

OVERVIEW

This Report contains one Performance Audit on “**Receipts from State Excise Duty**” and 24 illustrative paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, passenger and goods tax, royalty etc. with revenue implications of ₹ 721.81 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2015-16 were ₹ 47,556.55 crore as compared to ₹ 40,798.66 crore during the year 2014-15. Out of this, 75 *per cent* was raised through tax revenue (₹ 30,929.09 crore) and non-tax revenue (₹ 4,752.48 crore). The balance 25 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 5,496.22 crore) and Grants-in-aid (₹ 6,378.76 crore). There was an increase in revenue receipts over the previous year by ₹ 6,757.89 crore.

(Paragraph 1.1.1)

Test check of the records of 315 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fees, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2015-16 brought out under-assessments/short levy/non-levy/loss of revenue aggregating ₹ 2,864.64 crore in 48,193 cases. During the year 2015-16, the Departments accepted under-assessment of ₹ 360.42 crore in 1,972 cases. Of these, the Department recovered ₹ 12.63 crore in 731 cases of earlier years.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

A thematic audit of the system of collection of arrears of various taxes due to the State as arrears of land revenue under the Punjab Land Revenue Act/Revenue Recovery Act, 1890 brought out ineffective pursuance of arrears and poor enforcement of the statutory provisions coupled with non-maintenance of relevant records that resulted in the arrears increasing by 112 *per cent* between April 2012 and March 2015 to ₹ 8,076.66 crore. Arrears of ₹ 382.88 crore were not declared recoverable under the Punjab Land Revenue Act while arrears of ₹ 207.26 crore could not be recovered due to non-disposal of attached property. Further, arrears of ₹ 166.56 crore could not be recovered due to lack of follow up action. Interest of ₹ 26.44 crore was not levied.

(Paragraph 2.2)

The Assessing Authority incorrectly allowed the benefit of Input Tax Credit of ₹ 96.39 lakh without verification of payment of tax by selling dealer. In addition, penalty of ₹ 2.89 crore is also leviable.

(Paragraph 2.3)

In 61 cases, Assessing Authorities did not levy surcharge at the rate of five *per cent* of the tax of ₹ 38.16 crore under VAT resulting in non-levy of surcharge of ₹1.91 crore.

(Paragraph 2.4)

Assessing Authorities levied tax of ₹ 2.74 crore instead of correct amount of ₹ 4.53 crore resulting in under-assessment of tax of ₹ 1.79 crore due to calculation mistake.

(Paragraph 2.5)

Non-compliance with clarifications issued by Government and incorrect classifications of goods by assessing authorities resulted in short levy of tax of ₹ 2.49 crore as well as interest of ₹ 88.58 lakh.

(Paragraph 2.6)

An Assessing Authority incorrectly allowed deduction of ₹ 2.76 crore in view of Special Economic Zone sale to the dealer who sold material to a developer resulting in under-assessment of tax of ₹ 36.26 lakh. In addition, interest of ₹ 30.46 lakh was also leviable.

(Paragraph 2.7)

Purchase of Duty and Entitlement Pass Book (DEPB)/Import License worth ₹ 3.91 crore, which are to be used for re-sale, was incorrectly allowed to be adjusted against custom duty payable resulting in incorrect grant of input tax credit of ₹ 20.55 lakh to a dealer.

(Paragraph 2.10)

3. Chapter-III

State Excise

State excise duty is an important source of revenue constituting 14 *per cent* of total tax revenues of the State Government. A performance audit of the functioning of the Excise and Taxation Department relating to levy and collection of excise duty on liquor brought out unrealistic budget projections that impaired the effective monitoring of collection efforts. Further, better adherence and stricter enforcement of the provisions of the Act could have augmented revenue as brought out in the illustrative examples highlighted in

the report that resulted in non/short recovery of ₹ 60.56 crore. Some of the important observations are given below.

Lack of action to recover security and additional security from 20 licensees resulted in non/short deposit of ₹ 28 lakh.

(Paragraph 3.2.7)

Non-compliance to the rules providing for levy of interest for delay in payment of license fee resulted in short-recovery of license fee and interest of ₹ 44.80 crore from defaulting licensees of retail outlets.

(Paragraph 3.2.8)

Failure to recover differential license fee arising from re-allotment of retail outlets due to the default of the original allottee as well as failure to re-auction vends resulted in non-realisation of revenue of ₹ 5.19 crore.

(Paragraph 3.2.9)

The Department failed to levy and recover penalty of ₹ 7.09 crore from 466 defaulting licensees on account of short/excess lifting of quarterly basic quota.

(Paragraph 3.2.10)

The Department failed to levy and recover penalty of ₹ 1.83 crore from 322 offenders on account of illegal possession and trade of liquor.

(Paragraph 3.2.11)

The Department did not recover ₹ 1.65 crore on account of salary of excise establishment deployed from the management of distilleries.

(Paragraph 3.2.12)

4. Chapter-IV

Stamp Duty

Ninety two deeds were registered for sale at normal khasras rates for agricultural land instead of rates applicable on khasras on which change of land use licenses had been issued to develop residential colonies. This resulted in short levy of SD of ₹ 34.84 crore. Further, 57 deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty of ₹ 85.10 lakh.

(Paragraph 4.2)

Misclassification of collaboration agreements in 14 cases resulted in short levy of stamp duty of ₹ 2.46 crore.

(Paragraph 4.3)

Registering authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 1.55 crore.

(Paragraph 4.4)

The registering authorities misclassified conveyance on sale as release deeds and levied SD of ₹ 1,850 instead of ₹ 87.16 lakh as per Collector rate resulting in short levy of SD of ₹ 87.14 lakh.

(Paragraph 4.5)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Transport Department

Non renewal of fitness/registration certificates of 2,46,948 transport vehicles and 1,63,456 non transport vehicles by the owners even after expiry of their validity resulted in loss of revenue of ₹ 12.78 crore.

(Paragraph 5.2.2 to 5.2.3)

Excise and Taxation Department (Passengers and Goods Tax)

Vehicle owners of 647 public or private carriers used for carrying goods had not deposited Goods tax for different periods between April 2013 and March 2015 resulting in non/short realisation of Goods tax of ₹ 41.45 lakh. In addition, interest of ₹ 19.36 lakh was also leviable.

(Paragraph 5.4)

Vehicle owners of 247 taxi cars/maxi cabs, 100 educational institution buses and 35 transport co-operative society buses either had not deposited or short deposited passenger tax resulting in non/short realisation of passenger tax of ₹ 51.76 lakh. In addition, interest of ₹ 21.93 lakh was also leviable.

(Paragraph 5.5)

6. Chapter-VI

Other Tax and Non-tax Receipts

Mines and Geology Department

Royalty and interest amounting to ₹ 11.72 lakh was not recovered from 31 brick kiln owners who had been issued permits between April 2013 and March 2016 in respect of four districts.

(Paragraph 6.2)