Amended) Rules, 1993 provides that lease money is required to be revised after the period specified in the lease agreement and is calculated at the rate of five *per cent* of the latest highest market value of land leased or double the average market value of five years, whichever is less.

During 2017-18, Audit test checked the records of 73 SRs where 1,19,748 sale and lease deeds were registered. On scrutiny of deeds of 73 SRs, it was found that one SR, where 107 sale/lease deeds were registered, out of which 92 deeds were test checked in audit, had not revised the lease rent. In SR Udaipur (Lahaul & Spiti), transfer of Government land measuring 94.20 *Bigha* sanction was accorded for in favour of Himachal Pradesh Agricultural University, Palampur in 1978 for a period of 99 years at a lease rent of ₹1,885 per annum for setting-up a Regional Research Centre. The lease was granted with the condition that rent was to be revised after every 10 years at the rate of five *per cent* of prevailing market value of land. Audit observed that lease rent was required to be revised in 1998, 2008 and 2018 according to the conditions of the agreement. However, the Department did not take any action to revise lease rent after the stipulated period of 10 years and accepted the payment on old lease rates. No lease rent was paid after 2008. The lease rent required to be levied till March 2018 as per the agreement works out to ₹3.59 crore whereas lease rent paid till 2008 was only ₹0.38 lakh. Thus, non-revision of lease rent after every 10 years resulted in foregoing of revenue of ₹3.59 crore.

The SR stated (August 2018) that notice had been issued to the University to deposit the lease rent. The reply of the Government was still awaited (August 2019).

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

CHAPTER-V
TAXES ON VEHICLES, GOODS AND
PASSENGERS

CHAPTER-V TAXES ON VEHICLES, PASSENGERS AND GOODS

5.1 Tax administration

Principal Secretary (Transport) is the administrative head at the Government level. The Department consists of a State Transport Authority, an Additional District Magistrate (Special Road Tax), 10 Regional Transport Officers and 63 Registering and Licensing Authorities to regulate the receipts of the Department under the provisions of the Central and the State Motor Vehicle Acts and Rules. The AETCs under the administrative control of Commissioner (Excise and Taxation) regulate the receipts of passengers and goods tax as per provisions of the Himachal Pradesh Passengers and Goods Taxation Act, 1955.

5.2 Results of audit

Test check of records of 48 units, out of 91 auditable units, having receipt of ₹190.61 crore, during the year 2017-18 relating to Token Tax¹, Special Road Tax², Registration Fee, Permit Fee, Driving License Fee, Conductor License Fee, penalties and Composite Fee under the National Permit Scheme brought out under-assessment of tax and other irregularities involving ₹47.36 crore in 242 cases which are depicted below:

Table: 5.1 Results of audit

			₹ in crore
Sr. No.	Categories	Number of cases	Amount
1.	Non/short realisation of		
	• Token Tax and Composite Fee	11	0.53
	• Special Road Tax	18	22.62
	• Passenger and Goods tax	11	1.44
2.	Evasion of		
	• Token Tax	129	7.94
	• Passenger and Goods tax	17	1.29
3.	Other irregularities		
	• Vehicles Tax	41	13.05
	• Passenger and Goods Tax	15	0.49
Total		242	47.36

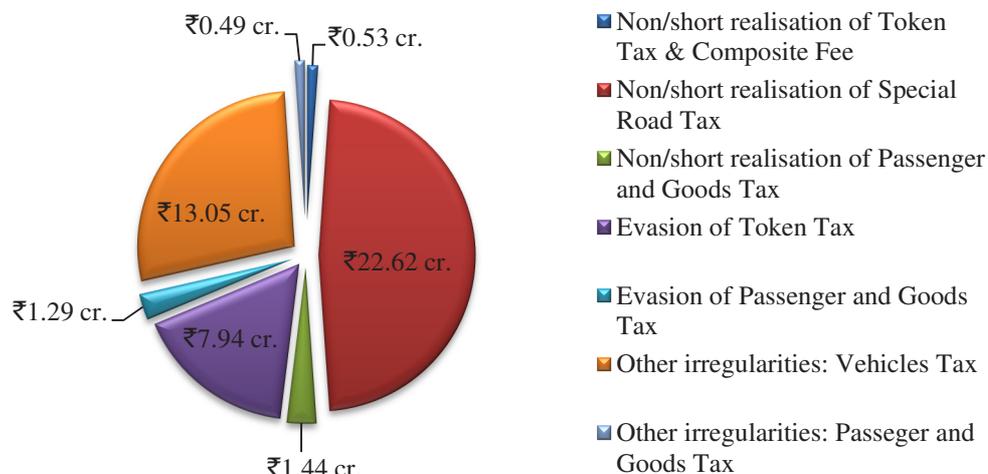
The category wise audit findings are depicted in the graph as below:

¹ Tax is payable annually on all commercial vehicles.

² Tax is payable monthly on all buses having seating capacity of more than 25.

Graph 5.1

Results of audit



During the year 2017-18, the Department accepted under-assessments and other deficiencies of ₹7.86 crore in 79 cases out of which an amount of ₹82.78 lakh was realised in 79 cases pertaining to audit findings of earlier years.

Significant cases involving an amount of ₹34.85 crore are discussed in the following paragraphs.

5.3 Non/short recovery of Special Road Tax

Special Road Tax amounting to ₹23.38 crore was not recovered from Himachal Road Transport Corporation and Private Stage Carriages.

Under Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972, State Government shall levy a monthly Special Road Tax (SRT) on all transport vehicles used or kept for use in the State. This will be payable in advance by 15th of every month at the prescribed rates³. Further, Act provides for exemption from SRT if the registered owner intimates in writing to the Taxation Authority that the motor vehicle would not be used in any public place, for a particular period, and deposits the Certificate of Registration (RC) alongwith route permit. Himachal Pradesh Motor Vehicle Taxation Rule, 1974 stipulates that if a vehicle owner fails to pay the SRT due within the prescribed period, the Taxation Authority shall direct the owner to pay penalty at the rate of 25 per cent per annum of the tax due.

³ The rates of SRT are based on the classification of routes on which vehicles are plying such as National Highways, State Highways, Rural Roads and Local buses/mini buses operating within a radius of 30 kilometres. The rates of SRT for the above routes are as ₹6.04, ₹5.03 and ₹4.03 per seat per kilometre respectively

I. Non-payment of SRT by Himachal Road Transport Corporation

During 2017-18, Audit test checked the records of SRT registers of 48 units involving total number of 3,319 buses and found that in 10 Regional Transport Officers (RTOs), 1,129 buses out of 2,370 buses did not pay SRT of ₹21.76 crore⁴ for the period from April 2015 to March 2017. SRT was neither deposited by Himachal Road Transport Corporation (HRTC) nor demanded by the RTOs. The Department did not take any concrete action to ensure timely recovery in spite of the same issue being repeatedly pointed out by Audit in the years 2011-12 to 2016-17 which indicated inaction in applying provisions of Act/Rules to realise the amount of tax due. In fact, this lapse assumes seriousness as the default in payment of taxes is by none other than a Government entity and had remained outstanding for more than five years and the Department did not recover the dues.

II. Non-payment of SRT by Private Stage Carriage

Similarly, scrutiny of SRT registers of eight RTOs⁵ revealed that SRT amounting to ₹1.05 crore was recoverable from the owners of private stage carriages (PSCs) in 120 cases pertaining to the period 2016-17. There was nothing on record to indicate that any action had been taken by the taxation authorities to recover the SRT. This resulted in non-recovery of SRT of ₹1.05 crore. In addition, a minimum penalty of ₹26.21 lakh at the prescribed rate was also recoverable.

III. Non-accountal of route permits for assessment of SRT

(i) Audit observed that 28 routes permits, out of 864 route permits issued, were not accounted for in monthly returns. Audit cross verified route permits issued by five RTOs⁶ with monthly return of SRT being submitted by HRTC depots to the concerned RTO for the period 2016-17. These routes covered distance of 79,318 kilometer in State on which SRT worked out to ₹44.66 lakh on the basis of seating capacity and category of roads. The concerned RTOs did not detect this omission and accepted monthly returns as submitted by the depots of HRTC. Thus, SRT of ₹44.66 lakh was escaped assessment to that extent.

⁴ RTOs Bilaspur: ₹1.05 crore, Chamba: ₹1.59 crore, Dharamshala: ₹5.99 crore, Hamirpur: ₹1.06 crore, Kullu: ₹2.25 crore, Mandi: ₹2.57 crore, Nahan: ₹1.04 crore, Shimla: ₹4.35 crore, Solan: ₹1.11 crore and Una: ₹0.75 crore.

⁵ RTOs Bilaspur: ₹4.25 lakh, Kangra: ₹12.85 lakh, Kullu: ₹2.85 lakh, Mandi: ₹31.47 lakh, Nahan: ₹1.11 lakh, Shimla: ₹21.03 lakh, Solan: ₹13.90 lakh and Una: ₹17.37 lakh

⁶ Kullu: ₹15.02 lakh, Nahan: ₹4.29 lakh, Shimla: ₹14.21 lakh, Solan: ₹7.92 lakh and Una: ₹3.22 lakh.

(ii) Short assessment of SRT

Audit cross verified SRT calculation of the monthly returns submitted by the HRTC depots with route permits issued by two RTOs⁷ for the period 2016-17. It was observed that in 11 route permits, SRT payable on the basis of the seating capacity, category of road used and kilometers covered worked out to ₹28.97 lakh, whereas the SRT shown payable was ₹16.46 lakh for the period 2016-17. This was indicative of the fact that monthly returns submitted by HRTC depots were not checked with reference to route permits issued by RTOs resulted in under assessment of ₹12.51 lakh.

There was nothing on record to indicate that RCs/Route Permits were surrendered to RTOs concerned for exemption from payment of SRT in any of the above cases which resulted in potential loss of revenue of ₹23.38 crore to the State exchequer.

The Department intimated (October 2018) that all the Taxation Authorities had been directed to furnish the reply immediately. The reply of the Government was still awaited (August 2019).

The Government may consider for levy of SRT of HRTCs fleets through 'VAHAN' software to bring into purview all route permits for proper assessment and realisation of SRT as done for private stage carriages.

5.4 Non-realisation of Token tax

Token tax of ₹8.50 crore in respect of 16,588 vehicles for the years 2015-16 and 2016-17 was neither demanded by the Department nor paid by the commercial vehicle owners.

Under HPMVT Act, 1972 and Rules made there-under, token tax as per different rates of tax⁸ prescribed for different types of vehicles is payable by vehicle owners in advance, quarterly or annually. If motor vehicle owner fails to pay the tax due within the prescribed period, then the vehicle owner is liable to pay the penalty at the rate of 25 per cent per annum of the tax due.

During 2017-18, Audit test checked the records of 48 units involving total number of 2,13,977 commercial vehicles. Audit scrutiny of the 48 units revealed that in 23 Registering and Licensing Authorities (RLAs)⁹, 10 RTOs¹⁰ and State Transport Authority, Shimla (STA), Token Tax for the years 2015-16 and 2016-17 amounting to ₹8.50 crore in respect of 16,588 vehicles, was not deposited by owners of these vehicles. There was nothing on record to indicate

⁷ Solan: ₹9.70 lakh and Nahan: ₹2.81 lakh

⁸ Tax is payable by (Goods Carriage) LGV: ₹1500 p.a, MG: ₹2000 p.a, HGV: ₹2500 p.a, (Stage Carriage): ₹500 per seat per annum and (Contract Carriage): Maxi Cab: ₹750 per seat per annum, Motor Cab: ₹350 per seat per annum & Auto Rickshaw: ₹200 per seat per annum

⁹ RLAs Barsar, Banjar, Chamba, Dalhousie, Dharamshala, Gohar, Hamirpur, Jaisinghpur, Jawali, Kandaghat, Keylong, Kullu, Nahan, Nalagarh, Nurpur, Poantasahib, Rampur, Sangrah, Shimla(U), Solan, Sundernagar, Theog and Una

¹⁰ RTOs Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una

that notices were issued to defaulters or any action had been taken by taxation authorities to recover tax. Besides, penalty at the prescribed rates was also leviable for non-payment of tax. This resulted in non-recovery of token tax of ₹8.50 crore as detailed below:

Table: 5.2 Details of vehicles from which Token Tax was not realized

Sr. No.	Category of vehicle	Name of RLAs/RTOs/STA	Period	Total No. of Vehicles	No. of vehicles not paid tax	Amount recoverable (₹ in crore)
1.	(Passenger Vehicles) Buses/Mini Buses/Maxi Cabs /Taxi	RLAs- Banjar, Barsar, Chamba, Dalhousie, Dharamshala, Hamirpur, Jawali, Kandaghat, Keylong, Kullu, Nahan, Nalagarh, Nurpur, Poantasahib, Rampur, Shimla, Solan, Sundernagar, Theog and Una RTOs- Bilaspur, Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Nahan, Shimla, Solan and Una STA- Shimla	2015-16	6,167	1,549	2.91
				13,690	3,857	1.87
		Total (A)		19,857	5,406	4.78
2.	(Goods vehicles) Heavy /Medium /Light Goods Vehicles/Tractors	RLAs- Banjar, Barsar, Chamba, Dalhousie, Dharamshala, Gohar, Hamirpur, Jaisinghpur, Jawali, Kandaghat, Keylong, Kullu, Nahan, Nalagarh, Nurpur, Poantasahib, Rampur, Sangrah, Shimla, Sundernagar, Theog and Una RTOs-Bilaspur, Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Nahan, Shimla and Solan STA- Shimla	2016-17	17,533	7,249	2.32
				5,537	3,328	0.62
		Total (B)		23,070	10,577	2.94
3.	(Construction Vehicles) Cranes, Recovery Van etc.	RLAs- Banjar, Jawali, Kullu, Nalagarh, Nurpur, Poantasahib, Rampur, Shimla(U), Sundernagar, Theog and Una RTOs-Bilaspur, Chamba, Hamirpur, Kullu, Mandi, Shimla and Una STA- Shimla	2016-17	932	232	0.43
				1,301	373	0.35
		Total (C)		2,233	605	0.78
Total (A)+ (B)+(C)				45,160	16,588	8.50

The Department intimated (October 2018) that seven RTOs, 18 RLAs and STA Shimla had recovered ₹36.19 lakh; and the remaining Taxation Authorities stated that notices would be issued to the defaulters to deposit the tax. The reply of the Government was still awaited (August 2019).

5.5 Non-realization of Passenger and Goods Tax

Passenger and Goods Tax amounting to ₹1.74 crore, for the period 2015-16 to 2016-17, was neither paid by the owners of 2,320 commercial vehicles nor demanded by the Department.

Under Himachal Pradesh Passenger and Goods Taxation Act (HPPGT) Act, 1955 owners of vehicles are required to pay Passenger and Goods Tax (PGT) on all fares and freight at the prescribed rates either quarterly or annually and the vehicle owners shall inform the Assessing Authorities (AAs) concerned as soon as vehicles go out of use for exemption from payment of tax for that period.

During 2017-18, Audit test checked the records of 12 units involving total number of 10,112 registered commercial vehicles. Audit observed that in seven out of 12 units, PGT amounting to ₹1.74 crore for the period from 2015-16 and 2016-17 in respect of 2,320¹¹ commercial vehicles was not paid by the vehicle owners already registered with Excise and Taxation Department. The commercial vehicle owners had also not sought exemption from tax for non-use of vehicles during the tax period. Audit scrutiny, further, revealed that AAs had neither issued demand notices to the owners nor these cases were referred to the Collector for recovery as arrears of land revenue (ALR). This resulted in non-realisation of PGT of ₹1.74 crore as depicted below:

Table: 5.3 Details of vehicles from which Passenger and Goods Tax was not realized

₹ in lakh						
Sr. No.	Category of vehicles	No. of vehicles not paying PGT	Amount recoverable			
			Passenger Tax	Goods Tax	Total amount recoverable	Minimum penalty @ ₹500/-per vehicle
1.	Passenger Vehicles (Maxi Cabs/Taxi)	565	47.10	--	47.10	2.83
2.	Passenger Vehicles (Educational Institution Buses)	59	13.20	--	13.20	0.30
3.	Goods vehicles (HGV/MGV/LGV/Tractors)	1,696	--	113.92	113.92	8.48
Total		2,320	60.30	113.92	174.22	11.61
Say ₹1.74 crore						

Further, Audit analysed the PGT records of AETCs Shimla and Solan and noticed that even though the AETCs had obtained the copies of *challans* from the treasury, these were not posted in relevant PGT accounts of the owners of commercial vehicles; PGT records were only being updated at the time of issuing of NOC to the owners of commercial vehicles.

The Department stated (December 2018) that seven AETCs had recovered ₹22.58 lakh from 316 vehicle owners¹², and notices were being issued to

¹¹ Chamba: 163 vehicles: ₹12.14 lakh, Hamirpur: 1,097 vehicles: ₹67.38 lakh, Kinnaur: 120 vehicles: ₹11.30 lakh, Kullu: 428 vehicles: ₹43.78 lakh, Mandi: 222 vehicles: ₹20.96 lakh, Nurpur: 124 vehicles: ₹5.76 lakh and Una: 166 vehicles: ₹12.90 lakh

¹² Passenger Tax: 106 vehicles, ₹9.20 Lakh, four Educational Institution Buses, ₹2.60 Lakh; Goods Tax: 206 vehicles, ₹10.78 Lakh

remaining defaulters to recover the balance amount. The reply of the Government was still awaited (August 2019).

5.6 Non-registration of commercial vehicles with Excise and Taxation Department

Due to lack of co-ordination between the concerned RLAs/RTOs and AETCs, owners of the commercial vehicles did not register their vehicles with the Excise and Taxation offices resulting in non-realisation of Passenger and Goods Tax amounting to ₹1.23 crore.

Under the HPPGT Act, 1955, owners of stage/contract carriages and goods carriages are required to register their vehicles with the concerned Excise and Taxation Offices and pay PGT at the prescribed rates. Vehicle registration is handled by RTOs and RLAs and collection of passenger and goods tax are handled by different AETCs. No vehicle owner shall ply his vehicle in the State unless he is in possession of a valid certificate of registration issued by Excise Department. If the vehicle owner fails to apply for registration or to pay tax or surcharge, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹500, is also leviable.

During 2017-18, Audit test checked the records of 48 units involving total number of 2,13,977 commercial vehicles. Audit observed that in five RLAs¹³ and two RTOs¹⁴, 2,947 out of 8,681 commercial vehicles registered during 2015-16 to 2016-17, were not found registered with concerned AETCs and ETO, Kinnaur as required under HPPGT Act. Audit scrutiny further revealed that there was no co-ordination between AETCs/ETOs and the concerned RLAs/RTOs or *vice-versa* to ensure registration of all commercial vehicles with Excise Department. This resulted in non-realisation of passenger and goods tax amounting to ₹1.23 crore from the owners of these vehicles. Besides, a minimum penalty of ₹14.74 lakh was also leviable as per the details given below:

Table: 5.4 Details of vehicles not registered with Excise and Taxation Department

₹ in lakh							
Sr. No.	Types of vehicle	No. of vehicles registered with RLAs/RTOs	No. of vehicles not registered with Excise & Taxation Department	Amount recoverable			
				Passenger Tax	Goods Tax	Total amount recoverable	Minimum penalty @ ₹500/-per vehicle
1.	Passenger Vehicles (Maxi Cabs/Taxi)	2,570	684	25.34	--	25.34	3.42
2.	Passenger Vehicles (Educational Institution Buses)	522	162	16.40	--	16.40	0.81
3.	Goods vehicles (HGV/MGV/LGV/Tractors)	5,589	2,101	--	81.22	81.22	10.51
Total		8,681	2,947	₹41.74	₹81.22	₹122.96	₹14.74
Say ₹1.23 crore							

¹³ RLAs Hamirpur, Kinnaur, Kullu, Nurpur and Una

¹⁴ RTOs Chamba and Mandi

The Department stated (December 2018) that six AETCs had recovered ₹23.03 lakh (Passenger tax ₹6.23 lakh + Goods tax ₹11.31 lakh + Passenger tax (Education institutional Bus: ₹5.49 lakh) from 442 commercial vehicle owners, and that efforts were being made to recover the balance amount. The reply of the Government was still awaited (August 2019).

The Government may issue directions to the Department to ensure coordination between RTOs/RLAs and AETCs for recovery of PGT dues.

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

CHAPTER-VI
FOREST RECIEPTS

CHAPTER-VI FOREST RECEIPTS

6.1 Tax administration

The Principal Chief Conservator of Forest (PCCF) heads the Forest Department under the administrative control of the Additional Chief Secretary (Forest). Eight Conservators of Forest (CFs) in 37 territorial divisions assist the PCCF. Each CF controls activities relating to exploitation and regeneration of forest which are carried out by Divisional Forest Officers (DFOs) under their control. Each DFO is in-charge of assigned forest related activities in his territorial division.

6.2 Results of audit

Test check of records of 11 units, out of 38 auditable units, having receipt of ₹3.09 crore, during the year 2017-18, relating to Forest Receipts brought out non/short recovery of royalty, non-levy of interest/Extension Fee, blockade/loss of revenue due to seized timber and other irregularities involving ₹78.05 crore in 42 cases which are depicted below:

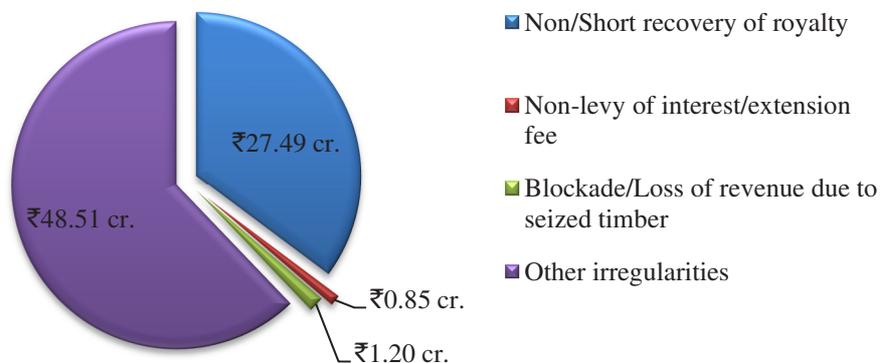
Table: 6.1 Results of audit

			₹ in crore
Sr. No.	Categories	Number of cases	Amount
1.	Non/Short recovery of royalty	14	27.49
2.	Non-levy of interest/extension fee	10	0.85
3.	Blockade/Loss of revenue due to seized timber	8	1.20
4.	Other irregularities	10	48.51
Total		42	78.05

The category wise audit findings are depicted in the graph as below:

Graph 6.1

Results of audit



During the year 2017-18, the Department accepted under-assessment and other deficiencies of ₹1.82 crore in 14 cases, which was recovered and pertained to audit findings of earlier years.

Significant cases involving ₹2.43 crore are discussed in following paragraphs.

6.3 Non-disposal of seized timber

Timber measuring 225.916 cu.m seized during 2015-16 and 2016-17, were not disposed off, resulting in blocking of revenue of ₹1.18 crore and incurring of expenditure on watch and ward, and deterioration of timber.

The Indian Forest Act provides for seizure of property liable to confiscation. As per Departmental instructions of April 1951, either the seized timber or forest produce should be kept in the *spurdagi* (safe custody) of a *sapurdar*¹ or with the concerned field staff after it is accounted for in Form-17. The timber/forest produce so accounted for is to be disposed off after the offence has either been compounded or decided by Court. The Principal Chief Conservator of Forest (PCCF) instructed (April 1999) all Conservators of Forest (CFs) that where *spurdagi* of forest produce is taken for unduly long period, the concerned Investigating Officer should be asked to obtain orders of the Competent Court for auctioning the seized property within 15 days to minimise expenditure on watch and ward and further deterioration/pilferage of such produce.

During 2017-18, Audit test checked the records of timber forms of 11 DFOs involving 48 cases. Out of these, there were 35 cases of seized timber in seven forest divisions. Audit test checked 30 cases and observed that in 22 cases, the Department seized timber during the year 2015-16 and 2016-17 measuring 225.916 cu.m valued at ₹1.18 crore². The seized timber was lying in various depots of the Department without any record to indicate whether the concerned DFOs/investigating officers had taken any steps or obtained the orders of Competent Court to dispose off the seized timber. Thus, non-disposal of seized timber resulted not only in blocking of revenue to that extent but also in incurring of expenditure on watch and ward, and the possibility of deterioration of timber.

The Department intimated (April 2018) that in Hamirpur, action was being taken by DFO to dispose off the timber; other DFOs stated that efforts were being made to auction the seized timber. The reply of the Government was still awaited (August 2019).

¹ A lambardar or any reliable person of a place

² Banjar: vol: 24.190 cu.m: ₹13.06 lakh, Chamba: vol:0.944 cu.m: ₹0.53 lakh, Chopal: vol:84.044 cu.m: ₹39.37 lakh, Churah at Salooni: vol: 72.453 cu.m: ₹39.76 lakh, Dehra: vol: 12.891 cu.m: ₹8.61 lakh, Kullu (WL): vol:7.523 cu.m: ₹4.21 lakh and Parvati at Shamshi: vol: 23.871 cu.m: ₹12.67 lakh

6.4 Short handing over of trees for resin tapping

The Department did not hand over 1,22,618 trees to HPSFDC Ltd. for resin tapping during 2014 and 2015 tapping seasons which resulted in loss of revenue of ₹82.90 lakh.

The working plan of Forest Divisions (including forest divisions of Rajgarh and Rohru) provides that only class-III³ and above trees are allowed for resin tapping and are required to be handed over to HPSFDC Ltd. for resin tapping. Pr. Chief Conservator of Forests through instructions of September 2001 fixed minimum diameter for resin tapping as 35 cm in respect of trees to be tapped for the first time; and for trees which had been tapped earlier, the tappable dia would continue to be 30 cm at breast height and above. As per Pricing Committee decision of February 2016, the HPSFDC Ltd. would pay ₹75.30 and ₹65.00 per blaze for the tapping seasons 2014 and 2015 respectively.

During 2017-18, audit test checked the lists of handed over trees for resin blazes of 11 DFOs involving 59 cases and observed that in two forest divisions there were 48 cases of handed over of trees for resin tapping to HPSFDC Ltd. Audit test checked 31 out of 48 cases revealed that Rajgarh division had 77,839 *Chil* trees available for tapping seasons 2014, and Rohru division had 62,096 *Chil* trees available for the tapping seasons 2014 and 2015, for handing over to HPSFDC Ltd. for enumeration. However, Rajgarh division had handed over only 17,317 trees and Rohru division did not hand over any tree for resin blazing during 2014 and 2015 tapping seasons. **Non-handing over of 1,22,618 trees for resin blazing⁴ (which were allowed for resin tapping as per working plans of the divisions) led to non-tapping of these trees resulting in loss of revenue of ₹82.90 lakh⁵ over two years.**

The matter was reported to the Department and the Government in April 2017; reply was still awaited (August 2019).

6.5 Non-levy of extension fee

The Department did not levy extension fee in 62 timber lots, where the exploitation of timber/trees was not completed during the leased period and extension of time was also granted, resulted in short realisation of revenue of ₹29.86 lakh.

As per standard lease deed agreement with HPSFDC Ltd. for exploitation of timber/trees, HPSFDC Ltd. shall have no right on such trees as are left standing in the leased forest, felled trees and any scattered/stacked timber un-removed

³ Trees having Dia 30 cu.m at breast height and above

⁴ Rajgarh: 60,522 blazes: ₹39.34 lakh and Rohru: 62,096 blazes: ₹43.56 lakh

⁵ 91,570 x ₹65 per blaze + 31,048 x ₹75.30 per blaze

from leased forest after the expiry of the lease period. Further, as per decision of the Pricing Committee of September 2007, extension fee at the rate of 0.20 *per cent* per month of the total royalty whether paid or unpaid shall be levied for extension of the working period beyond the lease period.

During 2017-18, Audit test checked the handed over lists of trees/timber lots of 11 DFOs involving total number of 545 timber lots and observed that in Chopal forest division, 175 timber lots were handed over to HPSFDC Ltd. Out of these, audit test checked 130 cases and observed that Divisional Forest Officer, Chopal had not levied extension fee in 62 cases where the exploitation work could not be completed within the lease period between 31 March 2016 and 31 March 2018. HPSFDC Ltd. did not complete the exploitation work of these lots within lease period and sought extension for working period with delay ranging between three and 24 months. However, the Department did not raise any demand to realise extension fee of ₹29.86 lakh, which was also not paid by HPSFDC Ltd. Thus, due to inaction on the part of Department to claim the extension fee, resulting in short realisation of revenue of ₹29.86 lakh.

The DFO stated that the matter would be taken up with HPSFDC Ltd.

The matter was reported to the Department and the Government in January 2018. The replies were still awaited (August 2019).

6.6 Non-tapping of resin blazes

The Department carved only one blaze instead of two blazes on Chil trees irrespective of class of trees, which resulted in non-tapping of 18,385 blazes and short realisation of revenue of ₹12.04 lakh.

The Manual of HP Forest Department Volume-IV and notification of Government of Himachal Pradesh of April 2007 prescribes that two blazes are to be carved per *Chil* tree having girth 1.90 meter (dia 60 cm) and above. Further, Pricing Committee in its meetings of July 2014, February 2016 and March 2018 fixed the final/tentative rates⁶ of ₹58.78, ₹75.30, ₹65.00 and ₹51.00 per blaze for tapping seasons 2013 to 2017 respectively, which were to be paid by HPSFDC Ltd. to the Forest Department.

During 2017-18, Audit test checked the lists of handed over trees for resin tapping of 11 DFOs involving 59 cases and observed that in three forest divisions⁷ there were 45 cases of handed over of trees for resin tapping to HPSFDC Ltd. Out of these, in 28 cases, HPSFDC Ltd. had carved only one

⁶ Final rates for tapping seasons for the years 2013 to 2016 are ₹58.78, ₹75.30, ₹65.00, ₹51.00 respectively and tentative rate for the year 2017 is ₹51.00 per blaze.

⁷ Chopal: 13,443 blazes: ₹8.73 lakh, Nachan at Gohar: 1,685 blazes: ₹0.86 lakh and Nalagarh: 3,257 blazes: ₹2.45 lakh

blaze on 18,385 *Chill* trees against the required blazes of two on each tree as the dia of these trees was more than 60 cm. Thus, non-tapping of 18,385 blazes resulted in short realisation of revenue of ₹12.04 lakh⁸.

DFO Nalagarh stated that the matter would be investigated whereas two DFOs did not furnish any reply.

The matter was reported to the Department and the Government between March 2017 and April 2018; reply was still awaited (August 2019).

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

Shimla
The 11 October 2019



(I.D.S. DHARIWAL)
Pr. Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 18 October 2019



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

⁸ 3,987 x ₹58.78 per blaze + 7,244 x ₹75.30 per blaze + 4,229 x ₹65.00 per blaze + 2,925 x ₹51.00 per blaze

ANNEXURES

Annexure

Annexure-I

Reference Paragraph-1.1 (1.1.2) Trend of revenue receipts

₹ in crore			
Details of other Non-Tax Revenue Receipts			
Sr. No.	Major Receipt Head	Budget Estimate	Actual Amount
1.	0050-Dividends and Profit	111.06	255.58
2.	0051- Public Service Commission	10.90	10.46
3.	0056- Jail	0.22	0.31
4.	0057- Supplies and Disposals	0.03	0.02
5.	0058- Stationery and Printing	7.04	10.18
6.	0071-Contributions & Recoveries towards Pension and other	6.15	8.49
7.	0075-Miscellaneous general services	2.51	5.46
8.	0202-Education, Sports, Art and culture	232.88	180.76
9.	0210- Medical and public health	9.11	10.27
10.	0211- Family Welfare	0.03	0.00
11.	0215-Water supply and Sanitation	55.39	52.95
12.	0216-Housing	4.77	3.99
13.	0217-Urban Development	8.00	11.26
14.	0220-Information and Publicity	1.95	1.96
15.	0230-Labour and Employment	8.28	6.84
16.	0235-Social Security and Welfare	8.22	8.01
17.	0250- Other Social Services	0.37	0.13
18.	0401-Crop Husbandry	10.58	12.28
19.	0403-Animal Husbandry	1.07	1.16
20.	0405-Fisheries	2.55	3.38
21.	0407-Plantation	0.02	0.01
22.	0408-Food Storage and Warehousing	0.07	38.43
23.	0425-Co-operation	3.35	5.26
24.	0435-Other Agricultural Programmes	0.61	0.39
25.	0515-Other Rural Development Programmes	2.96	2.76
26.	0575-Other Social Areas Programmes	0.53	0.07
27.	0701-Major and medium irrigation	1.07	0.09
28.	0702-Minor Irrigation	1.76	1.44
29.	0851-Village and Small Industries	0.35	0.63
30.	0852-Industries	3.43	4.80
31.	1054-Roads and Bridges	16.69	40.64
32.	1055-Road Transport	0.42	0.83
33.	1425-Other Scientific Research	0.01	0.04
34.	1452-Tourism	1.93	3.27
35.	1456-Civil Supplies	0.07	0.09
36.	1475-Other General Economic Services	6.41	5.48
Total		520.79	687.72

Annexure-II

Reference Paragraph-1.7.1 Position of Inspection Reports

₹ in crore												
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	607	1,181	15.43	82	194	2.63	92	374	4.77	597	1,001	13.29
2009-10	597	1,001	13.29	81	207	1.59	62	167	1.95	616	1,041	12.93
2010-11	616	1,041	12.93	37	148	28.19	72	121	6.05	581	1,068	35.07
2011-12	581	1,068	35.07	78	170	143.99	65	73	129.72	594	1,165	49.34
2012-13	594	1,165	49.34	62	112	3.32	75	123	6.22	581	1,154	46.44
2013-14	581	1,154	46.44	51	100	6.15	20	75	0.20	612	1,179	52.39
2014-15	612	1,179	52.39	59	118	26.80	102	136	19.15	569	1,161	60.04
2015-16	569	1,161	60.04	77	124	3.58	54	56	3.04	592	1,229	60.58
2016-17	592	1,229	60.58	30	144	3.93	17	103	7.55	605	1,270	56.96
2017-18	605	1,270	56.96	66	295	13.03	25	116	10.50	646	1,449	59.49

Annexure-III

Reference Paragraph-1.7.2 Recovery of accepted cases

₹ in crore						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Position of recovery of accepted cases as of 31 March 2018
1	2	3	4	5	6	7
2007-08	6	5.01	5	4.93	0.02	0.18
2008-09	2	1.87	2	1.87	0.01	0.22
2009-10	2	1.51	2	1.51	0.00	0.00
2010-11	2	0.65	2	0.33	0.02	0.04
2011-12	5	132.81	5	132.81	0.12	0.09
2012-13	5	2.83	5	2.83	0.03	0.22
2013-14	3	5.08	1	2.47	0.10	0.14
2014-15	4	17.59	4	17.59	0.91	0.91
2015-16	5	103.59	5	103.58	1.06	1.06
2016-17	4	2.18	3	1.57	0.16	0.16
Total	38	273.12	34	269.49	2.43	3.02

Annexure-IV

Reference – Paragraph 2.4.7.1-Acceptance of ineligible declaration forms (form-C)

Name of the AETCs	Year of assessment/ Date of assessment	Gross Turnover of assessees	Differential amount of tax leviable on Turnover of the invalid forms - 'C'	Interest leviable u/s 19 (i) of HP VAT Act	Total	Reasons for rejection of the forms
Forms - 'C'						
Baddi	2011-12 24.07.15	70,22,44,425	11,13,672	9,80,032	20,93,704	Two forms were not in quarter.
	2011-12 10.02.16	163,34,17,224	6,120	5,386	11,506	One forms had cutting and overwriting
	2011-12 27.04.15	3,80,94,205	49,952	43,957	93,909	Two forms were counterfoil.
	2010-11 29.01.16	2,70,82,065	74,702	79,184	1,53,886	One form was wrong addressed.
	2010-11 10.06.15	17,36,26,365	9,995	10,595	20,590	One form was counterfoil.
	2008-09 16.03.16	2,98,35,602	2,956	4,198	7,154	Two forms were wrong addressed.
	2008-09 02.07.15	10,21,78,788	76,317	1,08,370	1,84,687	Eleven forms were wrong addressed.
	2007-08 13.04.15	69,52,45,230	33,611	53,777	87,388	One form was counterfoil.
	2009-10 18.04.15	154,51,94,951	14,79,196	18,34,203	33,13,399	Forty forms were wrong addressed.
	2011-12 08.01.16	4,98,36,123	28,640	25,203	53,843	Four forms were wrong addressed.
	2013-14 24.09.15	4,99,82,561	13,488	7,014	20,502	One form was - photocopy
	2008-09 17.11.15	18,36,96,238	2,71,352	3,85,320	6,56,672	Four forms were wrong addressed.
	Total		523,04,33,777	31,60,001	35,37,239	66,97,240
Nahan	2009-10 31.11.15	16,27,53,906	23,472	29,105	52,577	Four forms were wrong addressed and one form was counterfoil.
	2011-12 20.02.16	6,44,84,257	2,93,250	2,58,060	5,51,310	One form was wrong addressed.
	2010-11 17.09.15	2,63,62,619	39,215	41,568	80,783	One form had difference in total of bills and five forms were not mentioning bill and date.
	Total		25,36,00,782	3,55,937	3,28,733	6,84,670
Nurpur	2009-10 16.10.15	45,60,62,168	3,01,102	3,73,366	6,74,468	One form was Photocopy
	2011-12 09.06.15	11,02,96,622	44,458	39,123	83,581	One form was Photocopy
	Total		56,63,58,790	3,45,560	4,12,489	7,58,049
Solan	2011-12 09.06.15	2,26,27,920	2,154	1,895	4049	One form had cutting and overwriting.
	2012-13 20.10.15	4,78,58,408	3,964	2,775	6,739	Two forms were counterfoil.
	2012-13 05.10.15	8,73,22,935	28,311	19,818	48,129	Four forms were Photocopy
	2011-12 20.10.15	20,60,53,675	29,759	26,188	55,947	Four forms were cutting and overwriting.

Audit Report for the year 2017-18 on Revenue Sector

	2008-09 12.01.16	1,70,79,163	6,598	9,369	15,967	One form was cutting and overwriting.
	2011-12 18.06.15	5,36,42,024	35,310	31,072	66,382	Two forms had wrong addressed.
	2010-11 15.01.16	12,61,96,775	1,58,470	1,67,978	3,26,448	One form was counterfoil.
	Total	56,07,80,900	2,64,566	2,59,095	5,23,661	15 forms
Una (2015-16)	2009-10 09.04.15	5,37,63,331	39,584	49,084	88,668	Four forms were cutting and overwriting.
	2008-09 01.03.16	28,11,40,844	20,61,607	29,27,483	49,89,090	Two forms were cutting and overwriting.
	2010-11 18.11.15	3,42,79,703	4,838	5,128	9,966	Two forms were counterfoil.
	2010-11 18.09.15	11,78,14,020	1,23,926	1,31,362	2,55,288	One form was counterfoil.
	Total	48,69,97,898	22,29,955	31,13,057	53,43,012	nine forms
Una (2016-17)	2005-06 16.06.16	55,31,222	3,495	6,850	10,345	One form was not in quarter.
	2012-13 14.06.16	1,35,42,788	41,451	2,87,667	3,29,118	One form was blank.
	2014-15 08.09.16	90,33,021	3,31,570	1,12,734	4,44,304	Three forms were wrong addressed.
	2008-09 09.12.16	3,16,54,287	2,04,942	2,91,018	4,95,960	One form was not in quarter.
	2013-14 07.03.17	40,97,17,716	1,26,591	65,828	1,92,419	One form was blank.
	Total	46,94,79,034	7,08,049	7,64,097	14,72,146	Seven forms
	Grand total	756,76,51,181	70,64,068	84,14,710	154,78,778	115 forms
	Say ₹	₹70.64 lakh	₹84.15 lakh	₹1.55 crore		

Annexure-V

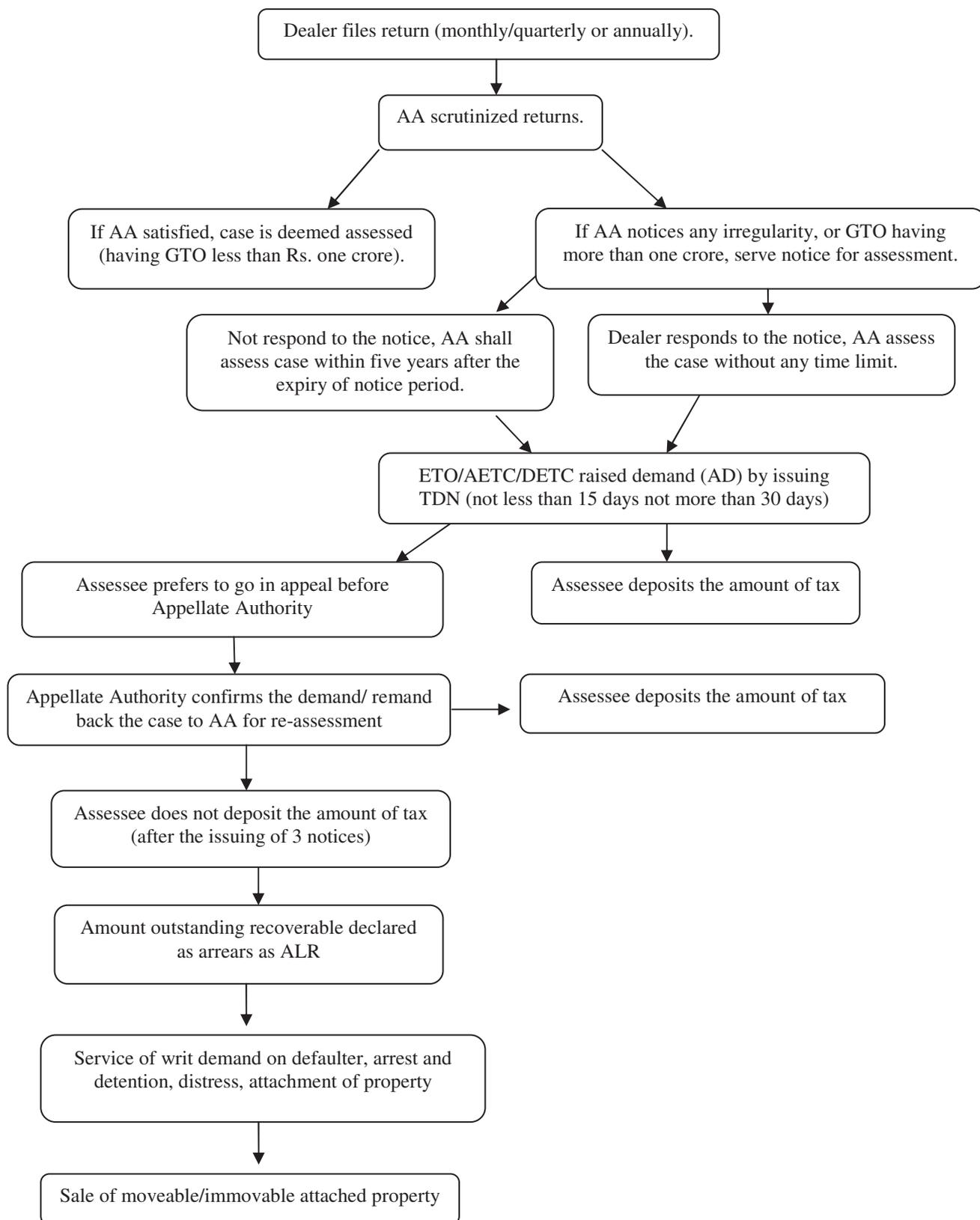
Reference –Paragraph 2.4.7.2-Acceptance of ineligible declaration forms (form-F)

Name of AETCs	Year of assessment/ Date of assessment	Differential amount of tax leviable on exempted turnover	Interest leviable u/s 19 (i) of HP VAT Act	Total	Reasons for rejection of the forms
Forms - 'F'					
Baddi	2009-10 02.05.15	11,67,115	14,47,223	26,14,338	The eleven forms were covering more than one calendar month.
	2009-10 18.08.15	3,674	4,555	8,229	The one form was covering more than one calendar month and duplicate.
	2 case	11,70,789	14,51,778	26,22,567	12 forms
Shimla	2012-13 18.08.15	3,50,478	2,45,335	5,95,813	The two forms were covering more than one calendar month.
	2013-14 18.08.15	3,50,438	1,82,228	5,32,666	
	1 case	7,00,916	4,27,563	11,28,479	2 forms
Solan	2012-13 27.06.15	55,705	38,994	94,699	The two forms were covering more than one calendar month.
	2013-14 27.06.15	48,769	25,360	74,129	
	2011-12 30.10.15	7,00,590	6,16,519	13,17,109	The one form was covering more than one calendar month.
	3 cases	8,05,064	6,80,873	14,85,937	3 forms
Una	2009-10 30.03.16	1,38,822	1,72,139	3,10,961	The eight forms were covering more than one calendar month.
	2010-11 01.10.15	2,45,855	2,60,606	5,06,461	The four forms were covering more than one calendar month.
	2 case	3,84,677	4,32,745	8,17,422	12 forms
G. Total	8 cases	30,61,446	29,92,959	60,54,405	29 forms

Annexure-VI

Reference paragraph: 2.5 Introduction

The Process of recovery of arrears



GLOSSARY

GLOSSARY OF ABBREVIATIONS

Abbreviation	Full form of the abbreviation
AAs	Assessing Authorities
ACF	Assistant Conservators of Forest
AD	Additional demand
AETCs	Assistant Excise and Taxation Commissioners
ALR	Arrears of Land Revenue
ATN	Action taken notes
BBMB	Bhakra Beas Management Board
BBN	Baddi, Barotiwala and Nalagarh
BEs	Budget Estimates
BWH	Bonded Ware House
CL	Country Liquor
CS	Country Spirit
CST	Central Sales Tax
CZ	Central Zone
DC	Deputy Commissioner
DCR	Demand and Collection Register
DETC	Deputy Excise and Taxation Commissioner
DFOs	Divisional Forest Officers
DPROs	District Public Relation Officers
EA	Excise Announcement
ED	Electricity Duty
ENA	Extra Neutral Alcohol
ETC	Excise and Taxation Commissioner
ETD	Excise and Taxation Department
ETI	Excise and Taxation Inspector
ETOs	Excise and Taxation Officers
FCA	Forest Conservation Act
FS	Flying Squad
GOI	Government of India
GST	Goods and Service Tax
GTO	Gross Turn Over
HIMTAS	Himachal Pradesh Tax Administration System
HoD	Head of the Department
HP	Himachal Pradesh
HPLR	Himachal Pradesh Lease Rules
HPGST	Himachal Pradesh General Sales Tax
HPVAT	Himachal Pradesh Value Added Tax
HPMVR	Himachal Pradesh Motor Vehicle Rules
HPMVT	Himachal Pradesh Motor Vehicles Taxation
HPPGT	Himachal Pradesh Passengers and Goods Taxation
HPPGTR	Himachal Pradesh Passengers and Goods Tax Rules
HPPWD	Himachal Pradesh Public Works Department
HPSEBL	Himachal Pradesh State Electricity Board Ltd.
HPSFDCL	Himachal Pradesh State Forest Development Corporation Ltd.
HPTDC	Himachal Pradesh Tourism Development Corporation
HRTC	Himachal Road Transport Corporation
IAW	Internal Audit Wing
ICDP	Integrated Co-operative Development Projects
IFA	Indian Forest Act
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IR Act	Indian Registration Act

Audit Report for the year 2017-18 on Revenue Sector

IRs	Inspection Reports
IS Act	Indian Stamp Act
ISS	Inter State Sales
IT	Information & Technology
ITC	Input Tax Credit
LRA	Land Revenue Act
MGQ	Minimum Guaranteed Quota
MPP & Power	Multi-Purpose Projects and Power
MT	Metric Tonne
MVT	Motor Vehicles Tax
NH	National Highway
NOC	No Objection Certificate
NZ	North Zone
OR	Other Road
OTD	Other Taxes and Duties
PA	Performance Audit
PAG	Principal Accountant General
PAC	Public Accounts Committee
PC	Pricing Committee
PCCF	Principal Chief Conservator of Forest
PDR	Punjab Distillery Rules
PGT	Passenger and Goods Tax
PLs	Proof Liters
PSCs	Private Stage Carriages
RC	Certificate of Registration
RF	Registration Fee
RLAs	Registering and Licensing Authorities
RR	Rural Road
RRA	Revenue Recovery Act
RS	Rectified Spirit
R & T	Registration and Turnover
RTOs	Regional Transport Officers
SD	Stamp Duty
SED	State Excise Duty
SH	State Highway
SRs	Sub Registrars
SRT	Special Road Tax
STA	State Transport Authority
SZ	South Zone
TDN	Tax Demand Notice
TEGLA	Tax in Entry of Goods into Local Area
TTO	Taxable Turn Over
UDAY	Ujwal DISCOM Assurance Yojana
VAT	Value Added Tax

© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
www.cag.gov.in