

OVERVIEW

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This Report contains two Thematic Audits and 23 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 ₹330.87 crore.

I General

The total revenue receipts of the State Government for the year 2017-18 was ₹27,367.06 crore as compared to ₹26,264.34 crore during the previous year. Out of total revenue receipts of ₹27,367.06 crore for the year 2017-18, 35 per cent was raised through tax revenue (₹7,107.67 crore) and non-tax revenue (₹2,363.85 crore). The balance 65 per cent was received from the Government of India as State's share of divisible Union taxes (₹4,801.31 crore) and Grants-in-Aid (₹13,094.23 crore). There was an increase in revenue receipts over the previous year by ₹1,102.72 crore.

(Paragraph 1.1)

Test check of the records of 178 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Passengers & Goods Tax and Forest Receipts conducted revealed under-assessment/short levy/loss of revenue aggregating ₹490.09 crore in 863 cases. The Departments concerned accepted under-assessment and other deficiencies of ₹13.61 crore in 317 cases during the year 2017-18, out of which an amount of ₹4.16 crore was realised in 298 cases, of which ₹4.15 crore in 296 cases related to audit findings of previous years and ₹0.01 crore in two cases related to the audit findings of year 2017-18.

(Paragraph 1.10)

II Taxes/VAT on Sales and Trade

The Government/Department was prompt in its preparedness for implementation of GST which can be seen with reference to enactment of Act and Rules as per model law approved by GST Council. Frequent changes were made in Rules/regulations since 1st July 2017 on recommendations of the GST Council. Filing of returns was postponed due to difficulties faced by the tax payers. GSTN was not able to provide the complete IT solution regarding filing of returns. The State Government was hamstrung in implementing the provisions of GST as it had limited role in these matters. A complete network system needs to be devised with required speed for successful implementation of GST Act. The Department needs to sort out the legacy issues like assessments of pre-GST cases, recovery of arrears and expedite clearance of pending cases in a time bound manner. Dealers to be sensitized to apply for refunds of pre-GST regime.

(Paragraph 2.3)

The Department had allowed concessional rate of tax to dealers who had not employed prescribed limit of *Himachalis* and by applying incorrect rate of tax on goods falling under negative list to ineligible dealers. Concession was granted

even without submission of declaration form. No System existed in the Department to review and verify grant of concessions to dealers for substantial expansion. Assessing Authorities had not verified the forms and defective/ineligible forms were accepted and concessional rate of tax was allowed.

(Paragraph 2.4)

Lack of monitoring, non maintenance of detailed database and non reconciliation resulted in wrong depiction of arrears. Inordinate delay in finalizing the assessments of the dealers and absence of follow-up action as per Act/Rules against the firms/dealers resulted in revenue losses as the dealers have closed their businesses. Non-obtaining of security/sureties from the dealers at the time of registration, non-assessment of remanded back cases and delayed assessment by AAs resulted in accumulation of arrears. Attached properties were not auctioned. Non compliance to the provisions regarding sureties resulted in short payment of excise dues. Irregular allotment of toll lease to defaulter against the provisions led to non-recovery of dues.

(Paragraph 2.5)

Assessing Authorities allowed the Input Tax Credit to 138 dealers in 160 cases without taking into consideration the closing stock/sale of tax free goods/branch transfer resulted in deferment of tax liability of ₹7.01 crore for the tax period 2007-08 to 2015-16.

(Paragraph 2.6)

Assessing Authority applied incorrect/lesser rate of tax of four to five *per cent* instead of applicable tax rates of five to 13.75 *per cent* while finalising the assessments for the tax period 2009-10 to 2015-16 of 11 dealers in 23 cases resulting in short realisation of tax amounting to ₹11.56 crore. In addition, interest of ₹5.73 crore was also leviable.

(Paragraph 2.7)

Assessing Authorities assessed the Gross Turnover/Taxable Turnover of 37 dealers in 44 cases for the years 2007-08 to 2014-15 on lesser than the actual receipts resulting in loss of revenue of ₹5.47 crore, besides, interest of ₹4.61 crore was also leviable.

(Paragraph 2.8)

Assessing Authorities while finalising the assessments of 26 dealers in 28 cases, who had under reported their sales and closing stock during the tax periods from 2005-06 to 2014-15, did not cross-check and link the annual returns with their annual accounts. As a result of this failure to carry out basic checks, there was loss of revenue of ₹1.08 crore. In addition, interest of ₹71.35 lakh was not recovered and penalty at the prescribed rate was also recoverable.

(Paragraph 2.9)

The Excise and Taxation Department did not levy entertainment duty on all the 28 cable operators registered in selected three district of Bilaspur, Kangra and Mandi for the years 2014-15 to 2016-17, resulting in forgoing revenue of at least ₹3.78 crore.

(Paragraph 2.12)

III State Excise

Assistant Excise and Taxation Commissioner did not take any action to recover the short deposited license fee of ₹38.90 crore from 49 licensees or seal vends (liquor shops) as the licensees of these vends were in default of payment of monthly instalment from April 2016 to March 2017.

(Paragraph 3.3)

The Department did not levy additional fee of ₹12.74 crore for short lifting of 40,58,893 proof litres of liquor against the annual Minimum Guaranteed Quota fixed for the year 2016-17 by licensees of 561 vends. In addition, a penalty of ₹1.81 crore was also leviable for short lifting of Minimum Guaranteed Quota by 80 per cent.

(Paragraph 3.4)

The Department did not raise the demand to realise the interest amounting to ₹3.77 crore on delayed payment of license fee/bottling fee/franchisee fee from the licensees of 156 vends for the year 2016-17, resulting in non-levy of interest to that extent.

(Paragraph 3.5)

IV Stamp Duty

The Sub-Registrars adopted the pre-revised market rates for built-up structure of residential/non-residential buildings against the 358 sales deeds registered between November 2013 and December 2016, which resulted in short realisation of Stamp Duty and Registration Fee of ₹3.64 crore.

(Paragraph 4.3)

13 Sub-Registrars had made incorrect valuation of the land on the basis of affidavits regarding distance from road filed by purchasers at the time of registration of sale deeds, resulting in short realisation of Stamp Duty and Registration Fee of ₹1.18 crore.

(Paragraph 4.4)

The Department did not revise the lease rent, which was to be revised after every 10 years at the rate of five per cent of the prevailing market value of land as per the condition of the lease agreement, resulting in loss of revenue of ₹3.59 crore.

(Paragraph 4.5)

V Taxes on Vehicles, Passengers and Goods

The Transport Department did not demand the Special Road Tax amounting to ₹23.38 crore, which was recoverable from Himachal Road Transport Corporation and Private Stage Carriages as per issued route permits, for the period 2016-17.

(Paragraph 5.3)

The Transport Department neither demanded the Token tax of ₹8.50 crore recoverable from the 16,588 commercial vehicles for the years 2015-16 to 2016-17, nor was the tax paid by the commercial vehicle owners, resulting in non-recovery of token tax to that extent.

(Paragraph 5.4)

The Excise Department did not demand the Passenger and Goods tax amounting to ₹1.74 crore from 2,320 commercial vehicles owners for the period 2015-16 to 2016-17 nor the owners of commercial vehicles paid the tax, resulting in non-realisation of Passenger and Goods tax to that extent.

(Paragraph 5.5)

Lack of co-ordination between the concerned Regional Licensing Authorities/ Regional Transport Officers and Assistant Excise and Taxation Commissioner, the owners of the commercial vehicles did not register their vehicles with the Excise and Taxation offices, which were registered with the RLAs/RTOs between 2015-16 and 2016-17, resulted in non-realisation of Passenger and Goods tax amounting to ₹1.23 crore.

(Paragraph 5.6)

VI Forest Receipts

The Department had seized timber measuring 225.916 cu.m during 2015-16 and 2016-17, lying in various depots of the Department which were not disposed off resulting in blocking of revenue of ₹1.18 crore but also incurring of expenditure on watch and ward and further deterioration of timber.

(Paragraph 6.3)

The Department did not hand over the 1,22,618 trees to Himachal Pradesh State Forest Development Corporation Ltd. for enumeration during 2014 and 2015 tapping seasons which resulted in loss of revenue of ₹82.90 lakh.

(Paragraph 6.4)

The Department handed over 62 timber lots to HPSFDC Ltd. for exploitation which were not exploited during the lease period for which extension fee of ₹29.86 lakh was neither demanded by the Department nor paid by HPSFDC Ltd.

(Paragraph 6.5)