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Preface

This Report for the year ended 31 March 2005 has been prepared for submission to the Governor under Article 151(2) of the Constitution of India.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade etc., stamp duty and registration fee, State excise duty, electricity duty, taxes on motor vehicles, passengers and goods tax, agriculture (purchase tax and crop husbandry) and non-tax receipts of the state.

The cases mentioned in this Report are among those, which came to notice in the course of test audit of records during the year 2004-2005 as well as those noticed in earlier years but could not be included in previous Reports.

This Audit Report contains 21 paragraphs including two reviews involving tax effect of Rs.367.24 crore. Some of the major findings are mentioned below:

1. General

- **The total receipt of the State Government for the year 2004-2005 was Rs.11,149.06 crore.**

Revenue raised by the State Government during the year was Rs.9,984.64 crore comprising tax revenue of Rs.7,440.27 crore and non-tax revenue of Rs.2,544.37 crore. Receipts under taxes on sales, trade etc. (Rs.4,760.91 crore) and state excise (Rs.1,013.16 crore) constituted a major portion of receipts of tax revenue. Under non tax revenue, major receipt was from road transport (Rs.513.17 crore). The State also received Rs.619.26 crore as its share of net proceeds of divisible union taxes, which had increased by Rs.18.51 crore over the previous year. An amount of Rs.545.16 crore was received as grants in aid from Government of India.

(Paragraph 1.1)

- **Arrears of revenue at the end of March 2005 as reported by the major departments were Rs.1,086.91 crore.**

(Paragraph 1.7)

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

(Paragraph 1.13)

- **Inspection reports containing 7,931 audit observations with money value of Rs.1,120.42 crore (issued upto December 2004) were outstanding for want of final replies from the Departments at the end of June 2005.**

(Paragraph 1.14)

2. Taxes on Sales, Trade etc.

A review on “Delay in disposal of remand and revision cases” inter-alia revealed the following:-

- **Number of appeal cases increased from 1,272 to 2,286 whereas remand cases increased from 684 to 1,623.**

(Paragraph 2.2.5 and 2.2.7)

- **129 cases were not found entered in the appeal registers maintained by the District Sales Tax Offices.**

(Paragraph 2.2.6)

- **Non fixation of time limit for completing reassessment of remand cases resulted in non finalisation of 369 cases and delayed finalisation of 154 cases involving an amount of Rs.21.69 crore.**

(Paragraph 2.2.7)

- **Penalty of Rs.87 crore though leviable was not levied in one case.**

(Paragraph 2.2.9)

- **Delay in deciding cases in revisions resulted in blockage of revenue of Rs.27.18 crore in 72 cases.**

(Paragraph 2.2.10)

- **In nine cases, notional sales tax liability of Rs.35 lakh was under assessed due to inadmissible deductions from gross turnover and due to application of incorrect rate of tax.**

(Paragraph 2.3)

- **Tax of Rs.13 lakh was under assessed due to incorrect deduction in two cases.**

(Paragraph 2.4)

- **Purchase tax of Rs.73 lakh was not levied in six cases.**

(Paragraph 2.5)

- **Tax of Rs.37 lakh was under assessed due to application of incorrect rate of tax in three cases.**

(Paragraph 2.6)

- **Excess rebate of Rs.14 lakh was allowed in one case resulting in under assessment of tax of Rs.14 lakh.**

(Paragraph 2.7)

3. Stamp Duty and Registration Fee

- Misclassification of instruments of release deeds in 201 cases resulted in short levy of stamp duty of Rs.1.33 crore.

(Paragraph 3.2)

- Under valuation of property in 13 cases resulted in short levy of stamp duty and registration fees amounting to Rs.9 lakh.

(Paragraph 3.5)

4. State Excise Duty

- Licence fee of Rs.1.57 crore was short realised due to short lifting of country liquor/Indian Made Foreign Liquor.

(Paragraph 4.2)

- Government revenue was short realised due to non recovery of penalty amounting to Rs.85.61 lakh.

(Paragraph 4.3)

- Non imposition and recovery of fine on illicit liquor resulted in short realisation of Rs.18 lakh.

(Paragraph 4.4)

- Department failed to recover Rs.25.22 lakh from the original contractor subsequent to reauction of vends at lower auction value.

(Paragraph 4.5)

5. Other Tax Receipts

- Driving licence fee amounting to Rs.92 lakh for driving additional class of vehicles was not charged in 1,57,043 cases.

(Paragraph 5.2.3)

- Bid money was either short deposited or not deposited by 64 Transport Co-operative Societies plying buses on various link roads which resulted in short realisation of Rs.80 lakh.

(Paragraph 5.2.4)

- Token tax of Rs.86 lakh was neither demanded by the Department nor deposited by 480 Co-operative Transport Societies.

(Paragraph 5.2.5)

- **Licence fee of Rs.33 lakh was short charged in 35,118 cases.**

(Paragraph 5.2.6)

- **Realisation of registration fee at lesser rates in 44,256 cases resulted in short realisation of Government revenue to the tune of Rs.34 lakh.**

(Paragraph 5.2.7)

- **Permit/countersignature fee of Rs.17.47 crore was short levied in 42,726 cases.**

(Paragraph 5.2.8)

- **Non/short realisation of penalty on late renewal of permits resulted in short realisation of Rs.10 lakh.**

(Paragraph 5.2.9)

6. Non Tax Receipts

A review on “Recovery of Water Rates from Canal Water” inter-alia revealed the following:-

- **Arrears of abiana accumulated to Rs.25.04 crore as on 31 March 2004.**

(Paragraph 6.2.6)

- **Non reconciliation between Irrigation and Revenue Department resulted in non realisation of demand of Rs.1.48 crore in eight divisions.**

(Paragraph 6.2.7)

- **Lack of co-ordination between Irrigation and Public Health Department resulted in accumulation of arrears of water charges of Rs.444 crore.**

(Paragraph 6.2.8)

- **Non/delayed payment of water charges bills resulted in non/short levy of surcharge of Rs.251.99 crore.**

(Paragraph 6.2.9)

Agriculture Department

- **Purchase tax and interest of Rs.29.64 lakh was not recovered from one Co-operative Sugar Mill.**

(Paragraph 6.3)

Co-operation Department

- **Dividend on State share capital amounting to Rs.42.70 lakh was not deposited by seven co-operative societies.**

(Paragraph 6.4.1)

- **Government share capital amounting to Rs.20.39 lakh was not realised.**

(Paragraph 6.4.2)

1.1 Trend of revenue receipts

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

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

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

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

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

1.1.1 Grants-in-aid

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Initiatives for Mobilization of Additional Resources

1.2.1 Initiatives proposed in the Budget Speech

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

1.2.2 Implementation of Memorandum of Understanding

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

1.3 Analysis of budget preparation

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

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

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

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

1.4 Variation between budget estimates and actuals

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

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

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

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

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

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

1.5 Analysis of collection

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

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

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

1.6 Cost of collection

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

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

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

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

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

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

1.7 Arrears of revenue

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

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

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

*

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

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

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

1.8 Arrears in assessments

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

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

* Taxes on sales, trade etc.

** Passengers and goods tax.

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

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

1.9 Performance of assessments

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

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

1.10 Evasion of tax

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

reported by the departments are given below:

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

1.11 Write-off and waiver of revenue

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

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

1.12 Refunds

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

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

1.13 Results of Audit

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

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

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

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

Replies to Inspection Reports

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

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

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

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

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

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

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

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

1.15 Departmental Audit Committee Meetings

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

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

1.16 Response of the departments to Draft Audit Paragraphs

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

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

1.17 Follow up on Audit Reports-Summarised position

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

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

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

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

2.1 Results of Audit

Test check of sales tax assessments, refund cases and other connected records conducted during the year 2004-05 revealed under assessments of sales tax amounting to Rs.140.61 crore in 735 cases, which broadly fall under the following categories:

Sl. No.	Particulars	Number of cases	Amount (Rupees in crore)
1.	Incorrect computation of turnover	14	2.29
2.	Application of incorrect rates	77	2.47
3.	Non-levy of interest	69	5.31
4.	Non-levy of penalty	15	16.09
5.	Under-assessment of turnover under CST Act	114	7.86
6.	Other irregularities	445	19.69
7.	Review on Delay in Disposal of Remand and Revision Cases	1	86.90
	Total	735	140.61

During the year 2004-05, the Department accepted under assessments of tax of Rs.91.31 crore involved in 125 cases of which 109 cases involving Rs.90.98 crore had been pointed out in audit during 2004-05 and the rest in earlier years. An amount of Rs.0.68 crore had been recovered in 66 cases during the year 2004-05, of which Rs.0.42 crore recovered in 41 cases related to earlier years.

A few illustrative cases involving Rs.1.92 crore and a review on “Delay in Disposal of Remand and Revision Cases” involving Rs.86.90 crore highlighting important cases are mentioned in this chapter.

2.2 Delay in Disposal of Remand and Revision Cases

Highlights

Number of appeal cases increased from 1,272 to 2,286 whereas remand cases increased from 684 to 1,623.

(Paragraph 2.2.5 and 2.2.7)

129 cases were not found entered in the appeal registers maintained by the District Sales Tax Offices.

(Paragraph 2.2.6)

Non fixation of time limit for completing reassessment of remand cases resulted in non finalisation of 369 cases and delayed finalisation of 154 cases involving amount of Rs.21.69 crore.

(Paragraph 2.2.7)

Penalty of Rs.87 crore though leviable was not levied in one case.

(Paragraph 2.2.9)

Delay in deciding cases in revisions resulted in blockage of revenue of Rs.27.18 crore in 72 cases.

(Paragraph 2.2.10)

Introductory

2.2.1 The Haryana General Sales Tax Act, 1973 (HGST Act), and Central Sales Tax Act, 1956 (CST Act) and the Rules framed thereunder govern the levy, assessment and collection of sales tax.

An assessee aggrieved with an order passed under the Acts or Rules can file an appeal to the departmental appellate authorities within 60 days from the date of receipt of the copy of the assessment order appealed against. The Act provides that no appeal shall be entertained unless the appellate authority is satisfied that the amount of tax assessed and penalty and interest, if any, recoverable has been paid. The appellate authority, if satisfied, that the assessee is unable to pay the whole amount of tax assessed, or the penalty imposed, or the interest due, may, for reasons to be recorded in writing, entertain the appeal and stay the recovery of balance amount subject to the furnishing of a bank guarantee or adequate security to his satisfaction. The appellate authority may either reject or accept the appeal and allow the relief sought or may remand the case back to the assessing authority for reassessment. No time limit has been prescribed under the Acts or Rules framed thereunder for reassessment of remand cases. The Excise and Taxation Commissioner, in his instructions of July 1997, directed all assessing

authorities (AA) to decide remand cases within six months from the date of receipt of the copy of the remand orders. In case it was not possible for any assessing authority to decide the case within this time, he shall submit a detailed quarterly report to the Deputy Excise and Taxation Commissioner incharge of the district, who was required to send the same to the Excise Taxation Commissioner after adding his own comments. But there is no provision under the Act/Rules for monitoring the receipt and disposal of remand cases at the ETC level.

Section 40 of the HGST Act and Rules framed thereunder provide that the Commissioner may on his own motion call for the records of any case pending before or disposed of, by any officer appointed under the Act to assist him or any assessing authority, for the purposes of satisfying himself as to the legality or to propriety of any proceeding of any order made therein and may pass such order in relation thereto as he may think fit. Provided that no order shall be so revised after the expiry of a period of five years from the date of the order.

Organisational set up

2.2.2 The monitoring and control at Government level is done by the Financial Commissioner and Secretary to Government, Haryana, Excise and Taxation Department. The overall control and superintendence of the Sales Tax vests with the ETC who is assisted by six Additional Excise and Taxation Commissioners (Addl. ETCs), 10 Joint Excise and Taxation Commissioners (JETCs), 21 Deputy Excise and Taxation Commissioners (DETCs), Excise and Taxation Officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Taxation Inspectors, and other allied staff in the administration and implementation of the Acts.

There are four appellate authorities in the State, one each in four sales tax divisions at Ambala, Faridabad, Rohtak and Hisar, which function as JETCs (Appeals). ETC as the revisional authority may also remand the cases to the assessing authorities for reassessment.

Audit Objectives

2.2.3 The review was conducted with a view to:

- ascertain the extent of compliance of procedure/codal provisions and executive instructions to ensure timely disposal of remand cases.
- ascertain the lacunae in the Act/Rules responsible for blockage of revenue in remand/revision cases.
- ascertain whether there exists internal control mechanism to ensure disposal of remand cases in time.

Audit Coverage

2.2.4 Records of two* out of four appellate authorities and 12** out of 21 district sales tax offices for the years 2001-02 to 2003-04 were test checked between April 2004 and January 2005.

Audit findings as a result of test check of records of Excise and Taxation Department, Haryana were reported in May 2005 to the Government with a specific request in June 2005 for attending the meeting of the Audit Review Committee so that the view point of the Government may be taken into account before finalising the review. The meeting was held on 1 July 2005 which was attended by the Additional Excise and Taxation Commissioner, Haryana.

Trend of appeals filed and their disposal

2.2.5 The position of appeal and remand cases for the years 2001-02 to 2003-04 as compiled from the information furnished by the Department is as under:

Sr. No.	Particulars	2001-02	2002-03	2003-04
1	Number of appeal cases brought forward	1,272	1,610	1,633
2	Number of appeal cases arising during the year	2,185	2,299	3,110
3	Total	3,457	3,909	4,743
4	Number of appeal cases finalised/ transferred during the year.			
	Number of appeals rejected	874	1,129	909
	Number of appeals accepted and relief given	406	358	353
	Number of appeals transferred	07	01	-
	Number of appeals remanded/ revenue involved (Rs. in lakh)	560 (1,942.46)	788 (3,201.64)	1195 (3,650.00)
	Total	1,847***	2,276***	2,457
5	Number of appeal cases pending at the end of the year	1,610	1,633	2,286

From the above it would be seen that number of appeal cases increased from 1,272 to 2,286 during the above period.

Improper maintenance of control records of remand cases

2.2.6 To monitor remand cases, ETC in his instructions of July 1997 prescribed a register called appeal register to be maintained in each DETC

* Ambala and Rohtak.

** Ambala, Bahadurgarh, Gurgaon (East), Gurgaon (West), Jagadhri, Kaithal, Karnal, Kurukshetra, Panchkula, Panipat, Rohtak and Sonipat.

*** Eight cases of appeals (seven in 2001-02 and one in 2002-03) were transferred from one JETC (Appeals) to another.

office. The Register serves as a monitoring tool for watching the receipt and disposal of remand cases.

During the course of test check of records of districts sales tax offices, it was noticed in six* out of 12 DETCs that registers of remand cases were not maintained properly in as much as these did not contain complete particulars of remanded cases viz. date of receipt, date of disposal, tax effect, etc. It was noticed that 129 cases remanded by the appellate authorities involving sales tax of Rs.4.04 crore, between 2001-02 and 2003-04, were not found entered in the registers maintained by DETCs as mentioned below:

(Number of cases)				
Name of DETC Office	2001-02	2002-03	2003-04	Total
Panipat	23	7	15	45
Ambala	-	-	13	13
Jagadhri	2	7	8	17
Karnal	3	7	8	18
Bahadurgarh	8	6	3	17
Sonipat	1	-	18	19
Total				129

Failure to get these remand cases entered in the registers maintained in district sales tax offices shows lack of effective control and monitoring of the receipt and disposal of remand cases as per instructions of ETC of July 1997.

Disposal of remand cases

2.2.7 Under the HGST Act and Rules made thereunder, no time limit has been laid for completing reassessment of remand cases. Instructions issued by the ETC in July 1997, however, directed that decision in remand cases may be taken within six months from the date of receipt of copy of remand order. A quarterly report showing the number of cases pending finalisation for more than six months alongwith the reasons thereof was required to be sent to the ETC by the concerned assessing authority.

The position of receipt and disposal of remand cases as furnished by the Department was as under:

(Number of cases)						
Sr. No.	Year	Opening balance	Cases received during the year	Total	Cases disposed of	Cases pending disposal
1.	2001-02	684	560	1,244	464	780
2.	2002-03	780	788	1,568	550	1,018
3.	2003-04	1,018	1,195	2,213	590	1,623
	Total		2,543	5,025	1,604	

* Ambala, Bahadurgarh, Jagadhari, Karnal, Panipat, and Sonipat.

It would be seen from the above that the disposal of remand cases was far less than the cases received during the period 2001-02 to 2003-04. Consequently the number of cases pending disposal during the above period increased from 684 to 1,623 i.e. increase of 237.29 *per cent*.

Cases pending finalisation for more than six months

- Test check of records in 12 district sales tax offices revealed that 369 cases of 277 dealers involving tax of Rs.11.74 crore remanded between April 2001 and September 2003 were pending assessment though more than six months had elapsed from the date of their receipt. It was noticed in audit that no quarterly report giving reasons for delay was sent to ETC. The yearwise detail of these cases was as under:

(Rupees in crore)			
Year of remand	No. of cases	No. of dealers	Amount involved
2001-02	132	91	5.74
2002-03	151	122	4.26
2003-04	86	64	1.74
Total	369	277	11.74

A few remand cases are discussed as under:

(Rupees in crore)				
Sr. No.	Name of DETC	Assessment year/date of order and number of cases/dealers	Nature of observation	Amount involved
1.	Yamuna-nagar	1995-96, 1996-97 February 1999 1997-98 March 2001/ 3/1	Three cases of a dealer were remanded in September 2001, January 2002 and September 2003 by the appellate authority back to the assessing authority with the directions to make fresh assessments after examining each and every claim of the appellant thoroughly. The assessing authority had not finalised the assessments till March 2005.	2.26
2.	Panchkula	1992-93 October 1997 1993-94 November 1997 1995-96 April 1998/ 3/1	The appellate authority remanded the cases in September 2002 with the direction to make fresh assessment after giving an opportunity to the dealer. The assessing authority did not finalise the assessments till March 2005 though two years have elapsed.	0.35

(Rupees in crore)				
Sr. No.	Name of DETC	Assessment year/date of order and number of cases/dealers	Nature of observation	Amount involved
3.	Karnal	1996-97 December 2000 1997-98 December 2000/ 2/1	Assessments of a dealer were finalised exparte in December 2000. On appeal, the appellate authority remanded in December 2003 the cases back to the assessing authority with the direction that due opportunity may be given to the dealer before finalisation of the cases. The cases had not been decided till March 2005.	0.54
4.	Sonipat	2001-02 July 2002/ 1/1	On appeal, the appellate authority remanded in March 2003 the case back to the assessing authority with the observations to take action for individual offence if it remains unexplainable, after hearing the appellant patiently, and not to take action two times for a single offence. No action to decide the remand case had been taken till March 2005.	0.94
	Total			4.09

Cases finalised after a delay of six months

- It was noticed in nine* district units that in 154 cases of 123 dealers involving tax of Rs.9.95 crore, the reassessment of remand cases referred between September 1994 and June 2003, pertaining to the period from 1983-84 to 2001-02, were finalised between April 2000 and July 2004 i.e. after delay** ranging between one month and 114 months as detailed below:

(Rupees in crore)		
Reassessments finalised (excluding initial six months)	Number of cases	Amount
After one month but upto 12 months	66	8.41
After 12 months but upto 24 months	26	0.41
After 24 months but upto 36 months	28	0.66
After 36 months but upto 48 months	9	0.08
After 48 months but upto 60 months	18	0.07
After 60 months but upto 114 months	7	0.32
Total	154	9.95

* Ambala Cantt., Bhadurgarh, Gurgaon (East). Gurgaon (West), Jagadhri, Karnal, Kurukshetra, Panipat and Sonipat.

** Delay after expiry of prescribed period of six months.

The possibility of recovery of the amount in the cases finalised after considerable delay is remote as is evident from the following few cases:-

- It came to the notice of the Department in January 1990 that a dealer of Jagadhri had evaded tax during the years 1988-89 and 1989-90. Assessments for these years were finalised by the assessing authority ex parte in December 1995, after five years, by creating additional demand for tax of Rs.14.86 lakh. The cases were remanded by the appellate authority in November 2000. Remand case was decided by the assessing authority ex parte in December 2003, i.e. after three years and one month, creating a demand of Rs.44.57 lakh. The amount could not be recovered as the Department stated in June 2005 that the dealer had already closed his business and the proprietor of the firm was not traceable.
- In Gurgaon (west), a dealer did not pay the tax alongwith the returns for the year 1991-92. Penal action was taken in December 1992 creating a demand of Rs.1.45 lakh. On appeal, the appellate authority remanded in December 1993 the penal order back to the assessing authority with the direction to decide the same within one month from the date of receipt of remand order. The remand case alongwith regular assessment for the year 1991-92 was decided in November 2003 i.e. after a delay of nine years and six months creating demand of Rs.23.79 lakh. However, the amount could not be recovered as the dealer had already closed his business. The exact date of closure of business was not available with the Department.

Reasons for delay in deciding the remand cases and non sending of the quarterly reports to ETC and non monitoring at ETC level were called for from the Department in March 2005; reply had not been received (August 2005).

Delay in communication of remand orders

2.2.8 Under the HGST Rules, 1975, every order passed by the appellate authority under the Act shall be communicated to the appellant, the authority against whose order the appeal was preferred and the authority that passed the original order. No time limit for communication of the orders passed by appellate authority had been laid down in the Act/Rules or instructions issued by the Department.

During test check of records of JETC (Appeal), Ambala, it was noticed that 15 cases involving tax effect of Rs.60 lakh for the period 1996-97 to 2001-02 were decided by the appellate authority between August 2001 and March 2004. However remand orders were communicated between March 2002 and June 2004 after three to eight months of the decision of the appellate authority.

The delay in communication contributed to delayed action in reassessing the remand cases leading to huge pendency from year to year.

Non levy of penalty

2.2.9 Under the HGST Act and CST Act, if a dealer has maintained false or incorrect accounts or documents with a view to suppress his sales or purchases

or has furnished or produced before any authority any account, return, document or information which is false or incorrect in any material particular, he may direct the dealer to pay penalty equal to twice the amount of tax under section 9 (2) of CST Act read with section 48 of HGST Act. ETC issued instructions in September 1993 that penal proceedings must be completed within six months of the assessment.

During test check of records of DETC, Ambala, it was noticed in July 2004 that a dealer suppressed his inter state sales of petroleum products (HSD, SKO, ATF & MS) valued at Rs.297.53 crore by way of claims as branch transfers during the year 2000-01. While framing the assessment in March 2003, the assessing authority levied tax of Rs.43.45 crore on suppressed sales. Penal action was kept pending by the assessing authority. The appellate authority remanded the case back to the assessing authority in September 2003. Remand case was decided by the assessing authority in March 2004 and demand under CST Act for Rs.43.53 crore was created but the Department omitted to levy penalty of Rs.86.90 crore which resulted in non realisation of Government revenue to that extent. The case was to be decided within six months of assessment which was not done despite clear instructions of ETC.

After this was pointed out, the Department replied in June 2005 that a penalty of Rs.87 crore was imposed in March 2005.

Delay in deciding cases in Revision

2.2.10 Under HGST Act and notification of September 2001 made thereunder, revisional powers of the Commissioner have been conferred on AETC, JETC, DETC and ETO in respect of cases decided by or pending before any officer below that rank.

Details of consolidated revisional cases were not made available by the ETC office. After these were called for, the Department stated in June 2005 that information is being collected from the field offices and will be supplied in due course.

No time limit has been prescribed under the Act/Rules to decide cases by revisional authority after these are received from the assessing authority.

- Test check of records of eight* district offices revealed that 50 cases involving tax of Rs.1.46 crore were outstanding for more than six months as tabulated below:

(Rupees in lakh)		
Pendency in revision	Number of cases	Amount involved
After 6 months but upto 12 months	25	57.05
After 12 months but upto 36 months	7	55.64
More than 36 months	18	33.43
Total	50	146.12

* Ambala, Jagadhri, Kaithal, Kurukshetra, Panchkula, Panipat, Rohtak, and Sirsa.

- During test check of records of seven* sales tax offices, it was noticed that in 22 cases involving tax effect of Rs.25.72 crore, assessments of dealers pertaining to the period 1991-92 to 1998-99 were revised by the revisional authority after a delay of six months to 59 months as per details tabulated below:

(Rupees in lakh)		
Assessments revised	Number of cases	Amount involved
After 6 months but upto 12 months	4	2,508.94
After 12 months but upto 24 months	9	54.83
After 24 months but upto 36 months	3	4.45
After 36 months but upto 48 months	5	3.17
After 48 months but upto 59 months	1	0.34
Total	22	2,571.73

It would be seen from the above that there was a delay in deciding revision cases and consequently recovery of the amount also got delayed. A time limit needs to be fixed for finalisation of cases so as to safeguard Government revenue.

- During test check of records of DETC, Ambala, it was noticed that in the case of a dealer, assessment order for the year 1993-94, originally passed by the assessing authority on 21 April 1997, was sent to the revisional authority on 11 July 2000 for taking suo motu action. By the time action was taken by the revisional authority, the revisional proceedings had become time barred and the revisional authority vacated notice in March 2004 resulting in loss of revenue.

Conclusion

2.2.11 It would be seen from the above that there was lack of internal control mechanism in the Department to ensure disposal of remand/revision cases. The abnormal delay in finalisation of remand cases and revision cases resulted in non realisation of huge amount of Government revenue.

Recommendations

2.2.12 For speedy settlement of cases, the State Government may consider taking following steps to improve the effectiveness of the system:-

- Records like appeal register of remand cases essential for monitoring the remand cases at Joint Commissioner (Appeals)/ DETC/Assessing Authority-wise may be maintained as per the provisions of the Act.
- The State Government may prescribe time limit for finalisation of remand cases. Besides, time limit for communication of orders

* Ambala, Bahadurgarh, Gurgaon (East), Jagadhri, Kurukshetra, Panipat and Sonipat.

passed by the appellate authority to the assessing authorities may also be fixed.

2.3 Under assessment of notional sales tax liability due to incorrect deduction

As per provisions of the HGST Rules, notional sales tax liability means amount of tax payable on the sales of finished products of the eligible industrial unit, but for an exemption computed at the maximum rates and not at concessional rates.

During test check of records of DETCs, Kaithal, Panchkula, Gurgaon (West), Jind, Sonipat and ETO Hansi, it was noticed between August 2002 and October 2004 that seven dealers in nine cases availing the benefit of exemption during the years 1996-97 to 2002-2003 were under assessed. This resulted in short determination of notional sales tax liability by Rs.0.35 crore as detailed below:

- ***Application of incorrect rate of tax***

In five cases of three dealers, sales tax liability was short assessed due to application of incorrect rate of tax. This resulted in short account of notional sales tax liability to the tune of Rs.16 lakh as detailed below:

(Rupees in crore)						
Sr. No.	Name of DETC/ Number of cases/ dealer	Assessment year and date of assessment	Value of raw material consumed	Rate of tax (In percentage)		Tax leviable
				leviable	levied	
1.	Kaithal/ 2/1	1996-97 and 1997-98/ June 2001	0.54/oil seed	7	1	0.03
Remarks: After this was pointed out in August 2002, the revisional authority raised the demand of Rs.3 lakh in April and September 2004.						
2.	Panchkula/ 1/1	2000-01/ August 2003	0.65/Goods	4	1	0.02
Remarks: After this was pointed out in May 2004, the assessing authority sent the case to Revisional Authority, Panchkula for taking suo motu action in May 2004.						
3.	Gurgaon (West)/ 2/1	1999-2000 and 2000-01/ August and September 2003	1.87/Goods	10	4	0.11
Remarks: After this was pointed out in May 2004, the assessing authority stated that in the case of exempted unit, reduced rate of tax had to be applied in respect of inter-State sales whether sale was made to the registered dealer or to unregistered dealer. Reply of the assessing authority was not tenable, as for the purpose of exemption limit the sales were liable to be taxed at maximum rates.						
Total						0.16

The matter was referred to the Government in June to December 2004; their reply had not been received (August 2005).

• **Under assessment of tax due to incorrect deduction**

Under HGST Rules, subsequent sale of goods purchased from exempted units and sold in inter State sales are liable to tax.

In four cases, four dealers made inter State sale of goods valued at Rs.4.67 crore which were purchased from the units availing exemption under the HGST Rules. The assessing authority incorrectly exempted the goods from levy of sales tax. This resulted in short realisation of Rs.19 lakh as detailed below:

Sr. No.	Name of DETC/ Number of cases/ dealer	Assessment year and date of assessment	Value of raw material consumed/ (Rs. in crore)	Rate of tax (In percentage)		Tax leviable (Rs. in crore)
				leviable	levied	
1.	Jind and Sonipat/ 2/2	2000-01 and 2001-02/ March 2003 and June 2003	1.47/cotton yarn	4	Nil	0.06
Remarks: After this was pointed out in audit, the Department intimated between January 2005 and March 2005 that the cases had been sent for suo motu action. Further progress had not been received (August 2005).						
2.	ETO Hansi/ 2/2	2001-02 and 2002-03/ March 2004	3.20/cotton yarn	4	Nil	0.13
Remarks: After this was pointed out in December 2004, the assessing authority stated in December 2004 that exemption was available at all the successive stages. Reply was not tenable as the exempted unit had not made the inter State sales itself, as such, tax was leviable on these sales.						
	Total					0.19

The cases were referred to the Government between March 2004 to January 2005; reply had not been received (August 2005).

2.4 Under assessment due to incorrect deduction from gross turnover

As per Haryana Government notification issued on 18 July 1997 under the HGST Act, tax on timber and its products is leviable at the first stage of sale in Haryana.

During test check of records of DETCs Gurgaon (West) and Kaithal, it was noticed that two dealers sold wooden boxes valued at Rs.1.30 crore between 1997-98 and 2001-03. However, the assessing authority while assessing the cases in August and September 2003 incorrectly excluded the turnover from levy of tax. This resulted in under assessment of tax of Rs.0.13 crore.

After this was pointed out between May and July 2004, the assessing authority accepted the audit observation and sent the case to the revisional authority for taking suo motu action in case of Gurgaon (West). In case of the dealer of Kaithal, the revisional authority raised a demand of Rs.0.02 crore. Further progress and report on recovery was awaited.

The cases were referred to the Government in September 2004; replies had not been received (August 2005).

2.5 Non levy of purchase tax

Under the HGST Act, cotton, paddy and oil seeds are taxable at the stage of last purchase when purchased from within the State. Further, a dealer is liable to pay purchase tax on goods (other than declared goods) purchased within the State and used in the manufacture of tax free goods or taxable goods which are disposed of otherwise than by way of sale. No deduction from dealer's gross turnover is admissible if such goods are indirectly exported out of India.

During test check of records of four DETCs, it was noticed between July and December 2004 that assessing authorities did not levy purchase tax of Rs.73 lakh in six cases during the years 1997-98 to 2000-2003 as detailed below:

(Rupees in crore)					
Name of DETC/ Number of cases/ dealers	Assessment year and date of assessment	Value of raw material consumed	Nature of irregularity	Rate of tax (In per- centage)	Tax leviable
Panipat/ 1/1	1997-1998 September 2003	1.16 Paddy	Purchased paddy within the State for extraction of rice and exported indirectly out of India. Purchase tax was not levied on the value of paddy.	4	0.05
Remarks: After this was pointed out in July 2004, the revisional authority raised an additional demand of Rs.0.05 crore in August 2004. Further report on amount recovered had not been received.					
Karnal/ 2/1	1998-99, 1999-2000 and 2000-01/ September 2003	1.12 Paddy	Purchased paddy within the State without payment of tax and exported indirectly out of India. There was no agreement between the dealers and the foreign buyers for such export.	4	0.04

(Rupees in crore)					
Name of DETC/ Number of cases/ dealers	Assessment year and date of assessment	Value of raw material consumed	Nature of irregularity	Rate of tax (In per- centage)	Tax leviable
Remarks: This was pointed out in January 2005, reply had not been received from the Department.					
Gurgaon/ 1/1	1997-98 May 2001	7.97 Wheat	Purchase tax was not levied on wheat purchased within the State without payment of tax and transferred outside the State otherwise than by way of sale.	4	(including interest of 0.28)
Remarks: After this was pointed out in July 2002, the Department sent the case to the revisional authority in August 2004 for taking suo motu action. Final reply had not been received (August 2005).					
Karnal/ 2/2	2000-01 February and March 2004	18.38 Shoes	Purchased goods without payment of tax within the State and used these in the manufacture of goods transferred outside the State otherwise by way of sale.	5-4=1	0.11*
Remarks: After this was pointed out in audit between October 2004 and December 2004, the Department intimated in March 2005 that additional demand of Rs.0.11 crore had been raised in February 2005 against the dealers. Report on recovery had not been received.					
Total					0.73

The cases were referred to the Government from October 2002 to January 2005; reply had not been received (August 2005).

2.6 Application of incorrect rate of tax

Under the HGST Act, tax is leviable in accordance with the rates prescribed in the notifications issued from time to time.

During test check of records of the two DETCs, it was noticed between August 2002 to June 2004 that assessing authorities applied incorrect rates while assessing three cases resulting in short levy of sales tax of Rs.37 lakh

* Out of tax of Rs.18.38 lakh, Rs.7.85 lakh paid and adjusted in respect of other goods.

during the years 1998-99 to 2000-2001 as detailed below:

(Rupees in crore)						
Sr. No.	Name of DETC/ Number of cases/ dealer	Assessment year and date of assessment	Value of goods sold	Rate of tax (In percentage)		Tax leviable
				leviable	levied	
1.	Gurgaon (West)/ 1/1	2000-01 July 2003	1.98 cement	12	4	0.16
Remarks: After this was pointed out in June 2004, the case was sent to revisional authority for suo motu action. Further progress had not been received (August 2005).						
2.	Gurgaon (West)/ 1/1	1998-99 March 2004	9.32 B/W television and its parts	12	10	0.19
Remarks: After this was pointed out in May 2004, the assessing authority raised an additional demand of Rs.0.19 crore in May 2004. Further progress had not been received (August 2005).						
3.	Kurukshetra / 1/1	2000-01 February 2002	3.24 Deoiled cake	4	NA	0.02
Remarks: A tax of Rs.11 lakh was levied instead of Rs.13 lakh. After this was pointed out in August 2002, the revisional authority raised an additional demand of Rs.2 lakh in January 2004. Further progress had not been received (August 2005).						
	Total					0.37

The cases were referred to Government between October 2002 and September 2004; reply had not been received (August 2005).

2.7 Under assessment due to excess rebate

Under the HGST Act, sales tax on sale of rice is leviable at the point of first sale in the State and on purchase of paddy at the point of last purchase in the State. The sales tax levied on rice is, however, reduced by the amount of purchase tax paid in the State on paddy out of which rice has been husked. Further, if the rice manufactured is exported out of India indirectly, no rebate of tax on paddy is admissible.

During test check of records of the DETC, Ambala Cantt, it was noticed in February 2002 that while finalising assessment in September 2000 for the assessment year 1996-97, the assessing authority incorrectly allowed rebate of Rs.14 lakh to the dealer on the rice purchased from within Haryana and exported indirectly out of India under CST Act.

After this was pointed out in February 2002, the assessing authority created an additional demand of Rs.15 lakh. Recovery was awaited (August 2005).

The case was referred to the Government in April 2002; reply had not been received (August 2005).

2.8 Irregular refund of tax

Under the HGST Act, tax paid on goods used in the manufacture of goods shall be refundable, if such goods are leviable to tax at the last stage of sale or are sold in the course of export out of the territory of India.

During test check of records of DETCs Panchkula and Gurgaon (West), it was noticed between May 2003 and May 2004 that assessing authorities while finalising assessments in February 2003, March 2003 and February 2004 erroneously allowed refund of Rs.17 lakh in five cases of four dealers during the year 1998-99 to 1999-2000 on atta, maida and suji. The finished product had neither been sold to the registered dealers nor exported out of India. This resulted in irregular refund of Rs.17 lakh.

After this was pointed out between May 2003 to May 2004, the assessing authority, Panchkula sent the cases to the revisional authority for taking suo motu action in August 2003. The assessing authority, Gurgaon (West) rectified the mistake in July 2004 and recalculated the refund of Rs.3 lakh.

The cases were referred to the Government between July 2003 to September 2004; reply had not been received (August 2005).

2.9 Under assessment due to non levy of surcharge

Under the HGST Act, surcharge was payable at the rate of 10 *per cent* on the amount of tax payable by a dealer during the years 1994-95 and 1995-96.

During test check of records of DETCs Gurgaon (East) and Rewari, it was noticed that two dealers sold taxable goods valued at Rs.2.62 crore during the years 1994-95 and 1995-96. While finalising the assessments between May 2000 and January 2003, the assessing authorities omitted to levy surcharge. The omission resulted in under assessment of tax of Rs.3 lakh.

After this was pointed out in audit, the DETC, Gurgaon (East) raised an additional demand of Rs.2 lakh in February 2002 and DETC, Rewari sent the case for taking suo motu action in March 2004. Further progress on recovery had not been received (August 2005).

The cases were referred to the Government in August 2003 and March 2004; reply had not been received (August 2005).

3.1 Results of Audit

Test check of records of various registration offices conducted in audit during the year 2004-05 revealed non/short levy of stamp duty and registration fee amounting to Rs.6.53 crore in 4,153 cases which broadly fall under the following categories:

Sl. No.	Nature of irregularities	Number of cases	Amount (Rupees in crore)
1.	Short levy of stamp duty due to misclassification of deeds	1,242	4.90
2.	Short levy of stamp duty due to under-valuation of property	344	0.93
3.	Short levy of registration fee/stamp duty	1,716	0.09
4.	Irregular exemption of mortgage deeds	851	0.61
	Total	4,153	6.53

During the year 2004-05, the Department accepted under assessment of Rs.4.88 crore involved in 1,225 cases. An amount of Rs.0.05 crore in 18 cases had been recovered which pertains to earlier years.

A few illustrative cases involving Rs.1.47 crore are mentioned in this chapter.



3.2 Short levy of stamp duty and registration fee

Under provisions of the Indian Stamp Act, 1899 (IS Act) and clarifications/instructions issued thereunder in April 2000 by the Government, stamp duty on any release of ancestral property made in favour of brother or sister (children of renouncer's parent), son or daughter, father or mother, spouse or grand children, nephew or niece or coparcener of the renouncer is leviable at the rate of Rs.15 per instrument. In any other case, stamp duty shall be charged at the rate as applicable to a conveyance for the amount equal to the market value of the share, interest and part of claim renounced.

During test check of records of 42* Registering offices of 12** districts for the years 2002-2003 and 2003-2004, it was noticed that in 201 cases, releases of immovable properties valued at Rs.11.03 crore were made in favour of persons who had either no right in the ancestral property or were not entitled to concessional rate of stamp duty under the IS Act. These deeds were liable to be charged at the rates applicable to conveyance deeds and stamp duty of Rs.1.33 crore was leviable. However, the registering authority levied stamp duty of Rs.0.04 lakh treating these as release deeds. This resulted in short levy of stamp duty of Rs.1.33 crore. A few instances are given below:

	Deed No. and date	Area (in KM) ***	Value of property as per Collector's rate	Released in favour of	Stamp duty due (Amount in Rupees)	Stamp duty levied (Amount in Rupees)	Stamp duty short levied (Amount in Rupees)
District Gurgaon							
JSR Pataudi	155 20.05.02	(49-18)	2,71,500	No relation	2,10,565	50	2,10,515
JSR Farukh Nagar	421 18.06.02	(30-11)	11,46,000	Maternal uncle	1,43,250	25	1,43,225
District Hisar							
JSR Adampur	505 05.06.03	(67-2)	10,90,375	Maternal uncle	1,36,297	15	1,36,282
SR Adampur	37 09.04.02	(64-6)	7,31,156	Widow aunt to nephew, property not ancestral	1,30,609	15	1,30,594

* **Ambala:** Sub-Registrar, Barara; **Bhiwani:** Sub-Registrars, Bawani Khera, Bhiwani, Bond Kalan, Charkhi Dadri, Loharu, Siwani, Tosham; **Gurgaon:** Sub Registrars, Farook Nagar, Ferozepur Zirka, Gurgaon, Nuh, Pataudi, Punhana, Sohana, Tawru; **Hisar:** Sub-Registrars, Adampur, Bass, Barwala, Hansi, Hisar, Narnaul, Uklana; **Jhajjar:** Sub-Registrars, Bahadurgarh, Beri, Jhajjar, Mathenhail; **Jhajjar:** Sub-Registrars, Bahadurgarh, Beri, Jhajjar; **Jind:** Sub-Registrars, Narwana, Saffidon; **Karnal:** Sub-Registrars, Assandh, Ballah, Indri; **Panchkula:** Sub-Registrar, Panchkula; **Rewari:** Sub-Registrar, Rewari; **Sonipat:** Sub-Registrars, Gannaur, Gohana, Kharkhoda, Sonipat; **Yamunanagar:** Sub-Registrar, Yamunanagar;

** Ambala, Bhiwani, Gurgaon, Hisar, Jhajjar, Jind, Karnal, Panchkula, Rewari, Sonipat and Yamunanagar.

*** K means Kanak and M means Marla.

After this was pointed out between December 2003 and September 2004, six Sub Registrars (SRs) admitted the facts and stated between January 2004 and November 2004 that notices of recoveries would be issued to the concerned parties. Eleven SRs intimated that cases had been sent to the Collectors concerned for decision, while no reply had been received from the remaining 25 SRs. Final report had not been received (August 2005).

The matter was brought to the notice of the Government between March 2004 and November 2004; reply had not been received (August 2005).

3.3 Non realisation of stamp duty

Under provisions of the IS Act, separate rates have been prescribed for different type of instruments. The classification of an instrument depends upon the nature of the transaction recorded therein. In case the possession of the property is handed over after receipt of full amount of consideration, the instrument becomes a conveyance deed and stamp duty becomes leviable under the provisions of the Act.

During test check of the records of the SRs, Tohana and Fatehabad, it was noticed that four instruments conveying the possession and right of the property valued at Rs.20.96 lakh to the vendee were executed between May and August 2003. In all these cases the vendors had received full payment in lieu of the property sold. The deeds were liable to be treated as conveyance deed and a stamp duty of Rs.2.99 lakh was leviable. However, the registering authority registered the deeds as agreement to sell charging a stamp duty of Rs.12 which was incorrect. This resulted in short realisation of stamp duty of Rs.2.99 lakh.

After this was pointed out in November 2004, the Department admitted the facts and stated that notices will be issued to the concerned parties. Further progress of recovery had not been received (August 2005).

The matter was referred to the Government in January 2005; reply had not been received (August 2005).

3.4 Non levy of stamp duty on Exchange of Property

As per IS Act, stamp duty on exchange of property is chargeable as a conveyance deed. Government of Haryana further clarified in September 1996 that compromise decrees which create for the first time right, title or interest in the said immovable property in favour of any party to the suit, will require registration. The stamp duty on such instruments is also chargeable as conveyance deed for a consideration equal to the value of the property or the value set forth in such instrument, whichever is higher.

During test check of records in two offices of SRs, Kalanwali and Sirsa, it was noticed between July and August 2004 that three compromise decrees, registered between June 2003 and January 2004, created for the first time right, title or interest in the said immovable property valued at Rs.15.71 lakh, were registered for the exchange of property without levying stamp duty of Rs.2.23 lakh.

After this was pointed out in July and August 2004, the Collector directed the SRs in November 2004 to recover the amount of stamp duty immediately. Sub Registrar Sirsa, however, intimated in December 2004 that all such deeds had been sent to Collector for decision. Further report had not been received (August 2005).

The matter was referred to the Government in October 2004; reply had not been received (August 2005).

3.5 Short levy of stamp duty due to incorrect application of rate of tax

In order to check the evasion of stamp duty in the sale deeds, Government issued instructions in November 2000 to all registering authorities in the State that agricultural land sold with area less than 1,000 sq. yards in the urban areas and near the residential areas in the villages be valued at the rates fixed for the residential property of that locality for the purpose of levying stamp duty.

During test check of the records of the Sub Registrars, Thanesar, Pehowa and Shahbad in Kurukshetra district for the year 2003-04, it was noticed that 13 sale deeds of plots with area less than 1,000 sq. yards were registered between February 2003 and January 2004. The deeds were liable to be assessed for Rs.86.55 lakh based on the rates fixed for residential areas and stamp duty of Rs.13.31 lakh was chargeable. However, the registering authority incorrectly assessed the deeds for Rs.27.26 lakh on the rate fixed for agricultural land and levied stamp duty of Rs.3.92 lakh. This resulted in short levy of stamp duty of Rs.9.39 lakh.

After this was pointed out between July and August 2004, the Department admitted the facts and stated that notices for recovery would be issued to concerned parties.

The matter was referred to the Government in October 2004; reply had not been received (August 2005).

4.1 Results of Audit

Test check of records in departmental offices relating to revenues received from State Excise Duty, Electricity duty, Passengers and Goods Tax and Purchase Tax (Agriculture) conducted in audit during the year 2004-05 revealed under assessment of taxes and duties and loss of revenue amounting to Rs.12.82 crore in 5,457 cases as depicted below:

Sl. No.	Heads of revenue	Number of cases	Amount (Rupees in crore)
1.	State Excise Duty	39	3.91
2.	Electricity Duty	4,928	4.06
3.	Passengers and Goods Tax	472	1.10
4.	Purchase Tax (Agriculture)	18	3.75
	Total	5,457	12.82

In the cases of Electricity Duty, Passengers and Goods Tax and Purchase Tax (Agriculture), the Department accepted under assessment of Rs.3.34 crore in 171 cases which were pointed out during the year 2004-05 and recovered an amount of Rs.7.34 crore in 15 cases which pertain to earlier years.

A few illustrative cases involving Rs.2.90 crore are mentioned in this chapter.

4.2 Short realisation due to short lifting of quota of Country Liquor/IMFL

4.2.1 The Haryana Liquor Licence (HLL) Rules, 1970 read with the State Excise Policy announced for the year 2003-04 provide that the total annual quota in proof litres shall be announced for each district before each district is put to auction. The licensee shall lift the quota fixed for the year failing which his licence fee would increase by five *per cent* and he would be liable to pay 105 *per cent* of the licence fee. As per clause 27 of the Excise Policy, if proportionate quota is not lifted till January 2004, his security amount to the extent of five *per cent* of the licence fee would not be adjusted towards the licence fee for February and March 2004, till he lifts his prescribed quota for the year.

During test check of records of the Dy. Excise and Taxation Commissioner (DETC), Kurukshetra, it was noticed that the licensee was required to lift 27.67 lakh proof litres of country liquor /Indian Made Foreign Liquor (IMFL) for the year 2003-04. However, the licensee short lifted the quota by 0.23 lakh proof litres for which he was liable to pay a licence fee of Rs.1.57 crore. This was neither demanded by the Department nor was the same paid by the licensee.

Further, the Department while adjusting the security amount of Rs.5.27 crore in the month of February and March 2004 did not keep the balance of five *per cent* security amount which amounted to Rs.1.57 crore as required under clause 27 unadjusted. This resulted in short realisation of revenue of Rs.1.57 crore.

After this was pointed out in November 2004, the DETC/ETC, intimated between December 2004 and January 2005 that the facts/figures were being verified. Final reply had not been received (August 2005).

The matter was referred to the Government in December 2004; reply had not been received (August 2005).

4.2.2 Non recovery of additional licence fee

The HLL Rules, read with the State Excise Policy announced for the year 2003-04, provide that the total annual quota in proof litres shall be announced for each district before each district is put to auction and lifting of quota shall be obligatory. Additional quota will be allowed to the licensee up to 25 *per cent* of the annual allotted quota on payment of 25 *per cent* licence fee of the State Incidence Duty* for the year 2003-04.

During test check of records of the DETC Panipat, for the year 2003-04, it was noticed in September 2004 that against the allotted quota of 30.39 lakh proof litres of country liquor and IMFL, the licensee lifted 30.52 lakh proof litres of country liquor/IMFL without making payment of licence fee for lifting of additional quota of 13,409.80 proof litres. This resulted in non recovery of additional licence fee of Rs.3.89 lakh.

* State Incidence Duty= Revenue realised by auction of liquor vends
Combined quota (CL/IMFL)

After this was pointed out in September 2004, the Department intimated in November 2004 that the case regarding recovery of licence fee for additional quota lifted by the licensee was sent to the ETC in October 2004 for taking necessary action in the matter. Further progress has not been received (August 2005).

The matter was referred to the Government in October 2004; reply had not been received (August 2005).

4.3 Non recovery of penalty

As per the provisions of Punjab Excise Act, 1914, penalty is leviable on the offender. If the same is not paid within time, the Collector or DETC shall pass speaking order for confiscation of the means of transport carrying illicit liquor which shall be put to auction within 30 days of the order of the confiscation. The auction amount shall be adjusted towards the payment of penalty. The unrecovered amount of penalty, if any, shall be recoverable as arrears of land revenue.

During test check of records of four* DETCs for the year 2003-04 it was noticed between August and November 2004 that 12 vehicles carrying 52,600 pouches/540 bottles/20 bags of liquor were detained and penalty of Rs.85.61 lakh was imposed. However, the vehicles were not put to auction and consequently no adjustment could be done. Besides, no action was taken to recover the dues as arrears of land revenue. This resulted in non recovery of Government revenue of Rs.85.61 lakh.

After this was pointed out between August and November 2004, DETC (Excise), Karnal stated in May 2005 that out of nine vehicles, seven vehicles were auctioned for Rs.7.02 lakh in April 2005. However, action taken to recover the balance amount of penalty was not intimated. The other three DETCs accepted the observations and stated that action would be taken to recover the amount. Further report on action taken had not been intimated (August 2005).

The matter was referred to the Government between September 2004 and November 2004; reply had not been received (August 2005).

4.4 Non imposition of fine

Under the Punjab Excise Act, as applicable to Haryana, fine not less than Rs.50 and not more than Rs.500 per bottle or part thereof is leviable on liquor manufactured otherwise than in a licensed distillery. Further, the Act provides that if the fine is not paid within the stipulated period, the Collector/ DETC shall pass speaking orders for confiscation of the means of transport which shall be put to auction within 30 days from the order of confiscation. The unrecovered amount of fine, if any, shall be recovered as arrears of land revenue.

During test check of records of the DETC, Narnaul and Rewari for the year 2003-04, it was noticed in October 2004 that in 30 cases, 36,985 bottles of

* DETCs (Excise) Bhiwani, Fatehabad, Karnal and Panipat.

illicit* liquor were confiscated alongwith the vehicles between May 2003 to March 2004 by the Department. The Department neither imposed fine nor initiated any action to recover the amount by auctioning the impounded vehicles used by the offenders. This resulted in non recovery of minimum fine of Rs.18.49 lakh.

After this was pointed out in October 2004, DETC Narnaul, stated in May 2005 that out of 16 cases pointed out by audit, in two cases fine of Rs.0.65 lakh was imposed and in four cases of impounded vehicles, whereabouts of the offenders were not known, as these vehicles had no number plates. However, the impounded vehicles would be auctioned soon. In remaining 10 cases, proceedings were in progress. Final reply of DETC Rewari had not been received (August 2005).

The matter was referred to the Government in November and December 2004; reply had not been received (August 2005).

4.5 Loss of revenue due to reauction of vend

Under the HLL Rules, read with the Excise Policy for the year 2002-03, if a licensee fails to pay any instalment alongwith interest by due date, licence for vend is liable to be cancelled and reauctioned at the risk and cost of the defaulting licensee. Further, the Department was required to obtain and verify the genuineness of the particulars regarding name, residential address, financial position (bank accounts) of the bidder, particulars and sureties before the licence is actually granted.

During test check of records of the DETC Kaithal, for the year 2002-03, it was noticed in December 2003 that a retail country liquor/foreign liquor vend of Azamgarh was auctioned in March 2002 for Rs.2.70 crore for the year 2002-03. Against the amount of Rs.67.56 lakh payable by the licensee upto June 2002, only Rs.31.09 lakh was deposited by the licensee. The Department cancelled the licence on 29 June 2002 and forfeited the entire amount of security of Rs.45.15 lakh. The vend was run on day to day contract from 29 June to 11 July 2002 and an amount of Rs.8.89 lakh was realised. The vend was reauctioned on 11 July 2002 for Rs.1.60 crore at risk and cost of original licensee. Thus, reauction of vend resulted in loss of revenue of Rs.25.22 lakh which was recoverable from original licensee. No action was taken by the Department to recover the loss incurred from the original bidder.

After this was pointed out in December 2003, the Department admitted the facts and stated in November 2004 that recovery certificate had been issued to effect the recovery in June 2004 but the same was returned back with the remarks of the postal authorities that the addressee was not residing at the given address. The fact indicates that before awarding the licence, Department did not verify the genuineness of address and other particulars of the licensee. Besides, no surety was obtained at the time of the execution of the contract as required under rules.

The matter was referred to the Government in May 2004; reply had not been received (August 2005).

* Illicit liquor means liquor manufactured otherwise than in a licensed distillery.

5.1 Results of Audit

Test check of records of departmental offices relating to revenue of levy and collection of taxes on motor vehicles conducted during the year 2004-05 revealed under assessment of taxes and duties and loss of revenue amounting to Rs.21.16 crore in 14,735 cases which broadly fall under the following categories:

Sl. No.	Nature of irregularities	Number of cases	Amount (Rupees in crore)
1.	Levy and Collection of Taxes on Motor Vehicles	1	20.97
2.	Other irregularities	14,734	0.19
	Total	14,735	21.16

During the year 2004-2005, the Department accepted under assessment of Rs.21.16 crore in 14,735 cases.

A few illustrative cases involving Rs.20.97 crore are mentioned in this Chapter.

5.2 Levy and Collection of Taxes on Motor Vehicles

Introductory

5.2.1 Registration of motor vehicles, collection of fees on account of issue of permits and countersignatures of permits are regulated under Motor Vehicles (MV) Act, 1988, MV Rules, 1989, Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act) and Punjab Motor Vehicles Rules, 1940, as applicable to Haryana. All the motor vehicles are required to be registered in the State in which the owner of the vehicle has residence or place of business where the vehicle is normally kept.

Levy and collection of road tax is governed by the PMVT Act and the Rules framed thereunder as road tax is leviable on every motor vehicle except certain vehicles or class of vehicles specially exempted under the Act/Rules and is recoverable in equal instalments for each quarter commencing on the first day of April, July, October and January of each year at such rates as the State Government may by notification prescribe from time to time. Besides, licence fees, registration fee, fitness fee and permit fee etc. are levied under the provisions of MV Act and Rules made thereunder by the Central Government and the State Government.

5.2.2 Records of 21^{*} out of 47 Registering Authorities (RAs) and seven^{**} out of 19 District Transport Offices (DTOs) for the years 1999-2000 to 2003-2004 were test checked between July and December 2004.

Audit findings as a result of test check of records of Transport Department, Haryana were reported in May 2005 to the Government with a specific request in June 2005 for attending the meeting of the Audit Review Committee so that the viewpoint of the Government may be taken into account before finalising the review. The meeting was held on 5 July 2005 which was attended by Joint Secretary to Government of Haryana and State Transport Controller, Haryana.

* Ambala, Ballabhgarh, Bhiwani, Dabwali, Faridabad, Ferozpur Zhirka, Ganaur, Gurgaon, Hathin, Jagadhri, Jind, Kalka, Kosli, Meham, Mohindergarh, Narnaul, Palwal, Panchkula, Rewari, Rohtak and Sonipat.

** Ambala, Fatehabad, Jhajjar, Jind, Karnal, Panchkula and Panipat.

Short-charging of fees for test of competency to drive

5.2.3 As per sub section (6) of section 9 of MV Act, read with Government of India's notification dated 5 October 1999, the fee for competence to drive each class/type of vehicle shall be charged separately for each class of vehicle. The competency fee was leviable at the rate of Rs.50 for each class of vehicle.

It was noticed that State Transport Controller (STC) issued a clarification in March 2002 for charging competency fee at a uniform rate of Rs.50 for all types of driving licences. The clarification issued was not in consonance with the provisions of the Act which envisaged the charging of competency fee of Rs.50 for each class of vehicle. A perusal of the Driving Licence Register maintained by 43 registering authorities revealed that during 1999-2000 to 2003-04 1,57,043 applicants applied for driving licence for more than one class of vehicle but competency fee was charged at uniform rate of Rs.50 irrespective of number/type of the licence applied for. This resulted in short realisation of competency fee of Rs.92 lakh.

After this was pointed out, the Department issued rectificatory clarification in October 2004 stating that fee for test of competency was chargeable for each type of vehicle separately. However steps taken to recover the amount levied short were not intimated (August 2005).

Short realisation of bid money on stage carriage permits

5.2.4 Under the provisions of the MV Act, "Private bus service scheme Haryana-year 2001" was introduced for the grant of stage carriage permits to the existing transport societies under 1993 scheme, general public and the new transport co-operative societies of unemployed youth on certain routes. The permits and rights of operation were to be given to the operators on lease for a period of five years by inviting bids and the route was to be allotted to the highest bidder. In case of non payment of the bid money, the permit is liable to be suspended or cancelled.

During test check of Demand and Collection Register (DCR) of nine* DTOs, it was noticed that 64 Transport Co-operative Societies were issued permits during 1999-2000 to 2003-04 for a period of five years. These co-operative societies were required to deposit bid money each month, which was either not deposited or deposited short by the societies resulting in short realisation of bid money of Rs.80 lakh. There was nothing on record to show that assessing authorities had ever reviewed the register or had cancelled or suspended any permit where bid money had not been paid by the vehicle owners.

* Ambala, Bhiwani, Hisar, Jind, Kaithal, Karnal, Kurukshetra, Narnaul and Yamunanagar.

After this was pointed out between November 2003 to December 2004, six DTO's stated that notices are being issued to recover the amount. No reply from remaining DTOs had been received. Further progress of recovery had not been received (August 2005).

Non recovery of token tax in respect of stage carriage buses

5.2.5 As per PMVT Act, tax shall be leviable on every motor vehicle in equal instalments for quarterly periods commencing on the first day of April, July, October and January at the rate of Rs.550 per seat per annum subject to maximum of Rs.35,000 per vehicle per year. Any broken period in such quarterly periods shall, for the purpose of levying the tax, be considered as a full quarter. In case of omission to comply with the provisions, the Act further provides that the licencing officer may impose a penalty, which may extend to twice the amount of tax due.

During test check of records of 16* DTOs, it was noticed that 480 buses were plied as stage carriages by co-operative transport societies for the period from 2001-02 to 2003-04. However, token tax was either not deposited or deposited short by the societies. No action was taken by the DTOs to recover the same though entries were made in the DCR. This resulted in non realisation of token tax of Rs.86 lakh. The cases were not monitored by STC as no return to this effect was being received by that office.

After this was pointed out between July 2002 to December 2004, 10 DTOs stated that notices were being issued to the concerned owners for recovery of the tax and six DTOs stated that efforts were being made to recover the amount. However, reasons for its non collection were not made available to audit. Final reply had not been received (August 2005).

Short charging of driving licence fees

5.2.6 The rates of driving licence fees as fixed by the Government of India from time to time were as under:

(In Rupees)		
Month/Year of notification	Form 6**	Form 7***
Prior to October 1999	20	45
October 1999	75	150
May 2000	20	45
March 2001	40	150
May 2002	40	200

* Ambala, Bhiwani, Faridabad, Fatehabad, Hisar, Jagdhari, Jhajjar, Jind, Kaithal, Karnal, Kurukshetra, Narnaul, Panipat, Rewari, Rohtak, and Sirsa.

** Driving licence issued in copy form.

*** Driving licence issued in laminated form.

During test check of records of 21^{*} RAs, it was noticed that driving licence fee was charged at lower rates in 35,118 cases. This was due to late circulation of Central Government notifications dated October 1999, March 2001 and May 2002 by the Department. Delay in issuance of notifications ranged between 14 and 77 days. Reasons for late circulation were not supplied by the Department. This resulted in short realisation of driving licence fees of Rs.33 lakh from 1999-2000 to 2003-04.

After this was pointed out between July 2000 and August 2004, 11^{**} RAs stated that notices would be issued for recovery. No reply was received from the remaining RAs.

Short realisation of Registration fees

5.2.7 The rates of registration fee of vehicles as fixed by the Government of India from time to time were as under:

(In Rupees)		
Month/Year of notification	Scooter/motor cycle	Car/Jeep
Prior to October 1999	30	100
October 1999	100	1,000
May 2000	30	100
March 2001	60	200

During test check of records of 21 RAs, it was noticed that registration fee was charged at lesser rates in 44,256 cases by 16^{***} RAs. This was due to late circulation of Central Government notifications dated October 1999, March 2001 and May 2002 by the Department. This resulted in short realisation of registration fee of Rs.34 lakh during the period 1999-2000 to 2003-04.

* Ambala, Ballabhgarh, Bhiwani, Dabwali, Faridabad, Ferozpur Zhirka, Ganaur, Gurgaon, Hathin, Jagadhri, Jind, Kalka, Kosli, Meham, Mohindergarh, Narnaul, Palwal, Panchkula, Rewari, Rohtak and Sonipat.

** Ballabhgarh, Dabwali, Faridabad, Ferozpur Zhirka, Hathin, Jind, Kosli, Palwal, Rewari, Rohtak and Yamunanagar.

*** Ambala, Ballabgargh, Faridabad, Fatehabad, Guhla, Hansi, Hisar, Kaithal, Kosli Meham, Mohindergarh, Narnaul, Nuh, Rewari, Sirsa and Tohana.

After this was pointed out between May 2000 and November 2004, 11* RAs stated that notices shall be issued to recover the amount, whereas four RAs stated that efforts were being made to recover the amount and no reply had been received from the remaining RAs (August 2005).

Short realisation of permit/countersignature fees

5.2.8 The DTOs are to issue permits under provisions of MV Act, after charging permit fee and countersignature fee at the rates prescribed under the Punjab Motor Vehicle Rules, 1940 as applicable to Haryana. The amount of fee is payable on the basis of number of regions included in the permit in the State. The Government increased the number of regions from six to 10 in March 1999 and to 19 in February 2001. The permit/countersignature fee for heavy/light motor vehicles was payable at the rates of Rs.2,625/Rs.1,750 upto March 1999 and Rs.4,125/Rs.2,750 upto February 2001 and thereafter, it was payable at the rate of Rs.7,500/Rs.5,000 for heavy/light motor vehicle (HTVs/LTVs) for each block of five years.

During test check of records of 19** DTOs, it was noticed that permits were granted for plying vehicles in all 19 regions of the Haryana state. However, countersignature fee in respect of 42,726 vehicles was recovered on the basis of six regions only. The fee was recovered at the rate of Rs.2,625/Rs.1,750 for each heavy/light motor vehicle instead of Rs.7,500/Rs.5,000 for the permits issued during the year 2002-03 and 2003-04 respectively. This resulted in short realisation of permit fee/countersignature fee of Rs.17.47 crore. The internal audit wing of the Department also failed to point out the lapse.

After this was pointed out in audit, all the DTOs stated between October 2000 and December 2004 that matter is under consideration with headquarters and permit fee at new rates would be charged on receipt of instructions from the Transport Commissioner/Government. The reply was not tenable as no separate orders of Government/Department were required to charge permit/countersignature fee at enhanced rates.

Non/short realisation of penalty on late renewal of permits

5.2.9 As per the instructions issued in February and June 1997, if an application for renewal of permit is not received within 15 days before the expiry of permits, penalty of Rs.1,000 shall be charged in lumpsum. However, if an applicant applies for renewal of permit after the date of expiry of permit, he shall be liable to pay additional penalty of Rs.200 for the first week and Rs.150 per week for subsequent weeks.

* Ambala, Ballabgargh, Guhla, Hansi, Hisar, Kosli, Meham, Narnaul, Rewari, Sirsa and Tohana.

** Regional Transport Authority/District Transport Officer, Ambala, Bhiwani, Fatehabad, Faridabad, Gurgaon, Hisar, Jind, Jhajjar at Bahadurgarh, Karnal, Kaithal, Kurukshetra, Narnaul, Panipat, Panchkula, Rohtak, Rewari, Sirsa, Sonapat and Yamunanagar.

During test check of the records of DTOs of Ambala, Karnal and Panipat for the period 1999-2000 to 2003-04, it was noticed that in 160 cases, applications for renewal of permits were either not received before 15 days of their expiry or received late. The permits were renewed without levying penalty of Rs.10 lakh.

After this was pointed out between July 2000 and August 2004, DTO Karnal, stated that notices shall be issued to the concerned parties to recover the amount, while DTO Ambala, stated that efforts were being made to recover the amount. DTO Panipat, stated that no penalty was leviable as the ownership of vehicles changed before 15 days. The reply was not tenable as permit was required to be renewed even if the vehicle's ownership was changed. Final reply had not been received (August 2005).

Short/non levy of penalty on overloading of vehicles

5.2.10 MV Act provides that whosoever drives a motor vehicle carrying goods in excess of permissible weight is liable to pay a minimum penalty of Rs.2,000 in addition to Rs.1,000 per tonne of excess load.

During test check of offences and challan register of DTOs, Yamunanagar, Ambala and Jind, for the years 1999-2000 to 2000-2003, it was noticed that 171 vehicles were carrying goods in excess of the permissible weight. However, the DTOs levied penalty of Rs.3.18 lakh instead of Rs.11.91 lakh resulting in short levy of penalty of Rs.9 lakh. The offence and challan register was not reviewed by the internal audit wing that is working under the control of STC.

After this was pointed, DTO Yamunanagar, stated that matter was under examination whereas DTOs, Ambala and Jind stated that efforts were being made to recover the differential amount. Final reply had not been received (August 2005).

Private Service Vehicles

5.2.11 Under the provisions of MV Act, motor vehicles having sitting capacity from six to 12 (excluding driver) registered in the name of firms/companies are to be treated as "Private Service Vehicles" and token tax at the rate of Rs.400 per seat per annum is chargeable instead of one time token tax chargeable for personal vehicles. A register called 'Registration Register' is maintained by the RAs.

During test check of the Registration Registers of nine* RAs, for the years 1999-2000 to 2001-02, it was noticed that 205 private services vehicles were registered in the names of firms/companies and one time token tax was

* Ambala, Bhiwani, Guhla, Hisar, Jagadhri, Karnal, Panchkula, Sirsa and Sonipat.

charged instead of Rs.400 per seat per annum. This resulted in short realisation of token tax amounting to Rs.6 lakh.

This was pointed out to DTOs, however, no reply had been received (August 2005).

6.1 Results of Audit

Test check of records in departmental offices relating to Home (Police), Public Works (Building and Roads and Public Health), Finance (State Lotteries), Forest, Agriculture (Crop-Husbandry), Medical, Food and Supply, Co-operation and Mines and Minerals conducted in audit during the year 2004-2005, revealed under assessments and losses of revenue amounting to Rs.283.78 crore in 9,129 cases as depicted below:

Sl. No.	Name of departments	Number of cases	Amount (Rupees in crore)
1.	Home (police)	883	1.77
2.	Public Works Department		
	(i) Building and Roads	71	4.17
	(ii) Public Health	7,586	4.36
3.	Finance (State Lotteries)	3	4.80
4.	Forest	67	4.70
5.	Agriculture (Crop Husbandry)	3	0.05
6.	Medical	69	0.40
7.	Food and Supply	35	0.01
8.	Co-operation	110	10.82
9.	Mines and Minerals	301	0.63
10.	Review on Recovery of Water Rates from Canal Water	1	252.07
	Total	9,129	283.78

The Department accepted under assessments of revenue amounting to Rs.261.85 crore in 535 cases during the year 2004-05. An amount of Rs.5.14 crore had been recovered in 269 cases during 2004-05 of which Rs.5.11 crore recovered in 268 cases pertains to earlier years.

A few illustrative cases involving Rs.1.01 crore and a review on “Recovery of Water Rates from Canal Water” involving Rs.252.07 crore highlighting important cases are mentioned in this Chapter.

6.2 Recovery of Water Rates from Canal Water

Highlights

Arrears of abiana accumulated to Rs.25.04 crore as on 31 March 2004.

(Paragraph 6.2.6)

Non reconciliation between Irrigation and Revenue Department resulted in non realisation of demand of Rs.1.48 crore in eight divisions.

(Paragraph 6.2.7)

Lack of co-ordination between Irrigation and Public Health Department resulted in accumulation of arrears of water charges of Rs.444 crore.

(Paragraph 6.2.8)

Non/delayed payment of water charges bills resulted in non/short levy of surcharge of Rs.251.99 crore.

(Paragraph 6.2.9)

Introductory

6.2.1 Levy and collection of charges for canal water supplied for irrigation and non irrigation purposes are governed by provisions of the Haryana Canal Drainage Act (Drainage Act), 1974 and the Rules framed thereunder. The extra supply of canal water for gardens and orchards is governed under the provisions of relevant Punjab Government Rules, 1946, amended from time to time, as applicable to Haryana. Maintenance of revenue records are governed by the provisions contained in "Revenue Manual". The rates charged for irrigation purposes are called "water rates" (abiana) or "occupier's rates" and those for non irrigation purpose, are called "water charges". In case of canal water used unauthorisedly for irrigation purposes or allowed to run waste, special charges called tawan are leviable. The rates of tawan were six times the ordinary rates upto 18 June 1999 and 30 times thereafter.

Public Works Department Irrigation Branch {(PWD (IB))} supplies water from canals both for irrigation and non irrigation purposes. Demand for water rates (abiana) is raised by the PWD (IB) through khataunis* in respect of land irrigated by flow of irrigation and lift irrigation. These are collected by Revenue Department through lambardars (headmen of the villages), who are paid three *per cent* of the amount so collected as remuneration called

* Khatauni is a statement prepared by the Irrigation Department to show demand for water rates for irrigation purpose.

lambardari fee. The demand for water charges is raised and collected by Irrigation Department.

Organisational set up

6.2.2 Financial Commissioner and Principal Secretary (Irrigation and Power) is the overall incharge at Government level for the purpose of canal administration. The State is divided into eight irrigation systems, under overall charge of Engineer in chief and each system is under the charge of a Chief Engineer who exercises control through 12 Superintending Engineers (SE), 46 Divisional Canal Officers (Executive Engineer) and Sub Divisional Officers (SDO) alongwith supporting staff. Canal patwaris prepare the field measurement papers (khasras) which include the details of area of irrigation under different crops, liable to water rates. From khasras, statements indicating demands for water rates (khataunis) are prepared by Divisional Canal Officer (Executive Engineer) and sent to Tehsildar in the District (Revenue Department) for collection.

For the purpose of revenue administration, the state has been divided into four commissionerates and 19 districts, each under the charge of a Commissioner and Deputy Commissioner (Collector) respectively. The Deputy Commissioner exercises control through Tehsildars, Naib Tehsildars and other staff in his district. Recovery of water rates from the cultivators is made through the village lambardars (headman).

Audit Objectives

6.2.3 The detailed analysis of levy and collection of water charges/rates from the canal water supplied for irrigation and non irrigation purposes, was conducted with a view to:

- ascertain whether rules framed and orders issued by the Government are being followed correctly.
- ascertain whether water rates and water charges have been levied and collected correctly, and
- ascertain whether any internal control mechanism exists to monitor collection of water rates/charges from consumers/users.

Scope of Audit

6.2.4 The records of 18* out of 46 Water Services Divisions and 10** out of 19 District Collectors (Revenue Department) for the years from 1999-2000 to 2003-04 were test-checked in audit during July 2004 to December 2004.

* Ambala, Siwani (Bhiwani), Bhiwani-I and II, Loharu at Charkhi Dadri, Fatehabad, Hisar, Hansi, Jhajjar, Jind, Narwana, Pundri at Kaithal, Rohtak, Sampla (Rohtak), Sirsa, Sonipat, Safidon and Tohana.

** Ambala, Bhiwani, Fatehabad, Hisar, Jind, Jhajjar, Kaithal, Rohtak, Sirsa and Sonipat.

Audit findings as a result of test check of records of Irrigation Department, Haryana were reported in May 2005 to the Government with a specific request in June 2005 for attending the meeting of the Audit Review Committee so that the viewpoint of the Government may be taken into account before finalising the review. The meeting was held on 4 July 2005 which was attended by the Special Secretary and Engineer in Chief, Irrigation Department.

Trend of revenue

6.2.5 As per the Budget Manual, budget estimates are framed after taking into account actual receipts of the preceding year and continuance of any growth or decline in income indicated by it.

The position of budget estimates and actual receipts for the years 1999-2000 to 2003-04 was as under:

(Rupees in crore)				
Year	Budget estimates	Actuals	Shortfall (-)/ Excess (+)	Percentage in shortfall/Excess
1999-2000	42.65	38.30	(-) 4.35	10.2
2000-01	53.50	54.30	(+) 0.80	1.4
2001-02	62.90	68.51	(+) 5.61	8.9
2002-03	77.00	52.05	(-) 24.95	32.4
2003-04	80.85	183.00	(+) 102.15	126.34

It would be seen from the above table that there was shortfall in receipt of revenue during 1999-2000 and 2002-2003 which ranged between 10.2 to 32.4 *per cent* and steep hike in receipt during 2003-04. The Department stated that budget estimates were based on receipt of demand from field SEs and as per advice of Finance Department and in case no demand was received from field, the budget estimates were prepared by adding 10 to 20 *per cent* in the original estimates. The shortfall in revenue was due to non adjustment of funds received from other departments and steep hike was due to receipt of Rs.114 crore from Uttar Pradesh Government as apportionment of cost of Hathini Kund Barrage.

Arrear position of Abiana

6.2.6 Under the Drainage Act, khataunis for recovery of water rates are raised on six monthly basis and sent to Revenue Department for collection. The Act further provides for recovery of water rates as arrears of land revenue by the Collector if these dues are not paid in time. However, there is no provision in the Act/Rules for levying interest/penalty for non/belated payment of water rates.

The position of recovery of abiana in the state as a whole, as furnished by Engineer in Chief, for the period from 1999-2000 to 2003-04 was as under:

(Rupees in crore)						
Sr. No.	Year	Opening Balance	Addition during the year	Total amount	Amount received during the year	Balance amount outstanding
1.	1999-2000	15.85	19.63	35.48	17.29	18.19
2.	2000-2001	18.19	21.65	39.84	20.36	19.48
3.	2001-2002	19.48	20.62	40.10	21.12	18.98
4.	2002-2003	18.98	20.99	32.97	20.51	19.46
5.	2003-2004	19.46	31.62	51.08	26.04	25.04

It would be seen from the above table that collection of water rates due for each year was recovered less than demand raised for that year except in 2001-02. No action to recover the balance amount as arrears of land revenue was initiated by any of the divisions through revenue authorities. This resulted in accumulation of arrears of Rs.25.04 crore as on 31 March 2004. The age wise breakup was not made available to audit.

The Divisional Canal Officers of 13* out of 18 Water Services Divisions test checked stated that it was the responsibility of the revenue authorities to effect the recovery of abiana. However, matter was being pursued with the revenue authorities.

Lack of Co-ordination between Irrigation and Revenue Departments

6.2.7 The Irrigation Department is required to send information in Form V to the Revenue Department about the demand to be raised against the khataunis maintained. The Revenue Department in turn is required to send Form VI showing the position of recoveries taken into account against the khataunis. A comparison of khatauni and Form VI of eight** irrigation divisions with tehsil records revealed that abiana demand of Rs.1.48 crore was not accounted for

* Ambala, Bhiwani, Hansi, Jind, Jhajjar, Loharu (Charkhi Dadri), Narwana, Pundri (Kaithal), Rohtak, Rai (Sonipat), Sampla (Rohtak), Safidon and Siwani (Bhiwani).

** Ambala, Bhiwani, Hisar, Hansi, Narwana, Siwani (Bhiwani), Sirsa and Safidon.

recovery by Tehsildars as tabulated below:

(Rupees in crore)			
Year	Khatauni as per Form V	Accounted for as per Form VI	Difference
1999-2000	3.64	3.56	0.08
2000-01	4.14	3.62	0.52
2001-02	3.61	3.19	0.42
2002-03	2.93	2.51	0.42
2003-04	3.78	3.74	0.04
Total	18.10	16.62	1.48

It would be seen from the above table that the difference of figures between the two departments has been since 1999-2000. However, the reconciliation of the figures was never attempted by the departments. This led to non raising of demand for Rs.1.48 crore. The reasons for accepting less recovery of water rates by the Irrigation Department were not made available to audit.

The Divisional Canal Officers of four* Water Services divisions, stated that difference would be reconciled with revenue authorities. Replies from other divisions had not been received (August 2005).

Arrear of water charges

6.2.8 Drainage Act provides for charging water rates for canal water supplied for various purposes. Under the Haryana Canal and Drainage Rules, 1976, charges for canal water supplied in bulk to any Department and industry are recoverable at the rates prescribed from time to time (Rs.13 and Rs.67 per 2,500 cubic feet respectively from 30 September 1998 to 26 July 2000 and thereafter at the rate of Rs.10 and Rs.100 per 2,500 cubic feet respectively).

* Ambala, Hansi, Sirsa, and Siwani (Bhiwani).

The position of recovery of water charges as furnished by the Department in the State as a whole for the years from 1999-2000 to 2003-04 was as under:

(Rupees in crore)					
Year	Opening balance	Addition during the year	Total amount	Amount received during the year	Closing balance
1999-2000	14.07	23.12	37.19	18.29	18.90
2000-01	18.90	24.95	43.85	19.43	24.42
2001-02	24.42	29.22	53.64	1.37	52.27
2002-03	52.27	79.97	132.24	16.90	115.34
2003-04	115.34	210.21	325.58	3.78	321.77

The position of 17* water services divisions test checked in audit was as under:

(Rupees in crore)					
Year	Opening balance	Addition during the year	Total amount	Amount received during the year	Closing balance
1999-2000	11.86	3.70	15.56	0.42	15.14
2000-01	15.14	12.90	28.04	0.71	27.33
2001-02	27.33	45.84	73.17	1.86	71.31
2002-03	71.31	120.61	191.92	1.79	190.12
2003-04	190.12	255.41	445.53	1.21	444.32

It would be seen from the above tables that the position of outstanding water charges for the whole State was Rs.321.77 crore as shown by the Department which was less than the figures collected by audit from 17 divisions. This shows that the position compiled by the Department was not correct and needs verification and reconciliation.

The realisation during each year was far less than the demands raised during that year resulting in heavy accumulation of arrear of Rs.444.32 crore as on 31 March 2004.

* Ambala, Siwani (Bhiwani), Bhiwani-I and II, Loharu at Charkhi Dadri, Fatehabad, Hisar, Hansi, Jhajjar, Jind, Narwana, Sampla (Rohtak), Rohtak, Sirsa, Sonipat, Safidon and Tohana.

After this was pointed out, 12* out of 17 divisions stated that the matter was being taken up with the Public Health Department to realise the arrears of water charges. The reply from remaining five divisions had not been received (April 2005).

Non/short levy of additional charge/surcharge

6.2.9 Under the Drainage Act and Rules framed thereunder, agreement for supply of canal water is required to be entered into between the Department and the consumer. In accordance with the notification dated 27 July 2000, 10 *per cent* surcharge was to be charged extra for not releasing the payment within one month of raising of bills by the irrigation divisions from 27 July 2000. Prior to this addition, surcharge at the rate of half *per cent* was leviable.

Test check of 10 Water Services Divisions for the period from 1999-2000 to 2003-04 revealed that Public Health Divisions to whom water was supplied did not release the payment till May 2005. However, surcharge was either not levied or levied short on unpaid bills. This resulted in short raising of demand of Rs.251.99 crore as detailed below:

(Rupees in crore)					
Sr No.	Name of the Division	Period	Surcharge leviable	Surcharge levied	Surcharge short levied
1	Loharu Water Services Division, Charkhi Dadri	4/99 to 7/2000 and 8/2000 to 3/2003	10.16	0.09	10.07
2	Pundri Water Services Division, Kaithal	8/2000 to 3/2003	6.39	0.04	6.35
3	Water Services Division, Rohtak	8/2000 to 3/2004	32.15	10.08	22.07
4	Sampla Water Services Division, Rohtak	1/2004 to 3/2004	13.00	-	13.00
5	Water Services Division, Bhiwani	8/2000 to 3/2004	34.50	1.68	32.82
6	Siwani Water Services Division, Bhiwani	8/2000 to 3/2004	12.59	0.25	12.34

* Ambala, Siwani (Bhiwani), Bhiwani-I, Loharu at Charkhi Dadri, Hansi, Jhajjar, Jind, Narwana, Sampla (Rohtak), Rohtak, Sonipat and Safidon.

(Rupees in crore)					
Sr No.	Name of the Division	Period	Surcharge leviable	Surcharge levied	Surcharge short levied
7	Water Services Division, Hansi	8/2000 to 12/2002	1.35	0.41	0.94
8	Water Services Division, Fatehabad	8/2000 to 3/2004	0.69	-	0.69
9	Bhiwani Water Services Division, Bhiwani	8/2000 to 3/2004	142.54	1.24	141.30
10	Water Services Division, Saffidon	8/2000 to 3/2004	12.43	0.02	12.41
		Total	265.82	13.83	251.99

After this was pointed out between March 2003 and December 2004, the Divisional Canal Officers of two divisions (Loharu at Charkhi Dadri and Pundri at Kaithal) stated between February and March 2005 that revised bills had been sent and remaining eight* divisions stated between March 2003 and December 2004 that the revised bills in the light of audit observations would be sent to the Public Health Department.

Non/short imposition of penalty for un-authorized supply of water to gardens

6.2.10 As per provisions of Punjab Government Rules, 1946 for extra supply of canal water for gardens and orchards, as applicable to Haryana, as amended from time to time, an agreement is required to be entered into between the Government and the owner receiving extra supply of water for gardens/orchards in the prescribed form. The water rates were less in case of supply of water of gardens than the supply made to agricultural fields. However, for unauthorised use of water, penalty at 30 times the normal water rates was leviable. As per clause six of agreement, Superintending Engineer is competent to stop the supply of water.

In three** divisions, it was noticed during annual verification conducted jointly by District Horticulture Officer and Canal Deputy Collector that 39 gardens to whom water was supplied were not in existence between 1999-2000 to 2003-04. The unauthorised withdrawal of supply of water in all these cases was forwarded by the Divisional Canal Officers to Superintending Engineer in November 2000 and thereafter no action was taken in these cases to stop

* Bhiwani (I&II), Fatehabad, Hansi, Rohtak, Saffidon, Sampla and Siwani.

** Hisar, Hansi and Sonipat.

supply of water. Further, the owners of 16 gardens/orchards of two* divisions were utilising water without entering into agreement with the Department. For unauthorised use of water the owners of gardens/orchards were liable to pay a penalty of Rs.7.57 lakh which was not levied.

Conclusion and Recommendations

6.2.11 Audit scrutiny revealed that the Department failed to utilise the full potential of water available with it. Co-ordination between the Irrigation Department and Revenue Department was also lacking resulting in difference in figures between the two departments. The position of arrears on account of water charges was also not reliable.

To improve revenue collection of the state, the Government may consider to:

- take steps to tap the potential of water so as to enhance the receipts of the State Government.
- ensure that a system is put in place for proper co-ordination between Irrigation and Revenue Department so as to safeguard and watch the collection of Government revenue.
- a strong internal control system is required to be developed for levy and collection of water charges and water rates ensure that arrears pending collection are correctly accounted for and the process of recovering the outstanding is strengthened and monitored at apex level.

6.3 Non/short recovery of purchase tax and interest

According to the notification issued in October 1977 under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953, and the Rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax of Rs.1.50 per quintal on purchase of sugarcane latest by 14 of the following month and send a monthly return to the Cane Commissioner in the prescribed format. In the event of default in payments or for belated payments, interest at 15 *per cent* per annum shall be charged for the period of default. The Act, further provides that all sums payable to Government, but not paid by the due date, shall be recoverable as arrears of land revenue.

* Kaithal and Narwana.

During test check of records of Assistant Cane Development Officer, (ACDO), Panipat, it was noticed in December 2004 that Sugar Mill, Panipat purchased 17,41,589.31 quintals of sugarcane between November 2003 and February 2004. Purchase tax and interest of Rs.29.64 lakh, though payable was neither demanded nor paid by the mill as on February 2005.

After this was pointed out in December 2004, the Department admitted the facts in February 2005. However, report on recovery had not been received (August 2005).

The matter was referred to the Government in December 2004; reply had not been received (August 2005).

6.4 Non deposit of dividend on State share capital

6.4.1 As per terms and conditions laid down in the sanction orders issued by the Registrar, Co-operative Societies, Haryana, Chandigarh from time to time, every co-operative society shall give a suitable return in the form of dividend on contribution of Haryana Government's share capital on the basis of resolutions passed by the Board of Directors. Under the provisions of Haryana Co-operative Societies Rules, 1989, the dividend shall not exceed 10 *per cent* per annum of the paid up share capital of a co-operative society.

During test check of records of the Assistant Registrars, Co-operative Societies of Sirsa and Kurukshetra, it was noticed between July 2003 and November 2004 that seven* co-operative societies, one central co-operative bank of Sirsa and one co-operative sugar mill, Shahbad had been running in profit during the years 2001-2002 and 2002-2003, but their Board of Directors had not declared any dividend for this period. A dividend of Rs.42.70 lakh was payable to Government for this period but the same was neither deposited by any of the societies in Government account nor demanded by the Department.

After this was pointed out in July 2003, four out of seven co-operative societies deposited the amount of Rs.8.31 lakh from December 2004 to July 2005. The Department admitted the facts however, action taken to recover the amount had not been received (August 2005).

The matter was referred to the Government between September 2003 and December 2004; reply had not been received (August 2005).

* Rania Co-operative Marketing-cum-Processing Society Ltd., Rania; Ellenabad Co-operative Marketing Processing Society Ltd, Ellenabad; Ding Co-operative Marketing Ltd., Ding; Kalanwali Co-operative-cum-Processing Society Ltd., Kalanwali; Kariwala Co-operative Society; Santnagar Co-operative Society and Amritsar Nova Co-operative Society.

Non realisation of dividend on share capital of State Government

6.4.2 During test check of records of the Assistant Registrars, Co-operative Societies (ARCS) Rewari and Panipat, it was noticed between January 2002 and November 2004 that two central co-operative banks had been running in profit and their Board of Directors had passed resolutions (August 2001 and August 2004) for the payment of dividend amounting to Rs.20.39 lakh at rates ranging between two *per cent* and five *per cent* on share capital of Rs.4.42 crore for the years 1998-99, 1999-2000 and 2002-2003, but the same was neither deposited by any of the societies (Bank) into Government account nor demanded by the Department. This resulted in non recovery of Rs.20.39 lakh.

After this was pointed out between January 2002 and November 2004, the ARCS Rewari intimated in June 2005 that the entire amount of dividend of Rs.7 lakh was deposited in January 2003. Final reply from Panipat had not been received (August 2005).

The matter was referred to the Government between August 2002 and December 2004; reply had not been received (August 2005).

6.5 Non/short recovery of royalty and interest

Rule 24 of Punjab Minor Minerals Concession Rules, provides that brick kiln owners (BKO) shall pay royalty at the prescribed rate in advance by 30 April every year. In case of default, interest at the rate of 24 *per cent* per annum is chargeable for the period of default. BKOs register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs were required to be cancelled by the Department, in case royalty was not paid by them and sum due from the permit holders on account of royalty and interest thereon was recoverable as arrears of land revenue.

During test check of the records of Mining Officers, Sonipat and Panipat, it was noticed between May and September 2004 that 56 BKOs were issued permits between March 2002 and July 2003. The BKOs were required to pay royalty before 30 April every year. Though a period of 14 months to 22 months for payment of royalty had elapsed upto January 2005 but royalty of Rs.5.60 lakh was neither paid by the BKOs nor was it demanded by the Mining Officers. No action was taken to cancel the permits or to recover the dues. The lack of action on the part of the Department resulted in non realisation of revenue of Rs.7.75 lakh including interest amounting to Rs.2.15 lakh.

After this was pointed out between May 2004 and September 2004, the Department intimated in February 2005 that royalty amounting to Rs 3.20 lakh and interest of Rs.1 lakh in 32 cases had been recovered. Final reply on recovery of balance amount had not been received (August 2005).

The matter was referred to the Government in June 2004; reply had not been received (August 2005).

Chandigarh

Dated:

(ASHWINI ATTRI)

Accountant General (Audit) Haryana

Countersigned

New Delhi

Dated:

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India