

Chapter-I

General

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1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Punjab, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2019-20 and the corresponding figures for the preceding four years are depicted in **Table 1.1** below.

Table 1.1: Trend of revenue receipts

(₹ in Crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20 ¹
1.	Revenue raised by the State Government					
	Tax revenue	26,690.49	27,746.66	30,423.24	31,574.28	29,994.79
	Non-tax revenue	2,650.27	5,863.20	4,318.39	7,582.29	6,654.08
	Total	29,340.76	33,609.86	34,741.63	39,156.57	36,648.87
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	8,008.90	9,599.73	10,616.94	12,005.14	10,345.85 ²
	Grants-in-aid	4,173.72	4,775.83	7,651.01	11,107.37	14,580.03 ³
	Total	12,182.62	14,375.56	18,267.95	23,112.51	24,925.88
3.	Total revenue receipts of the State Government (1 and 2)	41,523.38	47,985.42	53,009.58	62,269.08	61,574.75
Percentage of 1 to 3		71	70	66	63	60

Source: Finance Accounts

The year-wise trend in revenue receipts from 2015-16 to 2019-20 is depicted in the **Chart 1.1**.

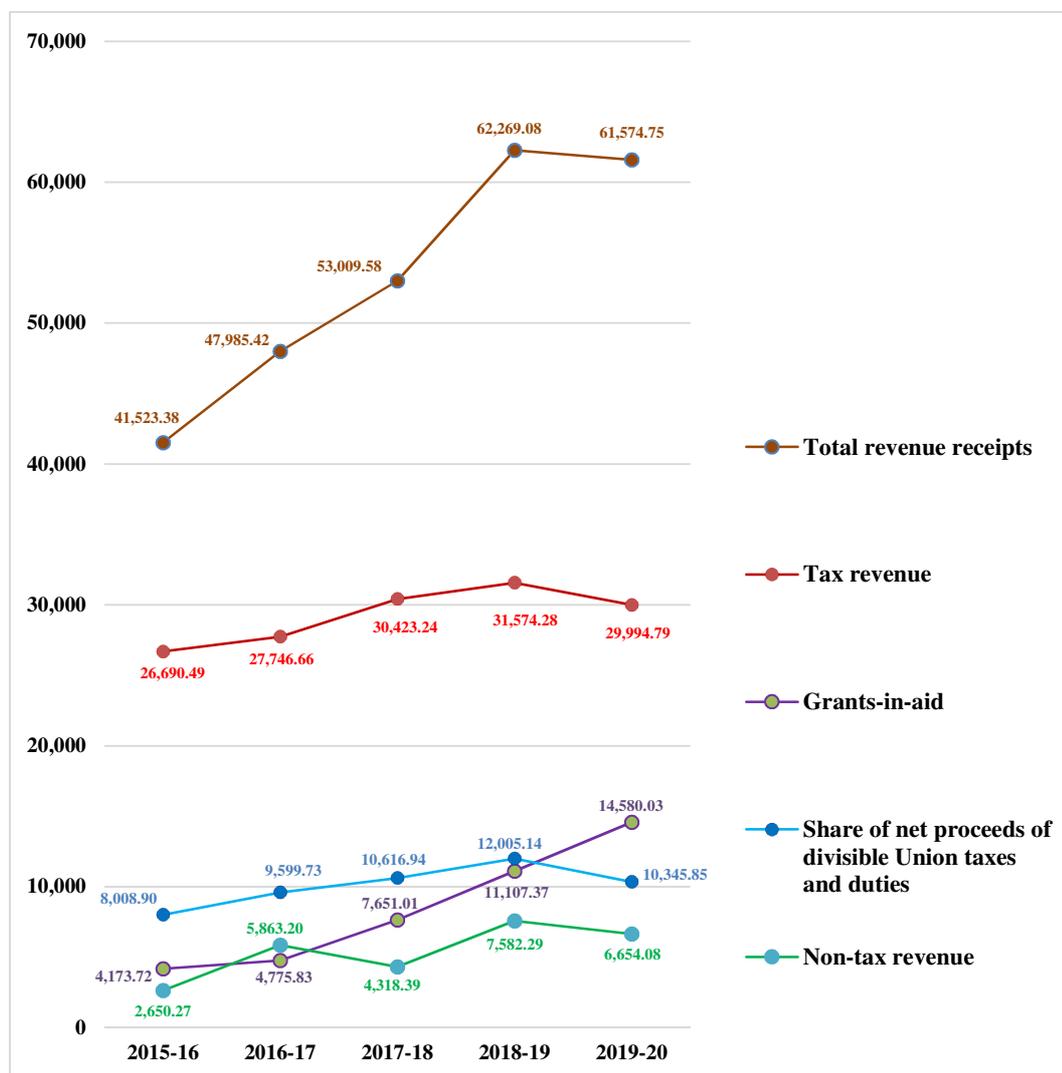
¹ Finance Account of the State Government.

² This includes amount of ₹ 2,935.85 crore received from Government of India as share of Central Goods and Services Tax.

³ This includes amount of ₹ 8,804.54 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax.

Chart 1.1
Trend of revenue receipts

(₹ in crore)



Source: Finance Accounts

During the year 2019-20, the State Government raised 59.52 per cent (₹ 36,648.87 crore) of the total revenue receipts. Balance 40.48 per cent (₹ 24,925.88 crore) of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-aid. The share of State's own revenue decreased from 70.66 per cent of total receipts in 2015-16 to 59.52 per cent in 2019-20, while that of net proceeds of divisible Union taxes and duties decreased to 16.80 per cent in 2019-20 as compared to 19.29 per cent in 2015-16. However, the grants-in-aid increased from ₹ 4,173.72 crore in 2015-16 to ₹ 14,580.03 crore in 2019-20. The main reason for increase in grants-in-aid is receipt of ₹ 8,804.54 crore from the Government of India on account of compensation of loss due to implementation of Goods and Services Tax. The share of Grants-in-aid in State's total revenue increased from 10.05 per cent in 2015-16 to 23.68 per cent in 2019-20.

1.1.2 Details of the tax revenue raised during the period from 2015-16 to 2019-20 are depicted in **Table 1.2** below.

Table 1.2: Details of Tax Revenue*(₹ in crore)*

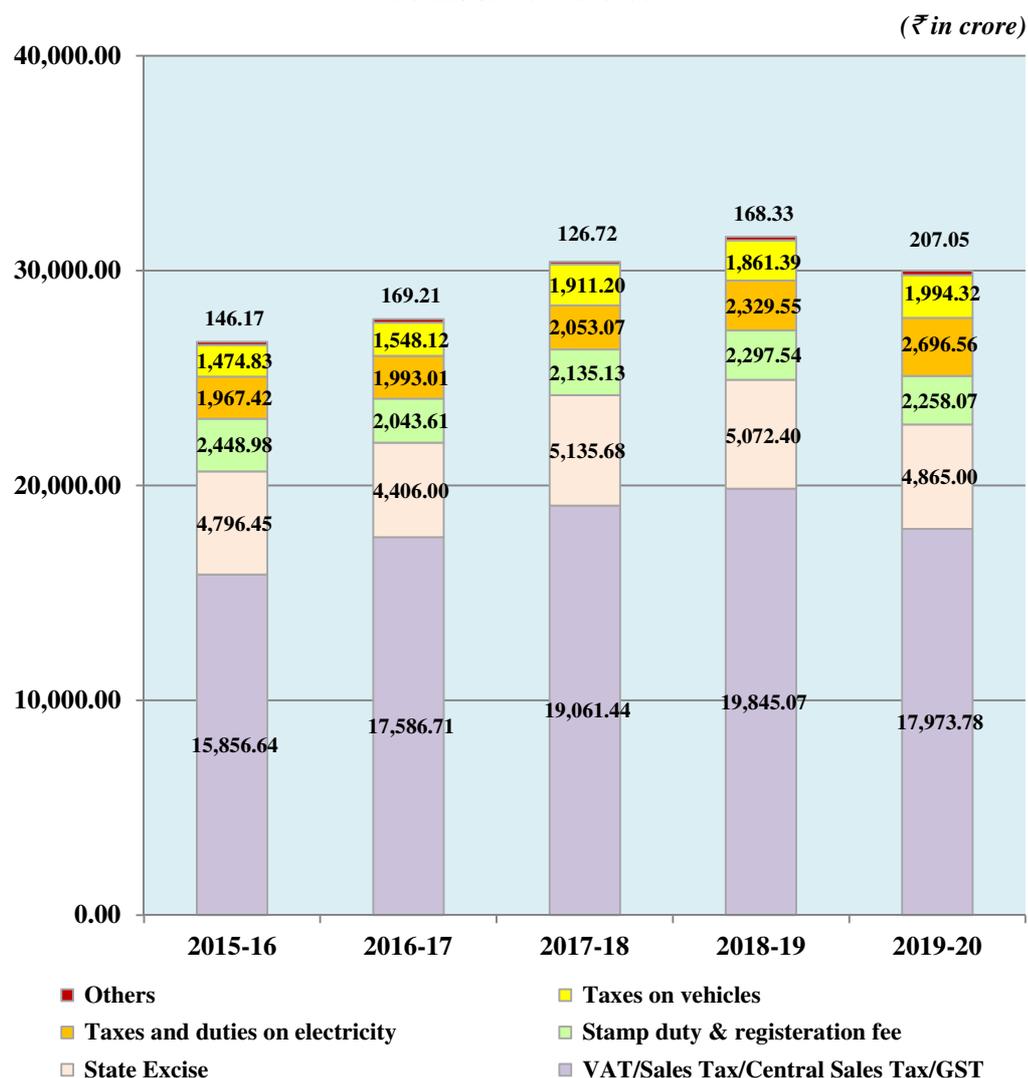
Sr No	Head of revenue	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2019-20 over 2018-19
1	VAT/ CST	15,856.64 (59.41)	17,586.71 (63.38)	11,160.30 (36.68)	6,571.92 (20.81)	5,222.58 (17.41)	(-) 9.43
	State Goods and Service Tax (SGST)	--	--	7,901.14 (25.97)	13,273.15 (42.04)	12,751.20 (42.51)	
2	State Excise	4,796.45 (17.97)	4,406.00 (15.88)	5,135.68 (16.88)	5,072.40 (16.06)	4,865.00 (16.22)	(-) 4.09
3	Stamp duty and registration fees	2,448.98 (9.18)	2,043.61 (7.37)	2,135.13 (7.02)	2,297.54 (7.28)	2,258.07 (7.53)	(-) 1.72
4	Taxes and duties on electricity	1,967.42 (7.37)	1,993.01 (7.18)	2,053.07 (6.75)	2,329.55 (7.38)	2,696.56 (8.99)	(+) 15.75
5	Taxes on Vehicles	1,474.83 (5.52)	1,548.12 (5.58)	1,911.20 (6.28)	1,861.39 (5.90)	1,994.32 (6.65)	(+) 7.14
6	Others ⁴	146.17 (0.55)	169.21 (0.61)	126.72 (0.42)	168.33 (0.53)	207.05 (0.69)	(+) 23.00
Total		26,690.49	27,746.66	30,423.24	31,574.28	29,994.78	(-) 5.00

Source: Finance Accounts

The year-wise trend in Tax Revenue receipts during 2015-16 to 2019-20 is depicted in the **Chart 1.2**.

⁴ Revenue receipts of the three Departments i.e. Land Revenue (₹ 66.37 crore which is 4.15 per cent less than previous year's receipt of ₹ 69.24 crore), other taxes and duties on commodities and services (₹ 2.46 crore, which is 49.17 per cent less than previous year's receipt of ₹ 4.84 crore) and other Taxes on Income and Expenditure (₹ 138.22 crore which is 46.65 per cent more than previous year's receipt of ₹ 94.25 crore) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue receipts of these Departments have been merged in 'others'.

Chart 1.2
Details of Tax Revenue



Source: Finance Accounts

It is observed that VAT/CST/GST and State Excise are major contributors of revenue. During 2019-20, these two heads of revenue contributed about 76.14 per cent of total revenue collection. There was decrease of 9.43 per cent in revenue from VAT/GST and 4.09 per cent in revenue from State Excise. Revenue from stamp duty and registration fee declined by 1.72 per cent. There was considerable increase of 15.75 per cent in revenue from Taxes and Duties from electricity. The increase of 23 per cent in revenue from 'others' was due to increase in receipt of profession tax from ₹ 94.25 crore to ₹ 138.22 crore under the head '0028-Other taxes on income and expenditure'.

The reasons for variations in revenue receipts as provided by the respective Departments were as under:

VAT/CST/GST: The Department attributed reasons for shortfall in revenue from VAT/CST mainly to decrease in rate of VAT on Diesel and Petrol. The rate of Tax on Petrol was reduced from 30.80 *per cent* to 22.12 *per cent* and diesel from 14.74 *per cent* to 12.98 *per cent* in February 2020. The reason for shortfall in revenue from GST was attributed to lesser receipt from Central Government on account of ad-hoc settlement⁵ of IGST in 2019-20 than previous year 2018-19. In comparison to receipt of ₹ 2,352 crore on account of ad-hoc settlement of IGST in 2018-19, the Department received ₹ 600 crore only in the year 2019-20. It was observed that during 2018-19, there was receipt of ₹ 1,349.29 crore under Minor Head 800-other receipts (Major Head 0040-Taxes on Sales, Trade etc) whereas during 2019-20, the receipt under this minor head was ₹ 156.04 crore. The higher receipt under the minor head during 2018-19 was mainly due to transfer of ₹ 1,012.63 crore from Punjab Infrastructure Development Board on account of fee under Punjab Infrastructure (Development & Regulation) Act.

State Excise: The Department attributed (November 2020) the reasons for decrease in revenue to less realisation of license fee in March 2020 due to imposition of lockdown/curfew in the State as a result of COVID-19 Pandemic. Due to lockdown from 23 March 2020, the process of allotment of groups/zones for financial year 2020-21 was stopped. The fee of groups/zones already allotted was paid after March 2020. Bar license fees which is generally received in the month of March was received in September 2020 due to lockdown. Further Groups/Zones in some districts were allotted on lower than reserve price as Department was not able to allot these Groups/Zones on reserve price.

Stamp Duty and Registration Fees: The Department attributed (December 2020) reasons for decrease in revenue receipt to less transaction in sale/purchase of properties and lockdown in March 2020 due to Covid-19 Pandemic.

Taxes on Vehicles: The Department stated (December 2020) that the Social Security Cess was imposed in October 2018 due to which the collection of tax increased in the Year 2019-20.

Taxes and Duties on Electricity: Punjab Electrical Inspectorate attributed increase in revenue receipts to revision of tariff rate w.e.f. 01 June 2019 by Punjab State Power Corporation Limited. Other Departments did not furnish the reasons of variations in receipts from that of the previous year despite being requested.

1.1.3 The details of the non-tax revenue raised during 2015-16 to 2019-20 are depicted in **Table 1.3** below.

⁵ Due to problems relating to furnishing of returns by the taxpayers and inadequacy of data regarding the cross utilization of input tax credit for various taxes under GST, there was a practice of ad-hoc settlement of IGST between Centre and States to distribute the IGST among States.

Table 1.3: Details of Non-Tax revenue

(₹ in crore)

Sl. No.	Head of Revenue	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2019-20 over 2018-19
1	Miscellaneous General Services ⁶	999.84 (37.73)	3,028.08 (51.64)	1,478.97 (34.25)	4,851.51 (63.98)	2,743.87 (41.24)	(-) 43.44
2	Interest receipts	225.28 (8.50)	1,293.80 (22.07)	1,404.94 (32.53)	1,455.26 (19.19)	2,105.51 (31.64)	(+) 44.68
3	Other Administrative Services ⁷	253.05 (9.55)	133.46 (2.28)	165.85 (3.84)	150.63 (1.99)	145.23 (2.18)	(-) 3.58
4	Police	48.45 (1.83)	98.52 (1.68)	61.78 (1.43)	73.38 (0.97)	60.93 (0.92)	(-) 16.97
5	Medical and Public Health	184.25 (6.95)	135.47 (2.31)	253.34 (5.87)	263.42 (3.47)	250.57 (3.76)	(-) 4.88
6	Major and Medium Irrigation	142.66 (5.38)	93.61 (1.60)	71.38 (1.65)	24.22 (0.32)	92.49 (1.39)	(+) 281.87
7	Non-ferrous Mining and Metallurgical Industries	56.64 (2.14)	42.08 (0.72)	122.40 (2.83)	36.13 (0.48)	90.88 (1.36)	(+) 151.54
8	Public Works	18.94 (0.71)	67.96 (1.16)	83.30 (1.93)	28.81 (0.38)	21.71 (0.33)	(-) 24.64
9	Forestry and Wildlife	31.81 (1.20)	20.92 (0.35)	48.67 (1.13)	15.66 (0.21)	19.53 (0.29)	(+) 24.71
10	Co-operation	3.24 (0.12)	3.37 (0.06)	2.82 (0.07)	3.31 (0.04)	7.09 (0.11)	(+) 114.20
11	Education, Sports, Art and Culture	88.68 (3.35)	95.89 (1.63)	41.87 (0.97)	56.75 (0.75)	196.22 (2.95)	(+) 245.76
12	Others ⁸	597.43 (22.54)	850.04 (14.50)	583.07 (13.50)	623.21 (8.22)	920.05 (13.83)	(+) 47.63
Total		2,650.27	5,863.20	4,318.39	7,582.29	6,654.08	(-) 12.24

Source: Finance Accounts

The year-wise trend in Non-Tax Revenue receipts during 2015-16 to 2019-20 is depicted in the **Chart 1.3**.

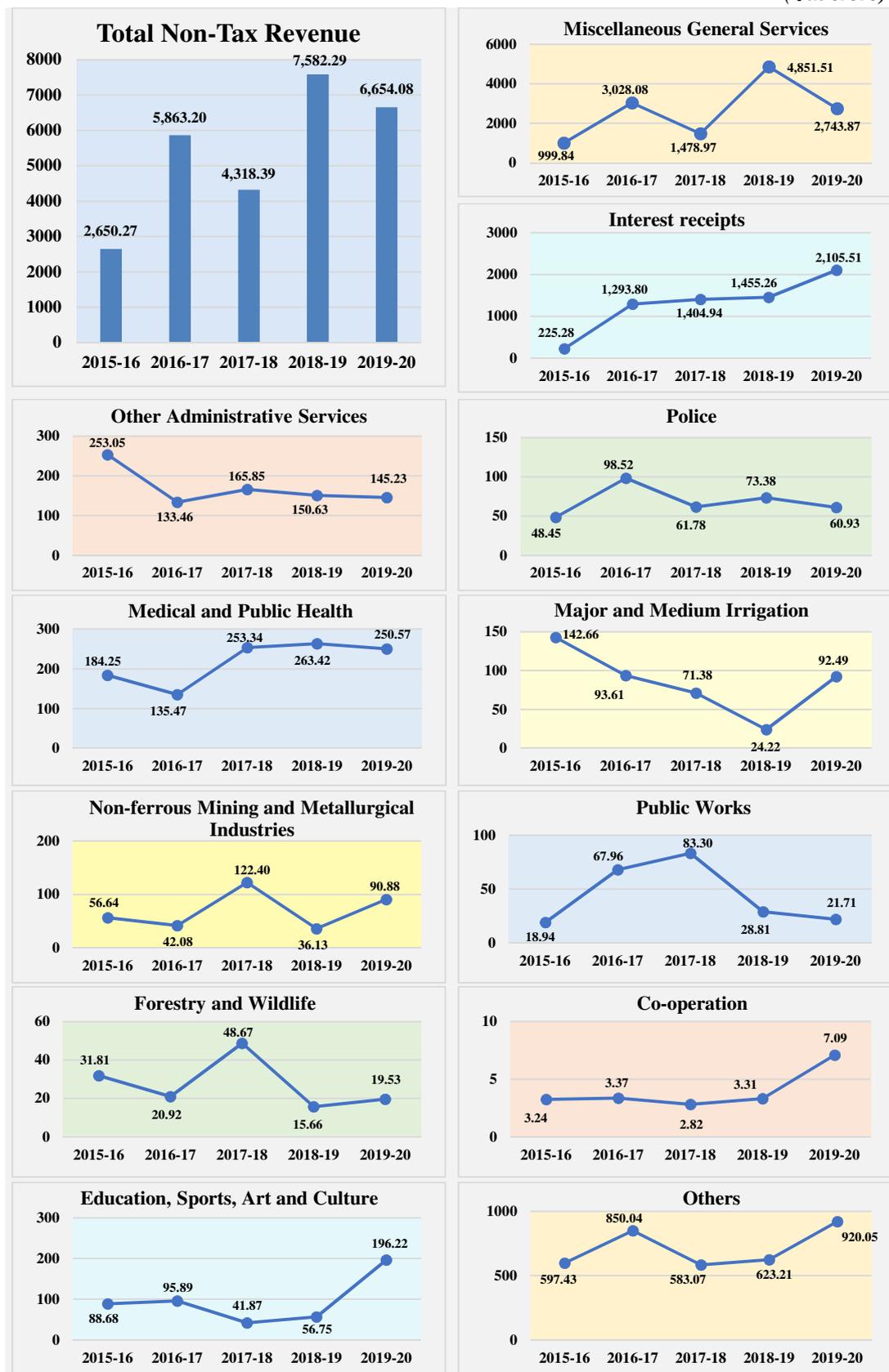
⁶ This head includes receipts from 'Unclaimed Deposit', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'.

⁷ This head *inter-alia* includes receipts from 'Administration of Justice', 'Election' and 'Other Receipts' (Home Guards, Marriage Fee, Fee for Government Audit, Receipts from Guest Houses).

⁸ The receipts from Dairy Development, Dividends and Profits, Jails, Public Service Commission, Minor Irrigation, Supplies and Disposal, Printing and Stationery, Water Supply and Sanitation, Fisheries and other such non-tax revenue which do not come under the Heads of revenue mentioned at Serial No. 1 to 11 of the table.

Chart 1.3
Details of Non-Tax revenue

(₹ in crore)



Source: Finance Accounts

There was significant increase in revenue under Education, Sports, Art and Culture (245.76 per cent), Non-ferrous Mining and Metallurgical Industries (151.54 per cent) and Co-operation (114.20 per cent) in 2019-20 as compared to 2018-19. The Departments which recorded significant decrease in revenue were Misc. General Services (43.44 per cent), Public Works (24.64 per cent) and Police (16.97 per cent).

The respective Departments reported the following reasons for variations in actual receipts during 2019-20:

(i) **Education, Sports, Art and Culture:** The increase in receipt was under Sub-Head 'Tuition and other fees' below Minor Head 'Secondary Education'. Dy. Controller (Finance and Accounts) attributed (March 2021) the increase in actual receipts mainly to deposit of ₹ 89.89 crore in Government account by Director General Secondary Education on account of unutilised funds and interest earned thereupon. This fund was received from Central Government on account of salary of Education Guarantee Scheme/Special Trainer (EGS/STR) volunteers.

(ii) **Cooperation:** The Chief Auditor, Cooperative Societies, Punjab attributed (November 2020) the increase in actual receipts to realisation of outstanding audit fee of previous year and change in audit fee rate in 2019.

(iii) **Non-ferrous Mining and Metallurgical Industries:** The increase in receipt was mainly due to receipt of mineral concession fee, rent and royalty of ₹ 90.79 crore during 2019-20 as against ₹ 35.90 crore during 2018-19.

(iv) **Miscellaneous General Services:** The higher receipt of ₹ 4,851.51 crore during 2018-19 was due to transfer of rural development fund and market fee, collected on sale of agriculture produce by the Punjab Mandi Board and the Punjab Rural Development Board to Government account for waiving loans of debt stressed farmers of the State.

(v) **Interest Receipts:** The increase in receipt under this head was mainly due to increase in interest receipt under Sub Head 85-Miscellaneous Receipts, Minor Head 800-Other Receipts (Major Head 0049-Interest Receipts). An amount of ₹ 763.57 crore was received under this Sub-Head during 2019-20 as against ₹ 110.15 crore during 2018-19.

(vi) **Police:** The Director General of Police, Punjab, attributed (November 2020) the decrease in actual receipts to non-realisation of outstanding claims of previous years.

(vii) **Medical and Public Health:** The Director Health and Family Welfare attributed (November 2020) the reason for decrease in actual receipt over previous year to decrease in reimbursement of expenditure by Employees State Insurance Corporation.

(viii) **Public Works:** The Department attributed (November 2020) reason of shortfall in revenue receipts to reduction in rate of agency charges from nine *per cent* to three *per cent* that was received from National Highways Authority of India (NHAI) in lieu of staff and services provided by State and completion of all major projects of high value during 2018-19.

The remaining Departments⁹ despite being requested did not intimate the reasons for variations in receipt of 2019-20 from that of the previous year.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 in respect of principal heads of revenue were ₹ 10,261.51 crore, of which ₹ 2,239.77 crore was outstanding for more than five years, as depicted in **Table 1.4**.

Table 1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Reply of the Department
1.	a) Taxes/VAT on sales, Trade etc.	9,344.17	2,087.95	In eight ¹⁰ Asstt. Commissioners of State Taxes (ACSTs), an amount of ₹ 549.48 crore was pending before various appellate authorities/courts. An amount of ₹ 442.10 crore was recoverable in four ¹¹ ACSTs. Eight ¹² ACSTs stated that the demands are in appeal/pending in various courts but did not quantify the amount pending in appeal and amount recoverable. An amount of ₹ 1.30 crore was irrecoverable in ACSTs Amritsar-II and Ludhiana-I. Remaining ACSTs did not reply.

⁹ Major and Medium Irrigation, Forestry and Wildlife and Other Administrative Services.

¹⁰ Amritsar-I (₹ 75.95 crore), Amritsar-II (₹ 181.11 crore), Gurdaspur (₹ 110.94 crore), Ludhiana-I (₹ 139.90 crore), Sri Muktsar Sahib (₹ 8.53 crore), Pathankot (₹ 2 crore), SBS Nagar (₹ 27.03 crore) and Tarn Taran (₹ 4.02 crore)

¹¹ Amritsar-I (₹ 36.90 crore), Amritsar-II (₹ 31.86 crore), Gurdaspur (₹ 2 crore) and Ludhiana-I (₹ 371.34 crore)

¹² Barnala, Ferozepur, Kapurthala, Ludhiana-II, Ludhiana-III, Mohali, Ropar and Sangrur

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Reply of the Department
	b) GST	182.18	0	Arrears were pending in seven ¹³ districts. Four ¹⁴ ACSTs intimated that appeals of some dealers are pending before appellate authorities.
2.	Forests and Wildlife	34.81	22.65	Pr. Chief Conservator of Forests (Head of Forest Forces) Punjab reported that amount of ₹ 22.73 crore was outstanding against forest contractors and amount of ₹ 12.08 crore was recoverable from Punjab State Forest Development Corporation (PSFDC) on account of royalty. Vigorous efforts are being made to recover the outstanding amount.
3.	State excise	369.58	13.98	Five ¹⁵ Assistant Excise and Taxation Commissioners (AETCs) intimated that amount of ₹ 5.05 crore is irrecoverable as it pertains to old period and the licensees are not traceable. In AETCs Barnala, Fatehgarh Sahib and Gurdaspur, an amount of ₹ 15.95 crore is pending in court. Recovery proceedings in five ¹⁶ AETCs were under process. No reply in respect of remaining cases was received.
4	Taxes on Vehicles	209.88	114.97	Amount outstanding for more than five years as on 31 March 2020 relates to vehicles which are either condemned without the information of Department or not plying on road. Most of the defaulter vehicles have been blacklisted after issuing recovery notices.
5.	Land revenue	120.89	0.22	Department stated that efforts are being made for recovery of arrears.
Total		10,261.51	2,239.77	

Source: Departmental figure

Out of total outstanding arrears of ₹ 9,344.17 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 6,567.64 crore pertain to four¹⁷ ACSTs. Out of which,

¹³ Faridkot (₹ 0.15 crore), Ludhiana-I (₹ 128.26 crore), Ludhiana-II (₹ 14.34 crore), Ludhiana-III (₹ 5.45 crore), Mansa (₹ 1.32 crore), Sri Muktsar Sahib (₹ 32.25 crore) and Sangrur (₹ 0.41 crore)

¹⁴ Faridkot, Ludhiana-III, Sri Muktsar Sahib and Sangrur

¹⁵ Barnala (₹ 1.47 crore), Fatehgarh Sahib (₹ 0.26 crore), Gurdaspur (₹ 0.54 crore), Ludhiana-II (₹ 0.07 crore) and Sangrur (₹ 2.71 crore)

¹⁶ Fatehgarh Sahib, Ferozepur, Pathankot, Sangrur and Tarn Taran

¹⁷ Fatehgarh Sahib, Ludhiana-I, Mohali and Patiala

arrears of ₹ 1,223.76 crore were outstanding for more than five years.

The figures of arrears of revenue was provided by the Head of Departments. During validation of data by audit in seven¹⁸ districts, it was noticed that there were differences in arrears figures as reported by Taxation Department and units in respect of three districts. ACST Jalandhar-I reported closing balance as ₹ 176.73 crore instead of ₹ 175.64 crore reported earlier to the Head of Department. In ACST Mohali, actual closing balance was under reported by ₹ 4.81 crore and in ACST Bathinda, closing balance was under reported by ₹ 0.29 crore. This shows that figures provided by units during data validation were not matching with the figures reported by the Taxation Department. Department needs to reconcile the figures with reporting offices.

1.3 Arrears in assessment

The number 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 finalization at the end of the year as furnished by the Department of Excise and Taxation in respect of Sales Tax are as depicted in **Table 1.5**.

Table 1.5: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal (Col. 5 - 4)
Taxes/VAT on Sales/ Trade etc.	94,069	11,151	1,05,220	20,993	84,227	19.95

Source: Departmental figure

The Department provided the figure of closing balance of 94,605 for the year 2018-19, whereas opening balance of the year 2019-20 was shown as 94,069 i.e., 536 less. The reason of difference of 536 cases was inclusion of cases of Entertainment and Luxury tax in the closing balances of ACSTs Fazilka (157), Ferozepur (96), Mohali (81), Muktsar (110) and Ludhiana-III (92).

There were arrears in assessment in all the 26 ACSTs. The percentage of disposal of cases was only 19.95 per cent. The Department needs to make plan for early disposal of pending cases to prevent them from becoming time barred.

1.4 Evasion of tax detected by the Department

Under Section 46 of the PVAT Act 2005, Department may inspect business premises, retain accounts, registers or documents to detect tax evasion and seize any goods in the premises which have not been accounted for by the person in his books. Under Section 47 of the Act, the Department may cross check the transactions of sales and purchases of dealers to prevent tax evasion. Further, the Department may conduct survey under Section 48 of the Act to identify persons who are liable to pay tax under the Act but have remained unregistered. Section 51 of the Act empowers the Department for road side checking of goods

¹⁸ Mohali, Patiala, Bathinda, Jalandhar-I, Hoshiarpur, Gurdaspur and Pathankot

vehicles during the goods in transit to detect the tax evasion. The Transport Department is empowered under Section 14-B of Punjab Motor Vehicle Taxation Act 1924 to inspect any premises, stop any vehicle at any place, seize or detain a vehicle in case of non-payment of due tax so as to prevent tax evasion. The details of cases of evasion of tax detected by the Excise & Taxation Department and Transport Department, cases finalized and the demand for additional tax raised as reported by the Departments are depicted in **Table 1.6**.

Table 1.6: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade	383	-	383	121	2.96	262
2.	Goods and Services Tax	41	2,432	2,473	2,441	124.14	32
3.	Taxes on Vehicles	6	-	6	-	0.0	6
Total		430	2,432	2,862	2,562	127.10	300

Source: Departmental figure

While the Department of State Tax was prompt in detection and disposal of cases of evasion under GST and disposed 98.70 *per cent* of total cases, the progress of detection and disposal of cases of evasion under VAT was slow as no case of evasion was detected during 2019-20 and only 31.59 *per cent* of total pending cases were disposed.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department are mentioned in **Table 1.7**.

Table 1.7: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,402	161.92	3,126	293.86	215	3.90
2.	Claims received during the year	6,387	890.84	3,525	298.07	5	23.57
3.	Refunds made during the year	6,140	779.89	3,508	298.03	10	0.07
4.	Refunds rejected during the year	389	111.67	577	69.46	0	0
5.	Balance outstanding at the end of year	1,260	161.20	2,566	224.44	210	27.40

Source: Departmental figure

The closing balance of refund cases under GST in the year 2018-19 was 1,143 cases for ₹126.83 crore whereas the opening balance of the year 2019-20 is 1,402 cases for ₹161.92 crore. The difference in number of cases is due to difference in closing and opening balances of 11 ACSTs¹⁹.

The GST refunds were pending in 20 excise districts, Sales tax/VAT refunds were pending in 21 excise districts and excise refunds were pending in 12 out of 26 excise districts.

The Department had provided above data after consolidating the information of refund cases intimated to it by the respective ACSTs. Audit cross verified the data provided by the Department with data of seven ACSTs to check the correctness of the compiled data. During validation of data in seven²⁰ ACSTs, differences were noticed in ACST, Mohali (increase in closing balance by 26 cases for ₹ 11.61 crore), ACST, Patiala (decrease in closing balance by one case) and ACST, Bathinda (increase in closing balance by one case for ₹ 0.01 crore). Overall difference was increase in closing balance of refunds by 26 cases and ₹ 11.62 crore. Department needs to reconcile the figures with reporting offices.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (PAG) Punjab conducts periodical inspection of the Government Departments to test check the transactions, verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating audit findings which are issued to the heads of the offices

¹⁹ Amritsar-I, Fatehgarh Sahib, Fazilka, Ferozepur, Hoshiarpur, Jalandhar-I, Jalandhar-II, Ludhiana-II, Ludhiana-III, Moga and SAS Nagar Mohali

²⁰ Patiala, Mohali, Jalandhar-1, Gurdaspur, Pathankot, Bathinda and Hoshiarpur

inspected with copies to the next higher authorities for taking prompt corrective action. The Head of the office is required to send initial reply to the PAG 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 2019 reveal that 9,150 paragraphs involving ₹ 2,492.97 crore relating to 2,349 IRs remained outstanding at the end of June 2020. This, along with the corresponding figures for the preceding two years are depicted in **Table 1.8**.

Table 1.8: Details of pending Inspection Reports

	June 2018	June 2019	June 2020
Number of IRs pending for settlement	6,358	2,421	2,349
Number of outstanding audit observations	16,318	9,702	9,150
Amount of revenue involved (₹ in crore)	6,280.32	4,965.83	2,492.97

Source: Data prepared by Audit

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2020 and the amount involved are mentioned in **Table 1.9**.

Table 1.9: Department-wise details of pending IRs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on sales, Trade etc.	303	1,380	605.20
		Entertainment and Luxury Tax	95	215	16.54
		State Excise	256	330	343.46
2.	Revenue	Land Revenue	272	832	467.44
		Stamp Duty and Registration Fee	1,036	4,518	576.85
3.	Transport	Taxes on Motor Vehicles	189	1,536	235.34
4.	Finance	State Lotteries	07	31	5.78
5.	Forestry and wildlife Preservation	Forestry and wild life	191	308	242.36
Total			2,349	9,150	2,492.97

Source: Data prepared by field office

Audit did not receive even the first reply in respect of 223 out of 250 IRs, issued during 2019-20, from the Head of offices within the stipulated time of four weeks.

The reduction in number of outstanding IRs and audit observations in June 2020 is due to transfer of audit observations up to the period of 2011-12²¹ to administrative secretaries of the State.

The large pendency of IRs indicated that the Heads of offices/Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The large pendency of the audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite progress of the settlement of the audit observations contained in the IRs. The details of audit committee meetings held during 2019-20 and the paragraphs settled are depicted in **Table 1.10**.

Table 1.10: Details of Departmental Audit Committee Meetings

Head of Revenue	Number of meetings held	Number of outstanding observations discussed	Number of paragraphs settled	Amount (₹ in crore)
0029- Land Revenue	5	65	8	0.21
0030-Stamp Duty & Registration Fees	18	216	114	2.27
0039-State Excise	6	16	2	0.01
0040-Value Added Tax	6	65	5	0.01
0045-Entertainment	6	11	3	0.06
Total	41	373	132	2.56

Source: Data maintained by field office

The settlement of audit paragraph vis-à-vis audit observations discussed was quite low which indicates that the Departments need to make more concerted efforts to address the audit observations. No audit committee meeting was held in respect of State Lotteries and Forestry and Wild Life. It is recommended that Government should ensure holding meetings of the Audit committees at regular intervals in all Departments.

1.6.3 Non-production of records to audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up and intimations are issued to the Departments to enable them to keep the relevant records ready for audit scrutiny.

²¹ Inspection Reports for the years 2010-11 and 2011-12 in respect of Major Heads 0029-Land Revenue, 0039-State Excise, 0040-Value Added Tax, 0041-Taxes on vehicles, 0045-Entertainment and Luxury Tax, 0075-State Lottery and 0406/2406-Forestry and Wildlife

During 2019-20, 364 cases/items of auditable records pertaining to four Departments were not made available to audit as depicted in **Table 1.11** below.

Table 1.11: Details of non-production of records

Name of the office/Department	Nature of Receipts	Number of cases/items not provided	
		2018-19	2019-20
Excise and Taxation	Sales Tax/VAT	781	126
	State Excise	2	01
	Entertainment and Luxury Tax	11	00
Transport	Taxes on Vehicles	34	109
Revenue	Stamps and Registration Fees	68	80
	Land Revenue	48	45
Forest and Wildlife Preservation	Forests and Wild life	15	03
Total		959	364

Source: Data prepared by field office

Non-production of record pertaining to revenue is a serious matter and in the absence of examination, the risk associated cannot be commented upon. Despite reporting the cases of non-production to Head of the Office during audit and Department/Government through Inspection Reports, the instances of non-production of records during subsequent audit still persists. The Government may direct the departmental authorities to provide the records during audit examination.

1.6.4 Response of the Departments to draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

In all, thirteen paragraphs included in this report were sent to the Principal Secretaries/ Secretaries of the respective Departments between April 2020 and March 2021; replies received from the Department and concerned departmental authorities are appropriately included in the concerned Draft Paragraphs.

1.6.5 Follow up on the Audit Reports – summarized position

The internal working system of the Public Accounts Committee (PAC), notified in August 1992, lays 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. The action taken notes (ATNs) thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these

provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. A total of 127 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Punjab for the years ended 31 March 2013 to 2018 were placed before the State Legislative Assembly between 22 July 2014 and 27 February 2020. ATNs in respect of 68 paragraphs under six²² Heads of Accounts were not received. However, remaining 59 ATNs were received with average delay ranging between one and 58 months.

By 31 March 2020, PAC discussed 45 selected paragraphs pertaining to the CAG's Audit Reports for the years from 2012-13 to 2015-16. PAC gave 57 recommendations²³ in respect of CAG's Audit Reports for the years from 2010-11 to 2013-14, which were incorporated in five PAC Reports (2014-15, 2015-16, 2017-18 2018-19 and 2019-20). ATNs on 39 recommendations were received up to 31 March 2020, out of which 18 ATNs pertaining to PAC Report for the year 2018-19 were received during the year 2019-20. However, no ATN against 18 recommendations²⁴ incorporated in PAC Reports for the years 2017-18 and 2019-20 was received from two Departments up to 31 March 2020.

1.7 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 in respect of Taxes on Motor Vehicles was evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss performance of the Transport Department to deal with cases detected in the course of local audit during the last 10 years up to 2019-20 and also the cases included in the Audit Reports for the years 2009-10 to 2018-19.

1.7.1 Position of Inspection Reports

The summarized position of inspection reports issued during the last 10 years, paragraphs included in these reports and status of the same as on 31 March 2020 in respect of Transport Department are depicted in **Table 1.12**.

²² Sales Tax/VAT, Land Revenue, State Excise, Taxes on Vehicles, Forest & Wild Life and Other tax/non-tax receipts

²³ Department of Agriculture (07) + Department of Transport (25) + Department of Electricity (10) + Department of Revenue (15)

²⁴ Department of Agriculture (03) + Department of Revenue (15)

Table 1.12: Position of Inspection Reports in Transport Department

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)
2010-11	767	2,364	523.92	61	307	22.00	17	172	13.17	811	2,499	532.75
2011-12	811	2,499	532.75	32	219	6.78	251	655	13.38	592	2,063	526.15
2012-13	592	2,063	526.15	30	164	21.45	3	92	2.98	619	2,135	544.62
2013-14	619	2,135	544.62	27	206	78.13	0	36	1.23	646	2,305	621.52
2014-15	646	2,305	621.52	26	197	38.97	0	24	0.94	672	2,478	659.55
2015-16	672	2,478	659.55	30	257	41.68	0	32	1.50	702	2,703	699.73
2016-17	702	2,703	699.73	31	254	19.80	0	30	28.66	733	2,927	690.87
2017-18	733	2,927	690.87	22	236	16.19	0	16	0.66	755	3,147	706.40
2018-19	755	3,147	706.40	10	144	15.84	500	1,510	498.02	265	1,781	224.22
2019-20	265	1,781	224.22	9	237	41.64	85	482	30.52	189	1,536	235.34

Source: Data prepared by field office

The decrease in number of IRs and paragraphs in 2018-19 and 2019-20 was due to transfer of audit observations upto 2008-09 during 2018-19 and upto 2011-12 during 2019-20, to administrative secretaries.

1.7.2 Recovery of 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 under the Head “0041- Taxes on Motor Vehicles” are depicted in **Table 1.13**.

Table 1.13: Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered up to 31 March 2019	Amount recovered during the year 2019-20	Cumulative position of recovery of accepted cases as of 31/03/2020
1	2	3	4	5	6	7	8
2009-10	07	2.62	07	2.62	PAC decided not to pursue Paras up to the year 2011-12.		
2010-11	06	0.83	06	0.83			
2011-12	01	3.12	01	3.12			
2012-13	03	1.11	03	1.11	0.83	0.00	0.83
2013-14	01	85.13	01	85.13	22.97	2.51	25.48
2014-15	04	7.55	04	7.55	2.65	0.15	2.80
2015-16	05	0.96	05	0.96	0	0.36	0.36
2016-17	01	0.39	01	0.39	0	0	0
2017-18	01	50.63	01	50.63	0	0	0
2018-19	01	0.35	01	0.35	0	0	0
Total	30	152.69	30	152.69	26.45	3.02	29.47

PAC decided not to pursue the cases upto the period 2011-12.

It is observed that the progress of recovery even in the accepted cases was very slow.

The Department may take appropriate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

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

The draft performance reviews conducted by the PAG are forwarded to the concerned Department/Government for their information with a request to furnish replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalizing the reviews for the Audit Reports.

The Review titled "Levy and Collection of Motor Vehicle Tax" on the Transport Department, Punjab featured in 2017-18 with seventeen recommendations to the Department. The said review is currently under discussion in the PAC.

1.8 Audit planning

During the year 2019-20, there were 389 auditable units related to tax revenue, of which 247 units (63.49 *per cent*) were planned and 238 units (96.35 *per cent*) were audited and remaining nine units could not be audited as field audit was suspended in the month of March 2020 due to Covid-19 pandemic. The units were selected on the basis of risk analysis.

1.9 Internal Audit

The Finance Department is having Internal Audit Organization (IAO) under the charge of the Additional Director. This organization was to conduct test check of cases as per approved action plan and in accordance with the criteria decided by the Steering Committee so as to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

During the year 2019-20, IAO audited 265 units out of total planned 2,797 units, which was 9.47 *per cent* of total planned units.

Table 1.14: Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0006-SGST	---	---
0029-Land Revenue	---	---
0030-Stamp Duty	512	164
0039-State Excise	329	25
0040-VAT/Sales Tax	1,010	34
0041-Motor Vehicle Tax	724	36
0045-Entertainment	222	6
0075-State Lottery	---	---
0406 & 2406-Forestry & Wild Life	---	---
Total	2,797	265

Department attributed (March, 2021) reason for shortfall in achieving targets of audit plan due to shortage of staff. It is recommended that Government may direct IAO to plan audit by adopting risk analysis techniques and to ensure audit of all planned units.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 238 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles and other Departmental offices conducted during the year 2019-20 revealed under assessment/short levy/loss of revenue aggregating ₹ 560.55 crore in 1,65,280 cases. The Departments recovered ₹ 7.84 crore in 2,599 cases during 2019-20, out of which ₹ 0.06 crore in four cases was pointed out during 2019-20 and the rest pertained to earlier years.

1.10.2 Coverage of this report

This report contains 13 paragraphs involving financial effect of ₹ 333.96 crore in 76,480 cases. The Departments accepted audit observations in 58 cases involving ₹ 36.90 crore and recovered ₹ 0.42 crore in seven cases. The replies provided by the authorities have been incorporated in the relevant paragraphs. These are discussed in the succeeding Chapters II to V.