सत्यमेव जयते

The Report of
the Comptroller and Auditor General of India

on
Revenue Sector

for the year ended 31 March 2014

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हिमाचल प्रदेश सरकार

Government of Himachal Pradesh

Report No. 1 of the year 2015

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PREFACE

This Report for the year ended 31 March 2014 has been prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Himachal Pradesh under the General, Social and Economic services, including Departments of Excise and Taxation, Revenue, Transport, Forest and Mines and Geology.

The instances mentioned in this Report are those, which came to notice in the course of test audit done during the period 2013-14 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 2013-14 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 27 paragraphs and one Performance audit on ***'Arrears under Sales Tax/ VAT'***, involving financial effect of ₹72.17 crore relating to underassessment of tax, non/ short levy of state excise, non/ short levy of stamp duty and registration fee, non/ short levy of passenger and goods tax and non/ short levy of royalty etc. Some of the major findings are mentioned below:

I. General

The total revenue receipts of the Government for the year 2013-14 was ₹15,711.08 crore as compared to ₹15,598.14 crore of the previous year. Out of this, 44 *per cent* was raised through tax revenue (₹5,120.91 crore) and non-tax revenue (₹1,784.53 crore). The balance 56 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹2,491.53 crore) and Grants-in-Aid (₹6,314.11 crore).

(Paragraph 1.1.1)

Test check of the records of 185 units of Sales tax/ Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and Mines and Geology conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹212.21 crore in 754 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹27.98 crore involved in 620 cases which were pointed out in audit during 2013-14. The Departments collected ₹9.32 crore in 447 cases during 2013-14, pertaining to the audit findings of previous years.

(Paragraph 1.10)

II. Taxes/ VAT on Sales, Trade etc.

A Performance audit on ***'Arrears under Sales Tax/ VAT'*** was conducted. Some major findings are given below:

- The outstanding arrears increased from ₹113.29 crore to ₹235.33 crore (52 *per cent*) over the period from April 2008 to March 2013.

(Paragraph 2.3.5)

- Additional demand of ₹10.98 crore was not accounted for in the arrears which resulted in short accountal of arrears in departmental books. Further due to non-assessment of remanded back cases, the reduction of arrears amounting to ₹12.92 crore was not justified.

(Paragraph 2.3.6.1)

- Interest amounting to ₹38.33 lakh on belated payment of additional demand of tax were neither demanded by the AA nor paid by the defaulters in 104 cases.

(Paragraphs 2.3.11)

- Arrears of ₹130.85 crore could not be recovered due to non-exhaustion of available measures for recovery of arrears on account of non-obtaining/ forfeiture of security and improper acceptance of surety/ non-recovery of surety from the dealers.

(Paragraphs 2.3.14.1 to 2.3.14.3)

Transaction Audit

The gross turnover (GTO) or taxable turnover (TTO) was assessed on lower side as compared to the total certified receipts and freight/ hire charges were not included in the returns resulting in short levy of tax of ₹4.43 crore in 13 cases, besides interest of ₹3.92 crore was also leviable.

(Paragraphs 2.4.1 and 2.4.2)

Assessments of the sales made at a lower rate of four/ five *per cent* instead of applicable rate of 12.50 *per cent*/ 13.75 *per cent* resulting in short realisation of tax of ₹7.00 crore in 11 cases, besides interest of ₹4.96 crore was also leviable.

(Paragraph 2.5)

Excess deduction of ₹18.22 crore from the Gross turnover on account of labour/ material charges by the AAs resulted in under assessment of tax of ₹2.12 crore in 11 cases.

(Paragraph 2.6)

Benefit of concessional rate of tax of one *per cent* on inter-state sale of ₹108.02 crore was given to seven industrial units located in industrially developing/ backward areas who had not employed mandatory 70 and 80 *per cent* bonafide Himachalis in their units as per provisions of the Act. This resulted in underassessment of tax of ₹1.45 crore, besides interest of ₹1.20 crore was also leviable.

(Paragraph 2.7)

Acceptance of defective/ incomplete/ duplicate statutory forms ***'C'*** and ***'F'*** by the assessing authorities and allowing exemption/ concessional rate of tax resulted in short levy of tax of ₹44.30 lakh in 10 cases, besides interest of ₹41.16 lakh was also leviable.

(Paragraphs 2.8.1 and 2.8.2)

Incorrect allowance of ITC of ₹1.56 crore by the AAs on closing stock by applying different methods had deferred the tax liability amounting to ₹1.57 crore in 50 cases, besides interest of ₹98.06 lakh was also leviable.

(Paragraph 2.9.1)

III. State Excise

Additional fee payable during 2011-12 in 237 cases due to short lifting of 4,92,292.40 pls of liquor was not demanded by the AAs, which resulted in short recovery of excise duty amounting to ₹98.46 lakh.

(Paragraph 3.3)

Dues on account of salaries of ₹38.77 lakh of excise establishment staff posted in two breweries and four distilleries were not recovered from the licensees for the period from 2010-11 to 2012-13.

(Paragraph 3.9)

IV. Stamp Duty

There was short realisation of stamp duty and registration fee of ₹2.77 crore due to incorrect preparation of valuation reports by *Patwaris* and incorrect determination of the market value of property in 321 cases.

(Paragraphs 4.3.1 and 4.3.2)

Short realisation of stamp duty and registration fee of ₹2.16 crore in eight cases due to application of lower rates of adjoining *mohal* in registration of documents.

(Paragraph 4.4.1 and 4.4.2)

V. Taxes on Vehicles, Goods and Passengers

Application of incorrect rate and mileage in respect of stage carriage owners of other States, HRTC and private stage carriages, resulted in short assessment/ realisation of SRT of ₹11.67 crore in 226 cases, including penalty.

(Paragraph 5.3.3 & 5.3.4)

Exemption of SRT (including minimum penalty) was given without maintaining proper records of number of permits issued and number of stage carriages plying on the road resulting in non-assessment of SRT ₹1.27 crore, including minimum penalty of ₹0.25 crore in 10 cases.

(Paragraph 5.3.6)

Token tax and entry tax of ₹2.67 crore for the years 2011-12 and 2012-13 was neither paid by 4,207 vehicle owners nor demanded by the Department.

(Paragraphs 5.4.1 and 5.4.2)

3,581 commercial vehicles for the period 2010-11 to 2012-13 were not registered with Excise and Taxation Department after being registered with Motor Vehicles

Tax Department as a result Passenger and Goods Tax amounting to ₹2.29 crore was not realised due to lack of co-ordination between the concerned RLAs/ RTOs and AETCs.

(Paragraphs 5.6)

VI. Other Tax and Non-Tax Receipts

Non/ short recovery of revenue of ₹33.94 lakh including VAT in five forest divisions due to non/ short charging of cost of 14,185 trees of different species falling in the alignment area of project.

(Paragraphs 6.4)

Non/ short recovery of Government revenue of ₹55.73 lakh in 136 cases due to under assessments of extraction of minerals, application of incorrect rate of royalty, dead rent, surface rent and non-levy of interest.

(Paragraphs 6.7.1 to 6.7.1.4)

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 Himachal Pradesh during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1:**

Table 1.1
Trend of revenue receipts

						₹ in crore
Sr. No.	**Particulars**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
1.	**Revenue raised by the State Government**					
	• **Tax revenue**	2,574.52	3,642.38	4,107.92	4,626.17	5,120.91
	• **Non-tax revenue**	1,783.66	1,695.31	1,915.20	1,376.88	1,784.53
	Total	**4,358.18**	**5,337.69**	**6,023.12**	**6,003.05**	**6,905.44**
2.	**Receipts from the Government of India**					
	• **Share of net proceeds of divisible Union taxes and duties**	861.63	1,715.35	1,998.37	2,282.02	2,491.53[1]
	• **Grants-in-Aid**	5,126.55	5,657.57	6,521.37	7,313.07	6,314.11
	Total	**5,988.18**	**7,372.92**	**8,519.74**	**9,595.09**	**8,805.64**
3.	**Total revenue receipts of the State Government (1 and 2)**	**10,346.36**	**12,710.61**	**14,542.86**	**15,598.14**	**15,711.08**
4.	**Percentage of 1 to 3**	**42**	**42**	**41**	**38**	**44**

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹6,905.44 crore) was 44 *per cent* of the total revenue receipts. The balance 56 *per cent* of the receipts during 2013-14 was from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table 1.2**:

[1] For details, please see Statement No. 11-'Detailed statement of revenue and capital receipt by minor heads' in the Finance Accounts of the Government of Himachal Pradesh for the year 2013-14. Figures under the Major Receipts Head 0020-Corporation tax, 0021-Taxes on income other than Corporation tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Other Taxes and Duties on Commodities and Services -901 Share of net proceeds assigned to State booked under A-tax revenue have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

Table 1.2
Details of Tax Revenue raised

₹ in crore

Sr. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE	Actual over 2012-13
1.	Taxes on sales, trade etc.	1,604.17	1,487.40	1,741.18	2,101.10	2,444.27	2,476.78	3,161.57	2,728.22	3,232.90	3,141.10	(-) 3	15
2.	State excise	480.07	500.26	549.46	561.53	709.74	707.36	800.14	809.87	949.46	951.96	0.26	18
3.	Motor Vehicles Tax	156.98	133.97	134.64	163.02	173.08	176.03	215.39	196.13	246.88	207.81	(-)16	6
4.	Stamp duty	109.73	113.39	115.78	132.69	142.76	155.09	159.05	172.61	201.22	187.50	(-) 7	9
5.	Taxes and duties on electricity	103.86	39.08	114.26	301.59	190.00	185.47	217.03	262.63	248.77	191.36	(-) 23	(-) 27
6.	Land revenue	1.94	14.54	2.02	4.78	1.90	17.86	4.01	23.60	4.00	9.98	149	(-) 58
7.	Others	242.97	285.88	298.19	377.67	378.08	389.33	500.23	433.11	489.76	431.20	(-) 12	(-) 0.4
Total		**2,699.72**	**2,574.52**	**2,955.53**	**3,642.38**	**4,039.83**	**4,107.92**	**5,057.42**	**4,626.17**	**5,372.99**	**5,120.91**	**(-) 5**	**11**

The respective Departments reported the following reasons for variation:

Stamp Duty: The increase was due to collection of receipts of registration fee on account of registration of more documents during the year.

Taxes and duties on electricity: The decrease was due to non-deposit of full amount of electricity duty alongwith arrears of previous years by the HPSEB.

Land Revenue: The increase in actual over budget estimates of 2013-14 was due to receipts of registration fees for registration of more documents. The reasons for decrease in actual of 2013-14 over previous year were not furnished.

The other Departments despite being requested (August 2014) did not furnish the reasons for variations in receipts from that of the previous year (December 2014).

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 1.3**:

Table 1.3
Details of Non-tax revenue raised

₹ in crore

Sr. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE	Actual over 2012-13
1.	Power	1,105.00	1,214.80	1,250.00	1,093.21	1,400.00	1,145.70	1,243.00	637.15	1,470.25	696.29	(-) 53	9
2.	Interest receipts	105.27	76.93	45.12	69.95	48.41	115.09	125.56	69.90	176.14	118.61	(-) 33	70
3.	Non ferrous, mining and metallurgical industries	71.33	85.09	85.00	113.84	110.50	120.12	137.94	147.90	151.10	111.08	(-) 26	(-) 25
4.	Forestry and wild life	67.16	72.11	71.77	65.44	84.78	106.54	75.31	63.90	86.45	357.83	314	460
5.	Public works	21.22	30.81	23.40	34.66	30.14	41.63	38.89	39.72	42.59	34.75	(-) 18	(-) 13
6.	Other administrative services	20.15	17.28	17.26	31.00	17.92	26.23	33.39	45.71	35.09	25.95	(-) 26	(-) 43
7.	Police	14.05	11.57	17.08	19.10	18.42	15.39	21.03	20.63	29.57	34.65	17	68
8.	Medical and public health	8.00	5.81	8.57	8.40	6.90	8.66	7.13	11.21	8.59	5.04	(-) 41	(-) 55
9.	Co-operation	4.28	3.35	4.31	9.59	3.23	2.30	3.46	3.24	4.48	15.30	242	372
10.	Miscellaneous general services	41.24	1.05	0.84	2.06	0.82	40.01	1.87	8.94	1.99	5.65	184	(-) 37
11.	Major and medium irrigation	0.32	0.14	0.42	6.84	0.46	0.36	0.81	0.33	0.81	0.37	(-) 54	12
12.	Other Non-tax receipts	156.57	264.72	254.39	241.22	272.92	293.17	314.21	328.25	385.58	379.01	(-) 17	15
Total		**1,614.59**	**1,783.66**	**1,778.16**	**1,695.31**	**1,994.50**	**1,915.20**	**2,002.60**	**1,376.88**	**2,392.64**	**1,784.53**	**(-) 25**	**30**

Source: Finance accounts of respective years

The respective Departments reported the following reasons for variation:

Forestry and Wild Life: The increase was due to more receipts from the sale of timber and other forest produce to the consumers and other departments/ organisations, besides reimbursement of CAMPA fund from the Government of India.

Public works: The decrease was due to less receipt from the sale of tender forms, empty bags of cement and contractor's registration fee. Besides, less receipt of Departmental charges for construction of residential and non-residential buildings under deposit works.

Further audit test checked security/ deposits registers of five B&R divisions[2] between February 2014 and March 2014 and found that an amount of ₹94.51 lakh[3] for 922 items deducted from the contractors bills on account of deposits during 2002-03 to 2009-10, was not credited to the Government account as required. Thus, ₹94.51 lakh remained out of the revenue account, which also resulted in understatement of revenue to that extent.

On this being pointed out between February 2014 and March 2014, the Executive Engineer, B&R division, Mandi while confirming the facts, intimated

[2] Bangana, Jogindernagar, Kangra, Mandi and Una

[3] 2008-09: 594 items: ₹71.59 lakh and 2009-10: 328 items: ₹22.92 lakh

(September 2014) that out of ₹66.58 lakh an amount of ₹11.61 lakh for 109 items had been adjusted. The remaining B&R divisions stated that as and when the contractors bills were finalised, necessary action would be taken to credit the lapsed deposit in revenue account.

Irrigation and Public Health Department: Audit test checked security/ deposits registers of three Irrigation and Public Health divisions (Barsar, Hamirpur and Indora) between February 2014 and March 2014 and found that an amount of ₹106.91 lakh (2008-09: 1,360 items: ₹68.62 lakh and 2009-10: 480 items: ₹38.29 lakh) for 1,840 items deducted from the contractors bills on account of deposits during 2001-02 to 2009-10, was not credited to the Government account as required. Thus, ₹106.91 lakh remained out of the revenue account, which also resulted in understatement of revenue to that extent.

After this was pointed out, the concerned Executive Engineers of the divisions while confirming the facts stated that as and when the contractors bills were finalised, necessary action would be taken to credit the lapsed deposit in revenue account. The replies were not acceptable because there is no such provision in the rules *ibid.*

Police: The increase was due to payment of arrear by Bhakra Beas Management Board (BBMB), Railway and other authorities for supply of police guards. Besides, receipts of permit fee on account of passes issued under Instrumental Act for restricted road in Shimla district by districts authorities.

Medical and public health: The decrease was due to less receipt of recovery of overpayment, income from sale proceeds from dead stock.

The Co-operation and other Departments despite being requested (August 2014) did not intimate the reasons for variation in receipts from that of the previous year and budget estimates (December 2014).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on some principal heads of revenue amounted to ₹644.03 crore of which ₹113.23 crore was outstanding for more than five years, as detailed in the **Table–1.4**:

Table 1.4
Arrears of revenue

₹ in crore

Sr. No.	Head of revenue	Total Amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Departments
1.	Taxes on Sales, Trade etc.	314.22	80.90	Arrears are accumulated from the year 1968-69. Demands for ₹76.53 crore had been certified as arrears of land revenue, ₹7.78 crore proposed to be written off, remaining ₹1.86 crore were recoverable from the Government departments/ undertakings, recoveries amounting to ₹26.48 crore were stayed by the High Court/ other judicial authorities and ₹201.57 crore recoverable from the dealers.
2.	Water supply, Sanitation and Minor Irrigation	198.79	NA	Out of total arrears of ₹198.79 crore for supply of water, ₹191.53 crore pertained to municipal corporation/ committees and notified area committees, ₹5.36 crore and ₹0.68 crore to non-government bodies and government departments respectively, ₹1.17 crore to housing and ₹0.05 crore to minor irrigation.
3.	Forestry and Wild Life	60.89	NA	Most of the cases pertaining to contractors (₹3.33 crore) had been referred to the Collectors concerned for recovery under arrear of land revenue and the remaining were under trial in the Court of law. Efforts to recover the balance amount of ₹57.28 crore and ₹0.28 crore from the HPSFDC Ltd. and other Government Departments respectively were being made.
4.	Other Taxes and Duties on Commodities and Services	22.05	13.24	Arrears were accumulated from the year 1989-90. Demands for ₹4.59 crore had been certified for recovery as arrears of land revenue, ₹38,350 proposed for write off, ₹0.14 crore stayed by the High Court/ others judicial authorities and ₹17.32 crore recoverable from different hoteliers.
5.	Police	17.10	5.65	Arrears are accumulated from the year 1990-91 and onward. Out of total outstanding amount ₹0.30 crore related to Jai Prakash Associates, ₹0.15 crore related to Airport Authority, Bhuntar, ₹0.10 crore related to CCI Rajban and Yamuna Hydel Project, ₹0.54 crore related to Jay Pee Cement Plant Ltd., ₹7.44 crore related to BBMB and remaining amount ₹8.57 crore related to Others department/ institutions.
6.	State Excise	15.53	5.79	Arrears were accumulated from the year 1972-73. Demands for ₹5.54 crore had been certified for recovery as arrears of land revenue, ₹0.12 crore were stayed by the High Court/ other judicial authorities, ₹0.03 crore were proposed to be written off and ₹9.84 crore was recoverable from the bidders / licensees.
7.	Taxes on Goods and Passengers	8.58	5.78	Demands for ₹2.88 crore had been certified for recovery as arrears of land revenue, ₹6.55 lakh were proposed to be written off, remaining arrear of ₹81,824/ recoverable from Government/ Departments/ undertakings, ₹7.79 lakh were stayed by the High Court/ others judicial authorities and ₹5.55 crore recoverable from the owners of different vehicles.
8.	Village and Small Industries	5.64	1.05	Arrears pertain to premium of plots (Industrial areas) etc.
9.	Non-ferrous, Mining and Metallurgical Industries	0.76	0.49	Arrears pertain to mining offices and DDO (Headquarter) Geological Wing Directorate of industries on account of recovery of royalty/ drilling charges etc.
10.	Industries	0.24	0.11	Arrears pertain to rent sheds (Industrial Estate), rent of government accommodation/ Receipt of sale of Mulberry plants etc.
11.	Public Works	0.23	0.22	Arrears accumulated from the years 1963-64 and onwards. Instruction had been issued to field offices to make all efforts to recover the amount and to get the amount written off where irrecoverable.
	Total	**644.03**	**113.23**	

Source: Figures supplied by the department concerned.

It may be seen from above that arrears of ₹314.90 crore were pending with the departmental authorities and the cases referred for write off (₹7.87 crore) were also not being pursued with quarters concerned.

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 Sales Tax Department in

respect of sales tax, motor spirit tax, luxury tax and tax on works contracts was as below in **Table 1.5**:

Table 1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases disposed of during 2012-13	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.	1,32,428	61,841	1,94,269	54,534	1,39,735	28
Luxury tax	2872	1,899	4,771	1,555	3,216	33
Tax on works contracts	1913	1,723	3,636	1,671	1,965	46
Motor spirit tax	0	27	27	14	13	52

Source: Figures supplied by the department concerned.

Above table shows that the disposal of assessment cases specially in taxes on sales, trade etc. and luxury tax was very slow which was 28 and 33 *per cent* respectively.

1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.6**:

Table 1.6
Evasion of Tax

₹ in crore

Sr. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment / investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalization as on 31 March 2014
					Number of cases	Amount of demand	
1.	State Excise	45	4,242	4,287	4,235	1.92	52
2.	Taxes on Sales, Trade etc.	102	14,268	14,370	14,262	36.47	108
3.	Passengers and Goods tax	186	5,135	5,321	5,194	1.64	127
4.	Other Taxes and Duties on Commodities and Services	6	2,031	2,037	2,037	2.99	0
Total		**339**	**25,676**	**26,015**	**25,728**	**43.02**	**287**

Source: Figures supplied by the department concerned.

It would be seen from the above that the number of cases pending at the end of the year has slightly reduced than number of cases pending at the start of the year.

1.5 Refund cases

The refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Department is given in **Table 1.7**:

Table 1.7
Details of pendency of refund cases

₹ in crore

Sr. No.	Particulars	Sales tax / VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	64	28.69	6	0.13
2.	Claims received during the year	36	10.59	52	0.81
3.	Refund made during the year	43	21.75	52	0.83
4.	Balance outstanding at the end of year	57	17.53	6	0.11

Source: Figures supplied by the department concerned.

1.6 Response of the Government / departments towards audit

The Principal Accountant General (Audit), Himachal Pradesh (PAG) conducts periodical inspection of the 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 the 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 the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through 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 2013 disclosed that 9,050 paragraphs involving ₹1,904.43 crore relating to 3,411 IRs remained outstanding at the end of June 2014 alongwith the corresponding figures for the preceding two years as mentioned in **Table 1.8**:

Table 1.8
Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	3,716	3,269	3,411
Number of outstanding audit observations	9,763	8,526	9,050
Amount of revenue involved (₹ in crore)	995.12	1,476.50	1,904.43

The Department wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 1.9**:

Table 1.9

					₹ in crore
Sl. No.	**Name of the Department**	**Nature of receipts**	**Number of outstanding IRs**	**Number of outstanding audit observations**	**Money value involved**
1.	Finance	Taxes on Sales, Trade etc.	123	954	256.66
		Passenger & Goods Tax (PGT)	211	390	218.05
		Other Taxes & Duties on commodities and services (OTD)	286	359	14.94
		Entertainment & luxury tax etc.	113	227	1.04
2.	Excise	State Excise	64	207	29.28
3.	Revenue	Land Revenue	237	413	0.86
4.	Transport	Taxes on motor vehicles	718	2,542	199.67
5.	Stamp and Registration	Stamp and registration fees	612	1,179	52.39
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	52	151	10.41
7.	Forest and environment	Forest Receipts	588	1,738	549.86
8.	Water resources (IPH)	Water charges	120	340	394.20
9.	Public Works (B&R)	Deposit Works	171	350	120.12
10.	Crop husbandry	Horticulture and Agriculture	82	135	3.50
11.	Co-operation	Audit fees and other receipts	34	65	53.45
Total			**3,411**	**9,050**	**1,904.43**

Audit did not receive even the first replies from the heads of offices within the stipulated time of four weeks, in respect of 164 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of field offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the paragraphs included in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table 1.10:**

Table 1.10
Details of Departmental audit committee meetings

				₹ in crore
Sr. No.	**Head of revenue**	**Number of meetings held**	**Number of paras settled**	**Amount**
1.	Revenue Department	02	93	0.31
2.	State Excise Department	01	86	0.61
3.	Transport Department	01	33	0.28
Total		**04**	**212**	**1.20**

The progress of settlement of paragraphs pertaining to the Transport Department was negligible as compared to the huge pendency of the IRs and paragraphs despite holding Departmental audit committee meetings.

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 sufficiently in advance and intimations are issued usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

The Excise and Taxation Department during the year 2013-14, did not make available 36 assessment files, returns, refunds registers and other relevant records involving tax effect of ₹10.31 crore to audit as detailed in **Table 1.11**:

Table 1.11

Name of office	Name of the circle	Records	Period
AETC, BBN-Baddi	Circle-I	Seven files containing arrear of ₹5.13 crore	April 2010 to March 2012
	Circle-II	Monthly arrear statements	April 2008 to March 2009
AETC Una	--	25 files involving arrear of ₹5.18 crore. These ALR cases were not shown as arrear.	April 2008 to March 2013
		Monthly arrear statements	
DETC (FS) SZ Parwanoo	--	Demand and collection (Disposal) register	April 2011 to March 2013
DETC (FS) NZ Palampur	--	PGT-21 Books bearing Sr. No. 0258851-0258900 and 0719701 -750	Issued in the month of October 2009 and March 2010

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Audit 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.

Thirty four draft paragraphs and one Performance audit were sent to the Principal Secretaries/ Secretaries of the respective Departments by name between April and September 2014. The Principal Secretaries/ Secretaries of the Departments did not send replies to five draft paragraphs despite issue of reminders (September 2014) and the same have been included in this Report without the response of the Government. However, the replies of the department have been received and incorporated suitably.

1.6.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, 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 explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. Inspite of these provisions, the explanatory notes on audit paragraphs of the Reports were

being delayed inordinately. 148 paragraphs (including performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Himachal Pradesh for the years ended 31 March 2009, 2010, 2011 and 2012 were placed before the State Legislature Assembly between 13 April 2010 and 9 April 2013. Action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of 10, 14, 13 and nine months of each of these Audit Reports, respectively. Action taken explanatory notes in respect of 10 paragraphs from two departments (Forest and MPP & Power) had not been received for the Audit Report year ended 31 March 2012 so far (December 2014).

The PAC discussed 32 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2010-11. Action taken explanatory notes, however, had not been received in respect of 32 recommendations of the PAC from the Departments concerned as mention in the **Table 1.12:**

Table 1.12

Year	Name of the Departments				Total
2007-08	IPH	Industries	--	--	2
2008-09	Forest	Transport	IPH	PWD	20
2009-10	Forest	--	--	--	4
2010-11	Forest	--	--	--	6
Total					**32**

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 for one Department (Excise Department in respect of Passenger and Goods Tax) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Excise Department in respect of Passenger and Goods Tax under Major Receipt Head "0042- Passenger and Goods Tax" and cases noticed in the course of local audit during the last ten years upto 2013-14 and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in below **Table 1.13**:

Table 1.13
Position of Inspection Reports

₹ in crore

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2004-05	208	419	12.96	8	34	0.91	6	17	1.92	210	436	11.94
2005-06	210	436	11.94	10	42	0.31	12	21	0.51	208	457	11.74
2006-07	208	457	11.74	12	61	17.17	51	207	6.06	169	311	22.85
2007-08	169	311	22.85	8	34	0.61	5	12	0.72	172	333	22.74
2008-09	172	333	22.74	12	46	1.53	2	14	14.66	182	365	9.61
2009-10	182	365	9.61	12	54	0.83	4	8	0.92	222	562	9.52
2010-11	222	562	9.52	10	24	1.46	25	73	3.31	207	513	7.67
2011-12	207	513	7.67	9	23	2.18	8	46	2.39	208	490	7.46
2012-13	208	490	7.46	9	68	225.82	10	34	18.99	207	524	214.29
2013-14	207	524	214.29	7	60	5.80	0	1	0	214	583	220.09

The Government arranges ad-hoc Committee meetings between the Department and PAG's office to settle the old paragraphs. As would be evident from the above table, against 208 outstanding IRs with 419 paragraphs as on start of 2004-05, the number of outstanding IRs rose to 214 with 583 paragraphs at the end of 2013-14.

This is indicative of the fact that adequate steps were not taken by the Department resulting in piling up of the outstanding IRs and paragraphs.

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 are mentioned in **Table 1.14**:

Table 1.14

₹ in lakh

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year 2013-14	Cumulative position of recovery of accepted cases as of 31 March 2014
2003-04	2	27.40	2	14.94	--	5.60
2004-05	1	27.32	1	22.36	--	8.48
2005-06	1	28.89	1	24.36	--	14.38
2006-07	2	91.16	2	80.31	--	52.19
2007-08	2	85.83	2	75.39	--	31.72
2008-09	2	94.95	2	90.04	25.02	26.07
2009-10	2	151.92	2	133.63	8.00	36.56
2010-11	2	103.53	2	90.11	5.90	37.06
2011-12	2	108.48	2	94.88	8.98	36.17
2012-13	1	22,582.00[2]	1	996.00	132.31	132.31
Total	**17**	**23,301.48**	**17**	**1622.02**	**180.21**	**380.54**

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last ten years. The recovery of accepted cases was to be pursued as arrear recoverable from the concerned

[2] This amount pertain to performance audit on '*Levy and Collection of Passenger and Goods Tax*'

parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/ Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Excise and Taxation Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department may take immediate 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/ AG are forwarded to the concerned Department/ Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department/ Government's views are included while finalizing the reviews for the Audit Reports.

One performance audit titled "Levy and Collection of Passenger and Goods Tax" on the *Excise and Taxation Department* under Receipt Head-'0042-Passenger and Goods Tax' conducted and featured in the Audit Report for the year 2012-13. The audit had made five recommendations which were accepted and admitted by the department and stated that the efforts were being made for their implementation.

1.8 Internal Audit

The department has an Internal Audit Cell (IAC) under the charge of the Assistant Controller (F&A). This cell was to conduct test check of cases of assessment as per the approved action plan and in accordance with the criteria decided by the Steering Committee to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

The position of number of units planned for audit, units audited and number of unit could not audited during the year 2013-14 in Transport and Excise and Taxation Departments is given in the **Table 1.15** below**:**

Table 1.15

Name of the Department	Total auditable unit	No. of units planned for audit	No. of units audited	Shortfall
Excise and Taxation	13	13	01	12
Transport Department	70	15	10	05

It is evident from the above that out of total auditable units of 83, IAW had selected only 28 units for audit during the year 2013-14 and out of that only 11 units (39 *per cent*) were audited.

The reasons for shortfall were attributed due to shortage of staff.

1.9 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenue and tax administration i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2013-14, there were 393 auditable units, of which 185 units planned and audited**.**

Besides, the compliance audit mentioned above, one performance audit on **'A*rrears under Sales Tax/ VAT'*** was also done to examine the efficacy of the tax administration of these receipts.

1.10 Results of audit

Position of local audit conducted during the year

Test check of the records of 185 units of Sales tax/ Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers, Forest Receipts and Mines and Geology offices conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue etc. aggregating ₹212.21 crore in 754 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹27.98 crore involved in 620 cases which were pointed out in audit during 2013-14. The Departments collected ₹9.32 crore in 447 cases during 2013-14, pertaining to the audit findings of previous years.

1.11 Coverage of this Report

This Report contains 27 paragraphs and one Performance audit on ***'Arrears under Sales Tax/ VAT'***, involving financial effect of ₹72.17 crore.

The Departments/ Government have accepted 23 audit observations involving ₹11.75 crore out of which ₹3.50 crore had been recovered in 16 cases. The replies in the remaining cases have not been received (December 2014). These are discussed in succeeding Chapters II to VI.

CHAPTER-II

TAXES/ VAT ON SALES, TRADE ETC.

CHAPTER–II

TAXES/ VAT ON SALES, TRADE ETC.

2.1 Tax administration

Sales Tax/ Value Added Tax laws and rules framed thereunder are administered at the Government level by the Principal Secretary (Excise and Taxation). The Excise & Taxation Commissioner (ETC) is the head of the Excise and Taxation Department who is assisted by one Additional ETC, one Joint ETC, eight Deputy ETCs, 14 Assistant ETCs and 69 Excise & 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 2013-14, test check of the records of nine units relating to Sales tax/ VAT assessments and other records showed underassessment of tax and other irregularities involving ₹54.50 crore in 259 cases, which fall under the following categories as given in **Table 2.1**:

Table 2.1

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Performance audit on ***'Arrears under Sales Tax / VAT'***	1	2.81
2.	Under-assessment of tax	34	16.86
3.	Acceptance of defective statutory ***C*** & ***F*** forms	28	1.19
4.	Irregular/ incorrect/ excess allowance of ITC	90	6.65
5.	Application of incorrect rate of tax	29	18.32
6.	Other irregularities	77	8.67
Total		**259**	**54.50**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹5.71 crore in 120 cases which were pointed out in audit during the earlier years. An amount of ₹70.98 lakh was realised in 77 cases during the year 2013-14.

A performance audit on ***'Arrears under Sales Tax/ VAT'*** having money value of ₹2.81 crore and few illustrative cases involving ₹17.47 crore are discussed in the following paragraphs.

2.3 Performance audit on 'Arrears under Sales Tax/ VAT'

Highlights

- ***The outstanding arrears increased from ₹113.29 crore to ₹235.33 crore (52 per cent) over the period from April 2008 to March 2013.***

(Paragraph 2.3.5)

- ***Additional demand of ₹10.98 crore was not accounted for in the arrears which resulted in short accountal of arrears in departmental books. Further due to non-assessment of remanded back cases, the reduction of arrears amounting to ₹12.92 crore was not justified.***

(Paragraph 2.3.6.1)

- ***Interest amounting to ₹38.33 lakh on belated payment of additional demand of tax were neither demanded by the AA nor paid by the defaulters in 104 cases.***

(Paragraph 2.3.11)

- ***Arrears of ₹130.85 crore could not be recovered due to non-exhaustion of available measures for recovery of arrears on account of non-obtaining/ forfeiture of security and improper acceptance of surety/ non-recovery of surety from the dealers.***

(Paragraphs 2.3.14.1 to 2.3.14.3)

2.3.1 Introduction

The Excise and Taxation Department is responsible for collection of Sales Tax/ Value Added Tax. The Himachal Pradesh Value Added Tax (HPVAT) Act, 2005 and the other Acts as well as the Rules framed thereunder governed the levy, assessment and collection of Sales Tax/ VAT in the State since April 1st 2005. The Himachal Pradesh General Sales Tax Act, 1968 (HPGST Act) was in existence up to 31 March 2005. The Central Sales Tax (CST) Act, 1956 and the rules framed there under are in operation for inter-state sales. Under the HPVAT Act, every registered dealer liable to pay tax due from him within the time specified in the tax demand notice (TDN) (not less than 15 days and not exceeding 30 days). In case of failure on the part of the assessee to pay the tax within the date mentioned in the TDN, the Department can recover the amount which remains unpaid as if it was arrears of land revenue. Powers have been delegated[1] to the Department to recover the Government dues as arrears of land revenue (ALR) under Section 28 of the Himachal Pradesh Land Revenue (HPLR) Act, 1954. Some provisions of Sale Tax/ VAT Act and HPLR Act for the purpose of effecting recovery of Government dues are given in **Appendix-I.**

2.3.2 Organisational set up

Principal Secretary (Excise and Taxation) is the administrative head of the department at the Government level. The Excise and Taxation Commissioner (ETC) is the head of the department (HOD) who is empowered with the work of superintendence and administration of various fiscal measures. He is assisted by

[1] Delegated the power of collectors and Assistant Collectors between December 1990 and January 1993

the two additional ETCs, one joint ETC, six deputy ETCs, 14 Assistant Excise and Taxation Commissioners (AETCs), 69 Excise and Taxation Officers (ETOs), Excise and Taxation Inspectors (ETIs) and other allied staff in the administration of Acts/ Rules in the Department.

2.3.3 Audit Objectives

The performance audit was conducted with a view to ascertain:

- the extent of accumulated arrears and reasons thereof;
- whether provisions in the Act, Rules and executive instructions thereof for the recovery of arrears were followed and
- whether adequate internal control mechanism exists for prompt realisation of arrears.

2.3.4 Scope of audit and methodology

The performance audit covered the period from 2008-09 to 2012-13 and was conducted between July 2013 to March 2014 with reference to records relating to arrears of Sales tax/ VAT available in the office of the ETC and 8 field offices[2] out of 16 AETCs/ DETCs offices. The selection of these units was made by applying Interactive Data Extraction and Analysis (IDEA) random sampling technique.

An entry conference was held in December 2013 with the Principal Secretary, (Excise and Taxation), Government of Himachal Pradesh wherein the objectives, scope and methodology for conducting the performance audit were discussed. The draft report on performance audit was forwarded to the Department and to the Government in September 2014 and the exit conference with Pr. Secretary (Excise and Taxation) and Commissioner was held in September 2014. The replies of the Government and department to audit observations have been incorporated in the respective paragraphs.

2.3.5 Trends/ analysis of arrears

The comparative analysis of addition and arrears in each of the year is furnished in the **Table 2.2:**

Table 2.2

₹ in crore

Year	Sales Tax/ VAT receipt	Opening balance of arrears	Addition during the year	Arrears recoverable during the year	Recovered during the year	Outstanding arrears at the end of year	Outstanding for more than five years	Percentage of col. 6 to col. 5
1	2	3	4	5	6	7	8	9
2008-09	1246.31	113.29	32.87	146.16	25.78	120.38	53.77	17.64
2009-10	1487.40	120.38	172.44	292.82	201.32	91.52	Not available	68.75
2010-11	2101.10	91.52	181.97	273.49	110.76	162.73	-do-	40.50
2011-12	2476.78	162.73	197.18	359.91	148.53	211.38	61.34	41.27
2012-13	2728.22	211.38	178.30	389.68	154.35	235.33	124.74	39.61

Source: Figures supplied by the department

Above table shows arrears of ₹235.33 crore was pending for recovery as on March 2013 which had almost doubled as compared to arrears on April 2008.

[2] AETCs BBN-Baddi, Bilaspur, Hamirpur, Kangra at Dharamshala, Sirmour at Nahan, Una and DETC (flying Squad) North Zone and South Zone

Arrears of ₹124.74 crore (53 *per cent*) was outstanding for more than five years. The percentage of recovery of arrears to total arrears due for recovery during the year ranged between 17.64 and 68.75 *per cent.* The department supplied information in July 2014 (though age-wise information on arrears was sought in July 2013) depicting arrears of ₹222.07 crore as of March 2013 which was short to the tune of ₹13.26 crore as compared to earlier stated information.

On being pointed out (August 2014), the department intimated arrears as ₹237.98 crore as on 31 March 2013, which was different from figures given earlier. This shows that the department was not maintaining proper records of arrears.

2.3.6 Monitoring of arrears

2.3.6.1 Short accountal of arrears

Under the HPVAT Act, every registered dealer liable to pay tax due from him within the time specified in the tax demand notice (TDN) not less than 15 days and not exceeding 30 days. Demands remaining unpaid in the time specified in the TDN constitute arrears. If a dealer feels aggrieved with orders of the AA to pay additional demand, he can file appeal for revision with the Appellate Authority.

In eight test checked units, audit noticed that amount outstanding in DCR-cum-disposal register was not accounted for in total arrears pertaining to the period between 2008-09 and 2012-13 in respect of 237 cases. The omissions resulted in understatement of arrears of ₹10.98 crore as detailed in **Appendix-II**. Further, test check of the records in six[3] offices showed that in 13 cases assessments were finalised between January 1995 and December 2012 for the years 1990-91 to 2011-12 and an additional demand of ₹12.92 crore was created. The dealers aggrieved with the orders of AA, preferred appeals with the Appellate Authority who remanded back these cases to the AAs between April 2008 and August 2013 for re-assessment within a time limitation between three weeks and three months from the date of the orders but these cases were not re-assessed by the concerned AAs till the date of audit. Consequently, the delay in assessment of actual government dues had resulted in unrealistic depiction of arrears of ₹18.00 lakh and reduction of arrears of ₹12.74 crore.

On this being pointed out, AETC Hamirpur stated that one[4] case was re-assessed (June 2014) and additional demand of ₹2.33 lakh was created.

The Government admitted the observation in exit conference (September 2014) and stated that the concerned AETCs had been directed to re-assess all the cases and actual government dues may be recovered from defaulters.

In six cases, arrears amounting to ₹24.55 lakh had been accounted for in the total arrears in excess which remained undetected till the date of audit which resulted in overstatement of arrears to that extent **(Appendix-III)**.

This showed that the department did not exercise proper control over the computation and reporting of arrears to the higher authorities.

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[3] AETC BBN-Baddi, Hamirpur, Kangra, Sirmour, Una and DETC (FS) SZ

[4] M/S Aditya Steel Industries, Bhumpal

The Government admitted the observation in exit conference (September 2014) and stated that necessary directions would be issued to all AETCs/ DETCs to maintain proper records of arrears and statement thereof may be furnished to HoD.

2.3.6.2 Non-maintenance of database at HOD level

For proper monitoring of arrears initiated by the concerned AAs, a centralised upto date database showing district-wise/ party-wise detail of outstanding amount in the beginning of the year, addition, recovery during the year and outstanding amount at the end of the year, is required to be maintained at the apex level.

Test check of the records showed that there is no system of maintaining a consolidated database of arrears in the office of the ETC, which was updated regularly.

The Government admitted the observation in exit conference (September 2014) and stated that database in respect of arrears would be maintained in future.

2.3.6.3 Non-maintenance of Demand and Collection Register

Rule 42 of the HPVAT Rules provides for maintenance of a demand and collection register (DCR) in Form VAT-XVII. Apart from DCR, the ETC had issued instructions to field offices regarding maintenance of files of arrears in February 2005. It inter-alia contained that name with address of assessee, surety, amount of surety, year and date of assessment, name of person appeared on behalf of assessee, balance amount due and details of recovery should be recorded in the file.

Test check of the records in the eight selected units showed that DCRs had not been maintained in the prescribed format. Arrears files were also not maintained as per instructions of the ETC. Even centralised database of arrears had not been maintained by the field offices as given in the **Appendix-IV**.

The Government admitted the observation in exit conference (September 2014) and stated that necessary directions would be issued to the field offices in this regard.

2.3.7 Non-accountal of transferred cases

Test check of the records (between September 2013 and January 2014) in the four units out of eight selected units, showed lack of co-ordination within department regarding monitoring of arrears as discussed below:

2.3.7.1 In DETC, Palampur (FS) NZ, in case of six dealers arrears of ₹3.79 lakh pertaining to period between 1998-99 and 2006-07 was transferred (April 2011) to the AETC Kangra at Dharamshala for recovery and excluded from arrears record. The AETC showed (August 2011) his inability to recover arrears/ additional demand due to shortage of staff and pressure of work in circle offices. Thus, arrears stood excluded from DETC records and also remained un-accounted for in the books of AETC. Besides, DETC was not aware of the

reply of August 2011 of AETC. Resultantly, none of the offices pursued recovery proceedings of the arrears.

2.3.7.2 In AETC, Sirmour, it was noticed (August 2013) that cases of six defaulters, involving arrears of ₹40 lakh, received (November 2005 and in one case date is not given in ALR register) from Paonta office for declaration as ALR. These cases were returned between November 2005 and January 2007 to that office for want of more information. It was further noticed that cases were not returned by that office till date of audit.

The Government admitted the observation in exit conference (September 2014) and stated that there was a need for investigation of the matter. However, explanation on the matter would be called for from the AETCs and outcome will be intimated accordingly.

2.3.8 Non-updating of arrears records

Test check of the records (between July 2013 and March 2014) in three units showed following irregularities:

i. In AETC, Kangra at Dharamshala, audit noticed (December 2013) that an arrears of ₹2.00 lakh in five cases was shown outstanding in arrears register. Test check further showed that these assessments/ additional demand were not entered in the disposal register.[5]

ii. Test check of outstanding demands as per DCR-cum-disposal register with that of the arrears register in AETC, Kangra at Dharamshala, showed that arrears of ₹50.00 lakh in 165 cases were outstanding as per disposal register/ arrears register was not accounted for. On this being pointed out (December 2013), AETC Kangra at Dharamshala stated that an amount of ₹45.00 lakh had already been recovered through various challans but not entered in arrears register/ records.

iii. Similarly, in AETC Sirmour at Nahan and DETC (FS) Palampur an amount of ₹7.50 lakh was, however, recovered between December 2009 and January 2013 from nine dealers was not accounted for in the arrears register.

This shows that records pertaining to arrears were not updated regularly.

The Government admitted the observation in exit conference (September 2014) and stated that concerned units would be directed to update the arrears records under intimation to HoD.

2.3.9 Non-monitoring of records of arrears

Audit test checked the records (between July 2013 and March 2014) in the eight selected units and noticed discrepancies as discussed below:

[5] It is a general term used for Demand and Collection Register.

2.3.9.1 Non-monitoring of arrears statements

The HoD is monitoring arrears through monthly statement of arrears being forwarded by the field offices.

Test check of the records (between July 2013 and March 2014) in the eight selected units showed that:

(i) Monthly arrear statement in two[6] field offices was not prepared.

(ii) In AETC, Kangra at Dharamshala, test check of arrears statement for the month of April 2008 showed (December 2013) that arrears of ₹5.24 crore was reported to HoD as recoverable from the defaulters. However, same was intimated to the HoD (September 2013) and to audit (October 2013) as of ₹4.50 crore (short by ₹74.00 lakh). The AETC had not furnished any reason for reporting arrears short by ₹74.00 lakh in his reply dated 25 June 2014.

(iii) In DETC (FS), South Zone at Parwanoo, audit noticed (September 2013) that opening balance of arrears as on June 2008 was ₹2,71,66,299 of which ₹8,700 had been shown recovered during that month. The closing balance had been worked out as ₹1,72,07,476 instead of ₹2,71,57,599. The mistake was not detected by the department which resulted in short depiction of arrears of ₹99.50 lakh.

The Government admitted the observation in exit conference (September 2014) and stated that matter would be enquired and appropriate action against the defaulter units would be initiated accordingly.

2.3.10 Non-declaration of cases to be recovered as ALR

The demands on account of Sales Tax/ VAT which remains un-recovered within time specified in the notice shall become recoverable as ALR. Departmental authorities have been delegated with the powers of the Assistant Collector/ Collector under the HPLRA during 1990 and 1993, to ensure prompt recovery of government dues from the defaulters. No time limit to declare an arrear to be recovered as ALR has been provided in the Acts nor fixed by the department.

Audit test checked the records of the five AETCs/ DETCs[7] and noticed that no case was declared to be pursued under the provisions of the HPLR Act though a number of defaulters had increased from 796 in 2008-09 to 1069 in 2013-14. The recoverable government dues increased from ₹14.73 crore to ₹52.81 crore during the period of last five years. Thus, delegated powers were not exercised by the officials concerned to recover government dues and the intended results of delegation could not be achieved.

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6 AETC-Una (Period 04/2008 to 03/2013) and DETC, Flying Squad, SZ (Period 04/2011 to 03/2013)

7 Bilaspur, Hamirpur, Una, DETC (FS) South Zone and North Zone

2.3.10.1 Delay in declaration/ initiating recovery of arrears under the HPLR Act

Timely action against defaulters under the HPLR Act may prove fruitful to recover the arrears. Section 74 of HPLR Act, provides that an ALR may be recovered by any one or more processes provided under the Act.

Audit test checked the records of two AETCs[8] (August 2013 and March 2014) and noticed that assessment for the years 1977-78 to 2010-11 was finalised (March 1991 and April 2012) creating additional demand of ₹36.02 crore against 31 dealers. Failing to recover additional demand, the Collector-cum-AETCs declared the arrears to be recovered as ALR between March 1993 and April 2013 with a delay ranging between 1 and 14 years after the assessment in most of the cases and in one case the delay was 20 years.

In AETC, Sirmour, it was noticed that an additional demand of ₹3.68 crore in case of 15 defaulters was declared to be recovered as ALR between August 2010 and September 2011 and no further action to recover the dues from the defaulters, as provided under the HPLR Act, was initiated and dues remained unrecovered.

On this being pointed out, AETC stated that due to legal complexities, action could not be initiated. The reply is not acceptable as the AETCs had not initiated any action against the defaulters under the HPLR Act though sufficient time had elapsed.

2.3.10.2 Improper maintenance of the register of Arrears of Land Revenue cases

In order to administer the recovery proceedings under the HPLR Act, various vital information of defaulter are being maintained in a register called as register of Arrears of Land Revenue cases.

Test check of the records in the office of AETCs, Sirmour and Una, (between September 2013 and January 2014) and noticed that various details such as names of sureties, amount of security, immovable property, status of cases of arrears, amount recoverable from defaulters on various counts *viz*. tax, penalty and interest had not been recorded in ALR. In AETC, Una, an arrear of ₹5.18 crore was outstanding in case of 24 defaulters as per ALR register for the years 1991-92 to 2006-07 which was not accounted for in arrears as on 31 March 2013. These arrears files were not produced to audit.

The Government admitted the observation in exit conference (September 2014) and stated that concerned units would be directed to update the arrear records under intimation to HOD.

[8] AETC BBN-Baddi and Sirmour

2.3.10.3 Short declaration of ALR due to non-addition/ short addition of interest/ calculation error

Test check of the records maintained in three[9] AETCs showed (July 2013 and December 2013) that tax and penalty of ₹22.07 crore assessed between March 1991 and June 2011 for the period 1977-78 to 2006-07 was not paid by 24 defaulters. The Collector-cum-AETCs declared between March 2007 and December 2012 these arrears to be recovered as ALR that too with a delay ranging between 2 and 245 months after date of assessments. The department declared the amount of ₹21.58 crore to be recovered as ALR against the actual declarable amount of ₹24.04 crore by not including the interest amount (₹1.97 crore) or calculation error (₹0.49 crore). This resulted in short declaration of government revenue by ₹2.46 crore in ALR cases.

The Government admitted the observation in exit conference (September 2014) and stated that AETCs had been directed to recheck all the cases and actual amount may be computed in ALR register and effect the recovery from the defaulters.

2.3.10.4 Lack of co-ordination between DETC and AETC

In DETC (FS) SZ, an arrears of ₹9.48 lakh for the assessment year 2002-03 was recoverable (March 2013) from M/s Ganesh Rice & General Mills, Kala Amb, Sirmour, which was levied by the flying squad during detection between August and October 2002, against which the dealer had preferred Special Leave Petition (SLP) before the Hon'ble Supreme Court. The SLP had been dismissed by the Court in January 2011 but the DETC was un-aware in this regard. It was further noticed that the AETC, Sirmour had however, created additional demand of ₹10.01 lakh pertaining to years 2001-02 and 2002-03 and declared as ALR (August 2010) but the demand pertaining to the office of the DETC (FS) remained excluded to be recovered as ALR. Thus, lack of co-ordination between DETC and AETC had resulted in arrears of ₹9.48 lakh not being included in ALR case.

2.3.10.5 Non-disposal of attached property

Section 81 of the HPLR Act provides for attachment and sale of estate or holding for recovery of government dues to be recovered as ALR.

Test check of the records (between July 2013 and March 2014) in the six AETCs[10] showed that 20 defaulter assessees did not pay demand of ₹27.98 crore assessed (August 1990 and May 2012) for the years from 1984-85 to 2008-09. These arrears had been declared to be recovered as ALR between June 1995 and June 2013 and property attached between March 2002 and July 2013, but no efforts were made to sell the attached property to effect recoveries of government dues.

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[9] AETCs BBN-Baddi, Kangra and Sirmour

[10] AETCs BBN-Baddi: five cases, Bilaspur: four cases, Hamirpur: two cases, Kangra: two cases, Sirmour at Nahan: three cases and Una: four cases

2.3.10.6 Non–initiation of recovery process under Revenue Recovery Act

Section 3 of Revenue Recovery Act (RRA) provides, if an ALR, is payable by a defaulter being or having property in a district other than that in which the arrears accrued or the sum is payable, the Collector may send to the Collector of that district a certificate stating therein the name of the defaulter and such other particulars, as may be necessary for identification and the amount payable by him and account on which it is due.

Test check of the records (July 2013 to March 2014) it was noticed in AETC, Sirmour that 12 defaulters, whose properties were situated in the revenue jurisdictions of other districts failed to pay additional demand of ₹6.60 crore pertaining to assessment years from 1987-88 to 2008-09 assessed (June 1996 to March 2012). This amount was declared between August 2010 and September 2011 to be recovered as ALR. None of the case was forwarded to the District Collector to issue of Revenue Recovery Certificate (RRC). This resulted in non-initiation of recovery process under the Revenue Recovery Act.

Thus, due to non-fixation of time limits for completion of various actions under the Acts/ Rules resulted in delayed assessment of government dues and initiation of recovery process against the defaulters.

The Government admitted the observation in exit conference (September 2014) and stated that matter would be looked into and action will be taken accordingly. Besides, concerned AETCs had been directed to take steps for sale of attached property.

2.3.11 Non-levy of interest on belated payment of additional demand

Section 17A (2) of the HPGST Act and Section 19(2) of the HPVAT Act provide that if the amount of tax or penalty due from a dealer is not paid within the period specified in the notice of demand or if no period is specified, within thirty days the dealer shall be liable to pay simple interest on such amount at the rate of one *per cent* per month from the date immediately following the date on which the period specified in the notice or the period of thirty days expires, for a period of one month and thereafter at the rate of one and half *per cent* till the default continues.

Test check of the records between August 2013 and March 2014, maintained in seven[11] units out of eight selected units showed that additional demand of ₹2.94 crore in respect of 104 dealers raised for year 1998-99 to 2012-13 between July 2008 and March 2013 was paid by the dealers with delay ranging between 1 and 46 months beyond normal period of thirty days. On belated payment, interest amounting to ₹38.33 lakh on arrears of ₹2.94 crore was also recoverable which was neither assessed by the AAs nor deposited by the defaulters. This resulted in non-recovery of interest to the tune of ₹38.33 lakh accrued on belated payment of arrears and under assessment of government revenue to that extent.

[11] AETCs BBN-Baddi, Bilaspur, Hamirpur, Kangra, Sirmour at Nahan, Una and DETC (FS) SZ

On this being pointed out, the two AETCs[12] stated that an amount of ₹14.76 lakh was assessed and recovered (between October 2013 and April 2014) from five dealers.

The Government admitted the observation in exit conference (September 2014) and stated that AETCs had been directed to trace out all cases of such defaulters to recover the arrears and interest.

2.3.12 Non-defending of appeal cases

Section 45 of the HPVAT Act provides that if a dealer is aggrieved with the orders of AA, he may file an appeal to the 1st Appellate Authority. The department is bound to defend such cases.

Manufacturing and sale of the fans and its parts are taxable at general rate of tax i.e. at the rate of 12.5 *per cent*.

Test check of the records (July to September 2014) of AETC Sirmour at Nahan, showed that two dealers[13] engaged in manufacturing and sale of the fan parts were assessed (June 2011) and additional demand of ₹15 lakh was raised for the year 2005-06. Feeling aggrieved with the order of the AA, the dealers filed an appeal with the Additional Commissioner-cum-Appellate Authority, South Zone (July 2011) against the assessment orders.

None from the office appeared before the Appellate Authority to defend the department. The Appellate Authority remanded back the case to the AA (October 2011) without any specific orders. The cases were re-assessed (September 2011) after levying tax at the rate of 4 *per cent* instead of 12.50 *per cent* and the arrears in the books was reduced to the extent of ₹15.00 lakh. Audit further noticed that the order of the AA in a similar case[14] was assessed at the rate of 12.50 *per cent* instead of four per cent on manufacturing and sale of geyser parts being items not covered under *Schedule-A* were upheld by the Appellate Authority (November 2013).

Thus, failure to defend the cases with the Appellate Authority resulted in reduction of arrears as well as loss of revenue of ₹27.44 lakh and interest of ₹40.46 lakh against the assessment years 2005-06 and 2006-07 as further assessment were made at the rate of 4 *per cent* instead of 12.50 *per cent* was not levied. The penalty for non-deposit of tax due in time was also leviable.

2.3.12.1 The HP Government had excluded timber including converted timber from the raw material vide notification dated 23rd July 1999.

In AETC Una, audit noticed (December 2013 to February 2014) that a forest contractor[15] had sold *khairwood* and furnished Form ST XXV-C to claim one *per cent* concessional rate of tax against the sale to manufacturing unit as raw material. AA re-assessed the case (January 2012) for the years 1999-2000 to

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12 Bilaspur: one dealer, ₹13.88 lakh and Sirmour at Nahan: 4 dealers, ₹0.88 lakh

13 M/s T.L.T. Electrical and Shri Plastic Industries Moginand, Kala Amb, Sirmour

14 M/s R.D.S. Enterprises, Kala Amb, Sirmour

15 M/s Jaidev forest contractor, Una: 1999-2000 ₹0.92 lakh, 2000-01 ₹2.00 lakh and 2001-02 ₹12.03 lakh

2001-02 and created additional demand of ₹14.95 lakh. The dealer aggrieved with the order of the AA, filed an appeal for revision with 1st Appellate Authority (March 2012) which was decided in May 2013. The case of the dealer had remanded back to the AA stating that the *Khairwood* was a raw material for the manufacturing of *Katha* and the appellant had rightly claimed its sale as raw material to *Katha* manufacturing Unit. Whereas in AETC Bilaspur, audit noticed that in a similar case,[16] 1st Appellate Authority had disallowed (July 2007) the concessional rate of tax on sale of *khairwood*. This resulted in non-recovery of arrears of ₹14.95 lakh.

The Government admitted the observation in exit conference (September 2014) and stated that there was need for investigation of the matter.

2.3.13 Non-perusal of admitted claim

Test check of the records maintained by the AETC, Una, showed that assessments of a dealer[17] for the years 1992-93 to 1997-98 were framed between January 1998 and February 2001 and additional demand of ₹1.65 crore was created. Aggrieved with these orders the dealer had filed an appeal with the Appellate Authority in April 2007. The appeal was decided (June 2007) and remanded back to the AA for fresh orders but the dealer did not turn up for re-assessment. The re-assessment of the case was done (July 2009) with an additional demand of ₹4.16 crore. Meanwhile, Official Liquidator attached to the Delhi High Court had admitted (April 2005) a claim for ₹28.00 lakh. The AETC wrote to the ETC (December 2012 and October 2013) to take up the matter with the quarter concerned. On calling for the information from the ETC regarding status of admitted claim, it was intimated (August 2014) that information was being collected.

The Government admitted the observation in exit conference (September 2014) and stated that necessary instructions had been issued to the AETC to take up this case with quarters concerned and recover the outstanding amount.

2.3.14 Non-invoking of provisions regarding security/ surety

2.3.14.1 Non-obtaining of the security/ surety from the dealers

Section 11 of the HPGST Act and Section 15 of the HPVAT Act provide that the Commissioner or any other person appointed to assist him may obtain security. Further, Rule 5 of the HPGST Rule and Rule 4 of HPVAT Rules, 2005, require a dealer to furnish two solvent sureties along with personal bond to the satisfaction of the AA. This provides safeguard, to some extent, in case of default in payment of government revenue. Surety bond should be furnished and accepted for a definite value so that in case a dealer becomes defaulter, a definite amount could be recovered.

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16 M/s Subash Kumar, forest contractor, Bilaspur

17 M/s Village Paper Mills Pvt. Ltd., Mehatpur

Audit test checked, between July 2013 and March 2014, the records of five[18] AETCs and noticed that an additional demand of ₹36.55 crore, for the years from 1978-79 to 2011-12, assessed between August 1990 and March 2013 was recoverable from 84 assesses. Security as provided *ibid* was not obtained.

Further, in three AETCs,[19] in nine cases though an additional demand of ₹2.30 crore was created between April 2006 and June 2012 for the assessment years from 1997-98 to 2010-11 but no surety as provided *ibid* was obtained.

2.3.14.2 Improper acceptance of surety bond

In AETC, Kangra at Dharamshala the assessments of four dealers were finalised between March 2006 and June 2011 for the tax years 1999-2000 to 2009-10 and an additional demand of ₹15.88 lakh was created. The dealers had furnished eight sureties for any amount or nil amounts. As no definite value was mentioned in these surety bonds, sureties were of no use.

In two AETCs,[20] two assessees had not paid additional demands aggregating to ₹12.72 lakh assessed between June 1996 and March 2008 for the years 1987-88 to 2003-04. The dealers had furnished sureties for ₹1.25 lakh but on contacted by the concerned ETIs, assessees had refused to accept their signatures on the surety bonds.

2.3.14.3 Non-forfeiture of the security/ Non recovery from surety

(i) Audit test checked between July 2013 and March 2014, the records of five AETCs[21] and noticed that an additional demand of ₹24.32 crore pertaining to assessment years 1984-85 to 2013-14 assessed between June 2000 and May 2013, was recoverable from 36 assessees. These assessees had furnished security of ₹9.57 lakh (principal amount) but same was not forfeited by the department.

(ii) In DETC (FS), SZ, arrears of ₹5.62 lakh (which was levied by the flying squad during detection in October 2006) was outstanding against a dealer.[22] The DETC (FS) wrote (May 2009) to the AETC Sirmour, for forfeiture of security furnished by the dealer. Audit further noticed that the AETC had forfeited (March 2013) the security to recover additional demand of ₹3.46 lakh created by him in February 2013 against the assessee and cancelled RC (February 2013). Thus, arrears of ₹5.62 lakh of the company could not be adjusted against the security. On this being pointed out (September 2013) DETC stated that matter could not be followed up due to shortage of staff and would be ensured now.

(iii) In six AETCs,[23] against 119 assessees additional demands of ₹67.34 crore created (between March 1991 and May 2013) for assessment years 1984-85 to 2012-13, were recoverable. Assessees had furnished 229 sureties for an amount

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18 BBN-Baddi-17 cases: ₹18.50 crore, Bilaspur five cases: ₹0.23 crore, Hamirpur-17 cases: ₹0.82 crore, Kangra-21 cases: ₹1.42 crore and Una-24 cases: ₹15.58 crore

19 Bilaspur, Kangra at Dharamshala and Sirmour at Nahan

20 Kangra at Dharamshala: ₹1.00 lakh and Sirmour at Nahan: ₹0.25 lakh

21 BBN-Baddi- seven cases: ₹20.39 crore, Bilaspur- seven cases: ₹1.25 crore, Hamirpur-one case: ₹0.16 crore, Sirmour at Nahan-14 cases: ₹1.99 crore and Una-6 cases: ₹0.53 crore

22 M/s Lintek Lighting Co, Kala Amb

23 BBN-Baddi, Bilaspur, Hamirpur, Kangra, Sirmour at Nahan and Una

aggregated to ₹1.52 crore but against this, only a sum of ₹2.10 lakh could be recovered from seven sureties[24] between February 2001 and March 2013.

The Government admitted the observation in exit conference (September 2014) and stated that matter would be enquired to and appropriate action taken accordingly.

2.3.15 Non-recovery of dues from legal heirs

Section 28-A of the HPGST Act and Rule 42 of HPVAT Act, 2005, provide for liability of legal heirs to pay tax by his legal representative or any person after his death.

During test check of the records of eight AETCs/ DETCs, in two AETCs,[25] it was noticed that two dealers had not paid the demand of ₹11.22 lakh assessed between March 1991 and January 2008 for the assessment years 1977-78 to 2004-05. The department could not recover the demand from legal heirs as the dealers had expired.

2.3.16 Non-fixation of time limit

Some provisions, Acts and Rules applicable to Sales Tax/ VAT under the Excise and Taxation Department are as under:

- Section 14(4) of the HPGST Act and 21(5) of the HPVAT Act provides that if a dealer furnishes returns in respect of a period, fails to comply with the terms of a notice issued, the AA shall, within five years after the expiry of such period, proceed to assess the best of his judgment the amount of tax due from the dealer.
- The HPGST/ VAT Acts and rules framed there under provided for various measures for recovery of government dues such as recovery from legal heirs, sureties of the assessee, through financial institution by forfeiting security etc.
- Under the HPLR Act, recovery of government dues can be effected by adopting any one or more of the processes such as service of writ demand on defaulter, arrest and detention, distress and sale of moveable property, sale or attachment of estate or holding and proceedings against moveable property of the defaulter.

Audit observed that no time limit had been prescribed under HPGST/ VAT Acts for issue of notice for assessment/ scrutiny, completion of various processes of recovery of arrears and for initiating and completing recovery proceedings under HPLR Act/ Rules. The HoD had also not fixed any such time limits.

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[24] Sirmour at Nahan: 5 cases, ₹1.90 lakh and Una: 2 cases, ₹0.20 lakh

[25] Kangra at Dharamshala: M/s K.K. Industries Dharmshala: ₹5.18 lakh and Sirmour at Nahan M/s Santa Singh Bhupinder Singh, Badrinagar : ₹6.04 lakh

2.3.17 Internal audit system

Internal Audit Wing (IAW) of an organisation is vital wing for monitoring its functioning. It helps the management to take corrective action wherever necessary to ensure that systems are functioning reasonably well and stated objectives are achieved. Internal Audit Branch has been set up under the Finance Department in the office of the ETC which is required to conduct internal audit in various field offices of the department.

Audit scrutiny of the records of the eight field offices showed that internal audit did not check records pertaining to arrears during the period covered under performance audit.

The Government admitted the observation in exit conference (September 2014) and stated that due to shortage of staff internal audit of the units could not be conducted.

2.3.18 Conclusion

There were deficiencies in the system of preparing a comprehensive data base of arrears, its regular monitoring and adopting various measures provided under the HPGST/ HPVAT/ HPLR/ RR Acts. The cases of arrears under ALR were not pursued properly, properties of dealers were not attached or attached properties were not auctioned in time to realise dues. There was no time limit for completion of various processes of recovery of arrears. Internal Audit Wing had not audited the arrears cases during the period of review.

2.3.19 Recommendations

The Government may consider for:

(i) creating an effective system for creation and updation of data base of arrears of sale tax/ VAT, its regular pursuance, prompt disposal of appeal cases;

(ii) prescribing time limits for completion of recovery proceeding under (i) Sales tax/ VAT Act (ii) HPLR Act and (iii) RRA and

(iii) strengthening of Internal Audit Wing to ensure timely detection and correction of errors in assessment, levy and collection of sales tax/ VAT revenue.

Other audit observations

2.4 Incorrect determination of turnover

As per Section 2(v) (iv) of the HPVAT Act 2005, sale includes transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration. Section 19 of the Act *ibid* further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between July 2013 and March 2014 from the assessment records of seven AETCs[26] that Assessing Authorities (AAs) had finalised the assessments of 11 dealers for the years 2005-06 to 2010-11 between July 2011 and March 2012 and assessed gross turnover (GTO) or taxable turn over (TTO) at ₹182.36 crore as against ₹223.73 crore. Audit scrutiny further showed that AAs did not take cognizance either of gross receipts/ turnover determined lesser by assessees or assessed on lower side compared to the certified receipts. Thus, short assessment of GTO/ TTO of ₹41.37 crore leading to short levy of tax by ₹4.25 crore,[27] besides interest of ₹3.74 crore was also leviable.

Audit reported the matter to the Department and the Government between January and May 2014; the Department stated that an additional demand of ₹18.82 lakh in five cases had been created, out of which ₹4.35 lakh had been recovered in three cases. The remaining cases were under consideration of the concerned AETCs (December 2014).

2.4.2 Audit noticed (between November 2013 and March 2014) from the trading accounts of two dealers of two AETCs[28] that they had received ₹4.45 crore on account of freight/ hire charges of machinery for the tax period 2005-06 to 2009-10. The dealers, however, did not include the amount of freight/ hire charges in their returns and therefore, the tax was not paid on it. Audit scrutiny showed that AAs while finalising the assessments of these dealers between August 2012 and March 2013 did not detect the mistake though such receipts were available in the trading accounts. This resulted in short levy of tax of ₹17.81 lakh, besides interest of ₹18.00 lakh was also leviable.

Audit reported the matter to the Department and the Government between January and May 2014. The replies had not been received (December 2014).

2.5 Application of incorrect rate of tax

As per the provisions of HPVAT Act, 2005 and rules framed thereunder, tax is leviable on sales made by a dealer as per Schedule-A under Section 6. Schedule-A, further, provides that tax shall be levied at the prescribed rates at every point of sale in respect of goods specified therein. Section 19 of the Act *ibid* further

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26 AETCs BBN-Baddi, Hamirpur, Kullu, Mandi, Shimla, Sirmour at Nahan and Solan

27 BBN-Baddi: four dealers: ₹34.60 lakh, Hamirpur: one dealer: ₹23.01 lakh, Kullu: one dealer: ₹1.91 lakh, Mandi: one dealer: ₹0.15 lakh, Shimla: one dealer: ₹6.57 crore, Sirmour at Nahan: one dealer: ₹29.70 lakh and Solan: two dealers: ₹52.48 lakh including interest.

28 AETCs Hamirpur: one dealer: ₹4.41 lakh and Mandi: one dealer: ₹31.40 lakh

provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed from the records of three AETCs[29] between June and October 2013 that 11 dealers had made intra-state sales valued at ₹91.37 crore during the years 2006-07 and 2012-13 which was taxable at the rate of 12.50 or 13.75 *per cent.* The AAs while finalised the assessments between February 2012 and January 2013 had assessed the sales at the rate of four or five *per cent* instead of correct rates of 12.50 or 13.75 *per cent.* These omissions resulted in short realisation of tax of ₹7.00 crore, besides interest of ₹4.96 crore was also leviable.

On this being pointed out the Government intimated between August and November 2013, that in four cases, an additional demand of ₹1.01 lakh created and recovered and the remaining cases were under consideration of the concerned AAs (December 2014).

2.6 Incorrect allowance of labour charges/ cost of material

Rule 69 (2) of HPVAT Act, 2005 provides that where the labour charges are not determinable from the account of the works contractors or are considered un-reasonably high in consideration of the nature of the contract, the deductions towards labour charges shall be allowed by the AAs according to limits prescribed in column (3) for the type of contract specified in column (2) of the table of the Rules *ibid.* Further, as per sub section 2 (v) of the HPVAT Act 2005, sale includes transfer of property in goods involved in execution of works contracts. As per ETC's instructions of December 2008, if the material is partly or wholly supplied by the contractee and value thereof is set off against the payment of contractors, the value of the material so supplied shall not be deducted from the Gross Turnover (GTO) for the purpose of assessment of tax which has also been judicially upheld in two cases[30] by the Hon'ble Supreme Court.

Audit noticed (between August 2013 and March 2014) from the assessment records of four AETCs[31] that AAs while finalising the assessments of eight dealers between August 2011 and March 2013 for the period 2005-06 to 2011-12, allowed the deduction of ₹40.70 crore from the Gross Turnover on account of labour charges as claimed by the dealer, instead of admissible deduction of ₹23.83 crore. Audit further noticed that the concerned AAs neither obtained the labour accounts from the dealers nor the dealers had furnished the same. Thus, excess allowance of ₹16.88 crore on account of labour charges resulted under assessment of tax of ₹2.05 crore, besides interest of ₹2.39 crore was also leviable.

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29 AETCs Shimla (one dealer: ₹2.04 lakh), Sirmour at Nahan (five dealers: ₹33.10 lakh) and Solan (five dealers: ₹11.61 crore)

30 In case of N. M. Goel and Co. *v/s* Sale Tax Officer Rajnandgaon and another (1988) 72 STC SC 368 and Rashtriya Ispat Nigam Ltd. *v/s* State of Andhra Pradesh (1998) 109 STC SC 425

31 AETCs BBN-Baddi (two dealers: ₹19.00 lakh), Kullu (two dealers: ₹177.83 lakh), Mandi (three dealers: ₹5.93 lakh) and Shimla (one dealer: ₹2.02 lakh)

(ii) Audit noticed between July 2013 and February 2014 from the assessment records of three AETCs[32] that the AAs between April and December 2012 while finalising the assessments of three contractors for the years 2005-06 to 2010-11, allowed deduction of ₹1.34 crore to them from the GTO on account of material supplied by the Departments for the execution of the works. The deduction so allowed was irregular as supply of the material by the Departments to the contractors tantamount to sale. This resulted in underassessment of tax of ₹6.65 lakh, besides interest of ₹7.48 lakh was also leviable.

On this being pointed out (between July 2013 and February 2014), the AETCs stated that notice would be issued to the concerned dealers and action will be taken as per HPVAT Act, 2005.

Audit reported the matter to the Department and the Government between October 2013 and March 2014. The replies have not been received (December 2014).

2.7 Wrong allowance of concessional rate of tax

The Excise and Taxation Department, Government of Himachal Pradesh vide notifications dated July 1999 and June 2009 had allowed concessional rate of Central sales tax at one *per cent* of the taxable turnover of such goods manufactured for inter state sale/ trade by the dealers running industrial units in Himachal Pradesh which are registered with the Excise and Taxation Department of HP Government with the condition for availing the concession was that the unit located in industrially backward areas should have employed 80 *per cent* of its total manpower from amongst the bonafide Himachalis. Further, vide notification dated March 2005; the manpower percentage for bonafide Himachalis is 70 per cent for industrial developing areas.

Audit test checked the assessment records of AETCs[33] and noticed (between December 2013 and March 2014) that the AAs had finalised (between June 2012 and March 2013) the assessments of seven different manufacturing units for the years 2005-06 to 2009-10 and applied the concessional rate of tax of one *per cent* on inter state sale of ₹108.02 crore. The units, however, had employed bonafide Himachalis between 51 to 69 and 70 to 78 *per cent* against the mandatory 70 and 80 *per cent,* in their industrial units located in industrially developing and backward areas respectively. Thus, allowance of concessional rate of one *per cent* to the units instead of applicable rates of two to four *per cent* without satisfying the condition *ibid* was irregular which resulted in under assessment of tax of ₹1.45 crore, besides interest of ₹1.20 crore was also leviable.

Audit reported the matter to the Department and the Government between March and May 2014; their replies have not been received (December 2014).

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[32] AETCs Shimla: one contractor: ₹2.88 lakh, Sirmour at Nahan: one contractor: ₹2.82 lakh and Una: one contractor: ₹8.43 lakh

[33] AETCs BBN-Baddi: four dealers: ₹0.86 crore and Una: three dealers: ₹1.78 crore

2.8 Evasion of tax due to acceptance of invalid, duplicate and defective statutory forms

Invalid, duplicate and defective/ misuse of Forms-*'C' and 'F'*

2.8.1 Forms-'*C*'

The Form-'***C***' is issued by a purchasing dealer in two copies. The copy marked 'original' is enclosed by the selling dealer with his return and the copy marked 'duplicate' is retained by purchasing dealer in his records. It has also been judicially held[34] that production of original copy of Form-'***C'*** for claiming concessional rate of tax is mandatory to prevent the form being misused for the commission of fraud and collusion with a view to evade payment of tax. Section 6-A of the CST Act, read with Rule 12(5) of the CST (R&T) Rules 1957, provides that exemption of tax to a registered dealer is granted in case of branch transfer/ consignment sale, provided these are supported by a Declaration Form-***'F'***. Further, as per Rule 12(3) of CST (R&T) Rules, single ***'F'*** Form is to cover the transactions of only one calendar month. Besides, interest at the prescribed rates is also leviable on the unpaid amount of tax till the default continues.

Audit scrutiny of the records of five AETCs[35] (between August 2013 and March 2014) showed that while finalising the assessments of eight dealers between March 2011 and June 2013 for the tax periods 2006-07 to 2010-11, AAs irregularly allowed concessional rate of tax on interstate sales valued at ₹4.23 crore without verifying the declaration forms produced in support of the transactions which were either duplicate/ incomplete/ defective copies or misused of Forms-'***C***' as detailed in **Appendix-V**. These forms were liable to be rejected at the time of assessment by the concerned AAs but did not do so which led to short levy of tax of ₹35.61 lakh, besides interest of ₹31.47 lakh was also leviable.

2.8.2 Forms-'*F*'

Scrutiny of records of two AETCs[36] between December 2013 and March 2014 showed that while finalising the assessments of two dealers between March 2012 and May 2013 for the assessment years 2006-07 to 2007-08, the AAs allowed exemption of tax of ₹18.38 lakh on transfers of stock amounting to ₹1.19 crore against declaration forms-*'F'* which were duplicate or covering transactions of more than one calendar month. The forms were liable to be rejected at the time of assessment but the concerned AAs did not properly scrutinise these forms and allowed exemption. This resulted in non-levy of tax of ₹8.69 lakh, besides interest of ₹9.69 lakh was also leviable **(Appendix-VI).**

Audit reported the matter to the Department and the Government between November 2013 and May 2014; their replies have not been received (December 2014).

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34 Commissioner Sale Tax *v/s* M/s Prabhu Dayal Prem Narayan (1988) 71 STC (SC) and Delhi Automobiles Pvt. Ltd. *v/s* Commissioner of Sales Tax (1997) 104 STC 75 (SC)

35 AETCs BBN-Baddi (four dealers: ₹44.80 lakh), Kullu (one dealer: ₹1.90 lakh), Mandi (one dealer: ₹1.36 lakh), Solan (one dealer: ₹17.08 lakh) and Una (one dealer: ₹1.94 lakh)

36 AETCs BBN-Baddi (two dealers: ₹12.42 lakh) and Una (one dealer: ₹5.96 lakh)

2.9 Allowance of Input Tax Credit (ITC)

2.9.1 Irregular allowance of ITC

Under Section 11 (3) of the HPVAT Act 2005, ITC shall be allowed to the extent of the amount of input tax paid by the purchasing dealer on the purchase of taxable goods made by him in the State, from a registered dealer. As per notification of May 2007, the amount of input tax credit shall be admissible to a dealer on the purchase value of the goods sold by him during the tax period. Section 19 of the Act *ibid* further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Scrutiny of the records between June 2013 and March 2014 of six AETCs[37], showed that AAs assessed the annual returns of 50 dealers for the tax periods 2007-08 and 2011-12 and allowed ITC by adopting different methods. However, on the basis of proportion of local purchases to the total purchases, closing stock of these dealers were aggregated to ₹29.56 crore during the tax periods out of intra-state purchases made from the registered dealers during those years on which no ITC was allowable. The AAs while allowing ITC of ₹1.56 crore on closing stock had also deferred the tax liability of the assessees to that extent which was otherwise recoverable for the tax periods on the date of assessment. This resulted in irregular allowance of ITC amounting to ₹1.57 crore, besides interest of ₹98.06 lakh was also leviable.

2.9.2 Wrong allowance of ITC on branch transfer/ consignment

Section 11(4) (a) of the HP VAT Act, 2005 provides that notwithstanding anything contained in sub-section (3), the ITC shall be allowed only to the extent by which the amount of input tax paid in the State exceeds four *per cent* on purchases of goods sent outside the state otherwise than by way of sale in the course of inter-state trade.

Audit scrutiny of assessment records between June 2013 and March 2014 of the AETCs, BBN-Baddi and Solan showed that AAs while finalising the assessments of three dealers for the tax period 2010-11, had not disallowed ITC on stock transfer as provided under the provisions of the Act *ibid*. This resulted in under assessment of revenue of ₹25.53 lakh, besides interest of ₹13.27 lakh was also leviable.

In another case, scrutiny of the records (between August and October 2013) of the AETC, Shimla showed that a dealer had claimed ITC of ₹9.31 lakh for the tax period 2007-08 to 2009-10, whereas he received the goods from his partner dealer at MRP on consignment basis for sale as franchisee. Audit scrutiny further showed that VAT at the first stage was realised and the right to claim the ITC vested with the first party as per their agreement. AA while finalising the

[37] AETCs BBN-Baddi (one dealer: ₹2.34 lakh), Hamirpur (12 dealers: ₹33.96 lakh), Mandi (10 dealers: ₹125.25 lakh), Shimla (five dealers: ₹25.24 lakh), Solan (11 dealers: ₹40.16 lakh) and Una (11 dealers: ₹27.53 lakh)

assessments of the dealer had not disallowed it, which resulted in wrong allowance of ITC to ₹5.06 lakh, besides interest of ₹4.25 lakh was also leviable.

On this being pointed out, the Department created an additional demand of ₹0.34 lakh, however, the recovery is yet to be made (December 2014).

2.9.3 Allowance of ITC without tax invoices

Section 11(7) (k) of the HPVAT Act read with Rule 20 and 25 of the HPVAT Rules provides that ITC shall be disallowed where tax invoice is not available with the registered dealer. Assessing Authority shall cross check the transaction and after being satisfied about the genuineness of the transaction, allow the claim by an order passed in this regard.

Test check of the records of the AETC, Solan between June and July 2013, showed that in one case AA allowed (March 2011) ITC of ₹9.27 lakh for the tax period 2007-08 on local purchases of ₹2.32 crore, made without tax invoices, to the dealer. The AA did not scrutinize the returns properly in which the purchases were shown as without tax invoices resulting in irregular allowance of ITC of ₹9.27 lakh and interest of ₹9.82 lakh was not levied. Besides, penalty of ₹18.53 lakh was also leviable.

2.9.4 Excess Allowance of ITC on wrong calculation

As per section 16 (8) of the HPVAT Act, 2005 as amended *inter-alia* provides that if a dealer has maintained false or incorrect accounts with a view to suppressing his sales, purchases or stocks of goods or has concealed any particulars of his sales or purchases or has furnished to, produced before, any authority under this Act or rules made thereunder any account, return or information which is false or incorrect in any material particular, the Commissioner or any person appointed to assist him under sub-section (1) of Section 3 may, after affording such dealer a reasonable opportunity of being heard, direct him to pay by way of penalty in addition to the tax to which he is assessed or is liable to be assessed, an amount which shall not be less than twice the amount of tax assessed.

Audit scrutiny between June 2013 and March 2014 of four AETCs[38], showed that 14 dealers, for the tax periods 2007-08 and 2010-11, had claimed excess ITC of ₹6.75 lakh by incorrect calculation of the tax in their returns. AA's while assessing (between May 2012 and February 2013) these returns did not notice this aspect and allowed ITC as claimed by the dealers which resulted in a loss of revenue of ₹6.74 lakh and interest of ₹3.63 lakh was also not levied. Besides, an amount of penalty not less than twice the amount of tax was also leviable.

The above omissions were reported to the Department and the Government between August 2013 and May 2014; replies have not been received (December 2014).

[38] AETCs BBN-Baddi (one dealer: ₹1.53 lakh), Mandi (two dealers: ₹3.03 lakh), Shimla (nine dealers: ₹4.08 lakh) and Solan (two dealers: ₹1.73 lakh)

CHAPTER-III

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STATE EXCISE

CHAPTER-III

STATE EXCISE

3.1 Tax administration

The Principal Secretary (Excise and Taxation) is the administrative head at Government level. The Department is headed by the Excise and Taxation Commissioner (ETC). The Department has been divided in three Zones[1] which are headed by the Additional ETC (South Zone), Deputy ETCs of North Zone and Central Zone. Besides, 22 Excise and Taxation Inspectors under the control of the Assistant Excise and Taxation Commissioners (AETCs) of the respective districts, are deputed to oversee and regulate levy/ collection of excise duties and allied levies.

3.2 Results of audit

In 2013-14, test check of the records of seven units relating to excise duty, license fee receipts etc., showed non/ short realisation of excise duty/ license fee/ interest/ penalty and other irregularities involving ₹12.13 crore in 55 cases, which fall under the **Table 3.1** below:

Table 3.1

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Non/ short realisation of excise duty	06	0.87
2.	Non/ short recovery of license fee/ interest/ penalty	36	9.61
3.	Other irregularities	13	1.65
Total		**55**	**12.13**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹1.44 crore in 37 cases which were pointed out in earlier years out of which an amount of ₹61.01 lakh was recovered in 30 cases during the year 2013-14.

A few illustrative cases involving ₹4.28 crore are discussed in the following paragraphs.

3.3 Non-levy of additional fee on short lifting of Minimum Guaranteed Quota

Para 4.3 of the Excise Announcement 2012-13 provides that every licensee shall be required to lift minimum guaranteed quota (MGQ) as fixed for each vend. Failing this he shall still be liable to pay license fee based on MGQ. Besides, additional fee of ₹20 per proof liter (PL) shall be paid by the licensee on the unlifted quantity of liquor falling short of 80 *per cent* of MGQ. The AETC/ ETO shall review the position of MGQ every month and in case the licensee is unable to lift 80 *per cent* of MGQ by 15th of March, he shall proceed to recover the additional license fee.

[1] South Zone (Shimla, Solan, Sirmour, Kinnaur and Spiti area), North Zone (Chamba, Kangra and Una) and Central Zone (Bilaspur, Hamirpur, Kullu, Lahaul area and Mandi)

Test check of the M-2 registers[2] between May 2013 and March 2014 of seven AETCs showed that licensees of 237 vends[3] out of 931 vends had lifted 25,53,458.34 proof liter (pls) of liquor against the MGQ of 38,07,188.43 pls which was less than 80 *per cent* (30,45,750.74 pls) of MGQ fixed by the department during 2012-13. This resulted in short lifting of 4,92,292.40 pls for which additional fee of ₹98.46 lakh though payable was not demanded by the concerned AETCs. The mistake escaped the notice of the ETC also to whom the 'Annual Lifting and Consumption Statements' were furnished with the returns.

On this being pointed out (May 2013 and March 2014), the ETC Shimla intimated in July 2014 that out of ₹98.46 lakh an amount of ₹23.58 lakh had been recovered by the five AETCs[4] from licensees of 91 vends and efforts were being made to recover the balance amount.

The matter was reported to the Government between May 2013 and March 2014; their replies have not been received so far (December 2014).

3.4 Non-recovery of fixed fee due to not opening of L-13 vend

Para 6.10 of the Excise Announcement for the year 2012-13 provides that Country Liquor suppliers were required to open L-13 vend (wholesale vends) in each of the districts allotted to them on payment of prescribed license fees. Rules further provide that the annual license fee of L-13 have been fixed at ₹2,00,000 for the year 2012-13.

Scrutiny of the records of L-13 vends between November 2013 and February 2014 of three AETCs[5], showed that six licensees engaged in manufacturing of Country Liquor (CL) had not opened L-13 vends in six districts allotted to them. Therefore, fixed fee of ₹22.00 lakh was recoverable from the licensees for not opening of eleven vends during the year 2012-13. This was neither demanded by the department nor deposited by the suppliers, which resulted in non-recovery of fixed fee of ₹22.00 lakh.

On this being pointed out (between November 2013 and February 2014), the ETC Shimla intimated in July 2014 that out of ₹22.00 lakh an amount of ₹6.00 lakh had been recovered by the AETCs Baddi and Sirmour from two licensees and efforts were being made to recover the balance amount. Further report on recovery and reply had not been received.

The matter was reported to the Government between December 2013 and March 2014; their replies have not been received (December 2014).

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2 A register showing the quantity of Foreign Spirit including IMFL and CL issued for sale and additional license fee payable or recovered during the month.

3 BBN at Baddi: Five vends, Kullu: One vend, Mandi: 33 vends, Shimla: 128 vends, Sirmour at Nahan: One vend, Solan: 20 vends and Una: 49 vends.

4 BBN at Baddi: Three vends: ₹4.79 lakh, Kullu: One vend: ₹0.92 lakh, Shimla:65 vends: ₹17.18 lakh, Sirmour at Nahan: One vend: ₹0.53 lakh, and Solan: 2 vends: ₹0.16 lakh.

5 BBN at Baddi: Two licensees, Mandi: One licensee and Sirmour at Nahan: Three licensees.

3.5 Non-invoking of provisions of bond

Rules 21 to 23 of Himachal Pradesh Bonded Ware House (HPBWH) Rules, 1987 provide that liquor may be removed from a warehouse under bond or on payment of duty within the state or outside the state. In case of issue of liquor under bond, the licensee shall execute a bond in form L-37 to deliver the spirit at a particular place or destination and shall furnish proof of his having done so in form L-38, before the bond can be discharged. Notification of November 1965 issued by the department provides that if the proof is not produced within the specified period, unless the omission is satisfactorily explained, the Collector shall call upon the manager to deposit the amount specified in the bond executed by him in respect of the consignments.

Scrutiny of L-38 registers[6] of three AETCs[7] between November 2013 and March 2014 showed that two sanctions authorizing export in-bond of 2,025 Pls of IMFL, 18 sanctions of 77,256 bulk litres (Bls) of beer and two sanctions of 40,000 Bls of Extra Neutral Alcohol (ENA) were granted in favour of one distillery and two breweries[8] on execution of a bond in form L-37. The licensees were required to furnish certificates in form L-38 of arrival of IMFL/ Beer/ ENA at specified destinations within specified time limits, which had expired during June 2012 and May 2013. The certificates in form L-38 were awaited and the provisions of the bonds were not invoked till March 2014, despite the fact that limitation period for procuring certificate of arrival had already expired. This resulted in non-recovery of excise duty amounting to ₹17.22 lakh.

The matter was reported to the Department and the Government between December 2013 and March 2014; the Department intimated (November 2014) that all the AETCs had been directed to recover the excise duty (December 2014).

3.6 Short recovery of license fee

Para 4.4 (a) of the Excise Announcement 2012-13 provides that the annual license fee of a particular vend shall be predetermined based on the Minimum Guaranteed Quota (MGQ) of liquor fixed for each vend for whole of the year. The license fee so fixed is required to be levied in twelve monthly instalments and paid by the last day of each month and last instalment for the month of March has to be paid in full by 15th of March. Para 4.5 (c) further provides that if the licensee fails to pay the amount of license fee plus interest on due dates, the Assistant Excise and Taxation Commissioner in-charge of the district, or any other officer authorised would ordinarily seal the vend on 1st day of the following month or 16th March as the case may be.

Test check of the M-2 registers of two AETCs between November 2013 and March 2014 showed that against the recoverable amount of ₹9.35 crore, on account of license fee, from licensees of 24 vends[9] out of 128 vends for the year

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6 L-38 is a register of proof of arrival of IMFL/ Beer at the specified destination within specified time limit.

7 BBN-Baddi, Sirmour at Nahan and Una.

8 M/s United Spirit Limited, Baddi, Carlburg Brewery, Tokion, Nahan and Ranger Breweries Ltd., Mehatpur.

9 Sirmour at Nahan: Four vends and Una: 20 vends.

2012-13 a sum of ₹7.60 crore had only been recovered. The concerned AETCs did not take any action to recover the balance amount of license fee. This resulted in short recovery of license fee amounting to ₹1.75 crore.

On this being pointed out (between November 2013 and March 2014), the ETC, Shimla intimated (July 2014) that out of ₹1.75 crore an amount of ₹1.59 crore had been recovered in respect of AETCs, Sirmour at Nahan and Una.

The matter was reported to the Government between December 2013 and March 2014; their replies have not been received (December 2014).

3.7 Non-levy of interest on belated payment of license fee

Para 4.4 (d) of the Excise Announcement (EA) 2012-13 provides that full monthly instalments of license fee based on minimum guaranteed quota (MGQ) of liquor fixed for each vend is required to be paid by the last day of each month and the last instalment for the month of March shall be paid in full by 15th of March. Para 4.5 (a) further provides that if the licensee fails to pay the amount of license fee on due dates, interest at the rate of 10 *per cent* per annum up to one month and 18 *per cent* per annum thereafter shall be leviable.

Test check of the M-2 registers of six AETCs between May 2013 and March 2014 showed that licensees of 147 vends[10] out of 877 vends had deposited license fee of ₹38.03 crore belatedly (between April 2011 and May 2013) for the year 2011-13. The delay ranged between four and 276 days. They were, therefore, liable to pay interest of ₹67.32 lakh on belated payments. However, the concerned AETCs did not levy the same. This resulted in non-recovery of interest amounting to ₹67.32 lakh.

After audit pointed out the cases (between May 2013 and March 2014), the AETC, Kullu stated that licensees of vend were being directed to deposit the amount due while the AETC, Shimla intimated that after reviewing the cases action would be initiated as per the provisions of the Act/ Rules. The remaining AETCs had not furnished the reply.

The matter was reported to the Government between May 2013 and March 2014; their replies have not been received (December 2014).

3.8 Short recovery of bottling license fee

Rule 9.5 of the Punjab Distillery Rules 1932 (PDR) as applicable to Himachal Pradesh, stipulates that the licensee shall pay license fee at the prescribed rates on the units of 750 mls of country liquor/ Indian made foreign liquor (CL/ IMFL) bottled by them. These fees shall be paid by the licensee quarterly within seven days of the expiry of each quarter. Further, Para 5.1 (26) (iii)-(ii) and (iii) of the Excise Announcements 2012-13 provides that licensee of Distilleries and Bottling Plants in Himachal Pradesh shall also pay franchise fee on the bottling of brands of Indian made foreign spirit (IMFS) of the Distilleries and Bottling Plants situated outside the State of Himachal Pradesh.

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[10] AETCs Bilaspur: 17 vends, Kullu: 20 vends, Mandi: eight vends, Shimla: 10 vends, Sirmour at Nahan: 26 vends and Una: 66 vends.

Audit test checked the records between November 2013 and February 2014 of two AETCs[11] and noticed that against the recoverable amount of ₹20.18 lakh, on account of bottling license fee, from two licensees during 2012-13, a sum of ₹11.27 lakh only had been recovered. Steps to recover the balance bottling license fee were not taken by the department. This resulted in short recovery of bottling license fee of ₹8.91 lakh.

The matter was reported to the Department and the Government between December 2013 and March 2014; the replies have not been received (December 2014).

3.9 Non-recovery of salaries of excise establishment posted at distillery/ bonded ware houses

Rule 9.13 and 9.16 of the Punjab Distillery Rules, 1932 as also applicable in Himachal Pradesh, stipulate that the licensee shall agree to the posting of a Government Excise Establishment to his distillery for the purpose of ensuring the due observance of the Rules and for watch and ward. The licensee shall, if required by the Excise Commissioner, make into the Government treasury such payment as may be demanded on account of the salaries of the Government excise establishment posted to the distillery, but he shall not make any direct payment to any member of such establishment.

Audit cross checked the records between April 2013 and March 2014 of two breweries and four distilleries with that of three AETCs[12] and noticed that the dues on account of salaries amounting to ₹38.77 lakh of the excise establishment staff posted to the distilleries/ brewery/ bonded ware houses were not recovered from the licensees for the period between 2010-11 and 2012-13 inspite of the fact that the AETCs, being the Drawing and Disbursing Officers, were aware of these postings. They did not take any action to raise the demand and collect the Government dues. Thus, non-claiming of salaries from the licensees in respect of the excise establishment, the Government deprived it self of recoverable dues of ₹38.77 lakh[13].

On this being pointed out (between April 2013 and March 2014) in audit, the ETC Shimla intimated in July 2014 that AETCs had been directed to recover the amount immediately.

The matter was reported to the Government between June 2013 and March 2014; their replies have not been received (December 2014).

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11 Mandi and Sirmour at Nahan

12 Hamirpur, Sirmour at Nahan and Una

13 Hamirpur (₹16.17 lakh), Sirmour (₹14.11 lakh) and Una (₹8.49 lakh)

CHAPTER-IV

STAMP DUTY

CHAPTER-IV
STAMP DUTY

4.1 Tax administration

Receipts from stamp duty and registration fee are regulated under the Indian Stamp Act 1899, (IS Act), Indian Registration Act, 1908 (IR Act) and the rules framed thereunder as applicable in Himachal Pradesh and are administered at the Government level by the Principal Secretary (Revenue). The Inspector General of Registration (IGR) is the head of the Revenue Department who is empowered with the task of superintendence and administration of registration work. He is assisted by the 12 Deputy Commissioners and 117 *Tehsildars*/ *Naib-Tehsildars* acting as the Registrars and Sub-Registrars (SR) respectively.

4.2 Results of audit

In 2013-14, test check of the records of 51 units of the Revenue Department, showed non/ short levy of stamp duty and registration fee etc. and other irregularities amounting to ₹6.15 crore in 100 cases, which fall under the categories given in **Table 4.1**:

Table 4.1

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	Incorrect determination of market value of property and irregular exemption on housing loan	66	5.60
2.	Non / short levy of stamp duty and registration fee	29	0.51
3.	Other irregularities	05	0.04
Total		**100**	**6.15**

During the course of the year, the Department had accepted under assessments and other deficiencies of ₹3.50 crore in 94 cases which were pointed out in earlier years out of which an amount of ₹18.56 lakh was realised in 68 cases during the year 2013-14.

A few illustrative cases involving ₹5.08 crore are discussed in the following paragraphs.

4.3 Incorrect preparation of valuation report by *Patwaris*

As per clarifications issued by the Inspector General of Registration (IGR) in July 1997 and June 1998, market value of land is to be worked out on the basis of mutations done during the preceding 12 months. Under the Indian Stamp (IS) Act, the market value of land for levy of stamp duty and registration fee is assessed on the basis of classification of land and is calculated in accordance with the procedure given in Appendix-XXI of the Himachal Pradesh Land Record Manual 1992. The registering officer is also required to verify the consideration shown in the sale deeds with valuation reports prepared by the concerned *patwaris*. In October 2004, the IGR further clarified that the average price should be based on the consideration amount or market value whichever is higher.

4.3.1 Audit test checked the documents of sale deeds of 27 SRs[1] between April 2013 and November 2013 and noticed that the valuation reports prepared by the *patwaris* were incorrect. The *patwaris* while preparing the valuation reports had taken incorrect/ lower value of the land instead of higher value mentioned in the mutations done during preceding 12 months. Consequently, 271 documents were registered for ₹32.33 crore during 2011-12 and 2012-13 at lower rates whereas the actual market value of these properties as per the correct rates was ₹58.34 crore. The Registering officers while registering these documents did not detect the mistake. This resulted in short realisation of stamp duty of ₹1.30 crore and registration fee of ₹10.39 lakh.

On these being pointed out between April 2013 and November 2013, the IGR intimated between March and July 2014 that out of ₹46.57 lakh, an amount of ₹9.62 lakh had been recovered in respect of 13 SRs[2] and efforts were being made to recover the balance amount. The remaining SRs stated that the cases would be re-examined (December 2014).

4.3.2 Incorrect determination of market value of properties

Audit test checked the records of eight SRs[3] between April 2013 and December 2013 and noticed that consideration amount of properties set forth in 50 documents registered between 2011 and 2012 was ₹51.83 crore which was much below the market value of ₹82.15 crore shown in the valuation report prepared by the concerned *patwaris*. While registering these documents, the registering officers were supposed to consider the higher value of properties of ₹82.15 crore for levy of stamp duty and registration fee but they registered the property on the consideration amount of ₹51.83 crore. This resulted in short realisation of stamp duty of ₹135.95 lakh and registration fee of ₹0.57 lakh.

On these being pointed out between April 2013 and December 2013, the IGR intimated in August 2014 that out of ₹3.24 lakh, an amount of ₹0.10 lakh had been recovered in respect of SR Anni and remaining SRs had been directed to take immediate action to recover the amount.

The matter was reported to the Government between May 2013 and January 2014. Replies have not been received (December 2014).

4.4 Registration of document on lower rates of adjoining *mohal*

As per clarification issued by the IGR in July 1997, June 1998 and October 2004, market value of land is to be worked out on the basis of mutations done during the preceding 12 months. If there is no sale in the area for the preceding

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1 Amb, Baddi, Badoh, Bangana, Baijnath, Dehra, Dheera, Galore, Jogindernagar, Kandaghat, Karsog, Kasauli, Mandi, Manali, Multhan, Nadaun, Nauharadhar, Nurpur, Pachhad, Paonta Sahib, Rajgarh, Sainj, Shahpur, Shillai, Sujanpur, Shimla (Rural) and Theog

2 Amb: 17 cases: ₹1.61 lakh, Bagana: 12 cases: ₹1.40 lakh, Dehra: eight cases: ₹1.57 lakh, Dheera: six cases: ₹36,165, Galore: three cases: ₹13,120, Jogindernagar: six cases: ₹45,095, Karsog: three cases: ₹16,870, Manali: six cases: ₹61,870, Nauradhar: two cases: ₹31,290, Sainj: five cases: ₹1.98 lakh, Shillai: three cases: ₹13,135, Sujanpur: six cases: ₹72,455 and Theog: one case: ₹16,000

3 Anni, Baddi, Dharamshala, Kasauli, Nurpur, Paonta Sahib, Rajgarh and Rampur

twelve months, the market value is to be worked out on the basis of sale deeds registered in the adjoining revenue village.

4.4.1 Audit test check the records of SR Paonta Sahib in April 2013 and noticed that seven deeds were registered during 2011 and 2012 for sale of land located in Jagatpur *mohal* for a consideration of ₹10.39 crore on the basis of the valuation report of adjoining Melion *mohal* as there was no valuation of land available for preceding 12 months in this *mohal* as per the remarks recorded by the *patwari* in the valuation report. Audit further noticed from the mutation register that a mutation (No. 579 dated 19.02.2011) had been done and recorded in the mutation register of Jagatpur *mohal.* Therefore, market value of land had to be worked out on the basis of mutation done during the preceding 12 months in *mohal* Jagatpur and these documents have to be registered for ₹50.44 crore instead of ₹10.39 crore. SR while registering the documents, treated the fact recorded in the valuation report of the *patwari* as correct, which resulted in short realisation of stamp duty of ₹200.01 lakh including registration fee of ₹0.11 lakh.

On this being pointed out in April 2013, the SR Paonta Sahib stated that disciplinary action was being initiated against *Patwari hulka* and all the cases were being sent to the Collector for evaluation under Section 47-A.

4.4.2 Audit test checked the records of SR Pachhad in August 2013 and found that Deed No. 68/2012 was registered for a consideration of ₹28.46 lakh in Durang m*ohal* in April 2012. Though the valuation report of Durang *mohal* was available on the record but the market value of the land was assessed on the basis of valuation report of adjoining Habbi m*ohal* which was on lower side as compared to the rates of Durang *mohal*. The market value of land as per rates of relevant *mohal* Durang was ₹2.60 crore. SR while registering the document overlooked this aspect which resulted in short realisation of stamp duty of ₹16.21 lakh including registration fee of ₹4.63 lakh.

4.5 Short realisation of stamp duty and registration fee on lease deed

Article 35 of schedule-I of IS Act, 1899, provides that where a lease is granted for a fine or premium or for money advanced in addition to rent received, the same duty as applicable to conveyance (No. 23), is chargeable. As per the Indian Stamp (Himachal Pradesh Amendment) Act 1970, where lease purports to be for a term exceeding 30 years but not exceeding 100 years, stamp duty is chargeable at the rate of three *per cent*. Besides, registration fee at the rate of two *per cent* subject to maximum of ₹25,000 is also leviable in terms of Government of Himachal Pradesh, Department of Revenue notification dated 18 March 2002. The Revenue Department vide notification dated 12 January 2012 has further revised the rates of stamp duty from three to five *per cent* and registration fee of two *per cent* of the market value of the property or consideration amount as the case may be, whichever is higher. The Industries Department had fixed (June 2009 & April 2011) the rates of premium (per square meter) of plots falling in the industrial area of the respective districts in the State.

Audit test checked the documents of lease deeds of four Sub Registrars[4] between April 2013 and September 2013 and found that in 24 cases, land measuring 49,332.03 square meters falling in the industrial area of four districts was allotted/ leased out to the parties during 2011 and 2012 for the period ranging from 45 to 95 years. SRs while registering the documents did not levy the stamp duty and registration fee on the prevailing consideration amount of premium, fixed by the Industries Department for the years in which the cases were leased out. Consequently, 24 lease deeds executed during 2011 and 2012 were registered at the consideration of premium of ₹8.76 crore instead of ₹12.26 crore. This resulted in short realisation of stamp duty and registration fee of ₹14.90 lakh.

On this being pointed out between April 2013 and September 2013, SRs intimated (between May 2013 and September 2013) that cases would be reviewed and information in respect of action taken would be intimated to audit accordingly.

The matter was reported to the Government between June and October 2013; their replies have not been received (December 2014).

[4] SR Baddi, Kasauli, Sri Naina Devi and Paonta Sahib

CHAPTER-V

TAXES ON VEHICLES, GOODS AND PASSENGERS

CHAPTER-V

TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder and are under the administrative control of the Director Transport. The receipts from the goods and passengers tax are regulated under the provisions of the Himachal Pradesh Passengers and Goods Taxation Act 1955, which are administered by the Excise and Taxation Commissioner of the state.

5.2 Results of audit

In 2013-14, test check of the records of 45 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme showed under assessment of tax and other irregularities involving ₹128.86 crore in 258 cases, which fall under the following categories in the **Table 5.1:**

Table 5.1

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
1.	**Non/ short realisation of**		
	• Token tax and composite fee	88	5.87
	• Special road tax	81	114.06
	• Passenger and goods tax	28	3.17
2.	**Evasion of**		
	• Token tax	13	2.26
	• Passenger and goods tax	16	2.49
3.	**Other irregularities**		
	• Vehicle tax	26	0.87
	• Passenger and goods tax	06	0.14
Total		**258**	**128.86**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹10.22 crore in 281 cases, which were pointed out in earlier years out of which an amount of ₹2.07 crore was realised in 191 cases during the year 2013-14.

A few illustrative cases involving ₹41.53 crore are discussed in the following paragraphs.

5.3 'Assessment and collection of special road tax'

Special Road Tax (SRT) is a tax which was introduced in lieu of Passenger Tax in January 2000, leviable on all the stage carriages plying in Himachal Pradesh. As per Section 3-A of Himachal Pradesh Motor Vehicle Taxation (HPMVT) Act, 1972, Special Road Tax (SRT) is leviable monthly on all stage carriage transport vehicles and payable in advance on 15th of every month at the rates prescribed by the Government from time to time. Further, as per the Transport Department's notification dated 26 July 2006 applicable from 31 July 2002, if the owner of a vehicle fails to pay the SRT within the prescribed period, the owner has to pay penalty at the rate of 25 *per cent* per annum of the tax due.

An audit on '***Assessment and collection of special road tax***' covering the period from 2008-09 to 2012-13, was conducted between June 2013 and March 2014 through test check of the records maintained in the office of all 10 Regional Transport Officers (RTOs)[1]. The following are the audit findings:

5.3.2 Monitoring mechanism of assessment and collection of SRT

Rule 18 of the Himachal Pradesh Motor Vehicle Rules (HPMVR) 1974, provides that all registering and licensing authorities in the State shall submit a return in Form-VIII to the State Transport Authority (STA) within a month of the expiry of each quarter showing the details of number of stage carriages registered, number of route permits issued, class of bus service and assessment of monthly SRT made etc. to maintain centralised data of vehicles at apex level for effective control and checks for levy, charge and collection of SRT and other dues from them. Further, for proper assessment and collection of SRT a monitoring mechanism is to be devised at the apex level.

Audit test checked the records (between June 2013 and March 2014) of the STA and 10 RTOs and noticed that no such centralised data was being maintained at the Directorate level. In the absence of such data, the number of stage carriages registered, permits issued and month wise/ year wise revenue due and realised in respect of stage carriages of each RTOs could not be ascertained.

Further, scrutiny of records and data generated by 'VAHAN' software between June 2013 and March 2014 showed that the 'VAHAN' software did not contain module for levy and collection of SRT and penalty. No monitoring system by way of maintenance of SRT registers, route permits registers and submission of returns on assessment and collection of revenue from the vehicle owners by the field units (RTOs) at regular interval of time had been devised at the apex level.

5.3.3 Incorrect assessment of SRT from the stage carriages of other states

As per sub-section 4 of Section 3A, if a transport vehicle registered in a state other than the state of Himachal Pradesh, enters and is used on any public road, or is kept for use in the State, SRT shall become chargeable on such entry in the prescribed manner. The SRT shall also be applicable and charged in respect of stage carriages of other states[2] on the entire distance covered in Himachal Pradesh on the basis of route permits issued by the State Transport Authority of other States, duly countersigned by the RTOs of Himachal Pradesh under whose jurisdiction the vehicle is plied.

Audit test checked (between August 2013 and March 2014) the records of route permits countersigned by the RTOs/ SRT registers, maintained in the five RTOs[3] for the period of 2008-09 to 2012-13 and noticed that records of number of permits countersigned by the respective RTOs and vehicles which were plying in Himachal Pradesh were not being maintained properly. Audit scrutiny of the permits issued or the reciprocal agreements executed by the respective States and tax paid by the State Transport Authority of other States, showed that

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1 Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour at Nahan, Solan and Una

2 Haryana, Punjab, Chandigarh, Uttar Pradesh and Uttarakhand

3 RTOs Bilaspur, Kangra, Sirmour, Solan and Una

assessments of SRT in 145 cases were not made correctly as per the distance covered by the other state carriages plying on different routes of Himachal Pradesh. This resulted in short levy of SRT of ₹10.05 crore[4] by the stage carriage owners of other States.

5.3.4 Short assessment of SRT due to application of incorrect rate or mileage

As per the HPMVT (Amendment) Act, 1999, SRT shall be levied and charged on all transport vehicles used or kept for use in Himachal Pradesh and will be payable in advance on the 15th of every month. If the owner of a vehicle fails to pay the SRT due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay penalty at the rate of 25 *per cent* per annum of the tax due. As per the notification of January 2006, the rates[5] of SRT were based on the classification of routes on which vehicles were plying such as National Highways (NH), State Highways (SH), rural roads (RR) and class of bus services. However, the higher rates of SRT are applicable when the vehicles ply on interstate routes.

HRTC Buses

Audit scrutiny (between June 2013 and March 2014) of route permits and SRT assessment statements furnished by the HRTC units of four RTOs[6] for the period 2008-09 to 2012-13 showed that the RTO concerned did not scrutinise the SRT statements of 15 cases properly as to whether the rates applied were according to the classification of route or the distance covered as per the authorization in the route permits. This resulted in short assessment of SRT of ₹67.50 lakh[7], besides, a minimum penalty of ₹16.87 lakh at the prescribed rates was also leviable.

Private stage carriages (PSCs)

Audit scrutiny of route permits and SRT registers of six RTOs between June 2013 and March 2014 showed that in 66 cases the RTOs omitted to check the rates, mileage and the classification of the routes prescribed for private stage carriages plying in the State. The tax was assessed and paid at the rates prescribed for intra-state routes instead of inter-state routes (which is higher) for the period 2008-09 to 2012-13. This led to short realisation of revenue of ₹62.11 lakh[8], besides, a minimum penalty of ₹15.53 lakh was also leviable.

5.3.5 Under assessment of SRT of deluxe, semi-deluxe and air-conditioned buses

The Government of Himachal Pradesh (Department of Transport) vide notification of January 2006 prescribed higher rates of SRT for semi-deluxe, deluxe or air-conditioned buses, being luxury class of bus service.

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4 Bilaspur: ₹103.20 lakh, Kangra: ₹56.01 lakh, Sirmour: ₹17.94 lakh, Solan: ₹500.75 lakh and Una: ₹326.63 lakh

5 For hilly area roads ₹6.04, ₹5.03, ₹4.03 and for plain area roads ₹3.89, ₹3.23, ₹2.59 per seat per kilometer for ordinary bus service.

6 Kullu, Shimla, Solan and Una

7 Kullu: ₹8.12 lakh, Shimla: ₹21.13 lakh, Solan: ₹29.89 lakh and Una: ₹8.36 lakh

8 Bilaspur: ₹7.33 lakh, Hamirpur: ₹5.40 lakh, Kullu: ₹4.47 lakh, Shimla: ₹1.15 lakh, Solan: ₹23.06 lakh and Una: ₹20.70 lakh

Scrutiny of the records of SRT assessments of semi-deluxe, deluxe and air-conditioned bus service of HRTC in seven RTOs (between July 2013 and March 2014) showed that 24 stage carriages were plying on 12 routes. The SRT worked out on the basis of rates applicable to ordinary class of bus service instead of applicable higher rates. The RTOs concerned neither checked the assessment statements furnished by the HRTC to rectify the persistent irregularities nor raised any monthly demand against the respective HRTC units. Thus, application of incorrect SRT rates resulted in under assessment of SRT of ₹65.47 lakh[9], besides, penalty of ₹16.37 lakh was also leviable.

5.3.6 Non-assessment of SRT

As per the provisions contained in Section 14 (2) of HPMVT (Amendment) Act, 1999, when the registered owner or the person having possession or control of a motor vehicle specified in Schedule-I or III has given previous intimation in writing to the taxation authority that the motor vehicle would not be used in any public place, for a particular period and deposits the certificate of registration (RC) of such motor vehicle alongwith route permit with registration authority concerned and obtains an acknowledgement thereof, he shall be exempted from the payment of SRT for that period.

Audit test checked the records between July 2013 and March 2014 of four RTOs and noticed that permits for 10 routes were issued/ renewed by the respective RTOs to the stage carriages of HRTC for the period 2008-09 and 2012-13. Audit further noticed that the assessments of SRT of these route permits were not made. This resulted in non-charging of SRT to the tune of ₹1.02 crore[10], besides, a minimum penalty of ₹25.28 lakh was also leviable.

5.3.7 Non-recovery of SRT from Private Stage Carriages (PSCs)

As per Section 3-A of HPMVT Act, 1972, SRT is leviable monthly on all stage carriage transport vehicles and payable in advance on 15th of every month at the rates prescribed by the Government from time to time.

Audit scrutiny of the records of SRT Registers of seven RTOs between June 2013 and March 2014, showed that in 91 cases out of 310 test checked cases, SRT amounting to ₹95.58 lakh was recoverable from the owners of PSCs. The department had neither demanded the SRT nor was paid by the owners of the vehicles. This resulted in non-recovery of SRT of ₹95.58 lakh.[11] Besides, a minimum penalty of ₹23.89 lakh at the prescribed rate was also leviable for non-payment of tax.

On this being pointed out between June 2013 and March 2014, the Director (Transport), Shimla intimated in June and August 2014 that out of ₹51.18 lakh, and amount of ₹15.17 lakh had been recovered by RTOs Shimla and Solan and efforts were being made to recover the balance amount. The remaining RTOs

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9 Bilaspur: ₹13.70 lakh, Chamba: ₹5.99 lakh, Hamirpur: ₹4.40 lakh, Kangra: ₹13.02 lakh, Kullu: ₹12.08 lakh, Mandi: ₹10.17 lakh and Sirmour: ₹6.11 lakh

10 Mandi: ₹28.55 lakh, Shimla: ₹37.33 lakh, Solan: ₹22.75 lakh and Una: ₹13.76 lakh

11 Bilaspur: eight cases: ₹11.16 lakh, Kangra at Dharamshala: 11 cases: ₹4.36 lakh, Kullu: 23 cases: ₹10.60 lakh, Shimla: 22 cases: ₹9.12 lakh, Sirmour at Nahan: four cases: ₹3.33 lakh, Solan: 15 cases: ₹42.06 lakh and Una: eight cases: ₹14.95 lakh

stated that notices were being issued to the concerned stage carriages to deposit the SRT (December 2014).

5.3.8 Non-recovery of arrears of SRT from HRTC

Section 12 of HPMVT Act, 1972 provides that when a person neglects or refuses to pay an instalment of tax within one month from the expiration of period fixed for such payment, the taxation authority may forward to the Collector a certificate under his signatures specifying the amount of the arrears due from the person and the Collector on receipt of such certificate shall proceed to recover from such person the amount specified therein as if it were an arrear of land revenue. Sub-Section 4 (a) (i) of Section 81 of MVT Act, 1988 further provides that RTOs or STA may reject an application for renewal of permit on the grounds plying of vehicle without payment of tax due on such vehicle.

Audit test checked the records of 10 RTOs[12] between June 2013 and March 2014 and noticed that the SRT for the period 2012-13 aggregating to ₹21.08 crore[13] was neither demanded by the RTOs nor deposited by the HRTC units till March 2014, on which a minimum penalty of ₹5.27 crore was also leviable.

An arrear of SRT of ₹70.91 crore for the year 2008-09 to 2011-12, had already been pointed out by audit and printed in the earlier Audit Reports[14] on which no action had been taken by the department to detain the vehicles of HRTC units. Whereas the route permits of the vehicles of HRTC units were renewed from time to time without verifying the clearance of tax which was in contravention of the provisions of the Act *ibid*.

5.3.8.2 Arrears of off road PSCs

Scrutiny of the information furnished by seven RTOs[15] between July 2013 and March 2014 showed that 159 vehicle owners had not deposited the amount of SRT of ₹6.96 crore[16] including penalty of ₹1.39 crore for the period from January 2000 to September 2012 before their vehicles went off the road or deposited their RCs alongwith route permit with the registration authority concerned. Audit further noticed that out of 159 cases, 152 cases had been referred to the Collector for recovery under ALR whereas seven cases of value ₹22.80 lakh were not referred till March 2014. Though a period of 14 years had already elapsed but recovery was still awaited.

No centralised data of vehicles was maintained at the Directorate level. There was short recovery of SRT of ₹10.05 crore from the stage carriage owners of other States. There was short assessment of SRT amounting to ₹1.30 crore in respect of HRTC buses and PSCs due to application of incorrect rate of mileage.

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12 Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una

13 Bilaspur: ₹1.07 crore, Chamba: ₹1.18 crore, Hamirpur: ₹1.01 crore, Kangra at Dharamshala: ₹5.06 crore, Kullu: ₹2.05 crore, Mandi: ₹3.15 crore, Shimla: ₹4.95 crore, Sirmour: ₹0.77 crore, Solan: ₹1.02 crore and Una: ₹0.82 crore

14 Audit Report for the year 2008-09: para 4.3.5, AR-2009-10: para 4.6.15.1, AR 2010-11: para 4.11, AR 2011-12: para 5.8 and AR 2012-13: para 5.4.1

15 Bilaspur, Kangra, Kullu, Mandi, Shimla, Sirmour and Solan

16 Bilaspur: ₹2.85 lakh, Kangra : ₹108.99 lakh,, Kullu : ₹86.12 lakh,, Mandi: ₹40.24 lakh, Shimla: ₹308.00 lakh, Sirmour: ₹92.24 lakh and Solan: ₹57.22 lakh

SRT for the period 2012-13 aggregating to ₹21.08 crore[17] was neither demanded by 10 RTOs nor deposited by the HRTC units till March 2014, on which a minimum penalty of ₹5.27 crore was also leviable.

The above points were reported to the Government/ Department (July 2014); the reply of the Government is still awaited (December 2014).

5.4 Non-realisation of taxes

5.4.1 Token tax

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972, and rules made thereunder, token tax by vehicle owners is payable in advance quarterly or annually in the prescribed manner. As per Transport Department's notification dated 11 June 2007 and 15 March 2012, token tax in the case of construction equipments vehicles and crane mounted vehicles (based on the maximum prescribed mass) was leviable at the rate of ₹8,000 (light), ₹11,000 (medium) and ₹14,000 (heavy) per annum with effect from June 2007. As per provisions, if an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving him an opportunity of being heard, shall direct him to pay in addition to tax, a penalty at the rate of 25 *per cent* per annum of the tax due.

Audit test checked between May 2013 and February 2014 the Token Tax Registers and data maintained in 'VAHAN' software of 20 RLAs[18], eight RTOs[19] and STA, Shimla and noticed that out of 11,920 test checked vehicles record, token tax amounting to ₹2.59 crore in respect of 4,196 vehicles for the years 2011-12 and 2012-13, was not deposited by the vehicle owners. There was nothing on record to indicate that any initiative had been taken by the taxation authorities to recover tax from the defaulters. This resulted in non-recovery of token tax of ₹2.59 crore.

On this being pointed out (between May 2013 and February 2014), the Director (Transport) intimated between June 2013 and August 2014 that four RLAs and five RTOs, had recovered token tax of ₹26.74 lakh in respect of 410 vehicles[20] out of ₹107.69 lakh and efforts were being made to recover the balance amount. The remaining taxation authorities intimated (between July 2013 and March 2014) that either notices will be issued to the defaulters to deposit the tax or action would be taken as per the provisions of the Act/ Rules.

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17 Bilaspur: ₹1.07 crore, Chamba: ₹1.18 crore, Hamirpur: ₹1.01 crore, Kangra at Dharamshala: ₹5.06 crore, Kullu: ₹2.05 crore, Mandi: ₹3.15 crore, Shimla: ₹4.95 crore, Sirmour: ₹0.77 crore, Solan: ₹1.02 crore and Una: ₹0.82 crore

18 Anni, Baijnath, Chamba, Dharamshala, Ghumarwin, Jawali, Kandaghat, Karsog, Kaza, Nadaun, Nahan, Nalagarh, Nurpur, Paonta Sahib, Pooh, Shimla (Urban), Solan, Sundernagar, Theog and Una

19 Bilaspur, Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Nahan, and Una

20 **RLAs:** Baijnath: 33 vehicles: ₹1.21 lakh, Dharamshala: 32 vehicles: ₹3.16 lakh, Ghumarwin: 39 vehicles: ₹3.04 lakh, Kandaghat: 10 vehicles: ₹0.60 lakh, Nalagarh: 93 vehicles ₹4.32 lakh, Pooh: three vehicles: ₹4,500, STA Shimla: 30 vehicles: ₹2.06 lakh **RTOs:** Chamba: 15 vehicles: ₹88,950, Dharamshala: 35 vehicles: ₹2.56 lakh, Kullu: 30 vehicles: ₹1.41 lakh, Mandi: 50 vehicles: ₹5.10 lakh and Una: 40 vehicles: ₹2.34 lakh

The matter was reported to the Government between June 2013 and April 2014; their replies have not been received (December 2014).

5.4.2 Non/ short realisation of entry tax

According to the Excise and Taxation Department notification of October 2010, issued under the Section 4 (1) of the Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010, entry tax at the rate of five *per cent* shall be deposited on the invoice value of the motor vehicles purchased from any place outside the State for use in the State and registerable in Himachal Pradesh under the Motor Vehicle Act, 1988. Further provided that no Registering and Licensing Authority shall register such motor vehicle unless the person making application for registration furnishes proof of having deposited the tax payable under this section from the Assessing Authority.

Audit noticed between November 2013 and March 2014 from the registration files of the vehicles maintained in RLA Jawali and two RTOs[21], that entry tax amounting to ₹7.63 lakh in respect of 11 vehicles registered between May 2011 and March 2013 at the prescribed rate was required to be deposited by the owners of the vehicles with Excise and Taxation department, out of which ₹0.67 lakh had only been deposited by four vehicle owners. This resulted in non/ short realisation of entry tax of ₹6.96 lakh.

After audit pointed out (between November 2013 and March 2014), the Director (Transport) intimated in August 2014 that RLA, Jawali and RTO Nahan had recovered entry tax of ₹3.26 lakh in respect of eight vehicles and the RTO, Solan intimated that notices had been issued to all the defaulters to deposit the entry tax.

The matter was reported to the Government between December 2013 and May 2014; the reply has not been received (December 2014).

5.5 Non-deposit of user charges

The Government of Himachal Pradesh vide Notification dated 3 September 2005 accorded approval to the formation of e-Governance Societies, one at the level of Directorate of Transport and one each at the district level for computerisation of all transport related activities in the offices of the RLAs. These e-Governance Societies have been functioning since September 2005 under the Chairmanship of the Deputy Commissioner of the respective district. The societies collect user charges as approved by the Government and 25 *per cent* of these charges are required to be deposited in the Government account.

Audit noticed from the 'Service charges collection registers' of seven RLAs[22] between May 2013 and September 2013 that e-Governance Societies collected ₹69.02 lakh on account of user charges during 2011-12 and 2012-13. However, 25 *per cent* of receipts collected on account of user charges which worked out to ₹17.26 lakh[23] was not deposited in the Government account as required. Thus,

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21 RTOs Nahan and Solan

22 Kandaghat, Nadaun, Nalagarh, Paonta Sahib, Pooh, Shimla (Urban) and Solan

23 Kandaghat : ₹0.83 lakh, Nadaun: ₹1.57 lakh, Nalagarh: ₹4.66 lakh, Paonta Sahib: ₹4.90 lakh, Pooh: ₹0.44 lakh, Shimla (Urban): ₹1.62 lakh and Solan :₹3.24 lakh

₹17.26 lakh remained out of the Government account, which also resulted in understatement of revenue to that extent. However, the schedule of periodical payment of 25 *per cent* of the user charges and interest/ penalty to be levied in case of delayed payments etc. had not been prescribed by the Government.

On this being pointed out (between May 2013 and September 2013), the Director (Transport) intimated in August 2014 that an amount of ₹10.17 lakh had been deposited by four RLAs. The remaining taxation authorities intimated that however, the amount of user charges had been deposited in the office of the concerned DC for further deposit in government treasury and challan will be transmitted separately to audit.

The matter was reported to the Department and to the Government between June 2013 and October 2013; their replies have not been received (December 2014).

5.6 Non-registration of Goods and Passenger vehicles with Excise and Taxation Authorities

Section-8 of the Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act, 1955 and the rules made thereunder provides that owners of stage/ contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation offices and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 stipulate that the Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with the RLAs/ RTOs. As per Excise and Taxation Department notification dated 5 May 2004, issued under the HPPGT Act 1955, the lump-sum passengers tax, in case of Educational Institution Bus as specified in sub-clauses (i), (ii) and (iii) of clause (a) of this sub-rule shall payable in equal quarterly instalments payable within 30 days of the commencement of the quarter to which it relates. Passenger tax is to be realized on the basis of seating capacity[24] of the vehicle. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹500 is also leviable.

Audit cross verified the registration records between July 2013 and February 2014 of 12 RLAs and six RTOs with that of six AETCs[25] and ETO Kinnaur and noticed that out of 6,825 test checked commercial vehicles (Goods/ Passenger/ Educational Institution Vehicles), which were registered with concerned RLAs/ RTOs during 2010-11 to 2012-13, 3,581 vehicles were not found registered with the six AETCs and ETO Kinnaur[26] as required under HPPGT Act. Audit further noticed that there was no co-ordination between the concerned RLAs/ RTOs and AETCs to ensure registration of all the vehicles with Excise and Taxation Authorities. As a result, passengers and goods tax amounting to ₹2.29 crore for the period 2010-11 to 2012-13 was not realised from the owners of the vehicles. Besides, a minimum penalty of ₹17.91 lakh was also leviable as per the details given below in **Table 5.2**:

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[24] Mini bus seating capacity up to 30, Big bus seating capacity more than 30

[25] Chamba, Hamirpur, Kullu, Mandi, Nurpur and Una

[26] Chamba (525 - ₹22.05 lakh), Kullu (384 - ₹11.73 lakh), Hamirpur (1288 - ₹92.27 lakh), Mandi (504 - ₹37.25 lakh), Nurpur (407 - ₹51.66 lakh), Una (438 - ₹13.38 lakh) and Kinnaur (35 - ₹1.10 lakh)

Table 5.2

₹ in lakh

Sr. No.	Nature of vehicle	Period	Total No. of vehicles not found registered with E & T Department/ Test checked vehicles	Amount recoverable			
				Passenger tax	Goods tax	Total amount recoverable	Minimum penalty at the rate of ₹500/-per vehicle
1.	**Passenger Vehicles** (Maxi Cabs/ Taxi)	2010-11 and 2012-13	742/ 1,660	28.65	--	28.65	3.71
2.	**Passenger Vehicles** (Educational Institution Buses)	2010-11 and 2012-13	449/ 725	121.42	--	121.42	2.25
3.	**Goods vehicles** (HGV/MGV/LGV/ Tractors)	2010-11 and 2012-13	2,390/ 4,440	--	79.17	79.17	11.95
Total			**3,581/ 6,825**	**150.07**	**79.17**	**229.24**	**17.91**

On this being pointed out (between July 2013 and February 2014), the ETC, Shimla intimated in April 2014 that out of ₹94.39 lakh an amount of ₹12.68 lakh (Passenger Tax: ₹3.82 lakh and Goods Tax: ₹8.42 lakh) had been recovered from the owners of 162 vehicles in three districts[27] and efforts were being made to recover the balance amount. The remaining AETCs had not been furnished any reply.

The matter was reported to the Government between August 2013 and April 2014; their replies have not been received (December 2014).

5.7 Non-realisation of Goods and Passenger tax

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act, 1955, and rules made thereunder, owners of vehicle are required to pay tax etc. at the prescribed rates either monthly or quarterly. However, if the owner of vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to a minimum of ₹500. Section 9-B (2) of Act *ibid* and Rule 22 of the HPPGT Rules, 1957 further provide that the taxation authority can be served a demand notice to the owners of the vehicle to deposit tax.

Audit test checked the Demand and Collection Registers (DCR) between July 2013 and February 2014 maintained in the offices of six AETCs[28] and ETO Kinnaur and noticed that in respect of 647 out of 2,953 test checked vehicles, passenger and goods tax amounting to ₹66.78 lakh was not recovered from the owners of the vehicles for the period 2009-10 to 2012-13. The certificates of registration of the vehicles were not deposited by the owners of the vehicles with the registering authorities and entries in support of this were also not found on record for allowing exemption of tax. The Assessing Authorities did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of ₹66.78 lakh, besides, minimum penalty of ₹3.23 lakh was also leviable on these vehicles as per the details given below in **Table 5.3:**

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27 ETO Kinnaur: 14 vehicles: ₹0.44 lakh, AETC Mandi: 112 vehicles: ₹7.66 lakh and AETC Nurpur: 36 vehicles: ₹4.58 lakh

28 Chamba, Hamirpur, Kullu, Mandi, Nurpur and Una

Table 5.3

₹ in lakh

Sr. No.	Nature of vehicle	Period	Total No. of vehicle by which tax was not paid/ Test checked vehicles	Amount recoverable			
				Passenger tax	Goods tax	Total amount recoverable	Minimum penalty at the rate of ₹500/-per vehicle
1.	**Passenger Vehicles** (Maxi Cabs/ Taxi)	2010-11 and 2012-13	186/ 1,040	21.56	--	21.56	0.93
2.	**Passenger Vehicles** (Educational Institution Buses	2010-11 and 2012-13	51/ 175	9.63	--	9.63	0.25
3.	**Good Vehicles** (HGV/ MGV/ LGV/ Tractors)	2010-11 and 2012-13	410/ 1,738	--	35.59	35.59	2.05
Total			**647/ 2,953**	**31.19**	**35.59**	**66.78**	**3.23**

On this was pointed out (between July 2013 and February 2014), the ETC, Shimla intimated in April 2014 that out of ₹26.96 lakh, an amount of ₹6.21 lakh (Passenger Tax: ₹2.59 lakh and Goods Tax: ₹3.62 lakh) had been recovered from the owners of 69 vehicles in three AETCs[29]/ ETO Kinnaur and efforts were being made to recover the balance amount. The remaining AETCs had not been furnished any reply.

The matter was reported to the Government between August 2013 and April 2014; their replies have not been received (December 2014).

5.8 Non-recovery of the tax after registration of vehicles

5.8.1 Non-payment of tax

Section 19 (A) and (B) of the Himachal Pradesh Passenger and Goods Taxation Rules 1957 provide that there shall be maintained in the Excise and Taxation office of each district a daily collection register in form PGT-23 and demand and collection register (DCR) in form PGT-24 in which the particulars of every challan received in proof of payment of tax, surcharge or penalty on any other amount due under the Act as made by the owners of motor vehicle shall be recorded. Rule 20 of the Act provides that Challans shall be filled up in quadruplicate, one copy of the challan shall be retained by the treasury, one copy shall be sent by the treasury to the Assessing Authority and other two copies duly signed shall be returned to the owners of the vehicle, in proof of payment, one copy shall be attached to the monthly return and other copy shall be retained by the owner for his record.

Audit scrutiny of DCR maintained in the office of AETC, Hamirpur showed that owners of 101 vehicles registered their vehicles between 2010-11 and 2012-13 with Excise and Taxation Department and had paid only one instalment of tax at the time of registration. Thereafter neither demand notices were issued by the department nor was paid by the owners of the vehicles. Inaction on the part of the department resulted in non-recovery of tax of ₹13.72 lakh.

[29] ETO Kinnaur: 26 vehicles: ₹1.45 lakh, AETC Hamirpur: six vehicles: ₹0.94 lakh AETC Mandi: 34 vehicles: ₹3.68 lakh and AETC Nurpur: 3 vehicles: ₹0.14 lakh

After this was pointed out (August 2013), the ETC, Shimla intimated in September 2014 that an amount of ₹3.50 lakh had been recovered from owners of 27 vehicles and efforts were being made to recover the balance amount. Further report on recovery has not been received.

5.8.2 Non-recovery of Goods Tax from construction companies

Audit test checked the registration register and demand and collection register maintained in the office of the AETCs Chamba and Hamirpur (August 2013) and noticed that two construction companies were engaged in construction work and had 54 goods vehicles,[30] registered between March 2007 and December 2010 with Excise and Taxation Authorities under the HPPGT Act. The payment of goods tax in respect of 46 vehicles had been received up to October 2010 as per records whereas the payment of goods tax in respect of 8 vehicles had not been made since their registration. After that (November 2010 and onwards) neither the goods tax was paid by these companies nor the Assessing Authority made any assessment of tax. There was nothing on record to show that demand notices were ever issued by AETCs Chamba and Hamirpur to these companies or owners of the vehicles to deposit the goods tax. Thus, due to inaction on part of the assessing authority, goods tax of ₹10.13 lakh was not recovered for the period from November 2010 to March 2013.

After this was pointed out (August 2013), the ETC, Shimla intimated in September 2014 that an amount of ₹9.65 lakh had been recovered from owners of the 46 vehicles and efforts were being made to recover the balance amount. Further report on recovery had not been received.

The matter was reported to the Government in September 2013; their replies have not been received (December 2014).

[30] Chamba: 18 vehicles: ₹3.30 lakh and Hamirpur: 36 vehicles: ₹6.83 lakh

CHAPTER-VI

OTHER TAX AND NON-TAX RECIEPTS

CHAPTER-VI

OTHER TAX AND NON-TAX RECEIPTS

6.1 Tax administration

This chapter consists of receipts from Forests, Mining, Industries, Public Works and Irrigation & Public Health Departments. The administration is governed by Acts and Rules framed separately for each Department.

6.2 Results of audit

In 2013-14, test check of the records of 15 units relating to forest receipts showed non/ short recovery of royalty, non-levy of interest/ extension fee, Non/ short realisation of royalty, dead/ surface rent etc. and other irregularities involving ₹10.57 crore in 82 cases, which fall under the following categories in the **Table 6.1** below:

Table 6.1

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
FOREST DEPARTMENT			
1.	Non/ short recovery of royalty	10	1.89
2.	Non-levy of interest, blockade of revenue due to seized timber, short realisation of cost of trees	15	1.34
3.	Other irregularities	25	4.75
Total		**50**	**7.98**
INDUSTRIES DEPARTMENT			
1.	Non/ short realisation of royalty, dead/ surface rent etc.	27	1.57
2.	Other Irregularities	05	1.02
Total		**32**	**2.59**
Grand Total		**82**	**10.57**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹7.11 crore in 88 cases which were pointed out in earlier years. An amount of ₹5.74 crore was realised in 81 cases during the year 2013-14.

A few illustrative cases involving ₹99.47 lakh are discussed in the following paragraphs.

FOREST DEPARTMENT

6.3 Blocking of revenue due to non-disposal of seized timber

Section 52 of Indian Forest Act provides for seizure of property liable to confiscation. As per departmental instructions April 1951, either the seized timber or forest produce should be kept in the spurdagi (safe custody) of a sapurdar[1] or with the concerned field staff after it is accounted for in form-17. The timber/ forest produce so accounted for is required to be disposed off after the offence has either been compounded or decided by the Court. The PCCF instructed (April 1999) all the CFs that where the spurdagi of forest produce is taken for unduly long period, the concerned investigating officer should be asked to procure the orders of competent court for auctioning the seized property within 15 days, to minimise expenditure on watch & ward and deterioration/ pilferage of such produce.

Audit scrutiny of timber forms of five forest divisions[2] between November 2013 and February 2014 showed that in 20 forest ranges, the department had seized (between 2011-12 and 2012-13) timber measuring 169.8461 cu.m having value of ₹77.57 lakh including VAT of ₹9.38 lakh. Audit scrutiny further showed that the seized timber was lying in various depots of the department. There was nothing on record to indicate that the concerned DFOs/ investigating officers had taken any concrete steps or obtained the orders of Court to dispose off the seized timber. Thus, non-disposal of seized timber not only resulted in blocking of revenue to that extent but also incurrence of expenditure on watch and ward and further deterioration of timber.

On this being pointed out (November 2013 and February 2014), the DFO Rohru stated that auction orders were being obtained from the Hon'ble Court and the timber would be disposed of accordingly. The reply was not acceptable because the departmental officials did not take any timely action to dispose of seized timber which was still lying in the depots.

The matter was reported to the Department and the Government between December 2013 and April 2014. The reply has not been received (December 2014).

6.4 Short recovery of revenue

As per the Department instruction of September 1991, the cost of trees standing on the forest land diverted/ transferred for non-forestry purposes to be recovered at the prevailing, market rates before handing over the area to the user agencies after obtaining the approval from the Government of India (GOI). The PCCF vide his letter of March 2000 had further clarified that the cost of Taxus Bacatta trees is to be charged at per with Deodar.

Audit test checked the records of Bilaspur and Nahan forest divisions between December 2013 and February 2014 and noticed that the final approval of

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1 A lambardar or any reliable person of a place.

2 Bilaspur: vol: 25.3991 cu.m ₹7.65 lakh, Chopal: vol: 45.525 cu.m ₹23.62 lakh, Kullu: 63.271 cu.m ₹29.02 lakh, Rampur: 4.721cu.m ₹2.45 lakh and Rohru: 30.930 cu.m ₹14.83 lakh

diversion of 98.079 *hectare* of forest land containing 14,185 trees/ Saplings of various species[3] with 1,818.4828 cu.m standing volume for non-forestry purposes was received between June and July 2012 from the GOI. The department incorrectly worked out demand and realised ₹306.44 lakh (between January 2011 and July 2011) in respect of trees/ saplings falling in the alignment of the project[4], at the market rates applicable in 2009-10 instead of ₹340.38 lakh chargeable at the market rates prevailing during 2012-13. This resulted in short recovery of Government revenue of ₹33.94 lakh including VAT.

The matter was reported to the Department and the Government between January 2014 and May 2014, their replies have not been received (December 2014).

6.5 Non-crediting of departmental charges

As per instructions of Principal Chief Conservator of Forests (PCCF), Himachal Pradesh, issued in May 2004, departmental charges at the rate of 17.5 *per cent* shall be charged under the Compensatory Afforestation (CA) schemes to cover the establishment and infrastructure expenditure of the department. As per PCCF letter of March 2003, the amount so realised on account of the departmental charges should be deposited as revenue of the department instead of depositing the same in compensatory afforestation head.

Audit noticed between November 2013 and February 2014 from the records of four forest divisions[5] that ₹3.55 crore on account of CA inclusive of departmental charges of ₹52.31 lakh was realised in respect of 18 cases of diversion of forest land for non-forestry purposes. The departmental charges of ₹52.31 lakh so realised were credited in Compensatory Afforestation Fund Management and Planning Authority account instead of revenue head of the Government. Thus, non-credit of departmental charges in the Government account resulted in understatement of revenue to that extent.

The matter was reported to the Department and the Government between December 2013 and May 2014. The reply has not been received (December 2014).

6.6 Irregular deletion of resin blazes

After nationalisation of forest working, resin tapping work of resin lots rests exclusively with the Himachal Pradesh State Forest Corporation (HPSFC), being the sole agent for the purpose. The Principal CCF vide instructions of May 2000, had directed all the DFOs that proposal for deletion of blazes be prepared by the respective DFOs by the end of the tapping season (latest by 15th December) every year, so that the approval of the CF is obtained well before the commencement of the ensuing tapping season (15th March).

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3 *Ban, Chil, Kokath, Khair, Shisham, Mango, Jamun, Eucalyptus, Tunni, Sain, Simbal and other B/L*

4 Koldam–Ludhiana Transmission Line and Kumarhatti- Nahan Road, Transmission line from Devni to Kala-Amb

5 DFOs Bilaspur, Chopal, Nahan and Rampur

Audit noticed between November 2013 and February 2014, from the resin blazes records of three divisions[6] that 10,514 resin blazes were not handed over for tapping to HPSFC for tapping seasons of the years 2011, 2012 and 2013. Audit scrutiny showed that the prior requisite approval of the Conservator of Forest (CF) to delete these blazes had not been obtained. Thus, the deletion of blazes without seeking prior approval of CF was irregular which resulted in loss of revenue of ₹4.90 lakh.

The matter was reported to the Department and the Government between December 2013 and April 2014. The replies have not been received (December 2014).

[6] Bilaspur, Chopal and Mandi

INDUSTRIES DEPARTMENT

6.7 '*Receipts from Minor Minerals*'

Receipts from mines and minerals consist mainly of royalty, dead rent, surface rent, fees and fines. The principal minor minerals found in Himachal Pradesh are building stones, masonry stone, limestone, *bajri*, brick earth, and *rorri* etc.

The extraction of minor minerals is governed and regulated by the Mines and Minerals (Development and Regulation) Act (MMDR Act) 1957 and Mineral Concession Rules (MCR), 1960. The Himachal Pradesh Minor Minerals (Concession) Revised Rules, (HPMMCRR) 1971 under Section 15 of the Act *ibid* and Mining Policy in the year 1986 under the Himachal Pradesh Minerals (Vesting of Rights) Act, 1983 were framed which were later modified in 1998. Further the state government formulated the River/ Stream Bed Mining Policy Guidelines 2004 and again notified Himachal Pradesh Mineral Policy 2013 for regulation of mines and minerals in the state under Government of India (GOI) promulgated National Mineral Policies (NMP), 1993 and 2008 (for non-fuel and non-coal minerals). The Department of Industries, (Geological Wing) is the nodal agency to regulate and implement the provisions of the central as well as state enactments on mineral receipts and concessions. The receipt from minor minerals in the State had increased to ₹147.90 crore in 2013-14 from ₹113.84 crore in 2010-11.

Audit on ***'Receipts from Minor Minerals'*** covering the period from 2010-11 to 2012-13 was conducted between March 2014 and June 2014 through test check of records in the offices of the State Geologist, Shimla and seven[7] out of twelve Mining Offices. The following are the audit findings:

6.7.1 Non/ short recovery of Royalty, Dead rent, Surface rent and interest

Royalty and interest

Rule 21 (1) (i) (c) of the Himachal Pradesh Minor Minerals (Concession) Revised Rules 1971, provides that the lessee shall pay royalty in advance for the material to be removed from the leased area. Royalty for sand, stone etc. is to be charged at the rate of ₹20 per tonne on the basis of production and other measures in terms of notification dated 8.10.2007, issued by the Department of Industries, Government of Himachal Pradesh. The department further clarified in December 2002 that seven units of electricity consumption for production of one tonne of grit/ *bajri* by the stone crushers was justified and genuine. The rates of royalty were further revised from ₹20 to ₹40 per tonne vide notification dated 16.01.2012. In case of default in payment of royalty for more than 60 days from the due date of payment, interest at the rate of 24 *per cent* per annum is also leviable.

Audit test checked between March 2014 and June 2014 the registers of royalty and returns filed by seven lessees in the office of three MOs[8] and noticed that after consuming 4,77,697.50 units of electricity, 68,242.49 tonnes of sand, stone

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[7] MOs Bilaspur, Kangra at Dharamshala, Kullu, Shimla, Sirmour at Nahan, Solan and Una

[8] MOs Kangra at Dharamshala, Kullu and Una

and aggregate[9] was produced by these lessees during 2011-12 to 2012-13. The royalty amounting to ₹26.38 lakh as assessed by the department was required to be recovered from these lessees but it was neither deposited by the lessees nor demanded by the department, which resulted in non-recovery of royalty to that extent. Besides, interest of ₹3.18 lakh at the prescribed rates was also leviable.

(ii) Audit further test checked between May and June 2014 the registers of royalty and returns filed by the seven lessees in the office of two MOs[10] and noticed that royalty of ₹25.74 lakh was required to be recovered from these lessees on account of 96,304 tonne crushed stone extracted by them from the leased area during 2011-12 and 2012-13. Out of this, the Department had recovered only ₹19.07 lakh, which resulted in short recovery of royalty of ₹6.67 lakh, besides interest of ₹2.89 lakh was also leviable.

On this being pointed out (between March 2014 and June 2014), the MO, Bilaspur intimated (August 2014) an amount of ₹0.12 lakh was recovered in respect of two lessees and efforts had been made to recover the balance amount. Another MO stated that action would be taken as per the provisions of Act/ Rules (December 2014).

6.7.1.2 Non-levy of interest on belated payment of royalty

Audit test checked the registers of royalty and return filed by 18 lessees in the office of MO Una between March and April 2014 and noticed that royalty of ₹60.87 lakh for the period of October 2010 to March 2013 was deposited late by these lessees. The delay in deposit of royalty ranged between six and 311 days. Interest of ₹3.61 lakh on delayed payment of royalty though recoverable from the lessees was not charged by the department.

On this being pointed out (between March 2014 and April 2014), MO Una stated that notices would be issued to the defaulters to deposit the outstanding amount of interest. Further report on recovery and reply has not been received (December 2014).

6.7.1.3 Dead rent and interest

As per HPMM (Concession) Revised Rules 1971, dead rent of the leased area or royalty due from the mineral extracted from the leased area whichever is higher shall be payable by a lessee.

Audit test checked the records of six MOs[11] between March 2014 and June 2014 and noticed that 22 lessees[12] with leased area of 62.8885 *hectare* did not extract any produce during 2010-11 to 2012-13. Therefore, these lessees were liable to pay dead rent of ₹21.79 lakh. Out of this, they had paid only ₹5.74 lakh. Balance amount of dead rent of ₹16.05 lakh had been neither demanded by the

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9 Crushed stone

10 MOs Bilaspur and Kangra at Dharamshala

11 MOs Bilaspur, Kangra at Dharamshala, Kullu, Shimla, Solan and Una

12 MOs Bilaspur: One lessee: ₹6,000, Kangra at Dharamshala: eight lessees: ₹6.67 lakh, Kullu: three lessees: ₹44,000, Shimla: three lessees: ₹3.92 lakh, Solan: five lessees: ₹13.81 lakh and Una**:** two lessees: ₹4.10 lakh

department nor paid by the lessees. Besides, interest of ₹12.95 lakh at the prescribed rate was also leviable.

On this being pointed out (between March 2014 and June 2014), MOs stated that notices would be issued to the defaulters to deposit the outstanding amount of interest. Further report on recovery and reply has not been received (December 2014).

6.7.1.4 Surface rent and interest

Rule 21.1 (i) (d) of the HPMM (Concession) Revised Rules, 1971, provides that where a mining lease granted or renewed under these rules subsists or a new lease is granted or renewed, the lessee shall have to pay in addition to the royalty and dead rent, the surface rent at the rate of ₹200 per *acre*.

Audit test checked the records of five MOs[13] between March 2014 and June 2014 and noticed that mining lease for leased area of 953.35 *acres* had been granted/ renewed in respect of 82 lessees for the years between 2009-10 and 2012-13. Therefore, these lessees were liable to pay the surface rent at the prescribed rates amounting to ₹3.02 lakh[14] besides, interest of ₹1.69 lakh was also leviable which was neither paid by the lessees nor demanded by the Department. This resulted in non-realisation of Government revenue to that extent.

6.7.2 Non-forfeiture of security deposits of minor minerals

Rule 33 of the HPMM (Concession) Revised Rules, 1971, provides that when a bid is confirmed or a tender is accepted, the bidder/ tenderer shall execute a deed in Form '*K*'. The execution of the deed shall be made within three months from the date of communication of acceptance of bid or tender to the bidder/ tenderer and if the contractor/ tenderer is at fault, the orders accepting the bid/ tender shall be deemed to have been revoked and the amounts paid under Rules 30 (2) (iv) and 31 (3) of Act *ibid*, the contract may be terminated and amount paid as security deposits shall be forfeited to the Government.

Audit test checked the records of MO Kangra at Dharamshala in June 2014 and noticed that contracts/ tenders had been awarded to seven contractors/ tenderers for the years 2012-13 to 2014-15. These contractors did not pay the prescribed fixed instalments of contract money on due dates. However, the Department had terminated their contracts between July 2012 and July 2013 but the amount paid as security deposits of ₹4.90 lakh had not been forfeited to the Government. This resulted in depriving the State Government revenue of ₹4.90 lakh.

6.7.3 Non-finalising of offence cases of illegal mining

Section 4 (1) read with 23 C (1) of MMDR Act, 1957 provides that no person shall undertake any reconnaissance, prospecting or mining operation in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting license or as the case may be, a

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[13] MOs Kangra at Dharamshala, Kullu, Shimla, Sirmour at Nahan and Una

[14] MOs Kangra at Dharamshala: 19 cases: ₹1.44 lakh, Kullu: 28 cases: ₹0.66 lakh, Shimla: 10 cases: ₹0.35 lakh, Sirmour at Nahan: 16 cases: ₹1.36 lakh and Una: nine cases: ₹0.90 lakh

mining lease, granted under this Act. Section 23 C (1) further provides that the State Government may, by notification in the Official Gazette, make rule for preventing illegal mining, transportation and storage of minerals and for the purpose connected therewith.

Audit collected the information from the office of the Director (Industries) in June 2014 and noticed that the MOs had conducted 6,973 raids/ inspection on illegal mining operation and detected 4,823 cases of illegal mining during 2010-13. Out of these cases, 2,961 cases had been compounded and fine of ₹1.53 crore imposed and recovered by the Department. Audit further noticed that out of remaining 1,862 cases of illegal mining, 1,214 cases were filed in the Court out of which 775 cases had been decided by imposing a fine of ₹12.99 lakh by the Court. The department was unaware about the action taken by the concerned MOs in remaining 648 cases as there was nothing on the record to indicate action taken in respect of these cases. The chance of recovery of dues on account of penalty, royalty or fine etc. was becoming bleak with the passage of time in these cases.

On this being pointed out (June 2014), the department intimated in July 2014 that information in respect of pending 648 cases was being sought from the concerned MOs and audit would be apprised accordingly.

6.7.4 Position of arrears of Minor Minerals

Section 52 of the HPMM (Concession) Revised Rules, 1971 provides that any rent, royalty, fee, contract money or other sum due to the Government under these rules or under the terms and conditions of any mining lease or contract, on a certificate in Form-'*L*' of such officer as may be specified by the Government in this behalf by general or special orders, shall be recovered in the same manner as arrears of Land Revenue.

Audit scrutinised the information collected from the Director (Industries) and seven MOs between March 2014 and June 2014 and noticed that an amount of ₹73.96 lakh was pending for collection for the period 2004-05 to 2012-13. Age wise analysis of outstanding amount was as under:

₹ in lakh

Particulars	More than 10 years		More than five years but less than 10 years		Less than five years		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Amount pending for recovery as arrears of land revenue	40	37.32	01	2.36	--	--	41	39.68
Arrears pending in Courts/ for write off	--	--	--	--	--	--	--	--
Arrears pending at Departmental level	30	8.41	05	4.96	18	20.91	53	34.28
Total	**70**	**45.73**	**06**	**7.32**	**18**	**20.91**	**94**	**73.96**

Source: The Departmental figures.

Out of 94 cases, 41 cases involving an amount of ₹39.68 lakh were referred to the Collector to recover the amount as ALR. The recoveries of ₹34.28 lakh involving in remaining 53 cases were neither made by the Department nor were the cases referred to the Collector under ALR.

Thus, there was non/ short recovery of revenue of ₹55.73 lakh due to under assessment of extraction of minerals, application of incorrect rate of royalty, dead rent, surface rent and non-levy of interest. Even security deposits of the contractors were not forfeited for non-payment of instalments of contract money. 1,214 offence cases, out of 1,862 cases of illegal mining detected during the period of 2011-13 were still pending.

The above points were reported to the Government/ Department (July 2014), their reply is awaited (December 2014).



Shimla **(R. M. Johri)**
The **Pr. Accountant General (Audit)**
Himachal Pradesh

Countersigned



Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**

APPENDICES

Appendix-I

Reference: Paragraph 2.3.1- Introduction

Procedure for registration, assessment and recovery of arrears under Sale Tax Laws

Registration of dealers ⇨	Section 4 and Section 8 of the HPGST Act and Section 4 and Section 14 of HPVAT Act, 2005 provide that no dealer shall, while being liable to pay tax under these Acts, carry on business as a dealer unless he has been registered and possesses a registration certificate.
Security/ Surety ⇨	Section 11 of the HPGST Act and Section 15 of HPVAT Act, 2005 provide for obtaining security in the shape of cash deposits, FDR, etc. to the satisfaction of AA. Besides, a dealer is also required to furnish personal bond with two sureties.
Payment of tax and Returns ⇨	Section 12 of the HPGST Act and Section 16 of HPVAT Act, 2005 requires a dealer to file his return, monthly/ quarterly, alongwith treasury receipt of tax deposited.
Assessment/ Scrutiny of returns of dealer ⇨	Rule 66 of the HPVAT Rules provides for selection of cases for scrutiny. Rule 34 of HPGST Rules and Rule 67 of HPVAT Rules provides for issue of notice for assessment to the dealer.
Tax demand notice ⇨	Rule 47 of the HPGST Rules and Rule 70 of the HPVAT Rules provide for serving of tax demand notice (TDN) within specified time (not be less than 15 days and not more than 30 days).
Arrears ⇨	If the dealer fails to pay the tax due within the time prescribed in the TDN, such unpaid demands constitute arrear.
Recovery measures available under Sale Tax Laws ⇨	Section 16, 16-A, 16-B, 28-A of HPGST Act and Section 25, 26, 27, 41 and 42 of HPVAT Act provide for various measures which can be adopted for recovery of government dues accrued. Rules also provides for recovery by forfeiting security furnished by a dealer.
Recovery of arrears as Arrear of Land Revenue (ALR) ⇨	Under the HPLR Act, recovery of government dues can be effected by adopting any one or more of the processes such as service of writ demand on defaulter, arrest and detention, distress and sale of moveable property, sale or attachment of estate or holding and proceedings against moveable property of the defaulter.

Appendix-II

Reference: Paragraph-2.3.6.1: Short accountal of arrear

Sr. No.	Name of the unit	No. of cases	Arrears pertained to the period between	Amount of arrears (₹ in crore)	Reasons
1	AETC, BBN-Baddi	23	September 2010 and October 2011	0.09	Arrear was not accounted/ short accounted for in arrear register as on March 2013.
		4	March 1996 and October 2011	1.33	Arrear as per ALR case files was ₹18.02 crore but the same was being reported as ₹16.69 crore.
		--	April 2009 and March 2013	3.88	Arrear was reported (March 2013) ₹92.98 crore to the Commissioner but as per party-wise arrear list it worked out to ₹96.86 crore.
			August 2009 and March 2013	2.38	As a result of jurisdictional change after creation of AETC BBN-Baddi office an arrear of ₹41.18 crore was transferred by the AETC Solan. AETC BBN-Baddi which had been accounted for as ₹38.80 crore in the records as well as in the statement forwarded to the HOD.
2	AETC Bilaspur	4	August 2003 and December 2010	0.09	Amount was outstanding in disposal register but not accounted for in arrear register.
3	AETC Hamirpur	2	March 2010 and March 2011	0.03	As above.
4	AETC Kangra at Dharamshala	18	September 2008 and December 2012, April 2008 and March 2013	0.01	As above.
		22		0.04	Arrear was either not carried over or carried over short in the arrear register.
5	AETC Nahan	23	May 2008 and August 2012	0.21	Amount was outstanding in disposal register but not accounted for in arrear register.
6	AETC Una	108	August 2008 and March 2013	0.63	As above.
		12	April 2008 and March 2013	0.05	Outstanding arrear as per ALR register was ₹92.59 lakh but it was shown ₹87.96 lakh in arrear register as on March 2013.
7	DETC (SZ)	10	August 2009 and June 2012, May 2011 and November 2011	1.23	Amount was outstanding in disposal register but not accounted for in arrear register.
		4		0.96	(a) Demand of ₹21.19 lakh was short accounted for; (b) Demand for ₹37.40 lakh, upheld by the ETC and for ₹36.97 lakh pending in appeal with the ETC, were not taken in arrear register; (c) Demand of ₹0.87 lakh outstanding for recovery, was shown as *nil* in arrear register.
		1	August 2002	0.01	Demand of ₹9,47,517 was accounted for as ₹8,50,520 in arrear list as on March 2013.
8	DETC (FS) NZ	6	September 1998 and February 2007	0.04	Arrear transferred to circle office of Kangra for recovery but it was not accounted for in that office and also not shown as arrear in any record.
Total		**237**		**10.98**	

Appendix-III

Reference: Paragraph-2.3.6.1: Short accountal of arrear

Sr. No.	Name of Unit	No. of cases	Amount of arrear (₹ in lakh)	Audit observations
1	AETC Bilaspur	3	2.98	An arrear of ₹24.00 lakh was wrongly accounted for as ₹26.98 lakh in the arrear register as on March 2013.
2	AETC Hamirpur	1	2.79	Arrear of ₹2.79 lakh was accounted for twice in the arrear register.
3	DETC (FS) SZ Parwanoo	1	18.36	The arrear was recoverable under taxes on hotels and luxuries tax which had been erroneously accounted for under VAT.
		1	0.42	Demand was quashed by the ETC vide his orders of September 2010 but the same had not been accounted for in the register of arrear.
Total		**6**	**24.55**	

Appendix-IV

Reference: Paragraph-2.3.6.2: Non-maintenance of Demand and Collection Register

Sr. No.	Revenue district	Name of the Office/ Circle	Remarks
1	BBN-Baddi	AETC BBN	Year-wise centralised arrear register had not been maintained for the period August 2009 to March 2012.
		Nalagarh I & II circles	Arrear registers for the period April 2008 to March 2012 were not maintained.
		BBN-Baddi I & II circles	It was stated that an amount of ₹51.37 crore was declared to be recovered as ALR in case of 73 defaulters but no register for monitoring of such arrear was maintained.
2	Una	AETC Una	Year-wise centralised arrear register had not been maintained for the period April 2008 to March 2012.
		Bangana Circle	Year wise arrear register was not maintained.
		Mehatpur Circle	Arrear register was not maintained from 2010-11 afterwards.
3	DETC(FS), South Zone	--	Arrear register was not maintained from 2009-10 afterwards.

Appendix-V

Reference paragraph-2.8.1: Invalid, duplicate and defective/ misuse of Forms -'C'

Name of the Unit	Name of the firm M/s	Year of assessment Date of assessment	Differential amount of tax leviable on turnover exempted	Interest leviable u/s 19 (i) of HP VAT Act	Total	Reasons for rejection of the forms
AETC BBN-Baddi	Maiden Pharmaceuticals	2007-08 05.06.2013	321598	340894	662492	The forms were duplicate copies. (2 forms)
	Jindal Builtech Pvt. Ltd.	2007-08 12.03.2013	1229917	1303712	2533629	One form was duplicate copy and other one was incomplete (1+1=2 forms)
	BDS Décor & Prefab (p) Ltd.	2007-08 30.03.2012	246819	261628	508447	The form was duplicate copy. (1 form)
	Regalia Laminates	2006-07 --	244058	258702	502760	The forms had the wrong address of new Delhi. (15 forms)
		2007-08 14.03.2013	132264	140200	272464	The duplicate copies of the forms were submitted. (2 forms)
	4 dealers	**5 cases**	**2174656**	**2305136**	**4479792**	**22 forms**
AETC Kullu	Puri Bros. Kullu	2006-07 14.03.2011	51227	63522	114749	The forms were duplicate copies. (4 forms)
		2007-08 16.03.2012	36800	39008	75808	The forms were duplicate copies. (5 forms)
	1 dealer	**2 cases**	**88027**	**102530**	**190557**	**9 forms**
AETC Mandi	Farmenta Biotech Ltd.	2009-10 28.08.12	79816	55871	135687	The forms had the wrong address of Thane, Mumbai and J&K. (7 forms)
	1 dealer	**1 case**	**79816**	**55871**	**135687**	**7 forms**
AETC Solan	Quantum Power Systems, Parwanoo	2010-11 08.06.2012	1123860	584407	1708267	Sold the ticket machine as IT product against the form. (one form)
	1 dealer	**1 case**	**1123860**	**584407**	**1708267**	**1 form**
AETC Una	Nipso Pole-fabric, Ltd	2007-08	87749	93014	180763	The forms had the wrong address. (3 forms)
		2008-09 05.06.2012	2370	2086	4456	
		2009-10 03.01.2013	5084	3559	8643	
	1 dealers	**3 cases**	**95203**	**98659**	**193862**	
8 dealers		**12 cases**	**3561362**	**3146601**	**6708165**	**42 forms**
Total sale exempted (₹ in lakh)			**₹35.61**	**₹31.47**	**₹67.08**	

Annexure-VI

Reference paragraph-2.8.2: Invalid and duplicate Forms -'*F*'

Name of the Unit	Name of the firm M/s	Year of assessment Date of assessment	Differential amount of tax leviable on turnover exempted	Interest leviable u/s 19 (i) of HP VAT Act	Total	Reasons for rejection of the forms
AETC BBN-Baddi	BDS Decor & Prefab (P) Ltd.	2007-08 30.03.2012	556959	590377	1147336	The forms were duplicate copies (2 forms).
	Wim Plast Ltd.	2007-08 15.05.2013	45829	48579	94407	The forms were covering transaction more than one month (2 forms).
AETC Una	Tara Mandal Minks Pvt. Ltd.	2006-07 03.07.2012	265990	329828	595818	The forms were covering transaction more than one month (3 forms).
3 dealers / cases			**868778**	**968784**	**1837561**	**7 forms**
Total sale exempted (₹ in lakh)			**₹8.69**	**₹9.69**	**₹18.38**	

GLOSSARY

GLOSSARY OF ABBREVIATIONS

Abbreviation	Full form of the abbreviation
AAs	Assessing Authorities
ACF	Assistant Conservators of Forest
AETCs	Assistant Excise and Taxation Commissioners
AGT	Additional Goods Tax
ALR	Arrear of Land Revenue
BBMB	Bhakra Beas Management Board
BBN	Baddi, Barotiwala and Nalagarh
BDO	Block Development Officer
BEs	Budget Estimates
BSSR	Bottled Spirit Store Room
BWH	Bonded Ware House
CA	Compensatory Afforestation
CAATs	Computer Aided Audit Techniques
CAMPA	Compensatory Afforestation fund Management and Planning Authority
CEI	Chief Electrical Inspector
CF	Conservator of Forest
CGCR	Certain Goods Carried by Road
CL	Country Liquor
CS	Country Spirit
CST	Central Sales Tax
CZ	Central Zone
DC	Deputy Commissioner
DCR	Demand and Collection Register
DDO	Drawing and Disbursing Officer
DETC	Deputy Excise and Taxation Commissioner
DFOs	Divisional Forest Officers
DVCs	District Valuation Committees
DR	Damage Report
ED	Electricity Duty
ENA	Extra Neutral Alcohol
ETC	Excise and Taxation Commissioner
ETI	Excise and Taxation Inspector
ETOs	Excise and Taxation Officers
FCA	Forest Conservation Act
FS	Flying Squad
GST	General Sales Tax
GTO	Gross Turn Over
HOD	Head of the Department
HP	Himachal Pradesh
HPLR	Himachal Pradesh Land Revenue
HPGST	Himachal Pradesh General Sales Tax
HP VAT	Himachal Pradesh Value Added Tax
HPID	Himachal Pradesh Infrastructure Development
HPMM	Himachal Pradesh Minor Minerals
HPMVT	Himachal Pradesh Motor Vehicles Taxation
HPPGT	Himachal Pradesh Passengers and Goods Taxation
HPPGTR	Himachal Pradesh Passengers and Goods Tax Rules
HPPWD	Himachal Pradesh Public Works Department
HPSFC	Himachal Pradesh State Forest Corporation

HRTC	Himachal Road Transport Corporation
IAW	Internal Audit Wing
IBM	Indian Bureau of Mines
IDEA	Interactive Data Extraction and Analysis
IFA	Indian Forest Act
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IMFS	Indian Made Foreign Spirit
IR Act	Indian Registration Act
IRs	Inspection Reports
IS Act	Indian Stamp Act
IT	Information & Technology
ITC	Input Tax Credit
MGQ	Minimum Guaranteed Quota
MIS	Management Information System
MO	Mining Officer
MoEF	Ministry of Environment and Forests
MMS	Matured Malt Spirit
MPP and P	Multi Purpose Projects and Power
MT	Metric Tonne
MVT	Motor Vehicles Tax
NH	National Highway
NIC	National Informatics Centre
NPV	Not Present Value
NZ	North Zone
PAG	Principal Accountant General
PC	Pricing Committee
PCCF	Principal Chief Conservator of Forest
PDR	Punjab Distillery Rules
PGT	Passenger and Goods Tax
PLs	Proof Liters
PSCs	Private Stage Carriages
PSPC	Punjab State Power Corporation
RRC	Revenue Recovery Certificate
RF	Registration fee
RLAs	Registering and Licensing Authorities
RS	Rectified Spirit
RTOs	Regional Transport Officers
SD	Stamp Duty
SDCs	Sub-Divisional Collectors
SFC	State Financial Corporation
SH	State Highway
SRs	Sub Registrars
SRT	Special Road Tax
SSR	Spirit Store Room
STA	State Transport Authority
SZ	South Zone
TDN	Tax Demand Notice
TTO	Taxable Turn Over
WP	Working Plan

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