

## OVERVIEW

This Report contains 31 paragraphs including one Performance audit on “**System of Assessment under VAT**”, relating to short/non-levy of tax, duty and interest, penalty etc. involving financial effect of ₹ 560.72 crore. The Departments/Government have accepted audit observations involving ₹ 532.41 crore out of which ₹ 65.12 lakh has been recovered. Some of the major findings are mentioned below:

### I. General

The total receipts of the Government of Uttar Pradesh for the year 2014-15 were ₹ 1,93,421.60 crore against ₹ 1,68,213.75 crore during 2013-14. The revenue raised by the State Government amounted to ₹ 94,107.22 crore comprising tax revenue of ₹ 74,172.42 crore and non-tax revenue of ₹ 19,934.80 crore. The receipts from the Government of India were ₹ 99,314.38 crore (State’s share of divisible Union taxes: ₹ 66,622.91 crore and grants-in-aid: ₹ 32,691.47 crore). Thus, the State Government could raise only 49 *per cent* of the total revenue.

**(Paragraph 1.1.1)**

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue *viz* Tax on Sales, Trade etc., Stamp and Registration fee, Taxes on vehicles, Non-ferrous Mining and Metallurgical Industries, State Excise and Entertainment tax amounted to ₹ 26,837.24 crore, of which ₹ 11,572.73 crore was outstanding for more than five years. Out of the total outstanding, ₹ 3,910.30 crore was certified for recovery as arrears of land revenue, ₹ 4,468.71 crore was held up due to proceedings in Courts and other appellate authorities, ₹ 560.79 crore outstanding against the Government/semi Government Departments and ₹ 1,618.99 crore likely to be written off, whereas specific action taken in respect of the remaining ₹ 16,278.45 crore was not intimated by the concerned Departments.

**(Paragraph 1.2)**

At the end of June 2015, 38,049 audit observations involving ₹ 6,813.44 crore relating to 10,899 Inspection Reports issued upto December 2014 remained outstanding.

**(Paragraph 1.6)**

During the year 2014-15 we test checked the records of 1,135 units relating to Tax on Sales, Trade, etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration fees, Entertainment Tax and Mining Receipts and found underassessment/ short levy/ loss of revenue aggregating to ₹ 851.14 crore in 5,145 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 20.92 crore involved in 456 cases, of which an amount of ₹ 19.21 crore was realised in 349 cases during the year 2014-15.

**(Paragraph 1.10)**

## **II. Tax on Sales, Trade etc.**

A Performance Audit on "System of Assessment under VAT" revealed the following:

- Due to non-existence of mechanism for inter-departmental exchange of data/information and modalities for survey the Department failed to identify and register 79,363 unregistered dealers and to impose penalty of ₹ 289.82 crore.

**(Paragraph 2.3.9.2)**

- Non-finalisation of assessment cases equally in each month by the Assessing Authorities resulted in pendency of cases between 6,042 to 1,84,052 in the later months of the year during 2010-11 to 2014-15. This led to extension of time limit thrice for one month to three months by the Government during 2010-11 to 2014-15 for finalisation of cases. This also affects upcoming year's assessments.

**(Paragraph 2.3.12 & 2.3.13)**

- In four out of 20 zones, there were very low percentage of dealers, ranging from 0.27 to 0.44 *per cent* selected for tax audit during 2011-12 to 2014-15 against the norms of five *per cent* fixed by the CCT and no dealer was selected for tax audit in 2010-11. Also no tax audit was conducted at the office, business premises or warehouse of the dealers as prescribed in the Act.

**(Paragraph 2.3.14)**

- There were irregularities in ITC claims like irregular/non-admissible ITC claims, excess claims, non-reversal of ITC and non-charging of interest thereon etc. of ₹ 6.98 crore in case of 34 dealers out of 3,102 dealers test checked from 23,786 dealers in respect of six JCs(CC) and 16 sectors.

**(Paragraph 2.3.15)**

- There was non/short levy of tax of ₹ 6.48 crore due to application of incorrect rate of tax, misclassification of goods, turnover escaping assessment etc. in case of 74 dealers out of 7,669 dealers test checked from 47,076 dealers in respect of six JCs(CC) and 35 sectors.

**(Paragraph 2.3.16)**

- There were cases of concealment of turnover, delayed deposit of admitted tax, import of goods without declaration forms and furnishing of false declarations but Assessing Authorities did not impose penalty of ₹ 114.82 crore in cases of 82 dealers out of 8,556 dealers test checked from 58,298 dealers in respect of six JCs(CC) and 35 sectors.

**(Paragraph 2.3.17)**

- For allowing ITC claims and accepting the amount of sale against tax invoices, it is necessary that all the purchases and sales made by the dealer are verified. Hundred *per cent* verification of transactions was not possible in the current online VYAS system as only the dealers with turnover of ₹ 50 lakh and above were submitting e>Returns on the system.

**(Paragraph 2.3.20)**

- The audit planning of the internal audit wing for sectors' audit was not realistic as shortfall ranged from 9 to 96 *per cent* during 2010-11 to 2014-15. Position of outstanding paras increased from 8,506 to 11,228 and pendency of recovery thereof increased from ₹ 69.98 crore to ₹ 445.13 crore.

**(Paragraph 2.3.22.2 & 2.3.22.3)**

There was non/short levy of tax of ₹ 7.23 crore alongwith penalty of ₹ 2.39 crore due to non-application of correct rate of tax given in the schedule of rates in respect of 82 CTOs in the cases of 108 out of 11,425 dealers for the period 2007-08 (VAT) to 2012-13.

**(Paragraph 2.5)**

Penalty amounting to ₹ 2.13 crore was not levied on concealment of turnover, delayed deposit of tax and false purchase in respect of 33 CTOs in the cases of 45 out of 4,451 dealers for the period 2008-09 to 2011-12.

**(Paragraph 2.6)**

Short realisation of entry tax through manufacturer and irregular rebate on entry tax on purchases resulted in non/short levy of entry tax of ₹ 2.76 crore alongwith penalty of ₹ 2.35 crore in respect of 25 CTOs in the cases of 34 out of 3,050 dealers for the period 2008-09 to 2011-12.

**(Paragraph 2.7)**

Interest of ₹ 5.31 crore on delayed deposit of admitted tax was not charged in respect of 20 CTOs in the cases of 30 out of 2,598 dealers for the period 1999-2000 to 2011-12.

**(Paragraph 2.9)**

Non-detection of cases of wrong/false claim of Input Tax Credit (ITC) led to non-reversal of ITC, non-imposition of penalty and interest of ₹ 3.59 crore in respect of 26 CTOs in the cases of 32 out of 3,603 dealers for the period 2008-09 to 2011-12.

**(Paragraph 2.10)**

### **III. State Excise**

Interest of ₹ 88.03 lakh on the belated payment of excise revenue was not charged by five DEOs in respect of 65 out of 69 cases test checked during 2014-15.

**(Paragraph 3.6)**

In DEO Kanpur the license fee of model shops was not fixed as per norms prescribed in the excise policy during 2013-14. This resulted in short levy of licence fee of ₹ 35.95 lakh on the model shops.

**(Paragraph 3.7)**

### **IV. Taxes on Vehicles, Goods and Passengers**

Non-levy of additional tax of ₹ 30.36 crore on 464 *JnNURM* buses under City Transport Services Limited in Kanpur, Lucknow and Varanasi found plying outside the municipal corporation area during 2014-15.

**(Paragraph 4.6)**

Non-realisation of revenue of ₹ 2.69 crore due to non-renewal of fitness certificate of 5,820 vehicles which plied without valid fitness certificates in 25 out of 72 RTOs/ARTOs during 2014-15.

**(Paragraph 4.7)**

Non-renewal of registration of 6,709 non-transport vehicles resulted in non-realisation of ₹ 40.25 lakh in 15 out of 72 RTOs/ARTOs, during 2014-15.

**(Paragraph 4.8)**

Non-levy of penalty of ₹ 4.08 crore under Carriage by Road Act 2007 on 1,786 seized overloaded vehicles of different categories in 47 out of 72 RTOs/ARTOs.

**(Paragraph 4.9)**

Non-realisation of tax/ additional tax of ₹ 53.22 lakh in respect of 245 vehicles surrendered beyond three months during 2014-15.

**(Paragraph 4.10)**

#### **V. Stamps and Registration Fees**

Undervaluation of properties resulted in short levy of stamp duty and registration fees of ₹ 7.78 crore in 98 out of 331 SROs during 2014-15.

**(Paragraph 5.5)**

#### **VI. Other Tax and Non-tax Receipts**

There was non/short levy of additional licence fee of ₹ 9.41 crore for operation of local channels on 13 out of 23 MSOs in seven DETOs during 2011-12 to 2014-15.

**(Paragraph 6.4.8)**

There was non-levy of entertainment tax of ₹ 17.94 crore on activation charges of Set-Top-Box in 11 DETOs during 2012-13 to 2014-15.

**(Paragraph 6.4.9)**

In DETO Agra entertainment tax of ₹ 3.56 crore was due during 2013-14 on cable operators at the rate of ₹ 100 per connection per month. Against this only ₹ 3.05 crore was deposited by cable operators. This resulted in short realisation of ₹ 51.09 lakh on DAS system.

**(Paragraph 6.4.10 Bullet 1)**

There was short realisation of entertainment tax of ₹ 64.19 lakh on 96 out of 1,183 cable operators between November 2009 and March 2015 in eight DETOs.

**(Paragraph 6.4.10 Bullet 2)**

There was non-levy of licence fee of ₹ 46.98 lakh on 207 out of 285 Television Signal Receiver Agencies in 13 DETOs for the year 2011-12 to 2014-15.

**(Paragraph 6.4.15.1)**

Excavation of minerals without mining plan in two district mining offices in respect of seven lessees resulted in non-realisation of the cost of excavated minerals of ₹ 3.08 crore.

**(Paragraph 6.10)**

There was non-realisation of royalty, permit fees of ₹ 6.84 crore from 1,430 brick kiln owners in 16 DMOs for the period 2011-12 to 2014-15.

**(Paragraph 6.14)**