

## **OVERVIEW**

This Report contains 21 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving tax effect of ` 346.97 crore. Some of the major findings are mentioned below:

### **1. General**

- The total revenue receipts of the State Government for the year 2009-10 were ` 20,992.66 crore. Revenue raised by the Government during the year was ` 15,960.90 crore, comprising tax revenue of ` 13,219.50 crore and non-tax revenue of ` 2,741.40 crore. The State Government also received ` 1,774.47 crore as State's share of divisible Union taxes and ` 3,257.29 crore as grants-in-aid from the Government of India.

**(Paragraph 1.1.1)**

- At the end of June 2010, 5,122 audit observations involving ` 1,507.03 crore relating to 2,460 inspection reports issued upto December 2009 remained outstanding.

**(Paragraph 1.2.1)**

- Test check of the records of the sales tax/value added tax, stamp duty and registration fee, state excise, taxes on goods and passengers, taxes on vehicles, other tax and non-tax receipts conducted during the year 2009-10 revealed underassessments/short levy/non-levy/loss of revenue aggregating ` 596.47 crore in 6,331 cases. During the course of the year 2009-10, the departments accepted underassessment of ` 191.53 crore in 2,236 cases. Of these, the departments recovered ` 3.44 crore in 261 cases.

**(Paragraph 1.5.1)**

### **2. Sales Tax/Value Added Tax**

#### **Excise and Taxation Department**

- Value added tax (VAT) of ` 10.20 crore (including interest) was underassessed on annual rent of leased machinery and equipments due to application of concessional rate (four *per cent*) instead of correct rate of 10 *per cent* leviable.

**(Paragraph 2.13.1.1)**

- Application of lump sum rate of tax on the sale of pre owned cars by four dealers, dealing in sale and purchase of cars, instead of correct rate of VAT (12 *per cent* upto 30 June 2005) resulted in underassessment of VAT of ` 4.55 crore (including interest).

**(Paragraph 2.13.1.2)**

- Incorrect levy of concessional rate (four *per cent*) of tax on sale of spare parts and components of motor vehicles, and rags purchased

against declaration in form VAT-D1 for use in the manufacture of goods instead of correct rates applicable to such goods resulted in short levy of VAT amounting to ` 5.74 crore.

**(Paragraph 2.13.2.1 and 2.13.2.2)**

- VAT of ` 63.56 lakh (including interest) was underassessed due to levy of lump sum tax at two *per cent* instead of at four *per cent* leviable during the years 2003-04 to 2005-06.

**(Paragraph 2.13.3)**

- Application of incorrect rates of tax on the sale of Rooh Afza, pressure cookers, medicines, tyres and tubes and motor vehicle parts resulted in underassessment of VAT of ` 59.97 lakh (including interest).

**(Paragraph 2.13.5)**

- Four dealers (Panipat: 3; Ambala Cantonment: 1), after obtaining supply orders and purchasing the material from outside the State, supplied the same worth ` 514.84 crore directly to the sites of the works of the contractees and purchasers through their accounts. The assessing authorities allowed the claim of exempted (transit) sales against E-I or E-II and 'C' forms incorrectly which resulted in underassessment of VAT of ` 82.47 crore (including penalty).

**(Paragraph 2.14.1.1 and 2.14.1.2)**

- Allowing deductions of ` 41.64 crore treating the sale of HDPE fabrics as tax free goods incorrectly resulted in non-levy of VAT of ` 9.19 crore (including interest).

**(Paragraph 2.14.2)**

- Inadmissible allowance of deductions aggregating to ` 13.19 crore from the gross turnover of works contractor, who did not opt for lump sum payment of tax, resulted in underassessment of VAT amounting to ` 2.45 crore (including interest).

**(Paragraph 2.14.3.1)**

- Failure of the assessing authorities to cross verify the transactions of sales and purchases from the departmental authorities within Haryana before finalising the assessments led to evasion of VAT amounting to ` 1.60 crore (including penalty).

**(Paragraph 2.15.1.1)**

### **3. Stamp Duty and Registration Fee**

#### **Revenue Department**

A review of Levy and collection of stamp duty and registration fee revealed the following:

- No system was devised by the Department to ensure that stamp duty and registration fee had been levied on all the instruments due for registration as per provisions of the Acts. The non-levy of stamp duty and registration fee on documents due for registration under the Acts but not presented for registration had deprived the Government of revenue of ` 3.58 crore.

**(Paragraph 3.6.8.1 to 3.6.8.4)**

- Irregular remission of registration fee of ` 4.33 crore in the absence of enabling provision to remit the fee under the Indian Registration Act, 1908.

**(Paragraph 3.6.9)**

- Stamp duty and registration fee of ` 9.19 crore was short levied on sale deeds of plots with an area less than 1,000 square yards due to application of lower rates and non-reckoning of the market value of the properties as per rates fixed by the Evaluation Committee.

**(Paragraph 3.6.10.1 and 3.6.10.2)**

- Lack of a prescribed time frame for the disposal of cases under adjudication by the Collector resulted in non-finalisation of 1,163 cases of undervaluation of immovable properties involving stamp duty of ` 5.34 crore.

**(Paragraph 3.6.11)**

- Stamp duty and registration fee of ` 6.37 crore was short levied/realised due to misclassification of instruments.

**(Paragraph 3.6.12.1 and 3.6.12.2)**

- Delay in implementation of the enhanced rates of registration fee resulted in short realisation of registration fee of ` 1.13 crore.

**(Paragraph 3.6.13)**

#### **4. State Excise**

##### **Excise and Taxation Department**

- Penalty of ` 2.62 crore imposed on 1,07,436 bottles of illicit country liquor was neither paid by the defaulters nor the Department initiated any action to recover the amount by auctioning the confiscated vehicles.

**(Paragraph 4.9.1.1)**

- Non-initiation of action to recover the differential amount of license fee from 25 defaulting allottees of retail liquor outlets even after reauction of vends at their risk and cost deprived the Government of revenue of ` 1.83 crore.

**(Paragraph 4.9.2.1)**

- Non-payment of monthly instalments of license fee by 23 licensees of retail liquor outlets for the period between April 2006 and

December 2008 in full by the prescribed dates resulted in short recovery of license fee and interest of ` 67.58 lakh.

**(Paragraph 4.9.2.2)**

## **5. Other Tax Receipts**

### **Excise and Taxation Department**

- Passengers tax amounting to ` 65.27 lakh (including interest) was not demanded by the department in respect of buses of transport co-operative societies, educational institutions and city bus operators.

**(Paragraph 5.9.1.1 to 5.9.1.3)**

### **Transport Department**

- Non-registration of vehicles designed to carry more than six persons excluding driver in the name of companies/firms as transport vehicles resulted in short realisation of token tax of ` 45.84 lakh, besides permit fee.
- Token tax of ` 33.03 lakh was not demanded by 10 Regional Transport Authorities from the owners of stage carriage bus operators for the different periods between April 2007 and March 2009.

**(Paragraph 5.10.1.1)**

**(Paragraph 5.10.1.2 and 5.10.1.3)**

## **6. Non-Tax Receipts**

### **Finance Department**

A review of **Receipts from guarantee fee** revealed the following:

- State Government do not have reliable data base regarding guarantees given. The information about guarantee fee to be collected is neither available with the Finance Department nor with the respective administrative departments.
- Power Department had issued letters of comfort for loans raised by Power Utilities amounting to ` 10,813.75 crore during the period 2004-05 to 2008-09 which deprived the Government of guarantee fee of ` 216.28 crore.
- Guarantee fee of ` 181.15 crore for the years 2004-05 to 2008-09 was short deposited by four food procuring units due to application of incorrect rate.
- Non-raising of demand in respect of the Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula resulted in short realisation of guarantee fee of ` 12.46 crore.

**(Paragraph 6.2.8)**

**(Paragraph 6.2.9)**

**(Paragraph 6.2.10)**

**(Paragraph 6.2.11)**

**Town and Country Planning Department**

- Licence fee amounting to ` 1.36 crore remained unrealised due to non-renewal of licences by two colonisers/developers.

**(Paragraph 6.4.1)**

- Negligence on the part of the Department to recover the differential amount of the licence fee either by inserting a clause in the letter of intents or at the time of grant of licence in May and July 2008 as a result of revision of rates effective from April 2008 deprived the Government of revenue of ` 1.36 crore.

**(Paragraph 6.4.2)**

**Public Health Department**

- Water charges aggregating to ` 56.54 lakh was not demanded by the department from owners of 224 un-metered water supply connections of commercial, institutional and industrial establishments for the period between December 2006 and March 2009.

**(Paragraph 6.5)**