

## CHAPTER VI: OTHER TAX AND NON-TAX RECEIPTS

### 6.1 Tax administration

This chapter consists of receipts from Entertainment Duty, Power (Taxes and duties on electricity), Mines and Geology and Land Revenue. The administration and levy of these taxes is governed by respective Acts/Rules framed separately for each administrative department.

### 6.2 Results of Audit

In 2016-17, test check of the records of 50 out of 178 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (32 units), Power Department (Taxes and duties on electricity) (04 units), Land Revenue (119 units) and Excise and Taxation Department (Entertainment Duty) (23 units) involving ₹ 259.38 crore in 528 cases which are depicted in **Table 6.1 below:**

**Table 6.1- Results of audit**

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non recovery of contract money and interest	17	173.80
2.	Non/short recovery of royalty and interest	149	0.61
3.	Non/short recovery of stamp duty on lease deeds of mining contracts	12	49.61
4.	Non/short recovery of Restoration and Rehabilitation fund	05	11.99
5.	Non forfeiture of security	02	23.02
6.	Non/short recovery of copying and mutation fee	323	0.34
7.	Miscellaneous irregularities	20	0.01
<b>Total</b>		<b>528</b>	<b>259.38</b>

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 76.76 crore in 111 cases out of which ₹ 76.75 crore involved in 108 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 40.09 lakh in 17 cases out of which ₹ 39.54 lakh involved in 14 cases relates to the year 2016-17 and the rest to earlier years.

Significant cases involving ₹ 36.27 crore are discussed in the following paragraphs.

## MINES AND GEOLOGY DEPARTMENT

### 6.3 Non recovery of contract money and interest

**Failure on the part of the Department to take timely action resulted in non-realisation of contract money of ₹ 35.90 crore including interest of ₹ 10.37 crore.**

Mining contracts in the State of Haryana are being granted by the office of the Director Mines and Geology Department, Haryana Chandigarh under open auction policy and implemented through its concerned Mining Officer (MO)/Assistant Mining Engineer (AME). As per terms and conditions of the model agreement prescribed by the Mines and Geology Department, the period of contract shall commence with effect from the date of grant of environmental clearance (EC) by competent authority or on expiry of period of 12 months from the date of acceptance of highest bid/issuance of “Letter of Intent (LOI)”, whichever is earlier. The contractor shall pay the instalments of contract money during the subsistence of the contract in advance to the Government. Further, the agreement provides that in case of default in payment of instalment of contract money on the due date(s), interest would be chargeable at the rate of 15 *per cent* and 18 *per cent* per annum on the amount of default for delay upto 30 days and 60 days respectively. Delay beyond 60 days, may amount to a ‘breach’, inviting action for termination of contract and the amount would be recoverable along with interest at the rate of 21 *per cent* per annum for the entire period of default.

Scrutiny of the records of the office of the AME, Faridabad in January 2017 for the years 2014-15 and 2015-16 revealed that an auction was held in December 2013 for grant of mining rights of quarries for mining of sand for a period of eight years. Subsequently, the highest offer of annual contract money of ₹ 29.50 crore was accepted on 27 December 2013. The LOI was issued on 4 January 2014. As per condition of the contract, the contract money was to be paid from January 2015. However, the contractor made part payment of security of ₹ 7.37 lakh and monthly instalments of ₹ 11.26 crore from September 2015 to January 2016. The contractor had not paid the monthly instalments of contract money of ₹ 25.53 crore for the period from January to August 2015 and February to March 2016. As per the condition of the contract, the contract money was due with effect from January 2015 whereas department issued first notice only in December 2015 and thereafter several notices till April 2017, for recovery of dues.

Further the Department suspended the mining operations of contractor on 02 March 2016 but this order was revoked on 08 April 2016, without the

contractor having fulfilled the conditions for revocation. Even cheque given by contractor (as per undertaking given for revocation) towards payments of dues in May 2016 bounced. However, contract remained in operation till May 2017 when it was finally cancelled by the Department. As such neither the amount was recovered nor the contract was terminated timely. Due to this, a huge amount of outstanding dues accumulated, which resulted in non recovery of contract money of ₹ 35.90 crore (including interest<sup>1</sup> of ₹ 10.37 crore).

The matter was reported to the Mines and Geology Department in January 2017, February 2017 and April 2017 and to the Government in June 2017; Department has replied (August 2017) that mining contract has now been cancelled (May 2017) and recovery process of due amount has been initiated as arrears of land Revenue (June 2017). Had the department initiated timely action as per provisions of the contract for recovery and/or termination such a huge amount would not have accumulated.

#### 6.4 Non/short recovery of royalty and interest

**Royalty and interest amounting to ₹ 37.22 lakh was not recovered from 67 brick kiln owners, who were issued permits between April 2014 and March 2017 in respect of four districts.**

Brick Kiln Owners (BKO) shall pay annual amount of royalty at the prescribed rate in advance by 1<sup>st</sup> April of every year. In case payment is made after seven days but up to 30 days of the due date, after 30 days but within 60 days of the due date and beyond 60 days of the due date, interest at the rate of 15, 18 and 21 *per cent* (for the entire period of default) per annum respectively is chargeable for the period of default. A BKO's register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs who do not pay royalty are required to be cancelled by the department by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue. The Assistant Mining Engineers (AMEs)/Mining Officers (MOs) are responsible for monitoring recovery of outstanding dues.

Scrutiny of records of four Mining Officers (MOs)<sup>2</sup>, revealed that 67 out of 1,003 BKOs did not pay due amount of royalty between April 2014 and March 2017. Though, a period ranging between 24 to 36 months had elapsed upto

<sup>1</sup> Contract money due upto March 2016 and interest calculated upto March 2017.

<sup>2</sup> Bhiwani, Faridabad, Narnaul and Sonapat.

March 2017, yet royalty of ₹ 25.49 lakh had neither been paid by the BKO's nor any action had been taken by the department to recover the same or to cancel the permits. Lack of action on the part of the department resulted in non-realisation of royalty of ₹ 25.49 lakh. In addition, interest of ₹ 11.73 lakh was also leviable as per rules.

On this being pointed out, all the MOs stated (between November 2016 and April 2017) that royalty and interest of ₹ 1.38 lakh had been recovered and notices had been issued to the concerned BKO's to recover the outstanding amount of ₹ 35.84 lakh.

The matter was reported to the Mines and Geology Department between November 2016 and April 2017 and to the Government in May 2017; their replies were awaited (October 2017).



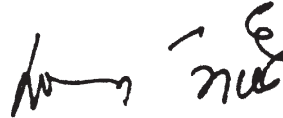
**Chandigarh**

**The 17 January 2018**

**(MAHUA PAL)**

**Principal Accountant General (Audit), Haryana**

**Countersigned**



**New Delhi**

**The 22 January 2018**

**(RAJIV MEHRISHI)**

**Comptroller and Auditor General of India**