

OVERVIEW

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This Report contains 30 paragraphs, follow up audit on '*Levy and Collection of Motor Vehicle Tax*' and one Performance audit on '*System of Assessment under VAT*', involving financial effect of ₹157.38 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 2014-15 was ₹17,843.45 crore as compared to ₹15,711.08 crore during the previous year. Out of this, 45 *per cent* was raised through tax revenue (₹5,940.16 crore) and non-tax revenue (₹2,081.45 crore). The balance 55 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹2,644.17 crore) and Grants-in-Aid (₹7,177.67 crore). There was an increase in Revenue Receipts over the previous year by ₹2,132.37 crore.

(Paragraph 1.1.1)

Test check of the records of 179 units of Sales tax/Value Added Tax, State Excise, Stamp Duty, Motor Vehicles, Goods & Passengers and Forest Receipts conducted during the year 2014-15 showed under-assessment/short levy/loss of revenue etc. aggregating ₹405.45 crore in 691 cases. During the year, the Departments concerned accepted under-assessments and other deficiencies of ₹291.79 crore in 789 cases, which were pointed out in earlier years out of which an amount of ₹18.85 crore was realised in 632 cases of which ₹13.30 crore in 536 cases pertain to previous years and ₹5.55 crore in 96 cases for the year 2014-15.

(Paragraph 1.10)

II. Taxes/ VAT on Sales, Trade etc.

A Performance audit on '*System of Assessment under VAT*' was conducted. Some major findings are given below:

The cases pending for assessment increased from 72,524 in 2009-10 to 1,38,168 at the end of 2013-14 (an increase of 91 *per cent*). The percentage of disposal of cases during the period of 2009-10 to 2013-14 was between 20 and 25 *per cent* of the cases due for assessment.

(Paragraph 2.3.6.4)

Penalty of ₹38.56 crore for late/non-filing of returns could not be imposed/recovered from the dealers due to non-maintenance of registers/database of returns.

(Paragraph 2.3.6.5)

In the absence of provision of disclosure of nomenclature of goods in the HPVAT, ITC claimed by the dealers could not be co-related and verified with the nature of business.

(Paragraph 2.3.8)

Application of wrong method for calculating deferred tax liability on the closing stock resulting in irregular allowance of ITC of ₹1.60 crore, besides interest of ₹0.43 crore was also leviable.

(Paragraph 2.3.9.1)

Underassessment of gross turnover (GTO) or taxable turnover (TTO) by ₹45.80 crore due to non-reconciliation of gross receipts/turnover with the certified receipts/accounts, resulted in short levy of tax of ₹5.94 crore, besides interest of ₹50.62 lakh was also leviable.

(Paragraph 2.3.10)

Tax on the sales of ₹183.31 crore in 22 cases were assessed at the rate of four/five *per cent* instead of correct rates of 12.50/13.75 *per cent*, resulting in short realisation of tax of ₹1.94 crore, besides interest of ₹1.58 crore was also leviable.

(Paragraph 2.3.12)

Transaction Audit

Acceptance of invalid, duplicate and defective statutory forms 'C' by the Assessing Authorities (AAs) and allowing exemption/concessional rate of tax resulted in short levy of tax of ₹18.18 lakh in nine cases on which interest of ₹20.19 lakh was also leviable.

(Paragraph 2.5)

The AAs had applied concessional rate of tax of one *per cent* on inter-state sale of ₹36.72 crore to a manufacturing unit instead of applicable rates of 2 *per cent* as the beneficiary had not furnished complete Form-I. This resulted in under assessment of tax of ₹22.08 lakh, besides interest of ₹13.25 lakh was also leviable.

(Paragraph 2.6)

Application of wrong method for calculating deferred tax liability on the closing stock resulting in irregular allowance of ITC of ₹1.59 crore in 58 cases, besides interest of ₹0.51 crore was also leviable.

(Paragraphs 2.8.1 to 2.8.3)

III. State Excise

Additional fee payable for short lifting of 16,17,994 pls of liquor during 2013-14 by 725 vends were not demanded by the concerned AETCs, resulting in short recovery of additional fee amounting to ₹3.24 crore, out of which ₹50.28 lakh has been recovered after being pointed out by audit.

(Paragraph 3.3)

The Department could recover license fee of ₹12.83 crore only against the recoverable license fee of ₹17.25 crore during the year 2013-14, from the licensees of 28 vends, resulting in short recovery of license fee amounting to ₹4.42 crore, besides, interest of ₹46.81 lakh was also leviable.

(Paragraph 3.4)

Interest amounting to ₹59.29 lakh on belated payment of license fee of ₹64.53 crore was not demanded by the department from the licensees of 130 vends, resulting in non-levy of interest to that extent.

(Paragraph 3.7)

Dues on account of salaries of ₹33.63 lakh of excise establishment staff posted in a brewery, a distillery and two bottling plants were not recovered from the licensees for the year 2013-14.

(Paragraph 3.8)

IV. Stamp Duty

There was short realisation of stamp duty and registration fee of ₹80.87 lakh due to incorrect preparation of valuation reports by *Patwaris* and incorrect determination of the market value of property in 189 cases.

(Paragraphs 4.3.1 and 4.3.2)

The lease deeds were not executed/renewed within the period specified in the lease agreement and lease money was not fixed/revised as per prescribed rates on the basis of prevailing market value of the land. This resulted in non-realisation of lease money ₹12.47 crore in four cases.

(Paragraph 4.4)

Non-fixation of lease rent on the basis of prevailing market value of the land resulted in short realisation of lease money of ₹4.24 crore in three cases.

(Paragraphs 4.5.1 and 4.5.2)

V. Taxes on Vehicles, Goods and Passengers

Arrears amounting to ₹98.35 crore were pending for collection since 1971-72. Out of which ₹72.81 lakh referred to Collector for recovery as Arrears of Land Revenue (ALR), an amount of ₹20.42 lakh only had been recovered.

(Paragraph 5.3)

Token tax and entry tax of ₹17.73 crore in respect of 22,527 vehicles for the years 2010-11 to 2013-14 was neither demanded by the Department nor paid by these vehicle owners.

(Paragraphs 5.4.1 and 5.4.2)

Special Road Tax amounting to ₹20.47 crore was payable by the Himachal Road Transport Corporation for the period April 2013 to March 2014 and ₹91.15 lakh in 167 cases was recoverable from the Private Stage Carriages (PSCs) as on March 2015, which was neither being deposited by the HRTC and owners of the PSCs nor demanded by the department. This resulted in non-recovery of SRT of ₹21.38 crore.

(Paragraphs 5.6.1 and 5.6.2)

The owners of the 1,251 commercial vehicles did not register their vehicles with the concerned Excise and Taxation Authorities after getting these registered with Motor Vehicles Tax Department. As a result Passenger and Goods Tax amounting to ₹89.07 lakh was not realised due to lack of co-ordination between the concerned RLAs/ RTOs and AETCs.

(Paragraph 5.10)

Additional Goods Tax of ₹59.90 crore was neither paid by two cement companies who had transported limestone and shale from mining areas to cement plants for manufacturing of cement and clinker nor was it demanded by the department, resulting in evasion of revenue and caused loss to that extent.

(Paragraph 5.12)

VI. Forest Receipts

The departmental charges of ₹1.30 crore in 18 cases recovered from the user agencies under the Compensatory Afforestation (CA) schemes were deposited in CAMPA account instead of depositing it in the revenue head of the Government. This resulted in understatement of revenue to that extent.

(Paragraph 6.4)

The royalty of ₹13.54 crore was payable by the HPSFDCL out of which only ₹1.45 crore was paid on time and ₹4.82 crore were paid late on which interest of ₹43.03 lakh was accrued. The balance amount of royalty of ₹7.27 crore was neither demanded by the DFOs nor paid by the HPSFDCL. This resulted in short realisation of revenue of ₹7.70 crore.

(Paragraph 6.6)

Non-disposal of seized timber measuring 521.616 cu.m lying in various depots of the Department, resulted in blockade of revenue of ₹247.16 lakh including VAT of ₹29.88 lakh.

(Paragraph 6.7)