

OVERVIEW

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This Report contains 27 paragraphs and one Performance audit on '*Arrears under Sales Tax/ VAT*', involving financial effect of ₹72.17 crore relating to underassessment of tax, non/ short levy of state excise, non/ short levy of stamp duty and registration fee, non/ short levy of passenger and goods tax and non/ short levy of royalty etc. Some of the major findings are mentioned below:

I. General

The total revenue receipts of the Government for the year 2013-14 was ₹15,711.08 crore as compared to ₹15,598.14 crore of the previous year. Out of this, 44 *per cent* was raised through tax revenue (₹5,120.91 crore) and non-tax revenue (₹1,784.53 crore). The balance 56 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹2,491.53 crore) and Grants-in-Aid (₹6,314.11 crore).

(Paragraph 1.1.1)

Test check of the records of 185 units of Sales tax/ Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and Mines and Geology conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹212.21 crore in 754 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹27.98 crore involved in 620 cases which were pointed out in audit during 2013-14. The Departments collected ₹9.32 crore in 447 cases during 2013-14, pertaining to the audit findings of previous years.

(Paragraph 1.10)

II. Taxes/ VAT on Sales, Trade etc.

A Performance audit on '*Arrears under Sales Tax/ VAT*' was conducted. Some major findings are given below:

- The outstanding arrears increased from ₹113.29 crore to ₹235.33 crore (52 *per cent*) over the period from April 2008 to March 2013.

(Paragraph 2.3.5)

- Additional demand of ₹10.98 crore was not accounted for in the arrears which resulted in short account of arrears in departmental books. Further due to non-assessment of remanded back cases, the reduction of arrears amounting to ₹12.92 crore was not justified.

(Paragraph 2.3.6.1)

- Interest amounting to ₹38.33 lakh on belated payment of additional demand of tax were neither demanded by the AA nor paid by the defaulters in 104 cases.

(Paragraphs 2.3.11)

- Arrears of ₹130.85 crore could not be recovered due to non-exhaustion of available measures for recovery of arrears on account of non-obtaining/ forfeiture of security and improper acceptance of surety/ non-recovery of surety from the dealers.

(Paragraphs 2.3.14.1 to 2.3.14.3)

Transaction Audit

The gross turnover (GTO) or taxable turnover (TTO) was assessed on lower side as compared to the total certified receipts and freight/ hire charges were not included in the returns resulting in short levy of tax of ₹4.43 crore in 13 cases, besides interest of ₹3.92 crore was also leviable.

(Paragraphs 2.4.1 and 2.4.2)

Assessments of the sales made at a lower rate of four/ five *per cent* instead of applicable rate of 12.50 *per cent*/ 13.75 *per cent* resulting in short realisation of tax of ₹7.00 crore in 11 cases, besides interest of ₹4.96 crore was also leviable.

(Paragraph 2.5)

Excess deduction of ₹18.22 crore from the Gross turnover on account of labour/ material charges by the AAs resulted in under assessment of tax of ₹2.12 crore in 11 cases.

(Paragraph 2.6)

Benefit of concessional rate of tax of one *per cent* on inter-state sale of ₹108.02 crore was given to seven industrial units located in industrially developing/ backward areas who had not employed mandatory 70 and 80 *per cent* bonafide Himachalis in their units as per provisions of the Act. This resulted in underassessment of tax of ₹1.45 crore, besides interest of ₹1.20 crore was also leviable.

(Paragraph 2.7)

Acceptance of defective/ incomplete/ duplicate statutory forms 'C' and 'F' by the assessing authorities and allowing exemption/ concessional rate of tax resulted in short levy of tax of ₹44.30 lakh in 10 cases, besides interest of ₹41.16 lakh was also leviable.

(Paragraphs 2.8.1 and 2.8.2)

Incorrect allowance of ITC of ₹1.56 crore by the AAs on closing stock by applying different methods had deferred the tax liability amounting to ₹1.57 crore in 50 cases, besides interest of ₹98.06 lakh was also leviable.

(Paragraph 2.9.1)

III. State Excise

Additional fee payable during 2011-12 in 237 cases due to short lifting of 4,92,292.40 pls of liquor was not demanded by the AAs, which resulted in short recovery of excise duty amounting to ₹98.46 lakh.

(Paragraph 3.3)

Dues on account of salaries of ₹38.77 lakh of excise establishment staff posted in two breweries and four distilleries were not recovered from the licensees for the period from 2010-11 to 2012-13.

(Paragraph 3.9)

IV. Stamp Duty

There was short realisation of stamp duty and registration fee of ₹2.77 crore due to incorrect preparation of valuation reports by *Patwaris* and incorrect determination of the market value of property in 321 cases.

(Paragraphs 4.3.1 and 4.3.2)

Short realisation of stamp duty and registration fee of ₹2.16 crore in eight cases due to application of lower rates of adjoining *mohal* in registration of documents.

(Paragraph 4.4.1 and 4.4.2)

V. Taxes on Vehicles, Goods and Passengers

Application of incorrect rate and mileage in respect of stage carriage owners of other States, HRTC and private stage carriages, resulted in short assessment/ realisation of SRT of ₹11.67 crore in 226 cases, including penalty.

(Paragraph 5.3.3 & 5.3.4)

Exemption of SRT (including minimum penalty) was given without maintaining proper records of number of permits issued and number of stage carriages plying on the road resulting in non-assessment of SRT ₹1.27 crore, including minimum penalty of ₹0.25 crore in 10 cases.

(Paragraph 5.3.6)

Token tax and entry tax of ₹2.67 crore for the years 2011-12 and 2012-13 was neither paid by 4,207 vehicle owners nor demanded by the Department.

(Paragraphs 5.4.1 and 5.4.2)

3,581 commercial vehicles for the period 2010-11 to 2012-13 were not registered with Excise and Taxation Department after being registered with Motor Vehicles

Tax Department as a result Passenger and Goods Tax amounting to ₹2.29 crore was not realised due to lack of co-ordination between the concerned RLAs/ RTOs and AETCs.

(Paragraphs 5.6)

VI. Other Tax and Non-Tax Receipts

Non/ short recovery of revenue of ₹33.94 lakh including VAT in five forest divisions due to non/ short charging of cost of 14,185 trees of different species falling in the alignment area of project.

(Paragraphs 6.4)

Non/ short recovery of Government revenue of ₹55.73 lakh in 136 cases due to under assessments of extraction of minerals, application of incorrect rate of royalty, dead rent, surface rent and non-levy of interest.

(Paragraphs 6.7.1 to 6.7.1.4)