

Chapter - IV
Compliance Audit Observations
(Tax-Revenue Departments)

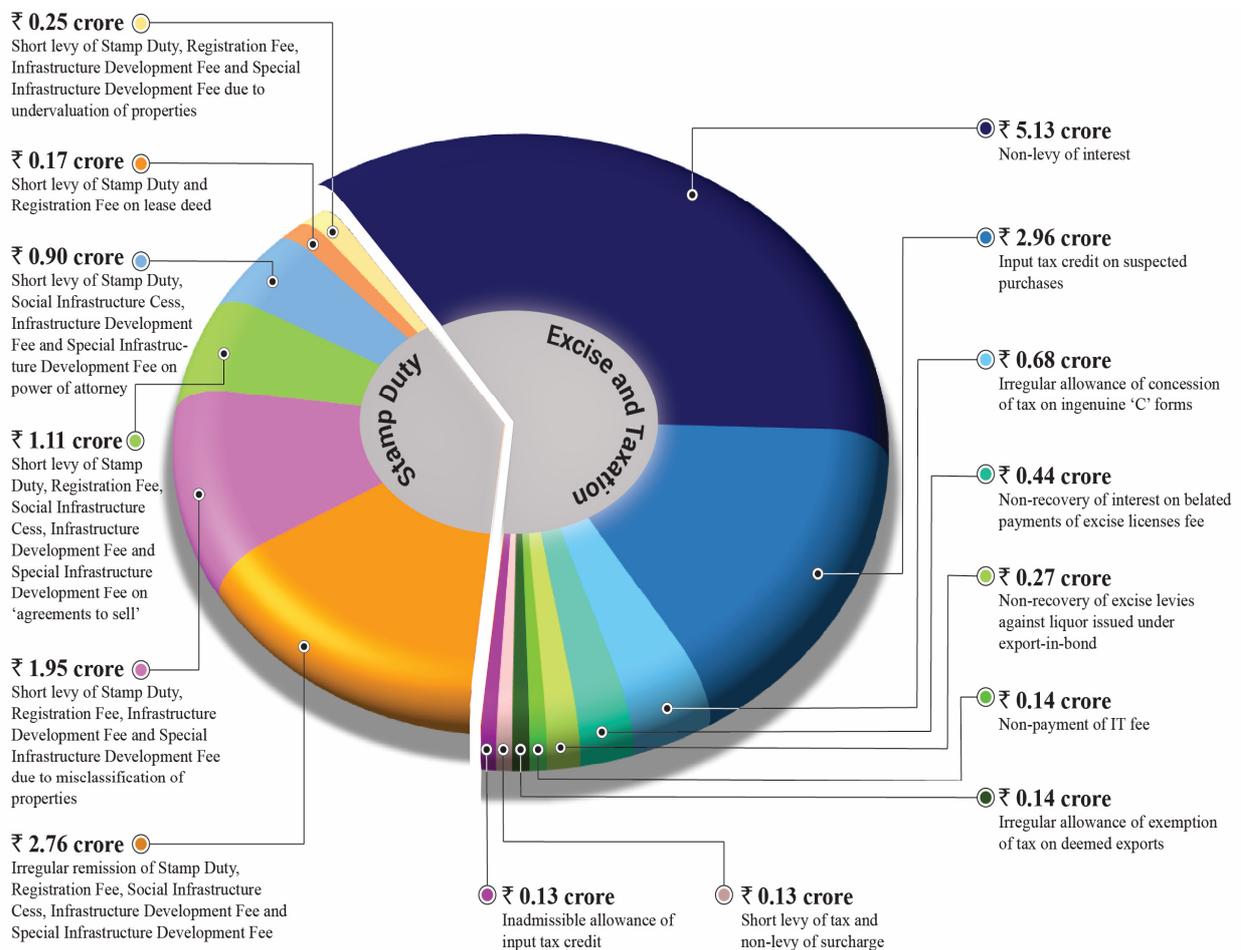
Chapter-IV

Compliance Audit Observations (Tax-Revenue Departments)

This chapter contains 15 observations covering compliance issues under Tax Revenue Departments involving financial effect of ₹ 17.16 crore in 1,661 cases. The Departments accepted audit observations involving ₹ 10.35 crore in 1,633 cases and recovered ₹ 0.48 crore in 412 cases. The replies provided by the authorities have been incorporated in the relevant observations. These are discussed in the following observations from paragraphs 4.1 to 4.15.

The details of audit observations are provided in **Chart 4.1** below:

Chart 4.1: Summary of audit observations



This Chapter contains **15 Audit Observations** involving **₹ 17.16 crore** in **1,661 cases**



Departments accepted **1,633 cases** involving **₹ 10.35 crore**



Recoveries of **₹ 0.48 crore** made in **412 cases** up to finalisation of this Audit Report

Excise and Taxation Department

4.1 Non-levy of interest

Assessing Authorities in 10 ACSTs raised additional demand of ₹ 12.92 crore in 20 assessment cases due to non-submission of statutory declarations but did not levy interest of ₹ 5.13 crore.

Section 32(1) of the Punjab Value Added Tax Act, 2005 provides that if a person fails to pay the amount of tax due from him as per provisions of this Act, he shall be liable to pay simple interest on the amount of tax at the rate of half *per cent* per month from the due date of payment till the date he actually pays the amount of tax. Further, Section 9(2B) of the Central Sales Tax Act, 1956 provides that all the provisions of the sales tax law of each State relating to due date for payment of tax, rate of interest, assessment and collection of interest for delayed payment of tax, shall apply in relation to tax due under the Central Sales Tax Act.

Audit scrutiny (between May 2022 and January 2023) of 20 assessment cases finalised during 2020-21 and 2021-22 under 10 Assistant Commissioners of State Tax¹ (ACSTs) revealed that dealers had declared inter-State sale/branch transfer/deemed export/transit sale of taxable goods in their annual tax returns for the period from 2012-13 to 2016-17, and availed concession/exemption from Central sales tax on such sales in their annual returns. However, at the time of assessment, the dealers failed to produce statutory declarations² in respect of transactions on which concession/exemption from the Central sales tax had been availed in annual returns. Consequently, the Assessing Authorities raised additional tax demands of ₹ 12.92 crore on account of differential tax amount due to non-submission of statutory declarations. Since the dealers had failed to produce statutory declarations, they were liable to pay interest of ₹ 5.13 crore at the rate of 0.5 *per cent* per month on the differential tax amount. However, Assessing Authorities did not levy interest of ₹ 5.13 crore (**Appendix 4.1**).

The matter was reported to the Government and Department (June 2023 and September 2023).

The Department replied (August 2023) that interest was not leviable for the period prior to date of assessment as per principles laid down by Hon'ble Supreme Court in case of J. K. Synthetics Ltd. vs CTO (1994). The Department also referred to the case of M/s Eicher Goodearth Ltd. vs State of Haryana decided by Punjab and Haryana High Court on 25 April 2013, where the High Court had relied on the principles laid down by the Apex Court in

¹ Amritsar-I, Amritsar-II, Faridkot, Fatehgarh Sahib, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar-I, Ludhiana-I and Ludhiana-III

² Forms applicable for statutory declarations as per Central Sales Tax (Registration & Turnover) Rules, 1957: Form 'C' for inter-State sale, Form 'E1' and 'E2' for transit sale and Form 'H' for deemed export

case of J. K. Synthetics Ltd.

Reply of the Department was not acceptable because in the pointed-out cases, audit had covered only such demands which were created due to failure of the dealers to produce statutory declarations at the time of assessment, while the dealers had already availed concessional payment of tax at the time of filing their tax returns. In the case of J. K. Synthetics Ltd., the Apex Court, after considering various aspects, had ruled that tax law cannot expect the assessee to predicate the final assessment and expect him to pay the tax on that basis to avoid liability to pay interest. That would be asking him to do the near impossible. However, in the cases pointed-out by the audit, the dealers had filed their returns knowing the tax payable under the Punjab Value Added Tax Act as well as under the Central Sales Tax Act. In order to get concessional rate of tax payable under the Central Sales Tax Act, the dealers knew that they had to furnish statutory declarations. They also knew that if they failed to furnish the statutory declarations, they would be liable to pay tax under the said Act. Therefore, the cases pointed-out in audit are not such cases where the dealers were not aware of their liability to pay tax.

While expressing the above viewpoint, audit had relied upon the case of M/s Maintec Technologies Pvt. Ltd. vs State of Karnataka decided by High Court of Karnataka on 12 June 2014, where the dealer had failed to produce the statutory declaration form. In this case, the Court, after considering the principles laid by Apex Court, had decided that the dealer was conscious of his tax liability and was liable to pay interest from the date he was liable to pay tax, to compensate the delay in payment of tax. In a similar case of M/s Fosroc Chemicals (India) Pvt. Ltd. vs State of Karnataka, the High Court of Karnataka had decided on 5 November 2014 that levy of interest in case of non-submission of statutory declaration forms was justified from the due date of tax payable till the date of assessment.

In addition to the above, the Government in its reply (September 2021) to a similar audit observation raised earlier, had accepted the applicability of interest at the rate of 0.5 *per cent* per month.

In subsequent replies (November 2024) furnished to Audit, four Assistant Commissioners³ informed that recovery proceedings in six cases were under process and one Assistant Commissioner⁴ replied that notices for recoveries in four cases have been issued.

The Government may direct the Department to recover interest of ₹ 5.13 crore referred to in this paragraph and avoid repetition of such errors.

³ Amritsar-II, Faridkot, Fatehgarh Sahib and Ferozepur

⁴ Hoshiarpur

4.2 Input tax credit on suspected purchases

Assessing Authorities allowed input tax credit of ₹ 2.96 crore on suspected/doubtful purchases in two cases.

Section 13(12) of the Punjab Value Added Tax Act, 2005 provides that in no case the amount of input tax credit on purchase of goods shall exceed the amount of tax actually paid into the Government treasury on purchase of such goods.

The Taxation Department maintained a network called ETTSA⁵ on which each dealer was required to fill details of sale/purchase made by him. Quarterly return in VAT-15 and annual return in VAT-20 were also required to be filed by the dealers on the network. The network also captured the movement of goods in and out of the State in respect of dealers through Information Collection Centres (ICCs) and detail of tax paid by the dealers. The Department, *inter-alia*, used this network to validate the purchase details of purchaser dealer with sale details of seller dealer. Any break in sale/purchase chain of a dealer, unless justified, was indicative of creation of bogus input tax credit.

Scrutiny of two assessment cases (August and November 2022) for the year 2014-15 assessed⁶ under Assistant Commissioner of State Tax, Ludhiana-I and Ludhiana-III revealed that input tax credit of ₹ 2.96 crore⁷ was allowed by the assessing authorities against the input purchases of ₹ 48.62 crore⁸ declared by the purchaser dealers in their purchase returns⁹. Further audit analysis of information available on ETTSA network showed that there was either break in the purchase chain because the seller dealers had not shown sale to the purchaser dealers or seller dealers had declared purchases from such dealers whose registrations had been cancelled. Hence, no tax was paid to the Government account in the purchase chain which was indicative of creation of bogus input tax credit. The Assessing Authorities did not exercise due diligence and allowed the input tax credit of ₹ 2.96 crore against suspected/doubtful purchases despite having sale/purchase details of the dealers available on ETTSA network for verifications.

The cases are explained below:

Ludhiana-III: Dealer 'A' made purchases of ₹ 29.59 crore from dealer¹⁰ 'B' during the year 2014-15 and claimed input tax credit of ₹ 1.79 crore against the purchases. The Assessing Authority under Assistant Commissioner of State

⁵ Excise and Taxation Technical Services Agency

⁶ **Ludhiana-I:** Assessment Case Disposal No. 100 dated 10 September 2021

Ludhiana-III: Assessment Case Disposal No. 19 dated 16 August 2021

⁷ **Ludhiana-I:** ₹ 1.17 crore plus **Ludhiana-III:** ₹ 1.79 crore

⁸ **Ludhiana-I:** ₹ 19.03 crore plus **Ludhiana-III:** ₹ 29.59 crore

⁹ Purchase information is filed in VAT-24 return.

¹⁰ TIN: 03082115773

Tax (ACST), Ludhiana-III assessed¹¹ the case of the dealer ‘A’ in August 2021 and allowed input tax credit of ₹ 1.79 crore. Audit analysed sale¹² data of the dealer ‘B’ from information available on ETTSA network and found that the dealer ‘B’ had not made any sale to the dealer ‘A’ during the year 2014-15. Moreover, purchases of the dealer ‘B’ were from such dealers, whose registrations were cancelled¹³ between 1 April 2012 and 31 December 2015. Further, it was observed that the dealer ‘B’ had requested for cancellation of registration on 21 August 2012 and same was cancelled on 2 October 2015. Thus, as per information available on ETTSA, the transactions in the purchase chain were suspicious but Assessing Authority allowed input tax credit of ₹ 1.79 crore to the dealer ‘A’ against these suspected transactions.

Ludhiana-I: Dealer ‘C’ made purchases of ₹ 19.03 crore from dealer¹⁴ ‘D’ during the year 2014-15 and claimed input tax credit of ₹ 1.17 crore against the purchases. The Assessing Authority under Assistant Commissioner of State Tax (ACST), Ludhiana-I assessed¹⁵ the case of the dealer ‘C’ in September 2021 and allowed input tax credit of ₹ 1.17 crore. Audit analysed purchase data of the dealer ‘D’ from information available on the ETTSA network and noticed that the dealer ‘D’ had shown his entire purchase from the dealer¹⁶ ‘E’, whose registration had already been cancelled by the Department in February 2013. Hence, the transactions starting from dealer ‘C’ to ‘E’ were suspicious and Assessing Authority allowed input tax credit of ₹ 1.17 crore to the dealer ‘C’ without exercising due diligence.

The matter was reported to the Government and the Department (September 2023 and November 2023); their replies are awaited (January 2025). However, on being pointed out, Assistant Commissioners accepted (March 2024) the audit observations in both pointed out cases and stated that the cases would be reassessed.

The Government may direct the Department to investigate the *modus operandi* for creation of bogus input tax credit and fix the responsibilities of person(s) involved besides making recoveries in the pointed-out cases.

¹¹ Assessment Case Disposal No. 19 dated 16 August 2021

¹² Sale information is filed in VAT-23 return.

¹³ Cancellation of registrations

Sr. No.	TIN	Cancellation date	Sr. No.	TIN	Cancellation date
1.	03281123909	01.04.2012	7.	03911154483	01.04.2015
2.	03262072412	14.10.2013	8.	03141160096	06.05.2015
3.	03142028343	01.04.2014	9.	03301032259	30.06.2015
4.	03692012084	13.10.2014	10.	03042048283	15.10.2015
5.	03111079942	27.01.2015	11.	03402098719	31.12.2015
6.	03552170659	23.02.2015			

¹⁴ TIN: 03812155966

¹⁵ Assessment Case Disposal No. 100 dated 10 September 2021

¹⁶ TIN: 03512072420

4.3 Irregular allowance of concession of tax on in-genuine 'C' forms

The Assessing Authority allowed irregular concession of Central Sales Tax of ₹ 0.68 crore in one assessment case without ensuring that 'C' forms were genuine.

Section 8(4) of the Central Sales Tax Act, 1956 read with Rule 12(1) of Central Sales Tax (Registration and Turnover) Rules, 1957, provides that the concessional rate of tax of two *per cent* shall not be admissible unless the selling dealer furnishes a declaration in form 'C' duly filled in and signed by the registered dealer to whom the goods are sold, in a prescribed form obtained from the prescribed authority.

Scrutiny of records (January 2023) in the Assistant Commissioner of State Tax, Ferozpur revealed that Assessing Authority allowed the concessional tax (CST) of two *per cent* in one assessment case¹⁷ of a dealer for the year 2013-14 against inter-State sale of goods worth ₹ 5.53 crore on the basis of four 'C' forms¹⁸. Audit noticed that these 'C' forms were suspected to be ingenuine as the same were not verifiable on Tinxsys¹⁹ portal. On further verification from the taxation authorities concerned of Delhi and Uttarakhand by whom these 'C' forms were stated to have been issued, it was found that forms were not issued by the taxation authorities, hence were not genuine. The Assessing Authority allowed the concession of tax without ensuring that the forms were genuine. CST of ₹ 0.79 crore²⁰ at the normal rate of 14.30 *per cent*²¹ (including surcharge) was leviable on the goods of ₹ 5.53 crore, whereas CST of ₹ 0.11 crore²² at concessional rate of two *per cent* was levied. This resulted in irregular allowance of concession of tax of ₹ 0.68 crore.

The matter was reported to the Government and the Department (July 2023 and September 2023); their replies are awaited (January 2025). However, Assistant Commissioner, Ferozpur replied (November 2024) that recovery proceedings were under process.

The Government may direct the Department to investigate the source of induction and circulation of fake statutory forms and recover the tax of ₹ 0.68 crore in the assessment case referred to in this para.

¹⁷ Assessment Case Disposal No. 122 dated 17 November 2020

¹⁸ Delhi: (i) 16P 9011423 (ii) 16P 8857578 (iii) 16P 8857579 Uttarakhand: (iv) UA/C-2014/4577152

¹⁹ Tax Information Exchange System (Tinxsys) is online facility for tracking of inter-State transactions.

²⁰ ₹ 5,53,39,047 x 14.30/100 = ₹ 79,13,484

²¹ Out of gross sale of ₹ 13,07,56,233, the sale of ₹ 12,90,98,278 is at the rate of 14.30 *per cent* which works out to 98.73 *per cent* of the gross sale. As significant portion of sale is at the rate of 14.30 *per cent*, this rate of tax has been adopted for levying tax at the normal rate.

²² ₹ 5,53,39,047 x 2/100 = ₹ 11,06,781

4.4 Irregular allowance of exemption of tax on deemed exports

The Assessing Authority allowed inadmissible benefit of zero tax rate against deemed export without ensuring genuineness of statutory 'H' forms, resulting in irregular allowance of tax exemption of ₹ 0.14 crore.

Section 6(1) read with Section 8(1) of the Central Sales Tax Act, 1956 provides for levy of tax at the rate of two *per cent* on all sales²³ in the course of inter-State trade or commerce. Further, Section 5(1) of the Act defines that sale or purchase of goods shall be deemed to take place in the course of the export of goods out of the territory of India, if the sale or purchase either occasions of such export or is effected by a transfer of documents of title to the goods after the goods have crossed the customs frontiers of India. Section 5(3) of the Act clarifies that last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall also be deemed to be in the course of export, if such last sale or purchase took place after, and was for the purpose of complying with, the agreement or order for or in relation to such export. No tax is payable on such export of goods as per proviso below Section 6(1) read with Section 5(4) of the Act, if selling dealer furnishes to the prescribed authority, a declaration duly filled and signed by the exporter to whom the goods are sold under Section 5(3) of the Act, in a prescribed form (Form 'H')²⁴ obtained from the prescribed authority. The prescribed authority in this case is the sales tax authority of the appropriate State in terms of Section 9(2) of the Central Sales Tax Act, 1956 and Rule 2(cc) of the Central Sales Tax (Registration and Turnover) Rules, 1957.

Audit scrutiny (May 2023) of an assessment case²⁵ for the year 2014-15, assessed in November 2021 under Assistant Commissioner of State Tax, Moga revealed the Assessing Authority allowed benefit of zero tax rate to the selling dealer against deemed export of ₹ 2.53 crore on the basis of six 'H' forms²⁶. Audit noticed that 'H' forms submitted by selling dealer were suspected to be ingenuine because these could not be verified on Tinxsys²⁷ as well as on the web portal of Taxation Department of Delhi, which was stated to be tax authority of the exporters. Audit got these 'H' forms verified from the Taxation Department of Delhi to ascertain the genuineness of the forms. As per information received from the Taxation Department of Delhi, the suspected 'H' forms were not verifiable because as per their records, the forms were not issued to the exporters, who were stated to have supplied these to the

²³ Other than electrical energy goods

²⁴ 'Certificate of export' in Form-H prescribed under Rule 12(10)(a) of the Central Sales Tax (Registration and Turnover) Rules, 1957.

²⁵ Assessment Case Disposal No. 102 dated 15 November 2021

²⁶ (i) Form No. 12226622871036: ₹ 0.31 crore (ii) Form No. 12226622871036: ₹ 0.51 crore (iii) Form No. 12225102469831: ₹ 0.66 crore (iv) Form No. 12225102469831: ₹ 0.61 crore (v) Form No. 12225102123954: ₹ 0.05 crore and (vi) Form No. 12225102123958: ₹ 0.39 crore

²⁷ Tax Information Exchange System (Tinxsys) is online facility for tracking inter-State transactions.

selling dealer. Thus, the Assessing Authority allowed the tax exemption to the selling dealer without ensuring genuineness of the forms. This resulted in irregular allowance of tax exemption of ₹ 0.14 crore²⁸.

The matter was reported to the Government and the Department (December 2023 and March 2024); their replies are awaited (January 2025). However, on being pointed out, the Assistant Commissioner of State Tax stated (November 2024) that the case has been sent to jurisdictional officer concerned for verification of 'H' forms and final reply will be submitted after verification of forms.

The Government may direct the Department to investigate the source of induction and circulation of fake statutory forms and recover the tax of ₹ 0.14 crore in the assessment case referred to in this paragraph.

4.5 Short levy of tax and non-levy of surcharge

Assessing Authority short levied tax of ₹ 5.39 lakh and did not levy surcharge of ₹ 7.95 lakh on inter-State sale without statutory declarations.

Sections 8(1) and 8(4) of Central Sales Tax (CST) Act, 1956 read with Rule 12(1) of Central Sales Tax (Registration and Turnover) Rules, 1957 provides that concessional tax at the rate of two *per cent* in case of inter-State sale shall not apply unless the selling dealer furnishes to the prescribed authority, a declaration in Form 'C', duly filled and signed by the registered dealer to whom the goods are sold. Further, Section 8(B) of Punjab Value Added Tax Act, 2005 provides for levy of surcharge at the rate of 10 *per cent* of the tax.

Audit scrutiny (January 2023) of assessment records of Assistant Commissioner of State Tax, Faridkot revealed that the Assessing Authority in nine assessment cases levied tax of ₹ 20.23 lakh at the normal rate of tax applicable in the State due to non-submission of statutory declarations in Form 'C' against the inter-State sale. However, Assessing Authorities did not levy surcharge of ₹ 2.02 lakh applicable at the rate of 10 *per cent* of the tax. Further, in four similar cases of inter-State sale without statutory declarations, the Assessing Authority short levied the tax of ₹ 5.39 lakh by applying incorrect rate²⁹ of tax and also did not levy surcharge of ₹ 5.93 lakh. The omissions in these assessments resulted in short levy of tax and non-levy of surcharge amounting to ₹ 13.34 lakh (**Appendix 4.2**).

The matter was reported to the Government and the Department (August 2023 and September 2023); their replies are awaited (January 2025). However, Assistant Commissioner of State Tax replied (March and November 2024)

²⁸ Tax has been worked out at the rate of 5 *per cent* plus 10 *per cent* surcharge applicable on paddy and rice sold by assessee against 'H' forms.

²⁹ Assessing Authority incorrectly applied 5 *per cent* rate of tax instead of applicable 5.5 *per cent*.

that recovery of ₹ 13,833 had been made in five cases³⁰ and notices for recovery of ₹ 13.20 lakh had been issued in remaining cases.

The Government may direct the Department to recover remaining ₹ 13.20 lakh referred to in this paragraph and fix the responsibility of Assessing Authority concerned for lapse.

4.6 Inadmissible allowance of input tax credit

Assistant Commissioner of State Tax, Ludhiana-I allowed input tax credit of ₹ 0.13 crore on goods, which were not used towards taxable sale.

As per provisions contained under Section 13(1) of Punjab Value Added Tax Act, 2005, the tax paid on purchase of taxable goods within State is available as input tax credit only when such goods are used in manufacture, processing or packing of taxable goods for sale.

Audit scrutiny (November 2022) of assessment records of the Assistant Commissioner of State Tax, Ludhiana-I revealed that the Assessing Authority, while assessing the assessment case³¹ of a dealer for the year 2014-15, allowed input tax credit of tax that was paid by the dealer on purchases of taxable goods, however, all such purchased goods were not used towards taxable sale. Audit observed that the dealer had taxable purchases worth ₹ 7.93 crore on which input tax credit of ₹ 0.48 crore (including surcharge) was availed. Further, the dealer used tax paid purchases worth ₹ 8.66 crore³² towards sales, out of which only sale valuing ₹ 6.07 crore was taxable. The remaining sale valuing ₹ 2.59 crore was tax free. The dealer was not entitled for the input tax credit of ₹ 0.14 crore involved in the goods of ₹ 2.59 crore which were cleared without paying tax.

However, the Assessing Authority reversed only ₹ 0.009 crore during assessment, resulting in inadmissible allowance of input tax credit of ₹ 0.13 crore (**Appendix 4.3**).

The matter was reported to the Government and the Department (September 2023 and November 2023); their replies are awaited (January 2025). On being pointed out, the Assistant Commissioner accepted (March 2024) the audit observation and stated that the case would be reassessed.

The Government may direct the Department to recover ₹ 0.13 crore referred to in this paragraph and fix the responsibility of Assessing Authority concerned for lapse.

³⁰ Disposal No. 12 dated 9.10.2020: ₹ 2755, Disposal No. 25 dated 21.10.2020: ₹ 2,365, Disposal No. 26 dated 21.10.2020: ₹ 2,050, Disposal No. 27 dated 21.10.2020: ₹ 2,307, Disposal No. 66 dated 3.12.2020: ₹ 4,356

³¹ Assessment Case Disposal No. 67 dated 13 August 2021

³² The dealer had opening balance of taxable purchases of ₹ 2,02,93,680. During the year, taxable purchases were ₹ 7,93,25,909. Therefore, the dealer had total taxable purchases of ₹ 9,96,19,589 at his disposal.

4.7 Non-levy of interest on belated payments of excise licenses fee

Provisions of penal interest to enforce timely payment of excise dues were not applied by seven Assistant Commissioners (Excise) on belated payments of excise license fee, due to which interest of ₹ 0.44 crore was not recovered for the delayed payments of license fee against 1,507 licenses.

Rule 11 read with Rule 12(b) of the Punjab Liquor License Rules, 1956 provides that the application for renewal of licenses shall be submitted by 31 January of each financial year and orders for renewals shall be made by 30 March in respect of licenses for the following financial year. The fee for renewal of a license shall be payable within seven days of renewal of license as per Rule 34. In March 2021, the Government of Punjab amended Punjab Liquor License Rules, 1956 and inserted a sub-Rule 5 below Rule 25 making the provisions for interest and penal action against the delayed payments of all types of duties or fee or charges from all licensees. The amendment came into force with effect from 1 April 2021³³ and as per provisions, an interest at the rate of 1.5 per cent per month, to be calculated on daily basis, was chargeable on delayed payments.

Scrutiny of the records (June to December 2022) of seven Assistant Commissioners³⁴ (Excise) revealed that excise license fee of ₹ 4.91 crore was belatedly deposited during 2021-22 against various categories³⁵ of 1,507 licenses³⁶ with delay ranging between 4 and 364 days, however, interest of ₹ 0.44 crore at the rate of 1.5 per cent per month for belated³⁷ payments was not levied by the Department.

The matter was reported to the Government and the Department (between August 2023 and April 2024); their replies are awaited (January 2025). However, on being pointed out, five Assistant Commissioners³⁸ reported (January 2025) recoveries of ₹ 0.10 crore against 403 licenses, out of which recoveries of ₹ 16,377 could not be verified due to mismatch in data. In addition to this, Assistant Commissioner, Jalandhar (East) intimated (January 2025) recoveries of ₹ 0.02 crore but did not provide details of licenses and challans. Further recovery is awaited (January 2025).

³³ Except for L-2 (Indian Made Foreign Liquor retail vend) and L-14A (Punjab Medium Liquor retail vend) licenses. In respect of these licenses, the Rule 25(5) became effective from 2 February 2021.

³⁴ Amritsar, Bhatinda, Hoshiarpur, Jalandhar (East), Jalandhar (West), Ludhiana (West) and Patiala

³⁵ **Hotel:** L-3 **Restaurant:** L-4, L-4A, L-5, L-5A, L-5B **Marriage Palace:** L-5D **Micro Brewery:** L-10C **Country Liquor wholesale and retail vend:** L-13 **Ahata:** L-52

³⁶ Amritsar:377, Bhatinda:18, Hoshiarpur:383, Jalandhar (East):274, Jalandhar (West):197, Ludhiana (West):256 and Patiala:2

³⁷ Delay has been worked out from 1 April 2021 by adopting conservative audit approach because specific last date for deposit of fee has not been provided in the rules. Generally, Excise Policy of a financial year with revised rates of excise duties and fees is finalised in the month of February or March of preceding financial year, hence licensees may not know rate of license fee prior to issue of new excise policy of next year. Therefore, delay has been worked out from 1st of April, since when the license becomes effective and licensee is well aware of rate of license fee to be paid.

³⁸ Bathinda (18 license: ₹ 38,038), Hoshiarpur (131 License: ₹ 3,40,014), Jalandhar-West (71 License: ₹ 1,87,441), Ludhiana-West (181 License: ₹ 3,81,179) and Patiala (2 License: ₹ 9,600)

The Government may direct the Department to enforce provisions of penal interest in cases of belated payments of excise dues and recover the balance amount of interest from the licensees referred to in this paragraph.

4.8 Non-recovery of excise levies against liquor issued under export-in-bond

Officer-in-Charge (Excise) did not recover excise levies of ₹ 0.27 crore from a bottling plant for failing to produce consignment receipt certificates against 5,926.50 proof litres of Indian Made Foreign Liquor issued under export-in-bond.

Section 31 of the Punjab Excise Act, 1914 empowers the Government of Punjab to charge excise levies on the excisable articles. The excise levies at the rate of ₹ 450 per proof litre³⁹ were fixed in 2021-22 for Indian Made Foreign Liquor. However, excise levies were not payable under Rule 2-C of the Punjab Liquor Permit and Pass Rules, 1932 for removal of preparations containing rectified spirit under export-in-bond from the premises of approved manufacturer in the State of Punjab to other State or Union Territory in India, if the prescribed procedure as explained below was followed:

- The person importing preparations shall send an import-in-bond permit signed by the Collector or authorised officer of the district of destination to the approved manufacturer in the State of Punjab.
- Consignments of preparations shall be issued by the manufacturer in the State of Punjab under export-in-bond authority⁴⁰ granted by the Collector of the district in which premises of the approved manufacturer is situated.

The export-in-bond authority is granted when approved manufacturer in the State of Punjab had given a bond⁴¹ binding himself to pay excise levies on the consignment in the event of failure to produce a consignment receipt certificate⁴² signed by an authorised officer of the destination district within sixty days of the issuance of pass for consignment containing rectified spirit. In case such a certificate is not received by the approved manufacturer within sixty days, the Deputy Excise and Taxation Commissioner (Distilleries) has the power to allow an additional period of one hundred and twenty days, subject to the furnishing of a Bank Guarantee of twenty five *per cent* of the duty due.

Audit observed (March 2023) from the records of Officer-in-Charge (Excise) in a bottling plant⁴³ for the years 2019-20 to 2021-22 that the bottling plant

³⁹ Excise duty at the rate of ₹ 355 per proof litre + special license fee at the rate of ₹ 5 per proof litre + excise duty at the rate of ₹ 90 per proof litre (erstwhile known as Extra License Fee).

⁴⁰ Form L-36

⁴¹ Form L-37

⁴² Form L-38

⁴³ M/s A-One Wineries, Sangrur

had issued two consignments⁴⁴ of Indian Made Foreign Liquor containing 5,926.50 proof liters in January and February 2020 to Uttarakhand under export-in-bond. The records related to bond furnished by the bottling plant and export-in-bond authority granted by the Collector were not produced to Audit. However, scrutiny of consignments records and further status verified by Audit from the Officer-in-Charge confirmed (March 2024) that consignment receipt certificates against both of the consignments were not produced by the bottling plant. Despite required consignment receipt certificates not produced against 5,926.50 proof litres, the excise levies of ₹ 0.27 crore at the rate of ₹ 450 per proof litre were not recovered by the Officer-in-Charge from the bottling plant.

The matter was reported to the Government and the Department (March and May 2024); their replies are awaited (January 2025). However, Officer-in-Charge accepted (May 2024) the audit observation and intimated recoveries of ₹ 0.07 crore⁴⁵. Further recoveries were awaited (October 2024).

The Government may direct the Department to recover the balance ₹ 0.20 crore in the above case and ensure that excise levies in such cases are invariably recovered.

4.9 Non-payment of IT fee

Officer-in-Charge at one distillery did not ensure payment of IT fee of ₹ 0.14 crore at the time of issue of Punjab Medium Liquor and Indian Made Foreign Liquor from the distillery during 2018-19.

Rule 25(41) of the Punjab Liquor License Rules, 1956 as amended vide Notification⁴⁶ dated 22 March 2018 provided for levy of IT fee at the rate of ₹ 0.50 per proof litre on Punjab Medium Liquor (PML), Indian Made Foreign Liquor (IMFL) and ₹ 0.50 per bulk litre on Beer. The fee was leviable from 1 April 2018 at the time of issuance of transport permit for transport of PML, IMFL and Beer from the manufacturer to the wholesale licensees.

Scrutiny of records (March 2023) of Officer-in-Charge (Excise) at one⁴⁷ distillery revealed that 26,69,364 proof litre of PML and 1,85,539 proof litre of IMFL was issued by the distillery during 2018-19, on which IT fee of ₹ 0.14 crore⁴⁸, payable under Rule 25(41) *ibid*, was not paid.

The matter was reported to the Government and the Department (August 2023 and September 2023); their replies are awaited (January 2025). However, on

⁴⁴ **1,984.50 proof liters:** Permit No. ARL0205000010 dated 1 January 2020, Pass No. PA200127576 dated 10 January 2020 and **3,942 proof liters:** Permit No. ARL0205000012 dated 31 January 2020, Pass No. PA200130778 dated 7 February 2020

⁴⁵ Recovered on 12 April 2024.

⁴⁶ Notification No. G.S.R.14/P.A.1/1914/S.59/Amd.(136)/2018 dated 22 March 2018

⁴⁷ M/s A B Sugars Limited, Dasuya

⁴⁸ (26,69,364 proof litre of PML + 1,85,539 proof litre of IMFL) x ₹ 0.50 = ₹ 14,27,452

being pointed out, the Officer-in-Charge reported (August 2023) recovery of objected amount in August 2023.

Audit had issued similar observation to the Government in September 2021 involving two distilleries and one brewery with the money implication of ₹ 0.82 crore. Although recoveries in all the pointed-out cases were made by the Department after the issue was raised by Audit, yet it indicates that instructions related to State Excise issued by the Government were not being followed properly by the excise officers deployed in the distilleries and breweries.

The Government may direct the Department to ensure that instructions issued by Government related to State Excise are complied by the excise officers deployed in the distilleries and breweries.

Department of Revenue, Rehabilitation and Disaster Management

4.10 Irregular remission of Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee

The Joint Sub-Registrar, Sahnewal granted irregular remission of ₹ 2.76 crore on account of Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee on 48 instruments of sale of immovable properties registered in favour of Municipal Corporation, Ludhiana.

Conveyance deed executed for sale of immovable property is compulsorily registrable instrument as per Section 17 of the Registration Act, 1908, on which Registration Fee at the rate of one *per cent* subject to maximum of rupees two lakh is leviable. Further, Stamp Duty at the rate of five *per cent* on such instruments is leviable as per entry 23 of Schedule 1-A of the Indian Stamp Act, 1899 as applicable to the State of Punjab.

In addition to above, Government of Punjab levied Social Infrastructure Cess⁴⁹ at the rate of one *per cent* under Schedule 1-C of the Indian Stamp Act, 1899, Infrastructure Development Fee⁵⁰ at the rate of one *per cent* and Special Infrastructure Development Fee⁵¹ at the rate of 0.25 *per cent* under Section 25 of the Punjab Industrial Development Act, 2002.

The Government of Punjab remitted Stamp Duty⁵² and Registration Fee⁵³ on the instruments of sale executed by or on behalf of or in favour of Municipal Committee if purchase of land was for the purpose of construction of roads or buildings of schools, college, hospital and dispensaries. However, no such

⁴⁹ SIC levied vide Notification No. 12-Leg./2013 dated 6 February 2013

⁵⁰ IDF levied vide Notification No. S.O. 25/P.A.8/2002/S.25/2015 dated 24 June 2015

⁵¹ SIDF levied vide Notification No. S.O. 33/P.A.8/2002/S.25-A/2021 dated 5 April 2021

⁵² Stamp Duty remitted vide Order No. S.O.9/C.A.2/99/S9/81 dated 20 February 1981

⁵³ Registration Fee remitted vide Notification No. S.O.S./C.A.16/9/85, 78 and 79/Amd./81 dated 20 February 1981

remission was granted in respect of Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee.

Audit scrutiny of the records of Joint Sub-Registrar, Sahnewal for the period 2020-22 revealed (August 2022) that the Joint Sub-Registrar registered 48 instruments of sale of immovable property between August 2021 and February 2022 in the name of Municipal Corporation, Ludhiana, on which Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee was remitted. As per information obtained by Audit from the Municipal Corporation, Ludhiana, the lands were purchased for the construction of water treatment plant which was not covered under the purposes specified in the exemption notifications for Stamp Duty and Registration Fee. Hence remission of Stamp Duty and Registration Fee besides Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee totaling ₹ 2.76 crore was irregular (**Appendix 4.4**).

The matter was reported to the Government and the Department (July 2023 and August 2023); their replies are awaited (January 2025). However, on being pointed out in audit, the Joint Sub-Registrar, Sahnewal replied (September 2023) that Municipal Corporation, Ludhiana has been asked to deposit the deficient Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee. Further, it was informed (November 2024) that earnest efforts were being made for recoveries from the Municipal Corporation, Ludhiana.

The Government may direct the Department to ensure that remission from duties and fees are granted only for the purposes on which remissions have been allowed by the Government.

4.11 Short levy of Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee due to misclassification of properties

10 Sub-Registrars/Joint Sub-Registrars short-levied Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 1.95 crore in 26 cases due to misclassification of properties.

Rule 3-A of the Punjab Stamp (Dealing of under-valued instruments) Rules, 1983 empowers the Collector of a district to fix the minimum market value of land/properties located in the district, locality-wise and category-wise and convey the same to the Registering Officer(s) for the purpose of levying Stamp Duty and Registration Fee on instruments of transfer of property.

Scrutiny of records (between June 2022 and March 2023) of 10 Sub-Registrars/Joint Sub-Registrars revealed that 26 instruments⁵⁴ of transfer of properties were valued at ₹ 32.98 crore and registered by applying rates for agricultural properties on which Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 1.34 crore was levied. However, the category of these properties at the time of registration was residential/industrial as per revenue records. Therefore, the properties were required to be valued at ₹ 70.62 crore and Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 3.29 crore was required to be levied. The misclassification of properties resulted in short levy of Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 1.95 crore (**Appendix 4.5**).

The matter was reported to the Government and the Department (August 2023 and September 2023); their replies are awaited (January 2025). However, on being pointed out, Joint Sub-Registrar, Bathinda intimated (November 2024) recovery of ₹ 0.07 crore⁵⁵ in one case⁵⁶, Sub-Registrar, Ludhiana (West) replied (November 2024) that summons have been issued in 11 cases to deposit the deficient amount, Joint Sub-Registrar, Amritsar-II replied (November 2024) that recovery efforts were being made in three cases, three Sub-Registrars⁵⁷ replied (November 2024) that five cases were sent to Collector for decision under Section 47-A of the Indian Stamp Act and four Sub-Registrars⁵⁸ replied (November 2024) that six cases were pending for decision under Section 47-A.

The Government may direct the Department to ensure that correct rates are applied on the instruments of conveyance at the time of registrations and recover ₹ 1.89 crore in remaining 25 cases referred to in this paragraph.

4.12 Short levy of Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee on 'agreements to sell'

The Joint Sub Registrar, Majri short levied Stamp Duty and fees of ₹ 1.11 crore on 'agreements to sell' evidencing delivery of possession of the properties.

Entry 5(c) of Schedule I-A of the Indian Stamp Act, 1899, as applicable to the State of Punjab, levies Stamp Duty of ₹ 4,000 on the agreement relating to the

⁵⁴ Amritsar-II (3), Banur (1), Bathinda (1), Derabassi (2), Khanna (2), Kharar (1), Ludhiana West (11), Ludhiana South-Central (2), Majri (1) and Zirakpur (2)

⁵⁵ Including interest

⁵⁶ Deed 12825 dated 28.02.2022

⁵⁷ Banur, Derabassi and Ludhiana (South Central)

⁵⁸ Khanna, Kharar, Majri and Zirakpur

sale of immovable property. However, in case of an ‘agreement to sell’⁵⁹ is followed by or evidencing delivery of possession of the immovable property, the Entry 5(cc) of the Schedule provides that the same Stamp Duty would be applicable as is leviable in case of other conveyances⁶⁰ as per Entry 23 of Schedule I-A, subject to the adjustment of duty chargeable at the time of execution of conveyance made in pursuance of such agreement. Further, as per Entry 23 of Schedule I-A read with Rule 3-A of the Punjab Stamp (Dealing of Undervalued Instruments) Rules, 1983, the Stamp Duty is payable on the consideration set forth in the instrument subject to minimum market value of the land or property fixed by the Collector of the district.

Section 78 of the Registration Act, 1908 empowers the State Government to fix the fees for registration of documents. In exercise of this power, the Government of Punjab fixed Registration Fee at the rate of one *per cent* of the value of the document, subject to minimum of ₹ 50 and maximum of ₹ 2 lakh on all compulsorily registrable documents⁶¹.

The Government of Punjab levied Social Infrastructure Cess (SIC) at the rate of one *per cent* in February 2013 on the value of purchase of any immovable property mentioned under Entry 23 of Schedule I-A. Additionally, it also levied Infrastructure Development Fee (IDF) at the rate of one *per cent* in June 2015 and Special Infrastructure Development Fee (SIDF) at the rate of 0.25 *per cent* from 5 April 2021 on the value of purchase of any immovable property within the State of Punjab.

Scrutiny of records (February 2023) of Joint Sub-Registrar, Majri for the year 2021-22 revealed that 37 agreements were registered between April 2021 and March 2022 in favour of two developers by levying Stamp Duty and fees of ₹ 0.20 crore⁶². In these agreements, the owners of the properties bound themselves to register the conveyance deeds in favour of developers or their nominees and delivered physical possession of the properties to the developers in lieu of agreed cash and developed plots having consideration value of ₹ 20.87 crore. As per the provisions of Entry 5(cc) of Schedule I-A, these agreements were required to be levied with Stamp Duty and fees of ₹ 1.31 crore⁶³ on the consideration value of ₹ 20.87 crore⁶⁴. However, the Joint Sub-Registrar levied Stamp Duty of ₹ 4,000 in each case by covering these agreements⁶⁵ under Entry 5(c) of the Schedule 1-A of the Indian Stamp

⁵⁹ An ‘agreement to sell’ is a contractual document that outlines the terms and conditions including price for the transfer of ownership of a property at a future date.

⁶⁰ Stamp Duty at the rate of three *per cent* is applicable on other conveyances as per Entry 23 of Schedule I-A.

⁶¹ Other than leases of immovable property.

⁶² Stamp Duty: ₹ 1,48,000, Registration Fee: ₹ 18,11,347, IDF: ₹ 16,864 and SIDF: ₹ 444

⁶³ Stamp Duty: ₹ 62,61,824, Registration Fee: ₹ 20,83,967, SIC: ₹ 20,87,273, IDF: ₹ 20,87,273 and SIDF: ₹ 5,21,821

⁶⁴ Consideration value is higher of the collector value of the property agreed to be sold or consideration value agreed/received which comprises cash and minimum collector value of the developed plots.

⁶⁵ As per updated status obtained by Audit as on 19 February 2024, the ‘Conveyance deeds’ in pursuance of ‘agreements to sell’ were also not registered in favour of the developers till that date, which could have realised Stamp Duty and fee in full at the time of registration of ‘conveyance deeds’.

Act, 1899 apart from short levy of other fees, resulting in short levy of Stamp Duty and fees of ₹ 1.11 crore⁶⁶ (Appendix 4.6).

The matter was reported to the Government and the Department (July 2023 and May 2024); their replies are awaited (January 2025). However, on being pointed out, the Joint Sub-Registrar replied (January 2025) that cases have been decided under Section 47-A of the Indian Stamp Act, 1899 and efforts are being made for recovery.

The Government may direct the Department to recover the Stamp Duty and fees of ₹ 1.11 crore in cases referred to in this paragraph and ensure that duty and fees leviable at the time of execution of ‘agreements to sell’ with delivery of possession are correctly levied.

4.13 Short levy of Stamp Duty, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee on power of attorney

Sub-Registrar Jalandhar-I did not levy Stamp Duty, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.90 crore on power of attorney authorising developer for sale of immovable property in lieu of consideration.

The Supreme Court of India in SLP (C) No. 13917 of 2009 observed that the power of attorney transactions were resorted to by the persons, *inter alia*, who deal in real estate to avoid multiple Stamp Duties/Registration Fees so as to increase their profit margin. Thereafter, the Government of Punjab amended (October 2016) Entry 48(f) of the Schedule I-A of Indian Stamp Act 1899 as applicable to Punjab and levied Stamp Duty on power of attorney at the rate⁶⁷ as applicable to conveyances (Entry 23), when power of attorney was given for consideration and the attorney was authorised to sell any immovable property. Additionally, Social Infrastructure Cess (SIC) at the rate of one *per cent*, Infrastructure Development Fee (IDF) at the rate of one *per cent* and Special Infrastructure Development Fee (SIDF) at the rate of 0.25 *per cent* on the value or amount of consideration was leviable.

Scrutiny of records of Sub-Registrar, Jalandhar-I (April 2022) for the year 2021-22 revealed that a power of attorney⁶⁸ along with agreement⁶⁹ was executed on 1 February 2022 between landowner and developer in continuation of Joint Development agreement⁷⁰, where landowner granted full rights to the developer to develop a project on his land measuring 69 marla and 50 square feet. As agreed by the landowner, the developer was authorised to hold, defend possession, maintain the property and execute the sale deeds in

⁶⁶ Stamp Duty: ₹ 61,13,824, Registration Fee: ₹ 2,72,620, SIC: ₹ 20,87,273, IDF: 20,70,409 and SIDF: ₹ 5,21,377

⁶⁷ Five *per cent*

⁶⁸ Deed No. 1530 dated 1 February 2022

⁶⁹ Deed No. 1529 dated 1 February 2022

⁷⁰ Deed No. 2819 dated 28 March 2018.

the name of prospective buyers of built-up saleable area. In this deal, the landowner received ₹ 12.40 crore as consideration. Being power of attorney given by the landowner for consideration and authorising the attorney to sell the immovable property, the registering authority was required to levy Stamp Duty, SIC, IDF and SIDF of ₹ 0.90 crore. However, the power of attorney was registered by levying Stamp Duty of only ₹ 2,000. This resulted in short levy of Stamp Duty, SIC, IDF and SIDF of ₹ 0.90 crore (**Appendix 4.7**).

The matter was reported to the Government and the Department (June 2023 and August 2023); their replies are awaited (January 2025). However, on being pointed out, the Sub-Registrar replied (August 2023 and November 2024) that case had been sent for decision under Section 47-A of Indian Stamp Act, 1899.

The Government may direct the Department to fix the responsibility for omission and recover the Stamp Duty, SIC, IDF and SIDF of ₹ 0.90 crore in respect of power of attorney referred to in this paragraph and ensure that applicable levies in such cases are levied invariably at the time of registration.

4.14 Short levy of Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee due to undervaluation of properties

Two Sub-Registrars/Joint Sub-Registrars in five cases undervalued the properties and short-levied Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.25 crore.

Rule 3-A of the Punjab Stamp (Dealing of under-valued instruments) Rules, 1983 empowers the Collector of a district to fix the minimum market value of land/properties located in the district, locality-wise and category-wise and convey the same to the Registering Officer(s) for the purpose of levying Stamp Duty and Registration Fee on instruments of transfer of property.

Scrutiny of records (between August 2022 and January 2023) of two Sub-Registrars/Joint Sub-Registrars revealed that five instruments⁷¹ of transfer of properties were valued at ₹ 6.68 crore at the time of registration, on which Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.53 crore was levied.

However, the registered properties were at such locations for which higher rates were prescribed in the rate list. Accordingly, the instruments of transfer of properties were required to be valued at ₹ 9.78 crore with levy of Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.78 crore. The undervaluation of

⁷¹ Banur (3) and Hoshiarpur (2)

properties resulted in short levy of Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.25 crore (**Appendix 4.8**).

The matter was reported to the Government and the Department (September 2023 and November 2023); their replies are awaited (January 2025). However, on being pointed out, Joint Sub-Registrar, Banur replied (November 2024) that pointed out three cases⁷² have been sent to the Collector for decision under Section 47-A of the Indian Stamp Act. Sub-Registrar, Hoshiarpur informed (November 2024) recovery of ₹ 7.56 lakh⁷³ along with interest in one case and stated that another case⁷⁴ was pending for decision under Section 47-A of the Indian Stamp Act.

The Government may direct the Department to make recoveries of ₹ 0.18 crore in remaining four cases referred to in this paragraph and fix the responsibility of registering authorities concerned for short levy of duties.

4.15 Short levy of Stamp Duty and Registration Fee on lease deed

Joint Sub-Registrar, Majri short-levied Stamp Duty and Registration Fee of ₹ 0.17 crore on one instrument of lease.

Section 17(d) of the Registration Act, 1908 provides that leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent, should be compulsorily registered. Government of Punjab prescribed⁷⁵ the Registration Fee at the rate of one *per cent* subject to maximum of rupees two lakh on the registration of lease agreements.

Further, Entry 35 of Schedule I-A of Indian Stamp Act, 1899 as applicable to the State of Punjab, provides for levy of Stamp Duty at the prescribed rates⁷⁶ on instruments of lease on the basis of period of lease, money advanced and amount of average annual rent reserved.

⁷² Deed No. 73 dated 15.06.2020, Deed No. 125 dated 06.05.2021 and Deed No. 1122 dated 04.01.2022

⁷³ Deed No. 1803 dated 06.07.2021 (Objected amount ₹ 6,09,988 plus interest ₹ 1,46,400)

⁷⁴ Deed No. 4313 dated 21.12.2021

⁷⁵ Notification No. S.O.90/C.A.16/1908/Ss.78 and 79/2012 dated 23 October 2012

⁷⁶ Rate of Stamp Duty on lease agreements:

Period of Lease	Rate of Stamp Duty	Amount on which payable
Less than one year	Eight [#] <i>per cent</i>	Whole amount payable under the lease
One year to five years	Eight [#] <i>per cent</i>	Average annual rent
Five years to ten years	Three <i>per cent</i>	Average annual rent
Ten years to 20 years	Three <i>per cent</i>	Twice the average annual rent
20 years to 30 years	Three <i>per cent</i>	Thrice the average annual rent
30 years to 100 years	Three <i>per cent</i>	Four times the average annual rent

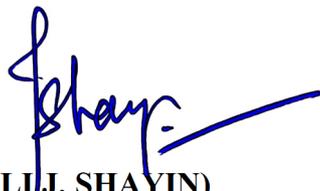
[#] Government of Punjab increased (30 January 2019) rate of Stamp Duty on lease deeds from four *per cent* to eight *per cent* of average annual rent, where lease is for a period up to five years.

Scrutiny of records (February 2023) of Joint Sub-Registrar, Majri for the year 2021-22 revealed that one instrument of lease⁷⁷ with a tenure of 33 years was registered by levying Stamp Duty and Registration Fee of ₹ 0.02 crore. In this case, Stamp Duty and Registration Fee of ₹ 0.19 crore was leviable on a value equal to four times⁷⁸ of annual average rent of ₹ 1.41 crore. The omission resulted in short levy of Stamp Duty and Registration Fee of ₹ 0.17 crore (**Appendix 4.9**).

The matter was reported to the Government and the Department (June 2023 and August 2023); their replies are awaited (January 2025). However, on being pointed out, the Joint Sub-Registrar, Majri replied (December 2024) that case had been sent to the Collector for decision under Section 47-A of Indian Stamp Act, 1899.

The Government may direct the Department to recover Stamp Duty and Registration Fee of ₹ 0.17 crore in respect of instrument of lease referred to in this paragraph.

Chandigarh
The 17 September 2025


(NAZLIJ. SHAYIN)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 30 September 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

⁷⁷ Deed No. 5589 dated 21.03.2022

⁷⁸ ₹ 1,40,78,792 x 4 = ₹ 5,63,15,168