

OVERVIEW

This Report contains 17 paragraphs relating to State Excise, Tax on Sales, Trade, etc., Taxes on Vehicles, Goods and Passenger, Stamp and Registration Fees and Mining Receipts including one paragraph on “**Preparedness for transition to Goods and Services Tax**”. The total financial implication of the Audit findings is ₹ 195.88 crore of this the concerned Department accepted audit observations amounting to ₹ 140.34 crore. Some of the major findings are mentioned below:

Chapter-I: General

Total receipts of the Government of Uttar Pradesh for the year 2017-18 were ₹ 2,78,775.45 crore, of which, ₹ 1,17,187.86 crore (42.04 *per cent*) constituted the State’s own receipts. Government of India contributed ₹ 1,61,587.59 crore (57.96 *per cent*), comprising State’s share of divisible Union taxes of ₹ 1,20,939.14 crore (43.38 *per cent* of total receipts) and grants-in-aid of ₹ 40,648.45 crore (14.58 *per cent* of total receipts). The State’s own tax revenues and the State’s share in central taxes increased from 2013-14 to 2017-18.

Wide variations between the budget estimates approved by the Finance Department and the actual revenues were noticed in Audit. The reasons for such wide variations could not be assessed as the Finance Department did not produce the budget files to Audit despite requests at that point of time.

(Paragraph 1.2)

The arrears of revenue as on 31 March 2018 on Tax on Sales, Trade, etc., Stamps and Registration Fees, Taxes on Vehicles, Goods and Passengers, State Excise, Entertainment Tax and Mining Receipts amounted to ₹ 22,564.66 crore, of which ₹ 10,581.96 crore was outstanding for more than five years.

Audit recommends that the Departments should create a centralised database of outstanding arrears and introduce a mechanism to monitor the progress of arrears on a periodic basis. The reasons for accumulation of arrears should also be analysed and mechanisms/procedures developed to prevent any further accumulation of arrears.

(Paragraph 1.3)

Chapter-II: State Excise

The Department failed to act on the recommendation made by the Public Accounts Committee for timely deposit of Basic License Fee and License Fee on settlement of shops. The Department did not initiate any action for cancellation of settlement, and forfeiture of basic license fee/license fee (₹ 28.35 crore) and security (₹ 30.50 crore) totalling to ₹ 58.85 crore, in contravention to the rules.

Audit recommends that the Department should ensure adherence to the provisions of the Act/Rules and the recommendation made by the Public

Accounts Committee, to safeguard the financial interests of the State. The Department should adopt a transparent bidding system and devise a mechanism to settle licenses of liquor shops in case the highest bidder fails to comply with allotment conditions.

(Paragraph 2.3)

Non-issue of Beer bar license for retail sale of bottled Beer led to loss of revenue of ₹ 2.36 crore in respect of 119 licensees.

(Paragraph 2.4)

The license fee of model shops was not fixed as per the norms prescribed in the Excise Policy resulting in short levy of license fee of ₹ 1.36 crore.

(Paragraph 2.5)

Chapter-III: Tax on Sales, Trade etc.

Assessing Authorities accepted the tax rates on sale of goods worth ₹ 148.62 crore as mentioned by the dealers in tax returns without verifying the rates applicable on such goods as per the schedules. Thus, tax amounting to ₹ 12.36 crore was short/not levied.

Audit recommends that the Commercial Tax Department should consider instituting enquiry from vigilance angle in cases where typographic errors have been stated as reasons for application of incorrect rate of tax.

(Paragraphs 3.3)

Assessing Authorities allowed the irregular exemption of ₹ 2.80 crore on stock transfer of ₹ 55.97 crore as the dealer failed to submit the required declaration Form 'F' along with the proof of dispatch.

Audit recommends that the Commercial Tax Department should carefully examine all such cases where such exemptions are being allowed by the Assessing Authorities.

(Paragraphs 3.4.1)

The dealers had purchased goods valued at ₹ 6.81 crore which were not covered under the Registration Certificate at concessional rates of tax against the declaration in form 'C'. This fact was not scrutinised at the time of assessment and a penalty of ₹ 1.05 crore was not imposed.

Audit recommends that the Commercial Tax Department may ensure that while assessment orders are being passed, the Registration Certificates and utilization certificates, where such concession are being considered by the Assessing Authorities, should be carefully examined.

(Paragraphs 3.4.2)

The dealers had wrongly claimed Input Tax Credit amounting to ₹ 64.88 lakh which was irregularly allowed by the Assessing Authorities. This resulted in non-reversal of Input Tax Credit alongwith interest totalling ₹ 1.01 crore.

Audit recommends that the Commercial Tax Department should carefully examine and verify the transections where Input Tax Credit are being claimed by the dealers and benefit of Input Tax Credit are being allowed by the Assessing Authorities.

(Paragraphs 3.5.1)

The Assessing Authorities had not reversed the Input Tax Credit alongwith interest of ₹ 1.40 crore claimed by the dealers in respect of those goods which were sold by the dealers at a price lower than the purchase price.

Audit recommends that the Commercial Tax Department should carefully examine and verify the cases where Input Tax Credit are being claimed by the dealer.

(Paragraphs 3.5.2)

The Assessing Authorities had not reversed the Input Tax Credit alongwith interest of ₹ 2.20 crore claimed by the dealers in respect of goods which were taxable at lower rates than that claimed by the dealers.

Audit recommends that the Commercial Tax Department should ensure periodic and randomised reviews of all Input Tax Credit claims to ensure that Input Tax Credit is being claimed as per prescribed rates.

(Paragraphs 3.5.3)

On cross verification undertaken by the Department, Input Tax Credit amounting to ₹ 1.94 crore claimed by the dealers was found false. Though it was reversed by the Assessing Authorities, penalty amounting to ₹ 9.71 crore was not imposed against the defaulters.

Audit recommends that the Commercial Tax Department should carefully examine and verify the cases where Input Tax Credit is being claimed falsely or fraudulently by the dealer.

(Paragraphs 3.5.4)

The dealers had deposited the admitted tax of ₹ 5.56 crore with delay, on which interest was chargeable. However, the same was not charged at the time of assessment resulting in non-levy of interest amounting to ₹ 2.56 crore.

Audit recommends that the Commercial Tax Department should carefully calculate the interest amount in cases where there is delay in payment of due taxes by the dealers.

(Paragraphs 3.6)

The Assessing Authorities did not impose penalty amounting to ₹ 3.66 crore on concealed turnover amounting to ₹ 20.44 crore.

Audit recommends that the Commercial Tax Department should carefully examine all the cases where concealment of turnover by the dealers is detected and ensure that due penalty is imposed for ensuring tax compliance.

(Paragraphs 3.7.1)

The Assessing Authorities, while finalising the assessments, did not impose penalty amounting to ₹ 3.06 crore and an interest of ₹ 55.30 lakh on delayed deposit of admitted tax amounting to ₹ 15.31 crore.

Audit recommends that the Commercial Tax Department should carefully examine the cases where admitted tax is not being deposited within the prescribed time limit and without due interest.

(Paragraph 3.7.2)

The Assessing Authorities had not imposed penalty amounting to ₹ 26.80 crore alongwith interest of ₹ 14.26 lakh on dealers for not depositing the tax deducted at source (TDS) amounting to ₹ 13.40 crore within the prescribed time.

Audit recommends that the Commercial Tax Department should ensure timely deposit of TDS by the dealers/contractors.

(Paragraphs 3.7.3)

The dealers had collected tax of ₹ 4.61 crore in excess of their tax liability. However, the Assessing Authorities did not forfeit this amount wrongly realised by the dealers.

Audit recommends that the Commercial Tax Department should carefully examine the cases where the dealers have wrongly realised an amount as tax from other dealers in contravention of the provisions of the Act.

(Paragraph 3.8)

Preparedness for transition to Goods and Services Tax

The State Commercial Taxes Department did not provide Audit with either access to the Goods and Services Tax Network (GSTN) or to any data dump related to the Goods and Services Tax (GST) data in its possession despite persistent persuasion. The Department stated that the issue of data sharing protocol with the Comptroller and Auditor General of India has been referred to GST Council. Until the matter is decided, it will be proper, to wait for access to GSTN and data dump. As GST data was not shared, we were unable to audit and therefore, findings on “Preparedness for transition to Goods and Services Tax” is derived largely from the information provided to Audit with respect to its queries and requisitions, but without any independent verification vis-à-vis actual databases or documents.

(Paragraph 3.9.4 and 3.9.5)

Chapter-IV: Other Tax Receipts

The Transport Department failed to stop unsafe vehicles from plying on roads and also did not impose penalty amounting to ₹ 2.16 crore under the Carriage by Road (CBR) Act on 913 goods vehicles which were seized for overloading.

Audit recommends that the Transport Department may register vehicles carrying minor minerals under the definition of common carrier of the Carriage By Road Act, 2007 to stop such overloaded vehicles carrying minor minerals.

Audit recommends that the Geology and Mining Department may in consultation with the Transport Department work out an online system for detecting the overloaded vehicles running on road based on the MM 11 operated by the Transport Department.

(Paragraph 4.3)

Additional tax of ₹ 2.61 crore was not levied on 393 *JnNURM* buses plying outside the designated municipal areas.

(Paragraph 4.4)

Residential land measuring 5.09 lakh square meter was wrongly registered for ₹ 58.56 crore at agricultural rates. Correct valuation at the residential rate worked out to ₹ 256.09 crore which resulted in short levy of Stamp Duty and Registration Fees by ₹ 11.42 crore.

Audit recommends that the Stamps and Registration Department should ensure correct valuation of property using features available in the *PRERNA* Software and, after a mandatory physical verification by Sub Registrar or *Tehsildar/Patvori* where a part of the same *arazi* has been sold within a reasonable short period at residential rates.

(Paragraph 4.8)

Chapter-V: Mining Receipts

The Department did not recover cost of minerals amounting to ₹ 26.27 crore and due penalty in 334 cases from contractors undertaking civil works, for raising mineral without lawful authority.

Audit recommends that the Mining Department should ensure coordination with the executing agencies undertaking civil works to ensure that the contractors have sourced minerals from legitimate lessees, and possess valid MM-11 for transporting such minerals.

(Paragraph 5.3)

Cost of excess excavated minerals valuing to ₹ 1.66 crore was not recovered from two lessees for excavating excess than minor minerals permitted in Environment Clearance.

(Paragraph 5.4.1)

Cost of excavation of minerals valuing to ₹ 3.35 crore was not recovered from one lessee for excavating beyond the limit fixed in the Mining Plan.

(Paragraph 5.4.2.1)

Cost of excavated minerals valuing to ₹ 3.00 crore was not recovered from one lessee for excavating minerals without Mining Plan.

(Paragraph 5.4.2.2)

Cost of brick earth amounting to ₹ 1.77 crore was not recovered in 36 cases from brick kilns operating without Environment Clearance.

Audit recommends that the Department should ensure that minerals including brick earth are not excavated without the requisite environment clearance to curb illegal mining.

(Paragraph 5.4.3)

Royalty of ₹ 6.94 crore and permit application fees of ₹ 13.14 lakh were not realised in 660 cases from brick kiln owners, though the same was specified in the One Time Settlement Scheme.

Audit recommends that the Department should ensure that all brick kiln owners in the State abide with the provisions of the One Time Settlement Scheme as applicable in the given brick year. Efforts should also be made to recover the outstanding royalty from the defaulting brick kiln owners.

(Paragraph 5.5)

19 lessees deposited dead rent of ₹ 1.85 crore for the lease period against recoverable amount of ₹ 3.94 crore. Department did not make any effort to recover short deposit of dead rent of ₹ 2.09 crore.

(Paragraph 5.6)

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the concerned State Government department, but were not covered in the test check conducted during the year. The Department/Government may therefore like to internally examine all other units with a view to ensuring that they are functioning as per requirement and rules.