

OVERVIEW

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This Report contains one Performance Audit on “**Functioning of Mines and Geology Department**” and 27 illustrative audit paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, passenger and goods tax, royalty etc. with revenue implications of ₹ 1,711.40 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2017-18 were ₹ 62,694.87 crore as compared to ₹ 52,496.82 crore during the year 2016-17. Out of this, 80 *per cent* was raised through tax revenue (₹ 41,099.38 crore) and non-tax revenue (₹ 9,112.85 crore). The balance 20 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 7,297.52 crore) and Grants-in-aid (₹ 5,185.12 crore). There was an increase in revenue receipts over the previous year by ₹ 10,198.05 crore (19.43 *per cent*).

(Paragraph 1.1.1)

Test check of the records of 314 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fees, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2017-18 brought out under-assessments/short levy/non-levy/loss of revenue aggregating ₹ 3,298.68 crore in 22,744 cases. During the year 2017-18, the Departments accepted under-assessment of ₹ 1,525.34 crore in 5,743 cases. Of these, the Department recovered ₹ 29.66 crore in 164 cases of during the year 2017-18.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. GST levy on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products) separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) levy on inter-State supplies of goods or services (including imports) and the Parliament has exclusive power to levy IGST. There have been frequent changes in rules/regulations since 1 July 2017 which have resulted in non-implementation of many of the procedures laid down in GST. Further, the IT

solution was to be fully developed and problem regarding filing of returns was not resolved. The Department needs to sort out the issues related to legacy tax regime expeditiously through focused arrangements.

(Paragraph 2.3)

The Excise and Taxation Department has not established a system for collection of information from other departments to facilitate identification of un-registered dealers. Instances of non realisation of tax from un-registered contractors, non levy of interest on additional demand created by Assessing Authorities, non levy of tax and penalty for misuse of form VAT D-1, short levy of tax and interest due to application of incorrect rate of tax, under-assessment of tax due to allowing excess benefit of ITC, suppression of GTO by contractors and short assessment of tax under amnesty scheme were noticed, which resulted in revenue loss of ₹ 79.78 crore.

(Paragraph 2.4)

Assessing Authority allowed concessional rate of tax without verification of forms which resulted in under-assessment of tax of ₹ 3.53 crore. In addition, penalty of ₹ 10.59 crore was also leviable.

(Paragraph 2.5)

Assessment of tax on less turnover by Assessing Authority, resulted in under-assessment of tax of ₹ 13.19 crore. In addition, penalty of ₹ 43.62 lakh was also leviable.

(Paragraph 2.6)

AA, while finalising the assessment allowed the benefit of consignment sale against invalid 'F' forms resulting in non levy of tax of ₹ 1.78 crore. In addition, penalty of ₹ 5.34 crore was also leviable.

(Paragraph 2.7)

Short/non reversal of Input Tax Credit by Assessing Authority resulted in excess benefit of ITC of ₹ 9.04 crore.

(Paragraph 2.8)

AA, while finalising the assessment allowed inadmissible ITC claim for purchase of Duty Entitlement Pass Book (DEPB) which was not sold by the dealer resulting in incorrect grant of input tax credit of ₹ 2.89 crore. In addition, interest of ₹ 1.73 crore was also leviable.

(Paragraph 2.9)

AA, while finalising the assessment, assessed the sale of items worth ₹ 7.08 crore as tax free goods. However, these items are taxable at the rate of

5.25 *per cent* and 13.125 *per cent*. This resulted in non-levy of VAT amounting to ₹ 43.31 lakh. In addition, interest of ₹ 24.53 lakh was also leviable.

(Paragraph 2.10)

There was under-assessment of tax amounting to ₹ 41.46 lakh due to calculation mistake by Assessing Authorities.

(Paragraph 2.11)

Assessing Authorities, while finalising the assessments did not levy interest of ₹ 27.77 lakh on delayed payment of tax by two dealers.

(Paragraph 2.12)

Assessing Authority, while finalising the assessment allowed benefit of Input Tax Credit without verification of purchase from selling dealers resulting in incorrect grant of Input Tax Credit of ₹ 1.28 crore. In addition, penalty of ₹ 3.83 crore was also leviable.

(Paragraph 2.13)

Assessing Authorities, while finalising the assessment incorrectly levied tax at the rate of 5/5.25 *per cent* instead of 13.125 *per cent* resulting in under-assessment of tax of ₹ 2.12 crore. In addition, interest of ₹ 1.27 crore was also leviable.

(Paragraph 2.14)

Assessing Authorities, while finalising the assessment allowed incorrect benefit of tax deposit of ₹ 27.15 lakh to two dealers. In addition, interest of ₹ 14.96 lakh was also leviable.

(Paragraph 2.15)

3. Chapter-III

State Excise

There was loss of ₹ 3.95 crore due to non-levy of interest on delayed payment of licence fee of ₹ 149.19 crore by 195 licencees for the period April 2015 to January 2017.

(Paragraph 3.3)

Failure of the Deputy Excise and Taxation Commissioners (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 2.71 crore.

(Paragraph 3.4)

The Department failed to initiate action to recover the differential amount of licence fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.88 crore.

(Paragraph 3.5)

The Department had not initiated action to fully recover penalty of ₹ 73.84 lakh from the offenders for possession of illicit liquor either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.

(Paragraph 3.6)

Adjustment of participation fee against licence fee payable by vendors was allowed by the Department in contravention of State Excise Policy resulting in loss of revenue of ₹ 31.20 lakh to the Government.

(Paragraph 3.7)

4. Chapter-IV

Stamp Duty

Due to misclassification of lease agreements as simple agreements, 30 instruments of mining lease remained insufficiently stamped resulting in short levy of stamp duty and registration fee of ₹ 24.36 crore. Non-consideration of annual increase for calculating annual average rent and incorrect application of rate of stamp duty in 25 cases resulted in short recovery of Stamp Duty and Registration Fee of ₹ 13.17 crore.

Non-execution of lease deeds of 411 agreements of Haryana Mines & Geology Department, Haryana Tourism Corporation, Haryana Roadways, Municipal Corporations and non-registration of lease deeds of mobile towers resulted in short levy of stamp duty and registration fees of ₹ 29.60 crore.

(Paragraph 4.3)

Registering Authorities misclassified sale deeds as collaboration agreements instead of as agreement to sell in 10 cases resulting in short levy of stamp duty and registration fees of ₹ 5.99 crore.

(Paragraph 4.4)

Seventy four deeds were registered on the rates fixed by the Collector for agricultural land instead of residential/commercial property, resulting in short levy of stamp duty and registration fees of ₹ 4.69 crore.

Registering Authorities incorrectly assessed 100 sale deeds of plots with an area less than 1000 square yards falling within municipal limits at rates fixed for agricultural land instead of residential land resulting in short levy of stamp duty and registration fees of ₹ 2.45 crore.

(Paragraph 4.5)

The Registering Authorities misclassified conveyance on sale as release deeds and levied stamp duty and registration fees of ₹ 10,920 instead of ₹ 1.71 crore as per Collector rate resulting in short levy of Stamp Duty and Registration Fee of ₹ 1.71 crore.

(Paragraph 4.6)

Irregular remission of stamp duty in 53 instruments of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 88.78 lakh to the State exchequer.

(Paragraph 4.7)

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 0.87 crore.

(Paragraph 4.8)

Irregular exemption of stamp duty and registration fee was allowed to farmers who had, in 21 cases, purchased residential/commercial land and in five cases purchased agricultural land after two years of receiving compensation which resulted in non/short levy of Stamp Duty and Registration Fee of ₹ 25.51 lakh.

(Paragraph 4.9)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Transport Department

Owners of 1,584 goods carriages had not deposited Goods Tax during 2016-17 resulting in non realisation of Goods Tax of ₹ 1.62 crore. In addition, interest of ₹ 61.33 lakh was also leviable.

(Paragraph 5.3)

Owners of 1,305 goods carriages had not deposited Token Tax during the years 2015-16 and 2016-17 resulting in non realisation of ₹ 18.42 lakh. In addition, penalty of ₹ 36.84 lakh was also leviable.

(Paragraph 5.4)

6. Chapter-VI

Other Tax and Non-tax Receipts

Mines and Geology Department

The Performance Audit on “Functioning of Mines and Geology Department” brought out cases of delayed/non-execution of agreements by the contractors, delayed/non-deposit of balance bid security, short/non-deposit of monthly installments of contract money and interest thereon from the contractors, short contribution to the MMDRR Fund by the contractors as well as by the Government. Management and monitoring of the Fund by the Department was deficient. Delays in renewal of licences to operate stone crushers, cases of short/non-recovery of royalty, additional royalty and interest thereon from the brick kiln owners were also noticed resulted in loss of revenue of ₹ 1,476.21 crore.

- Seventy seven out of total ninety five contractors executed agreements after delay ranging between five and 891 days and nine contractors did not execute the agreements.

(Paragraph 6.3.8.2)

- Contractors/lessees are required to deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operations or before expiry of the period of 12 months from the date of issue of Letter of Intent, whichever is earlier. Fifty nine contractors deposited balance bid security of ₹ 132.02 crore with delay ranging between three and 854 days and 11 contractors did not deposit balance bid security of ₹ 29.28 crore.

(Paragraphs 6.3.8.3 (i) and (ii))

- Department did not initiate action against 69 contractors out of 84 contractors for short/non-deposit of contract money of ₹ 808.21 crore. Interest of ₹ 347.63 crore was also leviable.

(Paragraph 6.3.9.1)

- Department did not initiate action against 48 contractors for short/non-deposit of ₹ 49.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 17.44 crore was also leviable.

(Paragraph 6.3.9.3)

- Government did not deposit its share of contribution amounting to ₹ 17.70 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.4)

- Government did not credit interest of ₹ 4.61 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.5)

- Geo-spatial survey of selected sand and boulder/gravel mines revealed that there is mismatch between co-ordinates of mining sites as given in mining plans and as observed on site inspection.

(Paragraph 6.3.11.1)

- River flow regime had changed on account of obstruction in river flow by sand miners

(Paragraph 6.3.11.3)

- Brick kiln owners did not deposit ₹ 0.53 crore in 181 cases out of 4,139 on account of royalty and additional royalty. Interest of ₹ 0.24 crore was also leviable.

(Paragraph 6.3.13.1)

