

## OVERVIEW

This Report contains 23 paragraphs including four Performance Audit, relating to non/short levy of taxes, duties, interest and penalty etc., involving tax effect of ₹ 324.73 crore. Some of the major findings are mentioned below:

### 1. General

- The total revenue receipts of the State Government for the year 2010-11 were ₹ 25,563.68 crore. Revenue raised by the Government during the year was ₹ 20,211.31 crore, comprising tax revenue of ₹ 16,790.37 crore and non-tax revenue of ₹ 3,420.94 crore. The State Government also received ₹ 2,301.75 crore as State's share of divisible Union taxes and ₹ 3,050.62 crore as grants-in-aid from the Government of India. The increase in Revenue Receipts over the previous year by ₹ 4,571.02 crore (22 *per cent*) was mainly on account of increase in the State's own tax and non-tax revenues.

(Paragraph 1.1.1)

- 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 2010-11 revealed underassessments/short levy/non-levy/loss of revenue aggregating ₹ 1,052.85 crore in 4,662 cases. During the year 2010-11, the Departments accepted underassessment of ₹ 222.79 crore in 2,176 cases. Of these, the Department recovered ₹ 13.77 crore in 519 cases.

(Paragraph 1.5.1)

### 2. Sales Tax/Value Added Tax

#### Excise and Taxation Department

A Performance Audit on **Exemption/deferment and Concessions of Sales Tax to Industrial Units** revealed the following:

- No database was maintained either by the Industries Department or by the Excise and Taxation Department regarding units availing benefit of tax concessions. The Excise and Taxation Department had no database regarding tax benefits availed, tax recovered and due from units availing tax concession. An evaluation study of the Scheme was not carried out to evaluate the impact of tax concessions on growth of industries and employment.

(Paragraph 2.2.7)

- We found that agro based and electronic/software industries did not set up units in the State despite attractive tax concessions of 250 and 300 *per cent* of fixed capital investment offered to them by the State Government under the Scheme.

(Paragraph 2.2.7.1)

- We noticed in four offices that 17 units after availing exemption had closed business and the Department had not recovered ₹ 20.64 crore of exemption/deferment benefits availed by them.

**(Paragraph 2.2.8)**

- Department had not kept records of repayment dues of exemption units.

**(Paragraph 2.2.9)**

- The Department relaxed control measures on exemption units by belated assessments, the delays ranging from seven to 98 months.

**(Paragraph 2.2.10)**

- The Department granted excess benefit of tax deferment of ₹ 4.47 crore to an expansion unit treating it as a new unit.

**(Paragraph 2.2.11)**

- Interest free loan of ₹ 2.91 crore from nine units in three districts and interest of ₹ 48.53 lakh on delayed payments from two dealers in two districts were also not recovered.

**(Paragraph 2.2.12.1 and 2.2.12.2)**

- Incorrect allowance of deduction of ₹ 3.35 crore treating the sale of High Density Polyethylene (HDPE) fabric as tax free goods resulted in non-levy of VAT of ₹ 33.49 lakh.

**(Paragraph 2.2.15)**

- Breach of conditions regarding maintenance of production levels in 36 cases were seen resulting in non-recovery of incentives of ₹ 130.82 crore due.

**(Paragraph 2.2.19.1)**

- The Department neither raised nor recovered the demand of benefit availed and interest of ₹ 3.87 crore due from two dealers in Gurgaon/Rewari who had discontinued their manufacturing activities during currency period of exemption/deferment.

**(Paragraph 2.2.19.2)**

A Performance Audit on **Cross verification of Declaration Forms used in Inter State Trade** revealed the following:

- The Department had not put in place a system for verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS Website before allowing exemptions/concession of tax.
- Exemptions/concessions were allowed in 47 transactions for the assessment years 2006-07 and 2007-08 against fake 'C' Forms which were not issued to the dealers, resulting in short levy of CST of ₹ 1.30 crore.

**(Paragraph 2.3.12.1 and 2.3.12.2)**

- Assessing Authority did not scrutinise the claims for concessional tax and cross verify the transactions as required under the Departmental instructions. This resulted in incorrect allowance of branch transfers on 'F' Forms, which consequently led to evasion of VAT of ₹ 4 lakh. Additionally, penalty was also leviable for evasion of tax.

**(Paragraph 2.3.12.3)**

- Non-verification of declaration Form 'C' by the Department resulted in suppression of sale of ₹ 2.88 crore involving underassessment of tax of ₹ 23.09 lakh. Besides, penalty was also leviable for mis-declarations.

**(Paragraph 2.3.13)**

- In absence of a system to check utilisation statements of Declaration Forms, Mismatches between the selling and purchasing dealers as per the forms were not detected by the Assessing Authorities. Evasion of tax in these cases cannot be ruled out.

**(Paragraph 2.3.14)**

### **Compliance Deficiencies in VAT**

- Incorrect allowance of Input Tax Credit (ITC) including ITC on the material transferred to expansion units which were also availing the benefit of deferment resulted in non/short levy of VAT of ₹ 7.52 crore including interest.

**(Paragraph 2.4.1.1)**

- Due to non-verification of the purchases of 25 dealers which were declared dealers for allowing ITC at Nil rate and to take action as per directions of JETCs (Range) resulted in incorrect allowance of ITC of ₹ 1.40 crore.

**(Paragraph 2.4.2)**

- Incorrect allowance of ITC of ₹ 16.22 lakh, on purchases of petroleum products for use as fuel, resulted in incorrect allowance of ITC of ₹ 29.56 lakh, including interest.

**(Paragraph 2.4.3)**

- Incorrect allowance of deductions of High Sea Sales resulted in underassessment of VAT of ₹ 70.13 crore.

**(Paragraph 2.5.1.1)**

- The dealer (contractor) after purchasing the material from outside the State, supplied the same worth ₹ 438.71 crore directly to the sites of the works 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 ₹ 54.84 crore.

**(Paragraph 2.5.1.2)**

- Incorrect allowance of deductions of ₹ 26.98 crore treating the sale of HDPE fabrics as tax free goods resulted in non-levy of VAT of ₹ 2.06 crore (including interest).

(Paragraph 2.5.2.1 and 2.5.2.2)

- 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 ₹ 1.21 crore.

(Paragraph 2.5.4)

### 3. State Excise

#### Excise and Taxation Department

A Performance Audit on **Receipts from State Excise Duty** revealed the following:

- The Department did not take action to recover the differential amount of license fee from 43 defaulting allottees of retail liquor outlets, after re-auction of vends at the risk and cost clause of the contract conditions, depriving the Government of revenue of ₹ 6.31 crore.

(Paragraph 3.2.10)

- The Department did not take action under the Rules to recover license fee from the defaulting 119 licensees of retail liquor outlets resulting in short recovery of license fee and interest of ₹ 4.65 crore.

(Paragraph 3.2.11.1)

- Non-levy of interest on delayed payment of monthly instalment of license fee by 576 licensees for the period April 2006 and December 2009, resulted in loss of ₹ 2.77 crore to Government exchequer.

(Paragraph 3.2.11.2)

- The Department did not initiate any action to recover penalty of ₹ 5.67 crore imposed on illicit country liquor and Indian Made Foreign Liquor by auctioning the confiscated vehicles. This inaction defeated the objectives of the penal provisions.

(Paragraph 3.2.12.1)

- The Department did not impose and recover minimum penalty of ₹ 88.53 lakh on confiscated country liquor defeating the objectives of the penal provisions.

(Paragraph 3.2.12.2)

- Penalty of ₹ 69.21 lakh was not recovered on short lifting of 2.20 lakh proof litres of liquor quota by the licensees.

(Paragraph 3.2.13.1 to 3.2.13.3)

- Lack of action to recover the security and additional security from 97 licensees resulted in short deposit of ₹ 1.18 crore.

(Paragraph 3.2.16.2)

#### 4. Stamp Duty and Registration Fee

##### Revenue Department

- Due to misclassification of instruments by the Department, Stamp duty of ₹ 3.99 crore was short levied/realised.

(Paragraph 4.2.1)

- Stamp duty of ₹ 69.10 lakh was short levied on sale deeds of plots with an area less than 1,000 square yards due to application of incorrect rates of agriculture land instead of residential land.

(Paragraph 4.3.1)

- Suspected misappropriation of stamp duty of ₹ 13.38 lakh in Ballabgarh and Faridabad stamp offices was noticed on documents registered but differential stamp duty shown to be recovered through receipt book and not shown as deposited in Daily Collection Register.

(Paragraph 4.3.2)

#### 5 Motor Vehicle Tax

A Performance Audit on the **Computerisation in Motor Vehicle Department** revealed the following:

- VAHAN and SARATHI had been implemented in 72 out of 76 locations in the State. Enforcement module had not been implemented anywhere in the State. Smart cards for registration and licences were not issued at any location.

(Paragraphs 5.2.9)

- Due to lack of IT strategy defining a time frame for implementation of the project in a complete manner, the Department failed to fully utilise the processing capabilities available in the system.

(Paragraph 5.2.10.1)

- Citizen centric services for online downloading and submission of forms, online appointments for driving tests, making payments etc. were not introduced with the result that citizens had to depend on commission agents for these services.

(Paragraph 5.2.10.7)

- Generation of cashbook through faulty customised reports facilitated short deposit of revenue amounting to ₹ 8.20 lakh in the Government account as seen in Rohtak district. In Faridabad, local software was used with no linkage with the VAHAN Application, defeating the

purpose and advantage of VAHAN. In Gurgaon dual databases in VAHAN resulted in mismatches and non-integration of the database.

**(Paragraphs 5.2.11.1 to 5.2.11.3)**

- Delay in mapping revision in road tax rates in VAHAN software resulted in estimated loss of ₹ 1.26 crore.

**(Paragraphs 5.2.12.1)**

- Inadequate validation checks resulted in registration of vehicles with identical engine numbers/chassis numbers with the result that the objective of maintaining reliable data in State and National Registers was not achieved.

**(Paragraph 5.2.13.1 to 5.2.13.3)**

- Out of 15.45 lakh records, 2.91 lakh records had no valid vehicle insurance detail rendering more than 18 *per cent* of the data redundant. There were a number of cases of registration of two or more vehicles with common insurance cover note number.

**(Paragraph 5.2.13.5)**

- Due to absence of inbuilt input validation controls, the SARATHI software did not block the invalid data and facilitated issue of licences to persons below the age of 18 years, double issue of driving licences, issue of driving licence before the prescribed time limit of 30 days from the issue of learning licence and other mistakes in issue of licence.

**(Paragraph 5.2.14)**

- There was no documentation of modifications made to the application software, user requirement specification, system design etc. Business continuity planning and training needs were not adequately addressed.

**(Paragraph 5.2.15.1)**

- Token tax of ₹ 22.75 lakh was not demanded by 10 Regional Transport Authorities from the owners of stage carriage bus operators for the different periods between April 2008 to March 2010.

**(Paragraph 5.4.1.1)**

## **6. Other tax and Non-tax Receipts**

### **Mines and Geology Department**

- Royalty and interest of ₹ 11.79 lakh in respect of 55 brick kiln owners was not recovered.

**(Paragraph 6.2.1)**