

CHAPTER-I: General

1.1 Trend of revenue receipts

Tax and non tax revenue raised by Government of Haryana during the year 2006-07, 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	2002-03	2003-04	2004-05	2005-06	2006-07
I	Revenue raised by the State Government					
	• Tax revenue	5,549.68	6,348.05	7,440.27	9,078.65	10,927.76
	• Non tax revenue*	1,807.85 (1,374.40)	2,223.05 (1,663.73)	2,544.37 (1,842.83)	2,458.56 (2,264.33)	4,590.76 (4,590.30)
	Total (I)	7,357.53 (6,924.08)	8,571.10 (8,011.78)	9,984.64 (9,283.10)	11,537.21 (11,342.98)	15,518.52 (15,518.06)
II	Receipts from Government of India					
	• State's share** of net proceeds of divisible union taxes	756.59	600.75	619.26	***1,200.97	1295.64
	• Grants in aid	542.90	671.63	545.16	1,115.13	1,138.27
	Total (II)	1,299.49	1,272.38	1,164.42	2,316.10	2,433.91
III	Total receipts of the State (I + II)	8,657.02 (8,223.57)	9,843.48 (9,284.16)	11,149.06 (10,447.52)	13,853.31 (13,659.08)	17,952.43 (17,951.97)
IV	Percentage of I to III	85 (84)	87 (86)	90 (89)	83 (83)	86 (86)

* The non tax revenue for 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 includes gross receipts from State lotteries amounting to Rs.406.53 crore, Rs.547.16 crore, Rs.697.02 crore, Rs.188.29 crore and Rs. 0.40 crore against which expenditure of Rs.433.45 crore, Rs.559.32 crore, Rs.701.54 crore, Rs.194.23 crore and Rs. 0.46 crore respectively was incurred on running of lotteries' schemes. The net receipts from State lotteries were (-) Rs.26.92 crore in 2002-03, (-) Rs.12.16 crore in 2003-04, (-)Rs.4.52 crore in 2004-05, (-) Rs.5.94 crore in 2005-06 and (-)Rs.0.06 crore in 2006-07. 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 2006-07. 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 year 2005-06. The increase was mainly due to more receipts and adjustment of previous years (Rs.185.20 crore) under "share of net proceeds assigned to states". During 2006-07, the increase was mainly due to more receipts under "share of net proceeds assigned to states".

Of the total receipts of Rs. 17,952.43 crore for the year 2006-07, 86 per cent was raised by the State Government and the remaining 14 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 2006-07 and the corresponding figures for the preceding four years are as under:

(Rupees in crore)

Particulars of grants in aid	2002-03	2003-04	2004-05	2005-06	2006-07
	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage	Amount / Percentage
Non plan	109 (20)	117 (17)	84 (15)	269 (24)	130 (11)
Plan	434 (80)	555 (83)	461 (85)	846 (76)	1,008 (89)
Total	543 (100)	672 (100)	545 (100)	1,115 (100)	1,138 (100)

The overall grants registered a minor increase of two per cent during the year 2006-07 over the year 2005-06. The non plan grant decreased by 52 per cent whereas plan grant increased by 19 per cent.

1.1.2 Details of tax revenue raised during the year 2006-07, along with the figures for the preceding four years, are given below:

(Rupees in crore)

Sl. No	Head of revenue receipts	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade etc.						
	• General sales tax	2,470.16	2,950.95	3,699.03	4,359.99	5,312.38	(+) 22
	• Central sales tax	867.27	887.05	1,061.88	1,244.46	1,540.86	(+) 24
2.	State excise	878.72	923.28	1,013.16	1,106.86	1,217.10	(+) 10
3.	Stamp duty and registration fee	541.39	695.63	726.58	1,339.73	1,764.98	(+) 32

Sl. No	Head of revenue receipts	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
4.	Taxes and duties on electricity	*0.87	*59.06	61.75	61.53	98.28	(+) 60
5.	Taxes on vehicles	114.39	132.39	140.41	**172.13	223.66	(+) 30
6.	Taxes on goods and passengers	652.75	660.36	705.16	757.60	738.41	(-) 03
7.	Other taxes and duties on commodities and services	14.26	19.32	20.60	23.23	19.10	(-) 18
8.	Land revenue	9.87	20.01	11.70	13.12	12.99***	(-) 01
	Total	5,549.68	6,348.05	7,440.27	**9,078.65	10,927.76	(+) 20

The tax revenue in the year 2006-07 showed an increase of 20 *per cent* over previous year 2005-06. Sales tax receipts of Rs.6,853.24 crore amounted to 63 *per cent* of tax revenue collection during the year 2006-07.

The reasons for variations in receipts during the year 2006-07 as compared to the year 2005-06 as intimated by the department concerned are given below: -

- **Stamp duty and registration fee:** The increase in revenue receipts (32 *per cent*) was due to revision of rates of registration fee in November 2006 and increase in transactions of immoveable property.
- **Taxes and duties on electricity:** The increase in revenue receipts (60 *per cent*) was due to adjustment of balance amount of electricity duty for the year 2005-06 and more realisation/adjustment of arrears of electricity duty by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL)/ Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL).

* 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 Vidyut 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 figure 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.

*** The figure has been rounded off to Rs. 12.99 crore to make total figure of tax revenue of Rs. 10,927.76 crore comparable with Finance Accounts.

- **Taxes on vehicles:** The increase in revenue receipts (30 per cent) was due to revision of rates of taxes/fees and increase in number of vehicles.

Reasons for variations in revenue receipts during the year 2006-07 were called for from the remaining departments in July 2007; replies had not been received (August 2007).

1.1.3 Details of the major non tax revenue raised during the year 2006-07, along with the figures for the preceding four years, are given below:

(Rupees in crore)

Sl. No.	Head of revenue receipts	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	334.27	478.01	472.41	442.48	648.63	(+) 47
2.	Urban development	50.75	143.55	317.96	714.09	2,562.34	(+) 259
3.	Road transport	451.83	482.21	513.17	548.44	571.18	(+) 04
4.	Other non tax receipts	171.50	144.02	144.68	185.13	277.34	(+) 50
5.	Forestry and wild life	28.97	25.48	31.58	32.84	38.62	(+) 18
6.	Non ferrous mining and metallurgical industries	118.88	76.98	92.73	152.60	136.83	(-) 10
7.	Miscellaneous general services						
	• State lotteries*	406.53 {(-) 26.92}	547.16 {(-) 12.16}	697.02 {(-) 4.52}	188.29 {(-) 5.94}	0.40 {(-) 0.06}	(-) 100
	• Other than lotteries	27.13	26.32	8.61	(-) 4.91	129.82	(+) 2,744
8.	Power	1.95	2.21	1.84	2.97	4.58	(+) 54
9.	Major and medium irrigation	52.05	183.00	103.32	64.13	87.19	(+) 36
10.	Medical and public health	28.38	31.96	40.92	30.50	31.59	(+) 04
11.	Co-operation	4.97	6.57	7.72	7.12	10.62	(+) 49

* The figures shown in brackets from 2002-03 to 2006-07 show that the net receipts from lotteries were negative i.e. 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.

Sl. No.	Head of revenue receipts	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
12.	Public works	3.98	3.21	6.40	3.04	6.89	(+) 127
13.	Police	15.54	11.71	26.45	7.49	22.79	(+) 204
14.	Other administrative services	111.12	60.66	79.56	84.35	61.94	(-) 27
	Total	1,807.85	2,223.05	2,544.37	2,458.56	4,590.76	(+) 87

The reasons for variations in receipts during the year 2006-07 as compared to the year 2005-06 as intimated by the departments concerned are given below: -

- **Urban development:** The increase in revenue receipts (259 per cent) was due to more receipt of licence fee on applications from investors for grant of licence for change of land use, increase in rate of fee and charges and recovery of outstanding dues from Haryana Urban Development Authority (HUDA) on account of services rendered by Urban Estate Department to HUDA.
- **Forestry and wild life:** The increase in revenue receipts (18 per cent) was due to higher deposit of funds by user agencies under compensatory afforestation scheme.
- **Non ferrous mining and metallurgical industries:** The decrease in revenue receipts (10 per cent) was due to stay orders of recovery of Rs.16.75 crore in case of three lease holders by the Hon'ble Punjab and Haryana High Court.
- **Miscellaneous general services (State lotteries):** The decrease in revenue receipts (100 per cent) was due to prohibition on sale of lotteries tickets by the Government with effect from May 2005.
- **Power:** The increase in revenue receipts (54 per cent) was due to more recovery of licence fee from Haryana Vidyut Prasaran Nigam Limited (HVPNL) and other miscellaneous receipts.
- **Police:** The increase in revenue receipts (204 per cent) was due to receipt of payment from Railway authorities for the year 2005-06 and Government of India for deployment of police force in Rajasthan and Bihar for election duties.
- **Co-operation:** The increase in revenue receipts (49 per cent) was due to recovery of more registration fee from new group housing societies, profit from co-operative institutions/societies, audit/warehousing/ copying fee and outstanding arrears.

Reasons for variation in revenue receipts during the year 2006-07 were called for from the remaining departments in July 2007; replies had not been received (August 2007).

1.2 Initiatives for mobilisation of additional resources

1.2.1 Initiatives proposed in the budget speech

In the budget speech for the year 2006-07, Government proposed measures for financial discipline to help contain the budget deficit and hoped that the tax revenue would substantially increase as a result of higher expected growth in the national economy.

Tax rules/procedures had been simplified and tax rates rationalised for better compliance of taxes. The value added tax (VAT) introduced in April 2003 with dual objectives of public convenience and generation of revenue had generated higher collection of Rs. 1,248.79 crore during 2006-07. Besides, user charges of public services in technical education, health care services, irrigation water and other services had been updated for mobilisation of resources. The revenue of the State had increased by Rs.3,981.31 crore (including VAT) due to better fiscal management during the year 2006-07.

1.2.2 Implementation of memorandum of understanding

Government has not signed any memorandum of understanding (MOU) with Government of India to mobilise additional resources during 2006-07.

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 2006-07 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	19.60	10.00	(-) 9.60	(-) 49
2.	Taxes on vehicles	160.00	250.00	(+) 90.00	(+) 56
3.	Urban development	230.10	1202.86	(+) 972.76	(+) 423
4.	Industries	0.02	0.03	(+) 0.01	(+) 50
5.	Public service commission	1.00	5.00	(+) 4.00	(+) 400
6.	Police	13.40	24.85	(+) 11.45	(+) 85
7.	Power	3.10	5.00	(+) 1.90	(+) 61
8.	Co-operation	8.50	4.50	(-) 4.00	(-) 47

The above table shows that variation between revised estimates and original budget estimates in respect of principal heads of revenue ranged between (-) 49 per cent and 423 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 2006-07 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.	6,390.00	6,853.24	(+) 463.24	(+) 07
2.	State excise	1,200.00	1,217.10	(+) 17.10	(+) 01
3.	Stamp duty and registration fee	1,000.00	1,764.98	(+) 764.98	(+) 76
4.	Taxes and duties on electricity	61.20	98.28	(+) 37.08	(+) 61
5.	Taxes on vehicles	160.00	223.66	(+) 63.66	(+) 40
6.	Taxes on goods and passengers	730.00	738.41	(+) 8.41	(+) 01
7.	Other taxes and duties on commodities	21.50	19.10	(-) 2.40	(-) 11
8.	Land revenue	19.60	12.99	(-) 6.61	(-) 34
B. Non tax revenue					
9.	Interest receipts	590.40	648.63	(+) 58.23	(+) 10
10.	Dairy development	0.04	0.05	(+) 0.01	(+) 25
11.	Urban development	230.10	2,562.34	(+) 2,332.24	(+) 1,014
12.	Forestry and wildlife	30.62	38.62	(+) 8.00	(+) 26
13.	Non ferrous mining and metallurgical industries	135.00	136.83	(+) 1.83	(+) 01
14.	Misc. general services	7.65	130.22	(+) 122.57	(+) 1,602

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
15.	Major and medium irrigation	85.00	87.19	(+) 2.19	(+) 03
16.	Co-operation	8.50	10.62	(+) 2.12	(+) 25
17.	Police	13.40	22.79	(+) 9.39	(+) 70
18.	Power	3.10	4.58	(+) 1.48	(+) 48
19.	Medical and public health	40.40	31.59	(-) 8.81	(-) 22
20.	Public works	8.00	6.89	(-) 1.11	(-) 14
21.	Other administrative services	82.22	61.94	(-) 20.28	(-) 25

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 (76 per cent) was due to revision of rates of registration fee with effect from 6 November 2006 and increase in transactions of immovable property.
- **Taxes and duties on electricity:** The increase in revenue receipts (61 per cent) was due to adjustment of balance amount of electricity duty for the year 2005-06 and more realisation/adjustment of arrears of electricity duty by UHBVNL/ DHBVNL.
- **Taxes on vehicles:** The increase in revenue receipts (40 per cent) was due to rationalisation of rates of taxes.
- **Land revenue:** The decrease in revenue receipts (34 per cent) was due to less recovery of mutation fee, copying fee and revenue *talbana*[#].
- **Urban development:** The increase in revenue receipts (1,014 per cent) was due to more receipt of licence fee on applications from investors for grant of licence for change of land use, increase in rate of fee and charges and recovery of outstanding dues from HUDA on account of services rendered by Urban Estate Department to HUDA.
- **Forestry and wild life:** The increase in revenue receipts (26 per cent) was due to higher deposit of funds by user agencies under compensatory afforestation scheme.

Charges for serving summons.

- **Co-operation:** The increase in revenue receipts (25 per cent) was due to recovery of more registration fee from new group housing societies, profit from co-operative institutions/societies, audit/warehousing/copying fee and outstanding arrears.
- **Police:** The increase in revenue receipts (70 per cent) was due to receipt of payment from Railway authorities for the year 2005-06 and Government of India for deployment of police force in Rajasthan and Bihar for election duties.
- **Medical and public health:** The decrease in revenue receipts (22 per cent) was due to non receipt of final instalment from Employees State Insurance Corporation.

Reasons for increase/decrease in actual receipts during 2006-07 over budget estimates in respect of other revenue heads were called for from the departments concerned in July 2007; replies had not been received (August 2007).

1.5 Analysis of collection

Break up of total collection at pre assessment stage and after regular assessment of sales tax for the year 2006-07 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 receipts	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	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
	2006-07	6,263.05	644.42 ^{\$\$}	54.23	6853.24	91

The above table shows that collection of revenue at pre assessment stage was 95 per cent during 2003-04, 94 per cent during 2004-05, 98 per cent during 2005-06 and 91 per cent during 2006-07.

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

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 2004-05 to 2006-07 along with the relevant all India average percentage of cost of collection for the year 2005-06 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 2005-06
1	2	3	4	5	6	7
1.	Taxes on sales, trade etc.	2004-05 2005-06 2006-07	4,760.91 5,604.45 6,853.24	34.12 36.86 45.42	0.72 0.65 0.66	0.91
2.	Taxes on vehicles	2004-05 2005-06 2006-07	140.41 172.13 223.66	6.28 6.71 6.93	4.47 3.89 3.10	2.67
3	State excise	2004-05 2005-06 2006-07	1,013.16 1,106.86 1,217.10	8.92 10.75 12.09	0.88 0.97 0.99	3.40
4	Stamp duty and registration fee	2004-05 2005-06 2006-07	726.58 1,339.73 1,764.98	5.25 5.63 10.59	0.72 0.42 0.60	2.87

It would be seen from the above that although the cost of collection under taxes on vehicles as a percentage of the revenue collected under this head has been showing a declining trend during the period 2004-07, yet it remains higher than the all India average.

1.7 Arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs.1,601.84 crore, of which Rs.390.44 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 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	1,268.50	283.40	Demand for Rs.313.60 crore was stayed by High Court, judicial and other authorities, Rs.40.88 crore were held up due to dealers becoming insolvent, Rs.16.86 crore were proposed to be written off, Rs.31.96 crore were held up due to rectification/ review, appeal. Balance amount of Rs.865.20 crore was at different stages of action.

Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
2.	State excise	42.26	27.18	Recovery of Rs.3.28 crore was stayed by High Court, judicial and other authorities. Rs.0.03 crore was held up due to rectification, review and appeal. Rs.0.35 crore was likely to be written off. Balance amount of Rs.38.60 crore was at different stages of action.
3.	Taxes and duties on electricity	89.82*	45.61	Rs.1 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, Charkhi Dadri and Rs. 0.16 crore from M/s Competent Alloys, Ballabhgarh. The remaining amount of Rs. 87.98 crore was pending towards consumers of DHBVNL/ UHBVNL.
4.	• Taxes on goods and passengers	51.97	22.23	Recovery of Rs. 0.27 crore was stayed by High Court and other judicial authorities. Demands of Rs. 9.38 crore were recoverable as inter State arrears. Action to recover the remaining amount of Rs. 42.32 crore was not intimated.
	• Tax on entry of goods into local areas (Local Area Development Tax)	121.78	Nil	Recovery of Rs. 79.31 crore had been stayed by High Court, judicial and departmental authorities and Rs. 4.69 crore was held up due to rectification, review and appeal. Rs. 0.13 crore was likely to be written off. Balance amount of Rs.37.65 crore was at different stages of action.
5.	Police	14.42	4.39	Demands of Rs. 6.87 crore (out of Rs.7.19 crore) were likely to be written off and balance amount of Rs.0.32 crore was recoverable from Indian Oil Corporation. Recovery of Rs.5.49 crore was outstanding from nine** States. Remaining amount of Rs.1.74 crore was recoverable from Civil Aviation, Bachod (Rs.0.54 crore), Civil Aviation, Pinjore (Rs.0.91 crore) and Thermal Plant, Bhakra Beas Management Board (BBMB), Faridabad (Rs. 0.29 crore).

* Figures for the month of March 2007 are tentative.

** Assam (Rs.0.59 crore), Bihar (Rs.2.23 crore), Gujarat (Rs.0.01 crore), Kerala (Rs.0.16 crore), Punjab (Rs.0.91 crore), Rajasthan (Rs.0.02 crore), Tamil Nadu (Rs.0.06 crore), Uttar Pradesh (Rs.0.40 crore) and West Bengal (Rs.1.11 crore).

Sl. No.	Head of revenue receipts	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
6.	Other taxes and duties on commodities and services <ul style="list-style-type: none"> Receipt under the Sugarcane (Regulation, Supply and Purchase Control) Act 	7.18	3.52	Seven sugar mills (Panipat: Rs.3.78 crore, Rohtak: Rs.1.42 crore, Yamunanagar: Rs.0.77 crore, Naraingarh: Rs.0.57 crore, Bhadson Rs.0.48 crore, Kaithal: Rs.0.15 crore and Bhuna: Rs.0.01 crore) did not deposit the tax.
	<ul style="list-style-type: none"> Receipts under entertainment duty and show tax 	1.18	1.17	Recovery of Rs. 0.90 crore had been stayed by High Court and other judicial authorities. Balance amount of Rs. 0.28 crore was at different stages of action.
7.	Non ferrous mining and metallurgical industries	4.73	2.94	Demands of Rs. 2.79 crore were covered by recovery certificates. Recoveries of Rs. 0.57 crore were stayed by High Court and other judicial authorities. Recoveries of Rs. 0.02 crore were held up due to dealers becoming insolvent. Rs. 0.02 crore was likely to be written off. Rs. 0.45 crore and Rs. 0.34 crore was due as inter State and inter district arrears. Balance amount of Rs. 0.54 crore was at different stages of action.
	Total	1,601.84	390.44	

Of these, sales tax arrears of Rs.1,268.50 crore and the arrears outstanding for more than five years constituted 79 per cent and 24 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 may 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 2002-03 to 2006-07 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:

Sl. No.	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	8	9
1.	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
2.	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
3.	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
4.	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
5.	2006-07	ST	1,99,797	1,76,682	3,76,479	1,59,608	2,16,871	42
		PGT	1,665	672	2,337	1,915	422	82

The above table shows that pending cases in respect of ST at the beginning of 2002-03 were 2,07,678 which increased to 2,16,871 at the end of 2006-07 i.e. four *per cent* while the percentage of cases finalised increased from 40 *per cent* in 2002-03 to 42 *per cent* in 2006-07. Fifty eight *per cent* of total cases (3,76,479) were pending assessment (2,16,871 cases) as on 31 March 2007. Similarly pending cases in respect of PGT decreased from 1,140 at the beginning of 2002-03 to 422 at the end of 2006-07 i.e. by 63 *per cent*. The percentage of cases finalised increased from 39 *per cent* in 2002-03 to 82 *per cent* in 2006-07. Eighteen *per cent* of total cases (2,337) were pending assessment (422 cases) as on 31 March 2007.

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 2002-03 to 2006-07 revealed that the performance of assessments finalised by excise and taxation officers ranged between 63.87 *per cent* and 172.90 *per cent* and by assistant excise and taxation officers between 0.12 *per cent* and 148.97 *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 2006-07 are given below:

Sl. No.	Head of revenue receipts	Cases pending as on 31 March 2006	Cases detected during the year 2006-07	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 2007
					Number of cases	Amount of demand (Rs. in crore)	
1	2	3	4	5	6	7	8
1.	Taxes on sales, trade, etc.	52	1,983	2,035	1,968	1.78	67
2.	State excise	117	1,697	1,814	1,637	108.20	177
3.	Taxes on goods and passengers	5,483	9,383	14,866	12,273	6.27	2,593

1.11 Write off and waiver of revenue

During the year 2006-07, demands for Rs.16.86 crore in 296 cases and Rs.0.36 crore in 26 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	142	899.46	8	10.72
2.	Defaulters no longer alive	19	129.98	9	9.74
3.	Defaulters not having any property	97	397.71	9	15.15

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	Nil	Nil
5.	Other reasons	33	234.97	Nil	Nil
	Total	296	1,686.31	26	35.61

1.12 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2006-07, 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 (Rs. in lakh)	No. of cases	Amount (Rs. in lakh)	No. of cases	Amount (Rs. in lakh)
1.	Claims outstanding at the beginning of the year	358	3,794.50	1	0.10	Nil	Nil
2.	Claims received during the year	2,230	7,631.86	412	1,078.10	4	3.31
3.	Refunds made during the year	2,173	5,791.89	407	1,065.16	4	3.31
4.	Claims outstanding at the end of the year	415	5,634.47	6	13.04	Nil	Nil

Refunds of Rs.68.57 crore and Rs.0.03 crore had been made by the Excise and Taxation Department and Chief Electrical Inspector, Haryana to 2,580 and four claimants respectively during the year 2006-07.

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, forest, co-operation and electricity duty conducted during the year 2006-07, revealed under assessments, non levy and short levy of taxes, duties and loss of revenue

amounting to Rs.563.60 crore in 1,04,329 cases. During the year 2006-07, the departments concerned accepted under assessments etc. of Rs.14.09 crore in 3,311 cases. Out of these, 53 cases involving Rs.0.53 crore were pointed out by audit during 2006-07 and the rest in earlier years. An amount of Rs.7.15 crore was recovered in 408 cases during 2006-07 of which Rs.2.94 crore recovered in 281 cases related to earlier years. No replies have been received in respect of remaining cases.

This report contains 21 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs.407.54 crore. The department/Government accepted audit observations involving revenue of Rs.230.55 crore out of which Rs.4.26 crore had been recovered upto June 2007. 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, reply from Government was received in only one case.

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 heads of departments and Government.

Inspection reports issued upto December 2006 disclosed that 8,364 audit observations involving money value of Rs.4,374.78 crore relating to 3,658 IRs remained outstanding at the end of June 2007. Of these, 928 IRs containing 1,521 paragraphs involving money value of Rs.76.17 crore had not been settled for more than 10 years by various departments.

The large pendency of IRs 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 take effective steps to get the audit observations settled at the earliest after getting Government revenue recovered or other action as per law; 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 2006-07, only five out of 22 drawing and disbursing officers (DDOs) concerned dealing with 22 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.

Twenty seven draft paragraphs (clubbed in 18 paragraphs) and three reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2007 were forwarded to the secretaries of the departments concerned during January 2007 to July 2007 through demi official letters. However, reply was received in only one case.

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.

The 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 2001-02 to 2005-06 as on 31 March 2007 disclosed that departments had failed to submit ATNs within the prescribed period in respect of 76 out of 141 paragraphs included in the Audit Reports upto the year ended March 2006, though the Audit Report for the year ended March 2006 was laid on the table of Legislature on 9 March 2007 and time limit for furnishing the ATNs had lapsed on 8 June 2007.

1.18 Recovery of revenue of accepted cases

Out of audit observations involving Rs.1,457.81 crore included in the CAG's Audit Report during the years 2001-02 to 2005-06, the department/Government accepted audit observations amounting to Rs.855.46 crore of which an amount of Rs.18.47 crore was recovered till 31 March 2007 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	234.05	45.53	4.03
2002-03	340.66	253.63	5.44
2003-04	315.26	95.19	4.23
2004-05	367.24	362.94	1.63
2005-06	200.60	98.17	3.14
Total	1,457.81	855.46	18.47