

**Chapter-I**  
**Revenue Sector**



## Chapter-I

### Revenue Sector

#### 1.1 Introduction

##### 1.1.1 Trend of revenue receipts

**1.1.1.1** The tax and non-tax revenue raised by the Government of National Capital Territory of Delhi (GNCTD) during the year 2018-19, Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are depicted in **Table-1.1**.

**Table-1.1: Trend of revenue receipts**

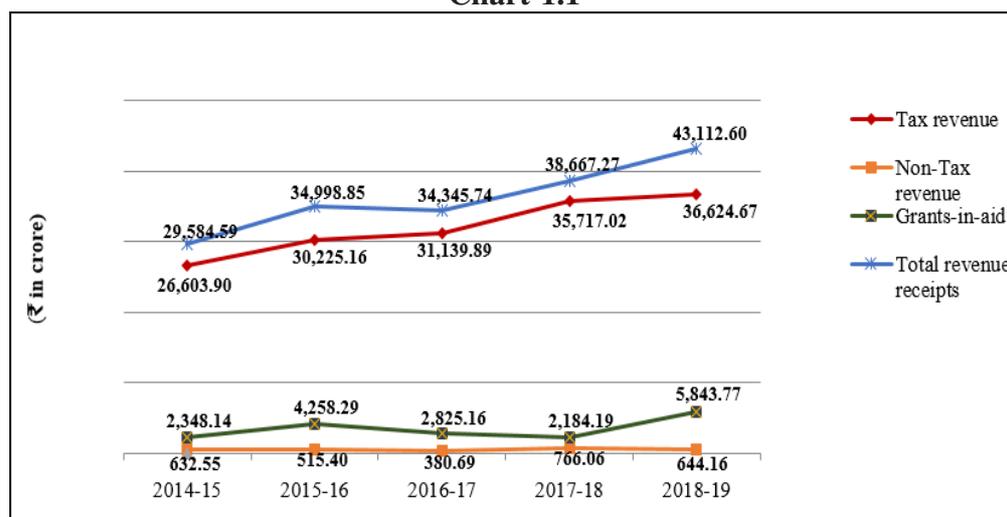
(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>1</b>	<b>Revenue raised by GNCTD</b>					
	Tax revenue	26,603.90	30,225.16	31,139.89	35,717.02	36,624.67
	Non-tax revenue	632.55	515.40	380.69	766.06	644.16
	<b>Total</b>	<b>27,236.45</b>	<b>30,740.56</b>	<b>31,520.58</b>	<b>36,483.08</b>	<b>37,268.83</b>
<b>2</b>	<b>Receipts from the Government of India</b>					
	Grants-in-aid	2,348.14	4,258.29	2,825.16	2,184.19	5,843.77 <sup>1</sup>
<b>3</b>	<b>Total revenue receipts of the GNCTD (1 and 2)</b>	<b>29,584.59</b>	<b>34,998.85</b>	<b>34,345.74</b>	<b>38,667.27</b>	<b>43,112.60</b>
<b>4</b>	<b>Percentage of 1 to 3</b>	<b>92</b>	<b>88</b>	<b>92</b>	<b>94</b>	<b>86</b>

Source: Finance Accounts of GNCTD

The year-wise trend in revenue receipts during 2014-15 to 2018-19 is depicted in **Chart-1.1**.

**Chart-1.1**



<sup>1</sup> This includes an amount of ₹ 4,182 crore received in 2018-19 for compensation of loss of revenue arising out of implementation of Goods and Services Tax (GST). In the year 2017-18, compensation received for loss of revenue was ₹ 157.00 crore only.

The revenue (Tax and non-tax) raised by the GNCTD of ₹ 37,268.83 crore during the year 2018-19 was 86 per cent of the total revenue receipts. The balance 14 per cent of the receipts during 2018-19 came as Grants-in-aid from the Government of India.

1.1.1.2 The details of tax revenue raised during the period 2014-15 to 2018-19 are given in Table-1.2.

**Table-1.2: Details of Tax Revenue raised**

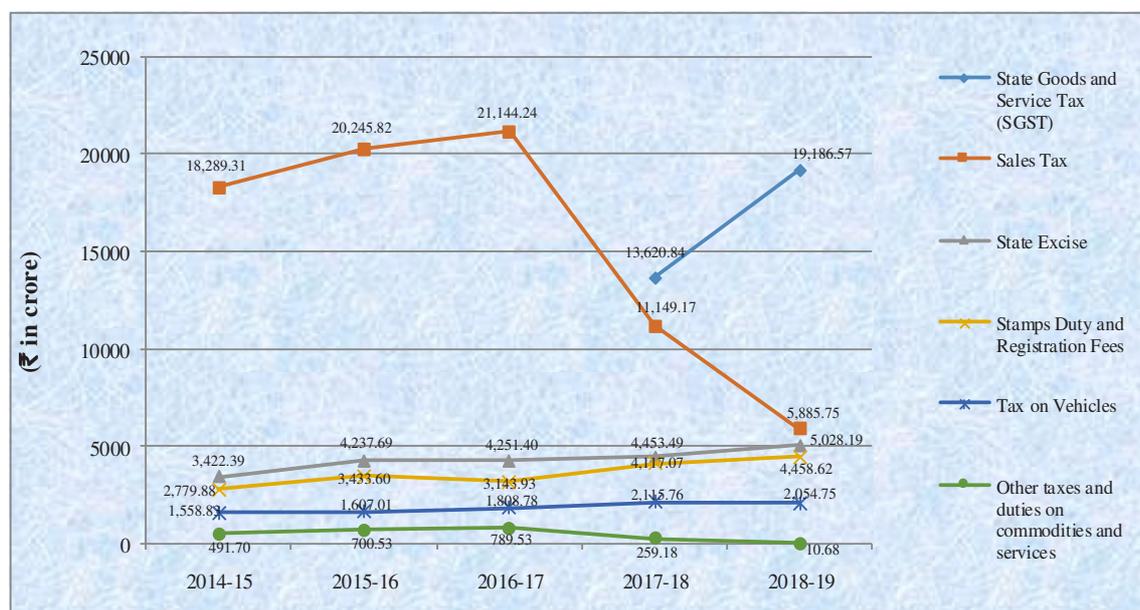
(₹ in crore)

Sl. No.	Head of revenue	2014-15 (percentage of total tax revenue)	2015-16 (percentage of total tax revenue)	2016-17 (percentage of total tax revenue)	2017-18 (percentage of total tax revenue)	2018-19 (percentage of total tax revenue)	Percentage of increase (+) or decrease (-) in actual of 2018-19 over 2017-18
1	State Goods and Service Tax (SGST)	-	-	-	13,620.84 (38.14%)	19,186.57 (52.39%)	40.86
2	Sales Tax	18,289.31 (68.75%)	20,245.82 (66.98%)	21,144.24 (67.90%)	11,149.17 (31.21%)	5,885.75 (16.07%)	-47.21
3	State Excise	3,422.39 (12.86%)	4,237.69 (14.02%)	4,251.40 (13.65%)	4,453.49 (12.47%)	5,028.19 (13.73%)	12.90
4	Stamps and Registration Fees	2,779.88 (10.45%)	3,433.60 (11.36%)	3,143.93 (10.10%)	4,117.07 (11.53%)	4,458.62 (12.17%)	8.30
5	Tax on Vehicles	1,558.83 (5.86%)	1,607.01 (5.32%)	1,808.78 (5.81%)	2,115.76 (5.92%)	2,054.75 (5.61%)	-2.88
6	Other taxes and duties on commodities and services	491.70 (1.85%)	700.53 (2.32%)	789.53 (2.53%)	259.18 (0.73%)	10.68 (0.03%)	-95.88
7	Land Revenue	61.79 (0.23%)	0.51 (0.002%)	2.01 (0.01%)	1.51 (0.004%)	0.11 (0.0003%)	-92.72
<b>Total Tax Revenue</b>		<b>26,603.90</b>	<b>30,225.16</b>	<b>31,139.89</b>	<b>35,717.02</b>	<b>36,624.67</b>	

Source: Finance Accounts of GNCTD

Year-wise trend of various tax revenues is depicted in Chart-1.2.

**Chart-1.2**



The actual tax receipts of the NCT of Delhi increased by ₹ 907.65 crore (2.54 *per cent*) from ₹ 35,717.02 crore in 2017-18 to ₹ 36,624.67 crore in 2018-19. The overall actual tax receipts of the NCT of Delhi showed an increasing trend which increased to ₹ 36,624.67 crore in 2018-19 from ₹ 26,603.90 crore in 2014-15, a growth of 37.67 *per cent*. The major contribution to revenue receipts was from Sales Tax/SGST which grew by 1.22 *per cent* in 2018-19 over the previous year. The actual receipts for the year 2018-19 under the heads 'State Excise' and 'Stamps and Registration Fees' increased by 12.90 *per cent* and 8.30 *per cent* respectively while receipts under the heads 'Tax on Vehicles' and 'Land Revenue' decreased by 2.88 *per cent* and 92.72 *per cent* respectively over the previous year. After subsuming in GST, tax receipts under the head 'Other taxes and duties on commodities and services' reduced to ₹ 10.68 crore in 2018-19 from ₹ 259.18 crore in 2017-18.

The respective Departments reported the following reasons for variation during the year:

#### **SGST/ Sales Tax**

The Department stated that GST was introduced w.e.f. 01 July 2017, in the financial year 2017-18. Since 01 July 2017, Value Added Tax (VAT) is collected on petroleum products and liquor only, and all other goods are covered under GST.

#### **State Excise**

Excise revenue had increased due to collective efforts made by the Enforcement branch and Excise Intelligence Bureau (EIB). EIB branch had seized 3,65,391 bottles during the year 2018-19 and 100 *per cent* sale of liquor was done through scanning of bar codes allotted to individual bottles.

#### **Other taxes and duties on commodities and services**

The Department stated that tax revenue under the Major Head 'Other taxes and duties on commodities and services' for the year 2018-19 decreased as Delhi Entertainment and Betting Tax has been repealed and subsumed in GST w.e.f. 01 July 2017.

#### **Land Revenue**

Land and Building Department is not a regular collector of land revenue. In October 2013, an order was passed by the Hon'ble Delhi High Court awarding a sum of ₹ 2.48 crore along with interest at the rate of nine *per cent* per annum to the Department. In compliance of the above order, part amount of ₹ 1.50 crore was received in 2017-18. Further, in the year 2018-19 an amount of ₹ 10.00 lakh only was received in another judgment of the Hon'ble Delhi High Court.

### Stamps and Registration Fees

Revenue receipts increased due to increase in registration of documents, starting of registration of unauthorised colonies, constant monitoring of tax collection and online stamp duty payment by Stock Holding Corporation of India Limited (SHCIL).

### Tax on Vehicles

Shortfall in revenue collection was primarily due to reduction in registration of vehicles by 2.11 *per cent* (from 7,20,828 vehicles in 2017-18 to 7,05,618 vehicles in 2018-19).

**1.1.1.3** The details of non-tax revenue raised during the period 2014-15 to 2018-19 are indicated in **Table-1.3**.

**Table-1.3: Details of Non-tax Revenue raised**

(₹ in crore)

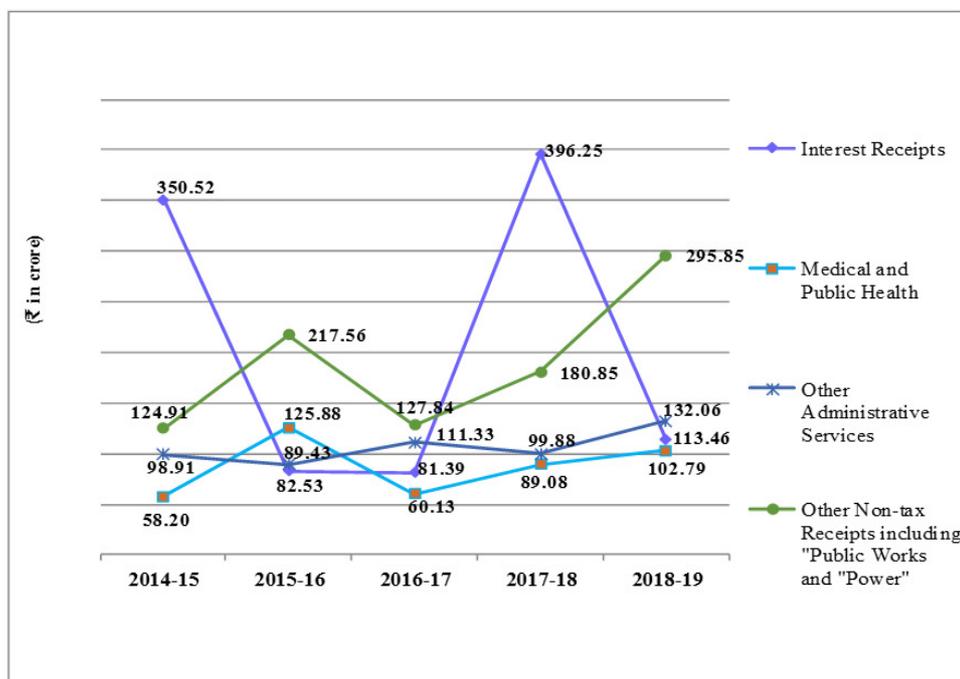
Sl. No.	Head of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) or decrease (-) in Actual of 2018-19 over 2017-18
1	Interest Receipts	350.52	82.53	81.39	396.25	113.46	-71.37
2	Medical and Public Health	58.20	125.88	60.13	89.08	102.79	15.39
3	Public Works	14.74	18.47	22.23	14.34	17.75	23.78
4	Power	16.38	42.06	21.40	26.25	53.15	102.48
5	Other Administrative Services	98.91	89.43	111.33	99.88	132.06	32.22
6	Other <sup>2</sup> Non-tax Receipts	93.79	157.03	84.21	140.26	224.95	60.38
<b>Total</b>		<b>632.54</b>	<b>515.40</b>	<b>380.69</b>	<b>766.06</b>	<b>644.16</b>	

Source: Finance Accounts of GNCTD

<sup>2</sup> Dividends and Profits, Public Service Commission, Police, Jails, Education, Family Welfare, Housing, Urban Development, Information & Publicity, Labour and Employment, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Forestry and Wildlife, Cooperation, Other Agricultural Programmes, Other Rural Development Programmes, Medium Irrigation, Village and Small Industries, Non-ferrous mining and metallurgical industries, Tourism, Civil Supplies, Other general economic services.

Year-wise trend of various non-tax revenues is depicted in **Chart-1.3**.

**Chart-1.3**



The non-tax receipts of the NCT of Delhi have been fluctuating over the period 2014-15 to 2018-19. It declined by 15.91 *per cent* in 2018-19 over the revenue attained in 2017-18. The major contribution in non-tax revenue receipts was from 'Interest Receipts' and 'Other Administrative Services'. However, 'Interest Receipts' declined by ₹ 282.79 crore (71.37 *per cent*) while 'Other Administrative Services' increased by ₹ 32.18 crore (32.22 *per cent*) during the current year over the previous year.

Revenue receipts under the head 'Medical and Public Health', 'Power' and 'Public Works' for the year 2018-19 increased by ₹ 13.71 crore (15.39 *per cent*), ₹ 26.90 crore (102.48 *per cent*) and ₹ 3.41 crore (23.78 *per cent*) respectively. The respective Departments reported the following reasons for variation during the year:

#### **Interest Receipts**

The decrease in Interest Receipts in 2018-19 as compared to 2017-18 was due to payment of ₹ 300 crore by Delhi Transco Limited (DTL) on account of interest on loans related to previous periods in 2017-18.

#### **Medical and Public Health**

The increase in 'Medical and Public Health' was due to revision of contribution under Delhi Government Employees Health Scheme (DGEHS).

## Power

Increase in revenue was due to receipts of annual license fee from Tata Power Delhi Distribution Limited (TPDDL) and DTL.

## Other Non-tax Receipts

The major increase was attributed to receipts under Urban Development. Receipts under the heads Dividends and Profits and Labour and Employment had decreased.

- (i) Receipts under Urban Development during 2018-19 was ₹ 132.08 crore as compared to previous year receipts of ₹ 32.23 crore as the Member of Legislative Assembly Local Area Development (MLALAD) scheme under District Urban Development Agency (DUDA) was reverted back from DUDA to Urban Development Department and the amount was refunded;
- (ii) Receipts under Dividends and Profits during the year 2018-19 was ₹ 14.31 crore as compared to previous year receipts of ₹ 15.91 crore;
- (iii) Receipts under Labour and Employment during the year 2018-19 decreased to ₹ 10.52 crore as compared to previous year receipts of ₹ 20.79 crore.

### 1.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 under some principal heads of revenue amounted to ₹ 36,226 crore of which ₹ 4,033 crore was outstanding for more than five years as depicted in **Table-1.4**.

**Table-1.4: Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Remarks
1	Taxes on Sales, Trade etc.	36,226	4,033	Department did not provide reasons for accumulation of arrears and efforts made to recover the same, despite request.
2	State Excise	Not provided	Not provided	Excise Department did not provide figures of arrears of revenue despite request.
<b>Total</b>		<b>36,226</b>	<b>4,033</b>	

Source: Department of Trade and Taxes.

Arrears of ₹ 4,033 crore pertaining to Department of Trade & Taxes (DTT) could not be recovered for more than five years which indicates that the Department did not take effective steps to recover these arrears. Besides, arrears of DTT increased from ₹ 33,010.14 crore on 31 March 2018 to

₹ 36,226 crore on 31 March 2019. Arrears of tax revenue are accumulating year after years.

**The Department should draw up an action plan for recovery of arrears of taxes in a time-bound manner so that they do not become time-barred.**

### 1.1.3 Arrears in assessments

The details of units/cases pending at the beginning of the year, units/cases becoming due for assessment, units/cases disposed of during the year and number of units/cases pending for finalisation at the end of the year as furnished by the Department of Excise, Entertainment and Luxury Tax and Department of Trade and Taxes are depicted in **Table-1.5**.

**Table-1.5: Arrears in assessments**

Head of revenue	Opening balance of units/cases	New units/cases due for assessment during 2018-19	Total assessments due	Units/cases disposed off during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Luxury Tax	2530	0	2530	1688	842	66.72
Taxes on Sales, Trade etc.	0	4,13,135	4,13,135	4,13,135	0	100

Source: Departments of Trade and Taxes, and Excise, Entertainment and Luxury Tax

The percentage of disposal of assessment cases was 100 *per cent* in respect of Department of Trade and Taxes.

### 1.1.4 Details of pendency of refund cases

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the end of 2018-19 as reported by the Departments are depicted in **Table-1.6**:

**Table-1.6: Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT/GST		Excise, Entertainment and Luxury tax		Transport	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	54,126	2,383.44	22	1.86	Nil	Nil
2	Claims received during the year	11,273	645.90	02	0.03	203	284.79
3	Total claims	65,399	3,029.34	24	1.89	203	284.79
4	Refunds made during the year	34,739	1,023.61	23	1.53	203	284.79
5	Percentage of refunds to the total claims	53.12	33.79	95.83	80.95	100	100
6	Balance outstanding at the end of year	30,660	2,005.73	1	0.36	Nil	Nil

Delhi VAT Act provides for payment of interest at an annual rate notified by the Government, if the excess amount is not refunded to the dealer within 60 days from the date of the order. Not refunding the claims within the stipulated period may attract payment of interest. However, the amount of interest paid on refunds was not provided by the Departments.

### **1.1.5 Response of the Government/Departments to Audit**

The Principal Accountant General (Audit), Delhi (PAG) conducts periodical inspection of the Government Departments to test-check transactions and verify maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed up through Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 is depicted in **Annexure 1.1**.

The number of pending paras increased from 4,481 (from 289 IRs) involving an amount of ₹ 3,093.36 crore in 2009-10 to 9,595 (from 910 IRs) involving money value of ₹ 7,346.42 crore at the end of the year 2018-19 which indicates that the Department did not take adequate steps to settle the outstanding paragraphs.

This large pendency of paras due to non-receipt of replies is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations.

#### **1.1.5.1 Departmental Audit Committee Meetings**

The Government set up an Audit Committees to monitor and expedite the progress of settlement of audit paragraphs in the IRs. However, no audit committee meeting was held by the Departments during the year 2018-19.

### 1.1.5.2 Non-production of records to Audit for scrutiny

As per Section 18 (1) (b) of CAG's DPC Act, 1971, any accounts, books, papers and other documents which deal with or form basis or are otherwise relevant to the transactions to which his duties in respect of audit extended, shall be sent to such place as he may appoint for his inspection. The programme of local audit of Tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

Primary records of the dealers were available in the DVAT system of the Department, however, in some cases these records were not considered sufficient for any audit conclusion. Audit requisitioned physical records of 4,021 dealers during the year 2018-19 for intensive scrutiny but the Department provided only records of 1,454 (36 per cent) dealers which is a violation of CAG's powers provided under Section 18 (1) (b) of DPC Act, 1971. Consequently, the revenue involved in these cases could not be ascertained. Departments of Revenue and Transport provided 100 per cent records requisitioned.

### 1.1.5.3 Follow up on Audit Reports – summarised position

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the administrative departments are to issue *suo-motu* Action Taken Notes (ATNs) on all audit paragraphs and performance audits featuring in the Audit Reports irrespective of the fact whether these are taken up for discussion by the Public Accounts Committee (PAC) or not. These ATNs are to be submitted to the PAC duly vetted by the Principal Accountant General (Audit), Delhi within a period of four months from the date of presentation of Audit Reports in the Legislative Assembly of Delhi.

However, ATNs on the Reports were delayed in respect of 21 paragraphs and one Performance Audits (PAs) included in the Reports of the CAG of India on the Revenue Sector of the GNCTD for the years ended 31 March 2014, 2015, 2016, 2017 and 2018 placed before the State Legislative Assembly between May 2015 and December 2019. The ATNs from the concerned Departments were received late with an average delay of six months in respect of each of these Audit Reports. ATNs in respect of 18 paragraphs and one PA from the Departments had not been received in respect of the Audit Reports for the year ended 31 March 2014, 2015, 2016, 2017 and 2018 as depicted in **Table-1.7**.

**Table-1.7: Details of Paragraphs, Performance Audits and the ATNs**

Sl. No.	Year of Report ending 31 March	Number of Paragraphs and Performance Audits printed in Report	Number of Paragraphs and Performance Audits for which ATNs were awaited
1.	2014	3+0 (PA)	2+0 (PA)
2.	2015	0+1 (PA)	0+1 (PA)
3.	2016	4+0 (PA)	3+0 (PA)
4.	2017	7+0 (PA)	6+0 (PA)
5.	2018	7+0 (PA)	7+0 (PA)
<b>Total</b>		<b>21+1 (PA)</b>	<b>18+1(PA)</b>

PAC did not discuss paragraphs/PAs pertaining to the Audit Reports (Revenue Sector) for the period 2013-14 to 2017-18.

### 1.1.6 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Departments and the amount recovered are depicted in **Annexure 1.2**.

The reports for the year 2008-09 to 2017-18 contained audit findings involving ₹ 9,054.81 crore, out of which, observations involving money value of ₹ 732.28 crore were accepted by the Departments. However, only an amount of ₹ 1.85 crore (0.25 per cent) was recovered by the Department which was negligible. It was also observed that the recovery in 2018-19 was nil. The meagre amount of recovery depicts lackadaisical approach of the Department and poor monitoring.

**Departments may consider fixing responsibility of all the officers who have failed to effect recoveries in accepted cases.**

### 1.1.7 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of a risk analysis which takes into account matters highlighted in the budget speech, White paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years.

During the year 2018-19, there were 166 auditable units of which 60 units were planned and audited.

### 1.1.8 Results of Audit

#### 1.1.8.1 Position of local audits conducted during the year

Audit of 60 units<sup>3</sup> out of 166 auditable units<sup>4</sup> involving tax revenue receipts<sup>5</sup> of ₹ 12,214.73 crore was conducted during the year 2018-19. Test-check of records revealed under-assessment/short levy/loss of revenue and other irregularities involving ₹ 521.61 crore in 394 paragraphs as categorised in **Table-1.8**.

**Table-1.8: Category-wise audit observations**

Sl. No.	Categories	No. of paragraphs/cases	Amount (₹ in crore)
<b>Sales Tax/Value Added Tax</b>			
1	Irregular claim of Input Tax Credit	9	5.71
2	Irregular claim of concessional rate of tax on Inter-state sale to local dealers	1	5.42
3	Non -levy of interest	2	3.10
4	Non-recovery of demand and consequential loss of interest	3	87.15
5	Short levy of tax	1	7.52
6	Other irregularities	211	379.73
<b>Total</b>		<b>227</b>	<b>488.63</b>
<b>Motor Vehicle Tax</b>			
1	Other Irregularities	42	0.00
<b>Total</b>		<b>42</b>	<b>0.00</b>
<b>Stamp Duty and Registration Fee</b>			
1	Non-levy of Stamp Duty and Registration Fees	1	25.68
2	Short levy of Stamp Duty and Registration Fees	1	3.19
3	Other Irregularities	123	4.11
<b>Total</b>		<b>125</b>	<b>32.98</b>
<b>Grand Total</b>		<b>394</b>	<b>521.61</b>

During the year, Audit pointed out instances of short/non-levy of tax/duties amounting to ₹ 521.61 crore, out of which the concerned Departments accepted under-assessment and other deficiencies of ₹ 96.32 crore.

### 1.1.9 Coverage of the Revenue Chapter

This Chapter on Revenue Sector contains seven paragraphs involving financial effect of ₹ 137.77 crore. The Government has accepted audit observations involving ₹ 96.32 crore. These are discussed in the succeeding paragraphs.

<sup>3</sup> Value Added Tax-42, Motor Vehicles Tax-7, Stamps and Registration Fees-11

<sup>4</sup> Value Added Tax-126, Stamps and Registration Fees-22, Motor Vehicles Tax-17, State Excise-1

<sup>5</sup> Include the amount of tax receipts of audited period.

## Compliance Audit Paragraphs

### Department of Revenue

#### 1.2 Non-levy of stamp duty and registration fee on lease deeds

**In 118 agreements, executed during 2014-15 to 2018-19, the stamp duty and registration fee leviable was not paid which resulted in short realisation of revenue of ₹ 25.68 crore.**

As per Section 2(16) of the Indian Stamp Act, 1899, 'lease' means a lease of immovable property and includes also (a) a *patta*; (b) a *kabuliyat* or other undertaking in writing, not being a counterpart of a lease, to cultivate, occupy or pay or deliver rent for immovable property; (c) any instrument by which tolls of any description are let; (d) any writing on an application for a lease intended to signify that the application is granted. Further, as per item 35 of Schedule IA of the Indian Stamp Act, any instrument for leasing or sub-leasing immovable property or any agreement to let or sub-let is chargeable to stamp duty. Further, Section 17(1)(d) of the Registration Act, 1908 also provides that lease of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent, is to be registered compulsorily. Stamp duty on lease deed is chargeable at prescribed rates for a consideration, equal to the amount of rent reserved and on the basis of period of lease<sup>6</sup>.

Reference is invited to Para no. 2.6.6.1 of Audit Report No. 1 of the Comptroller and Auditor General of India for the year ended 31 March 2013, wherein non-registration of lease deeds by three<sup>7</sup> Municipal Corporations of Delhi (MCsD) was commented upon. In reply to this observation, the Department had replied (March 2014) that the three MCsD have been directed to charge requisite stamp duty while entering into lease deeds/agreements on the instrument for registering the same as per Section 17 of the Registration Act.

During test-check of records of three MCsD, audit observed (between April and July 2019) that they were executing agreements with private entrepreneurs for award of contracts of parking sites for commuters, unipoles, banquet halls and 'right to collect tolls' for periods exceeding one year. Stamp duty and registration fee were leviable on such agreements. However, audit observed 118 agreements executed during 2014-15 to 2018-19 where the stamp duty

<sup>6</sup> Rates of stamp duty on lease/rent agreements of a property are

- Upto 5 years- 2% of the average annual rent.
- Upto 10 years- 3% of the average annual rent
- Upto 20 years- 6% of the average annual rent
- Upto 30 years- 9% of the average annual rent

<sup>7</sup> East Delhi Municipal Corporation (EDMC), North Delhi Municipal Corporation (NDMC), and South Delhi Municipal Corporation (SDMC).

and registration fee was leviable but was not paid. This resulted in short realisation of revenue amounting to ₹ 25.68 crore.

The Department without contesting the audit observation stated (November 2020) that the audit observation on non-registration of lease deeds has been communicated to the three MCsD and has requested for strict compliance of the relevant statutes and also asked them to furnish the authentic copies of the instruments executed between them and private companies/entrepreneurs.

**The Department needs to devise a formal mechanism to periodically obtain the details of all agreements executed and to ensure that revenue due is realised.**

### 1.3 Short levy of stamp duty and registration fee

**Incorrect categorisation of properties and wrong calculation of valuation of properties resulted in short levy of stamp duty and registration fee of ₹ 3.19 crore.**

The Government of NCT of Delhi (GNCTD) introduced minimum circle rates for valuation of land and buildings under different categories of areas ('A' to 'H')<sup>8</sup> vide notification dated 18 July 2007. The minimum circle rates were last revised vide notification dated 22 September 2014.

Section 27 of the Indian Stamp Act, 1899 stipulates that consideration (if any) and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of the duty with which it is chargeable, shall be fully and truly set forth therein. Where the deficiency of stamp duty is not determinable in the absence of facts and circumstances affecting the chargeability of duty and the document has been executed in contravention of Section 27 of the Act, the registering officers are empowered to refer such cases to the Collector of Stamps for prosecution under Section 64 of the said Act.

Examination of records revealed the following cases of short levy of stamp duty and registration fee:

#### **a. Incorrect categorisation of properties**

For charging stamp duty and registration fee, minimum value of property is to be worked out by multiplying the area of the property with the minimum circle rates, as per the category of the locality. Further, for calculating the cost of land for residential and commercial purpose, a multiplicative factor of 'one' and 'three' respectively is used.

<sup>8</sup> Highest circle rate for 'A' category and lowest circle rate for 'H' category.

During test-check of registered instruments, audit observed (between April and July 2019) six cases in two<sup>9</sup> SRs (**Annexure 1.3**) wherein the properties comprising of land and building were “commercial”, but stamp duty and registration fee was charged as applicable on “residential” properties. This resulted in short levy of stamp duty and registration fee amounting to ₹ 2.39 crore. Audit further verified two out of these six cases (properties) and found that these two properties were categorised (since inception) as commercial in the records of the concerned MCD.

The Department stated (November 2020) that the cases highlighted by audit have been referred to the concerned SR/Collector of Stamps/Registrar with direction to take remedial measures i.e., impounding, recovery of duty, prosecution as per the provisions of the Indian Stamp Act.

**b. Wrong calculation of the valuation of properties**

Stamp duty is charged at the time of registration of a property as per the rates fixed vide notification of September 2014. As per Rule 5(1) of Delhi Stamp (Prevention of Undervaluation of Instrument) Rules, 2007, the party presenting an instrument relating to immovable property, shall submit a statement in duplicate in ‘Form A’ along with the instrument.

During test-check of registered instruments in nine<sup>10</sup> SRs, audit found (between April and July 2019) 82 cases (**Annexure 1.4**), wherein stamp duty and registration fee were calculated on incorrect consideration amount due to various reasons such as variation in area disclosed in the instrument and Form A, incorrect calculation, wrong category of area, error in calculation of land value etc. This resulted in short levy of stamp duty and registration fee of ₹ 80.41 lakh.

The Department stated (November 2020) that the cases highlighted by audit have been referred to concerned SR/Collector of Stamps/Registrar with direction to take remedial measures i.e. impounding, recovery of duty, prosecution as per the provisions of the Indian Stamp Act.

**Department of Trade and Taxes**

**1.4 Irregular claim of Input Tax Credit**

**The Assessing Authorities allowed Input Tax Credit (ITC) of ₹ 2.56 crore to the assesseees without verifying the details of tax deposited by the selling dealers which resulted in short levy of tax of ₹ 2.25 crore. In addition, interest of ₹ 1.21 crore and penalty of ₹ 2.25 crore were also leviable.**

Section 9 (2) (g) of the Delhi Value Added Tax (DVAT) Act, 2004 stipulates that no tax credit shall be allowed to a dealer or class of dealers unless the tax

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<sup>9</sup> Asaf Ali and Basai Darapur.

<sup>10</sup> Asaf Ali road, Basai Darapur, Kalkaji, Lajpat Nagar, Pitampura, Rohini, Sarojini Nagar, Seelampur and Vivek Vihar.

paid by the purchasing dealer has actually been deposited by the selling dealer with the Government or has been lawfully adjusted against output tax liability and correctly reflected in the return filed for the respective tax period. Section 86 (10) of the DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be liable under Section 42 (2) of the DVAT Act for default in making the payment of any amount.

Audit scrutiny of records (between June 2018 and February 2019) of nine wards<sup>11</sup> revealed that 34 assesseees filed their quarterly returns along with summary of purchases (Annexure-2A) for the assessment years 2014-15 to 2016-17. As per purchase summary (Annexure-2A) of these assesseees available on online portal of the Department of Trade and Taxes for the assessment years 2014-15 to 2016-17, the assesseees claimed ITC of ₹ 2.56 crore on local purchases of ₹ 63.40 crore. However, on cross verification from sales summary (Annexure-2B), it was found that the selling dealers had shown sales of only ₹ 3.98 crore to the assesseees for the respective tax periods. This implies that the assesseees had shown irregular local purchase in the Annexure-2A and claimed inadmissible ITC.

Thus, failure of the Assessing Authorities in verifying the details of tax deposited by the selling dealers during assessment between 19 August 2015 and 23 September 2016 resulted in short levy of tax of ₹ 2.25 crore. In addition, interest of ₹ 1.21 crore and penalty of ₹ 2.25 crore were also leviable.

The Government accepted the facts and stated (July 2020) that all the assesseees have been re-assessed between 23 July 2018 and 07 July 2020 and an additional demand of ₹ 4.25 crore including interest and penalty has been raised. Further response was awaited (January 2021).

### **1.5 Irregular claim of concessional rate of tax on Inter-state sale to local dealers**

**Failure of the Assessing Authority to ensure eligibility of the assessee for concessional rate of tax resulted in short levy of tax of ₹ 1.91 crore. In addition, interest of ₹ 1.60 crore and penalty of ₹ 1.91 crore were also leviable.**

Section 8(1) of the Central Sales Tax (CST) Act, 1956 provides that every dealer, who in the course of inter-state trade or commerce, sells goods to a registered dealer, shall be liable to pay tax under this Act, which shall be two *per cent* of his turnover or at the rate applicable to the sale or purchase of

<sup>11</sup> Ward Nos. 44, 52, 58, 61, 62, 63, 84, 91 and 97

such goods inside the appropriate State under the sales tax law of the State, whichever is lower. Otherwise, the dealer shall be liable to pay tax under Section 6 of CST Act on inter-state trade as applicable. Section 86 (10) of the DVAT Act, 2004 stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay, by way of penalty, a sum of ten thousand rupees or the amount of tax deficiency, whichever is higher. Interest shall also be liable under Section 42 (2) of the DVAT Act for any default in making the payment of any amount.

During scrutiny (between April 2018 and May 2018) of cases assessed in the year 2017-18 in Ward 202, audit observed that online sales summary (DVAT-31)/Annexure 2B of an assessee<sup>12</sup> reflected inter-state sale of ₹ 18.23 crore, for which concessional rate of tax of two *per cent* was paid. However, online data available on departmental portal of DTT revealed that the sale of ₹ 18.23 crore was in fact made to two local dealers only on which normal tax of 12.5 *per cent* was applicable.

Thus, failure of the Assessing Authority to ensure eligibility of the assessee for concessional rate of tax resulted in short levy of tax of ₹ 1.91 crore<sup>13</sup>. In addition, interest<sup>14</sup> of ₹ 1.60 crore and penalty of ₹ 1.91 crore were also leviable.

The Government accepted the facts and stated (July 2019) that the case has been reassessed and an additional demand of ₹ 3.40 crore including interest raised. Further response was awaited (January 2021).

## **1.6 Non-levy of interest**

### **Failure of the Assessing Authorities to levy interest on additional demand resulted in non-levy of interest of ₹ 3.10 crore.**

Section 42(2) of the Delhi Value Added Tax (DVAT) Act, 2004 stipulates that when a person is in default in making payment of any tax, penalty or other amount due under this Act, he shall, in addition to the amount assessed, be liable to pay simple interest on such amount at the annual rate notified by the Government from time to time, computed on a daily basis, from the date of such default for so long as he continues to make default in payment of the said amount. The Government notified the annual rate of interest as 15 *per cent* for the purpose of the said Section vide notification dated 25 April 2005.

Scrutiny of records (between September 2018 and February 2019) of two wards<sup>15</sup> for the years 2013-14 to 2014-15 revealed that the assessments of

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<sup>12</sup> TIN No. 07270393028

<sup>13</sup> Calculated at the rate of 10.5 *per cent* (12.5 *per cent* -2 *per cent*) on sale of ₹ 18.23 crore.

<sup>14</sup> Interest @ 15 *per cent* per annum from the day immediately following the due date of tax calendar month i.e. 22<sup>nd</sup> of the following month of the quarter upto 31 May 2019.

<sup>15</sup> Ward Nos. 63 and 83

five assessees<sup>16</sup> were completed between December 2016 and February 2018. The assessment orders revealed that Assessing Authorities (AAs) while assessing the cases disallowed (i) the Input Tax Credit (ITC) of ₹ 4.21 crore in four cases and (ii) an amount of ₹ 0.16 crore on account of inter-state sale of goods sold locally without issuing invoices in one case and reversed the same by raising additional tax demand of ₹ 4.37 crore. However, audit noticed that the AAs failed to levy interest on additional demand of ₹ 4.37 crore, which resulted in non-levy of interest of ₹ 3.10 crore from the date of such default i.e. for the period between 22 October 2013 to 31 May 2019.

The Government accepted the facts and stated (July/August 2020) that new assessment was framed on the five assessees and interest of ₹ 1.46 crore<sup>17</sup> has been levied on tax. However, the assessees had not paid the demands and therefore writs of demand have been issued. Further response was awaited (January 2021).

### 1.7 Non-recovery of demands of tax, interest and penalty

**The Department failed to recover demand of ₹ 87.15 crore from assessees whose registrations had been cancelled.**

Sections 32(2) and 33(2) of the Delhi Value Added Tax (DVAT) Act, 2004 provides that the amount of additional tax and penalty assessed is due and payable within the date stipulated in the assessment order served by the Commissioner. Any amount of tax, interest or penalty, composition money or other amount due under this act which remains unpaid even after the due date shall be recoverable under Section 43 of the DVAT Act. Further, Section 22(9) of the DVAT Act stipulates that the cancellation of registration shall not affect the liability of any person to pay tax due for any period and unpaid as on the date of such cancellation or which is assessed thereafter notwithstanding that he is not otherwise liable to pay tax under this Act. Interest shall also be leviable under Section 42(2) of the DVAT Act for default in making the payment of any amount.

Scrutiny of records of three wards<sup>18</sup> for the year 2014-15 revealed (between July 2018 and February 2019) that the assessment of 14 assessees<sup>19</sup> was completed under Sections 32 and 33 of the DVAT Act between August 2015 and July 2018 by raising additional demand of ₹ 75.09 crore (tax ₹ 39.77 crore; interest ₹ 11.99 crore and penalty ₹ 23.33 crore) though their

<sup>16</sup> TIN Nos. 07946918577, 07120134169, 07250360835, 07940197447 and 07960390466

<sup>17</sup> In case of two assessees (TIN Nos. 07946918577 and 07120134169) the AAs did not levy interest from the date of default till the date of assessment and as such there was less levy of interest.

<sup>18</sup> Ward Nos. 25, 52 and 63.

<sup>19</sup> TIN Nos. 07586920327, 07246920320, 07486920285, 07416920275, 07766920325, 07396920286, 07656920822, 07056920279, 07146920278, 07860185269, 07376950270, 07096919384, 07946918577 and 07686913482.

registrations had already been cancelled between February 2014 and September 2016, by the Department. The assesseees were directed to deposit the demand within the time period mentioned in the assessment order. In case the demand was not deposited within the prescribed time period, the Department was required to initiate proceedings for recovery of tax, interest and penalty by issuing recovery certificates under Section 43 of the DVAT Act. However, audit noticed that the Department did not take any action for realising the demands against the assesseees. This resulted in non-realisation of revenue amounting to ₹ 87.15 crore (tax- ₹ 39.77 crore; interest<sup>20</sup> ₹ 24.05 crore and penalty-₹ 23.33 crore).

On this being pointed out, the Government issued (between May 2019 and September 2020) recovery certificates/writs of demand after a lapse of 27 months to 50 months from the date of issue of the assessment orders. However, the demand of ₹ 87.15 crore has not yet been recovered (January 2021).

### **1.8 Short levy of tax**

**The assessee had disclosed less sale of ₹ 29.94 crore in respect of construction material which resulted in short levy of tax of ₹ 2.72 crore. In addition, interest of ₹ 2.08 crore and penalty of ₹ 2.72 crore were also leviable.**

In accordance with provision to Section 4 of the DVAT Act, 2004 and Section 8 of the CST Act, tax shall be paid at the rate applicable on the turnover of the dealer pertaining to goods, as defined from time to time. Further, Section 86(10) of the DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is the greater. Interest shall also be liable under Section 42(2) of the DVAT Act for default in making the payment of any amount.

Scrutiny of records of Ward-110 revealed (March 2019) that an assessee<sup>21</sup> filed its quarterly returns for the assessment year 2013-14 and claimed input tax credit (ITC) on purchase of goods worth ₹ 63.38 crore (excluding capital goods). As the assessee had claimed ITC on purchase of goods worth ₹ 63.38 crore, it establishes that minimum<sup>22</sup> purchase value of construction material i.e. goods that are transferred in execution of works contract was ₹ 63.38 crore. The assessment of the assessee for the year was done in

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<sup>20</sup> Interest has been calculated upto 31 May 2019.

<sup>21</sup> TIN No. 07180476546

<sup>22</sup> As audit does not have break up of inter-state purchases (other than Capital Goods), audit has not considered any part of the inter-state purchases as purchase of construction material. However, there is possibility that the assessee might have made inter-state purchase of construction material.

November 2016. The assessee had shown 'Nil' closing stock of construction material as on 31 March 2013 and closing stock of ₹ 13.68 crore as on 31 March 2014 in its Balance Sheet. Hence, construction material consumed during the year works out to ₹ 49.70 crore (opening stock: ₹ nil + Purchase: ₹ 63.38 crore - closing stock: ₹ 13.68 crore). However, Audit noted that the assessee disclosed total sale of ₹ 19.76 crore (excluding labour component) during 2013-14. Thus, the assessee had disclosed less corresponding sale of construction material of ₹ 29.94 crore (₹ 49.70 crore - ₹ 19.76 crore) in his quarterly returns for the year 2013-14. This resulted in short levy of tax of ₹ 2.72 crore<sup>23</sup>. Besides, interest of ₹ 2.08 crore and penalty of ₹ 2.72 crore were also leviable.

The Government stated (July 2020) that the matter was taken up with the assessee who stated that audit has not considered the labour components and stock of consumables. It further stated that in this case assessment was made under Section 32 of DVAT Act by the Assessing Authority after considering work contract summary, DVAT Form 30 and 31, Trading Account etc. and accordingly demand of tax and interest of ₹ 6.22 lakh was created. However, the reply is not acceptable as while calculating the construction material consumed, Audit had excluded labour components and stock of stores and consumables.

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<sup>23</sup> Short levy of tax has been worked out @ 5 per cent on ₹ 13.69 crore and @ 12.5 per cent on ₹ 16.25 crore considering the ratio of turnover on which the assessee had calculated tax liability @ 5 per cent and 12.5 per cent.

