

OVERVIEW

This Report contains 26 paragraphs including one performance audit of “**Working of the Transport Department**”, relating to not/ short levy of tax, duty and interest, penalty etc. involving financial effect of ₹ 2,895.55 crore. The Departments/Government have accepted audit observations involving ₹ 1,547.50 crore out of which ₹ 82.05 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 2015-16 were ₹ 2,27,075.94 crore against ₹ 1,93,421.60 crore during 2014-15. The revenue raised by the State Government amounted to ₹ 1,04,240.91 crore comprising tax revenue of ₹ 81,106.26 crore and non-tax revenue of ₹ 23,134.65 crore. Thus, the State Government could raise only 46 *per cent* of the total revenue. The receipts from the Government of India were ₹ 1,22,835.03 crore (State’s share of divisible Union taxes: ₹ 90,973.69 crore and grants-in-aid: ₹ 31,861.34 crore). Taxes on Sales, Trade etc. (₹ 47,692.40 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 1,222.17 crore) were the major sources of tax and non-tax revenue respectively during 2015-16.

(Paragraph 1.1)

The arrears of revenue as on 31 March 2016 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 ₹ 27,626.04 crore, of which ₹ 11,864.37 crore was outstanding for more than five years. Out of the total outstanding, ₹ 5,508.12 crore was certified for recovery as arrears of land revenue, ₹ 4,163.41 crore was held up due to proceedings in Courts and other appellate authorities, ₹ 587.59 crore was outstanding against the Government/ semi Government Departments and ₹ 1,520.51 crore was likely to be written off and for ₹ 15,457.15 crore specific action is underway in the Commercial Tax Department whereas specific action taken in respect of the remaining ₹ 389.26 crore was not intimated by the concerned Departments.

(Paragraph 1.2)

During the year 2015-16 we test checked the records of 580 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 ₹ 3,240.99 crore in 2,673 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 1,552.24 crore involving in 788 cases, of which 462 cases involving ₹ 1,547.67 crore were pointed out in 2015-16 and rest in earlier years. An amount of ₹ 1.73 crore was realised in 277 cases of which 50 cases involving ₹ 84.71 lakh were pointed out in 2015-16 and rest pertained to earlier years.

(Paragraph 1.10)

II. Mining Receipts

Audit of "**Sustainable mining and optimization of revenue in Geology and Mining Department**" revealed the following:

- Extraction of minor minerals were done without Environment Clearance (EC) as evident from the fact that five lessees and 2,909 brick kiln owners were allowed to extract minerals without any EC, 30 lessees were allowed to extract minerals in excess of quantity approved in EC and plantation work was not done by 40 lease holders in 191.77 acres of leased land. Further, the Government did not recover the cost of minerals amounting to ₹ 179.57 crore for these violations.

(Paragraph 2.4.5 to 2.4.9)

The necessity for the filing and approval of a mining plan was ignored in the cases of 58 lessees. In addition, 15 lessees were allowed to extract minerals without renewal of mining plan and 12 lessees were allowed to extract mineral much above the quantity approved in the mining plan. Thus the mining regulators had no control over the environmentally sensitive activity of mining and allowed exploitation of scarce resources unchallenged. It did not even make good this violation by recovering ₹ 282.22 crore as penalty.

(Paragraph 2.4.11)

- Department did not monitor the submission of mandatory quarterly returns, realisation of difference of royalty on revision of rate, assess the price of minerals and interest on belated payment of royalty/dead rent etc. The DMO concerned did not cross check the facts which led to unauthorised excavation and transportation. Thus, the Government was deprived of revenue of ₹ 477.93 crore.

(Paragraph 2.4.12 to 2.4.17)

III. Taxes on Vehicles, Goods and Passengers

A performance audit of "**Working of the Transport Department**" revealed the following:

- Onetime tax of ₹ 26.79 crore was short levied on 26,592 light four wheeler goods vehicles and school maxi cabs between November 2009 and March 2016.

(Paragraphs 3.3.9 & 3.3.10)

- Additional tax and penalty of ₹ 25.77 crore was not levied on 721 JnNURM buses found plying outside the Municipal Corporation area and Additional tax of ₹ 360.33 crore including penalty of ₹ 174.42 crore not levied on UPSRTC buses between November 2009 and March 2016.

(Paragraphs 3.3.14)

- Fitness fee of ₹ 4.56 crore including penalty was not levied on 9,942 vehicles which plied without valid fitness certificates between February 2014 and March 2016. Plying of such vehicles also compromised public safety.

(Paragraphs 3.3.15)

- Not creating the Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF) by the Department led to ₹ 109.06 crore not being credited for accident victims between April 2012 and March 2016.

(Paragraphs 3.3.17)

- The Compounding Fee amounting to ₹ 4.76 crore on violation of permit conditions was not realised on contract and stage carriage vehicles between October 2012 and March 2016.

(Paragraphs 3.3.18)

- Department did not impose penalty amounting to ₹ 2.58 crore under Carriage by Road Act in 839 cases for different categories of vehicles which were seized for overloading during the period from July 2014 to March 2016.

(Paragraphs 3.3.19)

- The transport offices have no database/information of vehicles plying with or without PUC certificate as well as absence of infrastructure for testing of pollution of vehicles.

(Paragraphs 3.3.22)

- There were 12,41,085 vehicles involving cost amounting to ₹ 43,564.38 crore hypothecated to banks. The Department did not get inspected hypothecated documents from Stamp and Registration Department with a view to ascertain actual amount of stamp duty. Thus, the Government was deprived of revenue of ₹ 162.70 crore.

(Paragraphs 3.3.26)

- The inspection of field offices was not done as per norms fixed. Acute shortage of ancillary staff against the sanctioned strength led to excess workload and adversely effected collection/recovery of revenue.

(Paragraphs 3.3.29 & 3.3.31)

Additional tax of ₹ 9.92 crore was not levied on 84 *JnNURM* buses under City Transport Services Limited which were found plying outside the municipal corporation area.

(Paragraph 3.6)

Fitness fee of ₹ 2.88 crore including penalty was not levied on 6,304 vehicles which plied without valid fitness certificates. Plying of such vehicles also compromised public safety.

(Paragraphs 3.7.1)

The Department did not impose penalty amounting to ₹ 1.42 crore under Carriage by Road Act on 591 cases of different categories of vehicles which were seized for overloading.

(Paragraph 3.9)

IV. Tax on Sales, Trade etc.

Audit of "System of collection of arrears of revenue in Commercial Tax Department in Uttar Pradesh" revealed the following:

- The amount of arrears increased from ₹ 16,665.41 crore as on 1 April 2011 to ₹ 27,188.58 crore as on 31 March 2016, thus registering an increase of 63.14 *per cent*.

(Paragraph 4.4.5.1)

- Recovery proceedings were delayed in 979 cases involving an arrear of ₹ 217.51 crore due to notices of demand were either not served or served after inordinate delay.

(Paragraph 4.4.7.1)

- Failure in pursuance of 604 RRCs sent to other States resulted in dues of ₹ 233.60 crore remaining unrecovered.

(Paragraph 4.4.9)

- Belated filing of claims and no pursuance with the Official Liquidator (OL) resulted in dues of ₹ 61.43 crore remaining unrecovered.

(Paragraph 4.4.12)

Tax of ₹ 5.66 crore including penalty was short/not levied due to application of incorrect rate of tax in respect of 50 CTOs in the cases of 69 dealers for the period 2008-09 to 2012-13.

(Paragraph 4.6)

Penalty amounting to ₹ 6.23 crore was not levied on concealment of turnover, delayed deposit of tax and false purchase in respect of 50 CTOs in the cases of 74 dealers for the period 2007-08 (VAT) to 2013-14.

(Paragraph 4.7)

Entry tax not levied at correct rate and irregular rebate on entry tax on purchases resulted in short/not levy of entry tax of ₹ 1.68 crore in respect of 14 CTOs in the cases of 23 dealers for the period 2009-10 to 2012-13.

(Paragraph 4.8)

Interest of ₹ 2.17 crore on delayed deposit of admitted tax was not charged in respect of eight CTOs in the cases of eight dealers for the period 2006-07 to 2012-13.

(Paragraph 4.10)

There were irregularities in ITC claims like irregular/inadmissible ITC claims, excess claims, ITC not reversed, penalties not imposed and interest not charged thereon etc. of ₹ 3.29 crore in respect of 35 CTOs in cases of 45 dealers for the period 2009-10 to 2012-13.

(Paragraph 4.11)

V. Stamps and Registration Fees

Audit of "E-stamping and *Prerna* software in Stamp and Registration Department" revealed the following:

- There were deficiencies in software like absence of Software Requirement Specification (SRS), delayed execution by Software Development Agency, lateral connectivity between the SROs and provision for online appointment and document presentation.

(Paragraph 5.4.5)

- Search utility in the software was not utilised by SROs which resulted in short levy of stamp duty and registration fees of ₹ 3.16 crore due to valuation of residential land at agriculture rate and ₹ 1.72 crore due to undervaluation of land.

(Paragraph 5.4.8)

- The Department did not have a well defined and documented password policy, access control system and internal control mechanism for proper application and enforcement of *PRERNA*.

(Paragraph 5.4.9)

- The Department failed to observe provisions of the U.P. E-Stamping Rules like inspection of CRKA, timely locking of e-stamp certificates and SRO-wise details of revenue collected through e-stamp.

(Paragraph 5.4.11)

Residential land measuring 3.55 lakh square meter was wrongly registered for ₹ 40.64 crore at agricultural rate. Correct valuation at residential rate worked out to ₹ 149.15 crore which resulted in short levy of stamp duty and registration fees of ₹ 6.50 crore.

(Paragraph 5.6)

Land of 55,679 square meter declared residential, was registered for ₹ 4.84 crore at the agricultural rate instead for ₹ 19.56 crore at residential rate. This resulted in short levy of stamp duty and registration fees of ₹ 90.79 lakh.

(Paragraph 5.7)

VI. State Excise

The licensees did not deposit the entire amount of security deposit within prescribed time limit. For this default, action for cancellation of settlement and forfeiture of deposited basic license fee and security money amounting to ₹ 37.43 crore was not initiated as envisaged in the Rules, by two DEOs in 1007 cases.

(Paragraph 6.10)

FL 7B license fee on 364 licensees was not levied by 23 DEOs which deprived the Government of revenue of ₹ 6.70 crore during the years 2013-14 to 2015-16.

(Paragraph 6.11)