

CHAPTER-I: General

1.1 Trend of revenue receipts

Tax and non tax revenue raised by Government of Haryana during the year 2005-06, the State's share of divisible union taxes and grants in aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

Sl. No	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I	Revenue raised by the State Government					
	• Tax revenue	4,971.19	5,549.68	6,348.05	7,440.27	9,078.65
	• Non tax revenue*	1,666.07 (1,266.56)	1,807.85 (1,374.40)	2,223.05 (1,663.73)	2,544.37 (1,842.83)	2,458.56 (2,264.33)
	Total (I)	6,637.26 (6,237.75)	7,357.53 (6,924.08)	8,571.10 (8,011.78)	9,984.64 (9,283.10)	11,537.21 (11,342.98)
II	Receipts from Government of India					
	• State's share** of net proceeds of divisible union taxes	450.25	***756.59	600.75	619.26	***1,200.97
	• Grants in aid	513.04	542.90	671.63	545.16	1,115.13
	Total (II)	963.29	1,299.49	1,272.38	1,164.42	2,316.10
III	Total receipts of the State (I + II)	7,600.55 (7,201.04)	8,657.02 (8,223.57)	9,843.48 (9,284.16)	11,149.06 (10,447.52)	13,853.31 (13,659.08)
IV	Percentage of I to III	87 (87)	85 (84)	87 (86)	90 (89)	83 (83)

* The non tax revenue for 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 includes gross receipts from State lotteries amounting to Rs.388.29 crore, Rs.406.53 crore, Rs.547.16 crore, Rs.697.02 crore and Rs.188.29 crore against which expenditure of Rs.399.51 crore, Rs.433.45 crore, Rs.559.32 crore, Rs.701.54 crore and Rs.194.23 crore respectively was incurred on running of lotteries' schemes. The net receipts from State lotteries was (-) Rs.11.22 crore in 2001-02, (-) Rs.26.92 crore in 2002-03, (-) Rs.12.16 crore in 2003-04, (-) Rs.4.52 crore in 2004-05 and (-) Rs.5.94 crore in 2005-06. To make the figures comparable for these years, receipts from prize winning tickets have been accounted for and net receipts after reducing expenditure on prize winning tickets have been shown in brackets.

** For details please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 2005-06. Figures of "tax share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in State's share of divisible union taxes in this statement.

*** There was abnormal increase in State's share of net proceeds of divisible union taxes during the years 2002-03 and 2005-06. The increase was due mainly to more receipts and adjustment of previous years (Rs.185.20 crore) under "share of net proceeds assigned to states".

Of the total receipts of Rs.13,853.31 crore for the year 2005-06, 83 per cent was raised by the State Government and the remaining 17 per cent came from Government of India as State's share of divisible union taxes and grants in aid.

1.1.1 Grants in aid

Details of grants in aid received from Government of India during the year 2005-06 and the corresponding figures for the preceding four years are as under:

(Rupees in crore)

Particulars of grants in aid	2001-02	2002-03	2003-04	2004-05	2005-06
	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage
Non plan	159 (31)	109 (20)	117 (17)	84 (15)	269 (24)
Plan	354 (69)	434 (80)	555 (83)	461 (85)	846 (76)
Total	513 (100)	543 (100)	672 (100)	545 (100)	1,115 (100)

The overall grants registered an increase of 105 per cent during the year 2005-06 over the year 2004-05. The plan and non plan grants increased by 220 and 84 per cent respectively. The increase was mainly due to more receipts and adjustment of previous years (Rs.197.70 crore) under non plan, Central plan and block grants.

1.1.2 Details of tax revenue raised during the year 2005-06, along with the figures for the preceding four years, are given below:

(Rupees in crore)

Sl. No	Head of revenue receipts	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+)/ decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.						
	• General sales tax	2,106.67	2,470.16	2,950.95	3,699.03	4,359.99	(+) 18
	• Central sales tax	838.14	867.27	887.05	1,061.88	1,244.46	(+) 17
2.	State excise	875.39	878.72	923.28	1,013.16	1,106.86	(+) 9
3.	Stamp duty and registration fee	488.29	541.39	695.63	726.58	1,339.73	(+) 84

Sl. No	Head of revenue receipts	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+)/ decrease (-) in 2005-06 over 2004-05
4.	Taxes and duties on electricity	*29.48	*0.87	*59.06	61.75	61.53	Nil
5.	Taxes on vehicles	103.62	114.39	132.39	140.41	**172.13	(+) 23
6.	Taxes on goods and passengers	498.56	652.75	660.36	705.16	757.60	(+) 7
7.	Other taxes and duties on commodities and services	11.74	14.26	19.32	20.60	23.23	(+) 13
8.	Land revenue	19.30	9.87	20.01	11.70	13.12	(+) 12
	Total	4,971.19	5,549.68	6,348.05	7,440.27	**9,078.65	(+) 22

The tax revenue in the year 2005-06 showed an increase of 22 *per cent* over previous year 2004-05. Sales tax receipts of Rs.5,604.45 crore amounted to 62 *per cent* of tax revenue collection during the year 2005-06.

1.1.3 Details of the major non tax revenue raised during the year 2005-06, along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of revenue receipts	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	332.87	334.27	478.01	472.41	442.48	(-) 6
2.	Dairy development	0.09	0.02	0.05	0.03	0.03	Nil
3.	Road transport	410.74	451.83	482.21	513.17	548.44	(+) 7

* During 2001-02, actual receipts of taxes and duties on electricity was Rs.52.01 crore and the difference was due to adjustment of Government dues of Rs.22.53 crore by the Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), which were not accounted for in the Finance Accounts. Similarly, during 2002-03 actual receipt was Rs.52.65 crore and difference of Rs.51.78 crore was due to non adjustment of electricity duty against the loans sanctioned by the State Government to Haryana Vidut Prasaran Nigam Limited (HVPNL) as budget provisions under the head "6801-Loans for power projects" were not available. The increase in receipt during 2003-04 was mainly due to more receipts under taxes on consumption and sale of electricity as well as adjustment of electricity duty for the year 2002-03 by DHBVNL/UHBVNL and realisation of arrears.

** The figures has been rounded off to Rs.172.13 crore to make total figure of tax revenue of Rs.9,078.65 crore comparable with Finance Accounts.

Sl. No.	Head of revenue receipts	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
4.	Other non tax receipts	166.61	222.23	287.52	462.61	899.19	(+) 94
5.	Forestry and wild life	24.53	28.97	25.48	31.58	32.84	(+) 4
6.	Non ferrous mining and metallurgical industries	139.87	118.88	76.98	92.73	152.60	(+) 65
7.	Miscellaneous general services						
	• State lotteries*	388.29 {(-) 11.22}	406.53 {(-) 26.92}	547.16 {(-) 12.16}	697.02 {(-) 4.52}	188.29 {(-) 5.94}	(-) 73
	• Other than lotteries	(-) 0.73	27.13	26.32	8.61	(-) 4.91	
8.	Power	2.15	1.95	2.21	1.84	2.97	(+) 61
9.	Major and medium irrigation	68.51	52.05	183.00	103.32	64.13	(-) 38
10.	Medical and public health	28.32	28.38	31.96	40.92	30.50	(-) 25
11.	Co-operation	5.27	4.97	6.57	7.72	7.12	(-) 8
12.	Public works	6.21	3.98	3.21	6.40	3.04	(-) 53
13.	Police	16.21	15.54	11.71	26.45	7.49	(-) 72
14.	Other administrative services	77.13	111.12	60.66	79.56	84.35	(+) 6
	Total	1,666.07	1,807.85	2,223.05	2,544.37	2,458.56	(-) 3

The reasons for variations in receipts during the year 2005-06 as compared to the year 2004-05 as intimated by the department concerned is given below:

- **Non ferrous mining and metallurgical industries:** The increase in revenue (65 per cent) was due to auction of minor minerals quarries of Panchkula district and recovery of outstanding arrears.

* The figures shown in brackets from 2001-02 to 2005-06 show that the net receipts from lotteries were negative i.e. the Government was incurring more expenditure on lotteries than receipts. However, Government has prohibited the sale of tickets of a lottery organised, conducted or promoted by any State with effect from May 2005 within the State of Haryana.

- **Miscellaneous general services (state lotteries):** The decrease in revenue receipts (73 per cent) was due to prohibition of sale of lottery tickets with effect from May 2005.
- **Power:** The increase in revenue receipts (61 per cent) was due to more recovery of licence fee from HVPNL and other miscellaneous receipts of Haryana Electricity Regulatory Commission (HERC) i.e. sale of forms, stores etc.
- **Medical and public health:** The decrease in revenue receipts (25 per cent) was due to less receipt from Employees State Insurance Scheme.
- **Police:** The decrease in revenue receipts (72 per cent) was due to less receipt of police cost from other Governments/bodies and Railways on account of deployment of police forces.

Reasons for variations in receipts during 2005-06 were called for from the remaining departments in July 2006, their replies had not been received (August 2006).

1.2 Initiatives for mobilisation of additional resources

1.2.1 Initiatives proposed in the budget speech

In the budget speech for the year 2005-06, Government proposed for financial discipline to help contain the budget deficit and expected that the tax revenue would substantially increase as a result of new found resilience in the national economy. Any new tax measures were not proposed in the budget.

With the introduction of value added tax (VAT) in Haryana (April 2003), Government streamlined various aspects of VAT with dual objectives of public convenience and generation of revenue. These measures had started paying dividends in terms of higher collection (Rs.844 crore) during 2005-06.

1.2.2 Implementation of memorandum of understanding

Government has not signed any memorandum of understanding (MOU) with Government of India or any agency/authority to mobilise additional resources during 2005-06.

1.3 Analysis of budget preparation

Details of original budget estimates, revised budget estimates and percentage of variation under the principal heads of tax and non tax revenue for the year 2005-06 are as under:

(Rupees in crore)

Sl. No.	Head of revenue receipts	Budget estimates	Revised budget estimates	Variation increase (+)/ decrease (-)	Percentage of variation
1.	Land revenue	62.50	11.95	(-) 50.55	(-) 81
2.	Urban development	180.10	300.10	(+) 120.00	(+) 67
3.	Supplies and disposal	0.20	2.35	(+) 2.15	(+) 1,075
4.	Education, sports and culture	52.68	80.06	(+) 27.38	(+) 52
5.	Labour and employment	5.35	7.94	(+) 2.59	(+) 48
6.	Power	2.10	3.00	(+) 0.90	(+) 43
7.	Roads and bridges	1.10	3.50	(+) 2.40	(+) 218

The above table shows that variation between revised estimates and original budget estimates in respect of principal heads of revenue was ranged between (-) 81 per cent and (+) 1,075 per cent. Thus, the original budget estimates were not prepared on realistic basis.

1.4 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2005-06 in respect of principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sl. No.	Head of revenue receipts	Budget estimates	Actual receipts	Variation increase (+)/ decrease (-)	Percentage of variation Col.5 to Col.3
1	2	3	4	5	6
A.	Tax revenue				
1.	Taxes on sales, trade etc.	5,490.00	5,604.45	(+) 114.45	(+) 2
2.	State excise	967.00	1,106.86	(+) 139.86	(+) 14

Sl. No.	Head of revenue receipts	Budget estimates	Actual receipts	Variation increase (+) / decrease (-)	Percentage of variation Col.5 to Col.3
1	2	3	4	5	6
3.	Stamp duty and registration fee	820.00	1,339.73	(+) 519.73	(+) 63
4.	Taxes and duties on electricity	53.89	61.53	(+) 7.64	(+) 14
5.	Taxes on vehicles	155.00	172.13	(+) 17.13	(+) 11
6.	Taxes on goods and passengers	650.00	757.60	(+) 107.60	(+) 17
7.	Other taxes and duties on commodities	18.50	23.23	(+) 4.73	(+) 26
8.	Land revenue	62.50	13.12	(-) 49.38	(-) 79
B.	Non tax revenue				
9.	Interest receipts	517.27	442.48	(-) 74.79	(-) 14
10.	Dairy development	Nil	0.03	(+) 0.03	Nil
11.	Forestry and wildlife	27.92	32.84	(+) 4.92	(+) 18
12.	Non ferrous mining and metallurgical industries	95.00	152.60	(+) 57.60	(+) 61
13.	Misc. general services	188.35	183.38	(-) 4.97	(-) 3
14.	Major and medium irrigation	60.00	64.13	(+) 4.13	(+) 7
15.	Co-operation	7.30	7.12	(-) 0.18	(-) 2
16.	Police	29.90	7.49	(-) 22.41	(-) 75
17.	Power	2.10	2.97	(+) 0.87	(+) 41
18.	Medical and public health	27.24	30.50	(+) 3.26	(+) 12
19.	Public works	5.50	3.04	(-) 2.46	(-) 45
20.	Other administrative services	86.99	84.35	(-) 2.64	(-) 3

The reasons for variations between the budget estimates and actuals as furnished by the departments are as under:

- **Stamp duty and registration fee:** The increase in revenue receipts (63 per cent) was due to registration of more documents of immovable/movable property.

- **Taxes and duties on electricity:** The increase in revenue receipts (14 *per cent*) was due to adjustment of balance amount of electricity duty for the year 2004-05 and more realisation/adjustment of electricity duty by UHBVNL/ DHBVNL.
- **Taxes on vehicles:** The increase in revenue receipts (11 *per cent*) was due to mobilisation of additional resources.
- **Land revenue:** The decrease in revenue receipts (79 *per cent*) was due to less receipt in mutation fee, copying fee, revenue talbana and less sale of surplus land.
- **Forestry and wildlife:** The increase in revenue receipts (18 *per cent*) was due to more receipts from user agencies.
- **Non ferrous mining and metallurgical industries:** The increase in receipts (61 *per cent*) was due to better monitoring of recovery of old arrears and increase in the rate of royalty by 50 *per cent* on minor minerals.
- **Police:** The decrease in revenue receipts (75 *per cent*) was due to less receipt under police supplied to other Governments and abolition of Haryana State Industrial Security Force during 2004-05.
- **Power:** The increase in revenue receipts (41 *per cent*) was due to more recovery of licence fee from HVPNL and other miscellaneous receipts of HERC i.e. sale of forms, stores etc.

Reasons for increase/decrease in actual receipts during 2005-06 over budget estimates in respect of other revenue heads were called for from the departments concerned in July 2006, their replies had not been received (August 2006).

1.5 Analysis of collection

Break up of total collection at pre assessment stage and after regular assessment of sales tax for the year 2005-06 and the corresponding figures for the preceding three years as furnished by the Excise and Taxation Department

are as follows:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre assessment stage	Amount collected after regular assessment (additional demand)	Amount refunded	Net collection	Percentage of collection at pre assessment stage to net collection
Taxes on sales, trade etc	2002-03	3,234.99	110.54	12.85	3,332.68 ^{&}	97
	2003-04	3,655.00	194.15 ^{\$\$}	11.15	3,838.00	95
	2004-05	4,494.23	293.06 ^{\$\$}	26.38	4,760.91	94
	2005-06	5,480.84	169.01 ^{\$\$}	45.40	5,604.45	98

The above table shows that collection of revenue at pre assessment stage was 97 per cent during 2002-03, 95 per cent during 2003-04, 94 per cent during 2004-05 and 98 per cent during 2005-06.

1.6 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2003-04 to 2005-06 along with the relevant all India average percentage of cost of collection for the year 2004-05 are given below:

(Rupees in crore)

Sl. No.	Head of revenue receipts	Year	Collection	Expenditure on collection of revenue	Percentage Col. 5 to Col. 4	All India average cost of collection (percentage) for the year 2004-05
1	2	3	4	5	6	7
1.	Taxes on sales, trade etc.	2003-04	3,838.00	37.34	0.97	0.95
		2004-05	4,760.91	34.12	0.72	
		2005-06	5,604.45	36.86	0.65	
2.	Taxes on vehicles	2003-04	132.39	6.57	4.96	2.74
		2004-05	140.41	6.28	4.47	
		2005-06	172.13	6.71	3.89	

[&] However, the net collections of sales tax as shown by the Department during the year 2002-03 were at variance with that of Finance Accounts.

^{\$\$} It includes amount recoverable on account of penalty for delay in payment of sales tax and purchase tax.

Sl. No.	Head of revenue receipts	Year	Collection	Expenditure on collection of revenue	Percentage Col. 5 to Col. 4	All India average cost of collection (percentage) for the year 2004-05
1	2	3	4	5	6	7
3	State excise	2003-04 2004-05 2005-06	923.28 1,013.16 1,106.86	6.74 8.92 10.75	0.73 0.88 0.97	3.34
4	Stamp duty and registration fee	2003-04 2004-05 2005-06	695.63 726.58 1,339.73	5.59 5.25 5.63	0.80 0.72 0.42	3.44

It may be seen from the above that percentage in respect of taxes on vehicles was high as compared to all India average cost of collection.

1.7 Arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.1,432.38 crore, of which Rs.278.92 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
1.	Taxes on sales, trade etc.	1,142.15	191.47	Demand for Rs.334.59 crore was stayed by High Court and other judicial authorities, Rs.61.33 crore were held up due to dealers becoming insolvent, Rs.16.90 crore were proposed to be written off, Rs.18.02 crore were held up due to rectification/review, appeal. Specific action to recover the remaining amount of Rs.711.31 crore was not intimated.
2.	State excise	39.56	21.84	Demands of Rs.3.69 crore were stayed by High Court and other judicial authorities, Rs.0.32 crore were proposed to be written off, Rs.0.03 crore were held up due to rectification/review. Specific action taken to recover the remaining amount of Rs.35.52 crore was not intimated by the department.

Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
3.	Taxes and duties on electricity	80.26*	44.12	Rupees one crore was recoverable from M/s Haryana Concast, Hisar, Rs.0.38 crore from M/s Rama Fibres, Bhiwani, Rs.0.30 crore from M/s Dadri Cement Factory, Charkhidadri and Rs.0.16 crore from M/s Competent Alloys, Ballabhgarh. The remaining amount of Rs.78.42 crore were pending towards consumers of DHBVNL/UHBVNL.
4.	<ul style="list-style-type: none"> Taxes on goods and passengers 	36.00	2.99	Demands of Rs.0.51 crore were covered under recovery certificates and recovery of Rs.0.27 crore was stayed by High Court and other judicial authorities. Demands of Rs.4.04 crore were recoverable as inter State arrears. Action to recover the remaining amount of Rs.31.18 crore was not intimated.
	<ul style="list-style-type: none"> Tax on entry of goods into local areas (LADT) 	110.01	Nil	Recovery of Rs.46.55 crore had been stayed by High Court, judicial and departmental authorities and Rs.4.70 crore was held up due to rectification, review and appeal. Demand of Rs.0.04 crore was outstanding as dealers had become insolvent. Balance amount of Rs.58.72 crore was at different stages of action.
5.	Police	10.83	10.15	Demands of Rs.7.31 crore (Punjab Kesri, Ambala: Rs.6.28 crore, Indian Oil Corporation, Ambala: Rs.1.03 crore) was likely to be written off. Recovery of Rs.2.46 crore were outstanding from nine** States. Remaining amount of Rs.1.06 crore was recoverable from Civil Aviation, Bachod (Rs.0.45 crore), Civil Aviation, Pinjore (Rs.0.32 crore) and Thermal Plant, Bhakra Beas Management Board (BBMB), Faridabad (Rs.0.29 crore).

* Figures for the month of March 2006 are tentative.

** Assam (Rs.0.95 crore), Bihar (Rs.0.33 crore), Delhi (Rs.0.14 crore), Gujarat (Rs.0.01 crore), Punjab (Rs.0.07 crore), Rajasthan (Rs.0.02 crore), Uttar Pradesh (Rs.0.79 crore), Uttaranchal (Rs. 0.13 crore) and West Bengal (Rs.0.02 crore).

Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
6.	Other taxes and duties on commodities and services • Receipt under the Sugarcane (Regulation, Supply and Purchase Control) Act	7.07	3.52	Seven sugar mills (Panipat: Rs.3.72 crore, Rohtak: Rs.1.42 crore, Yamunanagar: Rs.0.77 crore, Naraingarh: Rs.0.52 crore, Bhadson Rs.0.48 crore, Kaithal: Rs.0.15 crore and Bhuna: Rs.0.01 crore) did not deposit the tax.
	• Receipts under entertainment duty and show tax	1.34	1.25	Recovery of Rs.1.23 crore had been stayed by High Court and other judicial authorities and Rs.0.02 crore was likely to be written off. Specific reasons to recover the remaining amount of Rs.0.09 crore were not intimated by the department.
7.	Non ferrous mining and metallurgical industries	5.16	3.58	Demands of Rs. 2.60 crore were covered by recovery certificates. Recoveries of Rs.1.60 crore were stayed by High Court and other judicial authorities and Rs.0.01 crore were likely to be written off. Details of remaining amount of Rs.0.95 crore had not been intimated by the department.
	Total	1,432.38	278.92	

Of these, sales tax arrears of Rs.1,142.15 crore and the arrears outstanding for more than five years constituted 80 *per cent* and 19 *per cent* of the total arrears respectively. Substantial accumulation of arrears of taxes shows that the State Government did not tackle the problem vigorously. It is recommended that effective steps for collecting these arrears be taken to augment government revenue.

1.8 Arrears in assessments

The details of cases pending assessment at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each year during 2001-02 to 2005-06 as furnished by the Excise and Taxation Department in

respect of taxes on sales, trade etc. (ST) and taxes on goods and passengers (PGT) are as follows:

Year	Head of revenue receipts	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of col 5 to col 4
1		2	3	4	5	6	7
2001-02	ST	1,62,618	1,59,063	3,21,681	1,14,003	2,07,678	35
	PGT	1,002	693	1,695	555	1,140	33
2002-03	ST	2,07,678	1,79,265	3,86,943	1,53,078	2,33,865	40
	PGT	1,140	673	1,813	711	1,102	39
2003-04	ST	2,33,865	1,64,386	3,98,251	1,92,321	2,05,930	48
	PGT	1,102	667	1,769	457	1,312	26
2004-05	ST	2,05,930	1,59,740	3,65,670	1,42,901	2,22,769	39
	PGT	1,312	704	2,016	536	1,480	27
2005-06	ST	2,22,769	1,63,789	3,86,558	1,86,761	1,99,797	48
	PGT	1,480	618	2,098	433	1,665	21

The above table shows that pending cases in respect of taxes on sales, trade etc. at the beginning of 2001-02 were 1,62,618 which increased to 1,99,797 at the end of 2005-06 i.e. 23 per cent while the percentage of cases finalised increased from 35 per cent in 2001-02 to 48 per cent in 2005-06. 52 per cent of total cases (3,86,558) were pending assessment (1,99,797 cases) as on 31 March 2006. Similarly pending cases in respect of PGT increased from 1,002 at the beginning of 2001-02 to 1,665 at the end of 2005-06 i.e. by 66 per cent. The percentage of cases finalised decreased from 39 per cent in 2002-03 to 21 per cent in 2005-06. 79 per cent of total cases (2,098) were pending assessments (1,665 cases) as on 31 March 2006.

1.9 Performance of assessments

Norms for assessing authorities viz. excise and taxation officers and assistant excise and taxation officers have been prescribed by the state for assessment of sales tax cases.

Information furnished by the department for the years 2001-02 to 2005-06 revealed that the performance of assessments finalised by excise and taxation officers ranged between 63.76 per cent and 172.90 per cent and by assistant excise and taxation officers between 53.18 per cent and 33.78 per cent of the norms.

1.10 Evasion of tax

The details of evasion of tax detected by Excise and Taxation Department, cases finalised and the demands for additional tax as raised by the department during 2005-06 are given below:

Sl. No.	Head of revenue receipts	Cases pending as on 31 March 2005	Cases detected during the year 2005-06	Total (3+4)	Number of cases in which assessments/ investigations completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2006
					Number of cases	Amount of demand (Rupees in crore)	
1	2	3	4	5	6	7	8
1.	Taxes on sales, trade, etc.	95	878	973	921	1.56	52
2.	State excise	72	1,648	1,720	1,603	68.91	117
3.	Taxes on goods and passengers	764	17,848	18,612	13,129	7.37	5,483

1.11 Write off and waiver of revenue

During the year 2005-06, demands for Rs. 16.90 crore in 285 cases and Rs.0.32 crore in 25 cases relating to sales tax and state excise respectively were written off by the Excise and Taxation Department as irrecoverable. Reasons for the write off as reported by the department were as follows:

Sl. No.	Reasons	Sales tax		State excise	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
1.	Whereabouts of defaulters not known	122	747.70	10	12.50
2.	Defaulters no longer alive	17	126.65	7	8.71
3.	Defaulters not having any property	105	413.34	6	10.23

Sl. No.	Reasons	Sales tax		State excise	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
4.	Defaulters adjudged insolvent	5	24.19	2	1.03
5.	Other reasons	36	378.42	Nil	Nil
	Total	285	1,690.30	25	32.47

1.12 Refunds

The number of refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2005-06, as reported by the Excise and Taxation Department and Chief Electrical Inspector, Haryana are given below:

Sl. No.	Particulars	Sales tax		State excise		Taxes and duties on electricity	
		No. of cases	Amount (Rupees in lakh)	No. of cases	Amount (Rupees in lakh)	No. of cases	Amount (Rupees in lakh)
1.	Claims outstanding at the beginning of the year	525	2,669.13	5	3.91	Nil	Nil
2.	Claims received during the year	2,252	5,665.32	16	18.86	12	18.55
3.	Refunds made during the year	2,419	4,539.95	20	22.67	12	18.55
4.	Balance outstanding at the end of the year	358	3,794.50	1	0.10	Nil	Nil

Refunds of Rs.45.63 crore and Rs.0.19 crore had been made by the Excise and Taxation Department and Chief Electrical Inspector, Haryana to 2,439 and 12 claimants respectively during the year 2005-06.

1.13 Results of audit

Test check of records of departmental offices relating to taxes on sales, trade etc., stamp duty and registration fee, State excise, passengers and goods tax, taxes on vehicles, agriculture (purchase tax and crop husbandry), mines and geology, home (police), public works (buildings and roads, public health, and

irrigation), medical, animal husbandry, food and supply, co-operation and electricity duty conducted during the year 2005-06, revealed under assessments, non levy and short levy of taxes, duties and losses of revenue amounting to Rs.415.55 crore in 88,900 cases. During the year 2005-06, the departments concerned accepted under assessments etc. of Rs.41.85 crore in 81,414 cases. Out of these, 1,182 cases involving Rs.3.47 crore were pointed out by audit during 2005-06 and the rest in earlier years. An amount of Rs.7.73 crore was recovered in 1,287 cases during 2005-06 of which Rs.7.47 crore recovered in 1,228 cases related to earlier years. No replies have been received in respect of remaining cases.

This report contains 20 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs.200.60 crore. The department/Government accepted audit observations involving revenue of Rs.98.17 crore out of which Rs.1.97 crore had been recovered up to June 2006. In respect of observations not accepted by the department, gist of reasons for department's non acceptance has been included in the related paragraph itself along with suitable rebuttal. However, replies from Government had not been received (August 2006).

1.14 Failure of senior officials to enforce accountability and protect interest of Government

Replies to inspection reports

Accountant General (Audit) Haryana conducts periodical inspection of various offices of Government departments to test check transactions of tax and non tax revenue receipts and verify the maintenance of important accounting and other records as prescribed in rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities etc. detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks from the dates of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and Government.

Inspection reports issued upto December 2005 disclosed that 7,305 audit observations involving money value of Rs.1,754.69 crore relating to 3,375 IRs remained outstanding at the end of June 2006. Of these, 1,016 IRs containing 1,782 paragraphs involving money value of Rs. 97.62 crore had not been settled for more than 10 years by various departments. Even the first replies, required to be received from the heads of offices within six weeks from the date of issue of the IRs, were not received in respect of 14 paragraphs of seven IRs issued between April 2004 and December 2005.

The large pendency of IRs due to non receipt of replies is indicative of failure on the part of heads of offices and heads of departments to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

It is recommended that Government may take suitable steps to ensure that:

- an effective procedure exists for prompt and appropriate response to the audit observations;
- action is taken against officials/officers failing to send replies to the IRs/paras as per the prescribed time schedule; and
- action is taken to recover loss/outstanding demands in a time bound manner

1.15 Departmental audit committee meetings

In order to expedite settlement of outstanding audit observations contained in IRs, departmental audit committees were constituted by Government in September 1985. These committees are chaired by the administrative secretary of the department concerned and attended among others by the officers concerned of the State Government and of the office of the Accountant General (Audit), Haryana.

The meetings were required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations/audit paras. During the year 2005-06, only three out of 23 drawing and disbursing officers (DDOs) concerned dealing with 23 different heads of accounts convened meetings of the audit committee. Thus, most of Government departments did not take any initiative for expeditious settlement of outstanding audit observations through this meeting. Government should ensure periodical meetings of this committee for effective progress.

1.16 Response of the departments to draft audit paragraphs

Department of Finance issued directions to all departments on 5 January 1982 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded by Accountant General to the secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non receipt of replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty one draft paragraphs (clubbed in 17 paragraphs) and three reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2006 were forwarded to the secretaries of the departments concerned during January 2006 to May 2006 through demi official letters. However, replies were received in only three cases.

1.17 Follow up on Audit Reports-Summarised position

Public Accounts Committee of Haryana (PAC) recommended in 1982 that departments should furnish remedial/corrective action taken notes (ATNs) on all paragraphs contained in the Audit Report within the prescribed period.

PAC took a serious view of the inordinate delays and persistent failures in furnishing the ATNs within the prescribed time by most of the departments and recommended on 30 May 1995 that pending ATNs pertaining to Audit Reports should be submitted within three months from the laying of the reports in the State legislature.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year 2000-01 to 2004-05 as on 31 March 2006 disclosed that departments had failed to submit ATNs within the prescribed period in respect of 95 out of 145 paragraphs included in the Audit Reports upto the year ended March 2005, though the Audit Report for the year ended March 2005 was laid on the table of legislature on 14 December 2005 and time limit for furnishing the ATNs lapsed on 13 March 2006.

1.18 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05, the department/ Government accepted audit observations involving Rs.792.39 crore of which an amount of Rs.9.46 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	100.33	35.10	7.43
2001-02	234.05	45.53	0.60
2002-03	340.66	253.63	0.74
2003-04	315.26	95.19	0.31
2004-05	367.24	362.94	0.38
Total	1,357.54	792.39	9.46