

# *Overview*



## **OVERVIEW**

This Report contains one Performance Audit and 25 paragraphs relating to non/short levy of VAT/CST, State excise, stamp duty and registration fee, passenger and goods tax and royalty with revenue implication of ₹269.46 crore.

### **General**

The total revenue receipts of the Government for the year 2016-17 was ₹26,264.34 crore as compared to ₹23,440.48 crore during the previous year. Out of this, 33 *per cent* was raised through tax revenue (₹7,039.05 crore) and non-tax revenue (₹1,717.24 crore). The balance 67 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹4,343.70 crore) and Grants-in-Aid (₹13,164.35 crore). There was an increase in Revenue Receipts over the previous year by ₹2,823.86 crore.

*(Paragraph 1.1)*

Test check of the records of 138 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers Tax and Forest Receipts conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating ₹344.45 crore in 832 cases. During the year, the Departments concerned accepted under-assessment and other deficiencies of ₹7.32 crore in 290 cases out of which an amount of ₹4.31 crore was realised in 275 cases, ₹4.30 crore in 269 cases related to findings of previous years and ₹1.09 lakh in six cases related to the findings of year 2016-17.

*(Paragraph 1.10)*

## **II Taxes/VAT on Sales and Trade**

### **Transaction audit**

Excise and Taxation Department took up the computerisation of VAT and allied processes to improve the compliance of tax laws, automate the allied tax administration and interface with the TINXSYS in June 2010 involving financial outlay of ₹20.19 crore. The Department rolled out 23 modules including Web Portal between August 2011 and January 2015. However, the usage of backend modules was low in view of the long pendency of VAT assessments and processes were still being undertaken in manual form. Besides, Go-Live, signing of System Requirement Specification, User Requirement Specification, Software Design Document, Legacy data conversion and Final Acceptance Test were also pending. In view of Department's option to utilise 'Implementation Model-2' developed by GSTN on the introduction of GST from 1<sup>st</sup> July 2017, the expenditure of ₹20.19 crore on the setting up of the project remained unproductive failing to meet the project objectives.

*(Paragraph 2.3)*

The entry tax of ₹1.38 crore was levied against the leviable entry tax of ₹2.41 crore, resulting in short levy of entry tax of ₹1.03 crore.

*(Paragraph 2.4)*

The Assessing Authority during assessment of a dealer for the years 2008-09 and 2009-10 excluded income of ₹6.39 crore from the Gross Turnover resulting in loss of revenue of ₹25.52 lakh. Besides, interest was also leviable.

*(Paragraph 2.5)*

Loss of revenue of ₹7.68 crore to State Government due to under assessment/exclusion of income of ₹61.42 crore from Gross Turnover.

*(Paragraph 2.6)*

Loss of revenue of ₹3.17 crore due to non-deduction of works contract tax on Sub contract payments.

*(Paragraph 2.7)*

Inadmissible deduction of consumable purchases for works contract and non-levy of entry tax on interstate purchases, resulted in loss of revenue of ₹77.58 lakh.

*(Paragraph 2.8)*

Excess allowance of labour charges and deduction for petty contractors payments resulted in short levy of tax by ₹3.46 crore.

*(Paragraph 2.9)*

Assessing Authorities while finalising the assessments of the dealers assessed the taxable turnover at applicable tax rates but calculated output tax as ₹1.30 crore against the actual liability of ₹2.37 crore resulting in short levy of tax of ₹1.07 crore.

*(Paragraph 2.10)*

The Excise and Taxation Department did not levy entertainment duty on cable operators thereby forgoing revenue of at least ₹9.93 crore.

*(Paragraph 2.11)*

### **III State Excise**

*A Performance Audit on 'Working of Excise Department including working of distilleries brought out cases of loss of excise duty, short levy of license fee and non levy of additional fee etc. amounting to ₹132.46 crore. Some major findings are given below:*

Allowance of wastage in beer production without any provision in Rules resulted in loss of excise duty of ₹2.44 crore.

*(Paragraph 3.3.8)*

Short allotment of liquor quota to 29 vends in one District vis-a-vis their potentiality resulted in short levy of license fee of ₹4.12 crore.

*(Paragraph 3.3.10)*

There was loss of license fee of ₹1.82 crore due to excess lifting of liquor quota by 73 vends during the year 2015-16.

*(Paragraph 3.3.11)*

The Department had recovered license fee of ₹47.09 crore instead of recoverable license fee of ₹57.10 crore, resulting in short recovery of license fee of ₹10.01 crore from nine licensees of two Districts.

*(Paragraph 3.3.13)*

The Department did not levy additional fee of ₹4.94 crore on short lifting of Minimum Guaranteed Quota by 358 vends of five Districts.

*(Paragraph 3.3.14)*

The Department did not levy excise duty of ₹18.29 crore on the production of Extra Neutral Alcohol by three distilleries.

*(Paragraph 3.3.16)*

The Department did not levy excise duty of ₹8.46 crore on export of beer by distillery of Sirmour District.

*(Paragraph 3.3.17)*

#### **Transaction audit**

The Department renewed different licenses without payment of requisite renewal fee resulting in short recovery of ₹1.45 crore.

*(Paragraph 3.4)*

Additional fee of ₹1.62 crore for short lifting of 4,86,054 proof liters of liquor by licensee of 532 vends was not levied. In addition, a penalty of ₹15.91 lakh was also leviable.

*(Paragraph 3.5)*

Interest amounting to ₹33.31 lakh on delayed payment of license fee was not demanded by the Department from the licensees of 109 vends resulting in non-recovery of interest to that extent.

*(Paragraph 3.6)*

License fee of ₹10.13 lakh was recoverable in respect of 149 vends due to non-accountal of unsold stock of preceding year.

*(Paragraph 3.7)*

#### **IV Stamp Duty**

Adoption of incorrect market rates for built up structure of residential units resulted in short realisation of Stamp Duty and Registration Fee of ₹92.03 lakh.

*(Paragraph 4.3)*

Incorrect valuation on the basis of affidavits regarding distance of the land from road filed by purchasers resulted in short realisation of Stamp Duty and Registration Fee of ₹37.76 lakh. In addition, penalty of ₹18.88 lakh was also leviable.

*(Paragraph 4.4)*

The exemption of 50 *per cent* of stamp duty on sale deeds of industrial units without verification of setting up of new industrial enterprises resulted in short levy of Stamp duty and Registration fee of ₹60.68 lakh.

*(Paragraph 4.5)*

Application of incorrect rates of Stamp Duty in sale deeds resulted in short realization of Stamp Duty of ₹28.00 lakh in 314 cases.

*(Paragraph 4.6)*

## **V Taxes on Vehicles, Goods and Passengers**

Token tax of ₹5.66 crore in respect of 12,365 vehicles for the years 2013-14 to 2015-16 was neither demanded by the Department nor paid by the vehicle owners.

*(Paragraph 5.3)*

Special Road Tax amounting to ₹22.39 crore was not recovered from Himachal Road Transport Corporation and private stage carriages.

*(Paragraph 5.4)*

The passenger and goods tax amounting to ₹1.10 crore was neither paid by the owners of 1,911 commercial vehicles nor demanded by the Department for the period 2014-15 to 2015-16.

*(Paragraph 5.5)*

Due to lack of co-ordination between the concerned RLAs/RTOs and AETCs, the owners of the 2,961 commercial vehicles did not register their vehicles with the Excise and Taxation Department which resulted in non-realisation of Passenger and Goods tax amounting to ₹1.13 crore.

*(Paragraph 5.6)*

Additional Goods tax of ₹39.37 crore was neither paid by three 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.

*(Paragraph 5.7)*

## **VI Forest Receipts**

Department failed to recover the withheld amount of royalty of ₹31.12 crore from Himachal Pradesh State Forest Development Corporation Limited.

*(Paragraph 6.3)*

Failure of the Department to demand differential amount of resin royalty for resin season 2014 resulted in loss of revenue of ₹2.48 crore.

*(Paragraph 6.4)*

Interest of ₹70.47 lakh on short payment of royalty of ₹6.52 crore, from November 2015 to June 2016, was not levied by the Department.

*(Paragraph 6.5)*