



**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2017**



**Government of Haryana
Report No. 3 of the year 2017**

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Haryana under Article 151 of the Constitution of India.

The Report contains significant findings of audit of receipts and expenditure of major revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains one Performance Audit on “**Exemption and Concessions against declaration forms**” and 25 illustrative paragraphs relating to non/short levy of taxes, interest, penalty, non/short levy of excise duty, stamp duty, passenger and goods tax, royalty etc. with revenue implications of ₹ 750.20 crore.

1. Chapter-I

General

The total revenue receipts of the State Government for the year 2016-17 were ₹ 52,496.82 crore as compared to ₹ 47,556.55 crore during the year 2015-16. Out of this, 77 per cent was raised through tax revenue (₹ 34,025.69 crore) and non-tax revenue (₹ 6,196.09 crore). The balance 23 per cent was received from the Government of India as State’s share of divisible Union taxes (₹ 6,597.47 crore) and Grants-in-aid (₹ 5,677.57 crore). There was an increase in revenue receipts over the previous year by ₹ 4,940.27 crore.

(Paragraph 1.1.1)

Test check of the records of 318 units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration Fees, Taxes on Goods and Passengers, Taxes on Vehicles and Non-Tax receipts conducted during the year 2016-17 brought out under-assessments/short levy/non-levy/loss of revenue aggregating ₹ 1,701.08 crore in 37,331 cases. During the year 2016-17, the Departments accepted under-assessment of ₹ 666.76 crore in 2,721 cases. Of these, the Department recovered ₹ 1.49 crore in 185 cases of earlier years.

(Paragraph 1.11)

2. Chapter-II

Taxes/Value Added Tax on sales, trade

A Performance Audit on “Exemption and Concessions against declaration forms” brought out cases for non-levy of additional tax and penalty for misuse of declaration forms, misclassification of sale, deductions allowed against invalid documents and cases of non/short levy of tax on sale without declaration forms which resulted in loss of revenue of ₹ 518.66 crore.

- Assessing Authorities allowed wrong exemption, nil/concessional rate of tax on sale against invalid declaration forms C, E1, F and H and allowed concessional sale to non existing dealers resulting in non levy of tax of ₹ 17.37 crore besides penalty of ₹ 103.27 crore was also leviable.

(Paragraph 2.3.7)

- Assessing Authorities did not levy additional tax and penalty of ₹ 262.24 crore for misuse of forms VAT D1 and D2.

(Paragraphs 2.3.8.1 and 2.3.8.3)

- Assessing Authorities did not levy penalty of ₹ 79.35 crore for misuse of C forms.

(Paragraph 2.3.8.4)

- Assessing Authorities failed to assess and levy tax of ₹ 25.77 crore on inter-State sale without C Form.

(Paragraph 2.3.8.5)

- Assessing Authorities applied incorrect rate of tax on inter-State sale without C forms, resulting in short levy of CST of ₹ 8.07 crore.

(Paragraph 2.3.8.6)

- Declaration forms printed by department were without security features such as logo and water mark even after departmental instructions of May 2013.

(Paragraph 2.3.15.1)

- Assessing Authority allowed Input Tax Credit against invalid VAT C4 form, resulting in under-assessment of tax of ₹ 2.13 crore and penalty of ₹ 6.38 crore was also leviable.

{Paragraph 2.3.16 (b) (i)}

108 unregistered works contractors and 28 dealers had suppressed sale of ₹ 247.25 crore resulting in evasion of tax and penalty of ₹ 49.78 crore.

(Paragraphs 2.4.2, 2.4.3.1 and 2.4.3.2)

Action to levy penalty of ₹ 11.43 crore was not initiated even after a lapse of 14 to 19 months in five cases by the department.

(Paragraph 2.4.4)

Stock of ₹ 83.72 crore was suppressed in 19 cases resulting in evasion of tax and penalty of ₹ 24.28 crore.

(Paragraph 2.4.5)

Three dealers had suppressed purchase of ₹ 5.08 crore, resulting in evasion of tax and penalty of ₹ 1.09 crore.

(Paragraph 2.4.6)

The Assessing Authorities allowed the deductions treating embroidered fabrics as sale of fabrics resulting in non levy of VAT amounting to ₹ 5.82 crore. In addition, interest of ₹ 2.79 crore was also leviable.

(Paragraph 2.5.1)

Input Tax Credit for Purchase of Duty and Entitlement pass book was allowed incorrectly as the same was not used for resale and adjusted against custom duty payable resulting in incorrect grant of input tax credit of ₹ 2.68 crore to a dealer. Further, ITC of ₹ 1.28 crore was allowed incorrectly as the selling dealer had not shown any sale during the year.

(Paragraph 2.6)

Assessing Authorities omitted to levy central sales tax on the inter-State sales of ₹ 30 crore resulting in short levy of tax of ₹ 3.77 crore.

(Paragraph 2.7)

The Assessing Authorities did not levy interest in five cases and in two cases interest was levied short on delayed payment of tax which resulted in non/short levy of interest of ₹ 2.51 crore.

(Paragraph 2.8)

Assessing Authority incorrectly allowed higher deduction of taxable turnover resulting in under-assessment of tax of 0.76 crore. In addition, interest of ₹ 61.96 lakh was also leviable.

(Paragraph 2.9)

Assessing Authorities while finalising the assessment underassessed the tax of ₹ 1.17 crore due to calculation mistake.

(Paragraph 2.10)

3. Chapter-III

State Excise

Excise revenue is mainly derived from the license fee for grant of license of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

Ninety vends failed to pay the monthly instalments of license fee due for the year 2015-16 by the prescribed dates and DETCs (Excise) did not initiate action to seal the vends resulting in non/short recovery of license fee of ₹ 2.43 crore. In addition, interest of ₹ 1.57 crore was also leviable.

(Paragraph 3.3)

The Department failed to initiate action to recover the differential amount of license fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.08 crore.

(Paragraph 3.4)

4. Chapter-IV

Stamp Duty

Instances of non-compliance with various provisions of the Indian Stamp Act in respect of valuation of residential/commercial immovable property and sale/exchange/gift deeds and land purchased from the amount of compensation received, agricultural land sold within/outside municipal limits, with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less than 1,000 square yards, were noticed resulting in short levy of stamp duty and registration fees of ₹ 45.44 crore (SD ₹ 44.67 crore and RF ₹ 0.77 crore).

(Paragraph 4.3)

Registering Authorities misclassified sale deeds as collaboration agreements instead of agreement to sell in six agreements resulting in short levy of stamp duty of ₹ 7.35 crore.

(Paragraph 4.4)

The Registering Authorities levied SD of ₹ 3.52 lakh instead of ₹ 6.96 crore in respect of annual average rent of ₹ 229.52 crore resulting in short levy of SD of ₹ 6.92 crore.

(Paragraph 4.5)

Six deeds were registered for sale at normal Khasra rates for agricultural land for ₹ 18.76 crore on which SD of ₹ 1.05 crore was levied instead of at rates of khasras, on which Change of Land Use (CLU) was issued to develop residential colonies, for ₹ 62.04 crore on which SD of ₹ 3.82 crore was leviable resulting in short levy of SD of ₹ 2.77 crore. Further, 47 conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty and registration fees of ₹ 42.07 lakh.

(Paragraph 4.6)

Irregular exemption of stamp duty in 38 cases to farmers who had purchased residential/commercial land, purchased agriculture land for amounts exceeding the compensation and purchased agricultural land beyond the permissible period of two years of compensation received, resulted in non/short levy of SD and RF of ₹ 1.85 crore.

(Paragraph 4.7)

5. Chapter-V

Taxes on Vehicles, Goods and Passengers

Transport Department

Vehicle owners of 619 public or private carriers used for carrying goods had not deposited or short deposited Goods tax during the years 2014-15 to 2015-16 resulting in non/short realisation of goods tax of ₹ 47.25 lakh. In addition, interest of ₹ 27.88 lakh was also leviable.

(Paragraph 5.3)

Vehicle owners of 742 goods carriages either had not deposited or short deposited token tax during the year 2015-16 resulting in non/short realisation of token tax of ₹ 17.16 lakh. In addition, penalty of ₹ 34.32 lakh was also leviable.

(Paragraph 5.4)

6. Chapter-VI

Other Tax and Non-Tax Receipts

Mines and Geology Department

Failure on the part of the Department to take timely action resulted in non-realisation of contract money of ₹ 35.90 crore including interest of ₹ 10.37 crore.

(Paragraph 6.3)

Royalty and interest amounting to ₹ 37.22 lakh was not recovered from 67 brick kiln owners, who were issued permits between April 2014 and March 2017 in respect of four districts.

(Paragraph 6.4)

CHAPTER-I
GENERAL

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Haryana during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties assigned to State and grants-in-aid received from the Government of India (GOI) during the year and the corresponding figures for the preceding four years are depicted in **Table 1.1.1**.

Table 1.1.1: Trend of Revenue Receipts

(₹ in crore)						
Sr. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Revenue raised by the State Government					
	• Tax revenue	23,559.00	25,566.60	27,634.57	30,929.09	34,025.69
	• Non-tax revenue	4,673.15	4,975.06	4,613.12	4,752.48	6,196.09
	Total	28,232.15	30,541.66	32,247.69	35,681.57	40,221.78
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties ¹	3,062.13	3,343.24	3,548.09	5,496.22	6,597.47
	• Grants-in-aid	2,339.25	4,127.18	5,002.88	6,378.76	5,677.57
	Total	5,401.38	7,470.42	8,550.97	11,874.98	12,275.04
3.	Total revenue receipts of the State Government (1 and 2)	33,633.53	38,012.08	40,798.66	47,556.55	52,496.82
4.	Percentage of 1 to 3	84	80	79	75	77

¹ For details please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 2016-17. Figures under the head 0021 - Taxes on income other than corporation tax - share of net proceeds assigned to States booked in the Finance Accounts under Section A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

Report for the year 2016-17 (Revenue Sector)

During the year 2016-17, the revenue raised by the State Government (₹ 40,221.78 crore) was 77 per cent of the total revenue receipts. The balance 23 per cent of the receipts during the year 2016-17 was from the GOI as State's share of net proceeds of divisible Union taxes and grants-in-aid.

The percentage of revenue receipts of the State Government from its own resources to total revenue receipts shows a decreasing trend from 2012-13 (84 per cent) to 2015-16 (75 per cent). Thereafter, for the year 2016-17 it increased to 77 per cent.

1.1.2 The details of tax revenue raised during the period 2012-13 to 2016-17 are given in **Table 1.1.2**.

Table 1.1.2: Details of Tax Revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) of Actuals of 2016-17 over actuals of 2015-16
		Budget Estimate (BE)	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Taxes on sales, trade etc./value added tax (VAT)	16,450.00	15,376.58	19,288.61	16,774.33	19,930.00	18,993.25	22,821.40	21,060.23	28,750.00	23,488.41	11.53
2.	State Excise	3,000.00	3,236.48	4,000.00	3,697.35	4,350.00	3,470.45	4,567.50	4,371.08	5,251.58	4,613.13	5.54
3.	Stamps and registration fees	3,000.00	3,326.25	3,850.00	3,202.48	3,950.00	3,108.70	3,600.00	3,191.21	3,700.00	3,282.64	2.87
4.	Taxes on goods and passengers	450.00	470.76	520.00	497.45	650.00	527.07	600.00	554.25	660.00	594.59	7.28
5.	Taxes on vehicles	750.00	887.29	850.00	1,094.86	1,175.00	1,191.50	1,316.00	1,400.38	1,447.60	1,583.06	13.05
6.	Taxes and duties on electricity	160.00	191.96	201.40	219.20	232.25	239.74	240.00	256.66	269.88	275.69	7.41
7.	Land revenue	15.28	12.98	19.33	12.42	13.50	15.28	16.50	14.97	18.15	16.08	7.41
8.	Other taxes and duties on commodities and services	48.00	56.70	55.00	68.51	74.00	88.58	88.00	80.31	102.30	172.09	114.28
	Total	23,873.28	23,559.00	28,784.34	25,566.60	30,374.75	27,634.57	33,249.40	30,929.09	40,199.51	34,025.69	10.01

It is stated that the tax revenue increased from ₹ 23,559 crore in 2012-13 to ₹ 34,025.69 crore in 2016-17. The growth of tax revenue over the years shows almost a secular trend of eight to 10 per cent.

The respective Departments reported the following reasons for the variations:

- **Taxes on sales, trade etc./value added tax:** During the last five years, the VAT has increased (52.75 per cent) to ₹ 23,488.41 crore in 2016-17 as against ₹ 15,376.58 crore in 2012-13 and was due to higher receipts on account of VAT/CST.
- **State Excise:** During the last five years, the increase in revenue receipts to ₹ 4,613.13 crore in 2016-17 as against ₹ 3,236.48 crore in 2012-13 was due to more receipts on country spirits and other receipts.
- **Taxes on Vehicles:** During the last five years, the increase in actual receipts to ₹ 1,583.06 crore in 2016-17 as against ₹ 887.29 crore in 2012-13 was due to more receipts under Motor Vehicles Act.

1.1.3 The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in **Table 1.1.3**.

Table 1.1.3: Details of Non-Tax Revenue raised

(₹ in crore)

Sr. No	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) of Actuals of 2016-17 over actuals of 2015-16
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Interest Receipts	1,080.04	1,058.21 ²	1,090.12	1,090.71	1,142.51	933.59	1,281.41	1,087.49	2,375.50	2,309.79	112.40
2.	Road Transport	1,150.00	999.87	1,315.00	1,097.54	1,310.00	1,235.31	1,450.00	1,254.55	1,865.00	1,265.13	0.84
3.	Education, Sports, Art and Culture	386.41	385.43	438.14	318.94	527.83	564.48	596.77	637.41	1,109.73	640.48	0.48
4.	Urban Development	1,150.00	990.70	1,200.00	1,104.54	1220.00	861.11	1300.00	421.95	750.00	599.00	41.96

² Includes ₹ 454.33 crore in book adjustment of interest on irrigation project capital interest.

Report for the year 2016-17 (Revenue Sector)

Sr. No	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) of Actuals of 2016-17 over actuals of 2015-16
5.	Non-ferrous mining and metallurgical industries	225.00	75.49	150.00	79.10	500.00	43.46	1,000.00	271.61	1,040.00	496.95	82.96
6.	Other non-tax receipts	223.39	403.07	246.17	510.65	432.70	472.18	461.25	466.30	464.83	438.45	(-) 5.97
7.	Major and medium irrigation	194.56	139.12	213.68	95.04	156.50	129.27	156.75	110.48	164.12	113.43	2.67
8.	Police	83.22	63.73	158.20	80.38	160.02	67.82	160.00	151.70	154.23	109.11	(-) 28.07
9.	Other administrative services	156.00	125.86	136.80	144.35	167.39	95.73	194.55	115.64	116.51	105.66	(-) 8.64
10.	Forestry and wildlife	45.00	41.36	45.00	37.37	40.00	44.29	40.00	51.90	41.00	55.38	6.70
11.	Misc. General Services ³	1.30	312.30	5.89	268.37	30.00	20.38	21.23	41.39	31.71	31.54	(-) 23.80
12.	Medical and public health	109.63	78.01	163.48	148.07	179.61	145.50	223.43	142.06	195.81	31.17	(-) 78.06
Total		4,804.55	4,673.15	5,162.48	4,975.06	5,866.56	4,613.12	6,885.39	4,752.48	8,308.44	6,196.09	30.38

There is an increase of 30.38 *per cent* in actual receipts in 2016-17 over actual receipts of 2015-16. Urban development, road transport and mining sector are main contributors to non-tax revenue and as a whole contribute approximate 38 *per cent* of total non-tax revenue.

- **Urban development:** There is a huge fall in revenue of urban development from ₹ 990.70 crore to ₹ 599.00 crore over last five years.
- **Interest receipts:** The increase in actual receipts of 2016-17 (112.40 *per cent*) was due to more receipts of interest on loans to Power Distribution Companies.
- **Medical and Public Health:** The decrease in actual receipts of 2016-17 (78.06 *per cent*) was due to less receipts under Employees State Insurance Scheme.

³ Unclaimed deposits, State Lotteries, Sale of land/property, Guarantee fee and other receipts.

- **Non-ferrous mining and metallurgical industries:** The increase in actual receipts of 2016-17 (82.96 per cent) was due to more receipts of mineral concession fees, rents, royalties and other charges under Non-ferrous mining and metallurgical industries.

The other Departments did not intimate the reasons for variations in receipts despite being requested (October 2017).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 in some principal heads of revenue amounted to ₹ 12,189.17 crore of which ₹ 3,071.25 crore was outstanding for more than five years as depicted below.

Table 1.2: Arrears of Revenue

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Replies of Department
1	Taxes on sales, trade/VAT etc.	9,501.18	2,553.67	Recovery of ₹ 1,045.35 crore was stayed by the High Court and other judicial authorities and ₹ 23.17 crore was stayed due to orders of Governments. Recovery of ₹ 2.24 crore was held up due to the dealers becoming insolvent, ₹ 106.31 crore was proposed to be written off and ₹ 628.60 crore was held up due to rectification, review and appeal. Recovery of arrears of ₹ 417.58 crore was pending on account of cases pending in the court and ₹ 752.10 crore was pending on account of non-recovery by the department due to other reasons. Recovery of ₹ 321.82 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Inter State arrears were ₹ 115.66 crore and Inter districts arrears were ₹ 75.53 crore. Recovery of ₹ 2.20 crore was being made in instalments. Balance amount of ₹ 6,010.62 crore was at other stages of action.
2	State Excise	204.47	94.81	Recovery of ₹ 18.20 crore was stayed by High Court and other judicial authorities and ₹ 0.49 crore was likely to be written off. Recovery of ₹ 51.24 crore was due to inter-State and inter-districts arrears respectively. Recovery of ₹ 0.05 crore was being made in instalments. Balance of ₹ 134.49 crore was outstanding at different stages of action.
3	Taxes and duties on electricity	212.69	84.14	Rupees 211.69 crore was pending against the consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) and Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and ₹ one crore was pending with official liquidator/BIFR.
4	Taxes on goods and passengers	163.56	64.68	Arrears of ₹ 50.36 crore was pending on account of non-recovery by the department and inter-State arrears was ₹ 5.17 crore. Balance of ₹ 108.03 crore was outstanding at different stages of action.

Report for the year 2016-17 (Revenue Sector)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Replies of Department
5	Tax on entry of goods into local areas (Local Area Development Tax)	1,863.96	195.43	Recovery of ₹ 1,801.71 crore was stayed by High Court and other judicial authorities and an amount of ₹ 62.25 crore was outstanding at different stages of action.
6	Police	108.43	8.19	Rupees ₹ 7.38 crore was due from Indian Oil Corporation Limited (IOCL) up to 31 March 2007. The matter of recovery from IOCL in Haryana State was pending at the level of State Government. ₹ 29 lakh was recoverable from Bhakra Beas Management Board, Faridabad and ₹ 100.76 crore was recoverable from other States for election duties.
7	Other taxes and duties on commodities and services – Receipts from Entertainment duty	11.00	8.17	Recovery of ₹ 2.76 crore had been stayed by the High Court and other judicial authorities, ₹ 0.02 crore was likely to be written off and balance amount of ₹ 8.22 crore was at different stages of action.
8	Non-ferrous mining and metallurgical industries	123.88	62.16	Rupees 63.65 crore was outstanding on account of demand covered by recovery certificates. ₹ 0.54 crore was stayed by the High Court and other judicial authorities. Rupees 0.02 crore was likely to be written off. Balance of ₹ 59.67 crore was outstanding at different stages of action.
	Total	12,189.17	3,071.25	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation Department in respect of Sales Tax and Passengers and Goods Tax (PGT) was as depicted below.

Table 1.3: Arrears in Assessments

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on sales, trade etc./ VAT	2,29,719	2,28,741	4,58,460	2,03,533	2,54,927	44
Taxes on goods and passengers	2,319	612	2,931	2,048	883	70

The number of cases pending at the end of the year has increased in respect of Taxes on sales, trade etc./VAT and decreased in respect of Taxes on Goods and Passengers as compared to the number of cases pending at the start of the year. It is further observed that percentage of disposal of cases in respect of Taxes on sales, trade etc./VAT and Taxes on Goods and Passengers was 44 and 70 respectively.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.4**.

Table 1.4: Evasion of Tax

Sr. No.	Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2017
					Number of cases	Amount of demand (₹ in crore)	
1	Taxes on sales, trade etc./ VAT	100	3,833	3,933	3,799	69.73	134
2	State excise	887	8,623	9,510	8,921	6.72	589
3	Tax on goods and passengers	1,453	9,640	11,093	8,291	12.55	2,802
Total		2,440	22,096	24,536	21,011	89.00	3,525

The number of cases pending at the end of the year has increased in the case of Taxes on Goods and Passengers and Taxes on sales, trade etc./VAT and decreased in the case of State Excise as compared to the number of cases pending at the start of the year.

1.5 Refund cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Department is given in **Table 1.5**.

Table 1.5: Details of Refund Cases

Sr. No.	Particulars	Sale Tax/VAT		State Excise	
		Number of cases	Amount (₹ in crore)	Number of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	709	250.55	69	7.99
2	Claims received during the year	1,841	516.27	622	41.89
3	Refunds made/adjusted/rejected during the year	1,971	651.52	650	42.72
4	Balance outstanding at the end of year	579	115.30	41	7.16

The number of outstanding cases at the end of year has decreased both in Sales Tax/VAT and State Excise as compared to cases outstanding at the beginning of the year.

1.6 Internal Audit

During the year 2016-17, out of 268 units planned for audit, Internal Audit Cell audited 244 units (91 per cent) as detailed in **Table 1.6**.

Table 1.6: Internal Audit

Receipts	Number of units Planned	Number of units audited
Stamp Duty	142	142
State Excise	22	21
VAT/Sales Tax	Nil	Nil
Motor Vehicle Tax	82	70
Passengers and Goods Tax	22	11
Total	268	244

The irregularities discussed in the paragraphs of Chapters II to VI are indicators of inadequate internal control mechanism as the irregularities pointed out in the Audit Report were not detected by the internal audit parties. It is observed that internal audit of VAT/Sales tax was not conducted during the year. Reasons for not conducting internal audit was not provided by the Department.

1.7 Response of the Government/Departments towards audit

The Principal Accountant General (Audit) Haryana conducts periodical inspection of Government departments to test check the transactions and

verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs, within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the department and the Government.

Inspection reports issued up to December 2016 disclosed that 6,430 paragraphs involving ₹ 5,869.33 crore relating to 2,302 IRs remained outstanding at the end of June 2017 as mentioned below in **Table 1.7** along with the corresponding figures for the preceding two years.

Table 1.7: Details of pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	1,966	2,143	2,302
Number of outstanding audit observations	4,911	5,389	6,430
Amount of revenue involved (₹ in crore)	3,489.99	5,802.87	5,869.33

1.7.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in **Table 1.7.1**.

Table 1.7.1: Department-wise details of Inspection Reports

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Excise and Taxation	Sales tax /VAT	327	2,680	5,208.90
		State Excise	141	242	144.91
		Taxes on goods and passengers	225	400	35.88
		Entertainment duty and show tax	21	23	11.62
2	Revenue	Stamps and registration fees	995	2302	360.77
		Land Revenue	128	164	0.60
3	Transport	Taxes on vehicles	364	490	25.29
4	Power	Taxes and duties on electricity	4	5	5.84
5	Mines and Geology	Non-ferrous mining and metallurgical industries	97	124	75.52
Total			2,302	6,430	5,869.33

The increase in the pendency of IRs was indicative of the fact that the heads of offices and the Departments did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs.

The Government may institute a system of effective monitoring of responses of departments to IRs to ensure prompt response to audit observations.

1.7.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2016-17 and the paragraphs settled are mentioned in **Table 1.7.2** below.

Table 1.7.2: Departmental Audit Committee Meetings

Sr. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)
1	Excise and Taxation Department (Sales Tax)	6	168	568.76
2	Excise and Taxation Department (PGT)	2	3	0.03
3	Revenue Department	3	58	1.27
4	Mines and Geology Department	1	11	0.39
	Total	12	240	570.45

1,295 paras were discussed in ACMs and out of which 240 paras worth ₹ 570.45 crore were settled during 2016-17 whereas 2,203 paras were discussed in ACMs during the year 2015-16 and out of which 674 paras worth ₹ 166.93 crore were settled. It shows a decrease in percentage of paras settled during the year 2016-17 (19 *per cent*) as compared to paras settled in 2015-16 (31 *per cent*).

1.7.3 Non production of records to audit for scrutiny

During the year 2016-17, 455 files out of 8,178 assessment files and other relevant records involving tax effect of ₹ 1,317.78 crore were not made available to audit. District-wise detail of cases are depicted in **Table 1.7.3** below.

Table 1.7.3: Details of non-production of records

Name of the Office/Department	Year in which it was to be audited	Number of cases not produced	Tax amount/refunds (₹ in crore)
Assessment cases			
Deputy Excise and Taxation Commissioner (DETC (Sales tax) Gurugram (East)	2016-17	78	335.32
DETC (ST) Gurugram (West)	2016-17	315	881.97
DETC (ST) Sirsa	2016-17	62	100.49
	Total	455	1,317.78

The above table shows that 455 cases amounting to ₹ 1,317.78 crore relating to DETCs (ST), Gurugram (East and West) and Sirsa could not be examined due to non-production of records.

1.7.4 Follow up on the Audit Reports-summarised position

According to instructions issued by the Finance Department in October 1995 and reiterated in July 2001, it had been laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within three months of tabling of the Report for consideration of the Public Accounts Committee (PAC). However, the ATNs were being delayed. Sixty seven paragraphs⁴ (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Haryana for the years ended 31 March 2013, 2015 and 2016 were placed before the State Legislature Assembly between March 2014 and February 2017. ATNs in respect of 51 paragraphs from four departments (Excise and Taxation, Transport, Revenue and Mines and Geology) as mentioned in **Annexure-I** had not been received for the Audit Reports for the year ended 31 March 2013, 2015 and 31 March 2016 so far (October 2017).

The PAC discussed 44 selected paragraphs⁵ of the Audit Reports for the years 2011-12 and 2013-14 and its recommendations on 44 paragraphs were incorporated in their 73rd and 74th Reports for the year 2015-16. The report for the year 2012-13 is yet to be discussed in PAC. A total of 963 recommendations pertaining to the period 1979-80 to 2011-12 and for the year 2013-14 contained in 22nd to 74th Reports of PAC as mentioned in

⁴ AR 2012-13: 18 paras; AR 2014-15: 24 paras; and AR 2015-16: 25 paras.

⁵ AR 2011-12: 20 paras; and AR 2013-14: 24 paras.

Annexure-II and **Annexure-III** were still pending for want of final corrective action to be taken by the concerned Departments. However, PAC recommended that department should evolve an effective mechanism to recover the arrears of revenue in a time bound manner by creating a recovery cell.

1.8 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.8.1 to 1.8.2 discusses the performance of the Excise and Taxation Department relating to State Excise under revenue head 0039 and cases detected in the course of local audit during the last 10 years included in the Audit Reports for the year 2007-08 to 2016-17.

1.8.1 Position of Inspection Reports

The summarised position of the inspection reports issued to the Excise and Taxation Department (State Excise) during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are brought out in **Table 1.8.1** below.

Table 1.8.1: Position of Inspection Reports in Excise and Taxation Department (State Excise)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)
2007-08	106	177	128.06	21	39	15.33	16	28	18.23	111	188	125.16
2008-09	111	188	125.16	34	65	20.92	25	45	74.50	120	208	71.58
2009-10	120	208	71.58	36	55	11.04	40	92	23.70	116	171	58.92
2010-11	116	171	58.92	19	60	29.07	30	53	17.48	105	178	70.51
2011-12	105	178	70.51	14	33	4.89	13	33	20.30	106	178	55.10
2012-13	106	178	55.10	27	80	20.87	34	87	13.28	99	171	62.69
2013-14	99	171	62.69	22	46	10.64	5	16	0.86	116	201	72.47

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para- graphs	Money value (₹ in crore)	IRs	Para- graphs	Money value (₹ in crore)	IRs	Para- graphs	Money value (₹ in crore)	IRs	Para- graphs	Money value (₹ in crore)
2014-15	116	201	72.47	35	93	84.78	24	49	22.58	127	245	134.67
2015-16	127	245	134.67	25	57	22.10	6	21	2.75	146	281	154.02
2016-17	146	281	154.02	22	50	39.06	23	79	31.43	145	252	161.65

The number of outstanding IRs increased from 106 in 2007-08 to 145 in 2016-17 and paragraphs have increased from 177 in 2007-08 to 252 in 2016-17 as on 31 March 2017. The Government should arrange more audit committee meetings to settle the long pending paragraphs.

1.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in Table 1.8.2.

Table 1.8.2: Recovery of accepted cases

Year of the audit report	Number of paragraphs included	Money value of the paragraph (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative positions of recovery of accepted cases (₹ in crore)
2006-07	02	0.48	02	0.48	0.01	0.16
2007-08	02	1.23	02	1.23	0.03	0.19
2008-09	04	2.35	04	2.35	0.09	0.18
2009-10	02	5.65	02	5.65	0.10	1.93
2010-11	01 (PA)	21.60	01 (PA)	21.60	2.64	2.83
2011-12	03	4.75	03	4.75	0.05	0.19
2012-13	03	12.15	03	12.15	0.44	1.10
2013-14	02	24.87	02	24.87	0.37	0.37
2014-15	02	20.44	02	20.44	5.07	5.07
2015-16	01 (PA)	60.56	01 (PA)	60.56	11.58	11.58
Total	20	71.92	20	71.92	6.16	9.19
	02 (PA)	82.16	02 (PA)	82.16	14.22	14.41
Grand Total	22	154.08	22	154.08	20.38	23.60

The progress of recovery even in accepted cases was low (15.32 per cent) during the last 10 years. The department may take appropriate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.9 Action taken on the recommendations accepted by the Departments/Government

The department accepted all the recommendations of Performance Audit for the year 2010-11 and stated that these would be considered in future while framing Excise policy. The performance audit titled 'Receipts from State Excise Duty' featured in the Report for the year 2015-16 is yet to be discussed in PAC.

1.10 Audit planning

There are total 656 auditable units in the State of Haryana of which 320 units were planned and 318 audited during 2016-17. The units were selected on the basis of risk analysis.

1.11 Results of audit

Position of local audits conducted during the year

Test check of the records of 318 (Revenue 278 + expenditure 40) units of Sales Tax/Value Added Tax, State Excise, Stamp Duty and Registration fees, Motor Vehicles, Goods and Passengers and other Departmental offices conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating to ₹ 1,701.08 crore in 37,331 cases. During the course of the year, the departments concerned accepted under-assessment and other deficiencies of ₹ 666.76 crore involved in 2,721 cases. The departments recovered ₹ 1.49 crore in 185 cases during the year 2016-17.

1.12 Coverage of this Report

This Report contains one Performance Audit on “**Exemption and Concessions against declaration forms**” and 25 paragraphs involving financial effect of ₹ 750.20 crore.

The Departments/Government have accepted audit observations involving ₹ 622.77 crore out of which ₹ 0.23 crore had been recovered. These are discussed in succeeding Chapters II to VI.

CHAPTER-II
TAXES/VAT ON SALES, TRADE

CHAPTER II: TAXES/VAT ON SALES, TRADE

2.1 Tax administration

The Haryana Value Added Tax Act, 2003 (HVAT Act) and rules framed thereunder are administered by the Additional Chief Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department and he is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy ETCs (DETCs) and Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant tax laws and rules.

2.2 Results of audit

In 2016-17, test check of the records of 39 out of 63 units (Revenue: 30 and expenditure: 09) relating to VAT/Sales tax assessments and other records revealed under-assessment of tax and other irregularities involving ₹ 1,339.32 crore, in 2,303 cases, falling under the following categories as depicted in the **Table 2.1**.

Table-2.1- Results of audit

Revenue			
Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1	Performance Audit on “Exemption and concessions against declaration forms”	645	518.66
2.	Evasion of taxes due to suppression of sales/purchases	203	103.41
3.	Under-assessment of Tax	388	137.00
4.	Acceptance of defective statutory ‘Forms’	131	52.58
5.	Irregular/Incorrect/Excess allowance of ITC	199	89.78
6.	Other irregularities	710	425.83
	Total (I)	2,276	1,327.26
Expenditure			
1.	Non receipts of utilisation certificate	1	11.59
2.	Other irregularities	26	0.47
	Total (II)	27	12.06
	Grand Total (I+II)	2,303	1,339.32

During the year, the Department accepted under-assessment and other deficiencies of ₹ 526.50 crore in 823 cases, out of which ₹ 246.89 crore involved in 208 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 84.41 lakh in 42 cases in the year 2016-17, out of which 21 cases involving ₹ 46.78 lakh relates to this year and rest in earlier years.

One Performance Audit on “Exemption and Concessions against declaration forms” involving tax effect of ₹ 518.66 crore and a few illustrative audit observations involving ₹ 122.23 crore are discussed in the following paragraphs.

2.3 Exemption and Concessions against declaration forms

2.3.1 Highlights

- Assessing Authorities allowed wrong exemption, nil/concessional rate of tax on sale against invalid declaration forms C,E1,F and H and allowed concessional sale to non existing dealers resulting in non levy of tax of ₹ 17.37 crore besides penalty of ₹ 103.27 crore was also leviable.

(Paragraphs 2.3.7)

- Assessing Authorities did not levy additional tax and penalty of ₹ 262.24 crore for misuse of forms VAT D1 and D2.

(Paragraphs 2.3.8.1 and 2.3.8.3)

- Assessing Authorities did not levy penalty of ₹ 79.35 crore for misuse of C forms.

(Paragraph 2.3.8.4)

- Assessing Authorities failed to assess and levy tax of ₹ 25.77 crore on inter-State sale without C Form.

(Paragraphs 2.3.8.5)

- Assessing Authorities applied incorrect rate of tax on inter-State sale without C forms, resulting in short levy of CST of ₹ 8.07 crore.

(Paragraph 2.3.8.6)

- Declaration forms printed by department were without security features such as logo and water mark even after departmental instructions of May 2013.

(Paragraph 2.3.15.1)

- Assessing Authority allowed Input Tax Credit against invalid VAT C4 form, resulting in under-assessment of tax of ₹ 2.13 crore and penalty of ₹ 6.38 crore was also leviable.

{Paragraph 2.3.16 (b) (i)}

2.3.2 Introduction

The assessment, levy and collection of tax on sales in Haryana is governed by the Haryana Value Added Tax Act, 2003 (HVAT Act) and rules made there-under (HVAT Rules, 2003). The State Government may by notification and subject to such restrictions and conditions as may be specified therein, exempt any class of dealers or any goods or class of goods, in whole or in part from payment of tax under the Act for such period as may be specified in the notification. The registered dealer purchasing the goods exempted from payment of tax and concessional rate of tax under the Act, shall furnish a

declaration or certificate in Form VAT D-1¹, VAT D-2², VAT C-3³ to the effect that the goods purchased were used by him for the purpose or in the manner and within the period specified in the notification granting such exemptions/concessions. Benefit of payment of tax for goods sold by a registered dealer to another registered dealer shall be allowed on submission of certificate in Form VAT-C-4⁴.

Under the Central Sales Tax Act, 1956 (CST Act) and the rules framed thereunder, the dealers are eligible for certain exemptions/concessions of tax on inter-State sale/transaction to the registered dealers, transfer of goods to branches/agents and on export/import of goods out of/into the territory of India on the strength of prescribed declaration in forms C⁵, E-1, E-II⁶, F⁷, H⁸, I⁹ and J¹⁰ along-with supporting certificates and documents as provided under Sections 5 (3), 6 (2), 6 (4), 6 A, 8 (3) and 8 (8) of CST Act.

2.3.3 Audit Objectives

The performance audit aims to ascertain whether:

- an effective system of printing of declaration forms with security features (to avoid unauthorised printing and misuse of forms), custody and issue of declaration forms exists in the department;
- proper database for issue of declaration forms exists and the same is being uploaded on TINXSYS;
- cross verification of the transactions/declaration forms of the dealers conducted by the AAs was effective in verifying the genuineness of the exemptions/concessions claimed on declaration forms produced by the dealers;
- various provisions/instructions regarding exemptions and concessions were correctly implemented by AAs at the time of assessment; and
- internal control mechanism was effective to ensure proper utilisation of declaration forms so as to prevent leakage of revenue.

¹ Form VAT D-1 for making purchases/sales at concessional rate of tax for specific purposes.

² Form VAT D-2 for making purchases (without payment of tax) to comply with an order of export of goods outside the territory of India.

³ Form VAT C-3 for making purchases at concessional rate of tax by government.

⁴ Form VAT C-4 for claiming benefit of Input Tax Credit (ITC).

⁵ Form C for making inter-State purchases/sales at concessional rate of tax.

⁶ Form E-1 and E-II for making purchase and further sale during movement of goods from one State to another.

⁷ Form F for making transfer of goods (without payment of tax) to branches/agents in other States.

⁸ Form H for making purchases (without payment of tax) to comply with an order of export of goods outside the territory of India.

⁹ Form I for making purchases by a unit in Special Economic Zone (SEZ).

¹⁰ Form J for making purchases by diplomatic mission, consulate, United Nation and other international body and diplomatic agent, consular, officials and personnel thereof.

2.3.4 Scope and methodology

The assessment records relating to assessments made during 2013-14 to 2015-16 of 10 districts¹¹ out of 23 districts have been selected for the Performance Audit on random selection basis by applying probability proportional to size without replacement (monetary unit sampling) method through IDEA software. The records of selected districts were test checked between January and May 2017. Related material available at headquarter in respect of other districts has also been included in the Performance Audit.

An entry conference was held in January 2017 with the Additional Chief Secretary Excise and Taxation Department wherein the audit objectives, audit criteria and methodology adopted for selection of districts were explained/discussed. The draft Performance Audit report was forwarded to the Government in July 2017. An exit conference was held on 27 July 2017 with the Additional Chief Secretary (Excise and Taxation Department), ETC, AETCs, and other officers. The views of the Department/Government have been incorporated in the Performance Audit report.

2.3.5 Audit criteria

The audit criteria were derived from the following sources:

- HVAT Act and Rules, 2003;
- CST Act, 1956 and CST Rules, 1957;
- Notifications, instructions and circulars issued by Government/department; and
- Judicial pronouncements of Hon'ble courts/Tribunal.

Audit findings

Systemic Deficiencies

2.3.6 TINXSYS

Tax Information Exchange System (TINXSYS) is a centralised exchange of all inter-State dealers spread across various States and Union Territories (UTs) of India. The website was designed to help the Commercial Taxes Departments of various States and UTs to effectively monitor inter-State trade. TINXSYS can be used by any dealer to verify the counter party inter-State dealer in any other State. Apart from dealer verification, Departmental officials were required to use TINXSYS for verification of Central Statutory Forms issued by other State Commercial Taxes Departments and submitted to them by the dealers in support of claim for concessions. TINXSYS also

¹¹ Gurugram (East), Jagadhri, Jhajjar at Bahadurgarh, Jind, Mewat, Palwal, Panipat, Rewari, Sirsa and Sonapat.

provides Management Information System and Business Intelligence Reports to the Commercial Taxes Departments to monitor inter-State trade movements and enables the Empowered Committee (EC) to monitor the trends in inter-State trade.

2.3.6.1 Non-uploading of data on TINXSYS

The Ministry of Finance, Government of India (GOI), had instituted the website TINXSYS and asked the States to make it operational and usable for uploading data relating to Central declaration forms for verification of transactions/ forms on an all India basis. The Department had also issued instructions in December 2011 for uploading information relating to issue of all central declaration forms on website TINXSYS.

Scrutiny of records of ten DETC (ST) offices revealed that the Department had not uploaded the details of declaration forms i.e. C, F, H, E-I, E-II on TINXSYS.

The Department stated that C forms is being issued online from June 2015. Reply of the department was not tenable as the department had issued instructions in 2011 that all declaration forms issued manually were to be uploaded on TINXSYS.

Compliance deficiencies

2.3.7 Under-assessment due to wrong exemption/concession against false forms and allowing benefit of tax on sale to non existing dealers

Under Section 8 (4) of the CST Act, a registered dealer is entitled to benefit of concessional rate of tax at two *per cent* on production of declaration form C. Section 6 (2) of the CST Act read with Rule 12 (4) of CST Rules, and provision contained in sub section (3) of Section 8, transit sale is exempt from tax on production of transfer of documents and declarations in forms E-1 and C. Under Section 6A of the CST Act, transfer of goods to branch or agent from one State to other State is exempt from tax on production of F forms. Under Section 5 (3) of the CST Act and Rule 12 (10) of CST Rules, sale or purchase of any goods occasioning the export of those goods out of the territory of India is exempt from tax on complying with the agreement or order for such export and on production of declaration form H. Penalty under Section 9 (2A) of CST Act read with Section 38 of HVAT Act is leviable for submitting wrong documents to evade payment of tax.

Audit noticed that the AAs had wrongly allowed concessions/exemptions of tax amounting to ₹ 17.37 crore, against false declaration in forms C, E-1, F and H, exemption of tax on sales/purchases to non existing dealers, wrong

consignment of sale and non levy of penalty amounting to ₹ 103.27 crore, for invalid claim of CST sale as tabulated below:-

Sr. No.	Number of DETCs	Number of dealers	Assessment years	Short/ Under-assessment of tax (₹ in crore)	Mandatory penalty (₹ in crore)	Nature of irregularities
1	13 ¹²	74	2010-11 to 2014-15	11.04	33.11	The AAs allowed concessional rate of tax against C forms valuing ₹ 142.42 crore. On cross verification by audit from concerned Authorities, forms valuing ₹ 62.40 crore and from website TINXSYS forms valuing ₹ 52.92 crore were found false or not issued to the purchasing dealer, resulting in under-assessment of tax of ₹ 11.04 crore and penalty of ₹ 33.11 crore.
2	3 ¹³	3	2010-11 to 2011-12	0.11	0.32	The AAs allowed exemption of tax against E-1/C forms valuing ₹ 16.69 crore. On cross verification by audit from concerned Authorities, forms valuing ₹ 3.31 crore were confirmed as false resulting in under-assessment of tax of ₹ 0.11 crore and penalty of ₹ 0.32 crore.
3	6 ¹⁴	15	2011-12 to 2012-13	1.13	3.39	The AAs allowed exemption of tax against F forms valuing ₹ 29.91 crore. On cross verification by audit from concerned Authorities, forms valuing ₹ 23.29 crore were found false, resulting in under-assessment of tax of ₹ 1.13 crore and penalty of ₹ 3.39 crore.
4	1 ¹⁵	1	2012-13	0.16	0.48	The AA allowed exemption of tax against H forms valuing ₹ 3.23 crore. On cross verification by audit from concerned Authorities forms valuing ₹ 3.23 crore were found false, resulting in under-assessment of tax of ₹ 0.16 crore and penalty of ₹ 0.48 crore.

¹² Ambala, Faridabad (West), Gurugram (East), Jagadhri, Jhajjar, Jind, Mewat, Narnaul, Panipat, Rewari, Rohtak, Sirsa and Sonapat.

¹³ Gurugram (East), Kurukshetra and Sirsa.

¹⁴ Bhiwani, Faridabad (West), Hisar, Jind, Rewari and Sonapat.

¹⁵ Fatehabad.

Sr. No.	Number of DETCs	Number of dealers	Assessment years	Short/ Under-assessment of tax (₹ in crore)	Mandatory penalty (₹ in crore)	Nature of irregularities
5	3 ¹⁶	10	2010-11 to 2013-14	1.93	5.79	The AAs allowed consignment/transfer of goods against declaration forms F valuing ₹ 36.80 crore without verification of transactions as required vide instructions issued in March 2006. Cross verification from issuing offices revealed that transactions valuing ₹ 36.80 crore were made to non-existing dealers resulting in under-assessment of tax of ₹ 1.93 crore. Penalty of ₹ 5.79 crore was also leviable.
6	1 ¹⁷	1	2012-13	0.67	--	The AA wrongly allowed consignment sale of ₹ 12.73 crore as the dealer had no title over the goods received on consignment basis for sale and the dealer could not make further consignment of such goods to his agent in other States against F forms resulting in under-assessment of tax of ₹ 0.67 crore, besides interest was also leviable.
7	3 ¹⁸	13	2011-12 to 2013-14	2.33	7.00	The AAs allowed concessional rate of tax against C forms valuing ₹ 33.79 crore. On cross verification from issuing offices, C forms valuing ₹ 33.79 crore involving tax of ₹ 2.33 crore were found issued by non-existing purchasing dealers resulting in under-assessment of tax of ₹ 2.33 crore. Penalty of ₹ 7.00 crore was also leviable.
8	2 ¹⁹	10	2011-12 to 2013-14	-	53.18	The AAs proved that no transactions had been made by these dealers valuing ₹ 103.49 crore and levied tax accordingly but failed to levy penalty of ₹ 53.18 crore for bogus claim of CST sale. On this being pointed out, the AA Sirsa imposed penalty of ₹ 2.57 crore in three cases (May 2016).
	Total	127		17.37	103.27	

The assessing authorities were required to verify the genuineness of declaration forms from the authorities of other States /TINXSYS website before allowing benefit of concessional rate of tax. However, the assessing

¹⁶ Gurugram (West), Hisar and Jind.

¹⁷ Gurugram (East).

¹⁸ Sirsa, Hisar and Jind.

¹⁹ Sirsa and Jagadhari.

authorities had failed to verify the genuineness of declaration Form 'C' and also on electronic form i.e. TINXSYS website which could be verified on real time basis. The department admitted the above observations and assured that the corrective action will be taken in these cases.

2.3.8 Non adherence to provisions of exemptions and concessions

2.3.8.1 Misuse of form VAT D-1

Section 7 (3) of the HVAT Act provides that where taxable goods are sold by one dealer to another dealer, tax is leviable at a lower rate (four *per cent*) if the purchasing dealer furnishes a declaration in form VAT-D1 certifying that the goods are meant for use for the purpose specified therein. Further, as per Section 7 (5) of the HVAT Act, if an authorised dealer after purchasing any goods fails to make use of the goods for the specified purpose, the AA may impose upon him, by way of penalty, a sum not exceeding one and a half times of the tax which would have been levied additionally. Further, the department issued instructions in March 2013 that works contractors who have not opted for lump sum tax are not entitled to purchase the goods against form VAT D-1.

Scrutiny of records of nine DETC (ST)²⁰ offices revealed that 18 dealers had purchased goods against declaration in form VAT D-1 valuing ₹ 1,131.88 crore. Out of these, 11 were regular works contractors who had not opted for lump sum scheme, purchased goods valuing ₹ 31.92 crore and seven dealers who had purchased goods valuing ₹ 1,099.96 crore against forms VAT D-1 failed to use these goods for the purposes for which these goods were purchased. Thus, these dealers who misused forms VAT D-1 were liable to pay additional tax and penalty. The AAs while finalising assessment between March 2013 and March 2016 levied penalty of ₹ 0.67 crore in two cases but in other cases the AAs failed to levy additional tax of ₹ 101.00 crore and penalty of ₹ 151.00 crore for misuse of forms VAT D-1. This resulted in under-assessment of additional tax and penalty of ₹ 252.00 crore.

The Department admitted the audit observations to the extent that penalty was leviable but levy of additional tax had not been admitted. Reply of the department was not tenable as the differential tax and penalty both were leviable under aforesaid provision of the Act.

2.3.8.2 Under-aseessment due to short VAT D-1

Scrutiny of records of DETC (ST) Palwal office in September 2016 revealed that a dealer claimed sale of goods at concessional rate valuing ₹ 7.61 crore

²⁰ Bhiwani, Faridabad (West), Gurugram (West), Jagadhri, Kurukshetra, Panchkula, Rewari, Rohtak and Sirsa.

against declaration in forms VAT D-1. The AA while finalising assessment in November 2015 assessed the dealer to tax at concessional rate against forms VAT D-1. But the dealer had submitted forms VAT D1 for ₹ 1.19 crore only i.e. short by ₹ 6.42 crore. Allowing benefit of concessional rate of tax on ₹ 6.42 crore without forms VAT D-1 resulted in under-assessment of tax of ₹ 0.57 crore.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act.

2.3.8.3 Misuse of form VAT D-2

Under Rule 21 of HVAT Rules, a VAT dealer may purchase goods against form VAT D-2 (without payment of tax) for complying with the order for export of those goods out of India. Further, under section 7 (5) of HVAT Act, if any dealer fails to make use of goods purchased for the specified purpose, the dealer will be liable to pay additional tax and penalty not exceeding one and a half times of the tax leviable on the sale/purchase of those goods.

Scrutiny of records of three DETC (ST)²¹ offices between March 2015 and December 2016 revealed that eight dealers purchased Paddy, Rice, Packing material and Utensils during 2011-12 to 2013-14 valuing ₹ 98.97 crore against forms VAT-D2 for export out of India but failed to export themselves and sold the said goods valuing ₹ 80.88 crore to the local dealers for further export against forms VAT-D2, and became liable for penal action. While finalising assessment between May 2013 and March 2016, DETC (ST) Rewari levied additional tax of ₹ 38.74 lakh but failed to levy penalty of ₹ 58.11 lakh. In the case of DETC (ST) Kaithal and Sonapat, the AAs allowed the deduction of export against forms VAT D-2 but failed to levy tax of ₹ 3.86 crore. In addition, penalty of ₹ 6.38 crore was also leviable. This resulted in non-levy of additional tax and penalty of ₹ 10.24 crore.

On this being pointed out, DETC (ST) Sonapat stated in August 2016 that in one case additional demand of tax of ₹ 0.15 crore had been created.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act.

2.3.8.4 Non levy of penalty under Section 10A of CST Act

As per Section 8 (3) of CST Act, a registered dealer can purchase goods against declaration C form for resale, use in manufacturing/processing/packing of goods for sale etc., but cannot purchase goods for self use i.e. for any purpose other than specified under the said Section. Further, Section 10 A

²¹ Kaithal, Rewari and Sonapat.

of the Act provides for levy of penalty not exceeding one and a half times of the tax for non-use of the goods purchased for specified purpose.

Scrutiny of records of four²² DETC (ST) offices between June 2015 and May 2017 revealed that in eight cases the dealers had purchased Ready mix concrete (RMC), Cement, Air conditioner and Furniture between October 2014 and March 2017 valuing ₹ 616.95 crore involving tax of ₹ 62.57 crore against forms C. These dealers were not entitled to purchase these goods against forms C as the said goods were not used in manufacturing activities. AA levied penalty of ₹ 14.50 crore in one case and failed to levy penalty of ₹ 79.35 crore in seven cases.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act.

2.3.8.5 Non levy of tax on inter-State sale

Section 8 (1) and (2) of CST Act provides that rate of tax applicable on the sale of goods in the state will be applicable on inter-State sale of such goods without form C.

Scrutiny of records of DETC (ST) Kurukshetra and Sirsa offices between May and June 2016 revealed that in four cases dealers sold tobacco products and Batteries valuing ₹ 130.01 crore during 2013-14 and 2014-15 and claimed concessional rate of tax without submitting C forms. AAs while finalising assessment of these dealers between July and December 2015, failed to assess inter-State sale of ₹ 130.01 crore. Non assessment of tax on inter-State sale without C forms, resulted in under-assessment of tax of ₹ 25.77 crore.

On this being pointed out DETC (ST) Sirsa stated in June 2016 in three cases that additional demand of ₹ 25.11 crore had been created.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act and further intimated (August 2017) that the recovery was under process.

2.3.8.6 Incorrect rate of tax on inter-State sale

Scrutiny of records of DETC (ST) Panipat, Rewari and Sirsa offices between May 2016 and May 2017 revealed that 13 dealers sold tobacco products and building material valuing ₹ 64.80 crore during 2011-12 and 2014-15 and claimed concessional rate of tax against C forms. AAs while finalising assessments between November 2013 and December 2015, assessed the tax at the rate of 2 per cent, 5 per cent and 12.5 per cent in absence of C forms instead of correct rate of tax 12.5 per cent and 20 per cent. Application of

²² Ambala, Jhajjar, Panipat and Rewari.

incorrect rate of tax on inter-State sale without C forms resulted in under-assessment of tax of ₹ 8.07 crore.

On this being pointed out, DETC (ST) Sirsa stated in June 2016 in two cases that order had been rectified and additional demand of ₹ 5.25 crore had been created.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act and further intimated (August 2017) that the recovery was under process.

2.3.8.7 Non levy of tax without declaration forms

Section 6 (2) of CST Act provides for exemption of tax on subsequent sale during movement of goods from one State to another on production of declarations in form E-1 and C. Section 8 (1) of CST Act provides that rate of tax applicable on the sale of goods in the State will be applicable on inter-State sale of such goods without declaration forms.

(i) Scrutiny of records of DETC (ST) Gurugram (West) office in October 2016 revealed that a works contractor claimed stock transfer against forms F valuing ₹ 19.35 crore during 2012-13 and 2013-14 in the returns. AA while finalising assessment in September 2015, failed to assess inter-State stock transfer of ₹ 19.35 crore without F forms. Non levy of tax on stock transfer of goods without form F resulted in under-assessment of tax of ₹ 2.54 crore.

During exit conference, the Department admitted the audit observations for the year 2012-13 and informed that the case for the year 2013-14 was under examination.

(ii) Scrutiny of records of DETC (ST) Sirsa office in January 2017 revealed that a dealer sold Rice worth ₹ 2.39 crore against forms C and E1 during the year 2014-15. AA while finalising assessment in November 2015 failed to assess inter-State sale without declaration in C and E1 forms. Non levy of tax on sale without declaration forms had resulted in under-assessment of tax of ₹ 0.12 crore.

During exit conference, the Department stated that the case had already been sent to Revisional Authority for taking suitable action for some other reasons.

2.3.9 Misclassification of sale

(i) As per provisions of Section 4 (2) of the CST Act, 1956 a sale or purchase of goods shall be deemed to take place inside a State, if the goods are within the State in the case of specific or ascertained goods, at the time the contract of sale is made and in the case of unascertained or future goods, at the time of their appropriation to the contract of sale by the seller or by the buyer whether assent of the other party is prior or subsequent to such appropriation.

Scrutiny of records in seven²³ DETC (ST) offices revealed that 18 dealers had sold goods valuing of ₹ 49.57 crore during 2010-11 to 2013-14 to the dealers of Haryana and claimed benefit of concessional rate of tax against forms C obtained from local dealers treating the sale as inter-State sale on the plea that goods were consigned by the purchasing dealers of Haryana to the dealers of other States. But the goods were within the State at the time of contract of sale between the dealers of Haryana and as such tax was leviable under HVAT Act. AAs while finalising assessments admitted the claims of the dealers and assessed the sale at concessional rate of tax on production of C forms. This resulted in under-assessment of tax of ₹ 4.64 crore.

(ii) Section 6 (2) of CST Act provides for exemption of tax on subsequent sale during movement of goods from one State to another on production of declarations in form E-1 and C.

Scrutiny of records of DETC (ST) Gurugram (East), Gurugram (West) and Jhajjar offices between December 2014 and April 2017 revealed that five dealers claimed exemption of tax under section 6 (2) of CST Act during 2010-11 to 2012-13 on sale against declaration forms E-1 and C valuing ₹ 9.76 crore and the same was allowed by the AAs while finalising assessment between July 2013 and February 2016. But these dealers purchased goods valuing ₹ 9.76 crore from Haryana dealer and further sold to another dealer of Haryana and claimed exemption under section 6 (2) of CST Act by submitting E-1 and C forms. As the dealer had purchased and sold the goods within Haryana and first movement of goods took place from Haryana, the exemption was wrongly allowed to the dealer. Allowing wrong exemption resulted in under-assessment of tax of ₹ 0.78 crore.

During exit conference, the Department admitted the audit observations and assured that action will be taken as per provision of the Act and further intimated (August 2017) that the recovery was under process.

2.3.10 Incorrect deduction against invalid documents

Section 8 of the Central Sales Tax Act provides that every dealer in the course of inter-State trade or commerce, sells goods to a registered dealer, shall be liable to pay tax at the rate of two *per cent*. Tax at concessional rate is allowable against original declaration forms only.

Scrutiny of records of four DETC (ST)²⁴ offices revealed that four dealers had sold goods at concessional rate of tax valuing ₹ 20.81 crore against declaration in VAT D-1 and C forms during 2011-12 and 2012-13. The AAs while finalising assessments in November 2013 and March 2016, assessed sale

²³ Faridabad (West), Gurugram (East), Gurugram (West), Jagadhri, Jhajjar, Panipat and Rewari.

²⁴ Jind, Palwal, Panipat and Panchkula.

of ₹ 20.81 crore at concessional rate of tax against photocopies of VAT D-1 and C forms. Allowing incorrect benefit of concessional rate of tax against photocopies of VAT D-1 and C forms resulted in under-assessment of tax of ₹ 2.04 crore.

The Department stated in the exit conference that original documents were kept in separate files and concessions/exemptions were allowed under the Act. Reply of the department was not correct as the concessions/exemptions were allowable on production of original declarations/forms only and no documents were furnished during audit and the same was also verified in October and November 2017.

2.3.11 Benefit of tax without verification

Criteria for selection of cases for scrutiny assessment for the years 2013-14 and 2014-15 was circulated in May 2015 and 2016 respectively. Cases having ITC of more than ₹ 25 lakh or gross turn over above ₹ 10 crore in a year were to be selected for scrutiny assessment. Further, as per instructions issued in July 2013 hundred *per cent* verification of purchases and actual payment of tax alongwith inter-State transactions and declaration forms thereof were to be verified at the time of scrutiny assessments.

Scrutiny of records of DETC (ST) Sirsa revealed that 120 cases for the assessment year 2013-14 and 2014-15 having GTO of more than ₹ 10 crore or ITC more than 25 lakh involving tax of ₹ 155.48 crore were assessed under deemed scheme under section 15(1) of HVAT Act instead of scrutiny under Section 15 (3) of HVAT Act without verifying the ITC and by creating demand for non submission of declaration forms for inter-State transactions. By not taking eligible cases for scrutiny assessment, benefit of ITC of ₹ 155.48 crore was allowed without verification of purchases and actual payment of tax.

During exit conference, the Department admitted the audit observations and assured that action would be taken.

2.3.12 Non levy of interest

Section 8 (1) of the CST Act provides for levy of tax at concessional rate of two *per cent* against declaration form C. As per Section 9 (2A) of the CST Act read with Section 14 (6) of HVAT Act interest is leviable in case of default of payment of tax.

(i) Scrutiny of records of DETC (ST) Rohtak office revealed that one dealer claimed sale of detergent at concessional rate against forms C valuing ₹ 30.37 crore during 2012-13 and the same was allowed by the AAs while finalising assessment in March 2016. The dealer was required to pay minimum

tax at the rate of two *per cent* valuing ₹ 0.50 crore along with returns which he failed to deposit. As such the dealer was liable to pay interest of ₹ 0.42 crore.

(ii) Scrutiny of records of DETC (ST) Rohtak revealed that four dealers claimed exemption of tax on sale during 2012-13 and 2013-14 against Form H. AAs while finalising assessment between November 2015 and March 2016, created additional demand of ₹ 3.73 crore due to non submission of H forms. As the dealer could not prove his claim at the time of assessment the dealer was liable to pay interest on tax not paid along with returns. Thus, non-levy of interest on due tax resulted in under-assessment of tax of ₹ 3.07 crore.

During exit conference, the Department admitted the audit observations and assured to initiate the corrective action.

2.3.13 Benefit of excess carry forward of tax

Section 8 (1) of HVAT Act provides that input tax credit will be allowed on purchases made from VAT dealers after payment of tax which will be adjusted against output tax liability of the dealer and if found excess of output tax liability the same will be carried forward to next year for adjustment of future tax liability.

Scrutiny of records of DETC (ST) Rohtak revealed that a dealer was allowed excess carry forward of tax of ₹ 25 lakh for the year 2013-14. As per verification done by audit, the C forms submitted by the dealer in the year 2012-13 were found fake as the same were not issued by the concerned authority. AA while finalising assessment for the year 2013-14 in October 2015, allowed excess carry forward of tax of ₹ 25 lakh for the year 2013-14 but no action was taken by AA for the year 2012-13 whereas the dealer had submitted false declaration forms. This resulted in under-assessment of tax of ₹ 25 lakh.

During exit conference, the Department admitted the audit observations and assured to initiate the corrective action.

2.3.14 Wrong acceptance of form VAT C-3

Section 7 (3) (b) of HVAT Act read with Rule 21 of HVAT Rules provides that goods sold to the Government not being a registered dealer against declaration in form VAT C-3 will be taxable at concessional rate of tax of four *per cent*. Further, material transferred in execution of works contract in respect of non government departments will be assessed at the rate applicable to the sale of such material.

Scrutiny of records of DETC (ST) Rohtak revealed that a works contractor executed works contract for Haryana State Roads and Bridges Corporation

(HSRBC) Rewari and submitted forms VAT C-3 valuing ₹ 24.08 crore. AA while finalising assessment assessed transfer of material at the rate of four *per cent* instead of full rate of tax 5.25 and 12.5 *per cent* treating the works contract executed for Government Department. HSRBC was not a Government Department and the material transferred in execution of works contract was assessable at the rate applicable to sale/purchase of such material. Assessing the dealer to tax at lower rate by accepting invalid forms VAT C-3 resulted in under-assessment of tax of ₹ 1.04 crore.

During exit conference, the Department admitted the audit observations and assured to initiate action as per law.

2.3.15 Internal control mechanism

Internal control is an integral process by which an organisation governs its activities through a system of checks and balances to achieve its objectives effectively. An inbuilt internal control mechanism and strict adherence to codes and manuals provide reasonable assurance to the department about compliance of applicable rules, reliability of financial reporting, effectiveness and efficiency in its operations.

Internal audit is a tool in the hands of Management to ensure that the prescribed systems are functioning well.

Audit noticed that no internal audit of receipt and issue of declaration forms, was conducted by the Department.

Printing, Storage issue and utilisation of declaration forms

2.3.15.1 Printing and custody of declaration forms

Registered dealers avail exemptions/concessions of tax by using the CST forms in the course of inter-State trade. The Department issued instructions in May 2013 that the printing of declaration forms should be strictly as per sample approved by Excise and Taxation Commissioner (ETC). The paper of forms should be superior quality having security features with water mark. The base of C form was Government of India Logo in yellow colour. The form should have unique number which should be checked before supply. The form will also be got tested from Government approved lab as per Bureau of Indian Standard(BIS).

Scrutiny of records of ETC office revealed that the paper quality of C, E-1 and E-II, F and H forms was inferior due to which forged forms could easily be printed and even the durability of forms was not up to the mark. The ETC office had supplied wrong serial numbered printed declaration forms to DETC (ST) Gurugram (West) in July 2013. As per instruction the E-1 forms were required to be printed with serial number HR/013E-1-00010001 to 50,000 whereas department got printed and supplied E-1 forms from serial number 1,31,141 to 1,31,200 and 1,30,820 to 1,31,000. The Department had not sent

sample of forms for testing as per BIS standards. The declaration forms had no embossing of Logo of Government of India and water mark.

During exit conference, the Department admitted the audit observations and assured compliance of instructions issued by the Department.

2.3.15.2 Non maintenance of proper accounts of declaration forms

Audit scrutiny of records of ETC office revealed that the Department had got printed declaration forms from Government press as well as private printer during the year 2013-14 but no proper stock and distribution records had been maintained. Further scrutiny of records of four DETC (ST) offices revealed the following deficiencies:-

- In DETC (ST) Panipat and Sonapat offices 3,032 C forms were returned back (December 2015) by Record Keepers of wards to Nazir (incharge of stock) but the same were not shown received back in stock. Further 175 C forms were short accounted in stock of C forms.
- The ETC office had issued 5,000 H forms to the office of DETC (ST) Panipat in November 2014 but only 1,000 H forms were received (November 2014) resulting in short receipt of 4,000 H forms.
- There was closing stock of 52,000 C forms as on April 2017 in the office of the DETC(ST) Rewari but the detail given in issue register showed closing stock of 5,883 C forms leaving unexplained difference of 46,117 C forms. It was further noticed that six C forms were short accounted for in stock register. Further, as per stock register there was a closing stock of 13,000 F forms whereas as per issue register there was a closing stock of 4,080 F forms as on April 2017 leaving unexplained difference of 8,920 F forms.
- The DETC (ST) Nuh at Mewat had issued 105 C forms to the dealers but no acknowledgement was obtained from the dealer. Misuse of these forms could not be ruled out.

During exit conference, the Department admitted the audit observations.

2.3.15.3 Physical verification of stock of declaration forms

As per provisions contained in Rule 15.16 of Punjab Financial Rules Volume-1 as applicable to State of Haryana, physical verification of all the consumable goods and materials should be undertaken at least once in a year and discrepancies, if any, should be recorded in the stock register for appropriate action by the competent authority.

Scrutiny of records of ETC and 10 DETC (ST) offices revealed that no physical verification of the declaration forms was carried out.

During exit conference, the Department admitted the audit observations and assured compliance of instructions.

2.3.15.4 Database of sample of current and obsolete declaration forms of other States

As per Rules 7(7) and (8) of CST (Haryana) Rules, 1957, the Excise and Taxation Department may, by notification, declare that the declaration form of a particular series, design or colour shall be deemed as obsolete and invalid with effect from such date as may be specified in the notification. A copy of such notification shall be sent to other State Governments for publication in their official gazettes.

Scrutiny of records of ETC office revealed that 239 forms of declaration E-1 had become obsolete as intimated by DETC (ST) Gurugram (West) in July 2013 but no notification in this regard was issued by the Department. Further scrutiny of records revealed that the Commercial Tax Departments of other States demanded sample of declaration forms which the department supplied but failed to keep sample of declaration forms of the other State to identify the fake or forged declaration forms. Therefore, there was a risk of acceptance of invalid and obsolete declaration forms.

2.3.15.5 Non-maintenance of database of concessions/exemptions

Under CST Act, 1956 and the Rules made thereunder, registered dealers are eligible for certain exemptions and concessions of tax on inter-State transactions on submission of prescribed declarations in form 'C' and 'F', having negative impact on the revenue of the State. A database of revenue forgone on major commodities sold/transferred out of Haryana is essential so that the Department is vigilant in respect of the commodities where the dealers prefer claims of concessions and exemptions in large number.

Scrutiny of records of ETC and 10 DETC (ST) offices between January 2017 and May 2017 indicated that the Department had not maintained a database of such exemption/concession. Such a database can be used by the department as a Management Information System (MIS) to monitor printing, issue, stock and utilisation of forms on real time basis. In addition, such database can be used for cross verification of exemptions/concessions given and to monitor commodity-wise revenue forgone. The state Government can also use such database for framing revenue policy of the State.

2.3.16 Monitoring

For administration and implementation of the Acts, effective monitoring mechanism is required in the department. Effective monitoring can be done through maintaining an online database of dubious dealers, listing the cases of fraud, periodical reports, compliance of departmental instructions and

directions of higher authorities, follow up action and inspection of field offices to prevent evasion of tax.

Scrutiny of records revealed that department had not prescribed periodical reports of receipt and issue of declaration forms by field offices. Even though process of cross verification of declaration forms, compliance of instructions/directions issued from time to time was not monitored by the higher authorities as discussed below:-

(a) Absence of a system for declaring dubious dealers utilising fake/invalid declarations

To prevent evasion of tax, the Department would maintain a database of dubious dealers based on their past history, listing the cases of fraud, misuse of forms, use of invalid forms by these dealers in order to avail exemptions or concessions of tax in inter-State trade and commerce. This database, if made, be uploaded online on the departmental website, would not only facilitate the department in keeping a watch on dealers having dubious track records but would also alert other States about such dealers and ensure effective monitoring of such cases. Further, existence of such a mechanism could also serve as a deterrent for dealers who indulge in such malpractices.

Scrutiny of records of DETC (ST) Faridabad (West) and Jhajjar offices revealed that two dealers were repeatedly submitting invalid declaration forms during the year 2010-11 and 2011-12 but department failed to declare them as dubious dealers.

During exit conference, the Department admitted the facts and assured to prepare the list of dubious dealers who indulge in use of fake declaration forms.

(b) Non-compliance of directions of Higher Authorities

The JETC (Range) Gurugram, issued instructions to DETC (Gurugram) in April 2016 regarding verification of sales/purchases and required action under the provision of HVAT Act in the interest of Government revenue.

(i) Scrutiny of records of DETC (ST) Gurugram (West) and Jind revealed that two dealers were allowed ITC of ₹ 2.13 crore against production of form VAT C-4. As per reports of verification of purchases, the selling dealer had not shown any sale to purchasing dealer and the Registration Certificate of selling dealer was cancelled prior to the transaction of sales/purchases. Despite written instructions issued by Joint ETC (Range), Gurugram to levy tax and penalty, no action was taken by the AA, allowing ITC against invalid form VAT C-4 which resulted in under-assessment of tax of ₹ 2.13 crore. In addition, penalty of ₹ 6.38 crore was also leviable.

During exit conference, the Department admitted the facts and assured that corrective action will be taken.

(ii) Scrutiny of records of DETC (ST) Gurugram (West) revealed that a dealer was allowed ITC of ₹ 0.60 crore against production of form VAT C-4. As per reports of verification of purchases, the selling dealers had not paid tax on the sale made to this dealer. Accordingly, the AA disallowed the ITC of ₹ 0.60 crore. On appeal the Joint ETC (Appeal) Faridabad remanded back (October 2013) the case to the AA for fresh decision on disallowance of ITC and charging of interest and imposition of penalty. While deciding remand case in October 2015, the AA disallowed the ITC of ₹ 0.60 crore but failed to levy penalty. Non-levy of penalty resulted in under-assessment of tax of ₹ 1.80 crore.

During exit conference, the Department admitted the facts and assured that penalty would be levied after the decision of Hon'ble Tribunal.

(c) Non-compliance of departmental instructions

As per the instructions issued in March 2006 and July 2013, the AAs were required to confirm genuineness of the transactions through cross verification of records of other dealers within and outside the State before finalisation of assessment.

Scrutiny of records of six²⁵ DETC (ST) revealed that in 176 cases the Assessing Authorities had allowed concessional rate of tax against C forms and exemption of tax against F forms valuing ₹ 1,347.54 crore without verifying the transactions of inter-State sale/transfer of goods involving tax of ₹ 43.80 crore. In view of non compliance of above instructions genuineness of exemptions/concession of tax could not be verified in audit.

The Department stated that guidelines for verification of transactions/forms were for scrutiny cases only. Reply of department was not correct because the dealers were exempt from producing local declaration forms and were required to be produce all necessary documents/declarations forms under CST Act to get the concessions/exemption of tax.

(d) Benefit of ITC against invalid VAT C4 forms

As per provisions contained in Rule 20 of HVAT Rules, 2003, form VAT C-4 will bear printed serial number in ascending order, year and particulars of payment of tax by selling dealers.

²⁵ Gurugram (East), Jhajjar at Bahadurgarh, Jind, Palwal, Panipat and Sonapat.

Audit noticed (between February and May 2017) that four²⁶ DETC (ST) offices allowed ITC of ₹ 53.68 crore to 92 dealers against submission of VAT C4 on purchases valuing ₹ 1078.04 crore during the years 2010-11 to 2014-15. Scrutiny of Form VAT C4 revealed that these forms were not bearing printed serial number, year and particulars of payment of tax by selling dealers. Due to non compliance of the provisions, genuineness of ITC of ₹ 53.68 crore could not be verified in audit.

During exit conference, the Department admitted the audit observations and assured to verify these cases.

(e) Acceptance of F forms containing transactions of more than a month

As per Section 6A of CST Act 1956 read with Rule 12 (5) of CST Rules 1957, the registered dealer is required to prove movement of goods and receipt by the consignee/ head office/ branch office by submitting declaration in forms F. Further, one F form may cover transfer of goods effected during one calendar month only.

Scrutiny of records of DETC (ST) Fatehabad, Palwal and Panipat offices revealed that five dealers claimed benefit of stock transfer valuing ₹ 8.94 crore and the same was allowed by the AAs while finalising assessments between November 2013 and March 2016. Further scrutiny of F forms revealed that these forms contained transactions effected for more than one month.

The Department admitted the audit observations and assured to follow the departmental instructions.

(f) Incorrect exemption of tax against H forms

As provided under Rule-12 (10) of the CST Rules, 1957 form H can be submitted to the AAs up to the time of first assessment. Further, vide instructions issued in November 2012 AAs were directed not to allow time for submission of forms H/VAT D-2.

Scrutiny of records of DETC Gurugram (East), Jhajjar and Panipat revealed that the AAs at the time of assessment of 16 dealers assessed the cases at full rate of tax on account of non submission of form H valuing ₹ 25.66 crore and allowed the benefit of exemption on submission of H forms after assessments. The AAs were required to accept these forms up to the date of assessments. This resulted in incorrect exemption of tax of ₹ 3.31 crore.

The Department admitted the audit observations and assured to follow the departmental instructions.

²⁶ Jhajjar, Panipat, Rewari and Sirsa.

(g) Incorrect issuance of C forms manually

Every registered dealer, who in the course of inter-State trade or commerce sells to a registered dealer, shall be liable to pay tax under CST Act at concessional rate of two *per cent* against declaration forms C.

The department introduced a new system of issue of C forms online with effect from June 2015 but the old system of issue of 'C' forms continued even after introduction of issue of 'C' forms online. 69,967 C forms were issued manually by ten selected districts even after introduction of issue of C forms online. Further, 1,15,966 'C' forms were lying in stock of ten DETC (ST) offices. The department introduced issue of only C forms online but the other central declaration forms were still being issued manually.

During exit conference, the Department admitted the audit observations and assured that all manual C forms will be called back in headquarter office.

2.3.17 Conclusion

The department did not ensure printing of the central forms with security features and also to maintain proper accounts thereof. Cases of non compliance of departmental instructions in verifying the central declaration forms/transactions and allowing exemptions/concessions against invalid forms and exemptions/ concessions of tax on transfer/sale of goods to non-existent dealers were noticed. Cases for non-levy of additional tax and penalty for misuse of declaration forms were noticed. Misclassification of sale, deductions allowed against invalid documents and cases of non/short levy of tax on sale without declaration forms were noticed which resulted in loss of revenue.

2.3.18 Recommendations

It is recommended that the Government may consider :-

- (i) issuing instructions to the Department to recover taxes due including interest and penalty applicable, as pointed out by audit;
- (ii) taking suitable action as per provisions of HVAT Act/CST Act against dealers submitting fake certificates;
- (iii) maintaining database of dubious dealers for Tax Intelligence purposes; and
- (iv) ensuring enhanced level of monitoring under GST to prevent further leakage of State revenues in view of the lapses in internal control and monitoring mechanism.

Other Compliance observations

2.4 Evasion of taxes due to suppression of sales/purchases

108 unregistered works contractors and 28 dealers had suppressed sale of ₹ 247.25 crore resulting in evasion of tax and penalty of ₹ 49.78 crore. Action to levy penalty of ₹ 11.43 crore was not initiated even after a lapse of 14 to 19 months in five cases by the department. Stock of ₹ 83.72 crore was suppressed in 19 cases resulting in evasion of tax and penalty of ₹ 24.28 crore. The dealers had suppressed purchase of ₹ 5.08 crore in three cases resulting in evasion of tax and penalty of ₹ 1.09 crore.

2.4.1 Introduction

Under Section 38 of the HVAT Act, if a dealer has maintained false or incorrect accounts, returns or documents with a view to suppressing his sales, purchases, imports into State or stock of goods, or has concealed any particulars or has furnished to or produced before any authority any account, return, document or information which is false or incorrect in any material particular, such authority may direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided had such account, return, document or information, as the case may be, been accepted as true and correct.

The records relating to assessment framed during the year 2013-14 to 2015-16 of fifteen²⁷ DETC (ST) offices were test checked during regular audit between March 2015 and June 2017 to ascertain whether all sales/purchases were taken into account properly and compliance of rules and instructions was made to avoid evasion of tax by the dealers. Information was also collected from Haryana State Agriculture Marketing Board (HSAMB) and Municipal Corporations (MC) to examine the extent of evasion of tax by unregistered work contractors.

2.4.2 Evasion of tax due to suppression of sales by unregistered dealers/ contractors

Section 48 of the HVAT Act stipulates that the Assessing Authority (AA) may call for information/database from other Departments/Corporations/persons relevant to any proceedings or useful for tax administration. Section 16 provides for levy of tax and penalty equivalent to tax determined during assessment of unregistered dealer. Further Rule 10 (2) of the HVAT Rules provides that a dealer in whose case taxable quantum as specified in Section 3(2) of the HVAT Act is ₹ five lakh, shall be liable to pay tax on and

²⁷ Ambala, Bhiwani, Faridabad (East), Faridabad (West), Gurugram (East), Gurugram (West), Hisar, Jagadhri, Jind, Kaithal, Panchkula, Panipat, Rewari, Sirsa and Sonapat.

from the day following the day his gross turnover in any year first exceeds the taxable quantum and registration is required under Section 11 (2) of the HVAT Act.

Scrutiny of records of the DETC (ST) Hisar, Ambala and Panchkula revealed that the department had not established any system for cross verification of information available with other departments, which would facilitate the process of identifying, registering and assessing unregistered dealers to detect evasion of tax. Audit cross verified the information collected from offices of Executive Engineer, HSAMB and MC Ambala, Panchkula and Hisar with registration records of DETCs and it was noticed that 108 dealers (work contractors) had exceeded the threshold limit of taxable turnover of ₹ five lakh for registration. They had received payments of ₹ 87.42 crore for execution of work contracts during 2013-14 and 2014-15. But these contractors did not get themselves registered under HVAT Act and suppressed the sale of ₹ 87.42 crore. Failure on the part of department to put in place a system for collection and cross verification of information with other departments resulted in non-realisation of tax of ₹ 4.65 crore from these unregistered dealers. In addition, penalty of ₹ 4.65 crore was also leviable under Section 16 of HVAT Act.

On this being pointed out, AA Hisar replied (May 2017) that action would be initiated to register the unregistered dealers/contractors as per HVAT Act. No reply was received from AAs Ambala and Panchkula.

2.4.3 Evasion of tax due to suppression of sale

In order to prevent the tax evasion by issuing forged tax invoices or fictitious accounting of goods, the ETC, Haryana had issued instructions (March 2006) for verification of all sale/purchase transactions totalling more than one lakh from a single VAT dealer in a year. Further, introduction of VAT envisaged computerisation of tax records for better tax administration. All sales/purchases transactions should be uploaded on departmental website to verify the sale/purchase transactions.

2.4.3.1 Scrutiny of records of the eleven²⁸ DETC (ST) for the year 2011-12 to 2014-15 and assessed by AAs during 2013-14 to 2015-16 revealed that 19 dealers had not shown the sales of ₹ 124.68 crore in their quarterly/annual returns, even though the purchasing dealer had claimed Input Tax Credit (ITC) on purchases made from these dealers. The sale/purchase transactions were not uploaded on the website by the department and AA while finalising the assessment did not verify details of suppression of sale with reference to records of the purchaser resulting into suppression of sale of ₹ 124.68 crore.

²⁸ Ambala, Bhiwani, Faridabad (East and West), Gurugram (East and West), Jind, Kaithal, Panchkula, Panipat and Sirsa.

This resulted in evasion of tax of ₹ 7.86 crore. In addition, penalty of ₹ 23.58 crore was also leviable.

On this being pointed out, AAs Kaithal, Faridabad (East) and Sirsa stated (May and June 2017) that in three cases demand of ₹ 5.59 crore had been created. Three²⁹ AAs stated that five cases had been sent to Revisional Authority (RA) for taking suo-motu action. AA, Faridabad (West) stated that in two cases, notices had been issued for re-assessment. AA, Faridabad (East) stated that in one case matter was under examination. AA Bhiwani stated that a dealer had submitted an affidavit regarding non sale of goods to purchasing dealer of Panipat. Reply of AA was not correct as the facts of affidavit could not be admitted without proper enquiry regarding sale/purchase transactions between the selling/purchasing dealers, as purchasing dealer had claimed benefit of input tax credit on the basis of purchases made from selling dealer. AA Jind stated that in one case the matter would be inquired from DETC Karnal to verify the facts of suppression of sale (May 2017). No reply was received in five cases from AAs Gurugram (East), Gurugram (West) and Bhiwani.

2.4.3.2 Scrutiny of records of four³⁰ DETC (ST) for the years 2010-11 to 2013-14, revealed that the selling dealers had not filed their quarterly/annual returns in four cases in violation of provision of Section 14 of HVAT Act, and the selling dealers had not shown their sale to purchasing dealers in six cases in their quarterly returns and no assessment was made by the AA in these cases.

On verification made by audit, it was noticed that the purchasing dealers had claimed the benefit of ITC on the basis of purchases of ₹ 35.15 crore made from these dealers and the selling dealers had not paid tax on the sales made to purchasing dealers. Thus, suppression of sale of ₹ 35.15 crore resulted into evasion of tax of ₹ 2.26 crore. In addition, penalty of ₹ 6.78 crore was also leviable.

On this being pointed out, AAs Faridabad (East) and Faridabad (West) stated in four cases, that demand of ₹ 2.40 crore had been created between March 2016 and March 2017. AAs Panipat and Gurugram (West) stated in two cases that these had been sent to RA for taking suo-motu action. AA Faridabad (East) stated that notices had been issued in three cases to the dealers. AA Faridabad (West) stated that the Registration Certificate (RC) of firm was cancelled on 24 February 2011 as the dealer had not filed returns since 2009. The reply of AA was not correct as AA had to assess the case as per provision of section 15(5) of Act, whereby if a dealer failed to furnish return(s), the AA

²⁹ Ambala, Panchkula and Panipat .

³⁰ Faridabad (E), Faridabad (W), Gurugram (W) and Panipat.

has to assess the case before the expiry of three years. Moreover, the dealer had made sales during the year 2010-11, as the purchasing dealer had claimed benefit of ITC against these sales. No reply was received in one case from AA Panipat.

2.4.4 Non levy of penalty

Scrutiny of records of the DETC (ST) Faridabad (West) and Gurugram (West) revealed that three dealers, for the year 2012-13 to 2014-15 had suppressed sale of ₹ 73.56 crore in five cases. The AAs while finalising the assessments (between June 2015 and August 2015) levied tax of ₹ 3.81 crore but failed to levy penalty of ₹ 11.43 crore. Out of these cases, in three cases of DETC offices Gurugram (West) and Faridabad (West) it was mentioned in assessment order that penal action under section 38 would be taken separately but no action was taken by AAs even after expiry of 14 to 19 months. Thus, inaction on the part of AA resulted in non-levy of penalty of ₹ 11.43 crore.

On this being pointed out, AA Gurugram (West) stated that in one case notice had been issued to the dealer. AAs Faridabad (W) stated (February 2017) in four cases that notices would be issued to the dealers.

2.4.5 Evasion of tax due to suppression of stock

Scrutiny of records of eight³¹ DETC (ST) for the years 2011-12 to 2014-15 and assessed by AAs during the year 2013-14 to 2015-16, revealed that in 11 cases closing stock as per sale/purchase of the dealers was to be taken ₹ 31.54 crore but as per trading account it was ₹ 8.48 crore. In five cases, the dealers had purchased goods of ₹ 53.68 crore but as per trading account these goods were neither sold nor taken in closing stock. In one case of DETC Panipat, the closing stock of dealer for the year 2011-12 was ₹ 0.96 crore, however, opening stock for the year 2012-13 was taken as ₹ 0.06 crore. In two cases, closing stock was to be taken ₹ 6.48 crore but was taken ₹ 0.40 crore in trading account and remaining stock value was taken in profit and loss account under the Head 'Other Income'. Thus, stock of ₹ 83.72 crore was suppressed by the dealers which resulted into evasion of tax of ₹ 6.07 crore. In addition, penalty of ₹ 18.21 crore was also leviable.

On this being pointed out, AAs Jagadhri, Sirsa and Panipat stated that 12 cases had been sent to RA for suo-motu action. AA, Gohana stated in one case that matter was under examination. AA Gurugram (East) and Gurugram (W) stated that notices had been issued to dealers in three cases. AA Faridabad (west) stated that a dealer had sold time bar stock. Reply of AA was not correct as receipt was shown under the head 'Other Income' instead of taking in sale of

³¹ Faridabad (W), Gurugram (E), Gurugram (W), Jagadhri, Jind, Panipat, Sirsa and ETO Gohana (Sonapat).

goods. AA Jind replied in one case, that all the sales were taken in annual return (VAT R-2). The reply of AA was not correct as the sale shown by the dealer was of ₹ 0.57 crore against the purchases of ₹ 1.03 crore in third and fourth quarters and remaining goods of ₹ 0.46 crore was not taken in closing stock. AA, Jagadhri stated in one case that goods had been taken in stock. The reply of AA was not correct as the dealer had taken the value of stock in Profit and Loss Account under the Head “Other Income” which was not assessed to tax.

2.4.6 Non-levy of tax and penalty on suppression of purchases

Scrutiny of records of the three³² DETC (ST), for the year 2011-12 to 2013-14 revealed that in three cases, assessed during the year 2014-15 to 2015-16, purchases of ₹ 5.08 crore were understated. In one case of DETC Gurugram (East), the selling dealer had made sale of ₹ 10.68 crore but the purchasing dealer had taken the purchases of ₹ 10.06 crore. In one case of DETC Ambala, stock of ₹ 3.28 crore was received from out of the State but stock taken in account was ₹ 3.04 crore. In one case of DETC Rewari the dealer had made inter-State purchase of ₹ 4.22 crore but these purchases were not taken into account. Thus, suppression of purchases of ₹ 5.08 crore resulted into evasion of tax ₹ 0.27 crore. In addition, penalty of ₹ 0.82 crore was also leviable.

On this being pointed out, AA Ambala stated (May 2017) that case had been sent to RA for suo motu action. AA Gurugram (East) stated (August 2015) that notice had been issued to the dealer. AA Rewari stated (May 2017) that re-assessment proceeding had been initiated.

Conclusion

Audit was undertaken with the objective of ascertaining whether all sales/purchases were taken into account properly and compliance of rules/instructions were made to avoid evasion of tax by the dealers. Audit established that the rules/instructions regarding accountal of sales/purchases and collection of data from other departments were not followed, resulting in evasion of tax and penalty of ₹ 86.58 crore.

The above points were reported to the Excise and Taxation Department and to the Government in June 2017; their replies were awaited (October 2017).

³² Ambala, Gurugram (East) and Rewari.

2.5 Non/short levy of tax due to incorrect classification

Incorrect classifications of goods by Assessing Authorities resulted in non/short levy of tax of ₹ 6.63 crore as well as interest of ₹ 3.00 crore.

Section 7 (1) (a) (iii) and (iv) of the HVAT Act, stipulates that tax is leviable at rates specified in Schedules 'A' to 'G' of the Act depending upon the classification of goods. Items not classified in the above schedules are taxable at the general rate of tax of 12.5 *per cent* with effect from 1 July 2005.

2.5.1 The Principal Secretary to Government of Haryana, Excise and Taxation Department has clarified on 25 March 2013 that all varieties of textiles on which any value addition work like knitting, embroidery work has been done are liable to VAT as unclassified goods. Further, surcharge at the rate of five *per cent* of the tax was also leviable with effect from 02 April 2010. In addition, in case of default of payment of tax, interest was also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of records of the DETC (ST) Gurugram (East), Gurugram (West) and Sonapat revealed that three dealers sold embroidered fabrics of ₹ 44.33 crore between 2011-12 and 2013-14 and claimed the goods as tax free. The AAs, while finalising the assessments between November 2013 and November 2015, allowed the deductions treating it as sale of fabric under Schedule 'B' of the HVAT Act. However, embroidered fabric being non specified was taxable at the rate of 13.125 *per cent*. This resulted in non levy of tax amounting to ₹ 5.82 crore. In addition, interest of ₹ 2.79 crore was also leviable.

On this being pointed out, DETC (ST) Sonapat intimated (March 2017) that case had been sent to Revisional Authority for taking suo motu action. AA Gurugram (West) intimated in March 2017 that case would be sent to Revisional Authority. AA Gurugram (East) intimated in July 2017 that case had been sent to Revisional Authority for taking suo motu action.

2.5.2 The Financial Commissioner and Principal Secretary to Government of Haryana has clarified on 18 November 2011 that High Density Polyethylene Pipes (HDPE) are not tax free items. The Principal Secretary further clarified on 11 March 2013 that pipes of all varieties are taxable and covered under entry 60 of Schedule 'C' of HVAT Act and taxable at the rate of five *per cent*. The surcharge at the rate of five *per cent* on the tax is also leviable with effect from 2nd April 2010. Further, interest was also leviable under Section 14 (6) of the HVAT Act in case of default in payment of tax.

Scrutiny of records of the DETC (ST) Faridabad (East), and Rewari revealed that two dealers sold pipes of ₹ 8.56 crore in 2012-13 and claimed the sale of pipes as tax free. The AAs, while finalising the assessments between August and November 2014, allowed the deductions treating it as tax free goods under Schedule 'B' of the HVAT Act. However, pipes are classified in schedule 'C' and taxable at the rate of five *per cent* plus surcharge. This had resulted in non levy of tax amounting to ₹ 44.94 lakh besides interest of ₹ 21.41 lakh was also leviable.

On this being pointed out, AA Faridabad (East) stated (September 2016) that an additional demand of ₹ 36.95 lakh had been created. AA Rewari intimated (March 2017) that notice for reassessment had been served to the dealer.

2.5.3 The Government had clarified on 23 June 2014 that so far as "Paneer in various packing and cottage cheese" are concerned, it is "cottage cheese" which falls under entry 81 of Schedule C i.e. "skimmed milk powder, ultra high temperature milk, cottage cheese" and hence taxable @ 5 *per cent* but "Paneer" being a different and distinct commodity in common trade parlance will attract VAT @ 12.5 *per cent* being unclassified items. An additional tax, in the nature of surcharge at the rate of five *per cent* on the tax is leviable w.e.f 2nd April 2010.

Scrutiny of records of the DETC (ST) Faridabad (East) and Jind revealed that three dealers sold Paneer and Butter valued of ₹ 4.59 crore during the years 2011-12 to 2012-13 and paid tax of ₹ 24.09 lakh at the rate of five *per cent* plus surcharge. The AAs, while finalising the assessments between September 2014 and March 2016, also levied tax at rate of five *per cent* plus surcharge instead of correct rate of tax of 12.5 *per cent* plus surcharge as per clarification of the Government. This resulted in short levy of tax amounting to ₹ 36.13 lakh.

On this being pointed out, the AAs Jind and Faridabad (East) intimated between August 2015 and September 2016 that the cases of two dealers had been sent to the Revisional Authority for suo motu action.

The matter was reported to the Excise and Taxation Department between August 2015 and February 2017 and to the Government in March and April 2017; their replies were awaited (October 2017).

2.6 Incorrect benefit of input tax credit on goods not sold

Input Tax Credit for Purchase of Duty and Entitlement pass book was allowed incorrectly as the same was not used for resale and adjusted against custom duty payable resulting in incorrect grant of input tax credit of ₹ 2.68 crore to a dealer. Further, ITC of ₹ 1.28 crore was allowed incorrectly as the selling dealer had not shown any sale during the year.

Under Section 8 of the HVAT Act, ITC on purchase of goods is admissible against tax liability on sale of goods as such or the goods manufactured therefrom in the State or interstate trade and commerce. Further, Section 38 of the Act provides for penal action (tax avoided/benefit claimed and three times penalty) for claims on the basis of false information and incorrect accounts or documents etc.

2.6.1 The Government had clarified (22 April 2013) that ITC is available only if the Duty Credit Scrips are purchased for re-sale as such and no ITC would be admissible if these were used for adjustment of custom duty. Scrutiny of records of DETC (ST), Rewari revealed that a dealer purchased Duty Entitlement Pass Book (DEPB) worth ₹ 51.03 crore after payment of VAT of ₹ 2.68 crore during 2011-12. The dealer used the same for adjustment of custom duty payable by him. As the goods (Scrips) were not sold by the dealer, no ITC was admissible. However, while finalising assessment in March 2015, AA allowed the ITC to the dealer resulting in incorrect grant of ITC of ₹ 2.68 crore besides interest of ₹ 2.68 crore was also leviable.

On this being pointed out, AA Rewari intimated (July 2017) that the RA had created additional demand of ₹ 5.36 crore. However, the dealer filed an appeal in Haryana Tax Tribunal which is still pending.

2.6.2 The ETC Haryana issued instructions in July 2013 that cent *per cent* verification of input tax credit (ITC) up to the stage of actual payment of tax shall be done. Scrutiny of records of the DETC (ST) Gurugram (East) revealed that the assessment cases of two dealers for the years 2010-11 to 2012-13 were finalised (between June 2013 and October 2014) and benefit of ITC of ₹ 1.28 crore was allowed without verification of payment of tax by selling dealer. On verification, the selling dealers were not found registered/filed nil returns. This resulted in incorrect grant of ITC of ₹ 1.28 crore. In addition, penalty of ₹ 3.84 crore was also leviable.

On this being pointed out, the AA stated that cases were re-assessed and demand of ₹ 2.54 crore including interest of ₹ 1.24 crore was created. The replies of AA were not wholly correct as the AA were required to levy three times penalty under Section 38 on the additional demand instead of interest.

The matter was reported to the Excise and Taxation Department between May 2015 and July 2016 and to the Government in February and May 2017; their replies were awaited (October 2017).

2.7 Non levy of tax on Central Sale

Assessing Authorities omitted to levy central sale tax on the inter-State sales of ₹ 30 crore resulting in short levy of tax of ₹ 3.77 crore.

As per provisions of Section 9 (2) of the Central Sales Tax Act, 1956 (CST Act) and the rules made thereunder, the authorities for the time being empowered to assess, reassess, collect and enforce payment of any tax under the general sales tax law of the appropriate State shall, on behalf of the Government of India, assess, reassess, collect and enforce payment of tax, payable by a dealer under this Act as if the tax payable by such a dealer is payable under the general sales tax law of the State; and for this purpose they may exercise all or any of the powers they have under the general sales tax law of the State.

Scrutiny of the records of the DETC (ST), Sirsa and Faridabad (West) revealed that two dealers sold goods worth ₹ 30 crore in the year 2013-14 to the dealers of other State. The AAs while finalising the assessments in November and December 2015, omitted to levy CST on the above sales. This resulted in short levy of tax amounting to ₹ 3.77 crore.

On this being pointed out, AAs Sirsa and Faridabad (West) stated (between May 2016 and January 2017) that additional demand of ₹ 3.77 crore had been created.

The matter was reported to the Excise and Taxation Department between September 2016 and April 2017 and to the Government in April 2017; their replies were awaited (October 2017).

2.8 Non/short levy of interest

The Assessing Authorities did not levy the interest in five cases and in two cases interest was levied short on delayed payment of tax which resulted in non/short levy of interest of ₹ 2.51 crore.

Section 14 (6) of the HVAT Act inter alia lays down that if any dealer fails to make payment of tax in accordance with the provisions of the Act and Rules made thereunder, he shall be liable to pay, in addition to the tax payable by him, simple interest at one *per cent* per month if the payment is made within ninety days, and at two *per cent* per month if the default continues beyond ninety days for the whole period, from the last date specified for the payment of tax to the date he makes the payment.

Scrutiny of records of the DETC (ST), Ambala, Gurugram (East) and ETO Tohana revealed that five dealers had not paid tax as per the provisions of the Act and Rules. The AAs finalised the assessments between January 2014 and March 2016 for the year 2010-11 and 2013-14 but did not levy interest of ₹ 1.12 crore in five cases on late/non payment of tax as per return and in two cases, interest of ₹ 1.39 crore was levied short on delayed payment of tax. This resulted in non/short levy of interest of ₹ 2.51 crore.

On this being pointed out, the AA Gurugram (East) intimated (September 2016) that in one case additional demand of interest of ₹ 14.14 lakh had been created and in two cases proceedings had been initiated to levy interest. AAs Ambala, Gurugram (East) and Tohana intimated that the four cases had been sent to the Revisional Authority for taking suo motu action.

The matter was reported to the Excise and Taxation Department between August 2014 and February 2017 and to the Government in March 2017; their replies were awaited (October 2017).

2.9 Incorrect deduction of taxable turnover

Assessing Authority incorrectly allowed higher deduction of taxable turnover resulting in under-assessment of tax of ₹ 0.76 crore. In addition, interest of ₹ 61.96 lakh was also leviable.

Rule 49 of HVAT Rules, 2003 provides that a contractor liable to pay tax under the Act may, in respect of a work contract awarded to him for execution in the State, pay in lieu of tax payable by him under the Act on the transfer of property involved in the execution of the contract, a lump sum calculated at four *per cent* of total valuable consideration receivable for the execution of work contract. Further, Section 42 of HVAT Act, 2003 provides that where a works contractor appoints a sub-contractor, the contractor and the sub contractor shall be jointly and severally liable to pay tax in respect of transfer of property in goods.

Scrutiny of records of the DETC (ST) Panchkula revealed that a dealer received a consideration of ₹ 44.33 crore for the work executed during the year 2011-12. The dealer was a sub contractor and opted to pay lump sum in lieu of tax. The AA, while finalising assessment (March 2015) for the year 2011-12 allowed a deduction of ₹ 44.33 crore (entire GTO) on the grounds that tax has been paid by main contractor. However, AA failed to establish that the main contractor had paid tax on total amount of ₹ 44.33 crore. Scrutiny of certificate issued by the main contractor revealed that he had paid tax on work of ₹ 25.44 crore only, on behalf of this sub contractor during the

year 2011-12 by reducing the amount of ₹ 18.89 crore as material supplied by main contractor. This resulted in under-assessment of tax of ₹ 0.76 crore on the amount of material supplied. In addition, interest of ₹ 61.96 lakh was also leviable.

On this being pointed out, the AA Panchkula intimated in September 2017 that the case had been sent to the Revisional Authority for taking suo motu action.

The matter was reported to the Excise and Taxation Department in December 2015 and to the Government in March 2017; their replies were awaited (October 2017).

2.10 Under-assessment of tax due to calculation mistake

Assessing Authorities while finalising the assessment underassessed the tax of ₹ 1.17 crore due to calculation mistake.

Under Section 19 of the HVAT Act, any taxing authority or appellate authority, may, at any time, within a period of two years from the date of supply of copy of the order passed by it in any case, rectify any clerical or arithmetical mistake apparent from the record of the case after giving the person adversely affected a reasonable opportunity of being heard.

Scrutiny of the records of ETO (ST), Hansi revealed that a dealer made sales valued at ₹ 15.56 crore during 2012-13. The AA while finalising the assessment in March 2016, created an additional demand of ₹ 7.48 lakh instead of correct amount of ₹ 74.71 lakh. Further, scrutiny of the records of the DETC (ST) Faridabad (West), revealed that AA while finalising the assessment of a dealer for the year 2011-12 during March 2015 disallowed ITC amounting to ₹ 24.76 lakh. However, while calculating the ITC, AA added this disallowed ITC amount instead of deducting the same. This resulted in under-assessment of tax of ₹ 1.17 crore (₹ 67.23 lakh + ₹ 49.53 lakh)

On this being pointed out, AA Hansi stated (April 2017) that the error had been rectified and additional demand of ₹ 67.23 lakh had been created. AA, Faridabad (West) admitted the para and intimated (July 2017) that notice for rectification of clerical mistake has been issued to the dealer.

The matter was reported to the Excise and Taxation Department between September 2016 and April 2017 and to the Government in May 2017; their replies were awaited (October 2017).

2.11 Excess brought forward of tax credit

Assessing Authority allowed adjustment of brought forward input tax of ₹ 42.76 lakh against the actual of ₹ 8.88 lakh resulting in short levy of tax of ₹ 33.88 lakh.

Section 20 (2) (b) of the HVAT Act, provides that the balance input tax exceeding the tax including the CST on sale of goods on account of difference in rate of tax shall be carried over for adjustment with future tax liability.

Scrutiny of the records of the DETC (ST), Gurugram (West) revealed that the AA allowed the adjustment of input tax brought forward of ₹ 42.76 lakh in one case for the assessment year 2011-12 against the actual of ₹ 8.88 lakh of input tax carried forward from assessment year 2010-11. This resulted in short levy of tax of ₹ 33.88 lakh during 2011-12.

On this being pointed out, DETC Gurugram (West) intimated (September 2016) that additional demand of ₹ 67.75 lakh (including interest) had been created.

The matter was reported to the Excise and Taxation Department in June 2016 and to the Government in April 2017; their replies were awaited (October 2017).

2.12 Under-assessment of tax due to application of incorrect rate of tax

Assessing Authority, while finalising the assessment incorrectly levied tax at the rate of 5.25 per cent instead of correct rate of tax 13.125 per cent resulting in short levy/under-assessment of tax of ₹ 2.09 crore. In addition, penalty and interest of ₹ 3.40 crore was also leviable.

Under section 7(1) (a) (iii) and (iv) of the HVAT Act, any commodity classified in Schedule C is taxable at the rate of five per cent with effect from 15 February 2010 and the unclassified commodities are taxable at the rate of 12.5 per cent with effect from 1 July 2005. Surcharge at the rate of five per cent is payable on the tax leviable, under section 7(A) of HVAT Act w.e.f 2nd April 2010. Further, Section 38 provides for penal action (tax avoided/benefit claimed and three times penalty) for claims on the basis of documents, false information and incorrect accounts. Interest was also leviable under Section 14(6) of the HVAT Act.

2.12.1 Scrutiny of records of DETC (ST) Faridabad (West), revealed that a dealer had made local sale of ₹ 11.90 crore to 65 dealers and paid tax at the rate of 5.25 per cent during 2012-13. The AA while finalising the assessment in November 2014 levied tax of ₹ 62.47 lakh at the rates of 5.25 per cent, treating the sale as non ferrous metal. Audit noticed during scrutiny of purchasing dealers file that the said dealer was engaged in sale of Fly Ash during 2012-13. Fly Ash was taxable at the rate of 13.125 per cent being an unclassified item. This resulted in short levy of tax of ₹ 93.70 lakh (11,89,87,893 X 7.875 per cent) besides three times penalty of ₹ 2.81 crore for furnishing false information.

On this being pointed out, AA admitted the para (February 2017) and intimated that the case had been sent for revision to Revisional Authority.

2.12.2 Scrutiny of the records of eight³³ DETC/ETO (Sales Tax) revealed that while finalising the assessment for the year 2011-12 to 2013-14, nine dealers were assessed (November 2013 to November 2015) at lower rate of tax than applicable on sale of these goods as detailed below:-

Sr. No.	Name of the DETC/ETO	Period Month of Assessment	Commodity	Tax leviable Tax levied	Short levied	Interest leviable in ₹	Response to audit observations
1	Bahadurgarh	2011-12 to 2012-13 11.03.2014 to 21.11.2014	Air compressor/ Blowers	2732466 1092986	1639480	872442	The Government clarified 22 October 2009 that Air compressor/ Blower is an unclassified item and taxable at the rate of 12.5 per cent plus surcharge. AA intimated (April 2017) that Air compressors/ Blowers are used in the pharmaceutical industry and oil refinery industry as plant and machinery and are parts of machinery. Reply was not correct in view of Government clarification.
2	Bhiwani	2011-12 13.11.2013	Mobile Accessories	1771834 708734	1063100	519502	Mobile Accessories is an unclassified item and taxable at the rate of 12.5 per cent plus surcharge but the AA assessed at the rate of 5.25 per cent. AA replied (March 2017) that mobile accessories is taxable at the rate of 5.25 per cent. Reply was not correct as Hon'ble Supreme Court held in case of M/s Nokia V/s State of Punjab that mobile accessories was taxable at general rate of tax.

Sr. No.	Name of the DETC/ETO	Period Month of Assessment	Commodity	Tax leviable Tax levied	Short levied	Interest leviable in ₹	Response to audit observations
3	Gurugram (East)	2011-12 to 2013 -14 between 07.11.2013 and 12.02.2016	Sunglasses and Embroidered sarees	7426838 2970735	4456103	2509864	Sunglasses and Embroidered sarees are taxable at general rate of tax i.e. 13.125 per cent. However, the AA assessed at the rate of 5.25 per cent. On being pointed out, AA intimated that cases had been sent to Revisional Authority for revision (April 2017).
4	Hisar	2013-14 17.11.2015	Roohafza	549142 219657	329485	161667	The Government clarified on 01.03.2013 that Roohafza is an unclassified item and taxable at the rate of 12.5 per cent plus surcharge but the AA assessed the case at the rate of 5.25 per cent. On being pointed out, AA intimated that cases had been sent to Revisional Authority for revision (June 2016).
5	Jind	2012-13 dt 11/8/2014 and 2013-14 dt. 5/5/2015	Roohafza	2379573 951829	1427744	571599	Roohafza is an unclassified item and taxable at the rate of 12.5 per cent plus surcharge but the AA assessed the case at the rate of 5.25 per cent. The AA replied (July 2016) that dealer had purchased goods after payment of tax and the dealer was not liable to pay tax on principal amount. Reply was not correct as the dealer has not paid full tax at the rate of tax applicable on sale of goods as clarified by Government.
6	Jagadhri	2011-12 dt. 19.11.2013 and 2012-13 dt. 21.10.2014	Bio-Fuel	836995 Nil	836995	402818	As per entry 13 of Schedule 'C' Biomass Briquettes is taxable at the rate of 5.25 per cent but the AA assessed tax free. On being pointed out, AA intimated that cases had been sent to Revisional Authority for revision (April 2017).
7	Panchkula	2013-14 14.09.2015	Dryer felt	932017 Nil	932017	418786	As per entry 26 of Schedule 'C' Dryer felt is taxable at the rate of 5.25 per cent but the AA assessed tax free. AA intimated (May 2017) that Dryer felt is tax free as per entry 51 of Schedule 'B'. Reply was not correct as Dryer felt was taxable at the rate of 5.25 per cent as per entry 26 of Schedule 'C'.
8	Tohana	2012-13 and 2013-14 dt. 24.08.2015	G. C. Sheet	1362309 518975	843334	440935	Galvanised Corrugated Sheet is taxable at general rate of tax i.e. 13.125 per cent. AA intimated that the case had been sent for revision (August 2016).
Total					11528258	5897613	

This resulted in under-assessment of tax of ₹ 1.15 crore besides interest of ₹ 58.98 lakh was also leviable.

The matter was pointed out to the Excise and Taxation Department between June 2015 and February 2017 and reported to the Government in June 2017; their replies were still awaited (October 2017).

2.13 Short levy of tax on Works contractors

Assessing Authorities assessed the tax at the rate of four per cent instead of general rate of tax i.e. 12.5 per cent plus surcharge, treating the non-government organisation as government, resulting in short levy of tax of ₹ 0.69 crore.

Section 2 (1) (ze) (ii) of the HVAT Act provides that the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract, where such transfer is for cash, deferred payment or other valuable consideration, shall be deemed to be a sale of those goods by the person making the transfer. Rule 49 of HVAT Rules provides that work contractor may either pay lump sum in lieu of tax at the rate of four per cent of gross receipts of works contract or pay tax on the value of goods transferred in the execution of work contract. Further Section 7(2) of the Act provides that tax payable by a dealer on his taxable turnover in so far as such turnover or any part thereof relates to goods sold to the Government shall be calculated at four per cent.

Scrutiny of the records of the DETCs (Sales Tax), Bhiwani, Kaithal and ETO Charkhi Dadri revealed that three contractors executed the work of Municipal Corporation (MC), Haryana State Agricultural Marketing Board (HSAMB) and other such organisation between 2010-11 and 2012-13 worth ₹ 7.74 crore and paid tax at the rate of 4.2 per cent. The dealer had not opted to pay lump sum in lieu of tax. The AAs while finalising the assessment (November 2013 to February 2016) assessed the tax at the rate of four per cent plus surcharge treating the non-government organisation as government, instead of general rate of tax i.e. 12.5 per cent plus surcharge. This resulted in short levy of tax of ₹ 0.69 crore.

On this being pointed out, AAs stated that the cases had been sent to the Revisional Authority for taking suo motu action (September 2016 to April 2017).

The matter was pointed out to the Excise and Taxation Department between June 2015 and March 2017 and reported to the Government in May 2017; their replies were awaited (October 2017).

2.14 Incorrect grant of Input Tax Credit

The Assessing Authority had not reversed the ITC in respect of petroleum products and natural gas which were used as fuel resulting in short realisation of tax of ₹ 19.18 lakh.

Under Section 8 (1) of Haryana Value Added Tax Act, 2003 (HVAT Act) read with Schedule 'E' Sr. 1, when petroleum products and natural gas are used as fuel, admissibility of input tax shall be considered as nil. The Excise and Taxation Commissioner, Haryana, Panchkula had also issued instructions (25 August 2011) that if the petroleum products and natural gas are used as fuel, input tax credit (ITC) in respect of VAT paid on purchases of such goods shall be nil.

Scrutiny of records of the DETC (ST) Jagadhri revealed that a dealer purchased Pet Coke of ₹ 4.23 crore during 2010-11 and 2011-12 and used the same as fuel and claimed ITC of ₹ 19.18 lakh. While finalising assessments between March 2014 and December 2014, the Assessing Authority (AA) had not reversed the ITC which resulted in short realisation of tax of ₹ 19.18 lakh.

On this being pointed out, the AA, Jagadhri intimated (April 2017) that additional demand of ₹ 19.18 lakh had been created. But the dealer had filed an appeal in Haryana Tax Tribunal.

The matter was pointed out to the Excise and Taxation Department between May 2015 and July 2016 and reported to the Government in March 2017; their replies were awaited (October 2017).

CHAPTER-III
STATE EXCISE

CHAPTER III: STATE EXCISE

3.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is head of the Department. The ETC is assisted by the Collector (Excise) at headquarters and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

Excise revenue is mainly derived from the license fee for grant of license of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

3.2 Results of audit

During 2016-17, test check of the records of 37 out of 94 units of State Excise Department revealed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 13.48 crore in 634 cases which fall under the following categories as tabulated in the **Table 3.1**.

Table 3.1- Results of audit

Sr. No.	Categories	Number of cases	Amount (₹in crore)
1.	Non/short deposit of license fee and loss of interest	254	5.90
2.	Non-realisation of differential amount of license fee on re-allotment of vends	12	4.06
3.	Non imposition of additional duty/penalty	229	1.56
4.	Non-recovery of penalty on illicit liquor	96	0.48
5.	Miscellaneous irregularities	43	1.48
	Total	634	13.48

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 4.80 crore involved in 158 cases out of which ₹ 4.65 crore involved in 133 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 18.64 lakh in 33 cases out of which ₹ 3.66 lakh involved in eight cases relates to the year 2016-17 and the rest to earlier years.

Some significant cases involving ₹ 5.08 crore are discussed in the following paragraphs.

3.3 Non/short recovery of license fee and interest

Ninety vends failed to pay the monthly instalments of license fee due for the year 2015-16 by the prescribed dates and DETCs (Excise) did not initiate action to seal the vends resulting in non/short recovery of license fee of ₹ 2.43 crore. In addition, interest of ₹ 1.57 crore was also leviable.

Para 6.4 of State Excise policy for the year 2015-16 stipulates that every licensee holding a license for retail outlets of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) vends shall make payment of monthly instalment of license fee by 20th of each month. Failure to do so renders him liable to pay interest at the rate of 18 *per cent* per annum for the period from the first of the month in which the license fee was due, to the date of payment of the instalment or any part thereof. Further as per para 6.5 of State Excise policy, if the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed vends shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the Deputy Excise and Taxation Commissioner {DETC (Excise)} of the respective district.

Scrutiny of the records of Fatehabad, Kurukshetra and Rohtak DETCs (Excise) for the year 2015-16 revealed that 20 vends for sale of IMFL and CL were allotted to licensees for ₹ 5.51 crore. The licensee had paid license fee of only ₹ 3.08 crore and the balance license fee of ₹ 2.43 crore was yet to be deposited by the licensees. This resulted in short recovery of license fee of ₹ 2.43 crore. In addition, interest of ₹ 57.24 lakh was also leviable.

Further audit noticed that four DETCs (Excise)¹ of seventy vends had paid monthly instalments of license fee of ₹ 26.88 crore for the period between April 2015 and March 2016 with delay ranging from 11 to 331 days. The DETCs (Excise) did not initiate action to levy interest on belated payment of license fee. This resulted in non levy of interest of ₹ 99.43 lakh.

On this being pointed out, all the DETCs (Excise) stated (between November 2016 and August 2017) that an amount of ₹ 9.08 lakh had been recovered and efforts would be made to recover the outstanding amount of ₹ 3.91 crore from the defaulters.

The matter was reported to the Excise and Taxation Department between September 2016 and January 2017 and to the Government in June 2017; their replies were awaited (October 2017).

¹ Gurugram, Jhajjar, Kurukshetra and Rohtak.

3.4 Non-realisation of differential license fee on re-auction

The Department failed to initiate action to recover the differential amount of license fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.08 crore.

Para 6.5 and 2.19 of the State Excise policy for the year 2015-16 stipulates that in case the allottee fails to make payment of security deposit and defaults in payment of license fee along with interest, the licensed outlet shall cease to be in operation on the first day of the following month and the Deputy Excise and Taxation Commissioner (Excise) {DETC (Excise)} may re-allot it at the risk and cost of original allottee after seeking prior permission of the Excise and Taxation Commissioner (ETC).

Scrutiny of the records of DETCs (Excise) Fatehabad and Rohtak for the year 2015-16 revealed that three retail outlets were auctioned in 2015 for ₹ 3.07 crore. The allottee, however, failed to pay monthly instalments of license fee in full by the due date. Of the total license fee of ₹ 3.07 crore, the allottees deposited security and monthly license fee of ₹ 67.13 lakh and failed to deposit the balance amount of ₹ 2.40 crore. The Department cancelled their retail outlets between May and June 2015 and thereafter re-auctioned/re-allotted them between July and October 2015 for ₹ 1.36 crore for the remaining period at the risk and cost of original allottees. While the Department recovered ₹ 1.32 crore from the second allottees, it failed to initiate action to recover the differential amount of license fee of ₹ 1.08 crore (₹ 2.40 crore – ₹ 1.32 crore) from the original allottees. This resulted in non-realisation of Government revenue of ₹ 1.08 crore.

On this being pointed out, both the DETCs (Excise) stated in April 2017 that notices had been issued to the defaulter allottees and efforts would be made to recover the outstanding amount of ₹ 1.08 crore from the defaulters.

The matter was reported to the Excise and Taxation Department in September and December 2016 and to the Government in May 2017; their replies were awaited (October 2017).

CHAPTER-IV
STAMP DUTY

CHAPTER IV: STAMP DUTY

4.1 Tax administration

Receipts from the stamp duty and registration fees are regulated under the Indian Stamp Act, 1899 (IS Act), Registration Act, 1908 (IR Act), Punjab Stamp Rules, 1934, as adopted by the Government of Haryana and the Haryana Stamp (Prevention of Undervaluation of Instruments) Rules, 1978. The Additional Chief Secretary, Revenue and Disaster Management Department, Haryana is responsible for the administration of the registration of various documents. The overall control and superintendence over levy and collection of stamp duty and registration fees vests with the Inspector General of Registration (IGR), Haryana. The IGR is assisted by Deputy Commissioners (DCs), tehsildars and naib tehsildars acting as Registrars, Sub Registrars (SRs) and Joint Sub Registrars (JSRs) respectively.

4.2 Results of audit

In 2016-17, test check of the records of 101 out of 131 units of the Revenue Department revealed non/short levy of stamp duty and registration fees and other irregularities involving ₹ 81.14 crore in 836 cases, which are depicted in **Table 4.1** below.

Table 4.1- Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short levy of stamp duty on registration of residential/commercial property	1	45.44
2	Non/short recovery of stamp duty and registration fees due to <ul style="list-style-type: none"> • undervaluation of immovable property • misclassification of instruments 	208 286	9.55 19.76
3	Short realisation of stamp duty due to sale of property at lower consideration than the amount mentioned in the agreement deeds	74	0.62
4	Irregular exemption of stamp duty on mortgage deeds/compensation certificates to land acquired	124	3.62
5.	Miscellaneous irregularities	143	2.15
	Total	836	81.14

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 57.78 crore involved in 348 cases of which 342 cases involving ₹ 57.77 crore are pointed out during the year and rest in earlier years. The Department recovered ₹ 1.44 lakh in six cases relating to the earlier years.

Significant cases involving ₹ 66.69 crore are discussed in the following paragraphs.

4.3 Levy of stamp duty on registration of residential/commercial property

4.3.1 Introduction

Stamp duty is leviable on the execution of instruments as per Schedule I-A of the Indian Stamp Act, 1899 (IS Act) and Registration Fees is payable at the prescribed rates fixed by the State Government. The records of the offices of SRs/JSRs in 21 districts¹ in the State for the years 2013-14 to 2015-16 were test checked to ascertain whether stamp duty and registration fees are levied correctly on the basis of rate fixed for residential/commercial property on sale of agriculture land within/outside municipal limits with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less than 1000 square yards. Short levy of stamp duty and registration fees in 1,468 cases (four per cent) out of 36,836 cases test checked in respect of registration of residential/commercial property was noticed as discussed in the paragraphs below:

4.3.2 Short levy of stamp duty and registration fees due to undervaluation of residential/commercial properties as agriculture properties

Under the provisions of the Section 2 (10) of the Indian Stamp Act, 1899 as applicable to the State of Haryana, 'conveyance' includes conveyance on sale and every instrument by which property, whether moveable or immovable, is transferred *inter vivos* and which is not otherwise specifically provided for by Schedule 1-A of the Indian Stamp Act. Further, as per Section 47-A (1) of the Indian Stamp Act, if the registering officer has reasons to believe that the value of the property or the consideration, has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector for determination of the value or consideration, as the case may be and the proper duty payable thereon.

Scrutiny of records of 104 SRs/JSRs in 19 districts² revealed that in 637 (two per cent) out of test checked 36,679 cases registered between April 2013 and March 2016, stamp duty and registration fees was charged on the basis of rates fixed for agricultural land instead of residential/commercial rates in these cases. The value of these properties were assessed at ₹ 530.33 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 28.86 crore. However,

¹ Ambala, Bhiwani, Faridabad, Fatehabad, Gurugram, Hisar, Jhajjar, Jind, Kaithal, Karnal, Kurukshetra, Mohindergarh, Nuh, Palwal, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

² Ambala, Bhiwani, Faridabad, Fatehabad, Gurugram, Hisar, Jhajjar, Jind, Kaithal, Karnal, Kurukshetra, Palwal, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

as per land records/khasra numbers given in the Collector's rate lists, these immovable properties were commercial (banquet hall, educational institute, factory, godown, hosiery, nursing home, petrol pump, poultry farm, rice sheller, shop and stone crusher)/residential as per land records (Jamabandis) maintained by the Revenue Department. The value of these properties based on the rates fixed by the Collector for residential/ commercial properties were liable to be assessed for ₹ 1,175.84 crore on which stamp duty and registration fees of ₹ 64.35 crore was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 35.49 crore (stamp duty ₹ 35.28 crore and registration fees ₹ 0.21 crore) due to valuation of residential/commercial properties as agricultural properties. Some interesting cases are discussed below:

(i) Scrutiny of records of SR Matlauda revealed that a Deed³ was registered as agricultural land at ₹ 25.58 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 1.28 crore. However, as per land records/khasra numbers given in the Collector's rate lists, the immovable property was commercial (cement factory) as per land records (Jamabandis) maintained by the Revenue Department. The value of the property based on the rates fixed by the Collector for commercial property was liable to be assessed for ₹ 45.28 crore on which stamp duty and registration fees of ₹ 2.27 crore was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 0.99 crore due to valuation of commercial property as agricultural property.

(ii) Scrutiny of records of SR Karnal revealed that a Deed⁴ was registered as agricultural land. The value of this property was assessed at ₹ 3.50 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 24.65 lakh. However, as per land records/khasra numbers given in the Collector's rate list, the immovable property was residential as per land records maintained by the Revenue Department. The value of the property based on the rates fixed by the Collector for residential land was liable to be assessed for ₹ 10.87 crore on which stamp duty and registration fees of ₹ 76.21 lakh was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 51.56 lakh due to valuation of residential land as agricultural property.

(iii) Scrutiny of records of SR Ganaur revealed that a Deed⁵ was registered as agricultural land. The value of this property was assessed at ₹ 7.96 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 39.82 lakh. However,

³ Deed No. 206 dated April 2015.

⁴ Deed No. 5545 dated October 2015.

⁵ Deed No. 2950 dated August 2014.

as per land records/khasra numbers given in the Collector's rate lists, the immovable property was commercial (poultry farm) as per land records (Jamabandis) maintained by the Revenue Department. The value of the property based on the rates fixed by the Collector for commercial property was liable to be assessed for ₹ 15.09 crore on which stamp duty and registration fees of ₹ 75.43 lakh was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 35.61 lakh due to valuation of commercial property as agricultural property.

(iv) Scrutiny of records of SR Sonepat revealed that a Deed⁶ was registered as agricultural land. The value of this property was assessed at ₹ 24.70 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 1.24 crore. However, as per land records/khasra numbers given in the Collector's rate lists, the immovable property was commercial (Engineering College) as per land records (Jamabandis) maintained by the Revenue Department. The value of the property based on the rates fixed by the Collector for commercial property was liable to be assessed for ₹ 49.55 crore on which stamp duty and registration fees of ₹ 2.48 crore was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 1.24 crore due to valuation of commercial property as agricultural property.

(v) Scrutiny of records of SR Nilokheri revealed that two Deeds⁷ were registered treating the land as agricultural land. The value of these properties were assessed at ₹ 12.35 crore based on the rates fixed by the Collector for agricultural land on which the department levied stamp duty and registration fees of ₹ 62.03 lakh. However, as per land records/khasra numbers given in the Collector's rate lists, the immovable property was industrial land as per land records (Jamabandis) maintained by the Revenue Department. The value of the property based on the rates fixed by the Collector for commercial property was liable to be assessed for ₹ 24.91 crore on which stamp duty and registration fees of ₹ 1.75 crore was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 1.13 crore due to valuation of commercial property as agricultural property.

On this being pointed out, all the JSRs/SRs stated (between April 2016 and April 2017) that the cases had been/would be sent to the Collectors under Section 47-A of the Indian Stamp Act and action would be taken as per rules.

⁶ Deed No. 11605 dated March 2015.

⁷ Deed Nos. 1594 and 1595 dated September 2015.

4.3.3 Short levy of stamp duty and registration fees due to application of incorrect rates of immovable property

Stamp duty leviable on sale, exchange and gift deeds is defined in Articles 23, 31 and 33 respectively in the Schedule 1A of the Indian Stamp Act, 1899. Further, as per notification issued in January 2011, the Haryana Government remitted the stamp duty in respect of sale deeds executed by the farmers whose land was acquired by the Government for public purposes on purchase of agricultural land in the State within two years of the receipt of amount of compensation. The remission will be limited to the compensation amount only and the additional amount involved for the purchase of agricultural land will be liable to stamp duty as per rules. However, as per Government instructions issued in November 2000, agricultural land sold within/outside municipal limits, with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less than 1,000 square yards, be valued at the rate fixed for residential property of that locality for the purpose of levying stamp duty.

Failure to implement the above instructions resulted in short levy of stamp duty and registration fees of ₹ 9.95 crore (stamp duty ₹ 9.39 crore and registration fees ₹ 0.56 crore) in the cases depicted below:

Issue	Brief of the case	Shortage of (₹ in crore)			Reply of the department
		SD	RF	Total	
Short levy of stamp duty and registration fees due to application of incorrect rates of agricultural land less than 1,000 sq. yards	Scrutiny of records of 104 SRs/JSRs in 17 districts ⁸ revealed that 806 (two per cent) out of test checked 36,679 cases registered between June 2013 and March 2016 were assessed at ₹ 60.22 crore based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 3.02 crore. However, these deeds were liable to be assessed for ₹ 256.03 crore based on the rates fixed for residential property of the areas and stamp duty and registration fees of ₹ 12.50 crore was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 9.48 crore.	8.95	0.53	9.48	SR Hisar stated in October 2016 that three cases amounting to ₹ 3.37 lakh had been decided by the Collector and one case was pending. All the JSRs/SRs of remaining districts stated (between April 2016 and March 2017) that the cases had been sent to the Collectors under Section 47-A of the Indian Stamp Act and action would be taken as per rules.
Short levy of stamp duty and	Scrutiny of records of 11 SRs/JSRs in six districts ⁹	0.21	0.01	0.22	All the JSRs/SRs stated (between

⁸ Ambala, Bhiwani, Faridabad, Fatehabad, Gurugram, Hisar, Jhajjar, Jind, Karnal, Kurukshetra, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

⁹ Ambala, Faridabad, Fatehabad, Hisar, Jhajjar and Rohtak.

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Issue	Brief of the case	Shortage of (₹ in crore)			Reply of the department
		SD	RF	Total	
registration fees in case of exchange of agricultural land less than 1,000 sq. yards due to application of incorrect rates	revealed that 15 (24 per cent) out of test checked 63 cases registered between March 2015 and February 2016 were assessed at ₹ 98.63 lakh based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 6.66 lakh. However, these deeds were liable to be assessed for ₹ 4.64 crore based on the rates fixed for residential property of the areas on which stamp duty and registration fees of ₹ 29.31 lakh was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 22.65 lakh.				June 2016 and January 2017) that the cases had been sent to the Collectors under Section 47-A of the Indian Stamp Act and action would be taken as per rules.
Short levy of stamp duty and registration fees in case of gift of agricultural land less than 1,000 sq. yards due to application of incorrect rates	Scrutiny of records of SRs, Gurugram and Israna revealed that two (four per cent) out of test checked 53 cases registered in May and September 2015 were assessed at ₹ 22.29 lakh based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 1.49 lakh. However, these deeds were liable to be assessed for ₹ 1.37 crore based on the rates fixed for residential property of the areas on which stamp duty and registration fees of ₹ 9.25 lakh was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 7.76 lakh.	0.07	0.01	0.08	Both the SRs stated in July 2017 that the cases had been sent to the Collectors under Section 47-A of the Indian Stamp Act and action would be taken as per rules.
Short levy of stamp duty and registration fees in case of purchase of agricultural land less than 1,000 sq. yards from compensation received on acquisition of agricultural land due to application of incorrect rates	Scrutiny of records of three SRs ¹⁰ in Faridabad and Hisar districts revealed that eight (20 per cent) out of 41 test checked cases registered between June 2015 and February 2016 were assessed at ₹ 56.97 lakh based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 3.73 lakh. However, these deeds were liable to be assessed for ₹ 4.77 crore based on the rates fixed for residential property of the areas. As the farmers had received compensation amounting to ₹ 83.05 lakh on	0.16	0.01	0.17	All the SRs/JSRs stated in November 2016 that the cases would be sent to the Collectors under Section 47-A of the Indian Stamp Act and action would be taken as per rules.

¹⁰

Ballabgarh, Mohna and Hisar.

Issue	Brief of the case	Shortage of (₹ in crore)			Reply of the department
		SD	RF	Total	
	account of acquisition of agricultural land, the balance amount of ₹ 3.94 crore was liable to stamp duty and registration fees of ₹ 20.47 lakh was leviable. This resulted in short levy of stamp duty and registration fees of ₹ 16.74 lakh.				
	Total	9.39	0.56	9.95	

In respect of SR Faridabad, SR Ballabhgarh, SR Hisar and JSR Raipurani, the irregularity was found in 24 cases, 28 cases, 28 cases and 32 cases involving short levy of Stamp duty and Registration fee of ₹ 1.63 crore, ₹ 31.53 lakh, ₹ 28.91 lakh and ₹ 27.85 lakh respectively. Some interesting cases are discussed below:

(i) Scrutiny of records of the office of SR Faridabad revealed that two agricultural plots falling within the municipal limits were registered vide deeds¹¹ as agricultural land. The registering authorities assessed these deeds at ₹ 45.90 lakh based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 3.34 lakh. However, these deeds were liable to be assessed for ₹ 3.73 crore based on the rates fixed for residential property of the areas and stamp duty and registration fees of ₹ 26.28 lakh was leviable as the area of the land in these cases were less than 1,000 square yards. This resulted in short levy of stamp duty and registration fees of ₹ 22.94 lakh.

(ii) Scrutiny of records of the office of SR Gurugram revealed that two agricultural plots falling within the municipal limits were registered vide deeds¹² as agricultural land. The registering authorities assessed these deeds at ₹ 1.28 crore based on the rates fixed for agricultural land and levied stamp duty and registration fees of ₹ 9.11 lakh. However, these deeds were liable to be assessed for ₹ 3.67 crore based on the rates fixed for residential property of the areas and stamp duty and registration fees of ₹ 25.81 lakh was leviable as the area of the land in these cases were less than 1,000 square yards. This resulted in short levy of stamp duty and registration fees of ₹ 16.70 lakh.

¹¹ Deed Nos. 751 and 10033.

¹² Deed Nos. 6413 and 18187.

Conclusion

Instances of non-compliance with various provisions of the Indian Stamp Act in respect of valuation of residential/commercial immovable property and sale/exchange/gift deeds and land purchased from the amount of compensation received, agricultural land sold within/outside municipal limits, with an area less than 1,000 square yards or in case where purchasers are more than one and the share of each purchaser is less than 1,000 square yards, were noticed resulting in short levy of stamp duty and registration fees of ₹ 45.44 crore (stamp duty ₹ 44.67 crore and registration fees ₹ 0.77 crore).

The above points were reported to the Government in May 2017: their replies were awaited (October 2017).

4.4 Short levy of stamp duty due to misclassification of sale deeds as collaboration agreement

Registering Authorities misclassified sale deeds as collaboration agreements instead of agreement to sell in six agreements resulting in short levy of stamp duty of ₹ 7.35 crore.

As per Haryana Government notification issued in October 2013, any agreement that relates to giving authority or power to a promoter or a developer, by whatever name called, for construction on, development of or, sale or transfer (in any manner whatsoever) of, any immovable property shall be liable to stamp duty as is leviable on a conveyance for sale of immovable property. Cases of misclassification of deeds were printed in earlier reports. The Public Account Committee in 74th report had desired that status Report with regard to Collaboration agreements be submitted within a month positively and impressed upon to hold special campaign to effect recovery but no action taken note has been received from the department.

Scrutiny of records of four SRs/JSR¹³ revealed that six collaboration agreements were registered between April and December 2014 on which total stamp duty of ₹ 600 at the rate of ₹ 100 per deed was levied. Scrutiny of these agreements revealed that the owners of land had authorised the developers to take possession of the land with the right to construct, build-up shop-cum-flats and residential houses and these fell within the ambit of the notification of October 2013. As per rates fixed by the Collector, value of agricultural land transferred to the developers worked out to ₹ 146.98 crore on which stamp duty of ₹ 7.35 crore was leviable. Thus, misclassification of these documents as agreement to develop resulted in short levy of stamp duty of ₹ 7.35 crore.

¹³ SRs: Ganaur, Nuh and Sonapat; JSR: Dharuhera.

On this being pointed out, all the SRs/JSR stated (between April and July 2017) that an amount of ₹ 49,900 had been recovered and the cases had been sent to the Collector under Section 47-A of the Indian Stamp Act for decision. Further report on recovery has not been received (October 2017).

The matter was reported to the Revenue and Disaster Management Department in April and June 2016 and to the Government in February 2017; their replies were awaited (October 2017).

4.5 Short levy of stamp duty on lease deeds

The Registering Authorities levied stamp duty of ₹ 3.52 lakh instead of ₹ 6.96 crore in respect of annual average rent of ₹ 229.52 crore resulting in short levy of stamp duty of ₹ 6.92 crore.

Article 35 of Schedule 1-A of the Indian Stamp Act, 1899 provides for levy of stamp duty on lease deeds at prescribed rates for consideration equal to the amount or value of the fine or premium or advance in addition to the amount of the average annual rent reserved and on the basis of period of lease.

Scrutiny of records of six SRs¹⁴ revealed that nine instruments of lease for period ranging from seven to thirty years were registered between December 2014 to February 2016. The lessees received annual average rent amounting to ₹ 229.52 crore payable during the term of contract. The registering authorities levied stamp duty of ₹ 3.52 lakh instead of ₹ 6.96 crore. This resulted in short levy of stamp duty of ₹ 6.92 crore.

On this being pointed out, SR Palwal stated in June 2017 that cases had been decided by the collector and ordered for recovery. All the remaining SRs stated (between April and May 2017) that the cases had been sent to the Collector for decision under Section 47-A of the Indian Stamp Act.

The matter was reported to the Revenue and Disaster Management Department between June and October 2016 and to the Government in April 2017; their replies were awaited (October 2017).

¹⁴ Chhacharouli, Naraingarh, Narnaul, Palwal, Rajound and Shahbad.

4.6 Short levy of stamp duty due to under-valuation of immovable property

Six deeds were registered for sale at normal khasra rates for agricultural land for ₹ 18.76 crore on which stamp duty of ₹ 1.05 crore was levied instead of at rates of khasras, on which CLU was issued to develop residential colonies, for ₹ 62.04 crore on which stamp duty of ₹ 3.82 crore was leviable resulting in short levy of stamp duty of ₹ 2.77 crore. Further, 47 conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties resulting in short levy of stamp duty and registration fees of ₹ 42.07 lakh.

Section 27 of the Indian Stamp Act, 1899, stipulates that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of duty with which it is chargeable, should be fully or truly set forth therein. Further, Section 64 of the IS Act provides that any person who, with intent to defraud the Government, executes an instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, is punishable with a fine which may extend to ₹ 5,000 per instrument.

4.6.1 Scrutiny of records of SRs Jind, Kaithal and Kalka for the years 2014-15 to 2015-16 revealed that six deeds were registered for sale at normal Khasra rates for agricultural land during the period between October 2013 to November 2015. The Khasras transacted in these deeds matched with Khasras on which change of land use (CLU) were issued from June 2013 to January 2014 to develop residential colonies, which were prior to the date of registration of the conveyance deeds in each of the six cases. As such, the value of land were liable to be assessed on the basis of residential rates for ₹ 62.04 crore, on which stamp duty of ₹ 3.82 crore was leviable. But, these deeds were assessed at the rates fixed for agricultural land for ₹ 18.76 crore on which stamp duty of ₹ 1.05 crore was levied. This resulted in short levy of stamp duty of ₹ 2.77 crore (₹ 3.82 crore - ₹ 1.05 crore).

On this being pointed out, all the SRs stated in April 2017 that the cases had been sent to the Collector under Section 47-A of IS Act for decision.

4.6.2 Scrutiny of records of deed writers/agreements executed in 17 SRs¹⁵ revealed that stamp duty of ₹ 41.62 lakh was levied on 47 conveyance deeds that were registered (between October 2013 and August 2016) for sale of immovable properties valued at ₹ 9.90 crore. Cross verification of these deeds

¹⁵ Bahadurgarh, Beri, Chhachhrauli, Ganaur, Gohana, Gurugram, Hisar, Jagadhri, Jhajjar, Khanpur Kalan, Manesar, Pehowa, Rohtak, Shahbad, Sohna, Thanesar and Uklana.

with the agreements executed between the concerned parties between June 2013 and August 2016 showed that the total sale value as shown in the agreements was ₹ 19.25 crore on which stamp duty of ₹ 83.49 lakh was leviable. Thus, the conveyance deeds were executed and registered at a consideration less than what had been agreed to between the parties. Under-valuation of immovable properties in conveyance deeds resulted in short levy of stamp duty and registration fees of ₹ 41.87 lakh.

On this being pointed, SRs Gurugram, Kurukshetra and Rohtak stated in April 2017 that an amount of ₹ 48,125 had been recovered and all the remaining SRs stated between October 2016 and April 2017 that the cases had been sent to the Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Revenue and Disaster Management Department between January 2016 and January 2017 and to the Government in March 2017; their replies were awaited (October 2017).

4.7 Irregular exemption of stamp duty

Irregular exemption of stamp duty in 38 cases to farmers who had purchased residential/commercial land, purchased agriculture land for amounts exceeding the compensation and purchased agricultural land beyond the permissible period of two years of compensation received, resulted in non/short levy of stamp duty and registration fees of ₹ 1.85 crore.

As per Government order issued on January 2011 under the Indian Stamp Act, 1899 the Government exempts stamp duty in respect of sale deeds executed by farmers whose land is acquired by Haryana Government for public purposes and who purchase agricultural land in the State within two years of the compensation received by them. The exemption will be limited to the compensation amount and the additional amount involved in the purchase of agricultural land will be liable to stamp duty and registration fees as per rules.

Scrutiny of records of 15 JSRs/SRs¹⁶ revealed that in 34 cases, farmers whose land had been acquired by the Government for public purposes purchased residential/commercial land valued at ₹ 32.09 crore. In three cases, the farmers received compensation amount of ₹ 37.29 lakh and purchased agricultural land valued at ₹ 1.19 crore which exceeds the compensation amount by ₹ 81.27 lakh. In another case, agricultural land was purchased for ₹ 4.03 crore after two years. Stamp duty and registration fees was to be levied in these

¹⁶ Ambala, Barara, Beri, Farukhnagar, Gurugram, Jind, Jagadhri, Jhajjar, Julana, Manesar, Matenhail, Mulana, Sonapat, Sohna and Uchana.

cases at the rate of three to seven *per cent* amounting to ₹ 1.93 crore as the farmers had purchased residential/ commercial land, purchased agricultural land for amounts exceeding the compensation and purchased agricultural land beyond the permissible period of two years. The Department had, however, levied stamp duty and registration fees amounting to ₹ 7.64 lakh (stamp duty: ₹ 7.28 lakh + registration fees: ₹ 0.36 lakh) against the leviable stamp duty and registration fees amounting to ₹ 1.93 crore (stamp duty: ₹ 1.90 crore + registration fees: ₹ 0.03 crore). This irregular exemption of stamp duty resulted in non/short levy of stamp duty and registration fees of ₹ 1.85 crore (stamp duty: ₹ 1.82 crore + registration fees: ₹ 0.03 crore).

On this being pointed out, all the SRs stated (between April and July 2017) that the cases had been sent to Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Revenue and Disaster Management Department between April and November 2016 and to the Government in March 2017; their replies were awaited (October 2017).

4.8 Misclassification of 'Conveyance on sale' as release deeds

The registering authorities misclassified conveyance on sale as release deeds and levied stamp duty of ₹ 5,220 instead of ₹ 73.49 lakh as per Collector rate resulting in short levy of stamp duty of ₹ 73.44 lakh.

As per Haryana Government clarification in December 2005 regarding Article 55 in schedule 1-A of the Indian Stamp Act, 1899 if an instrument of ancestral property is executed in favour of brother or sister (children of renouncer's parents) or son or daughter or father or mother or spouse or grand children or nephew or niece or co-parcener¹⁷ of the renouncer, stamp duty will be levied at the rate of ₹ 15 and in any other case, the same duty will be levied as a conveyance relating to sale of immovable property for the amount equal to the market value of the share, interest, part or claim renounced.

Scrutiny of records of 25 SRs/JSRs¹⁸ revealed that 48 release deeds were executed between April 2013 and March 2016 in favour of persons other than those allowed as per the clarification of the Government. The registering authorities levied stamp duty of ₹ 5,220 only as release deeds whereas these deeds were liable to stamp duty of ₹ 73.49 lakh at the rate of three to seven *per cent* as conveyance on sale amounting to ₹ 13.91 crore as per Collector

¹⁷ A person who inherited the property from the Hindu Undivided Family.

¹⁸ **SRs:** Ambala City, Barara, Bawal, Bilaspur, Gharaunda, Gurugram, Kanina, Karnal, Kosli, Matlouda, Manesar, Manethi, Nangal choudhary, Narnaul, Nighdu, Nilokheri, Palwal, Pehowa, Sadhaura, Sampla, Sohna and Thanesar.

JSRs: Dahina, Nahar and Nissing.

rate. Misclassification of 'conveyance on sale' as 'release deeds' resulted in short levy of stamp duty of ₹ 73.44 lakh.

On this being pointed out, all the SRs stated in April and May 2017 that the cases had been sent to Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Revenue and Disaster Management Department between January and October 2016 and to the Government in March 2017; their replies were awaited (October 2017).

4.9 Irregular remission of stamp duty

Irregular remission of stamp duty in contravention of provision for execution of transfer deeds in favour of persons other than blood relations resulted in loss of revenue of ₹ 66.61 lakh to the State exchequer.

As per Government order of 16 June 2014, the Government may remit the stamp duty chargeable on the instrument if it pertains to transfer of immovable property within the family by an owner during his lifetime to any of the blood relations namely parents, children, grand children, brother (s), sister (s) and between spouse.

Scrutiny of records of the registered documents of transfer deeds in 14 SRs/JSRs¹⁹ for the year 2015-16 revealed that 51 instruments of transfer deeds were executed in favour of persons other than those allowed in the above orders of Government. This irregular remission of stamp duty resulted in loss of revenue to the extent of ₹ 66.61 lakh.

On this being pointed out, all the SRs stated in April 2017 that the cases had been sent to Collector under Section 47-A of the Indian Stamp Act for decision.

The matter was reported to the Revenue and Disaster Management Department between January 2016 and January 2017 and to the Government in April 2017; their replies were awaited (October 2017).

¹⁹ Assandh, Balsmend, Bapoli, Guhla, Gurugram, Jhajjar, Manethi, Matainhail, Meham, Nahad, Pundri, Rajound, Sohna and Uklana.

4.10 Short levy of stamp duty due to application of non prime rates on land containing prime khasra

Registering Authorities incorrectly assessed prime khasra land at normal rates fixed for agricultural land resulting in short levy of stamp duty of ₹ 54.31 lakh.

As per Haryana Government instruction issued in November 2000, the Evaluation Committee has to fix separate rates for prime land i.e. land situated on National Highways, State Highways and developed Colonies/Wards/Sectors and record the khasra numbers in the Collector's rate list to avoid evasion of stamp duty. Further, Section 27 of the IS Act as applicable to the State of Haryana, provides that consideration and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of duty chargeable, should be fully or truly set forth therein.

Scrutiny of records of 13 SRs/JSRs²⁰ revealed that 41 conveyance deeds were registered for sale at normal khasra rates fixed for agricultural land during the period between April 2013 and March 2016. However, the khasras transacted in these deeds matched with the prime khasras having higher land rates. As such, the value of land was liable to be assessed on the rates fixed by the Collector for prime land for ₹ 26.53 crore on which stamp duty of ₹ 1.27 crore was leviable instead of at the assessed rates fixed for agricultural land for ₹ 16.34 crore on which stamp duty of ₹ 72.77 lakh was levied. This resulted in short levy of stamp duty of ₹ 54.31 lakh.

On this being pointed out, SR Salavas stated in July 2017 that an amount of ₹ 8,359 had been recovered and 11 SRs²¹ stated (between April and July 2017) that the cases had been sent to Collector under Section 47-A of the Indian Stamp Act for decision. Reply in respect of SR Narwana has not been received (October 2017).

The matter was reported to the Revenue and Disaster Management Department between January and November 2016 and to the Government in March 2017; their replies were awaited (October 2017).

²⁰ Indri, Jind, Kalka, Matenhel, Meham, Narwana, Nilokheri, Pillokheri, Safidon, Salavas, Sampla, Shehjadpur and Thanesar.

²¹ Indri, Jind, Kalka, Matenhel, Meham, Nilokheri, Pillokheri, Safidon, Sampla, Shehjadpur and Thanesar.

CHAPTER-V
TAXES ON VEHICLES, GOODS AND
PASSENGERS

CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS**5.1 Tax administration****5.1.1 Taxes on vehicles**

Registration of motor vehicles, issue of permits, issue of driving/conductor licenses, levy and collection of token tax, permit fee and license fee are governed by the Motor Vehicles Act, 1988, (MV Act), the Central Motor Vehicles Rules, 1989 (CMVR), the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana is the administrative head of the Transport Department and is assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licensing Authority (RLA) are being exercised by Sub-Divisional Officers (Civil) in respect of non-transport vehicles, while Secretaries, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport vehicles including goods vehicles.

5.1.2 Passengers and goods tax

Levy and collection of passengers and goods tax (PGT) are governed by the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder as applicable to the State of Haryana. The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field.

5.2 Results of Audit

During 2016-17, test check of the records of 91 out of 220 units revealed irregularities relating to token tax, permit fee, fitness/renewal fee, taxes on goods and passengers and penalty involving ₹ 7.76 crore in 33,030 cases which fall under the following categories as depicted below:

Table 5.1: Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of Permit fee	1,227	1.95
2.	Non recovery of fitness/renewal fee on account of renewal of registration certificates	25,125	0.49

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
3.	Non recovery of fine from overloaded vehicles	130	0.26
4.	Non/short recovery of <ul style="list-style-type: none"> • token tax from private vehicles • passengers tax • goods tax 	4,702 588 969	2.09 1.13 1.03
5.	Miscellaneous irregularities	289	0.81
Total		33,030	7.76

During the year, the Department accepted under-assessment and other deficiencies of ₹ 92.35 lakh in 1,281 cases out of which 1,242 cases involving ₹ 90.67 lakh were pointed out during the year and rest in earlier years. The Department recovered ₹ 4.60 lakh in 87 cases out of which ₹ 2.92 lakh in 48 cases relates to the year 2016-17 and rest to earlier years.

Significant cases involving ₹ 1.27 crore are discussed in the following paragraphs.

TRANSPORT DEPARTMENT

5.3 Non/short realisation of Goods Tax

Vehicle owners of 619 public or private carriers used for carrying goods had not deposited or short deposited Goods tax during the years 2014-15 to 2015-16 resulting in non/short realisation of goods tax of ₹ 47.25 lakh. In addition, interest of ₹ 27.88 lakh was also leviable.

Goods tax is leviable in lump sum on public or private carriers plying in or passing through the State at rates¹ prescribed on the basis of loading capacity as per the Motor Vehicles Act with effect from 25 March 2011. Tax is payable in equal quarterly instalments within 30 days of the commencement of quarter to which the payment relates. Rule 22 of the PPGT Rules, 1952 provides that if any sum is payable by an owner under the Act or these rules, the assessing authority shall serve a demand notice and fix a date not less than 15 days from the date of service by which the owner shall furnish the receipted challan in proof of such payment. Further, as per Section 14 (B) of the PPGT Act, where any tax or penalty is not paid within the prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the unpaid amount of tax.

¹ ₹ 4,000 per annum (not exceeding 10 tons); ₹ 5,600 per annum (exceeding 10 tons but not exceeding 17 tons) and ₹ 12,000 per annum (exceeding 17 tons). These rates were revised on 09 July 2015 on the basis of Gross Vehicle weight, exempted (Upto 1.2 tons); ₹ 6,000 per annum (exceeding 1.2 tons but not exceeding 6 tons); ₹ 7,200 per annum (exceeding 6 tons but not exceeding 16.2 tons); ₹ 12,000 per annum (exceeding 16.2 tons but not exceeding 25 tons) and ₹ 18,000 per annum (exceeding 25 tons).

Scrutiny of records of 11 DETC (PGT)² revealed that vehicle owners of 619 public or private carriers used for carrying goods had not deposited Goods tax of ₹ 47.25 lakh for different periods between April 2014 and March 2016. No demand notices had been issued by the department nor was there any system for monitoring the recovery of dues. This resulted in non/short realisation of Goods tax of ₹ 47.25 lakh. In addition, interest of ₹ 27.88 lakh was also leviable as per the PPGT Act.

On this being pointed out, six DETCs (PGT)³ stated in April and May 2017 that Goods tax of ₹ 2.77 lakh including interest had been recovered and notices had been issued to the remaining vehicle owners to recover the outstanding amount of ₹ 39.41 lakh. Further progress report on recovery and reply from the remaining five DETCs (PGT) has not been received (October 2017).

The matter was reported to the Transport Department between April and December 2016 and to the Government in May 2017; their replies were awaited (October 2017).

5.4 Non/short recovery of token tax

Vehicle owners of 742 goods carriages either had not deposited or short deposited token tax during the year 2015-16 resulting in non/short realisation of taken tax of ₹ 17.16 lakh. In addition, penalty of ₹ 34.32 lakh was also leviable.

Under Section 3 (1) of the PMVT Act, as applicable to the State of Haryana, tax shall be leviable on every motor-vehicle in equal instalments for quarterly periods commencing on the first day of beginning of each quarter. Any broken period in such quarterly period shall, for the purpose of levying the tax, be considered as a full period. As per Haryana Government notification issued in January 2006, yearly token tax shall be leviable in advance on the basis of gross vehicle weight⁴ in equal quarterly or annual instalments. In case of omission to comply with the provisions, penalty at the rate of one *per cent* per day of the token tax due will be charged from the beginning of the next month of each quarter. However, the maximum amount of penalty will not exceed twice the amount of tax due.

² Bhiwani, Faridabad (East), Faridabad (West), Gurugram, Hisar, Kaithal, Karnal, Kurukshetra, Panipat, Rewari and Rohtak.

³ Faridabad (East), Faridabad (West), Karnal, Panipat, Rewari and Rohtak.

⁴ ₹ 300 per annum (not exceeding 1.2 tonnes), ₹ 1,200 per annum (exceeding 1.2 tonnes but not exceeding six tonnes), ₹ 2,400 per annum (exceeding six tonnes but not exceeding 16.2 tonnes), ₹ 3,500 per annum (exceeding 16.2 tonnes but not exceeding 25 tonnes) and ₹ 4,500 per annum (exceeding 25 tonnes).

Scrutiny of records of office of the five Secretary, Regional Transport Authority (RTA)⁵ revealed that vehicle owners of 742 goods carriages either had not deposited or short deposited token tax during the year 2015-16. No action had been taken by the department to recover the token tax. This resulted in non/short realisation of token tax amounting to ₹ 17.16 lakh. In addition, penalty of ₹ 34.32 lakh was also leviable as per Act.

On this being pointed out, all the RTAs stated (between April and August 2017) that an amount of ₹ 8.49 lakh had been recovered and notices had been issued to recover the outstanding amount of ₹ 42.99 lakh from the concerned vehicle owners.

The matter was reported to the Transport Department between September 2016 and January 2017 and to the Government in May 2017; their replies were awaited (October 2017).

⁵ RTAs: Ambala, Faridabad, Kurukshetra, Rohtak and Sirsa.

CHAPTER-VI

OTHER TAX AND NON-TAX RECEIPTS

CHAPTER VI: OTHER TAX AND NON-TAX RECEIPTS

6.1 Tax administration

This chapter consists of receipts from Entertainment Duty, Power (Taxes and duties on electricity), Mines and Geology and Land Revenue. The administration and levy of these taxes is governed by respective Acts/Rules framed separately for each administrative department.

6.2 Results of Audit

In 2016-17, test check of the records of 50 out of 178 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (32 units), Power Department (Taxes and duties on electricity) (04 units), Land Revenue (119 units) and Excise and Taxation Department (Entertainment Duty) (23 units) involving ₹ 259.38 crore in 528 cases which are depicted in **Table 6.1 below:**

Table 6.1- Results of audit

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non recovery of contract money and interest	17	173.80
2.	Non/short recovery of royalty and interest	149	0.61
3.	Non/short recovery of stamp duty on lease deeds of mining contracts	12	49.61
4.	Non/short recovery of Restoration and Rehabilitation fund	05	11.99
5.	Non forfeiture of security	02	23.02
6.	Non/short recovery of copying and mutation fee	323	0.34
7.	Miscellaneous irregularities	20	0.01
	Total	528	259.38

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 76.76 crore in 111 cases out of which ₹ 76.75 crore involved in 108 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 40.09 lakh in 17 cases out of which ₹ 39.54 lakh involved in 14 cases relates to the year 2016-17 and the rest to earlier years.

Significant cases involving ₹ 36.27 crore are discussed in the following paragraphs.

MINES AND GEOLOGY DEPARTMENT

6.3 Non recovery of contract money and interest

Failure on the part of the Department to take timely action resulted in non-realisation of contract money of ₹ 35.90 crore including interest of ₹ 10.37 crore.

Mining contracts in the State of Haryana are being granted by the office of the Director Mines and Geology Department, Haryana Chandigarh under open auction policy and implemented through its concerned Mining Officer (MO)/Assistant Mining Engineer (AME). As per terms and conditions of the model agreement prescribed by the Mines and Geology Department, the period of contract shall commence with effect from the date of grant of environmental clearance (EC) by competent authority or on expiry of period of 12 months from the date of acceptance of highest bid/issuance of “Letter of Intent (LOI)”, whichever is earlier. The contractor shall pay the instalments of contract money during the subsistence of the contract in advance to the Government. Further, the agreement provides that in case of default in payment of instalment of contract money on the due date(s), interest would be chargeable at the rate of 15 *per cent* and 18 *per cent* per annum on the amount of default for delay upto 30 days and 60 days respectively. Delay beyond 60 days, may amount to a ‘breach’, inviting action for termination of contract and the amount would be recoverable along with interest at the rate of 21 *per cent* per annum for the entire period of default.

Scrutiny of the records of the office of the AME, Faridabad in January 2017 for the years 2014-15 and 2015-16 revealed that an auction was held in December 2013 for grant of mining rights of quarries for mining of sand for a period of eight years. Subsequently, the highest offer of annual contract money of ₹ 29.50 crore was accepted on 27 December 2013. The LOI was issued on 4 January 2014. As per condition of the contract, the contract money was to be paid from January 2015. However, the contractor made part payment of security of ₹ 7.37 lakh and monthly instalments of ₹ 11.26 crore from September 2015 to January 2016. The contractor had not paid the monthly instalments of contract money of ₹ 25.53 crore for the period from January to August 2015 and February to March 2016. As per the condition of the contract, the contract money was due with effect from January 2015 whereas department issued first notice only in December 2015 and thereafter several notices till April 2017, for recovery of dues.

Further the Department suspended the mining operations of contractor on 02 March 2016 but this order was revoked on 08 April 2016, without the

contractor having fulfilled the conditions for revocation. Even cheque given by contractor (as per undertaking given for revocation) towards payments of dues in May 2016 bounced. However, contract remained in operation till May 2017 when it was finally cancelled by the Department. As such neither the amount was recovered nor the contract was terminated timely. Due to this, a huge amount of outstanding dues accumulated, which resulted in non recovery of contract money of ₹ 35.90 crore (including interest¹ of ₹ 10.37 crore).

The matter was reported to the Mines and Geology Department in January 2017, February 2017 and April 2017 and to the Government in June 2017; Department has replied (August 2017) that mining contract has now been cancelled (May 2017) and recovery process of due amount has been initiated as arrears of land Revenue (June 2017). Had the department initiated timely action as per provisions of the contract for recovery and/or termination such a huge amount would not have accumulated.

6.4 Non/short recovery of royalty and interest

Royalty and interest amounting to ₹ 37.22 lakh was not recovered from 67 brick kiln owners, who were issued permits between April 2014 and March 2017 in respect of four districts.

Brick Kiln Owners (BKO) shall pay annual amount of royalty at the prescribed rate in advance by 1st April of every year. In case payment is made after seven days but up to 30 days of the due date, after 30 days but within 60 days of the due date and beyond 60 days of the due date, interest at the rate of 15, 18 and 21 *per cent* (for the entire period of default) per annum respectively is chargeable for the period of default. A BKO's register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs who do not pay royalty are required to be cancelled by the department by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue. The Assistant Mining Engineers (AMEs)/Mining Officers (MOs) are responsible for monitoring recovery of outstanding dues.

Scrutiny of records of four Mining Officers (MOs)², revealed that 67 out of 1,003 BKOs did not pay due amount of royalty between April 2014 and March 2017. Though, a period ranging between 24 to 36 months had elapsed upto

¹ Contract money due upto March 2016 and interest calculated upto March 2017.

² Bhiwani, Faridabad, Narnaul and Sonapat.

March 2017, yet royalty of ₹ 25.49 lakh had neither been paid by the BKO's nor any action had been taken by the department to recover the same or to cancel the permits. Lack of action on the part of the department resulted in non-realisation of royalty of ₹ 25.49 lakh. In addition, interest of ₹ 11.73 lakh was also leviable as per rules.

On this being pointed out, all the MO's stated (between November 2016 and April 2017) that royalty and interest of ₹ 1.38 lakh had been recovered and notices had been issued to the concerned BKO's to recover the outstanding amount of ₹ 35.84 lakh.

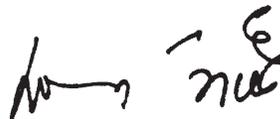
The matter was reported to the Mines and Geology Department between November 2016 and April 2017 and to the Government in May 2017; their replies were awaited (October 2017).



Chandigarh
The 17 January 2018

(MAHUA PAL)
Principal Accountant General (Audit), Haryana

Countersigned



New Delhi
The 22 January 2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

APPENDICES

Annexure I
(Refer Paragraph No. 1.7.4)

Position of paragraphs which appeared in the Audit Reports and those pending discussion/ replies not received as on 30 September 2017.

Name of tax		2012-13	2014-15	2015-16	Total
Taxes on Sales, Trade etc.	Paras appeared in the AR/pending discussion in the PAC	4	11	12	27
	Paras replies not received	-	11	12	23
Taxes on Motor Vehicles	Paras appeared in the AR/pending discussion in the PAC	1	2	2	5
	Paras replies not received	-	2	2	4
Stamp duty and Registration fee	Paras appeared in the AR/pending discussion in the PAC	8	7	9	24
	Paras replies not received	1	7	9	17
State Excise/PGT	Paras appeared in the AR/pending discussion in the PAC	4	3	1	8
	Paras replies not received	-	3	1	4
Others	Paras appeared in the AR/pending discussion in the PAC	1	1	1	3
	Paras replies not received	1	1	1	3
Total	Paras appeared in the AR/pending discussion in the PAC	18	24	25	67
	ATNs to Paras included in AR not received	02	24	25	51

ANNEXURE II

(Refer Paragraph No. 1.7.4)

Details of PAC recommendations for CAG Report (Revenue Receipts/Sector) outstanding as on 30 September 2017

Sr. No.	PAC Report	Year of Audit Report	Total nos. of outstanding paras of PAC Reports 1979-80 to 2013-14 as on 30-09-2017
1	22nd	1979-80	3
2	23rd	1980-81	4
3	25th	1981-82	4
4	26th	1982-83	3
5	28th	1983-84	2
6	29th	1984-85	7
7	32nd	1985-86	4
8	34th	1986-87	11
9	36th	1987-88	6
10	38th	1988-89	10
11	40th	1989-90	21
12	42nd	1990-91,91-92,92-93	26
13	44th	1990- 91, 91-92,92-93	39
14	46th	1993-94	9
15	48th	1993-94,1994-95	10
16	50th	1993- 94, 94- 95,1995-96	40
17	52nd	1996-97	30
18	54th	1997-98	43
19	58th	1998-99 and 1999-2000	64
20	60th	2000-01	38
21	62nd	2001-02	42
22	63rd	2002-03	46
23	64th	2003-04	52
24	65th	2004-05	50
25	67th	2005-06	48
26	68th	2006-07 and 2007-08	100
27	70th	2008-09	56
28	71th	2009-10	51
29	72nd	2010-11	59
30	73rd	2011-12	35
31	74th	2013-14	50
Total			963

ANNEXURE III
(Refer Paragraph No. 1.7.4)

Details of PAC recommendations for CAG Report
(Revenue Receipts/Sector) outstanding as on 30 September 2017

Sr. No	Name of the Department	Total recommendations outstanding for the period 1979-80 to 2013-14
1	Excise and Taxation	449
2	Revenue	207
3	Mines and Geology	50
4	Agriculture	41
5	Irrigation	16
6	Chief Electrical Inspector (Power)	18
7	Public Health	6
8	PWD (B&R)	5
9	Animal Husbandry	7
10	Transport	85
11	Finance (Lotteries)	15
12	Haryana State Lotteries	2
13	Co-operative	20
14	Forest	11
15	Home	16
16	Urban Development	2
17	Medical and Health	4
18	Industries	5
19	General	1
20	Town and Country Planning	3
	Total	963

GLOSSARY

GLOSSARY OF ABBREVIATIONS

AAs	Assessing Authorities
AETOs	Assistant Excise and Taxation Officers
AMEs	Assistant Mining Engineers
ATNs	Action Taken Notes
BEs	Budget Estimates
BIS	Bureau of Indian Standards
BIFR	Board of Industrial and Financial Reconstruction
BKOs	Brick Kiln Owners
CL	Country Liquor
CLU	Change of Land Use
CMVR	Central Motor Vehicles Rules, 1989
CST Act	Central Sales Tax Act, 1956
DCs	Deputy Commissioners
DEPB	Duty and Entitlement Pass Book
DETC	Deputy Excise and Taxation Commissioner
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
EC	Empowered Committee / Environmental Clearance
ETC	Excise and Taxation Commissioner
ETOs	Excise and Taxation Officers
GSM	Gram per Square Meter
GOI	Government of India
GTO	Gross Turnover
HDPE	High Density Polyethylene Pipes
HLL Rules	Haryana Liquor License Rules, 1970
HSAMB	Haryana State Agriculture Marketing Board
HSRBC	Haryana State Roads and Bridges Corporation
HVAT Act	Haryana Value Added Tax Act, 2003
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IOCL	Indian Oil Corporation Limited
IR Act	Registration Act, 1908
IRs	Inspection Reports
IS Act	Indian Stamp Act, 1899
ITC	Input Tax Credit
JETC	Joint Excise and Taxation Commissioner

JSR	Joint Sub Registrar
LOI	Letter of Intent
MC	Municipal Corporation
MIS	Management Information System
MOs	Mining Officers
MV Act	Motor Vehicles Act, 1988
PA	Performance Audit
PAC	Public Accounts Committee
PAG	Principal Accountant General (Audit)
PGT	Passengers and Goods Tax
PLR Act	Punjab Land Revenue Act, 1887
PMVT Act	Punjab Motor Vehicles Taxation Act, 1924
PPGT Act	Punjab Passengers and Goods Taxation Act, 1952
RC	Registration Certificate
RF	Registration Fee
RLA	Registering and Licensing Authority
RMC	Ready Mix Concrete
RTA	Regional Transport Authority
SD	Stamp Duty
SED	State Excise Duty
SEZ	Special Economic Zone
SR	Sub Registrar
TINXSYS	Tax Information Exchange System
UT	Union Territory
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
VAT	Value Added Tax

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