



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
No. 3
REVENUE RECEIPTS
FOR THE YEAR ENDED 31 MARCH 2011**



GOVERNMENT OF UTTAR PRADESH

TABLE OF CONTENTS

Particulars	Reference to	
	Paragraph (s)	Page (s)
Preface		v
Overview		vii-x
CHAPTER – I: GENERAL		
Trend of revenue receipts	1.1	1
Response of the Department/Government towards Audit	1.2	3
Failure of senior officials to enforce accountability and protect the interest of the State Government	1.2.1	3
Departmental audit committee meetings	1.2.2	4
Response of the Departments to the draft audit paragraphs	1.2.3	5
Follow-up on Audit Reports - summarised position	1.2.4	5
Compliance with the earlier Audit Reports	1.2.5	5
Analysis of the mechanism for dealing with the issues raised by Audit	1.3	6
Position of Inspection Reports	1.3.1	6
Assurances given by the Department/Government on the issues highlighted in the Audit Reports	1.3.2	7
Recovery of accepted cases	1.3.2.1	7
Action taken on the recommendations accepted by the Departments/Government	1.3.2.2	7
Audit planning	1.4	7
Results of audit	1.5	8
Position of local audit conducted during the year	1.5.1	8
This Report	1.5.2	8
CHAPTER – II: COMMERCIAL TAX/VALUE ADDED TAX		
Tax administration	2.1	9
Trend of receipts	2.2	9
Analysis of arrears of revenue	2.3	10
Cost of VAT per assessee	2.4	10
Arrears in assessment	2.5	10
Cost of collection	2.6	11
Revenue impact of audit	2.7	11
Results of audit	2.8	11
Utilisation of declaration forms in inter-state trade and commerce (A Performance Audit)	2.9	13

Particulars	Reference to	
	Paragraph (s)	Page (s)
Other audit observations	2.10	30
Non/short levy of tax due to application of incorrect rate of tax and misclassification of goods	2.11	30
Non-imposition of penalty and non-charging of interest	2.12	33
Irregular exemption	2.13	36
Non-levy of entry tax	2.14	39
Non-levy of State Development Tax	2.15	39
Short realisation of security	2.16	40
Loss of revenue due to non-remittance of excess realised tax	2.17	40
Non-deduction of works contract tax	2.18	42
Loss of revenue due to non-registration of dealers	2.19	43
CHAPTER – III : STATE EXCISE RECEIPTS		
Tax administration	3.1	45
Trend of receipts	3.2	45
Analysis of arrears of revenue	3.3	46
Cost of collection	3.4	46
Revenue impact of audit	3.5	46
Results of audit	3.6	47
Audit observations	3.7	48
Potential loss of licence fee for the model shops	3.8	48
Low yield of alcohol from molasses	3.9	49
Non-realisation of licence fee from CSD canteen	3.10	50
Loss of revenue due to transit loss of Total Reducing Sugar (TRS)	3.11	50
Non-imposition of penalty	3.12	51
Short levy of licence fee on shops of foreign liquor	3.13	52
Loss of excise duty due to short lifting of minimum guaranteed quota of country liquor	3.14	52
Non realisation of excise duty due to short lifting of minimum guaranteed quota of country liquor	3.15	53
Non-payment of administrative charge due on issue of molasses	3.16	54
Non-levy of interest on belated payment of excise revenue	3.17	54
Short levy of overtime fees	3.18	55

Particulars	Reference to	
	Paragraph (s)	Page (s)
CHAPTER – IV : TAXES ON VEHICLES, GOODS AND PASSENGERS		
Tax administration	4.1	57
Cost of collection	4.2	57
Revenue impact of audit	4.3	57
Results of audit	4.4	58
Computerisation in Motor Vehicles Department (A Performance Audit)	4.5	59
Audit observations	4.6	79
Short levy of tax due to adoption of lesser seating capacity of Tata Magic Vehicle	4.7	79
Non-realisation of additional tax in respect of vehicles surrendered beyond three months	4.8	80
Non-levy of tax on laden weight of the vehicles	4.9	80
Short levy of tax on public service vehicles owned or controlled by UPSRTC	4.10	81
Non-realisation of tax and additional tax	4.11	82
Loss due to vehicles plying without certificate of fitness	4.12	82
Non-levy of tax on minimum seating capacity of stage carriages	4.13	83
CHAPTER-V : STAMP DUTY AND REGISTRATION FEE		
Tax administration	5.1	85
Trend of receipts	5.2	85
Analysis of arrears of revenue	5.3	86
Cost of collection	5.4	86
Revenue impact of audit	5.5	86
Results of audit	5.6	87
Audit observations	5.7	88
Evasion of stamp duty on lease deeds	5.8	88
Short levy of stamp duty due to incorrect valuation of the property	5.9	89
CHAPTER – VI : OTHER TAX AND NON-TAX RECEIPTS		
Results of audit	6.1	93
Audit observations	6.2	94
Non-levy of centage charges on deposit works	6.3	94
Non-realisation of fee/additional fee	6.4	95
Non-realisation of Net Present Value for using forest land	6.5	95
Non-charging of interest on belated payment of tax	6.6	96

PREFACE

This Report for the year ended 31 March 2011 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising trade tax/VAT, state excise, taxes on motor vehicles, stamp duty and registration fees and other tax and non-tax receipts of the State.

The cases mentioned in the Report are among those which came to notice in the course of test audit of records during the year 2010-11 as well as those which came to notice in earlier years but could not be included in the previous years' reports.

OVERVIEW

This Report contains 35 paragraphs including two reviews relating to non/short levy of tax, penalty, interest etc. involving ₹ 100.50 crore. Some of the major findings are mentioned below:

I. General

The total receipts of the Government of Uttar Pradesh for the year 2010-11 were ₹ 1,11,183.76 crore against ₹ 96,420.95 crore during 2009-10. The revenue raised by the State Government amounted to ₹ 52,531.21 crore comprising tax revenue of ₹ 41,355 crore and non-tax revenue of ₹ 11,176.21 crore. The receipts from the Government of India were ₹ 58,652.55 crore (State's share of divisible Union taxes: ₹ 43,218.90 crore and grants-in-aid: ₹ 15,433.65 crore). Thus, the State Government could raise only 47 *per cent* of the total revenue. Taxes on sales, trade, etc. (₹ 24,836.52 crore) and miscellaneous general services (₹ 5,120.67 crore) were the major source of tax and non-tax revenue respectively during the year 2010-11.

(Paragraph 1.1)

Inspection reports numbering 10,349 issued upto 31 December 2010 containing 25,501 audit observations with money value of ₹ 4,445.39 crore had not been settled upto June 2011.

(Paragraph 1.2)

Test check of the records of 1,682 units of Commercial Tax, State excise, Motor vehicles tax, Stamp duty and Registration fee, Forest and other departmental offices conducted during the year 2010-11 revealed under assessments/short levy/loss of revenue aggregating ₹ 682.45 crore in 4,425 cases. During the course of the year, the departments concerned accepted under assessments and other deficiencies of ₹ 10.11 crore involved in 913 cases of which 42 cases involving ₹ 10.86 lakh were pointed out in audit during 2010-11 and the rest in the earlier years. The departments collected ₹ nine crore in 625 cases during 2010-11.

(Paragraph 1.5.1)

II. Trade Tax/VAT

A Performance Audit on “Utilisation of declaration forms in inter State trade and commerce” revealed that:

- Due to absence of a database of exemptions and concessions of tax granted in the inter-state trade and commerce, revenue foregone during the assessment years 2006-07 to 2010-11 is not quantifiable.

(Paragraph 2.9.8)

- Due to inadequate systems in place for safe custody, issue of declaration forms and non-verification of stock of forms, chances of misuse of the forms could not be ruled out.

(Paragraph 2.9.9)

- Due to non-uploading the details of the declaration forms used in inter-state trade and commerce on the TINXSYS website, online cross-verification was not possible.

(Paragraph 2.9.10)

- Due to utilisation of fake forms/inflated/deflated declaration of central sales, tax amounting to ₹ 95.04 lakh was not levied.

(Paragraph 2.9.16)

- Irregular purchase of goods resulted in irregular exemption of tax of ₹ 16.93 crore.

(Paragraph 2.9.18)

- Penalty amounting to ₹ 30.42 lakh was not imposed on unauthorised purchase of goods from outside the State.

(Paragraph 2.9.22)

Other audit observations

There was short/non-levy of tax of ₹ 82.56 lakh in 28 Commercial Tax Offices in the case of 33 dealers due to application of incorrect rate of tax/misclassification of goods for the period from 2005-06 to 2007-08.

(Paragraph 2.11.1)

There was non-levy of tax of ₹ 4.19 crore on sale of tender forms in 14 Commercial Tax Offices in case of 14 dealers for the period from 2003-04 to 2007-08.

(Paragraph 2.11.4)

There was non-imposition of penalty of ₹ 3.04 crore in 14 Commercial Tax Offices in the case of 15 dealers for the period from 2005-06 to 2007-08.

(Paragraph 2.12.3)

There was loss of revenue of ₹ 27.68 crore in 18 Commercial tax Offices due to non-remittance of excess realised tax.

(Paragraph 2.17)

There was non-imposition of penalty of ₹ 21.61 crore in 24 Commercial Tax Offices in case of 32 dealers for non-deduction of works contract tax for the period from 2005-06 to 2008-09.

(Paragraph 2.18)

III. State Excise

There was potential loss of licence fee of ₹ 4.72 crore in three District Excise Offices in 44 model shops for the period from 2009-10 to 2010-11.

(Paragraph 3.8)

There was non-realisation of licence fee of ₹ 1.66 crore from CSD canteens in nine District Excise Offices for the period from April 2010 to June 2010.

(Paragraph 3.10)

IV. Taxes on Vehicles, Goods and Passengers

A Performance Audit on “**Computerisation in Motor Vehicles Department**” revealed that:

- SARATHI software and Enforcement module of VAHAN software was not installed and implemented.

(Paragraph 4.5.7.4)

- Smart cards were to be issued upto 2006-07, but the Department has not started issuing Smart cards so far.

(Paragraph 4.5.7.5)

- Online services are not available to the citizens as envisaged in the objectives of computerisation set by MORTH.

(Paragraph 4.5.7.6)

- Data of 62,79,933 vehicles was not digitized resulting in preparation of incomplete State Register as well as National Register.

(Paragraph 4.5.10)

- Inter connectivity amongst the State RTOs/ARTOs was not established.

(Paragraph 4.5.11)

- Various mandatory fields were not captured resulting in availability of incomplete information in the database.

(Paragraph 4.5.14.2)

- Due to lack of data validation, identical chassis numbers, engine numbers and insurance cover note numbers existed in the database.

(Paragraph 4.5.14.4)

Other audit observations

There was short levy of tax of ₹ 66.68 lakh in 14 Regional Transport Offices/ Assistant Regional Transport Offices in 3152 vehicles due to adoption of lesser seating capacity during the period from October 2009 to December 2010.

(Paragraph 4.7)

There was non-realisation of additional tax of ₹ 51.66 lakh in 11 Regional Transport Offices/Assistant Regional Transport Offices in respect of 353 vehicles surrendered for periods beyond three months during the period from April 2010 to December 2010.

(Paragraph 4.8)

V. Stamp Duty and Registration Fee

There was evasion of stamp duty of ₹ 6.15 crore in 122 lease deeds for the period from January 2005 to June 2010.

(Paragraph 5.8)

There was short levy of stamp duty of ₹ 1.39 crore in 24 Sub-Registrar Offices in 39 deeds due to incorrect valuation of property during the period from July 2009 to December 2010.

(Paragraph 5.9.1)

There was short levy of stamp duty of ₹ 1.20 crore in one Sub-Registrar Office in one deed due to undervaluation of property.

(Paragraph 5.9.2)

VI. Other Tax and Non-tax Receipts

There was non realisation of ₹ 58.01 lakh in one District Forest Office on account of net present value for using forest land.

(Paragraph 6.5)

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2010-11, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)						
Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1. Revenue raised by the State Government						
	• Tax revenue	22,997.97	24,959.32	28,658.97	33,877.60	41,355.00
	• Non-tax revenue	6,532.64	5,816.01	6,766.55	13,601.09	11,176.21
	Total	29,530.61	30,775.33	35,425.52	47,478.69	52,531.21
2. Receipts from the Government of India						
	• State's share of divisible Union taxes	23,218.31	29,287.74	30,905.72	31,796.67	43,218.90 ¹
	• Grants-in-aid	7,850.60	8,609.40	11,499.49	17,145.59	15,433.65
	Total	31,068.91	37,897.14	42,405.21	48,942.26	58,652.55
3.	Total receipts of the State (1 and 2)	60,599.52	68,672.47	77,830.73	96,420.95	1,11,183.76
4.	Percentage of 1 to 3	49	45	46	49	47

The above table indicates that during the year 2010-11, the revenue raised by the State Government was 47 *per cent* of the total revenue receipts (₹ 1,11,183.76 crore) against 49 *per cent* in the preceding year. The balance 53 *per cent* of receipts during 2010-11 was from the Government of India.

¹ For details, please see Statement No. 11 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2010-11. Figures under the major heads 0020 - Corporation tax, 0021 - Other taxes on income and expenditure, 0028 - 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 - Share of net proceeds assigned to States booked in the Finance Accounts under 'A - Tax revenue' have been excluded from revenue raised by the State and included in 'State's share of divisible Union taxes' in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)								
Sl. No	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Increase (+) or decrease (-) in 2010-11 with reference to 2009-10	Percentage of increase or decrease with reference to 2009-10
1.	Commercial tax/VAT	13,278.82	15,023.10	17,482.05	20,825.18	24,836.52	(+) 4011.34	19.26
2.	State excise	3,551.25	3,948.40	4,720.01	5,666.06	6,723.49	(+) 1,057.43	18.66
3.	Stamp duty and registration fees	4,513.67	3,976.68	4,138.27	4,562.23	5,974.66	(+) 1,412.43	30.96
4.	Taxes on vehicles	1,017.60	1,145.84	1,124.66	1,403.50	1,816.89	(+) 413.39	29.45
5.	Taxes on goods and passengers	108.70	109.65	266.49	271.05	241.69	(-) 29.36	(-) 10.83
6.	Taxes and duties on electricity	193.92	206.65	216.72	272.16	357.00	(+) 84.84	31.17
7.	Land revenue	187.52	392.53	549.28	663.14	1,134.16	(+) 471.02	71.03
8.	Other taxes and duties on commodities and services	131.57	137.50	140.58	193.34	245.15	(+) 51.81	26.80
9.	Other (hotel receipts, corporation tax, etc.)	14.92	18.97	20.91	20.94	25.44	(+) 4.50	21.49
Total		22,997.97	24,959.32	28,658.97	33,877.60	41,355.00	7,477.40	22.07

The following reasons for variation were reported by the concerned Departments:

Commercial Tax/VAT: The increase was due to more collections on account of Central Sales Tax.

State Excise: The increase was due to realisation of more revenue from “Country Spirits” “Foreign liquor and Spirits” and “Other receipts”.

Stamp and Registration: The increase was due to sale of more stamps.

Taxes on Vehicles: The increase was due to realisation of taxes on sale of vehicles and collection of taxes under the State Motor Vehicles Act.

Taxes on Goods and Passengers: The decrease was due to less collection of taxes on goods transported by roads and less transfer of money to UP Transport Relief Fund.

Land Revenue: The increase was due to collection of fixed charges, realisation of fixed arrears and current demands of land revenue/taxes, etc.

The other Departments did not inform the reasons for variation (October 2011).

1.1.3 : The following table presents the details of the non-tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)								
Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Increase (+) or decrease (-) in 2010-11 with reference to 2009-10	Percentage of increase/decrease with reference to 2009-10
1.	Misc. general services	2,281.23	1,153.53	1,698.79	8,075.13	5,120.67	(-) 2,954.46	(-) 36.59
2.	Interest receipts	828.86	1,247.84	963.87	603.66	689.32	(+) 85.66	14.19
3.	Forestry and wild life	212.37	294.80	271.92	271.29	280.34	(+) 9.05	3.34
4.	Medium irrigation	143.29	319.43	260.91	240.21	148.62	(-) 91.59	(-) 38.13
5.	Education, sports, art and culture	814.96	1,217.62	1,080.61	2,339.86	2,614.11	(+) 274.25	11.72
6.	Other administrative services	99.71	146.10	145.04	147.19	374.46	(+) 227.27	154.41
7.	Non-ferrous mining and metallurgical industries	345.34	395.20	427.31	604.97	653.39	(+) 48.42	8.00
8.	Police	209.60	147.17	160.78	119.34	177.13	(+) 57.79	48.42
9.	Crop husbandry	33.96	51.03	49.64	37.60	42.18	(+)4.58	12.18
10.	Social security and welfare	15.77	19.73	34.06	39.69	49.56	(+)9.87	24.87
11.	Medical and public health	62.67	72.11	618.84	94.35	101.35	(+)7.00	7.42
12.	Minor irrigation	33.02	31.41	31.65	25.26	36.00	(+)10.74	42.52
13.	Roads and bridges	58.83	74.24	60.69	87.10	98.51	(+)11.41	13.10
14.	Public works	26.59	34.03	57.52	72.80	69.45	(-) 3.35	(-) 4.60
15.	Co-operation	7.02	6.33	26.46	16.39	9.38	(-) 7.01	(-) 42.77
16.	Others	1,359.42	605.44	878.46	826.25	711.74	(-)114.51	(-) 13.86
Total		6,532.64	5,816.01	6,766.55	13,601.09	11,176.21	(-) 2,424.88	(-) 17.83

The concerned Departments did not inform the reasons for variation (October 2011).

1.2 Response of the Department/Government towards Audit

1.2.1 Failure of senior officials to enforce accountability and protect the interest of the state Government

The Accountant General (C&RA), Uttar Pradesh (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the 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 AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

We reviewed the IRs issued upto December 2010 and found that 25,501 paragraphs involving ₹ 4,445.39 crore relating to 10,349 IRs remained

outstanding at the end of June 2011, as mentioned below along with the corresponding figures for the preceding two years:

Sl. No.		2009	2010	2011
1.	Number of inspection reports pending settlement	8,547	9,287	10,349
2.	Number of outstanding audit observations	20,222	22,484	25,501
3.	Amount of revenue involved (₹ in crore)	4,559.97	3,757.81	4,445.39

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned below:

Sl. No.	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved (₹ in crore)	Year to which the observations relate
1.	Commercial Tax/VAT including Entry tax	3,369	12,047	1,839.35	1984-85 to 2010-11
2.	State Excise	868	1,436	507.19	1984-85 to 2010-11
3.	Land revenue	565	809	28.09	1987-88 to 2010-11
4.	Taxes on vehicle, goods and passengers	921	2,582	234.49	1984-85 to 2010-11
5.	Public works	471	931	64.78	1986-87 to 2010-11
6.	Irrigation	350	749	108.52	1984-85 to 2010-11
7.	Taxes on purchase of sugarcane	97	112	54.29	1985-86 to 2010-11
8.	Stamp duty and registration fees	2,433	4,252	204.34	1984-85 to 2010-11
9.	Agriculture	182	309	22.22	1985-86 to 2010-11
10.	Electricity duty	172	210	166.15	1988-89 to 2010-11
11.	Food and civil supplies	105	179	19.77	1991-92 to 2010-11
12.	Co-operative	93	114	5.97	1985-86 to 2010-11
13.	Entertainment tax	114	199	7.28	1997-98 to 2010-11
14.	Medical and public health	116	480	10.40	2002-03 to 2010-11
15.	Forestry and wild life	490	1,089	1,172.53	2003-04 to 2010-11
16.	Jail	3	3	0.02	2002-03 to 2010-11
Total		10,349	25,501	4,445.39	

This large pendency of the IRs is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

We recommend that the Government take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as initiate action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

1.2.2 Departmental audit committee meetings

The Government set up audit committees during various periods to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2010-11 and the paragraphs settled are mentioned below:

Name of Department	Number of meetings held	Number of paras under consideration	Number of paras settled	Amount (₹ in crore)
Commercial tax	26	607	298	2.36
Stamp duty and registration fees	4	814	399	5.99
State excise	9	766	282	36.19
Taxes on vehicles, goods and passengers	2	988	410	9.31
Total	41	3,175	1,389	53.85

In order to expedite clearance of outstanding audit observations, it is necessary that audit committees should meet regularly and ensure appropriate action on all audit observations leading to their settlement.

1.2.3 Response of the Departments to the draft audit paragraphs

The Department of Finance issued directions to all the Departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. We forward the draft paragraphs to the Secretaries of the concerned Departments through demi-official letters by the AG, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments is invariably indicated at the end of each paragraph included in the Audit Report.

33 draft paragraphs and two reviews included in this Report for the year ended 31 March 2011 were forwarded to the Secretaries of the concerned Departments between July 2011 and October 2011 through demi-official letters. The Secretaries of the concerned departments sent replies against two reviews, while replies against draft paragraphs have been received only from the Departments of State Excise and Stamps and Registration. Paragraphs from other Departments have been included in this report without the response of the Government.

1.2.4 Follow-up on Audit Reports - summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Out of 95 paragraphs/reviews included in Audit Reports relating to the period 2005-06 to 2009-10 which have already been laid before the State legislature, no explanatory notes (ENs) in respect of 43 paragraphs/reviews were received in our office as on October 2011. The outstanding ENs dating back to 2005-06 are as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/reviews included in the Audit Reports	No. of paragraphs/reviews on which ENs have been received from the Departments	No. of paragraphs/reviews on which ENs have not been received from the Departments
2005-06	25 January 2007	21	18	3
2006-07	15 February 2008	24	12	12
2007-08	17 February 2009	16	14	2
2008-09	28 January 2010	13	8	5
2008-09 (Stand Alone Report on State Excise)	05 August 2011	1	0	1
2009-10	08 August 2011	20	0	20
Total		95	52	43

1.2.5 Compliance with the earlier Audit Reports

In our Audit Reports 2005-06 to 2009-10 cases of under assessment, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving

₹ 3,557.83 crore were reported. As of October 2011, the Departments concerned have accepted observations of ₹ 950.51 crore and recovered ₹ 15.78 crore. Audit Report-wise details of cases accepted and recovered are mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2005-06	906.66	7.91	2.39
2006-07	92.18	1.74	0.37
2007-08	1,035.85	927.83	12.83
2008-09	109.07	4.26	0.03
2008-09 (Stand Alone Report on State Excise)	1,344.56	--	--
2009-10	69.51	8.77	0.16
Total	3,557.83	950.51	15.78

The recovery in respect of the accepted cases is extremely low (1.66 per cent).

The Government needs to take necessary steps for prompt recovery of the amounts involved, at least in the accepted cases.

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

In order 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 reviews included in the Audit Reports of the last five years in respect of one Department has been evaluated and included in this Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the **Stamp and Registration Department** in dealing with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2005-06 to 2009-10.

1.3.1 Position of Inspection Reports

The summarised position of Inspection reports issued during the last five years, paragraphs included in these reports and their status as on March 2011 are tabulated below:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2005-06	1518	2756	271.21	153	198	3.46	6	7	0.02	1665	2947	274.65
2006-07	1665	2947	274.65	148	213	4.36	3	4	--	1810	3156	279.01
2007-08	1810	3156	279.01	140	222	7.59	29	108	0.69	1921	3270	285.91
2008-09	1921	3270	285.91	267	437	10.74	335	446	2.96	1853	3261	293.69
2009-10	1853	3261	293.69	394	642	14.96	39	60	0.32	2208	3843	308.33

During the year 2009-10, two Audit Committee meetings were held in which 19 paragraphs involving money value of ₹ 7 lakh were settled. In 2010-11, four Audit Committee meetings were held in which 399 paragraphs involving amounts of ₹ 5.99 crore were settled.

1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned below:

(₹ in crore)						
Year of AR	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2005-06	3	0.66	--	--	--	--
2006-07	3	0.65	--	--	--	--
2007-08	1 (Review)	87.09	1	50.53	--	--
2008-09	1	4.05	--	--	--	--
2009-10	2	0.69	--	--	--	--

The analysis of the above table shows that the percentage of the paragraphs accepted and their money value is very low. The amount of recovery in relation to the money value of accepted para is nil.

We recommend that the Department ensure that it recovers at least the amounts involved in the accepted paragraphs.

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

The draft performance reviews conducted by us 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 finalising the reviews for the Audit Reports.

The details of issues highlighted in the review on the Stamp and Registration Department featured in the Audit Report 2007-08 including the recommendations made and the recommendations accepted by the Department are mentioned below:

Year of Audit Report	Title of the review	Number of recommendations	Number of recommendations accepted
2007-08	Deficiencies in charging of stamp duty on valuation of property and different nature of document	5	4

The Department has not yet communicated the action taken on the recommendations given in this report.

1.4 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 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 revenues 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, features of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2010-11, the audit universe comprised of 3,300 auditable units, of which 1,882 units were planned and 1,682 units were audited which was 89.37 *per cent* of the total planned units. The details are shown in the following table:

Sl. No.	Departments	Total number of auditable units	Total number of planned units	Total number of audited units	Arrear units	Percentage of units audited to planned units
1.	Commercial Tax	1420	997	892	105	89.47
2.	State Excise including distilleries	335	236	190	46	80.51
3.	Motor Vehicle Taxes	71	71	71	--	100.00
4.	Co-operative	61	--	--	--	--
5.	Agriculture	122	--	--	--	--
6.	Food and Civil Supplies	61	--	--	--	--
7.	Entertainment tax	71	36	32	04	88.89
8.	Public Works Department	70	24	18	06	75.00
9.	Stamp and Registration	347	347	329	18	94.81
10.	Land Revenue	301	10	09	01	90.00
11.	Irrigation	75	25	21	04	84.00
12.	Medical and Public Health	76	25	19	06	76.00
13.	Electricity Duty	80	--	--	--	--
14.	Jail	30	--	--	--	--
15.	Interest Receipts	31	11	07	04	63.64
16.	District Mines Officer	36	12	11	01	91.67
17.	Forestry and Wild Life	113	88	83	5	94.32
	Total	3300	1882	1682	200	89.37

Besides the compliance audit mentioned above, two performance reviews were also taken up to examine the efficacy of the tax administration of these receipts.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Our test check of the records of 1,682 Commercial tax, State excise, Motor vehicles tax, Stamp duty and Registration fee, Forest and other Departmental offices conducted during the year 2010-11 revealed under assessments/short levy/loss of revenue aggregating ₹ 682.45 crore in 4,425 cases. During the course of the year, the Departments concerned accepted under assessments and other deficiencies of ₹ 10.11 crore involved in 913 cases of which 42 cases involving ₹ 10.86 lakh were pointed out in audit during 2010-11 and the rest in the earlier years. The Departments collected ₹ nine crore in 625 cases during 2010-11.

1.5.2 This report

This report contains 35 paragraphs including two reviews on “**Utilisation of declaration forms in inter State trade and commerce**” and “**Computerisation in Motor Vehicles Department**” relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 100.50 crore. The Departments/Government have accepted audit observations involving ₹ 17.09 crore out of which ₹ 71.84 lakh has been recovered. The replies in the remaining cases have not been received (October 2011). These cases are discussed in the succeeding Chapters II to VI.

CHAPTER-II

COMMERCIAL TAX / VALUE ADDED TAX

2.1 Tax administration

Trade Tax (TT) (known as Commercial Tax after December 2007) is the major source of revenue of the State and accounted for 60.06 *per cent* (₹ 24,836.52 crore) of the total tax revenue (₹ 41,355 crore) of the State during the year 2010-11. The levy of commercial tax is governed by the provisions of the Uttar Pradesh Trade Tax Act, 1948 (UPTT Act) and rules made thereunder upto 31 December 2007, and thereafter by the provisions of the Uttar Pradesh Value Added Tax Act, 2008 (UPVAT Act) implemented from 1 January 2008. The levy of Central Sales Tax is regulated by the provisions of the Central Sales Tax Act, 1956 (CST Act) and the rules made thereunder.

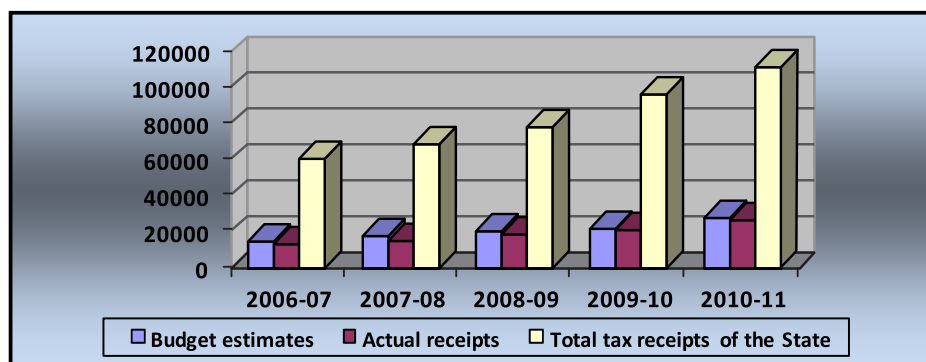
The Principal Secretary *Vanijaya Evam Manoranjan Kar* Uttar Pradesh, is the administrative head at Government level. The overall control and direction of the Commercial Tax Department vests with the Commissioner, Commercial Tax (CCT), Uttar Pradesh with headquarters at Lucknow. He is assisted by Additional Commissioners, Joint Commissioners (JCs), Deputy Commissioners (DCs), Assistant Commissioners (ACs) and Commercial Tax Officers (CTOs).

2.2 Trend of receipts

Actual receipts from Trade Tax/VAT during the last five years from 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and bar diagram:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess(+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual Trade Tax/VAT receipts vis-à-vis total receipts
2006-07	14,528.00	13,278.82	(-) 1,249.18	(-) 8.60	60,599.52	21.91
2007-08	17,314.10	15,023.10	(-) 2,291.00	(-) 13.23	68,672.47	21.88
2008-09	19,705.00	17,482.05	(-) 2,222.95	(-) 11.28	77,830.73	22.46
2009-10	20,741.27	20,825.18	(+) 83.91	(+) 0.40	96,420.95	21.60
2010-11	26,978.34	24,836.52	(-) 2,141.82	(-) 7.94	1,11,183.76	22.34



2.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 16,665.41 crore of which ₹ 11,804.32 crore was outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11:

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2006-07	8,456.33	6,113.24	14,569.19
2007-08	14,569.19	3,487.63	11,081.94
2008-09	11,081.94	4,307.91	15,389.85
2009-10	15,389.85	1,063.45	16,453.30
2010-11	16,453.30	1,350.97	16,665.41

The Department stated that the demand certified for recovery as arrears of land revenue of ₹ 1,211.60 crore has been issued, ₹ 2,429.15 crore had been stayed by the Courts and Government, recovery outstanding on Government departments and semi-Government departments was ₹ 468.39 crore, recovery certificates of ₹ 948.97 crore were sent to other States, recovery certificates of ₹ 69.32 crore were on transporters in the State, demand of ₹ 1,342.74 crore is likely to be written-off and rest of the arrear amount of ₹ 10,195.24 crore was pending for specific action by the Department.

2.4 Cost of VAT per assessee

The cost of VAT per assessee during the period from 2008-09 to 2010-11 is tabulated below:

Year	Number of dealers	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Cost per assessee (in ₹)
2008-09	5,79,900	17,482.05	272.54	4,699.78
2009-10	5,75,434	20,825.18	358.43	6,228.86
2010-11	5,94,695	24,836.52	391.45	6,582.37

2.5 Arrears in assessment

The details of assessments relating to commercial tax pending at the beginning of the year, additional cases that became due for assessment during the year, cases disposed during the year and cases pending at the end of the year as furnished by the Commercial Tax Department during 2006-07 to 2010-11 are mentioned in the following table:

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed of during the year	Cases pending at the close of the year
2006-07	5,41,109	6,00,531	11,41,640	5,64,532	5,77,108 ¹
2007-08	5,76,968	6,19,710	11,96,678	2,58,011	9,38,667
2008-09	9,38,667	5,33,358	14,72,025	9,50,313	5,21,712
2009-10	5,21,712	1,83,378	7,05,090	6,92,704	12,386
2010-11	12,386	5,44,458	5,56,844	5,50,802	6,042

¹ The closing balance as on 31 March 2007 does not tally with the opening balance as on 1 April 2007.

The department needs to complete the pending assessment cases within the prescribed time limit.

2.6 Cost of collection

The gross collection in respect of Trade Tax/VAT receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the previous year
2008-09	17,482.05	272.54	1.56	0.83
2009-10	20,825.18	358.43	1.72	0.88
2010-11	24,836.52	406.65	1.64	0.96

Source: As per Finance Accounts 2010-11 and departmental figures.

Thus, the percentage of expenditure on collection was higher than the all India average in all the three years.

The Government needs to take appropriate measures to bring down the cost of collection.

2.7 Revenue impact of audit

During the last five years (excluding the report of the current year), we had pointed out through our Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 1,569 crore in 8,605 cases. Of these, the Department/Government had accepted audit observations in 970 cases involving ₹ 15.05 crore and had since recovered ₹ 1.63 crore in 366 cases. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	411	1,169	161.29	47	1.45	6	0.11
2006-07	473	1,548	74.60	38	0.36	6	0.02
2007-08	489	1,210	1,191.14	124	0.51	114	0.46
2008-09	591	1,967	64.65	202	5.60	128	0.68
2009-10	685	2,711	77.32	559	7.13	112	0.36
Total	2649	8,605	1,569.00	970	15.05	366	1.63

2.8 Results of audit

On test check of the assessments and other records of commercial tax offices, conducted during 2010-11, revealed non/short levy of tax, non/short levy of tax due to misclassification of goods and incorrect rate of tax, irregular exemption, etc. of ₹ 94.73 crore in 2,648 cases, which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Utilisation of declaration forms in inter-state trade and commerce (A Performance Audit)	1	24.45
2.	Non/short levy of penalty/interest	749	18.41
3.	Non/short levy of tax	256	5.87
4.	Irregular grant of exemption from tax	610	11.28
5.	Incorrect classification of rate of goods	556	5.79
6.	Misclassification of goods	53	0.96
7.	Irregularities relating to central sales tax	28	0.26
8.	Mistake in computation	30	0.63
9.	Turnover escaping tax	21	2.30
10.	Other irregularities	344	24.78
Total		2,648	94.73

During the year 2010-11, the Department accepted under assessments and other deficiencies of ₹ 1.63 crore involved in 436 cases of which 40 cases involving ₹ 9.61 lakh had been pointed out during 2010-11 and the remaining in the earlier years. The Department recovered ₹ 52.51 lakh in 148 cases during the year 2010-11, of which 13 cases involving ₹ 5.89 lakh related to the year 2010-11 rest to the earlier years.

A Performance Audit on “**Utilisation of declaration forms in inter-state trade and commerce**” and few illustrative cases involving ₹ 85.73 crore are mentioned in the succeeding paragraphs.

2.9 Utilisation of declaration forms in inter-state trade and commerce

Highlights

- Due to absence of a database of exemptions and concessions of tax granted in the inter-state trade and commerce, revenue foregone during the assessment years 2006-07 to 2010-11 is not quantifiable.

(Paragraph 2.9.8)

- Due to inadequate systems in place for safe custody, issue of declaration forms and non-verification of stock of forms, chances of misuse of the forms could not be ruled out.

(Paragraph 2.9.9)

- Due to non-uploading the details of the declaration forms used in inter-state trade and commerce on TINXSYS website, online cross-verification was not feasible.

(Paragraph 2.9.10)

- Due to utilisation of fake forms/inflated/deflated declaration of central sales, tax amounting to ₹ 95.04 lakh was not levied.

(Paragraph 2.9.16)

- Irregular purchase of goods resulted in irregular exemption of tax of ₹ 16.93 crore.

(Paragraph 2.9.18)

- Penalty amounting to ₹ 30.42 lakh was not imposed on unauthorised purchase of goods from outside the State.

(Paragraph 2.9.22)

2.9.1 Introduction

Central Sales Tax (CST) is levied under the provision of the Central Sales Tax Act, 1956 read with the Central Sales Tax (Registration and Turnover) Rules, 1957 {CST (R&T) Rules} and Sales Tax Rules (UP), 1957 on inter-state sales. The tax is collected and retained by the State Government from where the movement of the goods commences. Every dealer registered under the CST Act is required to declare his places of business within the State and details of branches in other States, at the time of registration.

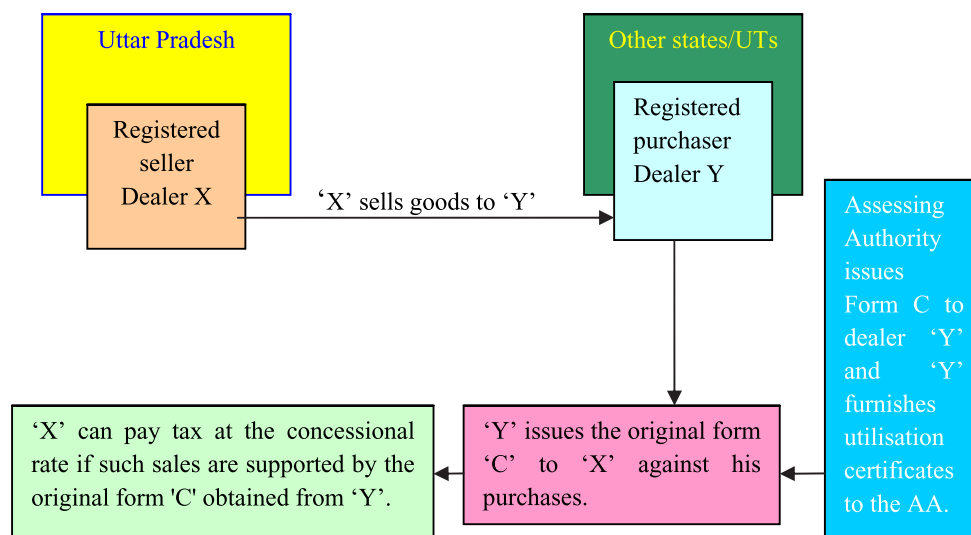
Form C

Under the provision of the CST Act, every dealer, who in the course of inter-state trade or commerce, sells to a registered dealer, goods of classes specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* (three *per cent* w.e.f. 1.4.2007 and two *per cent* w.e.f. 1.6.2008) of such turnover provided such sales are supported by declarations in form 'C'. Otherwise, tax is leviable at the rate of 10 *per cent* or local rate of tax, whichever is higher. From 1.4.2007, inter-state

sales not supported by declaration forms are to be taxed at the local rate of tax of respective goods.

A graphic illustration of inter-state transactions covered by Form C is given below:

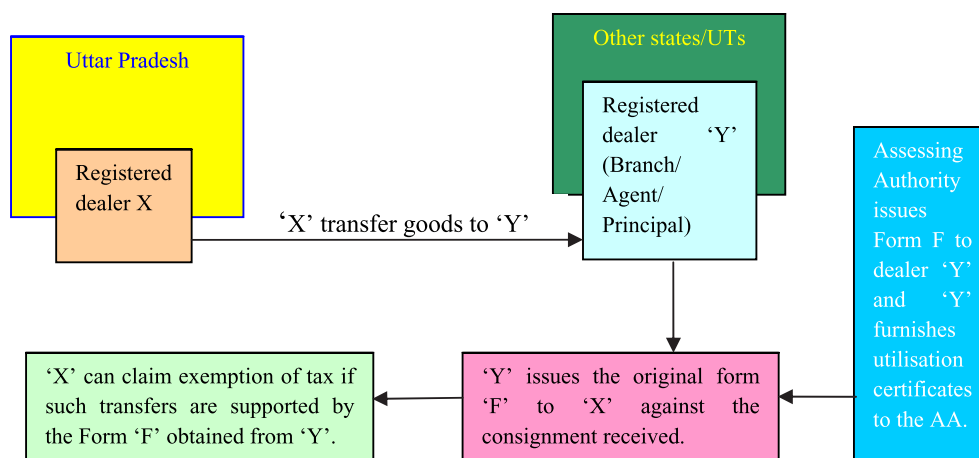
Form C



Under Section 6A of the CST (Amendment) Act, 1972, transfer of goods not by reason of sales by a registered dealer to any other place of business outside the State or to his agent or principal in other states is exempt from tax on production of declaration in form 'F', duly filled in and signed by the principal officer of the other place of business or his agent or principal as the case may be, along with the evidence of dispatch of such goods. Filing of declaration in form 'F' was not mandatory upto May 2002. However, the Act provided for the assessing authority to make such enquiries as is deemed necessary to satisfy itself about the bonafides of the transfer such as sale *patties*, dispatch particulars, way bills etc. As per rule, one 'F' form should cover the transaction of only one calendar month.

According to the provisions of Section 9 of the CST Act, penal measures of the Uttar Pradesh Value Added Tax Act, 2008 (UPVAT Act) for commitment of various wrong actions, such as concealment of turnover, maintenance and production of false accounts, issuance or furnishing a false or wrong certificate or form of declaration, non-deposit of tax or returns in time etc., are also applicable in case of inter-state trade and commerce. Further, under the CST Act penal measures are there for unauthorised purchase of goods.

A graphic illustration of inter-state transactions covered by form F is given below:

Form F

We conducted this performance audit to ensure the accuracy of the exemptions and concessions granted under the CST Act. The review revealed a number of system and compliance deficiencies, which are discussed in the subsequent paragraphs.

2.9.2 Organisational set up

The determination of policy, monitoring and control at the Government level is done by the Principal Secretary (Commercial Tax- Entertainment Tax) Uttar Pradesh. The overall control and direction of the Commercial Tax Department is with the Commissioner, Commercial Tax, Uttar Pradesh (CCT) with headquarters at Lucknow. He is assisted by Additional Commissioners, Joint Commissioners (JC), Deputy Commissioners (DC) and Assistant Commissioners (AC) at Headquarter's level. JC (Forms) is responsible for printing and distribution of various declaration forms.

Special Investigation Branch (SIB) of the Department is responsible for cross verification of transactions of stock transfer of ₹ 5 lakh and above made to other states/Union Territories.

2.9.3 Audit objectives

The performance audit was conducted with a view to ascertain:

- the adequacy, reliability and effectiveness of the system of receipt, issue and use of statutory forms and to detect evasion of taxes in sales trade etc. in the course of inter-state sales/stock transfer;
- whether the Department has introduced an effective system of cross verification of the documents furnished by the dealers;
- whether claims for exemption/concession of tax on the basis of declaration forms were allowed after verifying their genuineness and are in accordance with the provisions of the Acts and rules made thereunder; and
- whether sufficient internal controls existed to ensure proper use of forms so as to prevent leakage of revenue.

2.9.4 Audit criteria

The grant of exemptions/concessions allowed in the transaction of inter-state sales was scrutinised on the basis of the provisions of the CST Act, CST (R&T) Rules and CST (UP) Rules and Departmental orders and circulars, issued from time to time.

2.9.5 Scope and methodology of audit

We conducted the performance audit between November 2010 and August 2011. The scope of the audit was limited to C and F forms only. In the first phase of audit between November 2010 to January 2011 we captured the details of 953 C forms and 736 F forms from 86 assessment offices of 35 districts pertaining to 25 States², for cross verification with the records of the purchasing dealer located in these States. In the second phase of the audit, after verification by these states, we confirmed the observations pertaining to the erring dealers of UP from the offices of the concerned Assessing Authorities. We also collected information from the office of the CCT UP Lucknow, JC (Executive), Lucknow and Noida regarding printing, distribution of declaration forms used in inter-state trade and commerce. Cases noticed during regular audit of other units have also been included in the report.

2.9.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Department of Commercial Tax in providing the necessary information and records for audit. An entry conference was held with the Department in June 2011, in which the Department was apprised about the scope and methodology of audit. The findings of the performance audit were forwarded to the Department and the Government in September 2011. An exit conference was held in November 2011 in which the Commissioner, Commercial Tax represented the Department. The response of the Government/Department has been incorporated in the relevant paragraphs.

Audit findings

Financial Analysis

2.9.7 Variation between budget estimates and actual receipts

The budget estimates formulated by the Government for collection of revenue

As per the provision of Para 25 of the Budget manual, in the preparation of the budget the aim is to achieve as close an approximation to the actual as possible. It is therefore essential that not only all items of revenue and receipts should be provided but the arrears, if any, outstanding from past years for collection should be included in the budget estimates.

under the Minor Head 101- Receipts under Central Sales Tax Act under the Major Head 0040 - Tax on Sales, Trade etc. and actual collection

for the years 2006-07 to 2010-11 are given in the following table:

² Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand and West Bengal.

(₹ in crore)				
Year	Budget estimates	Actual Receipts	Variation shortfall (-)/ surplus (+)	Percentage of variation (Col. 2 to 3)
(1)	(2)	(3)	(4)	(5)
2006-07	1120.00	689.00	(-)431	(-)38.48
2007-08	1350.00	1385.00	(+)35	(+)2.59
2008-09	1200.00	1438.00	(+)238	(+)19.83
2009-10	1574.00	1398.00	(-)176	(-)11.18
2010-11	1761.00	1968.00	(+)207	(+)11.75

Source: Budgets estimates and Finance Accounts

It is evident from the above table that there were abnormal variations during 2006-07 and 2010-11. The variation between BEs and actual receipts ranged between (-) 38.48 and 19.83 *per cent*.

After we pointed this out to the Department and the Government in September 2011, the Department stated during the exit conference that the variation during 2006-07 was due to non-reconciliation of the figures. It was stated that during 2006-07 actual collection under CST was ₹ 1206.63 crore, whereas under the Finance Accounts receipts of ₹ 689 crore have been depicted. However, the Department did not spell out the action plan for reconciliation of the same. Further, the variation during 2010-11 was reported to be due to realisation of tax on huge sales of vehicles by Tata Motors, Lucknow and parts of Fighter Planes by Hindustan Aeronauticals Limited, Lucknow which is not a common phenomenon each year.

System deficiencies

2.9.8 Absence of database of exemption and concession of tax

Under the provisions of the CST Act and rules made thereunder, exemption and concession of tax are allowed by the Department on fulfillment of certain terms and conditions. A reliable database of exemption/concession of tax allowed to dealers is therefore a pre-requisite for informed decision making.

We collected information from the 16³ offices of Joint Commissioner (Executive) and found that no data was readily available in respect of exemption/concession of tax

granted. Consequently, the revenue foregone during the assessment years 2006-07 to 2010-11, due to grant of exemption and concession of tax, is not quantifiable.

We recommend that a database of exemptions and concessions of tax granted under the CST Act may be maintained at the apex level.

2.9.9 Printing, custody and issue of declaration forms

It is incumbent upon the Department to ensure proper custody, receipt and issue of declaration forms so as to obviate the possibility of misuse leading to leakage of revenue. The Form section under the charge of JC (Forms) is responsible for printing of the various declaration forms by inviting the tenders and after completion of the related formalities.

³ JC (Exec.) Range A and B Allahabad, JC (Exec.) Range A, B and C Ghaziabad, JC (Exec.) Range A, B and C Kanpur, JC (Exec.) Range A, B and C Lucknow, JC (Exec.) Range A and B Saharanpur and JC (Exec.) Range A, B and C Varanasi.

We found that forms were printed from the private security press after the approval of the Government and inviting tenders as the facility of printing such forms with required security features like presence of ultra violet security, invisible fibre, seven digit numbering, use of specified ink, anti copying ink and change of colour according to temperature were not available in the Government Press, Allahabad. However, there is no technically qualified team in the Department to ascertain that the forms have been printed with the required security features, the grounds on which the work of printing was assigned to the private press. The printed forms were required to be stored by the press at their own expenses at Noida and were to be issued to designated authorities.

The JC (Forms) only supplied information regarding the number of forms F and C printed with series number of the forms, from 2003-04 to 2007-08. The JC (Forms) intimated that the declaration forms are distributed to various zones by the two Nodal officers nominated for this purpose (one at Lucknow and another at Noida). JC (Executive) Noida and JC (Executive) Lucknow are responsible for distribution of declaration forms to the Western and Eastern Zones respectively but there is no clear demarcation as to which districts fall under the Eastern and Western Zone. Further, no formal order has been sent to nodal officers for distribution of forms to the JC (Executives) of the respective Zones.

We also found that the forms are distributed to the JC (Executive) without ascertaining the consumption of declaration forms. There was no system of physical verification of the forms at the point where the bulk of the forms are stored after printing nor at the level of nodal officers.

We collected information from the office of Nodal officer of Lucknow and found that records maintained in the office did not reveal the series number of the forms, handed over to the concerned zones for onward distribution to the dealers.

The Nodal officer Noida did not maintain any records regarding receipt and distribution of the declaration forms. On being requested to supply the details of forms F and C distributed to the zones, the information regarding form C was got compiled from the printing press.

We noticed that series number of forms were not mentioned against the serial number of forms distributed. As far as the information related to form F is concerned, only total number of forms without Serial and Series number, given to the concerned JC (Executive), were made available by the press. In the absence of series number in respect of form C and serial and series numbers in respect of F forms, the correctness of forms issued and utilised could not be verified.

There is no system of storage and safe custody of all the printed forms. We found that even after printing, forms are kept in the premises of the press and on requisition from the nodal officer Lucknow, they are issued to the nodal officer for further distribution amongst the unit officer of the Eastern Zone but in case of nodal officer Noida, the requisition is directly sent to the press for supply of the forms for further distribution to the units of the Western Zone.

Information regarding use of fake, theft and destroyed forms were not available in the offices of the Nodal officers responsible for distribution of the forms.

This indicates weak monitoring and management of the process of distribution of forms by the Department.

After we pointed this out to the Department and the Government in September 2011, the Department issued an office memorandum No. JC/2011-12/1112076/131/CT dated 21 November 2011 covering all the points raised by us.

2.9.10 Online cross verification

With a view to help the Commercial Tax Departments of various States and Union Territories in monitoring the sales/purchases made in the course of inter-state trade and commerce the Empowered Committee of State Finance Ministers authored a website named Tax Information Exchange System (TINXSYS) as a repository of Inter-state Transactions.

Tax Information Exchange System (TINXSYS) is a centralised exchange of all interstate dealers spread across the various States and Union territories of India. TINXSYS would help the Commercial Tax Departments of various states and Union Territories to effectively monitor the interstate trade.

TINXSYS can also be used by any dealer to verify the counter party dealer in any other State. Apart from dealer verification Commercial Tax Department officials will use TINXSYS for verification of central statutory forms issued by other States' Commercial Tax Departments and submitted to them by the dealers in support of claim for concessions.

We collected information from the office of the Commissioner of Commercial Tax and found that though an interface has been developed between the Departmental server and the TINXSYS server, the information regarding issue and utilisation of declaration forms is not being uploaded on the TINXSYS website. Under the provision of the UP VAT Rules read with the Commissioner's circular dated 21.12.2010, all

dealers have to compulsorily file e-returns irrespective of their turnover, but despite this the Department is not uploading the dealers details on the website.

Availability of TINXSYS data for the year 2011 for Uttar Pradesh, as on 14.11.2011 is displayed below:

Reports for Selected States

www.tinxsys.com

Tax Information Exchange System

Welcome to TINXSYS (Tax Information Exchange System)

Tinxsys Data Availability for the year 2011 for Uttar Pradesh

Sl. No.	Table Name	Total Count	Last Updated Date
1	Dealer Main Record	0	Data not given by state.
2	C Form	0	Data not given by state.
3	C Form Utilization	0	Data not given by state.
4	E1 Form	0	Data not given by state.
5	E1 Form Utilization	0	Data not given by state.
6	E2 Form	0	Data not given by state.
7	E2 Form Utilization	0	Data not given by state.
8	F Form	0	Data not given by state.
9	F Form Utilization	0	Data not given by state.
10	H Form	0	Data not given by state.
11	H Form Utilization	0	Data not given by state.
12	Periodic Returns	0	Data not given by state.
13	District Master	0	Data not given by state.
14	Office Master	0	Data not given by state.
15	Commodity Master	0	Data not given by state.

Back View Form

After we pointed this out to the Department and the Government in September 2011, the Department replied during the exit conference that all work is being done manually but by the end of this year it is expected that the data would be uploaded on the website.

The Government may consider uploading the data pertaining to central forms on the TINXSYS website to enable online cross verification.

2.9.11 Database of dubious/risky dealers

To prevent evasion of tax, it is desirable to prepare a database of dubious or risky dealers based on their past history, listing cases of fraud, concealment/uses of fake forms etc., to avail exemption or concession in the rate of tax in inter-state trade and commerce. This database should be available online in the Taxation Department's website also for the information of all concerned, which would not only serve the Department to have a fair idea of dealers having dubious track records but would also alert other States about such dealers.

We checked the website of the Commercial Tax Department and found that even after computerisation of the Department, no such database of dubious/risky dealers is available.

We recommend that a database of dubious/risky dealers may be prepared and published in the official website of the Department.

After we pointed this out to the Department and the Government in September 2011, the Department agreed with our suggestion during the exit conference and stated that a list of fake firms found will be published on the website.

2.9.12 Non-utilisation of departmental website

We checked the official website of the Commercial Tax Department of Uttar Pradesh (comtax.up.nic.in) and found that in the Search Dealers option, some information like tax payer's identification number, dealer's name, firm's name, dealer's address, status of dealer (active/suspended), are available. In order to ascertain the correctness of the information published on the official website we searched the details of 150 active dealers on the website and found that 53 dealers of 18 districts⁴ were not displayed as registered dealers under the CST Act though they were registered under the CST Act and were carrying on their business in inter-state trade and commerce during 2005-06 to 2007-08 by issuing 'C' and 'F' statutory forms.

After we pointed this out to the Department and the Government in September 2011, the Department replied during the exit conference that due to non supply of the information by the field offices this information was not correct. Now, after rectification correct information would be uploaded on the website.

As the website of the Department is not updated and the active dealers of the CST are being exhibited as "no CST dealer" the use of the website for various purposes including cross verification is defeated.

We recommend that the correct information may be uploaded on the website and the correctness of the information may be periodically checked.

2.9.13 Non-allotment of registration number under CST Act

We observed that in the Search Dealers option Taxpayer identification number (TIN) allotted is displayed but no field was located to enter the CST registration number of the dealer because as per action points decided by the Empowered Committee of State Finance Ministers⁵, states following separate TIN for VAT and CST registration were to take steps to issue only one TIN subsequently. But due to allotment of only one TIN for registration under the State Act and Central Act, it is not possible to identify a dealer not registered under the CST Act and in absence of any separate number for CST registration, cross verification through the departmental website by the stakeholders is not possible.

After we pointed this out to the Department and the Government in September 2011, the Department issued an order No. 725/1112079/CT dated 02 December 2011 regarding suffixing alphabets to the TIN numbers to distinguish the dealers registered under UP VAT Act and CST Act.

⁴ Agra, Aligarh, Allahabad, Badaun, Bagpat, Ballia, Barabanki, Bareilly, Bhadohi, Bijnore, Bulandshahr, Chandauli, Deoria, Etah, Faizabad, Firozabad, Gautam Budh Nagar and Ghaziabad.

⁵ No.14/4EC/TINXSYS/2005 dated 20 September 2005.

2.9.14 Deterrence in the system

Penalties

Under the CST Act, if a registered dealer misrepresents while purchasing any goods covered by his registration certificate (RC), or utilises such goods for any purpose other than that mentioned in his RC, he is liable to be prosecuted. However, the authority competent to grant the RC may, in lieu of prosecution, impose penalty in some of the cases of a sum not exceeding one and a half times of the tax leviable as if the transaction is not supported by the prescribed declaration in form C. Further, if the offence is a continuing offence, provision of penalty has also been made in the CST Act. Further, if for the purpose of evading the tax, the dealer conceals particulars of his turnover or deliberately furnishes inaccurate particulars of his turnover, or produces false accounts or documents or submits fake forms or transfers a prescribed form of declaration to any other person, penal clauses of the UP VAT Act are also applicable for above mentioned trade offences under the provision of the CST Act.

We observed that though the penal provision provided in the CST Act is mandatory, discretion has been left to the AA to choose whether to prosecute or to impose fine by way of penalty. Further, the penal provisions of the UP VAT Act are discretionary even in cases where the trade offences are serious in nature. Under the penal provision of the UP VAT Act there is no provision for prosecution.

We recommend that an element of deterrence may be introduced in the State Act by way of strict and rigorous imposition of penalties on persistent defaulters.

Compliance deficiencies

2.9.15 Irregular grant of exemption of tax due to utilisation of fake forms/inflated claims

DC-14 Ghaziabad

Under the provision of Section 6A of CST Act, if a dealer claims that he is not liable to pay tax under this Act in respect of any goods on the ground that movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or his agent or principal, as the case may be, and not by reason of sale, the burden of proving that the movement of those goods was so occasioned shall be on the dealer and for this purpose he may furnish to the assessing authority a declaration in form F duly filled and signed by the consignee along with the evidence of dispatch of such goods for availing exemption of tax. Further, the Commissioner, Commercial Tax vide his circular of October 2004 assigned the work of verification of the stock transfer of various zones to the concerned wing of the SIB. Each SIB wing was made responsible for the verification of the stock transfer of ₹ 5 lakh and above made to a particular State/Union Territory by the dealers, registered in the Commercial Tax Department of Uttar Pradesh.

2.9.15.1 We noticed from the information available in the assessment file of a dealer for the year 2006-07, that the dealer transferred edible oils amounting to ₹ 12.73 crore to two dealers of Madhya Pradesh viz. M/s Jain Company, Neemach (one form F) and M/s Jai Ambey Trading Company, Pipaliya Mandi (four form F). The transactions being covered by form F, exemption of tax amounting to ₹ 1.27 crore was granted. In order to ascertain the genuineness of the grant of exemption of tax we sent the details of the forms to the Commercial Tax

Department of Madhya Pradesh. Verification reports received from the Madhya Pradesh revealed that in all the five cases the forms were not issued by the concerned circle of the Department of Commercial Tax, Madhya Pradesh to the dealer. This proves that the forms used by the dealer were fake and by using the fake forms the dealer availed exemption of tax amounting to ₹ 1.27 crore. Thus, the dealer was not entitled for exemption of tax and was liable to pay tax of ₹ 1.27 crore besides maximum penalty of ₹ 2.54 crore.

2.9.15.2 We found in three assessment offices of the Commercial Tax Department that during 2007-08, three dealers transferred goods amounting to ₹ 3.75 crore against form F. The assessing authority, while finalising the assessment, granted exemption of tax of ₹ 45.82 lakh. In order to ascertain the genuineness of the grant of exemption of tax, we verified the details from the respective offices of the consignee dealer and found that the consignee dealers had received goods amounting to ₹ 2.61 crore only. Thus, the dealers with an aim to evade tax had inflated their consignment by ₹ 1.14 crore. Thus

the dealers were liable to pay tax of ₹ 18.86 lakh besides maximum penalty of ₹ 37.72 lakh as detailed in the following table:

(₹ in lakh)

Sl. No.	Name of Unit	Number of dealers	Year/Assessment date	Name of goods	Value of goods as per declaration forms	Value of goods as per consumption statement of purchasing dealer	Difference in value of goods	Rate of tax	Tax effect	Amount of penalty imposable
1	DC-13 Ghaziabad	1	2007-08 26.02.2010	Namkeen	56.31	40.05	16.26	12	1.95	3.9
2	DC-24 Kanpur	1	2007-08 20.03.2009	Wax	72.14	0.79	71.35	20	14.27	28.54
3	DC-1 Rampur	1	2007-08 31.12.2009	Toner & Dev.	246.26	219.84	26.42	10	2.64	5.28
	Total	3			374.71	260.68	114.03		18.86	37.72

2.9.16 Short levy of tax due to utilisation of fake forms/inflated/deflated declaration of central sales

DC-14 Ghaziabad

Under the provision of Section 8 of CST Act read with rule 12(1) of the CST (R&T) Rules 1957, if a dealer sells to a registered dealer in the course of inter-state trade or commerce, he shall be liable to pay tax at the concessional rate of tax applicable from time to time or at the rate applicable on sale or purchase of such goods inside the State, whichever is lower with the condition that the declaration shall be in form C and a single declaration will cover all transactions of sale which take place in a quarter of a financial year only. Further, under the provision of section 15A(1) (c) of the UPTT Act 1948 which is also applicable in case of the CST Act, penalty equal to a sum not less than fifty *per cent*, but not exceeding 200 *per cent*, of the amount of tax which would thereby have been avoided is leviable for concealment of his turnover and for deliberately furnishing inaccurate particulars of such turnover.

2.9.16.1 We noticed that a dealer sold during the year 2007-08 edible oils amounting to ₹ 34.88 crore against two forms C to M/s Jai Ambey Trading Company, Pipaliya, a dealer of Madhya Pradesh. Verification report received from Madhya Pradesh revealed that in both the cases, forms were not issued by the concerned circle office of Madhya Pradesh to the dealer. This proves that the forms used by the

dealers were fake and by using fake forms the purchasing dealer availed concession of tax amounting to ₹ 70 lakh. Thus the dealer was not entitled for concession of tax and was liable to pay tax of ₹ 70 lakh besides maximum penalty of ₹ 1.40 crore.

2.9.16.2 We found in seven assessment offices of the Commercial Tax Department that during 2007-08, seven dealers declared sale of goods amounting to ₹ 5.40 crore against form C. The assessing authority, while finalising (between January 2010 and October 2010) the assessments, levied concessional rate of tax at the rate of three *per cent*. In order to ascertain the genuineness of the grant of concessional rate of tax, we verified the details of form C from the respective offices of the purchasing dealers. The results of verification revealed that the purchasing dealers had accounted for goods of

₹ 97.62 lakh only in their accounts. Thus, the dealers with an aim to evade the tax had inflated their turnover of central sales by ₹ 4.42 crore. As the tax has already been levied on inflated turnover at concessional rate of three *per cent*, balance tax of ₹ 15.83 lakh is also leviable on the inflated turnover. Besides, maximum penalty of ₹ 31.66 lakh is also leviable for wrong declaration. The details are given in the following table:

(₹ in lakh)

Sl.No.	Name of Unit	Number of dealer	Year/ Assessment date of assessment	Name of goods	Value of goods as per declaration forms	Value of goods as per consumption Statement of Purchasing dealer	Difference in Value of Goods	Rate of Tax	Tax effect	Amount of Penalty imposable
1	DC-3 Hardoi	1	2007-08 01.10.2010	Yeast	12.22	8.33	3.89	10	0.27	0.54
2	DC-9 Noida	1	2007-08 07.01.2010	Elec. Goods	132.41	44.97	87.44	10	6.12	12.24
3	DC-14 Ghaziabad	1	2007-08 09.03.2010	Edible oil	188.93	13.82	175.11	4	1.75	3.50
4	DC-21 Kanpur	1	2007-08 06.01.2010	Finished Leather	17.43	15.30	2.13	4	0.02	0.04
5	DC-15 Agra	1	2007-08 19.01.2010	Medicine	2.65	0.15	2.50	8	0.13	0.26
6	JC(C) Kanpur	1	2007-08 25.05.2010	Printed Polypack	146.48	0.62	145.86	8	7.29	14.58
7	DC-5 Jhansi	1	2007-08 26.02.2010	Iron Scrap	39.42	14.49	24.93	4	0.25	0.50
	Total	7			539.54	97.68	441.86		15.83	31.66

2.9.16.3 We found in three assessment offices of the Commercial Tax Department that during 2006-07 and 2007-08, three dealers declared sale of goods amounting to ₹ 3.24 crore against form C. The assessing authority while finalising (between November 2008 and March 2010) the assessment levied concessional rate of tax at the rate of four and three *per cent* for the years 2006-07 and 2007-08 respectively. In order to ascertain the genuineness of the grant of concessional rate of tax, we cross-checked the details of form C from the respective offices of the purchasing dealer. The verification revealed that the purchasing dealers had accounted for goods of ₹ 4.18 crore in their books of accounts. Thus, the dealers with an aim to evade tax had deflated their turnover of central sales amounting to ₹ 94 lakh. On the basis of the verification report, tax amounting to ₹ 9.21 lakh is leviable on the deflated turnover. Maximum penalty amounting to ₹ 18.42 lakh is also leviable for wrong declaration. The details are given in the following table:

(₹ in lakh)

Sl. No.	Name of Unit	Number of dealer	Year	Name of goods	Value of goods as per declaration forms	Value of goods as per consumption Statement of Purchasing dealer	Difference in value of Goods	Rate of Tax	Tax effect	Amount of Penalty imposable
1	DC-13 Agra	1	2007-08 08.03.2010	Scrap	103.51	106.61	3.10	4	0.12	0.24
2	DC-17 Ghaziabad	1	2007-08 11.02.2010	Alluminium Foil	84.01	127.52	43.51	10	4.35	8.70
3	DC-20 Varanasi	1	2006-07 06.11.2008	HDPE Bag	136.40	183.79	47.39	10	4.74	9.48
	Total	3			323.92	417.92	94.00		9.21	18.42

The Government may consider introducing a system of cross verification of declaration forms with other States at periodic intervals, specially in respect of those cases which are not found in TINXSYS.

2.9.17 Irregular allowance of concession/exemption of tax

We found in four assessment offices that during 2006-07 to 2007-08 four dealers of UP sold/stock transferred goods against form C and form F at concessional rate of tax or without levy of tax. During the course of cross verification with the Commercial Tax Department (CTDs) of purchasing/receiving State (Delhi, Himachal Pradesh and Uttarakhand), we found that these forms were issued by the CTDs of those states to other dealers and not to the dealers of UP who had claimed and were allowed concessional rates of tax or exemption from tax. As the forms available in the assessment files of the dealers of UP were not genuine, concession/exemption of tax of ₹ 11.17 lakh granted on that turnover to the dealers of UP was irregular. Details are given in the following table:

Sl. No.	Name of Unit	Number of dealers	Year/ Date of assessment	Name of goods	Value of goods	Goods covered by Form	Concession/ exemption of tax granted	Name of the States of purchasing/ receiving dealer
1	DC-14 Ghaziabad	1	2006-07 (20.03.2009)	Edible Oils	170.26	F	8.50	Uttarakhand
2	DC-1, Gonda	1	2007-08 (23.03.2010)	Dal	32.10	F	0.64	Delhi
3	AC-2, Orai	1	2007-08 (18.01.2010)	Peas	26.55	C	0.53	Delhi
4	DC-22, Kanpur	1	2007-08 (03.02.2010)	Safety Matches	15.06	C	1.50	Himachal Pradesh
	Total	4			243.97		11.17	

2.9.18 Irregular purchase of goods

Under Section 8 (3) (b) of the Central Sales Tax Act, any dealer intending to purchase any goods on concessional rate of tax from another State, may register himself in the Department. The registering authority may grant registration certificate to the dealer for purchasing the goods as being intended for resale by him, for use in the manufacture or processing of goods for sale or the telecommunications network or in mining or in the generation or distribution of electricity or any other form of power. The Act does not extend the facility of purchasing goods from outside the State at concessional rate of tax for the purpose of transmission of electricity.

While checking the records of the office of the Deputy Commissioner Commercial Tax, Sector-16 Lucknow, (December 2010), we observed that a dealer was granted Central Registration Certificate (CRC) for purchasing goods for use in transmission of electrical energy which was in contravention of the provisions of the Act. On the basis of the CRC during the years 2004-05 to 2007-08 (upto December 2007) the

dealer purchased transmission lines fault analyser system, tower parts and conductors valued at ₹ 211.35 crore at concessional rates of tax. Though these items were not mentioned in the Central Registration Certificate, the AA did

not examine this fact while finalising the assessment in January 2010. This omission resulted in irregular exemption of tax amounting to ₹ 16.93 crore.

2.9.19 Irregular exemption of tax on stock transfer

Under section 6 A of the Central Sales Tax Act read with rule 12(5) of CST Rules, a dealer is entitled to exemption on stock transfer of goods to other States, if he furnishes a declaration in form 'F' obtained from the transferee containing complete particulars i.e. central registration number, date of validity, number and date of purchase order etc., at the time of assessment. In case the transaction is not covered by form 'F', tax is leviable at the rate of 10 *per cent* or at the rate applicable to the sale or purchase of such goods inside the State, whichever is higher.

On test check of records of DC-5 CT Ghaziabad in August 2006, we observed that during the year 2003-04, a dealer had transferred stock of medicine worth ₹ 1.51 crore to his Mumbai depot against the declaration in Form-F. The dealer was not entitled for

exemption for the transaction made during the year 2003-04 as his registration certificate under the CST Act was obtained on 2 June 2004. The AA did not examine this fact while finalising the assessment in March 2006 and allowed the exemption. This resulted in irregular exemption of tax amounting to ₹ 15.15 lakh.

After we pointed out the matter to the Department and the Government in September 2006 the Department stated in July 2008 that tax of ₹ 15.15 lakh has been levied (March 2008). We await further report on realisation (October 2011).

2.9.20 Non-levy of CST

Deputy Commissioner Sector-20, CT, Kanpur

Under section 8 of the Central Sales Tax Act, tax on inter-state sale of goods (other than declared goods) not covered by declaration in form 'C' is leviable at the rate of 10 *per cent* or at the rate applicable on sale or purchase of such goods inside the state whichever is higher.

We observed (October 2010) that during the year 2006-07, a dealer made inter-state sale of import license worth ₹ 4.31 crore which was not covered by declaration in form

'C'. Therefore the dealer was liable to pay tax of ₹ 43.10 lakh. The AA, while finalising the assessment in March 2009, did not levy the tax. This resulted in non-levy of CST to that extent.

2.9.21 Irregular adjustment of tax against exemption limit

Two Commercial Tax Offices (DC Sec-19 CT Ghaziabad and DC Sec 15 CT Kanpur)

Section 8(5) of the CST Act, amended from 13 May 2002 (read with the Commissioner's circular dated 2 November 2002) provides that benefit of exemption from or reduction in rate of tax on inter-state sales of goods is admissible only on submission of declarations in Form C. Further, such benefit is admissible to new units covered by notification issued under Section 4A of the UPTT Act.

We observed that three dealers, holding eligibility certificates (ECs) under Section 4A of UPTT Act made inter-state sales of self manufactured goods between the years 2003-04 and 2005-06 valued at ₹ 41.48 crore. Though the AAs, while finalising the assessments between March 2006 and March 2008,

worked out the tax liability, they incorrectly allowed adjustment of tax calculated at ₹ 4.11 crore against the exemption limit of the dealer instead of raising the demand and realising the tax. This resulted in incorrect adjustment of tax of ₹ 4.11 crore.

2.9.22 Non-imposition of penalties for unauthorised purchase of goods

10 Commercial Tax Offices⁶

Under Section 10 & 10 A of the Central Sales Tax Act, a registered dealer may purchase any good from outside the State at concessional rate of tax against declaration in Form 'C'. If such goods are not covered by his Registration Certificate under the Central Sales Tax Act or the goods purchased from outside the State at concessional rate of tax are used for the purpose other than that for which the registration certificate is granted, the dealer is liable to be prosecuted. However, in lieu of prosecution, if the Assessing Authority deems it fit, he may impose penalty up to one and a half times of the tax payable on the sale of such goods.

We observed that during the years 2005-06 to 2007-08 (upto December 2007), 10 dealers purchased goods valued at ₹ 2.19 crore at concessional rate of tax against declaration in Form 'C' which were not covered by their certificates of registration. The AAs while finalising the assessments between

January 2009 and March 2010 did not impose maximum penalty of ₹ 30.42 lakh.

After we pointed out these cases to the Department and the Government between October 2009 and March 2011, the Department stated in September 2010 that in one case penalty of ₹ 1.86 lakh has been imposed.

⁶ DC (A)-1, CT, Bulandshahar, DC (A)-12, CT, Ghaziabad, AC (A)-2, CT, Gonda, DC (A)-7, CT, Gorakhpur, AC (A)-16, CT, Kanpur DC (A)-5, CT, Lucknow, AC (A)-1, CT, Mainpuri, DC (A)-11, CT, Meerut, DC Sect.2 Raibareilly, DC (A)-4, CT, Sonbhadra.

2.9.23 Conclusion

The performance audit revealed that though the orders of the CCT, Uttar Pradesh of October 2004 to the SIB for cross verification of transactions of stock transfer of ₹ 5 lakh and above for allowing exemption and introduction of the TINXSYS website would have enabled the prevention of irregular allowance of concession/exemption causing loss to the State exchequer, the Department has not installed any mechanism to monitor compliance of such vital orders by the assessing authorities. There was no system of cross verification of declaration forms with information available in the TINXSYS website while allowing concession/exemption. Besides, we noticed instances where the assessing authorities allowed concession/exemption without declaration forms/defective forms/forms without any information or with incomplete information. We carried out cross verification of the declaration forms with other states and found instances of variation between the figures of the forms of selling and purchasing dealers, fraudulent use of forms issued to other dealers, usage of fake/obsolete forms and concealment of purchase turnover. Due to these weaknesses and absence of monitoring, there is no assurance that the concessions/exemptions allowed were correct and appropriate.

2.9.24 Summary of recommendations

The Government may consider implementing the following recommendations to rectify the deficiencies:

- Creating a database of exemption/concession of tax granted in inter-state trade and commerce.
- Evolving a proper mechanism for the safe custody of declaration forms at the central level as well as at the level of nodal officers.
- Uploading data pertaining to Central forms on the TINXSYS website to enable online cross verification.
- Preparing and publishing a database of dubious/risky dealers in the official website of the CT Department.
- Introducing an element of deterrence in the State Act by way of strict and rigorous imposition of penalties on persistent defaulters.

2.10 Other audit observations

Our scrutiny of the assessment records of the Commercial Tax Department revealed several cases of non-observance of the provisions of the Acts/Rules, non/short levy of tax/penalty/interest, irregular exemption, incorrect application of rate of tax, etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on our test check. Such omissions on the part of Assessing Authorities (AAs) have been pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. We feel that there is need for the Government to improve the internal control system including strengthening of internal audit.

2.11 Non/Short levy of tax due to application of incorrect rate of tax and misclassification of goods

The Assessing Authorities (AAs) while finalising the assessments, did not apply the correct rate of tax given in the schedule of rates and in some of the cases lower rate of tax was applied due to misclassification of goods which resulted in non/short levy of tax of ₹ 7.84 crore as mentioned in the following paragraphs:

28 Commercial Tax Offices⁷

Under section 3A of the UP Trade Tax Act, 1948 (UPTT Act), tax on classified goods is leviable as prescribed in the schedule of rates notified by the Government from time to time. The goods not classified in the prescribed schedule of rates, are taxable at the rate of 10 per cent with effect from 1 December 1998.

2.11.1 We observed that in the cases of 33 dealers for the period 2005-06 to 2007-08 (upto 31.12.2007), the AAs while finalising the assessments between March 2008 and March 2010,

applied incorrect rate of tax on sale of goods worth ₹ 25.76 crore. This resulted in short levy of tax of ₹ 82.56 lakh as shown in **Appendix-I**.

After we pointed out these cases to the Department and Government between October 2008 and March 2011, the Department stated in December 2010 that the tax of ₹ 2.65 lakh has been levied in one case at Sl. No. 4- 1(a); however we have not received the report on recovery. We have not received their reply in other cases (December 2011).

18 Commercial Tax Offices⁸

2.11.2 We observed between November 2008 and February 2011 that in the cases of 20 dealers, the AAs while finalising the assessments between March 2008 and March 2010 for the years 2005-06 to 2007-08 (upto 31 December 2007), applied incorrect rate of tax on sale of goods valued at ₹ 22.44 crore

⁷ DC-8, Bareilly, CTO-II Barabanki, AC-4 Firozabad, DC-3, Ghaziabad, DC-5, Ghaziabad, DC-10, Ghaziabad, DC-14, Ghaziabad, DC-1, Ghazipur, AC-2, Hasanpur, JC(C)-2 Kanpur, DC-17, Kanpur, DC-15, Kanpur, DC-27, Kanpur, AC-27, Kanpur, DC-12, Lucknow, DC-8, Lucknow, DC-10, Lucknow, DC-14 Lucknow, AC-22, Lucknow, AC-16, Lucknow, AC-2, Lalitpur, DC, Sardhana Mandal Meerut, DC-14, Noida, AC-10, Noida, AC-11, Noida, AC-6, Saharanpur, AC-5, Sonbhadra and DC-6, Varanasi.

⁸ DC-3, Agra, AC-7, Agra, DC-4, Aligarh, DC-2, Faizabad, DC-10, Ghaziabad, AC-2, Gorakhpur, DC-8, Jhansi, DC-8, Kanpur, DC-15, Kanpur, DC-18, Kanpur, DC-20, Kanpur, AC-21, Kanpur, JC(C)-2 Kanpur, DC-12, Lucknow, AC-4, Moradabad, DC-3, Muzaffarnagar, DC-2, Noida and DC-13, Varanasi.

due to misclassification of goods. This resulted in short levy of tax of ₹ 1.45 crore. The details are shown in **Appendix-II**.

We reported the matter to the Department and the Government between December 2008 and November 2010. We have not received their reply (December 2011).

2.11.3 On test check of records of DC-3, CT Pilibhit in March 2010, we

As per Circular No. Vidhi/T/93-94/1251 dated 05-10-1993 of Commissioner Sales Tax, UP Lucknow, if Uttar Pradesh Forest Corporation (UPFC) sells timber in auction to a purchaser from the State or of another State and hands over the same on the spot, the State Trade Tax would be leviable thereon.

observed that during 2005-06 UPFC had auctioned timber worth ₹ 1.48 crore to a dealer from another State against Form 'C' and handed over the same on the spot. The AA while

finalising the assessment in March 2009 levied the Central rate of tax instead of State Trade Tax. This resulted in short levy of tax of ₹ 17.74 lakh.

We reported the matter to the Department and the Government in May 2010. We have not received their reply (December 2011).

2.11.4 To examine the implementation of the CCT's instruction of March 2008, we examined published tender notices which revealed that while some

Government of Uttar Pradesh issued (February 1997) clarification for levy of tax on sale of tender forms. Further, all the AAs were instructed (March 2008) to ensure levy of tax on the sale of tender forms/brochures/ forms by collecting data of previous years from Government/ semi-Government offices/ Companies/ Nigams/ Undertakings/ Authorities/ Parishad/Builders by the CCT.

Under the Value Added Tax (VAT) Act, w.e.f. January 2008, tax at the rate of four *per cent* is leviable on the sale of tender form.

Government departments charged Commercial Tax (CT)/VAT on the cost of tender forms, other Companies/Nigams/ Authorities did not charge the same. To further ascertain the facts, we collected sale data of tender forms/brochures from some units registered with the CT Department (CTD). We noticed that 14 units⁹/dealers had sold the above documents for ₹ 103.65 crore during the period 2003-04 to 2009-10 (sale data for some years was not provided by these 14

units) and therefore were liable to pay CT/VAT of ₹ 6.43 crore as detailed in **Appendix-III**.

In order to ensure levy of tax by the CTD we cross checked the records of the concerned Commercial Tax Offices who assessed the tax of these 14 units/dealers in the respective years and found that assessment orders (AOs) for ₹ 49.41 crore of this turnover have so far been passed and that:

⁹ Development Authorities: Agra, Kanpur, Lucknow, Ghaziabad; Greater Noida Industrial Development Corporation Noida, NOIDA; Nagar Nigam: Agra, Allahabad, Kanpur, Lucknow, Varanasi; North East Railway, Gorakhpur; Uttar Pradesh Avastha Vikas Parishad Lucknow, Uttar Pradesh State Industrial Development Corporation, Kanpur.

- Four AAs¹⁰ had passed AOs upto 2007-08 for five Development Authorities/Nigam/Corporation and levied tax of ₹ 72.61 lakh in nine cases on turnover of ₹ 7.56 crore against the actual turnover of ₹ 12.62 crore. On this uncovered turnover, tax of ₹ 1.23 crore was leviable. Hence, there was short levy of tax of ₹ 50.60 lakh.
- In the remaining cases the AAs did not examine this aspect by demanding copy of the Balance sheet and have not levied any tax on the turnover of ₹ 36.79 crore for the sale of tender forms/brochures by Development Authorities/Nigam/Corporation. This resulted in non-levy of tax of ₹ 3.68 crore. In case details of all the years for these organisations are examined, the amount would be higher.

Since the assessments for 2007-08 (after January 2008) onwards are yet to be done, we recommend that:

- The CTD should examine in depth the sale figures of these entities which was more than ₹ 54.24 crore¹¹ from these dealers while passing the assessment orders for the assessment years 2008-09 and 2009-10 to avoid further loss of ₹ 2.24 crore.
- The Department should consider reopening the assessments of these dealers wherever possible;
- The Department should examine the situation in all Development Authorities/Nigams/Universities and other such Government/Semi Government/Corporations/Undertakings and private builders where such sale of brochures/tender forms takes place and ensure that revenue is correctly realised.

The matter was reported to the Department and the Government in April 2011. We have not received their reply (December 2011).

2.11.5 District Excise Offices (DEOs) sell tender forms for application

Under the provisions of the UPTT Act and the VAT Act, tax is leviable on sale of tender forms. Further, the Commissioner Trade Tax, Uttar Pradesh vide its circular dated 26 March 2008 directed the assessing officers and officers of Special Investigation Branch (SIB) to identify the sale of tender forms and assess the tax as unclassified goods i.e. at the rate of 10 *per cent* under the UPTT Act and under the UP VAT Act at the rate of four *per cent*.

for allotment of liquor¹² shops every year. In order to check if the Department has realised Trade Tax/VAT on these sales, we cross checked the records of 16 DEOs¹³ between August 2010 and March 2011. We

noticed that 94,690 tender forms were sold and processing fees of ₹ 27.74 crore collected during the years 2007-08 to 2010-11. Trade Tax/VAT amounting to ₹ 1.21 crore was leviable on this sale but it was not levied or collected by the DEOs as shown below:

¹⁰ AC-16 Agra- Agra Development Authority Agra;
DC-2 Gautambuddh Nagar –Greater Noida industrial Development Corporation Noida;
DC-17 Kanpur, Uttar Pradesh State Industrial Development Corporation, Kanpur;
AC-2 Lucknow - Nagar Ayukta Nagar Nigam, Lucknow and Lucknow Development Authority, Lucknow.

¹¹ Total sale of brochures etc. ₹ 103.65 crore (-) sale for which AOs already passed ₹ 49.41 crore = ₹ 54.24 crore

¹² Indian Made Foreign Liquor (IMFL), Beer and Country liquor (CL).

¹³ DEOs- Azamgarh, Bareilly, Etawah, Farrukhabad, Gorakhpur, Kannauj, Lakhimpur Khiri, Mathura, Mirzapur, Moradabad, Muzaffarnagar, Rampur, Sitapur, Sonbhadra, Varanasi and Unnao.

(₹ in lakh)					
Sl. No.	Year	Number of forms	Amount	Rate (in per cent)	Leviable Trade Tax/VAT
1.	2007-08	2,267	56.83	10	5.68
2.	2008-09	13,620	342.41	4	13.70
3.	2009-10	57,487	1732.75	4	69.31
4.	2010-11	21,316	642.01	5	32.10
	Total	94,690	2774.00		120.79

The Commercial Tax Department made no effort to examine this issue despite the fact that allotment of shops and sale of tender forms thereof is a regular, well advertised feature of the State Excise Department. Consequently, there was loss of revenue of ₹ 1.21 crore in 16 districts alone.

The matter was reported to the Department/Government in April 2011. We have not received their replies (December 2011).

2.12 Non-imposition of penalty and non-charging of interest

The AAs while finalising the assessments, did not notice the offences committed by the dealers i.e. irregular transactions, transactions not reflected in the accounts, transactions against the provisions of the Act and Rules etc. Though there are clear cut provisions for imposition of penalties and charging of interest in the Act, no action was initiated in this regard, resulting in non-imposition of penalty and non-charging of interest amounting to ₹ 8.63 crore as mentioned in the following paragraphs:

Six Commercial Tax Offices

2.12.1 From the assessment orders of the dealers and on the basis of Special Investigation Branch (SIB)

Under section 15 A (1) (C) of the UPTT Act, if the AAs is satisfied that a dealer has concealed his turnover or has deliberately furnished incorrect particulars of his turnover, he may direct such dealer to pay by way of penalty, in addition to tax, a sum not less than 50 per cent but not exceeding 200 per cent of the amount of tax.

reports we observed between March 2008 and March 2010 that seven dealers had concealed sales turnover of ₹ 88.60 crore during the years 2003-04 and 2007-08 (upto December 2007). The AAs while finalising their

assessments between December 2005 and March 2010 levied tax of ₹ 5.17 crore on this concealed turnover but did not impose even the minimum penalty of ₹ 2.58 crore. The details are shown in **Appendix-IV**.

After we pointed this out to the Department and the Government between April 2008 and July 2010, the Department stated (July 2010 and March 2011) that the maximum penalty has been imposed in case of Sl. No.1 in February 2010 and minimum penalty has been imposed in case of Sl. No. 3 and 6 in February and May 2010 respectively. However the Department has not furnished details of recovery. We have not received reply in the remaining cases (December 2011).

Three Commercial Tax Offices

Under section 15 A (I) (0) read with section 28- A of the UPTT Act, a registered dealer, intending to import taxable goods from outside the State, shall furnish a declaration in Form XXXI to the AA where such goods are intended to be imported from outside the State by road, rail, river or air. The importer shall not obtain delivery thereof unless he furnishes to the AA the declaration in duplicate, duly filled in and signed by him for endorsement by such authority. In the event of violation of these provisions, the AA may direct that such dealer or person shall pay, by way of penalty, a sum not exceeding 40 *per cent* of the value of goods involved or three times of the tax leviable on such goods, whichever is higher. Further, the Commissioner, Commercial Tax directed in October 2005 that timely penal action may be taken against import of goods, not supported with the declaration form.

2.12.2 We observed between November 2010 and February 2011 that five dealers imported goods valued at ₹ 6.70 crore from outside the State without declaration in Form XXXI. The AAs, while finalising the assessments in March 2009 and January 2010 for the years 2006-07 and 2007-08 (upto December 2007), did not impose penalty of ₹ 2.68 crore. The details are shown in the following table:

(₹ in lakh)

Sl. No	Name of the office	Number of dealers	Assessment Year (Month and year of assessment)	Value of goods imported	Name of commodity	Maximum penalty leviable
1.	DC-Sec-18, CT Agra	1	2007-08 (December 2009)	20.53	Jewellery	8.21
2.	DC-Sec-8, CT Bareilly	1	2006-07 (March 2009)	98.80	Jatadar watery coconut	39.52
			2007-08 (January 2010)	143.66	-do-	57.46
3.	AC-Sec-2, CT Lalitpur	3	2007-08 (December 2009)	65.75	-do-	26.30
			2006-07 (March 2009)	76.62	-do-	30.65
			2007-08 (December 2009)	33.43	-do-	13.37
			2006-07 (March 2009)	129.41	-do-	51.76
			2007-08 (December 2009)	101.94	-do-	40.78
	Total	5		670.14		268.05

We reported the matter to the Department and the Government between February 2011 and March 2011. We have not received their reply (December 2011).

14 Commercial Tax Offices¹⁴

Under section 8D(6) of the UPTT Act, a person responsible for making payment to a contractor, for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of works contract, shall deduct an amount equal to four *per cent* of such sum, payable under the Act, on account of such works contract. In case of failure to deduct the amount or deposit the amount so deducted into the Government treasury before the expiry of the month following the month in which the deduction was made, the Assessing Authorities (AAs) may direct that such person shall pay by way of penalty a sum not exceeding twice the amount so deducted.

Government treasury within the prescribed time. The delay ranged between seven to 302 days. The AAs while examining the details of deductions did not impose the maximum penalty of ₹ 3.04 crore on the delayed deposit.

We reported the matter to the Department and the Government between August 2010 and March 2011. We have not received their reply (December 2011).

Two Commercial Tax Offices¹⁵

2.12.4 We observed between June 2008 and June 2009 that two dealers had

Under section 15 A (1) (i) of the UPTT Act, any dealer who issues or furnishes a false certificate or declaration, by reason of which tax ceases to be leviable, shall pay by way of penalty in addition to tax, a sum not less than 50 *per cent* but not exceeding 200 *per cent* of the amount of tax, which would thereby have been avoided.

issued or furnished false declarations by reasons of which tax on sale or purchase ceased to be levied which worked out to ₹ 18.26 lakh between the years 2002-03 and 2006-07. Though the AAs while finalising the

assessments of these dealers for the years 2002-03 and 2006-07 in July 2007 and March 2008 respectively levied tax of ₹ 18.26 lakh, they did not levy minimum penalty of ₹ 9.13 lakh.

After we pointed out these cases to the Department and the Government between August 2008 and August 2009, the Department stated in May 2010 that in both the cases penalty of ₹ 9.13 lakh has been imposed. However, we have not received report on recovery (December 2011).

¹⁴ DC Sec-11,CT, Agra, AC Sec. 1, CT, Badaun, AC Sec. 2, CT, Karvi, Chitrakoot, DC Sec. 14, CT, Kanpur, DC Sec. 15, CT, Kanpur, AC Sec.12, CT, Lucknow, DC Sec. 13, CT, Lucknow, DC Sec. 2, CT, Meerut, CTO Sec. 2, CT, Mainpuri, AC Sec. 12, CT, Saharanpur, AC Sec. 2, CT, Saharanpur, DC Sec. 18, CT, Varanasi, AC Sec. 19, CT, Varanasi and DC Sec. 1, CT Rampur.

¹⁵ AC Sec 17 CT Ghaziabad and DC Sec 27 CT Kanpur.

Nine Commercial Tax Offices¹⁶

2.12.5 We observed between June 2010 and January 2011 that 11 dealers, who were assessed between March 2009 and March 2010 for the assessment years 2002-03 to 2007-08 (upto December 2007), had deposited the admitted tax of ₹ 53.34 lakh late. The AAs did not issue notice for payment of interest on the belated payment in any of these cases though the delay ranged between 873 and 2422 days. The belated payment of admitted tax attracted interest of ₹ 23.32 lakh which was not levied by the AAs.

Under section 8(1) of the UPTT Act, every dealer liable to pay tax, is required to deposit the amount of tax into the Government treasury before the expiry of the month following the month in which the tax was due. The tax admittedly payable by the dealer, if not paid by the due date, attracts interest at the rate of two *per cent* per month up to 11 August 2004 and thereafter at the rate of 14 *per cent* per annum on the unpaid amount, till the date of deposit.

We reported the matter to the Department and the Government between August 2010 and March 2011. We have not received their reply (December 2011).

2.13 Irregular exemption

Two Commercial Tax Offices¹⁷

As per Government notifications dated 27 February 1997, 30 September 2004 and Circular 31 March 2007 issued under the UPTT Act, institutions certified by All India Khadi and Village Industries Commission or the UP Khadi and Village Industries Board (UP KVIB), are exempt from payment of tax on sale of products and the purchase of any goods connected with manufacture as specified in the Schedule of notification. Manufacturing of rice from paddy and aluminium caps is not covered under the aforesaid notifications and as such these are not entitled for exemption.

2.13.1 We observed between February 2009 and June 2010 that two dealers sold self manufactured rice from paddy and aluminium caps valued at ₹ 2.56 crore for the years 2000-01 and 2007-08 (upto December 2007). The AAs incorrectly allowed between October 2002 and March 2010 exemption of tax on the strength of certificate issued by the UP KVIB, Hardoi and Muzaffarnagar though these goods were

not eligible for exemption under the aforesaid notifications. This resulted in non-realisation of revenue of ₹ 8.24 lakh.

We reported the matter to the Department and the Government between June 2009 and September 2010. We have not received their reply (December 2011).

¹⁶ DC-1, CT Agra, DC -15 CT Agra, AC-12 CT Allahabad, DC-8 CT Aligarh, DC -5 CT Ghaziabad, JC (Corporate Circle)-2 Kanpur, DC-13 CT Lucknow, DC-1 CT Rampur and DC-2 CT Unnao.

¹⁷ DC-2 CT Hardoi and DC-1 CT Muzzafar Nagar.

14 Commercial Tax Offices¹⁸

Under the provisions of the UPTT Rules, as amended from 21 April 2001, any single declaration form III-B/III-D/III C-1 and III C-2 issued to traders in a financial year shall be valid for the transactions of purchase or sale made during that financial year as also for those made during two financial years immediately preceding and succeeding that financial year.

2.13.2 We observed between July 2008 and October 2010 that 14 dealers sold/purchased goods valued at ₹ 9.65 crore at concessional rates between 2003-04 and 2007-08 against form¹⁹ III-B, III-D and form III-C-I/C-II. The declaration forms used by the dealers for the transaction were time barred. However the AAs, while finalising the

assessments levied tax at concessional rates. This resulted in irregular allowance of concession of ₹ 63.16 lakh.

We reported the matter to the Government and the Department between November 2008 and November 2010. We have not received their reply (December 2011).

Eight Commercial tax offices

Under section 6(2) of the CST Act, inter-state sale or purchase of goods effected by transfer of documents of title to the goods during their movement from one State to another against form E-1/C, is exempted from payment of tax. The exemption is not admissible if there exists any purchase order prior to the date of transfer of the title of the goods.

2.13.3 We observed from the records of eight AAs that while finalising the assessments for the years 2005-06 to 2007-08 (up to December 2007) between March 2009 and July 2011, the AAs allowed exemption from tax to eight dealers on sale of goods worth

₹ 75.86 crore against Form E-1/C. We found that in these cases the purchase orders were placed by the ultimate purchaser with the intermediary purchaser before the purchase of goods by him. Thus there was no transit sale but the goods were transferred against pre-existing orders. Though the date of purchase order and date of actual sale was clearly mentioned in the Form 'C' submitted by the dealers, the AAs did not disallow these sales.

The exemption of tax of ₹ 7.59 crore as shown below, on sale of goods worth ₹ 75.86 crore, allowed to the dealers by the AAs was irregular.

¹⁸ DC(A)-CT Basti, DC(A)-4 CT Ghaziabad, DC(A)-2 CT Gorakhpur, DC(A)-4 CT Jhansi, DC(A)-7 CT Kanpur, DC(A)-4 CT Muzaffarnagar, DC(A)-CT Nazibabad, AC Sec-3 Sultanpur, DC(A)-2 CT Allahabad, DC(A)-3 CT Allahabad, DC(A)-2 CT Gautam Budh Nagar, DC(A)-1 CT Etah, AC Sec-2, CT Etawah and DC(A)-12 CT Varanasi.

¹⁹ These forms are used for benefit of exemption/reduction of UPTT.

(₹ in lakh)						
Sl. No.	Name of unit	Name of the dealer M/s	Date of A.O. Assessment Year	Sale of E 1/C	Rate of tax (per cent)	Tax levied
1.	DC-15, Lucknow	Instrumentation Ltd. Mahanagar, Lucknow	25 March 2009 2006-07	1,494.68	10	149.47
			20 March 2010 2007-08	516.52	10	51.65
2.	DC-9, Moradabad	Genus Overseas Electronic Ltd. Moradabad	30 August 2010 2006-07	1,118.00	10	111.80
3.	AC Sec.8, Lucknow	Power Fabricators (India) Pvt. Lucknow	29 March 2010 2007-08 (upto 31-12-07)	54.73	10	5.47
4.	DC -12, Lucknow	Asia Brown Breweries Ltd. Lucknow	27 July 2011 2006-07	2,913.40	10	291.34
5.	DC-7, Muzaffarnagar	Madan Contractors Muzaffarnagar	09 March 2010 2007-08	28.62	10	2.86
6.	DC-4, Bareilly	R K Industries Bareilly	31 March 2009 2006-07	90.50	10	9.05
7.	DC-2, Kanpur	Sanchem Engineers Pvt. Ltd. Kanpur	28 Dec 2010 2006-07	272.03	10	27.20
			23 Feb. 2011 2007-08	126.15	10	12.62
8.	DC-9, Noida	Hythro Power Corporation Ltd.	11 May 2011 2006-07	971.52	10	97.15
Total				7,586.15		758.61

We reported the matter to the Department and the Government between February 2011 and November 2011. We have not received their reply (December 2011).

Under the provision of Section 5 of CST Act read with Rule 12 (10) of the CST (R&T) Rules 1957, a sale or purchase of goods shall be deemed to take place in the course of the export of the goods out of the territory of India only if the sale or purchase either occasions such exports or is effected by a transfer of documents of title to the goods after the goods have crossed the custom frontier of India with the condition that the declaration shall be in form H and shall be furnished to the prescribed authority at the time of assessment. Further, the terms and conditions for submission of forms only for one quarter applicable to Form C will apply to certificate in Form H also.

2.13.4 On test check of records of DC-12, CT Agra in October 2009, we observed that during 2005-06 a dealer exported transformers valued at ₹ 12.56 crore out of India and submitted one form 'H' for the entire transactions made during the year 2005-06. Out of these, transactions of ₹ 9.58 crore pertained to more than one

quarter. Hence the grant of exemption of tax of ₹ 95.75 lakh was irregular.

We reported the matter to the Department and the Government between May 2010 and November 2011. We have not received their reply (December 2011).

2.14 Non-levy of entry tax

Three Commercial Tax Offices

Under section 4 of the UP Tax on Entry of Goods Act, 2001, entry tax on value of goods is leviable as per schedule of rates notified by the Government from time to time.

We observed between September 2010 and December 2010 that during 2007-08 (upto December 2007) three dealers purchased

goods valued at ₹ 8.45 crore. The AAs, while finalising the assessment between December 2009 and February 2010, did not levy entry tax of ₹ 17.16 lakh as mentioned in the following table:

(₹ in lakh)

Sl. No.	Name of unit	No. of dealers	Assessment Year (Month and year of assessment)	Name of goods	Value of Goods	Rate of entry tax		Amount of entry tax not levied
						Leviable	Levied	
1.	DC Sec. 11, CT, Noida	1	2007-08 (February 2010)	Machinery (value ₹ 10 lakh)	759.60	2	-	15.19
2.	DC C.T. Koshikala, Mathura	1	2007-08 (February 2010)	Wax	12.81	4	-	0.51
3.	DC, Sec. 1, CT, Najibabad	1	2007-08 (December 2009)	Cement	72.97	2	-	1.46
Total		3			845.38			17.16

We reported the matter to the Department and the Government between November 2010 and February 2011. We have not received their reply (December 2011).

2.15 Non-levy of State Development Tax

16 Commercial Tax Offices²⁰

Under section 3-H of the UPTT Act read with the Commissioner's circular dated 3 May 2005 as applicable from 1 May 2005, State Development Tax (SDT) at the rate of one *per cent* of the taxable turnover shall be levied on a dealer whose annual aggregate turnover exceeds ₹ 50 lakh. The SDT shall be realised in addition to the tax payable under any other provision of this Act.

We observed between August 2008 and January 2011 that in 17 cases of dealers whose annual aggregate turnover exceeded ₹ 50 lakh the AAs, while finalising the assessments for the years 2005-06 and 2007-08 (upto December 2007), between July 2007 and March 2010, did not

levy SDT on taxable turnover of ₹ 18.90 crore. This omission resulted in non levy of SDT of ₹ 18.90 lakh.

We pointed out these cases to the Department and Government between November 2008 and March 2010. The Department stated between June 2010 and May 2011 that the SDT of ₹ 6.53 lakh in two cases has been recovered

²⁰ AC-1, CT, Banda, DC-4, CT, Bareilly, DC-3, CT, Bareilly, AC-4, CT, Ghaziabad, DC-12, CT, Ghaziabad, DC-16, CT, Kanpur, DC-27, CT, Kanpur, JC(Corporate)-I, CT, Kanpur, DC-13, CT, Lucknow, DC-22, CT, Lucknow, DC-2, CT, Mathura, DC-2, CT, Mainpuri, AC-3, CT, Noida, DC-2, CT, Noida, DC-3, CT, Pilibhit and DC-21, CT, Varanasi.

and SDT of ₹ 1.88 lakh has been levied in two cases. The report on recovery and replies in the remaining cases from the Department/Government have not been received (December 2011).

2.16 Short realisation of security

Five Assistant Commissioners (Mobile Squad)²¹

Under section 50 of the VAT Act, 2008 read with the Commissioner's Circular dated 5 November 2009, any person who intends to bring, import or otherwise receive, into the State from any place outside the State any taxable goods, shall obtain the prescribed form of declaration. In absence of such declaration form, forty *per cent* of value of goods shall be realised as security money.

We observed that during 2009-10, goods worth ₹ 94.89 lakh of 14 dealers were seized by the mobile squad as they were being transported without valid forms. In absence of such valid forms forty *per cent* of the value of the goods i.e. ₹ 37.96 lakh in the shape of security was

liable to be realised, but the AAs realised only ₹ 10.42 lakh as security from the dealers, in contravention of the above provisions. This resulted in short realisation of security money of ₹ 27.54 lakh in lieu of tax.

We reported the matter to the Department and the Government between September 2010 and March 2011. We have not received their reply (December 2011).

2.17 Loss of revenue due to non-remittance of excess realised tax

Under the Uttar Pradesh Trade Tax Act, 1948, if amount is realised from any person by any dealer purporting to do so by way of realisation of tax on the sale or purchase of any goods, in contravention of the provisions of sub-section (2) of section 8-A, such dealer shall deposit the entire amount so realised in such manner and within such period as may be prescribed.

The State Government vide notification No. 1283 dated 13 July 2006 exempted levy of Commercial Tax (CT) on the imported electrical goods used in Rajiv Gandhi Gramin Vidhyutikaran Yojana (RGGVY)/ Accelerated Power Development and Reform Programme (APDRP).

To check if the Department ensured the correct implementation of these exemption orders, we examined details of payments made to contractors by the distribution companies (DISCOMS)²² of Uttar Pradesh Power Corporation Limited (UPPCL) which were responsible for carrying out works under RGGVY/ APDRP schemes, as well as the concerned AOs. We noticed that the contractors quoted their

²¹ AC-(MS), CT, Firozabad, AC-(MS), CT, Kanpur Dehat, AC-(MS)-2, CT, Mathura, AC-(MS), CT, Shahjahanpur and AC-(MS)-2, CT, Varanasi.

²² Dakshinanchal Vidyut Vitran Nigam Ltd. (DVVNL), Kanpur Electricity Supply Company (KESCO), Madhyanchal Vidyut Vitran Nigam Ltd. (MVVNL), Pashchimanchal Vidyut Vitran Nigam Ltd. (PVVNL) and Purvanchal Vidyut Vitran Nigam Ltd. (PuVNL)

rates for goods inclusive of excise duty, trade tax and CST. The prevailing rate of trade tax on electrical goods was 10 *per cent* but on issue of Form-III 'D' it was four *per cent*. We examined the assessments executed by 31 divisions of UPPCL with contractors between the period 2005-06 and 2006-07. In all these agreements the supply price rates were inclusive of all taxes and duties and payments were received by the contractors on these rates. The AAs finalised the assessment orders for the assessment years 2005-06 and 2006-07 (upto 12 July 2006) by imposing trade tax at the rate of 10 *per cent* in case of non-submission of Form-III 'D' and four *per cent* against Form-III 'D'. We noticed that the contractors continued to receive payments on the same supply price rates, during the assessment years 2006-07 (13 July 2006 to 31 March 2007) and 2007-08 (upto December 2007). Some of the item rates comparison prior to 13 July 2006 and post 13 July 2006 are shown in the following table for illustration:-

(In ₹)

Sl. No.	Name of the contractor	Agreement No.	Item code & name of goods	Rate charged prior to 13 July 2006	Rate charged post 13 July 2006
1.	M/s Reliance Energy Ltd.	C-264/MVVNL/RGGVY/126 Hardoi dt. 01/08/2005	2000869874 16 KVA Transformer	49812	49812
2.	-do-	-do-	2000880908 PLC Pols 8.5 Mt.	2510	2510
3.	-do-	-do-	2000869927 LTAB Cable	40039 per Km.	40039 per Km.
4.	-do-	-do-	2000869849 ACSR Weasel Conductor	96822 Ckt. Km.	96822 Ckt. Km.

While finalising the assessments between March 2009 and March 2011, the AAs in 18 Commercial Tax Offices²³ failed to detect the total trade tax amount of ₹ 27.68 crore shown in **Appendix-V** and allowed exemption under above notification of 13 July 2006, without examining the agreements governing these sales. When we pointed out a similar issue regarding the payment of Central Sales Tax (CST) at a higher rate of four *per cent* rather than the reduced rate of three *per cent* w.e.f. 01 April 2007, the DISCOMs deducted the excess paid amount. This further corroborates our contention that the payment rates were inclusive of trade tax/CST.

As a result of this failure the Department suffered a loss of revenue of ₹ 27.68 crore in only the 31 divisions we checked. The loss could be higher if records of other divisions of distribution companies are checked.

We recommend that whenever the Department grants such exemptions, its correct implementation should be checked to avoid such losses.

The matter has been reported in March 2011 to the Department and the Government. We have not received any reply (December 2011).

²³ DC Sec.15, CT Lucknow, DC Sec.9, CT Moradabad, DC Sec.3, CT, Sultanpur, DC Sec.2, CT, Muzaffarnagar, JC (CC) Lucknow, DC Sec.1, CT Lucknow, DC Sec.3, CT, Gautam Buddh Nagar, DC Sec.20, CT Lucknow, DC Sec.13, CT, Agra, DC Sec.12, CT Lucknow, DC Sec.11, CT Meerut, DC Sec.1, CT Sultanpur, DC Sec.14, CT Lucknow, DC Sec.2, CT Kanpur, DC Sec.25, CT Kanpur, JC(CC) CT Faizabad, DC Sec.9, CT Ghaziabad and DC Sec.9, CT Noida.

2.18 Non-deduction of works contract tax

Under section 8 D (1) of the Uttar Pradesh Trade Tax Act, 1948 (UPTT) and section 34(1) of the UP Value Added Tax (VAT) Act 2008, every person responsible for making payment to any dealer for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of a works contract, shall, at the time of making such payment to the contractor, deduct an amount of four *per cent* works contract tax (WCT). If he fails to make the deduction, the assessing authority under section 8D(6) of the UPTT Act and section 34(8) of UP VAT Act, may direct that such person shall pay, by way of penalty, a sum not exceeding twice the amount deductible under this section but not so deducted.

The Distribution Companies (DISCOMS) of Uttar Pradesh Power Corporation Limited (UPPCL) are engaged in carrying out works under Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) and Accelerated Power Development Reform Programme (APDRP) schemes and award turnkey works contracts to various contractors. In order to ensure whether the correct Works Contract Tax (WCT) is being deducted from the bills

of the contractors and deposited into Government treasury by the concerned Drawing Disbursing Officer and the assessment is being correctly done by the Department, we examined (January 2011) payments made by 32 divisions of four DISCOMS²⁴ and the relevant assessment orders. These divisions had executed 79 agreements with 34 contractors/dealers between the period 2005-06 and 2006-07 and made payment of ₹ 272.27 crore during the period from 2005-06 to 2008-09, and deducted WCT of only ₹ 8.65 lakh in place of deduction of ₹ 10.89 crore. The details are given in **Appendix-VI**. The AAs concerned also did not examine this aspect during the assessment of the Drawing and Disbursing Officers of these DISCOMS between March 2009 and March 2011 and did not impose maximum penalty of ₹ 21.61 crore under the Act. The failure pointed out by us is for only 32 divisions and could be higher if the records of other divisions of the distribution companies are checked.

We recommend that the Department should ensure proper assessment of the UP Government Departments/Undertakings by cross checking payments made to contractors to ascertain the deduction of WCT to avoid such occurrences.

The matter was reported in March 2011 to the Department and the Government. We have not received their reply (December 2011).

²⁴ DVVNL - ₹ 65.31 crore, MVVNL - ₹ 27.57 crore, PuVVNL - ₹ 168.22 crore and PVVNL - ₹ 11.17 crore .

2.19 Loss of revenue due to non-registration of dealers

Under the provision of Section 3-F of UPTT Act 1948, every dealer shall, for each assessment year, pay a tax on the net turnover of transfer of the “Right to Use” any goods for any purpose for cash, deferred payment or other valuable consideration. From 29 January 2001, tax on transfer by a bus owner to Uttar Pradesh State Road Transport Corporation (UPSRTC) for the Right to Use a bus under any contract is leviable at the rate of five *per cent* and under the VAT Act, w.e.f. 1 January 2008 tax at the rate of four *per cent* shall be levied.

The private bus owners entered into contracts with the UPSRTC for providing buses. The AAs had levied the tax on these private bus owners on the amount received by them by UPSRTC treating the transactions as received for transfer of the “Right to Use” the buses. Being aggrieved by the order of the AAs, these owners filed appeal before the appellate authority which was allowed. The view of the appellate authority was upheld (May 2003) by the

Trade Tax Tribunal. The Allahabad High Court however held (July 2009) that the Tribunal was not justified in holding that the liability to pay the tax under UPTT Act was not attracted upon the private bus owners.

In order to verify if the collection of revenue under the provision of “Right to Use” of private buses hired by UPSRTC was being correctly made by the Commercial Tax (CT) Department, we examined the Monthly Information Statement (MIS) of the UPSRTC for the period 2003-04 to 2010-11 in January and February 2011 with respect to payment made to the private bus owners/dealers on the “Right to Use” their buses. UPSRTC made a total payment of ₹ 879.44 crore (₹ 299.79 crore upto December 2007 and ₹ 579.65 crore thereafter) to the dealers of all its 20 regions.

As per provisions prescribed in section 3-F (2) (b)(x) and (xi) for the purpose of determining the net taxable turnover, the cost of consumables used and establishment (i.e. cost of fuel and salaries of driver and helper) is to be deducted from the total turnover of the dealer. We determined the value of these elements in accordance with section 3-F (3) taking the UPSRTC norms for fuel consumption (5.6 Kms. per litre) and pay of drivers and helpers contracted by UPSRTC as a basis which comes to ₹ 574.62 crore²⁵. This was deducted from the total receipt payable.

We cross checked the details of private bus owners of all the 20 regions²⁶ of UPSRTC, with respect to their registration with the CT Department and found that only one²⁷ dealer was registered with the Department. In case of 11

²⁵ (Total distances ÷ average fuel consumption) x rate per ltr. + total distance x salary of drivers and helper
 4/03 to 12/06=(2761.11÷5.6)x25.20+2761.11x0.45 = ₹ 13667.50 lakh
 1/07 to 12/07=(927.84÷5.6)x28.78+927.84x0.90 = ₹ 5603.49 lakh
 1/08 to 3/11=(5169.71÷5.6)x36.33+5169.71x0.90 = ₹ 38191.23 lakh
 ₹ 57462.22 lakh Say ₹ 574.62 crore

²⁶ Allahabad, Agra, Azamgarh, Aligarh, Bareilly, Chitrakoot, Devipatan, Etawah, Faizabad, Gorakhpur, Ghaziabad, Hardoi, Jhansi, Kanpur, Lucknow, Moradabad, Meerut, Noida, Saharanpur and Varanasi.

²⁷ Parul Singh, 605, Shanti Niketan Apartment, Church Road, Agra registered in DC- Sector 12, CT- Agra in 2010-11.

dealers²⁸ tax imposed by the AAs between 2002 and 2007 was upheld by the High Court in its judgment dated 23 July 2009. However, the Department did not register these dealers despite a specific provision in the UPTT/VAT Acts and the judicial pronouncement and also did not recover/impose the tax. As a result the Department lost revenue of ₹ 13.23 crore²⁹.

The matter was reported to the Department and Government in April 2011. We have not received any reply (December 2011).

²⁸ Moradabad-9, Mathura and Lalitpur-1 each.

²⁹ Net taxable = Total turnover- (Fuel cost +cost of establishment)

4/03 to 12/06 = ₹ 215.15 crore - ₹ 136.67 crore = ₹ 78.48 crore	CT @ 5%	= ₹ 3.92 crore
1/07 to 12/07 = ₹ 84.64 crore - ₹ 56.03 crore = ₹ 28.61 crore	CT @ 5%	= ₹ 1.43 crore
1/08 to 3/11 = ₹ 579.66 crore - ₹ 381.91 crore = ₹ 197.75 crore	VAT @ 4%	= ₹ 7.91 crore
Less: Tax realised from one dealer for 2010-11)		<u>= (-) ₹ 0.03 crore</u>
		= ₹ 13.23 crore

CHAPTER-III

STATE EXCISE

3.1 Tax administration

Excise duty on liquor for human consumption, fees in case of other intoxicants such as *charas*, *bhang* and *ganja* etc. and confiscation imposed or ordered is levied under the UP Excise Act, 1910 (UPE Act) and rules made thereunder. These rules have been made in order to have a proper check over leakages of revenue in the Department by enforcing control over illicit production, import and export of alcohol, illegal purchase and sale of liquor and other intoxicants.

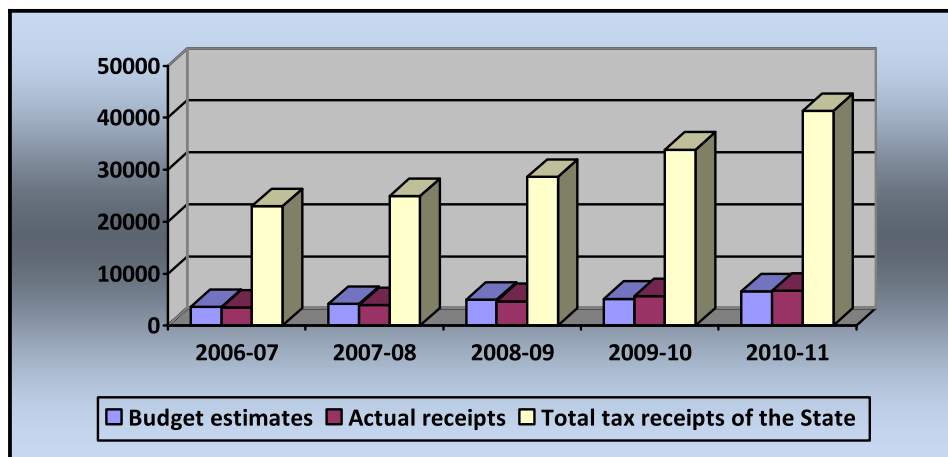
Alcohol is produced in distilleries mainly from molasses obtained as a byproduct during manufacturing of sugar. Various kinds of liquor, such as country liquor (CL) and Indian made foreign liquor (IMFL) like whisky, brandy, rum and gin are manufactured from alcohol. Excise duty on production of alcohol and liquor in distilleries forms a major part of excise revenue. Liquor for human consumption is issued from distilleries either under bond without excise duty or on pre-payment thereof at the prescribed rates. Apart from excise duty, licence fee also forms part of excise revenue. The District Collector (DC) with the assistance of the District Excise Officer (DEO) is responsible for settlement of liquor shops in the district.

The collection of duty, fee and other taxes is administered and monitored by the Commissioner, Excise who is assisted by two Additional Excise Commissioners, three Joint Excise Commissioners (JECs), 10 Deputy Excise Commissioners (DECs) and six Assistant Excise Commissioners (AECs) at headquarters. For the purpose of effective administration, the State is divided into four zones and 17 circles. At the district level the DEOs/AECs are posted to assess, levy and collect revenue. At the distillery, the AEC/officer incharge (inspector) is posted for levy and collection of excise duty.

3.2 Trend of receipts

Actual receipts from State Excise during the years 2006-07 to 2010-11 along with the total tax receipt during the same period is exhibited in the following table and graph.

(₹ in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	3,650.00	3,551.25	(-) 98.75	(-) 2.71	22,997.97	15.44
2007-08	4,192.00	3,948.40	(-) 243.60	(-) 5.81	24,959.32	15.82
2008-09	5,040.00	4,720.01	(-) 319.99	(-) 6.35	28,658.97	16.47
2009-10	5,176.45	5,666.06	489.61	9.46	33,877.60	16.73
2010-11	6,763.23	6,723.49	(-) 39.74	(-) 0.59	41,355.00	16.26



3.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 56.72 crore of which ₹ 51.56 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)				
Year	Opening balance of arrears	Addition during the year	Amount collected/written off during the year	Closing balance of arrears
2006-07	59.86	1.08	0.05	60.89
2007-08	60.89	0.56	0.06	61.39
2008-09	61.39	0.59	0.03	61.95
2009-10	61.95	1.35	0.07	63.23
2010-11	63.23	0.45	6.96	56.72

(Source: Information provided by the Department).

We recommend that the Government may consider taking appropriate steps for early recovery of the arrears.

3.4 Cost of collection

The gross collection of the State Excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of cost of collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)				
Year	Gross collection	Cost of collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection of previous year
2008-09	4,720.01	50.19	1.06	3.27
2009-10	5,666.06	70.86	1.25	3.66
2010-11	6723.49	95.72	1.42	3.64

We noted that the cost of collection for the State Excise Department is well below the all India average.

3.5 Revenue impact of audit

During the last five years, we had pointed out through our Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue,

incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 1,989.44 crore in 670 cases. Of these, the Department/Government had accepted audit observations in 45 cases involving ₹ 1.45 crore and had since recovered the amount. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	66	126	470.67	04	0.24	04	0.24
2006-07	80	122	60.68	--	--	--	--
2007-08	82	93	18.80	12	0.06	12	0.06
2008-09	118	189	1,372.36	09	0.20	09	0.20
2009-10	119	140	66.93	20	0.95	20	0.95
Total	465	670	1,989.44	45	1.45	45	1.45

3.6 Results of audit

Our test check of the records of 190 units during 2010-11 relating to State Excise receipts revealed under assessments of tax and other irregularities involving ₹ 231.03 crore in 435 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Low recovery of alcohol from molasses	40	39.86
2.	Non-lifting of MGQ of country liquor	28	1.38
3.	Non-realisation of licence fee	53	10.35
4.	Non-levy of interest	33	0.91
5.	Other irregularities	281	178.53
Total		435	231.03

During the course of the year, the Department accepted and recovered underassessment and other deficiencies of ₹ 1.33 crore in 46 cases, of which one case involving ₹ 16,290 was pointed out in audit during the year 2010-11 and the rest in earlier years.

A few illustrative cases involving ₹ 1.03 crore are mentioned in the succeeding paragraphs.

3.7 Audit Observation

Our scrutiny of records in the offices of the State Excise Department revealed cases of low yield of alcohol, transit loss of total reducing sugar, non-imposition of penalty/interest, short lifting of MGQ of country liquor, etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions each year, but not only do the irregularities persist, these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

3.8 Potential loss of licence fee for the model shops

Three District Excise Offices

As per the State Excise policy notified on 11 February 2009 and 26 February 2010, the licence fee for setting up a model shop for the year 2009-10 and 2010-11 or part thereof was fixed as ₹ 8 lakh or the highest licence fee among the settled retail shops in the district for the same year for both foreign liquor and beer whichever was higher, but it would not be more than ₹ 22 lakh.

We observed from the records of three District Excise Offices (DEOs) between May 2010 and January 2011 that licence fee of 44 model shops¹ of foreign liquor and beer was fixed as ₹ 9.06 crore for the years 2009-10 and 2010-11. The licence fee realisable

on actual sale of these model shops alone was ₹ 13.78 crore. Due to the ceiling of ₹ 22 lakh imposed on upper limit of the licence fee of model shops, the Department has suffered a loss of licence fee of ₹ 4.72 crore², as the actual sales and the licence fee realisable ranged from 16.52 per cent to 109.73 per cent above the actual fee realised from these model shops.

(₹ in lakh)

Sl. No.	Name of Unit	Period	No. of shops	Actual licence fee realised	Total licence fee as per actual sale of these model shops	Percent higher than actual licence fee realised from model shops	Short realisation of licence fee
							When compared licence fee on actual sale of these model shops
1.	DEO, G.B. Nagar	2009-10	16	352.00	410.15	16.52	58.15
		2010-11	16	352.00	553.45	57.23	201.45
2.	DEO, Ghaziabad	2010-11	01	22.50	37.69	67.51	15.19
3.	DEO, Muzaffarnagar	2010-11	11	179.56	376.60	109.73	197.04
	Total		44	906.06 or 9.06 crore	1377.89 or 13.78 crore	52.07	471.83 or 4.72 crore

As a result of the ceiling imposed on the upper limit of licence fee of model shops there was a loss of at least ₹ 4.72 crore in these three districts above.

We also observed that the imposition of ceiling was of a part of the proposal sent to the Government by the Department from 2008-09 onwards. The

¹ Model shop is a licenced shop situated in the commercially approved area of the corporation, city or municipality having at least 600 sq.ft. carpet area and consumption facility also.

² ₹ 13.78 crore - ₹ 9.06 crore = ₹ 4.72 crore.

Department did not examine the loss of revenue due to imposition of this ceiling despite having all the data available with them. As the proposal sent by the Department was approved as such by the Government, we are of the opinion that the flawed proposal has led to less realisation of licence fee of at least ₹ 4.72 crore in the case of these three DEOs alone.

We reported the matter to the Department and the Government between May 2010 and August 2011. The Government replied (September 2011) that the allotment done and licence fee fixed was as per the policy and they will consider examining the whole issue at the time of preparing the next excise policy.

3.9 Low yield of alcohol from molasses

Ten distilleries³

Under the UP Excise Working of Distilleries (Amendment) Rules, 1978, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 alcoholic liter (AL). For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Alcohol Technologist. Failure to maintain the minimum yield of alcohol from molasses consumed entails cancellation of licence and forfeiture of security deposit besides other penalties.

We observed that during the period April 2009 to November 2010, 28 composite samples of molasses were sent to the Alcohol Technologist for determination of sugar content of 3.08 lakh quintal of molasses. On the basis of their

reports, out of 1.19 lakh quintal of fermentable sugar content present in molasses, 62.61 lakh AL of alcohol should have been produced. Against this actual production of alcohol was 61.67 lakh AL leading to total short production of 0.94 lakh AL. After dividing this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries, we found that there was short production of potable alcohol of 0.66 lakh AL involving revenue of ₹ 2.79 crore as shown in **Appendix-VII**. Three cases⁴ were compounded by the Excise Commissioner and penalty of ₹ 1.05 lakh was imposed but security amount⁵ was not forfeited. The Department also did not cancel the licences of these distilleries as per the requirement of the Act.

We reported the matter to the Department and the Government between September 2010 and August 2011. The Government replied (September 2011) that the rectified spirit is an industrial alcohol and it is a raw material for production of liquor for human consumption (LHC) and tax can be levied only on LHC. We do not agree with the reply as in our observation above, we had already taken this fact into consideration and pointed out the loss caused by low production with respect to the LHC alone.

³ Modi Distillery, Ghaziabad, Simbhauli Distillery, Ghaziabad, Lords Distillery, Ghazipur, India Glycol Distillery, Gorakhpur, NICL Distillery, Moradabad, Sir Shadilal Distillery, Muzaffarnagar, Shamli Distillery, Muzaffarnagar, Majhola Distillery, Pilibhit, Pilkhani Distillery, Saharanpur and UDBL Distillery, Unnao.

⁴ NICL Distillery, Moradabad, (₹ 50,000), Shamli Distillery, Muzaffarnagar (₹ 5,000) and Pilakhani Distillery, Saharanpur (₹ 50,000).

⁵ A licence to work as a distillery is granted after the applicant has deposited security money of ₹ 5 lakh in cash and ₹ 15 lakh fixed deposit receipt.

3.10 Non-realisation of licence fee from CSD canteen

Nine District Excise Offices⁶

As per notification No. 25693/dus/Lic-210/SSB/2010-11 dated 29 March, 2010 of Excise Commissioner Uttar Pradesh effective from 1.4.2010, the licence fee for FL 9/9A from Canteen Stores Depot (CSD) canteen for foreign liquor/ rum and beer was leviable equivalent to 50 per cent of the licence fee fixed by the Excise Commissioner for licences in civil for the relevant year. As per this notification, the rate of licence fee for the CSD canteen was ₹ 13 and ₹ 2.5 per bottle of foreign liquor/rum and beer respectively for the year 2010-11.

We observed that during the period from April 2010 to June 2010, FL-9/9A⁷ canteen licensees supplied 12,34,870 bottles foreign liquor/rum and 2,08,898 bottles of beer for which licence fee amounting to ₹ 1.66 crore was leviable. The same was not

assessed and realised despite a further instruction issued later on 27 May 2010 by the Excise Commissioner. After we pointed out this loss of revenue due to non-implementation of the notification, the Department issued a further notification dated 3 January 2011 vide which the implementation date was changed to 1 July 2010, with the proviso that the licence fee deposited by a licensee prior to 1 July 2010 will not be refundable or adjusted.

It is evident that only when we pointed out the revenue loss, the Department changed the effective date of collection previously notified with the view to cover up the delay in implementation rather than realise the loss of licence fee of ₹ 1.66 crore.

We reported the matter to the Government between December 2010 and August 2011. The Government replied (September 2011) that the recoveries from the defence canteens may not be possible. In future, timely issue of circulars will be ensured. The reply reinforces our point of lack of monitoring and control.

3.11 Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

Five distilleries⁸

Rule 8, 20 and 25 of the *Uttar Pradesh Sheera Nyantran Niyamawali*, 1974 does not provide for any loss of Total Reducing Sugar (TRS) present in molasses during transit. Further, as per the Excise Commissioner's circular issued in May 1995, maximum 12 per cent non-fermentable sugar is present in TRS and as such 46.2 Alcoholic Liter (AL) of spirit can be produced from one quintal of TRS.

We observed that while transporting molasses during July 2009 to October 2010, there was a loss of TRS which ranged between 0.02 to 6 per cent of the quantities shown in

⁶ Allahabad, Bareilly, Budaun, Farrukhabad, Gorakhpur, Kanpur Nagar, Lucknow, Meerut and Varanasi.

⁷ A licence granted in connection with grant of contract under military canteen system is in Forms FL-9/FL-9A.

⁸ Nanpara Distillery, Bahraich, Kesar Enterprises Ltd. Distillery, Baheri, Bareilly, Lord Distillery, Ghazipur, IGL Distillery, Gorakhpur and Sir Shadilal Distillery, Mansurpur, Muzaffarnagar.

the transport passes issued by the sugar factories. These were certified by the Inspectors at the distilleries. The distilleries received 849.051 quintal of TRS short from which 39226.42 AL of alcohol could have been produced. After bifurcating this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries⁹, we found that 37072.65 AL of potable alcohol involving excise revenue of ₹ 1.56 crore as shown in **Appendix-VIII**, could have been produced.

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government replied (September 2011) that the rectified spirit is an industrial alcohol and raw material for the production of Liquor for Human Consumption (LHC) and tax can be levied only on LHC. We do not agree with the reply as in our observation above, we had already taken this fact into consideration and pointed out the loss caused by low production with respect to the LHC alone.

3.12 Non-imposition of penalty

Eight Sugar Mills¹⁰

Rule 27 of Uttar Pradesh Sheera Niyamtran Niyamavali, 1974 provides for verification of MF-4 passes by the excise staff, (gate passes through which molasses is despatched by the sugar factories to distilleries). The distilleries should return the gate pass duly acknowledging the receipt of molasses, within one week of the arrival of the consignment at the distillery. The receipt back of MF-4 gate pass should be monitored by the Excise Department officials at the sugar factory to ensure that the molasses was received by the authorised distillery and the quantity and quality was as mentioned in the MF-4 gate pass. As per Section 11 of *UP Sheera Niyamtran Adhiniyam*, any contravention of the Rules attracts penalty which may extend to two thousand rupees and continuing contravention attracts an additional fine which may extend to one hundred rupees for every day during which the contravention continues.

We observed from the MF-4 gate passes during audit between May 2010 and March 2011 and noticed that 2544 MF-4 gate passes¹¹ were received back by these sugar mills from the distilleries with an average delay of eight weeks during period 2005-06 to 2010-11. The Departmental officers did not notice the delays in return of gate passes by the distilleries. This has resulted in non-imposition of penalty to the extent of ₹ 1.27 crore.

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government replied (September 2011) that in one case compounding amount of ₹ 59,000 has been imposed against

⁹ 629.43 AL and 1105.80 AL industrial alcohol production of IGL Distillery, Gorakhpur in 2009-10 and 2010-11 and 418.54 AL of industrial alcohol of Sir Shadilal Distillery, Mansurpur, Muzaffarnagar for 2010-11 excluded from calculation.

¹⁰ Oswal Chini Mills Nawabganj, Bareilly, Newali Sugar Mills, Newali Etah, Indogulf Industries, Maizapur, Gonda, Sarraiya Chini Mills, Sardar Nagar, Gorakhpur, DSCL Sugar Mills, Rupapur, Hardoi, Chaddha Sugar Mills J.P. Nagar, DSCL Sugar Mills, Azbapur, Lakhimpur Khiri and Kumbhi Sugar Mills, Kumbhi, Lakhimpur Khiri.

¹¹ The office-in-charge shall determine the quantity and quality of the molasses immediately on receipt of each consignment and record the result of the verification and test done by him on reverse of the gate pass in Form-4 received in duplicate from the occupier of the Sugar Factory along with the consignment.

the total prescribed penalty of ₹ 11.84 lakh. We are of the opinion that the provisions of Section-11 should be imposed rather than imposing only the compounding amount, which is merely five *per cent* of the total leviable penalty.

3.13 Short levy of licence fee on shops of foreign liquor

11 District Excise Offices¹²

Under the provisions of the Uttar Pradesh Excise (Settlement of Licences of retail sale of Foreign Liquor) Rule, 2002 (as amended) annual licence fee in respect of the retail shops of foreign liquor is leviable on the basis of number of bottles sold out in the current year. As per the new Excise policy, the number of the bottles was to be calculated on the basis of actual sale of ten months i.e. from April to January and presumptive sale of February and March by 1/5 of April to January.

We observed that annual licence fee of 138 retail shops of foreign liquor was fixed on the basis of actual sale of bottles of ten months i.e. April 2008 to January 2009 and presumptive sale of February and March 2009 for the year

2009-10. Similarly for 2010-11, the licence fee was based on actual sale of April 2009 to January 2010 and presumptive sale of February and March 2010. The licence fee totaling to ₹ 2.75 crore and ₹ 2.68 crore was fixed respectively for the two years. The licence fee based on the number of bottles actually sold for both the years *i.e.* sale of February and March of the previous year and the actual sale of April to January of the current year worked out to ₹ 3.08 crore for 2009-10 and ₹ 2.97 crore for 2010-11. Thus the Government was deprived of revenue of ₹ 62.32 lakh (₹ 33.14 lakh + ₹ 29.18 lakh) by way of licence fee as shown in **Appendix-IX**.

We recommend that in the interest of revenue the Government should fix the licence fee for the year based on the actual sale for the previous 12 months.

We reported the matter to the Department and the Government between May 2010 and August 2011. The Government replied (September 2011) that after a study of all retail shops of IMFL, if revenue increases on the basis of actual sale, they would consider this in the next year's policy.

3.14 Loss of excise duty due to short lifting of minimum guaranteed quota of country liquor

Three District Excise Offices

As per the Excise Commissioner's Circular dated 9 March 2009, under the U.P. Excise (Settlement of licences for retail sale of country liquor Rules 2002), the licensee has to lift at least 80 *per cent* of the Minimum Guaranteed Quota (MGQ) in the month of March. If a licensee fails to do this, the licence fee will be adjusted from the security deposit of the licensee.

We observed from the records of three DEOs between February 2010 and March 2011, that during the year 2008-09 and 2009-10, 159 licensees lifted 43,480.89 BL country

¹² DEOs: Bijnor, Etah, Farukhabad, Fatehpur, Firozabad, Ghaziabad, Hathras, Jalaun, Jhansi, Lakhimpur Khiri and Unnao.

liquor against the quota of 80,475.31 BL fixed for the month of March 2009 and March 2010. The differential amount of licence fee amounting to ₹ 39.13 lakh due to this short lifting had not been adjusted by the Department from the security deposit of the licensees. The details are as shown below:

(₹ in lakh)

Sl. No.	Name of office	No. of licences	Monthly MGQ (in BL)	80% of monthly MGQ (in BL)	Lifted MGQ in March 2009 and 2010 (in BL)	Short lifting (in BL)	Loss of Excise Duty
1.	DEO, Pratapgarh	62	34,903.49 March, 2010	27,922.79	15,351.02	12,571.77	13.58
2.	DEO, Sitapur	80	41,444.02 March, 2009	33,155.22	12,496.40	20,658.82	21.49
3	DEO, Varanasi	17	24,246.60 March, 2010	19,397.3	15,633.47	3,763.83	4.06
Total		159	1,00,594.11	80,475.31	43,480.89	36,994.42	39.13

We reported the matter to the Department and the Government between April 2010 and August 2011. The Government in its reply (September 2011) agreed with our estimate of loss and stated that in 152 cases out of 159 cases an amount of ₹ 37.30 lakh has been recovered, and recovery of the balance amount is under process.

3.15 Non-realisation of excise duty due to short lifting of minimum guaranteed quota of country liquor

Four District Excise Offices

Under the provisions Rule 14 of the Uttar Pradesh Excise (Settlement of licences for the retail sale of country liquor), Rules, 2002, a licensee is liable to lift the entire Minimum Guaranteed Quota (MGQ) fixed for him during the year. In case of failure, the licensing authority has to adjust the outstanding balance amount of licence fee from the security deposit of the licensee and also issue a notice to the licensee by the third day of the next month to replenish the deficit in the security amount either by lifting such quantity of country liquor involving duty equivalent to the adjusted amount or by depositing cash or a combination of both. In case the licensee fails to replenish the deficit in security amount by the tenth day of the next month, his licence shall stand cancelled.

We observed from the records of four DEOs (between September 2010 to March 2011) that 39 licensees lifted 5.05 lakh BL of country liquor against MGQ of 5.30 lakh BL during the period 2009-10. As the full quantity of MGQ of country liquor was not lifted during the year, the differential amount of licence fee of ₹ 27.24 lakh on the short lifted quantity of

25,217.42 BL of liquor was to be recovered from the licensees. The Department, however, did not initiate any action either to adjust the amount from the security deposit or to cancel the licence. This resulted in non-realisation of excise duty of ₹ 27.24 lakh as shown below:

(₹ in lakh)

Sl. No.	Name of Unit	No. of Licensees of country liquor	Annual MGQ (in BL)	Actual lifted quantity (MGQ) in BL	Difference (short lifted quantity) in BL	Payable excise duty
1.	DEO, Ghazipur	15	1,91,586.00	1,88,911.65	2,674.35	2.89
2.	DEO, Farrukhabad	05	1,32,898.00	1,19,105.00	13,793.00	14.90
3.	D.E.O Jhansi	8	92,849.00	88,608.50	4,240.50	4.58
4.	DEO, Varanasi	11	1,13,137.00	1,08,627.43	4509.57	4.87
	Total	39	5,30,470	5,05,252.58	25,217.42	27.24

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government while accepting the observation stated (September 2011) that in 25 cases an amount of ₹ 4.52 lakh has been recovered. The recovery in the remaining cases is under process.

3.16 Non-payment of administrative charge due on issue of molasses

As per Government order dated 9 November 2005 and 13 December 2006, administrative charges for the years 2005-06 and 2006-07 were ₹ 11 and ₹ 15 per quintal on supply of molasses within the state and out of the state respectively.

We observed from the records of a sugar mill¹³ that under the new promotion policy for sugar industry

2004-05, the mill was exempted from deposit of administrative charges on issue of molasses for five years commencing from 23 February 2007. The left over stock of 165466.40 quintal molasses produced up to 22 February 2007 was supplied within the state, but the mill did not deposit the administrative charges of ₹ 14.84 lakh¹⁴. Thus, the Government was deprived of revenue to that extent.

We reported the matter to the Government and Department between June 2010 and August 2011. The Government replied (September 2011) that the sale/supply of molasses was done after the date of exemption (23 February 2007) on which no administrative charge was leviable. We do not agree as molasses were leftover stock which were produced by the mills for sale/supply before the date of exemption and clearly attract the administrative charge.

3.17 Non-levy of interest on belated payment of excise revenue

Three District Excise Offices

Under Section 38(A) of the Uttar Pradesh State Excise Act, 1910 where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 per cent per annum is recoverable from the date such excise revenue becomes payable.

We observed from the records of three DEOs that excise revenue of ₹ 15.37 lakh pertaining to the period 2001-02

¹³ Akbarpur Sugar Mill (a unit of Balrampur Sugar Mill) Ambedkarnagar.

¹⁴ ₹ 18.20 lakh minus ₹ 3.36 lakh paid = ₹ 14.84 lakh.

to 2003-04 was deposited late between April 2002 and August 2010, with delays ranging from 240 days to 3072 days in 17 cases. However, the Department did not levy interest amounting to ₹ 10.92 lakh on the belated payment as shown in the following table:

(₹ in lakh)

Sl. No.	Name of unit	No. of cases	Year of arrear	Period of interest calculation	Arrear amount	Delayed period (Days)	Interest leviable on belated payment
1.	DEO Etah	3	2002-03	01.04.03 to 04.04.09	1.75	475 to 2194	1.63
2.	DEO Lalitpr	1	2002-03	01.04.03 to 26.10.09	3.59	2399	4.25
3.	DEO Sant Ravi Das Nagar	9	2001-02	01.04.02 to 30.08.10	8.55	240 to 3072	4.33
		4	2003-04	01.04.03 to 15.02.07	1.48	636 to 1415	0.71
	Total	17			15.37	240 to 3072	10.92

We reported the matter to the Department and the Government between June 2010 and August 2011. The Government agreed with our observation and stated (September 2011) that an amount of ₹ 8,251 has been recovered and recovery in the remaining cases is under process.

3.18 Short levy of overtime fee

Three distilleries

We observed from the records of three distilleries¹⁵ between February 2010 to January 2011 that due to revision of pay and grant of dearness allowances from time to time, the Department was required to raise a demand for the differential overtime amount of ₹ 10.45 lakh for the period from April 2007 to December 2010. No such demand was raised by the Department. As a result, the amount has not been paid by the concerned distilleries.

Under the provisions of the Uttar Pradesh Excise Act, 1910 and notification of March 2007 if excise staff stationed at a distillery are required to attend the distillery on any of the holidays or at night, the distillers shall be required to pay to the Government an amount, per hour or part thereof which shall not be less than 15 minutes, equal to four times of the average salary of the employees concerned. Such amount will be only twice the average salary of the employee concerned on overtime done during the day time on working days. The amount is to be deposited in the head “0039 State Excise-Other receipts.”

¹⁵ Sarraiya Distillery, Gorakhpur; Dalmia Distillery, Sitapur; Unnao Distillery and Brewery Ltd., Unnao.

We reported the matter to the Department and the Government between March 2010 and August 2011. The Government replied (September 2011) that an amount of ₹ 10.28 lakh has been recovered and efforts are going on to recover the balance amount.

CHAPTER-IV

TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1 Tax administration

The Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act), UP Motor Vehicles Taxation Rules, 1998, Motor Vehicles Act, 1988 and Motor Vehicles Rules, 1989 provide for levy of various types of taxes viz. goods tax, additional tax (passenger tax) and fees etc. in the State.

The entire process of assessment and collection of taxes and fees is administered and monitored by the Transport Commissioner of UP, Lucknow, who is assisted by two Additional Transport Commissioners at Headquarters and six Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers (RTOs) and 72 Assistant Regional Transport Officers (ARTOs) (Administration) in the field.

4.2 Cost of collection

The gross collection in respect of taxes on vehicles, goods and passengers, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of cost of collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection of previous year
2008-09	1,391.15	50.43	3.62	2.58
2009-10	1,674.55	69.16	4.13	2.93
2010-11	2,058.58	78.13	3.80	3.07

Although the cost of collection of the Transport Department came down in 2010-11, it was still higher than the all India average.

The Department needs to take appropriate measures to bring down the cost of collection.

4.3 Revenue impact of audit

During the last five years (excluding the report of the current year), we had pointed out through our Inspection Reports short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 273.71 crore in 1,295 cases. Of these, the Department/Government had accepted audit observations in 198 cases involving ₹ 5.53 crore and had since recovered ₹ 3.79 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	41	250	20.45	3	1.73	1	0.02
2006-07	48	243	14.01	3	0.21	3	0.18
2007-08	62	213	94.45	4	0.25	4	0.25
2008-09	71	344	118.34	148	2.49	148	2.49
2009-10	71	245	26.46	40	0.85	40	0.85
Total	293	1295	273.71	198	5.53	196	3.79

In view of the large number of pending audit observations, the Government may ensure holding of audit committee meetings at regular intervals for expeditious settlement of the pending paragraphs.

4.4 Results of audit

Test check of the records of 71 units relating to the Transport Department revealed under assessment of tax and other irregularities involving ₹ 29.54 crore in 369 cases which fall under the following categories:

Sl. No.	Category	(₹ in crore)	
		Number of cases	Amount
1.	Computerisation in Motor Vehicles Department (A Performance Audit)	1	--
2.	Non/short levy of passenger tax/additional tax	120	18.24
3.	Under assessment of road tax	70	6.46
4.	Short levy of goods tax	13	0.47
5.	Other irregularities	165	4.37
	Total	369	29.54

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 6.44 crore in 263 cases, which were pointed out by audit in earlier years. This amount has since been recovered.

A Performance Audit on “**Computerisation in Motor Vehicles Department**” and a few illustrative cases involving ₹ 2.46 crore are mentioned in the succeeding paragraphs.

4.5 Computerisation in Motor Vehicles Department

Highlights

- SARATHI software and Enforcement module of VAHAN software was not installed.

(Paragraph 4.5.7.4)

- Smart cards were to be issued upto 2006-07, but the Department has not started issuing Smart cards so far.

(Paragraph 4.5.7.5)

- Online services are not available to the citizens as envisaged in the objectives of computerisation set by MORTH.

(Paragraph 4.5.7.6)

- Data of 62,79,933 vehicles was not digitized resulting in preparation of incomplete State Register as well as incomplete National Register.

(Paragraph 4.5.10)

- Inter connectivity amongst the State RTOs/ARTOs was not established.

(Paragraph 4.5.11)

- Various mandatory fields were not captured resulting in incomplete information in the database.

(Paragraph 4.5.14.2)

- Due to lack of data validation, identical chassis numbers, engine numbers and insurance cover note numbers existed in the database.

(Paragraph 4.5.14.4)

4.5.1 Introduction

The Department of Transport, Government of Uttar Pradesh is entrusted with the responsibility of implementing the various provisions relating to assessment, levy and collection of taxes, fees, permits and fines on motor vehicles under the provisions of the Central Motor Vehicles Act (1988) and Central Motor Vehicles Rules (1989); the Uttar Pradesh Motor Vehicles Taxation Act, 1997; the Uttar Pradesh Motor Vehicles Taxation Rules, 1998 and other such notifications issued from time to time. A major function performed by the Department is the registration of vehicles and issue of driving licenses.

The Ministry of Road Transport and Highways (MoRTH), Government of India instructed (January 2001) all the states to adopt a standardised data format and software prepared by National Informatics Center (NIC) for front and back end applications for the purpose of issuing driving license (SARATHI) and registration of motor vehicles (VAHAN) and maintaining their database so that a National Register of motor vehicles and driving licences could be prepared. The MoRTH directive envisages faster and better

services, transparency, monitoring of State revenue and modernisation of RTOs through computerisation and interlinking thereby creating and

maintaining a State Register of motor vehicles and driving licenses also. The software is built on n-tier¹ architecture. It uses a DCOM server which acts as a middle tier and was developed on the platform of Oracle 10g using Windows client and Linux server.

The work of computerisation of State Transport offices was started in 1998-99 and completed (except in the newly created district of Chhatrapati Sahuji Maharaj Nagar) in July 2010. Implementation of VAHAN was started in October 2006 and completed by July 2010 in the State Transport offices. These offices are issuing registration certificates of vehicles in printed form by using VAHAN software. The Government did not finalise the outsourcing agency for providing services related to issue of driving licenses on smart card through SARATHI software and therefore it has not been installed and implemented in the State Transport offices so far.

A Performance Audit on “**Computerisation in Motor Vehicles Department**” of Uttar Pradesh was conducted which revealed a number of system and compliance deficiencies. These are mentioned in the succeeding paragraphs.

4.5.2 Organisational set up

The Principal Secretary is the administrative head of the Transport Department at the Government level. The overall responsibility of the Transport Department rests with the Transport Commissioner (TC), Lucknow, who is assisted by two Additional TCs at Headquarters and six Deputy TCs at the zonal level. There are 19 Regional Transport Officers (RTOs) at Regional level and 72 Assistant Regional Transport Officers (ARTOs) at the district level for levy and collection of revenue.

4.5.3 Audit objectives

The review was conducted to ascertain whether:

- the phase wise implementation schedules for the State for VAHAN and SARATHI were achieved as per time frames fixed;
- computerised systems implemented were complete (module wise) and correct.
- connectivity was established between RTOs in the State for creation of State Registers of vehicles and licenses and National Register.
- the computerised National Permit System was implemented as planned for and project objectives were achieved;
- reliable general and security controls were in place to ensure data integrity and security and audit trail, and
- an internal control mechanism was in place to monitor the implementation of the projects.

4.5.4 Audit scope and methodology

For the purpose of the performance audit on “Computerisation in Motor Vehicles Department” we segregated the 71 units² as high, medium and low risk units on the basis of revenue realised by the RTOs/ARTOs during the year 2010-11. We selected a total of 15 RTOs/ARTOs³ (5 RTOs and 10 ARTOs)

¹ n-tier architecture refers to the architecture of an application that has at least three logical layers or parts that are separate.

² Excluding the newly created district Chhatrapati Sahuji Maharaj Nagar.

³ RTO Basti, Jhansi, Kanpur, Lucknow and Varanasi and ARTO Ballia, Bulandshahar, Bagpat, Farrukhabad, Ghazipur, Kaushambi, Kushinagar, Mathura, Pratapgarh and Unnao.

of high, medium and low risk categories on random sampling basis for scrutiny which covered 33.41 *per cent* of the total 1,32,87,232 number of vehicles registered and 30.62 *per cent* of the total revenue of ₹ 1,816.89 crore.

We scrutinised the records related to computerisation in the office of the Commissioner of Transport, Lucknow and field offices for the period from November 2000 (when the computerisation project started) to July 2011. Data was obtained from the Commissioner of Transport, Lucknow as well as the selected RTOs/ARTOs and application controls were analysed by us between 27 June 2011 to 3 September 2011.

4.5.5 Acknowledgement

We acknowledge the co-operation of the Transport Department in providing the necessary information and records for audit. An entry conference was held with the Transport Commissioner in July 2011 to explain the audit objectives and scope of this review. The draft review was forwarded to the Government and the Department in October 2011. An exit conference was held (December 2011) with the Additional Transport Commissioner of the Department. The replies given by the Department from time to time and during the exit conference have been incorporated in the respective paragraphs.

4.5.6 Tax collection and arrears

Details of arrears, tax due and its collection during 2004-05 to 2010-11 in the State Transport Department are given in the following table:

(₹ in crore)					
Year	Arrears	Tax due during the year	Total	Tax collected during the year	Balance
2004-05	22.80	562.06	584.86	559.20	25.66
2005-06	25.66	615.21	640.87	617.17	23.70
2006-07	23.70	673.57	697.27	674.26	23.01
2007-08	23.00	798.05	821.05	749.31	71.74
2008-09	71.74	808.19	879.93	819.32	60.61
2009-10	60.61	538.90	599.51	552.04	47.47
2010-11	47.47	606.09	653.56	623.90	29.66

From the above it is seen that the tax due increased from 2004-05 to 2008-09, and after a fall in 2009-10, there was a slight increase in 2010-11, in comparison to 2009-10. There were large amounts of balances recoverable at the end of each year signifying that efforts being made by Department to recover the dues are inadequate. There is no provision in VAHAN software to raise demand notices and recovery certificate against the outstanding dues which would have helped the Department to decrease the quantum of tax arrears.

The Department stated (December 2011) that modules for recovery certificate would be developed to decrease tax arrears.

Audit findings

4.5.7 Project implementation and monitoring

4.5.7.1 Non-existence of formal planning

In order to achieve the desired objectives, there should be a proper IT strategy and a well devised plan for addressing issues relating to implementation, customisation and maintenance of the information system. There should be a steering committee consisting of representatives of the Department and NIC, in place, for providing necessary direction and guidance to the computerisation efforts as well as to monitor the progress of implementation.

We noticed that the State had not formulated a comprehensive computerisation strategy for the Department. No long and short-term plans were in place. The objectives of computerisation of the RTOs/ARTOs taken up in 1998 were not met as the transport offices were only partially computerised. Neither was any steering committee formed nor was it evident that the top management was involved in planning and

implementation of the project. This resulted in development of a non-integrated application and partial utilisation of its features as elaborated in the succeeding paragraphs.

The Government may consider formulating a long term IT strategy/plan for effective use of the information system.

4.5.7.2 Non-formation of project monitoring unit

For better result and day to day monitoring of the computerisation project there should be a monitoring unit in place in the Department.

The computerisation activities of the Transport Department are under the overall control of the Transport Commissioner and he is assisted by the Deputy Transport Commissioner at the headquarters. There are no IT professionals in the Department for

monitoring the computerisation project. The Department is fully dependent on the National Informatics Centre for its day-to-day functioning. At the RTOs/ARTOs level also there are no IT professionals and the day-to-day activities of operation and maintenance of VAHAN software are performed by casual/contractual staff hired through NIC.

The Department stated (December 2011) that after taking approval of the Government, a computer cell would be established.

4.5.7.3 Delay in computerisation

The work of computerisation of the State Transport offices was started in 1998-99 by the State Government. In 2001 the Government of India, in order to have a national database of registered vehicles and driving licenses advised the State Governments to implement the VAHAN and SARATHI softwares, designed by the NIC. The details of the amount demanded for computerisation from the Government, amount sanctioned, utilised and number of offices computerised are given below:

(₹ in lakh)

Year	Amount demanded by Department	Amount sanctioned by Government	Amount released by Government	Amount spent	Amount surrendered	No of offices computerised
1998-99	0	55.46	55.46	55.46	0	0
1999-00	0	250.00	250.00	250.00	0	0
2000-01	458.22	200.00	200.00	0	200.00	2
2001-02	0	200.00	200.00	195.85	4.15	0
2002-03	300.00	79.00	79.00	0	79.00	5
2003-04	0	70.00	70.00	70.00	0	2
2004-05	70.00	34.08	34.08	25.10	8.98	2
2005-06	70.00	70.00	70.00	70.00	0	7
2006-07	0	0	0	0	0	15
2007-08	0	70.00	70.00	68.75	1.25	1
2008-09	158.00	157.25	157.25	157.25	0	4
2009-10	166.57	166.57	166.57	158.32	9.25	34
2010-11	1498.32	1403.46	1022.09	558.02	464.07	0
Total	2721.11	2755.82	2374.45	1608.75	766.70	72

From the period 1998-99 to 2010-11 the Transport Department utilised ₹ 16.09 crore for the computerisation project against ₹ 23.74 crore allocated, and ₹ 7.67 crore unutilised was surrendered to the State Government. Thus the Department took about 10 years to partially complete the computerisation work⁴ because it did not have a proper strategy for prompt utilisation of the funds allotted as well as for early completion of computerisation.

Besides the above, MoRTH, Government of India supplied computer hardware of ₹ 3.85 crore through NIC for the purpose of computerisation of 34 RTOs/ARTOs. In 2009-10 computer hardware of ₹ 1.44 crore was supplied by the Government of India through NIC for upgradation of the computerised system in 11 offices.

The Department stated (December 2011) that delay in computerisation was due to delay in site preparation.

4.5.7.4 Partial/non-implementation of the VAHAN and SARATHI software

We noticed that:

The Government of India, in order to have a national database of registered vehicles and driving licenses advised all the State Governments in 2001 to implement the VAHAN and SARATHI software designed by the NIC. The main objective was to have a uniform format and standardised software for issue of registration certificates by the Transport departments of all the states and to have a National Register of registered motor vehicles and driving licenses. It was planned to implement the system in all the States during the Tenth Five Year Plan (2002-07).

- No schedule for phase wise implementation for VAHAN, SARATHI and Data Transfer System (DTS)⁵ was fixed in the State.
- The Transport Department has installed and implemented the UNIX based application software, developed by NIC, in its 25 field offices for registration of vehicles between November 2000 and August 2006. These offices migrated to VAHAN between May 2009 to July 2010.

⁴ Only VAHAN implemented, SARATHI not implemented.

⁵ Data Transfer System is a system of transferring digital data from one location to other locations.

- VAHAN was directly installed and implemented in the remaining field offices.
- Out of five modules⁶ of VAHAN, implementation of only four modules viz. registration, fitness, tax and permit was started in October 2006 and was completed up to July 2010 in all the State Transport Department offices. Data related to enforcement activities of the Department are not captured in the computerised system as enforcement module has not been developed by NIC.
- All field offices⁷ are issuing registration certificate of vehicles in printed form by using VAHAN software.
- Essential hardware for SARATHI installed in the 71 RTOs/ARTOs offices during September 2009 to July 2011 were lying idle except at RTO Lucknow due to non-finalisation of agreement between the Department and the implementing agency, National Informatics Center Services Incorporated (NICS). The software SARATHI has been started as pilot project from 18 June 2011 only in RTO Lucknow, and driving license on laminated photo paper is being issued through SARATHI in this RTO.

Transfer of VAHAN data from RTO/ARTO locations to the central database server of the State Transport Department was to be done through ELT (Extract, Load and Transform) based package named as ODI (Oracle Data Integrator). Field offices of the Transport Department have not been provided the facility to access the data stored in the central database server against the stated objective of enabling users to avail the service on “anywhere service basis”.

It is recommended that the Department may ensure early implementation of SARATHI and Enforcement Module of VAHAN software.

The Department stated (December 2011) that the draft of the agreement with NICS has been sent (August 2011) to the Government for approval.

4.5.7.5 Smart cards not issued

SMART CARDS were to be issued during 2004-07 through VAHAN and SARATHI as per directives of the Government of India.

We noticed that the work is proposed to be allotted to NICS for which a proposal has been sent (August 2011) to the Government. Thus the Department could not start issuing smart cards, thereby defeating the

objectives of the scheme.

The Department stated (December 2011) that after approval of the Government, the agreement would be finalised with NICS for issue of smart cards.

⁶ Registration, Fitness, Tax, Permit and Enforcement.

⁷ Except newly created district Chhatrapati Sahuji Maharaj Nagar.

4.5.7.6 On line services

The VAHAN and SARATHI softwares developed by NIC have provisions to offer services from the State and National Register which will enable the citizens to get the work done from the comfort of their home/office at a time suitable to them. This was expected to not only reduce the rush in RTOs offices but also save a lot of effort which goes into entering the data into the system. The applicants will be able to visit the website of Transport Department and avail several services by filling up online forms and making payments through payment gateways. This can be done either in person or through courier. The status of the application can be made available at all times from the website and the applicant can use a tracking number to track the progress of his application.

We noticed that:

- only online⁸ issue of National Permits for goods carriers has been implemented (September 2010) at all the RTOs of the state.
- no online services are available to the citizens as envisaged in the objectives of computerisation set by MoRTH as no online payment gateway with a bank/banks is/are available. Moreover a separate software for tracking the status of applications has not

been developed.

The Department agreed (December 2011) that these services were not available, and stated that an agreement is to be signed (December 2011) with the State Bank of India for online payments from other states after which online payments can begin. They further stated that there is a plan for developing an online software for other services.

4.5.7.7 Lack of training of personnel

The VAHAN software system's front desk operation is to be directly handled by the RTO personnel. The system is also to be implemented and maintained by the RTO/ARTO staff with the support of the NIC for which they should be trained properly.

VAHAN was implemented during 2006-11 at the RTOs/ARTOs but out of a total of 72 RTOs/ARTOs training has not been provided to staff of 37 RTOs/ARTOs. As a result, the Department is still dependent on the outsourcing agency (NIC) for its daily operations.

Considering the importance of the IT environment it is recommended that staff may be trained on priority basis. This will also reduce dependence on the outsourcing agency.

The Department stated (December 2011) that regular training programmes would be arranged for all the officials.

⁸ <https://vahan.nic.in/npermit/>

4.5.8 Digitisation of data

Creation of a National Register of vehicles to serve as a national database for number of registered vehicles, their category-wise break up, age profile, etc. which will aid planning for the transport sector was one of the objectives of computerisation as per directives issued by MoRTH. To fulfill the objectives of creation of the National Register it was a prerequisite to digitise the legacy data of all vehicles.

As per the demand of the Department (November 2006) an amount of ₹ 1.05 crore was released by the Government of UP in March 2007 for digitisation of manual (legacy) data of all the vehicles registered in the 38 computerised RTOs/ARTOs. The work was outsourced (March 2007) to the Uttar Pradesh Development Systems Corporations Ltd. (UPDESCO)

and the amount sanctioned was transferred in the Personal Ledger Account of UPDESCO. The Department did not issue work order to UPDESCO for three and a half years till September 2010 for the work as the amount released by the Government was not sufficient for digitisation of legacy data of all RTOs/ARTOs. UPDESCO refunded the amounts of ₹ 1.05 crore to the Government in September 2010.

For digitisation of legacy data of all RTOs/ARTOs funds of ₹ 7.83 crore were provided through Budget Estimates 2010-11 in favour of the Department. However we noticed that:

- The Department diverted ₹ 3.46 crore including an amount of ₹ 2.29 crore for pay and allowances of departmental staff out of provisional amount of ₹ 7.83 crore sanctioned for digitisation of old manual data related to period from July 1989 to the respective dates of computerisation of the concerned RTOs/ARTOs, after getting permission from the Government for re-appropriation and ₹ 1.40 lakh was utilised for printer and lamination machine. The balance amount of ₹ 4.35 crore was surrendered (March 2011) without doing any work.
- The Government reversed its original decision of 2007 to outsource the digitisation work and decided (July 2011) to get the work done by the departmental staff with their regular work and September 2011 was set as the target date of completion for transport vehicles. No grounds for reversal of decision were available on record. No timeframe or target date was however fixed for digitisation of non transport vehicles which was the major portion of legacy data pending for digitisation.
- It was reported in July/August 2011 by the RTOs/ARTOs test checked that the digitisation of legacy data by departmental staff with their regular work was not feasible due to shortage of manpower and scarcity of time. The Department has no plan of action for digitisation of legacy data of the non-transport vehicles registered prior to 1989.

Thus, digitisation of the legacy data could not be done so far and out of a total 1,32,87,232 vehicles, legacy data of 61,50,568 non transport and 1,29,365 transport vehicles registered from 1989 onwards was pending at the end of March 2011.

The Department stated (December 2011) that a request for grants is being made to the Central Government for digitisation of legacy data.

4.5.9 Migration of data from previous UNIX system to VAHAN system

Twenty five field offices had installed UNIX based software. These offices subsequently migrated to VAHAN and the digital data of vehicles fed on the UNIX system should be migrated to VAHAN system so that it may be available on the State Register and National Register.

We examined the records of five⁹ of these 25 field offices and noticed that instead of migrating the digital data fed in previous UNIX system to VAHAN system automatically, it is being done manually by feeding data in VAHAN system from file of the vehicle

as and when a vehicle owner comes for any work to the RTO/ARTO office. Thus, data of 10,74,460 vehicles fed in the previous UNIX system has not been migrated to the new VAHAN system so far.

The Department stated (December 2011) that request for granting of funds to complete the work of migration of data through private agency would be made to the Government.

4.5.10 State Register and National Register

We observed that:

The National Register is expected to act as a central repository of all crucial data/information. This will also enable users to avail the service on “Anywhere Service” basis. In addition to the above, the National Register will also act as a selective backup of the State level repository. The National Register will also provide information to the Ministry of Road Transport and Highways (MoRTH), RTO, interstate check post, Police Department and other services. The information captured at the RTO level is required to go to the State Consolidation Register (SCR) to act as a back up data for disaster recovery. Selected data from the SCR is to be replicated to SR (State Register) which will act as repository at the State level to provide information to the State Transport Department, RTOs, automobile dealers and Police Department.

- The State Register is a central repository of all the data/information captured at the user level i.e. at RTOs/ARTOs level. The State Register for VAHAN only (not for SARATHI) is being prepared by the Transport Department which is unable to provide all crucial data/information due to shortcomings in the data captured e.g. incomplete, incorrect and unreliable data as discussed subsequently in Para 4.5.14.
- Out of the total 1,32,87,232 vehicles plying on road, data of 61,50,568 (46.29 per cent) non-transport vehicles and 1,29,365 (0.97 per cent) transport vehicles is yet to be

⁹ RTO Jhansi, Kanpur, Lucknow, Varanasi and ARTO Unnao.

digitised as on 31 March 2011. This has adversely affected the completeness of State and National Register which was targeted for completion by the Central Government between 2002 and 2007 for all States.

- At present the National Register related services are not available on 'Anywhere Service basis' at the state or central level.
- While the details of the vehicles registered in RTO offices are available at the State level in the form of the State Register, this information is not being provided to the Department of Road Transport (DoRTH), other RTOs/ARTOs of the State, interstate check posts, Police Department and other services due to non existence of online connectivity.

The Department agreed (December 2011) that the digitisation of legacy data was incomplete and stated that request for grants is being made from the Central Government for digitisation of non transport vehicles, while the digitisation of transport vehicles is being done using departmental resources.

4.5.11 Data Transfer and Connectivity

The Government of India, Ministry of Road Transport and Highways had embarked upon a Scheme for creation of a National Database network by introduction of Information Technology in the Road Transport Sector as the Mission Mode Project which apart from aiming at computerisation of all RTOS across the country also aims at inter connectivity amongst RTOs in the State and a National Register of Motor Vehicles.

We observed (July 2011) that the data is being transferred regularly to the Central Server at the State level through VPN connectivity. The data is updated automatically through scheduling, using Oracle ELT package - ODI (Oracle Data Integrator). However, the data stored at the Central Server is not available for use at the RTO/ARTO level *vice versa*.

RTO/ARTO offices are connected to the central server

for only transferring data from their local server to the central server. For use of State Register/National Register services, the details of vehicles registered in one ARTO/RTO cannot be viewed in another RTO/ARTO at present. Inter-connectivity amongst the State RTOs/ARTOs is not fully functional.

The Department stated (December 2011) that VPN over Broadband connectivity has been given to all RTOs. Deputy Transport Commissioners and RTOs have been provided with user ID and passwords. There is a plan to provide user ID and password to ARTOs for establishing inter connectivity.

4.5.12 IT Security policy and general access controls

To create the environment in which the application systems and application controls operate, the Department needs to formulate a security policy that should be circulated to all levels for protection of hardware and software of the system. Preventive and detective measures like installation and updating antivirus software, user ID and passwords should be adopted. The IT system must have in-built controls to ensure that all the key information have been entered before the transaction is recorded in the database. The system should be complete by incorporating all the main processes mentioned in the business rules.

The deficiencies noticed during audit are discussed in the following paragraphs:-

IT Security policy

We observed that no security policy was formulated by the Motor Vehicles Department and circulated to RTOs for protection of

the hardware and software of the IT system.

General access controls

- No password policy has been framed and enforced, restricting only authorised users to have access to the system. No awareness has been created among the users regarding periodical change of password. All the corrections are being done by Data Base Administrators (DBAs) hired on casual/contract basis through NIC using passwords allotted to concerning ARTOs on written order of the ARTOs/ Administration.
- The Department did not have a formal disaster recovery and business continuity plan to provide reasonable assurance that the data processing operations could be restored timely and effectively in case a disaster rendered the automated systems non-operational. The key configuration items (hardware, software, personnel and data assets), which were indispensable for continuity of the IT activities had not been identified through a proper risk analysis and counter measures were not outlined. Backup of database was stored at the central system (State level) but there was no system in place to rule out the possibility of alteration in the database stored at the district level.

Absence of IT security policy and general access controls renders the system vulnerable to threats.

The Department may consider preparing an IT security policy with a credible threat assessment mechanism for harnessing optimum output from the system.

The Department stated (December 2011) that a security policy would be framed.

4.5.13 Documentation and Change Management Control

Once a system is implemented change management control should be put in place to ensure that the changes to the system are authorised, tested, documented and to see that there is adequate audit trail. The request for changes should be signed by the higher level functionaries of the Department and all the changes should be tested before they are put to use in the live environment.

Our scrutiny revealed the following deficiencies in monitoring:

The Department did not have proper written and authenticated documentation of the modules developed by NIC. The documents (Users Requirement Specifications, System Requirements Specifications etc.) prepared by the system developer (NIC

Delhi) were not handed over to the Transport Department. In the absence of such records, we could not verify the adequacy of documentation and system support as up-dation of this data would not be possible in-house or through any other agency.

The modifications made in the database relating to assessment of tax, fee, penalty etc. maintained at the district level were not subjected to any supervisory review by the Department's staff/officers periodically to ensure the accuracy of issued certificates before committing them to the database.

The Department may consider having proper documentation and change management control system.

The Department stated (December 2011) that monitoring policy would be prepared and adhered to with the help of NIC.

4.5.14 Application controls

Proper and sufficient input controls should be in-built in the IT system to ensure genuineness, completeness, accuracy and proper authentication of the data.

4.5.14.1 Lack of input and validation controls

There is no provision in the software to:

The system design and its operation should be adequate and sound to capture the data from the inputs provided by the Department. In case of deficiencies in the input control and validation checks, there is a possibility of generation of incorrect data bank of vehicles registered. The MV Act and Rules provide certain basic parameters for certain class or categories of vehicles. Genuineness, completeness, accuracy and proper authentication of data should be ensured by providing appropriate validation controls at data entry stage.

- restrict the clearance of tax if receipt number and period of tax deposited are altered or tax not deposited.
- check that same insurance cover note is not used for more than one vehicle and to reject bogus insurance cover notes.
- disallow re-

registration of a vehicle coming from other states/districts when a valid insurance cover note is not presented and entered in database.

- disallow the option 'Not applicable' for valid insurance at the time of issue of fitness certificate to a vehicle.
- restrict invalid/expired insurance cover note during the deposit of tax, fees and issue of Fitness certificate.
- make suspension and cancellation of registration of a vehicle in case of theft, non-existence of vehicle etc. as per Section 55 of MV Act. The system provides facility to blacklist a vehicle only, which can be removed by the operator as and when he desires.
- prohibit concession in tax for 'institutional vehicle' without feeding details of permit.
- fix maximum age limit for movement of any class of vehicles.
- accept only dealer code instead of "Other Dealer" for the purpose of registration of the vehicles coming from other districts with temporary-registration certificate and NOC.

4.5.14.2 Incomplete information in IT system

The VAHAN software requires capture of complete information of vehicles being registered. Analysis of the database of 6,45,489 vehicles registered in 15 RTOs/ARTOs revealed that the information of 13 mandatory fields was not captured in the districts. Details are given in the following table:

Sl. No	Name of RTOs/ARTOs	Total No. of vehicles	Horse power	Cubic capacity	Wheel base	Gross vehicle weight	Un-laden weight	Sale value	Insurance cover note	Engine No.	No. Of Cylinder	Seat Capacity	Vehicle Class	Purchase Date	Year of manufacture
			A	B	C	D	E	F	G	H	I	J	K	L	M
1	Kanpur	24169	4492	10	1312	479	NA	17894	24169	NA	10	9	NA	NA	NA
2	Kaushambi	15788	1	4128	4721	NA	NA	13063	NA	NA	NA	2	NA	NA	15649
3	Lucknow	103484	63607	235	30421	15793	49	43677	103484	82	235	200	1	14	79
4	Bulandshahar	99799	70486	NA	66971	65078	1	50616	9014	NA	NA	NA	99799	4	NA
5	Varanasi	64836	15646	17	38000	26945	NA	17109	54397	NA	17	NA	64835	NA	NA
6	Ghazipur	30954	7904	NA	28337	11184	NA	1865	30954	NA	NA	1	NA	NA	NA
7	Mathura	123892	97406	1	104859	76611	NA	66290	1439	78888	1	NA	63232	NA	NA
8	Ballia	11669	5111	1	10821	5459	1	768	11669	1	NA	NA	NA	1	1
9	Basti	24028	24028	2150	22026	19274	14	22614	24028	14	21912	14	14	2150	40
10	Unnao	44033	7783	5	36354	12984	NA	8897	5961	NA	5	5	NA	NA	NA
11	Jhanshi	38739	1875	17514	23754	87	32497	35052	6325	96	28	56	NA	19	96
12	Bagpat	17109	17109	7	13984	8092	NA	1540	1901	NA	7	4	NA	NA	NA
13	Pratapgarh	41745	774	37223	38155	NA	NA	40398	3	NA	NA	3	NA	NA	39740
14	Kushinagar	2974	49	78	937	35	NA	67	2974	NA	NA	NA	2974	2974	NA
15	Farikhabad	2270	2096	NA	340	NA	NA	58	2270	NA	NA	NA	NA	2270	NA
Total		645489	318367	61369	420992	242021	32562	319908	278588	79081	22215	294	230855	7432	55605
Range in Percentage			0.01 - 100	0.01- 89.17	5.43- 92.73	0.22- 80.21	0.01- 83.81	2.25- 96.77	0.01-100	0.01- 63.67	0.01- 91.19	0.01-0.19	0.06- 100	0.01-100	0.01- 99.12

There were no inbuilt validation checks in the system to prevent blanks in mandatory fields. This is indicative of deficiency in input control as well as absence of supervision and monitoring. Vehicles are being registered without essential information being captured even in mandatory fields which makes the State/National Register unreliable.

4.5.14.3 Irregularities due to inadequate input control

Our test check in the selected RTOs/ARTOs revealed the presence of a large number of unusual and duplicate data in the database which implies unreliability of data and inadequate supervision as detailed in **Appendix-X**.

Chassis and engine numbers not alphanumeric

Alphanumeric chassis and engine numbers assigned by the manufacturer of the vehicles are the unique identification mark of vehicles as per Central Motor Vehicles (CMV) Rules.

- Analysis of the database revealed that the chassis number of 29,816 and engine numbers of 24,842 vehicles were in numeric form only in all the 15 RTOs/ARTOs as against the requisite alphanumeric numbers.

We test checked (December 2011) the manual records in 62 cases out of 15,616 cases of numeric chassis number and in six cases out of 5,932 cases of numeric engine number pertaining to seven¹⁰ and six¹¹ RTOs/ARTOs respectively. We found that these were mainly because of the incorrect practice of entering only the last few digits of the chassis number and engine

number during data entry in the system. Thus, the system lacked necessary controls/checks on chassis number and engine number fields to avoid wrong input in these crucial fields.

- Further scrutiny revealed that the engine number of 159 vehicles was totally incorrect¹² in RTO Kanpur, Lucknow and Jhansi. We test checked (December 2011) the manual records in five cases out of 143 cases pertaining to RTO Kanpur and Lucknow. We found that these were because of incorrect data entry in the system.

Manufacturing year unrealistic

Scrutiny of the database revealed that manufacturing year of 172 vehicles was wrongly entered as the years were fed as 12 to 1899 and also 2012 to 2538 in nine¹³ RTOs/ARTOs which was unrealistic.

We test checked (December 2011) the manual records in 16 cases out of 52 cases pertaining to four¹⁴ RTOs/ARTOs. We found that registration certificates, temporary registration certificates, temporary authorisation of registration certificates etc. were issued to vehicle owners with wrong entries of the manufacturing year. This was on account of the incorrect data entry in the system.

Registration before manufacture/date of purchase of vehicle

A vehicle can never be registered before its manufacture or date of purchase. Analysis of the database revealed that in four RTOs/ARTOs¹⁵ the registration date of 21 vehicles was a date prior to the purchase date or manufacturing date.

¹⁰ RTO Kanpur, Lucknow, Varanasi and ARTO Bulandshahar, Bagpat, Kaushambi and Pratapgarh.

¹¹ RTO Kanpur, Varanasi and ARTO Bulandshahar, Bagpat, Kaushambi and Pratapgarh.

¹² Given as "Battery", "-", " / " in symbols.

¹³ RTO Kanpur, Jhansi, Varanasi and ARTO Ballia, Bagpat, Bulandshahar, Kaushambi, Mathura, Farrukhabad.

¹⁴ RTO Kanpur and ARTO Bulandshahar, Bagpat and Kaushambi.

¹⁵ RTO Kanpur, Varanasi and ARTO Bulandshahar and Mathura.

We test checked (December 2011) the manual records in six cases out of 11 cases pertaining to RTO Kanpur, Varanasi and ARTO Bulandshahar. We found that this improbable data was on account of incorrect data entry in the system.

Data entered in various fields in contravention of basic parameters

The MV Act and Rules provide certain basic parameters for certain class or categories of vehicles. For example, the laden weight as well as un-laden weight of goods carriage should not exceed 49000 kg, seating capacity of two wheelers and goods carriages should not exceed three and seven respectively, cubic capacity and wheel-base of a vehicle should not be less than 25 cc and 42 inches respectively.

Scrutiny of the database revealed the following discrepancies in the data entered in various fields in contravention of basic parameters:

- The wheel-base of any vehicle can not be less than 42 inches but in 15 RTOs/ARTOs the wheel-base in respect of 1,12,579 vehicles was less than the aforesaid parameter.

We test checked (December 2011) the manual records in 61 cases out of 28,475 cases pertaining to six¹⁶ RTOs/ARTOs. We found that the discrepancies were on account of incorrect data entry in the system.

- Cubic capacity of different categories of vehicles was below 25 cc in 7,502 cases in 15 RTOs/ARTOs, though such vehicles are not available in the market.

We test checked (December 2011) the manual records in 32 cases out of 2,043 cases pertaining to six¹⁶ RTOs/ARTOs and found that these were because of incorrect data entry in the system as on the sale certificates cubic capacity of vehicles was shown as more than 25 cc.

- Maximum seating capacity of light motor vehicle (LMV) i.e. private car should not exceed 12 but in five¹⁷ RTOs/ARTOs seating capacity in respect of 1,061 vehicles it was more than the aforesaid number of seats.

We test checked (December 2011) the manual records in 41 cases out of 1,059 cases pertaining to four¹⁸ RTOs/ARTOs and found that this was because of incorrect data entry in the system as on the sale certificates the seating capacity of vehicles was as per the prescribed parameter.

- Maximum seating capacity of two wheeler should not exceed three but in 10 RTOs/ARTOs the seating capacity in respect of 47,657 vehicles was shown as more than the aforesaid number of seats, ranging from four to 143.

We test checked (December 2011) the manual records in 12 cases out of 31,956 cases pertaining to ARTO Bagpat and Pratapgarh. We found that registration certificates, temporary registration certificates, temporary authorisation of registration certificates etc. were issued to

¹⁶ RTO Kanpur, Varanasi and ARTO Bulandshahar, Bagpat, Kaushambi and Pratapgarh.

¹⁷ RTO Jhansi, Lucknow and ARTO Bagpat, Kaushambi and Pratapgarh.

¹⁸ RTO Lucknow and ARTO Bagpat, Kaushambi and Pratapgarh.

vehicle owners with wrong entries of seating capacity. This was because of incorrect data entry in the system.

- Maximum seating capacity of heavy/medium goods vehicles should not exceed seven but in 12 RTOs/ARTOs seating capacity in respect of 653 vehicles it was more than the aforesaid number of seats.

We test checked (December 2011) the manual records in 22 cases out of 617 cases pertaining to five¹⁹ RTOs/ARTOs and found that registration certificates, temporary registration certificates, temporary authorisation of registration certificates etc. were issued to vehicle owners with wrong entries of seating capacity. This was because of incorrect data entry in the system.

- Maximum Unladen Weight and Gross vehicle weight of heavy motor vehicles can not be more than 49000 Kg but unladen Weight of 60 vehicles in 10 RTOs/ARTOs and gross vehicle weight of 205 vehicles in 14 RTOs/ARTOs was higher than the aforesaid weight.

We test checked (December 2011) the manual records in seven cases out of 46 cases for unladen weight and in 11 cases out of 62 cases for gross vehicle weight pertaining to four²⁰ and five²¹ RTOs/ARTOs respectively. We found that these were because of incorrect data entry in the system as on the sale certificates gross vehicle weight and unladen weight of the vehicles was not more than 49000 kgs.

- Gross vehicle weight of a vehicle is always higher than the unladen weight. Therefore, the system should not accept unladen weight equal or higher than gross vehicle weight. However we observed that Unladen Weight and gross Vehicle Weight of 6,121 vehicles were the same in six RTOs/ARTOs and in 8,908 cases, the system accepted unladen weight higher than gross vehicle weight in 15 RTOs/ARTOs.

We test checked (December 2011) the manual records in 82 cases out of 4,353 cases pertaining to seven²² RTOs/ARTOs and found that registration certificates, temporary registration certificates, temporary authorisation of registration certificates etc. were issued to vehicle owners with wrong entries of gross vehicle weight and unladen weight. This was because of incorrect data entry in the system as on sale the certificates unladen weight was not shown as more than the gross vehicle weight.

- **Fitness certificate issued beyond the permissible period**

As per Section 56 of the MV Act and Rule 62 of the CMV Rules, a certificate of fitness granted in respect of a transport vehicle as well as a private vehicle with seating capacity of more than seven shall be issued with a validity of two years in case of new vehicles in Form 38.

We noticed that in 564 cases in 13 RTOs/ARTOs the fitness certificates were issued for more than two years in violation of the provisions which may have serious implications on road safety.

¹⁹ RTO Kanpur, Lucknow and ARTO Bagpat, Kaushambi and Pratapgarh.

²⁰ RTO Kanpur, Lucknow, Varanasi and ARTO Bagpat.

²¹ RTO Kanpur, Lucknow, Varanasi and ARTO Bulandshahar and Pratapgarh.

²² RTO Kanpur, Lucknow, Varanasi and ARTO Bulandshahar, Bagpat, Kaushambi and Pratapgarh.

We test checked (December 2011) the manual records in 16 cases out of 444 cases pertaining to six²³ RTOs/ARTOs and found that these were because of incorrect data entry in the system as on the forms of fitness certificate, the period of fitness was only for one or two years.

4.5.14.4 Identical chassis/engine/insurance cover note numbers

Identical chassis and engine numbers

Chassis numbers, engine numbers and registration numbers are unique identification mark of vehicles which are essential for the purpose of its registration under the provisions of the MV Act.

During data analysis of the registration database we observed that certain key fields contained identical numbers as detailed in **Appendix-X**.

- In respect of six cases the chassis numbers in RTO Kanpur, Varanasi and ARTO Mathura and in respect of 116 cases the engine numbers in five²⁴ RTOs/ARTOs were identical within the

same district.

We test checked (December 2011) the manual records in two cases for chassis number pertaining to RTO Varanasi and 14 cases out of 111 cases for engine number pertaining to RTO Varanasi, ARTO Bulandshahar and Pratapgarh. We found that the same chassis number and engine number were written on the sale certificates for two different vehicles in all the cases.

- In respect of 754 cases the chassis numbers in 15 RTOs/ARTOs and in respect of 341 cases the engine numbers in 14 RTOs/ARTOs were found to be the same even in different districts.

We test checked (December 2011) the manual records in two cases out of 94 cases for engine number pertaining to RTO Varanasi and ARTO Bulandshahar and found that these were because of wrong entry in the system as on the sale certificate the engine number was different.

- In 8,395 cases both the engine and chassis numbers were the same in 13 RTOs/ARTOs. We test checked (December 2011) the manual records in 24 cases out of 3,230 cases pertaining to five²⁵ RTOs/ARTOs and found that there was the same error in the manual records in 12 cases while in the other 12 cases these were because of wrong entry in the system.

Identical insurance cover notes

According to Section 146 of the MV Act, no person shall use a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle, a valid insurance.

Scrutiny of the database revealed that there were 6,766 vehicles with repeated Insurance Cover Note Number (same cover note for two or more vehicles) in RTO Varanasi and ARTO Bulandshahar as detailed in **Appendix-X**.

We test checked (December 2011) the manual records in 15 cases out of 6766 cases pertaining to RTO Varanasi and ARTO Bulandshahar. We found that

²³ RTO Kanpur, Lucknow, Varanasi and ARTO Bulandshahar, Kaushambi and Pratapgarh.

²⁴ RTO Lucknow, Varanasi and ARTO Bulandshahar, Farrukhabad and Pratapgarh.

²⁵ RTO Kanpur, Varanasi and ARTO Bulandshahar, Kaushambi and Pratapgarh.

these were because of incorrect data entry in the system as in the manual records the insurance cover notes were different.

4.5.14.5 Disparity in data

Uniformity should be maintained between the data of a vehicle in the manual file and in the computer system.

While cross checking the database with the manual files of 2161 vehicles made available to us in the test checked 12 RTOs/ARTOs²⁶, we noticed that incorrect data entry such as chassis number, engine number, wheel base, un-laden weight, gross vehicle weight, seating capacity, owner address etc. was done in cases of 293 vehicles as detailed in **Appendix-XI**.

The aforesaid errors in the database indicate that these were due to defective data entry in absence of proper data validation. There was no system in place to check integrity of data in the system periodically. Hence information generated out of the system may not be authentic and reliable.

The Department stated (December 2011) that level of responsibility would be fixed to ensure effective approval system and required input validation checks would also be incorporated in the software.

The Department may consider introducing proper data validation checks as well as introducing a system for verification of data entry relating to registration of vehicles, to ensure data integrity.

4.5.15 Non-mapping of business rules

The software design should be adequate to address the requirements of the Department. This implies that all business rules should be incorporated in the software. In case of deficiencies in the software, there is a possibility of generation of incorrect data, that may cause revenue loss to the Department.

We noticed that the following business rules were not mapped in the VAHAN software. There is no provision in the software to:

- work out fines for delayed payments of road tax or registration of vehicles.
- calculate amount of additional tax due on the vehicles of Uttar Pradesh State Road Transport Corporation.
- compute tax automatically in respect of A.C. Taxi and vehicles carrying petroleum products, update the period of tax deposited after getting payment of tax and issue receipt for the same.
- register Crane as a commercial vehicle and provide facility for issuing fitness certificate in respect of Crane or Body type crane.
- issue permit for vehicles to be used for educational institutions.
- disallow fitness for more than two years in respect of transport vehicles and private vehicles having seating capacity of more than seven as per the provisions of the Motor Vehicle Act.

²⁶ RTO Basti, Jhansi, Kanpur, Lucknow, Varanasi and ARTO Bulandshahar, Ballia, Bagpat, Farrukhabad, Kaushambi, Pratapgarh and Unnao.

- automatically cancel the surrender of vehicle and calculate road tax when the period of surrender exceeds three months as provided in the UP Motor Vehicle Taxation Act.
- calculate compounding fees for every week of delay in submitting application for assignment of new registration number, to record new address and to transfer ownership of a vehicle.

4.5.16 Absence of facility to generate MIS reports etc

There is no provision in the software to:

- generate MIS Reports viz. details of surrendered vehicles, NOC issued vehicles, blacklisted vehicles and other state vehicles.
- assess the arrears of road tax and generate a list of defaulters with amount of arrears.
- generate Demand Notices and Recovery Certificates,

The Government may consider modifying the software to fulfill requirements of business rules like generation of demand notice/recovery certificate/arrear and MIS reports etc., for better enforcement of the Act and rules.

The Department stated (December 2011) that required modifications in the software would be made with the help of NIC.

4.5.17 Manual intervention and computerisation

All the work related to vehicles for which provisions are available on the computer system should be done through computerised system.

Due to problems with the computer and power failures, the following work was done and certificates were issued manually. However the relevant details were subsequently not entered in the computerised system.

The details are given in **Appendix-XII**.

The workwise details are:

- 2,506 manual receipts were issued on account of tax/fee deposited by vehicle owners in five RTOs/AARTOs.
- 5,656 permanent/temporary permits were issued manually to vehicle owners in four RTOs/ARTOs.
- 44 Registration Certificates and 121 Temporary Registration Certificates were issued manually to vehicle owners in two and three RTOs/ARTOs respectively.
- No Objection Certificates were issued to 686 vehicle owners manually in four RTOs/ARTOs.
- 1,027 Fitness Certificates were issued manually to vehicles in five RTOs/ARTOs.

Certificates generated manually could not be treated as reliable and authentic. Manual intervention is susceptible to fraudulent transactions and risk of revenue loss. Since the manual data were not entered in the computerised system, the State and National register also remained incomplete.

The Department stated (December 2011) that instructions would be issued to do all work using all modules of VAHAN software.

4.5.18 Conclusion

VAHAN and SARATHI was envisaged by the Government of India for building a comprehensive database for preparation of a national database of vehicles registered and driving licenses issued. The computerisation of the project in the State was not achieved fully, due to lack of a systematic approach as well as delays in implementation. Due to lack of input controls in VAHAN, inconsistent data resided in the database. Registration of vehicles with identical chassis and engine number and registration of two or more vehicles with same insurance cover note not only rendered the database incorrect but also diluted the objective of preparation of a correct and reliable State Register and National Register. A large number of backlog data is yet to be digitised. No proper training was provided to staff in operation of the system and the Department is still dependent on the third party outsourcing agency for its daily operations. The MIS Reports for controlling and monitoring the functions for maximisation of revenue was not available in the system. Absence of IT policy, security policy, business continuity plan and lack of change management control have exposed the system to risk.

4.5.19 Recommendations

The Government may consider:

- formulating a long term IT strategy/plan for proper functioning of the system;
- verification of data entry relating to registration of vehicles, to ensure data integrity;
- introducing proper data validation checks;
- modifying the software to fulfill requirements of business rules like generation of demand notice/recovery certificate/arrear and MIS reports etc., for better enforcement of the Act and rules;
- strengthening the application controls to prevent use of fake documents and to ensure reliability and usefulness of data;
- ensuring early implementation of SARATHI and the Enforcement Module of VAHAN software;
- framing an IT security policy with adequate documentation with a credible threat assessment mechanism for harnessing optimum output from the system; and
- training of personnel on system management and database operations.

4.6 Audit observations

Our scrutiny of the records in the office of the Transport Department revealed several cases of non/short levy/non-realisation of tax/additional tax, vehicles plying without fitness certificate, etc. as mentioned in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions each year, but not only do the irregularities persist, these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

4.7 Short levy of tax due to adoption of lesser seating capacity of Tata Magic Vehicle

Under the provisions of the Uttar Pradesh Motor Vehicle Taxation Act, 1997 (as amended on 28 October 2009) no transport vehicle shall be used in any public place in Uttar Pradesh unless a tax prescribed under sub section (2) of Section-4 of the Act has been paid. The rate of tax applicable to motor cab (excluding three wheelers motor cab) and maxi cab was ₹ 550 per seat/per quarter upto 7 November 2010 and ₹ 660 per seat per quarter from 8 November 2010. The Transport Commissioner vide order dated 30 July 2007 and 24 May 2010 permitted eight seats in all for Tata Magic vehicle (basic model) having kerb weight of 1000 kg.

We scrutinised the passenger tax register, relevant files and other records of eight Regional Transport Offices (RTOs)²⁷ and six Assistant Regional Transport Offices (ARTOs)²⁸ between August 2010 and January 2011 and noticed that during the period from October 2009 to December 2010, taxes in respect of

3,152 Tata Magic vehicles (basic model) having kerb weight of 1000 kilogram were assessed and realised on the seating capacity of seven instead of eight in contravention of the orders dated 30 July 2007 and 24 May 2010 of the Transport Commissioner. The concerned RTOs/ARTOs failed to realise the tax according to actual seating capacity. This resulted in short realisation of tax of ₹ 66.68 lakh as detailed in **Appendix-XIII**.

We reported the matter to the Department and the Government between December 2010 and March 2011. We have not received their reply (December 2011).

²⁷ RTOs : Agra, Allahabad, Azamgarh, Banda, Faizabad, Gonda, Saharanpur and Varanasi.

²⁸ ARTOs : Barabanki, Chandauli, Ghazipur, Lakhimpur Khiri, Rampur and Unnao.

4.8 Non-realisation of additional tax in respect of vehicles surrendered beyond three months

Rule 22 of the Uttar Pradesh Motor Vehicles Taxation Rules, 1998, modified in 2009, provides that when the owner of a transport vehicle withdraws his motor vehicle from use one month or more, the certificate of registration, tax certificate, additional tax certificate, fitness certificate and permit, if any must be surrendered to the Taxation Officer. Further, subject to the provision of sub-rule (4), the owner of a surrendered vehicle in respect of which intimation of non-use has already been accepted, shall be liable to pay tax and additional tax for the period beyond three calendar months during any calendar year, whether the possession of the surrendered documents has been taken from the taxation officer or not.

We scrutinised the surrender register, relevant files and records of five RTOs and six ARTOs between July 2010 and January 2011 and noticed that 353 vehicles were surrendered for periods beyond three calendar months during the period from April 2010 to December 2010. However the Department did not

initiate any action to realise the tax/ additional tax due thereon. This resulted in non-realisation of revenue amounting to ₹ 51.66 lakh as shown below:

(₹ in lakh)					
Sl. No.	Units Name	No. of vehicles	Date of surrender	Period (Tax leviable) ²⁹	Non-realisation of tax
1.	RTO, Agra	12	12/09 – 06/10	04/10 to 12/10	0.70
2.	RTO, Allahabad	22	12/09 – 07/10	04/10 to 12/10	3.30
3.	RTO, Azamgarh	14	01/09 – 09/09	04/10 to 08/10	2.80
4.	RTO, Gorakhpur	45	12/09 – 06/10	04/10 to 12/10	2.72
5.	RTO, Kanpur Nagar	29	06/09 – 12/09	04/10 to 06/10	1.30
6.	ARTO, Baghpat	36	05/08 – 03/09	04/10 to 06/10	1.83
7.	ARTO, Ballia	04	06/09 – 12/09	04/10 to 07/10	0.77
8.	ARTO, Bijnore	53	12/09 – 03/10	04/10 to 12/10	4.91
9.	ARTO, Etah	15	09/08 – 12/09	04/10 to 08/10	0.98
10.	ARTO, Jaunpur	108	06/07 – 07/10	04/10 to 11/10	28.00
11.	ARTO, Rampur	15	10/09 – 05/10	04/10 to 10/10	4.35
	Total	353			51.66

We reported the matter to the Department and the Government between December 2010 and August 2011. We have not received their reply (December 2011).

4.9 Non-levy of tax on laden weight of the vehicle

Under the provisions of the Uttar Pradesh Motor Vehicles Taxation Act, tax is leviable at the rate of ₹ 45 per metric ton or part thereof, per quarter on registered Gross Laden Weight (GLW) on public service vehicle, plying for the conveyance of limited number of passengers and the transport of limited quantity of passengers' goods.

We scrutinised the passenger tax register, relevant files and records of four RTOs and three ARTOs between April 2010 and January 2011 and

²⁹ Period for which tax leviable calculated after leaving first three months of the calendar year from the date of surrender.

observed that in case of 907 public service vehicles, plying in the districts between April 2005 and October 2009 for carrying passengers and limited quantity of passengers' goods, though regular tax and additional tax was charged, the Department did not levy tax of ₹ 33.09 lakh on GLW of those vehicles as detailed below:-

(₹ in lakh)

Sl. No.	Name of Unit	Period of observation and month of audit	No. of vehicles	Tax leviable
1.	RTO, Allahabad	04/09 to 10/09 (January 2011)	239	3.54
2.	RTO, Azamgarh	04/2009 to 10/2009 (December 2010)	139	2.13
3.	RTO, Lucknow	04/2005 to 10/2009 (November 2010)	127	10.06
4.	RTO, Varanasi.	04/2009 to 10/2009 (December 2010)	208	3.20
5.	ARTO, Bahraich	04/2005 to 09/2009 (May 2010 and June 2010)	61	6.78
6.	ARTO, Mahoba	04/2005 to 09/2009 (April 2010)	56	4.47
7.	ARTO, Mathura	06/2005 to 09/2009 (July 2010)	77	2.91
	Total		907	33.09

After we pointed out this matter during audit the RTOs and ARTOs replied that action will be taken to levy the tax.

We reported the matter to the Department and the Government between May 2010 and August 2011. We have not received their reply (December 2011).

4.10 Short levy of tax on public service vehicles owned or controlled by UPSRTC

Under the provisions of the Uttar Pradesh Motor Vehicle Taxation Act (as amended in October 2009) tax is chargeable on public service vehicles owned and controlled by the State Transport Undertaking at the rate of ₹ 50 per seat per quarter.

We scrutinised the passenger tax register of Uttar Pradesh State Road Transport Corporation (UPSRTC) buses, relevant files and records of three RTOs

and one ARTO, between November 2010 and January 2011 and noticed that during the period from October 2009 to December 2010, 1900 public service vehicles owned or controlled by UPSRTC were plying in these districts for carrying passengers. On these vehicles, though tax of ₹ 85.76 lakh was to be realised according to the rate prescribed from October 2009, the Department had realised tax of ₹ 62.09 lakh. This resulted in short realisation of tax amounting to ₹ 23.67 lakh as shown below:

(₹ in lakh)

Sl. No.	Name of unit	No. of vehicles	Period	Tax leviable	Tax realised	Short levy
1.	RTO Allahabad	843	October 2009 to June 2010	20.37	14.87	5.50
2.	RTO Lucknow	542	October 2009 to March 2010	12.28	8.65	3.63
3.	RTO Varanasi	418	October 2009 to December 2010	42.01	30.60	11.41
4.	ARTO Jaunpur	97	October 2009 to November 2010	11.10	7.97	3.13
	Total	1900		85.76	62.09	23.67

After we pointed out this matter during audit the RTOs/ARTO replied that action will be taken to levy the tax.

We reported the matter to the Department and the Government between January 2011 and August 2011. We have not received their reply (December 2011).

4.11 Non-realisation of tax and additional tax

We scrutinised the tax and additional tax register of buses of other states,

Under the MV Act read with the UPMVT Act, in the absence of bilateral agreement, tax and additional tax³⁰ on public service vehicles of other State Transport undertakings shall be levied and paid at the rate of ₹ 2,330 and ₹ 45,167 per vehicle per quarter respectively and from 28 October 2009 tax and additional tax³¹ at the rate of ₹ 24,000 and ₹ 56,400 per vehicle per quarter respectively on A class routes (National Highways and State highways).

relevant files and records of ARTO, Bagpat in July 2010 and observed that though there is no bilateral agreement

between UP and Haryana, eight stage carriages (seating capacity of 49 each) of Haryana plied in UP from January 2009 to July 2010 and paid tax and additional tax of ₹ 15.95 lakh applying a lesser rate instead of ₹ 31.96 lakh payable at the specified rates. The concerned ARTO did not detect the short remittance of tax. This resulted in non-realisation of tax and additional tax amounting to ₹ 16.01 lakh as detailed below:

(₹ in lakh)

Months and Period	Due Tax			Paid Tax			Short levy		
	Tax	Additional tax	Total	Tax	Additional tax	Total	Tax	Additional tax	Total
January 2009 to October 2009	0.62	12.04	12.66	--	4.14	4.14	0.62	7.90	8.52
November 2009 to July 2010	5.76	13.54	19.30	0.45	11.36	11.81	5.31	2.18	7.49
Total	6.38	25.58	31.96	0.45	15.50	15.95	5.93	10.08	16.01

We reported the matter to the Department and Government between December 2010 and August 2011. We have not received their reply (December 2011).

4.12 Loss due to vehicles plying without certificate of fitness

Under the provisions of the MV Act and the CMV Rules made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year. Thereafter payment of the prescribed fee of ₹ 200, ₹ 300 and ₹ 400 and fee of ₹ 100 is required to be made for issuing certificate of fitness for light, medium and heavy vehicles respectively. In case of default, an additional amount equal to the prescribed fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under the MV Act at the rate of ₹ 2,500 per offence.

We scrutinised the tax register, relevant files and records of two RTOs³² and six ARTOs³³, and observed that 1,752 vehicles plied between March 2010 and January 2011 without valid fitness certificates and only the tax due was realised. Plying of such vehicles compromised public safety. These vehicles were liable for levy of fitness fee of ₹ 11.76 lakh and imposition of penalty of ₹ 43.80 lakh.

³⁰ tax ₹ 2,330 (1115+585+630), additional tax ₹ 45,167 (961x47).

³¹ tax ₹ 24,000 (500x48), additional tax ₹ 56,400 (1200x47).

³² RTOs- Agra and Moradabad.

³³ ARTOs- Ballia, Balrampur, Fatehpur, Gautam Budh Nagar, Lakhimpur Khiri and Sant Kabir Nagar.

We reported the matter to the Department and the Government between April 2010 and August 2011. We have not received their reply (December 2011).

4.13 Non-levy of tax on minimum seating capacity of stage carriages

Under the provisions of the Uttar Pradesh Motor Vehicles Taxation Act (as amended October 2009) levy of tax on stage carriages is based on seating capacity. The Transport Commissioner, Uttar Pradesh vide Circulars dated 31 July 1985 and May 1991 clarified that taxes on vehicles with wheel base of 166 inches and 205 inches are required to be levied and realised for a minimum of 35 and 54 seating capacity respectively.

We scrutinised the tax and passenger tax register, relevant files and records of one RTO and four ARTOs between March 2010 and December 2010 and noticed that

during the period from October 2005 to December 2010, they levied and realised ₹ 99.03 lakh as taxes in respect of 144 stage carriages plying on different routes instead of ₹ 1.10 crore leviable based on the prescribed capacity. This resulted in short realisation of revenue amounting to ₹ 11.23 lakh as given in the following table:

(₹ in lakh)							
Sl. No.	Name of Unit	No. of vehicles	Difference in seats	Period	Tax leviable	Tax levied	Short levy
1.	RTO, Basti	22	5 to 16	10/09-06/10	10.25	7.94	2.31
2.	ARTO, Balrampur	24	1 to 12	10/09-09/10	15.30	13.75	1.55
3.	ARTO, Fatehpur	32	1 to 17	10/09-12/10	31.10	28.44	2.66
4.	ARTO, Hardoi	64	2 to 9	10/09-10/10	48.51	44.95	3.56
5.	ARTO, Sitapur	02	42 to 54	10/05-09/09	5.10	3.95	1.15
	Total	144			110.26	99.03	11.23

We reported the matter to the Department and the Government between April 2010 and August 2011. We have not received their reply (December 2011).

CHAPTER-V

STAMP DUTY AND REGISTRATION FEE

5.1 Tax administration

Receipts from Stamp duty and Registration fee in the State are regulated under the Indian Stamp Act (IS Act) 1899, Indian Registration Act (IR Act) 1908, the UP Stamp (Valuation of Property) (SVOP) Rules, 1997 and circulars and orders of the Government of Uttar Pradesh, issued from time to time. Stamp duty is leviable on the execution of instruments at the prescribed rates. Evasion of stamp duty is commonly effected through under valuation of properties, non-presentation of documents in the office of the registering authority and non/short payment of stamp duty by the executants on the documents submitted before the registering authorities.

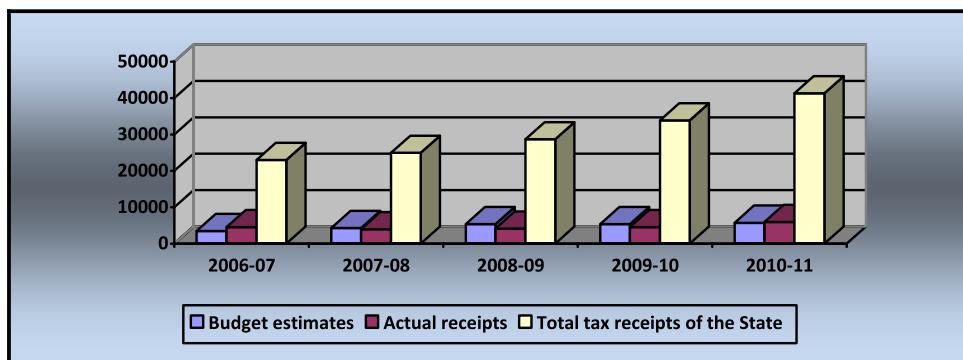
The framing of policy, and monitoring and control at the Government level is done by the Principal Secretary, *Kar evam Nibandhan*. The Inspector General is the head of the Registration Department (IGR) and exercises overall superintendence and control over the working of the Department. He is assisted by an Additional Inspector General (Addl. IG), 17 Deputy Inspectors General (DIGs) at the divisional level, 63 Assistant Inspectors General (AIGs) at the district level and 347 Sub-Registrars (SRs) at the district and *tehsil* level.

5.2 Trend of receipts

Actual receipts from Stamp duty and Registration fee during the years 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	3,500.00	4,513.67	1,013.67	28.96	22,997.97	19.63
2007-08	4,276.00	3,976.68	(-) 299.32	(-) 7.00	24,959.32	15.93
2008-09	5,370.53	4,138.27	(-) 1,232.26	(-) 22.94	28,658.97	14.44
2009-10	5,351.02	4,562.23	(-) 788.79	(-) 14.74	33,877.60	13.47
2010-11	5,736.99	5,974.66	(+) 237.67	(+) 4.14	41,355.00	14.45



5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 459.64 crore. The details of arrears outstanding for more than five years were not available with the Department. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2006-07	215.02	60.03	246.50
2007-08	246.50	101.06	213.25
2008-09	213.25	109.08	553.05
2009-10	553.05	129.87	594.83
2010-11	594.83	132.16	459.64

Source: Figures provided by the Department (August 2011).

It is evident from the above table that during the years 2006-07 to 2010-11, the amount of arrears was increasing except in 2007-08 and 2010-11 but the collection of arrears by the Department was very low.

We recommend that the Government may consider taking appropriate steps for early recovery of the arrears.

5.4 Cost of collection

The gross collection in respect of Stamp duty and Registration fee, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage of previous year
2008-09	4,138.27	76.01	1.84	2.09
2009-10	4,562.23	120.73	2.65	2.77
2010-11	5,974.66	145.46	2.43	2.47

As can be seen from the above table, the cost of collection of Stamp duty and Registration fee was below the all India average in all the three years.

5.5 Revenue impact of audit

During the last five years (excluding the report of the current year), we had pointed out through our Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 131.66 crore in 1,931 cases. Of these, the Department/Government had accepted audit observations in 39 cases involving ₹ 11.29 lakh which has since been recovered. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	122	150	3.06	--	--	--	--
2006-07	186	233	7.08	--	--	--	--
2007-08	210	320	93.30	--	--	--	--
2008-09	329	608	14.70	20	0.08	20	0.08
2009-10	325	620	13.52	19	0.04	19	0.04
Total	1,172	1,931	131.66	39	0.12	39	0.12

In view of the large number of pending of audit objections, the Government may ensure holding of audit committee meetings at regular intervals for expeditious settlement of the pending paragraphs.

5.6 Results of audit

Test check of the records of 329 units during 2010-11 relating to Stamp and Registration Department revealed under assessment of stamp duty and other irregularities involving ₹ 16.40 crore in 669 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Short levy of stamp duty due to misclassification of documents	258	7.69
2.	Short levy of stamp duty and registration fee due to under valuation of properties	255	6.07
3.	Other irregularities	156	2.64
Total		669	16.40

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 37.79 lakh in 149 cases, pointed out in audit in earlier years. The entire amount of ₹ 37.79 lakh involved in these cases was realised during the year 2010-11.

A few illustrative cases involving revenue of ₹ 10.36 crore are mentioned in the following paragraphs:

5.7 Audit observations

Our scrutiny of records in the offices of Stamp and Registration Department revealed cases of evasion of stamp duty on lease deeds, short levy of stamp duty, undervaluation of land, etc. as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out by us each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

5.8 Evasion of stamp duty on lease deeds

Section 73 A(1) of the Indian Stamp Act, 1899 provides that where the Collector has reason to believe that any instrument chargeable to duty has not been charged at all or has been incorrectly charged with duty leviable under this Act, he or any other officer authorised by him in writing in this behalf may enter upon any premise where the Collector has reason to believe that any registers, books, records, papers, maps, documents or proceedings relating to or in connection with any such instrument are kept and to inspect them, and to take such notes, copies and extracts as the Collector or such officer deems necessary. As per Article 35 of Schedule 1-B of the Act, stamp duty on documents relating to lease, including an under lease or sub-lease and any agreement to let or sublet immovable property, is chargeable at the prescribed rate notified by the State Government from time to time.

In order to examine if large shopping malls which lease out their shops have paid the correct stamp duty on the lease deeds, we checked the records of the Sub-Registrars where two of the prominent malls¹ in the State were registered. Our scrutiny showed that the lease agreements of six out of 59 shops of the mall in Ghaziabad and none of the agreements of the 109 leased shops of the mall in Lucknow were registered with the concerned registering authority. As a result

of this stamp duty of ₹ 5.20 crore² was evaded on the lease of 115 shops of these two malls alone.

We also examined the rental lease deeds of five corporates³ from their records submitted to the Central Excise Department and found that all the seven lease deeds were stamped for ₹ 100 each, totaling to ₹ 700 rather than the correct stamp value of ₹ 95.14 lakh as detailed in **Appendix-XIV**.

The Department did not exercise its powers and detect stamp duty evasion even by the most visible shopping malls. The evasion may be higher if the

¹ Shipra Mall- Ghaziabad and Sahara Mall – Lucknow

² ₹ 1.37 crore Shipra Mall Ghaziabad and ₹ 3.83 crore Sahara Mall Lucknow.

³ (i) M/s I Engineering India, Pvt Limited, A-37 Sector-60 Noida.

(ii) M/s Advance State Tube Limited, Ghaziabad.

(iii) M/s. I. Technologist Pvt, Limited , New Delhi.

(iv) M/s Salora National Limited D-13/4 Okhala Industrial Area, New Delhi.

(v) M/s Rohit Surfactants Pvt. Ltd., Kanpur.

details of lease deeds of other malls of the State are checked as per the provisions of the Act.

The Inspector General Stamps and Registration (IGR) is a member of the Regional Economic Intelligence Committee (REIC) set up to promote inter agency cooperation between Central and State Government agencies. We noticed that the Department did not utilise the forum of REIC to gather information on such issues.

We recommend that the Department should make effective use of its powers and also of the forum of REIC to obtain more information from other departments to avoid revenue losses.

We reported the matter to the Department and the Government between April to August 2011. The Department and the Government replied (September and October 2011) that action is being taken in the case of the Sahara mall, Lucknow. In the other case action would be initiated.

5.9 Short levy of stamp duty due to incorrect valuation of the property

5.9.1 24 Sub-Registrars⁴

Under the Indian Stamp Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of the consideration set forth therein, whichever is higher. As per the Uttar Pradesh Stamp (valuation of property) Rules, 1997, market rates of various categories of land situated in a district are to be fixed biennially by the Collector concerned for the guidance of the Registering Authorities.

On scrutiny of the records of 24 Sub-Registrars between April 2010 and February 2011, we noticed that 39 deeds of conveyance relating to non-agricultural land were registered between July 2009 and December 2010 for ₹ 6.13 crore at agricultural rates and stamp duty of ₹ 41.87

lakh was levied.

We found that due to the following reasons the valuation should have been at residential rates:

- part of the same plot was sold earlier at residential rates (12 deeds)
- plots were declared as residential in the circle rates (10 deeds)
- part of the same plot was valued at different rates on the same day (8 deeds)
- part of the same plot was sold at residential rate on the same day/next day (5 deeds)
- plots were surrounded by residential plots owners (2 deeds)
- the plot was being sold in seven smaller plots (2 deeds).

⁴ SR-I Agra, SR-IV Agra, SR Etmadpur Agra, SR- II Aligarh, SR -I Allahabad, SR Karchhana Allahabad, SR Mahesi Bahraich, SR Rasra Ballia, SR Sadar Ballia, SR Sadar Banda, SR Haidargarh Barabanki, SR Sadar Chandauli, SR Tundla Firozabad, SR Chakar Nagar Etawah, SR Sadar Ghazipur, SR Bansaon Gorakhpur, SR Sewayajpur Hardoi, SR- I Jhansi, SR-II Jhansi, SR-II Lucknow, SR-V Lucknow, SR Sambhal Moradabad, SR-I Muzaffar Nagar and SR-II Varanasi.

The correct valuation of property at residential rate comes to ₹ 28.09 crore on which stamp duty of ₹ 1.81 crore was leviable. Thus incorrect valuation of property resulted in short levy of stamp duty of ₹ 1.39 crore as shown in **Appendix-XV**.

We reported the matter to the Department and the Government between January 2010 and August 2011.

The Department and the Government while accepting the audit observations replied that six cases⁵ have been decided by the different courts and ₹ 4.75 lakh has been recovered in four cases⁶ while in two cases⁷ recovery certificates have been issued. The remaining cases are pending in various courts.

5.9.2 On scrutiny of the records of Sub-Registrar-I, Ghaziabad in July 2010, we noticed that one deed of conveyance relating to commercial land/property was registered for valuation for ₹ 6.12 crore at residential rate and stamp duty of ₹ 42.88 lakh was levied. The property is surrounded by commercial organisations on three sides and is on the National Highway and it was being sold by a commercial organisation⁸ to another commercial organisation⁹. Hence the correct valuation of the property should be at commercial rates which comes to ₹ 23.20 crore. On this stamp duty of ₹ 1.62 crore was leviable. The incorrect valuation of the property resulted in short levy of stamp duty of ₹ 1.20 crore.

We reported the matter to the Department and the Government between October 2010 and August 2011.

The Department and the Government replied (September and October 2011) that the case has been referred to the Assistant Commissioner (Stamps) and is still pending in the Court.

5.9.3 On scrutiny of the records of eight Sub-Registrars¹⁰ between August 2010 and February 2011, we noticed that 12 deeds of conveyance pertaining to land purchased/sold by the Avas Samiti/Developers/Builders were registered for the purpose of providing residential plots/buildings. The valuation of land mentioned in these deeds was ₹ 2.91 crore at agricultural rates instead of the prescribed non-agricultural rates of ₹ 17.36 crore keeping in view the purpose of land. Accordingly, stamp duty of ₹ 1.07 crore was chargeable whereas stamp duty of ₹ 18.91 lakh only was paid. Thus, under valuation of land resulted in short levy of stamp duty of ₹ 88.08 lakh as shown in **Appendix-XVI**.

We reported the matters to the Department and the Government between September 2010 and August 2011.

The Department and the Government replied between September and October 2011 that in Sl. No. 5, out of ₹ 3.17 lakh stamp duty of ₹ 64,470 has been levied and realised. The other cases are pending in different Courts.

⁵ Sl. No. 3, 20 (1st deed), 12, 17, 10 and 14.

⁶ Sl. No. 3, 12, 10 & 14.

⁷ Sl. No. 20 (1st deed) and No. 17.

⁸ M/s Telus Trading Company.

⁹ M/s Institute of Management.

¹⁰ SR Sadar Fatehpur, SR Sadar Firozabad, SR Sadar Lalitpur, SR-III Lucknow, SR-I Kanpur, SR- II Kanpur, SR- III Kanpur and SR Sadar Unnao.

5.9.4 On scrutiny of the records of Sub-Registrar, Phulpur, Allahabad we noticed (June 2010) that two deeds of conveyance with sold area of land¹¹ measuring 9,392 sq. mt. situated at Andawan were registered in October 2009. For the levy of stamp duty, valuation was done at agricultural rate for ₹ 1.12 crore and stamp duty of ₹ 7.87 lakh levied. The applicable rate was ₹ 7,000 per sq.m. for non-agricultural land, which worked out to ₹ 6.57 crore on which stamp duty of ₹ 46.02 lakh was leviable. Thus, incorrect valuation of the land resulted in short levy of stamp duty of ₹ 38.15 lakh as mentioned below:

(₹ in lakh)									
Sl. No.	Name of Unit	Khand and Deed No.	Month of Registration (Month of Audit)	Area of land in Sq.mt.	Property valued by department	Stamp duty levied	Valuation @ ₹ 7000 per sqr. mt. (At which stamp duty leviable)	Stamp duty leviable	Stamp Duty Short levied
1.	S.R. Phulpur Allahabad	2975/4074	3.10.2009 (June 2010)	Gata No. 694 Area 0.5492 hectare out of 3.7590 hectare i.e. 5492 Sq.mt.	65.00	4.55	384.44	26.91	22.36
		2975/4075	3.10.2009 (June 2010)	Gata No. 694 Area sold 0.3900 hectare out of 3.7950 hectare i.e. 3900 Sq.mt.	47.50	3.32,	273.00	19.11	15.79
	Total				112.50	7.87	657.44	46.02	38.15

We reported the matter to the Department and the Government between November 2010 and August 2011.

The Department and the Government replied (September and October 2011) that both the cases were referred to Assistant Commissioner (Stamp) for adjudication, and are still pending in the Court.

5.9.5 On scrutiny of the records of Sub-Registrar Hardoi we noticed (September 2010) that three deeds of conveyance relating to an industrial property of area 21640 sq. mt. were registered on 26 October 2009/27 October 2009 at the rate applicable for agricultural land used for commercial purposes for a consideration of ₹ 70.95 lakh and stamp duty of ₹ 5 lakh levied. As per recital of the deeds the said property was an industrial property. Hence the correct valuation should have been at the rate of 1.5 times of the residential rate of that area at ₹ 3.98 crore on which stamp duty of ₹ 27.89 lakh was leviable. Thus, the under valuation of the property resulted in short levy of stamp duty of ₹ 22.89 lakh as shown in the following table:-

(₹ in lakh)

Sl. No.	Deed No. Date of Registration	Area (In sq.mt)	Valuation (as per deed)	Market value leviable (as per rate list)	Stamp duty		
					Leviable	Levied	Short levy
1.	10625 October 2009	10560	23.09	174.27	12.20	1.65	10.55
2.	10624 October 2009	7580	18.44	126.96	8.89	1.29	7.60
3.	10591 October 2009	3500	29.42	97.12	6.80	2.06	4.74
Total		21640	70.95	398.35	27.89	5.00	22.89

¹¹ Khasra No 694 at Andawan between main gate of Trivenipuram, Allahabad Development Authority & Jain Mandir on Allahabad Varanasi Road (GT Road).

After we pointed this out the Department replied in March 2011 that in case of Sl. No. 3 additional stamp duty of ₹ 6.45 lakh including interest has been recovered in February 2011. However, the maximum penalty equivalent to four times of deficient portion amounting to ₹ 18.96 lakh (4.74 x 4) has not been charged by the Department.

We reported the matter to the Department and the Government between November 2010 and August 2011.

The Department and the Government replied between September and October 2011, that all the three cases have been referred to the ADM for adjudication. The other two cases are still pending in the Court of the ADM.

5.9.6 On scrutiny of the records of four Sub-Registrars¹² between July 2010 and January 2011, we noticed that four deeds of conveyance pertaining to land purchased by educational institutions were registered with valuation at agricultural rates of ₹ 55.53 lakh instead of ₹ 2.73 crore valued at the rates prescribed for non-agricultural land. Our conclusion is based on the fact that these plots had educational institutions on their boundaries and these were purchased for the purpose of running educational institutions and related activities as mentioned in the deeds. Hence stamp duty of ₹ 17.55 lakh was chargeable whereas stamp duty of only ₹ 4.15 lakh was paid. This under valuation of land resulted in short levy of stamp duty of ₹ 13.40 lakh as shown in the following table:

Sl. No	Name of unit	Deed No. (Date of registration)	Surroundings	Area (sq.mt.)	Valuation as per deed	Market value leviable (as per list)	Stamp duty and registration fee		
							Leviable	Levied	Short levy
1.	S.R. Gabhana Alligarh	1876 (March 2010)	North -GT Road and South – Educational Institution.	3735.00	7.72	112.05	7.84	0.92	6.92
2.	S.R. Sadar Ballia	4489/10 (September 2010)	North - Jamuan Ram Degree College.	4120.80	6.06	53.58	2.68	0.30	2.38
3.	S.R. Baberu Banda	6586 (November 2009)	North- Land of Vidya Mandir.	2620.00	1.25	26.20	1.36	0.09	1.27
4.	S.R. Sadar Mau	3289 (September 2010)	North- Land of Sukhram Inter College.	4050.00	40.50	81.00	5.67	2.84	2.83
Total		4 deeds			55.53	272.83	17.55	4.15	13.40

We reported the matter to the Department and the Government between September 2010 and August 2011.

The Department and the Government replied that in the case of Sl. No. 3 the Assistant Commissioner (Stamp) declared the instruments as duly stamped. We suggest that the Department may refer it to the Chief Controlling Revenue Authority. Other cases are pending in different Courts.

¹² SRs- Gabhana Aligarh, Sadar Ballia, Baberu Banda and Mau.

CHAPTER-VI OTHER TAX AND NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the offices of Irrigation, Forest and Entertainment Tax Departments conducted during the year 2010-11 revealed non-realisation of centage charges, royalty, interest etc. of ₹ 310.75 crore in 304 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
Irrigation Department			
1.	Non-realisation of centage charges	04	0.29
2.	Non-realisation of royalty	08	2.62
3.	Other irregularities	57	5.83
	Total (A)	69	8.74
Forest Department			
1.	Miscellaneous losses	48	205.01
2.	Idle investment, idle establishment, blocking of funds	6	1.92
3.	Pending recoveries	46	24.27
4.	Non-achievement of objectives	1	0.14
5.	Other irregularities	71	68.50
	Total (B)	172	299.84
Entertainment Tax Department			
1.	Non-realisation of interest	07	0.08
2.	Non-realisation of tax	33	1.63
3.	Other irregularities	23	0.46
	Total (C)	63	2.17
	Grand total (A+B+C)	304	310.75

During the year 2010-11, the Department recovered ₹ 32.50 lakh involved in 19 cases of which one case involving ₹ 1.09 lakh had been pointed out during 2010-11 and the remaining in the earlier years.

A few illustrative cases involving ₹ 91.91 lakh are mentioned in the succeeding paragraphs.

6.2 Audit observations

Our scrutiny of records in the offices of the Irrigation, Controller of Weights and Measures, Forest and Entertainment tax revealed cases of non-realisation of centage charges, non-verification of weights and measures, non-realisation of cost of forest land and non-charging of interest as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

6.3 Non-levy of centage charges on deposit works

Under the provisions of the Financial Hand Book Volume-VI read with Government order dated 19 August 1998, centage charges at the rate of 12.5 *per cent* in respect of Public Works Department/ Irrigation Department on the actual outlay on works are to be levied and credited to the Government account in respect of deposit works undertaken by the Irrigation Division on behalf of commercial departments and autonomous bodies/ local bodies in the State.

On test check of records of two Executive Engineers, Irrigation Division¹, (between June 2010 and August 2010), we observed that during the period between October 2006 and March 2010 the divisions undertook deposit works of

₹ 96.52 lakh on behalf of local bodies and commercial units². However, the centage charges at the rate of 12.5 *per cent* amounting to ₹ 12.07 lakh were not levied by the divisions, though it is the responsibility of the Executive Engineer concerned to realise the same according to progress of work.

We reported the matter to the Department and the Government between September 2010 and August 2011. We have not received any reply (December 2011).

¹ Narora Khand Lower Ganga Canal Aligarh, Meerut Khand Ganga Canal, Merrut.

² N.E. Railway Izzatnagar, Bareilly (₹ 42.40 lakh); Nagar Nigam Meerut (₹ 22.67 lakh); Daurala Sugar Mill, Daurala Meerut (₹ 4.03 lakh); Nagar Palika Parishad, Modinagar (₹ 4.57 lakh); Airtel Ltd, New Delhi (₹ 22.85 lakh).

6.4 Non-realisation of fee/additional fee

Under the provision of the Standard of Weights and Measures (Enforcement) Act, 1985 (SOWM) read with rule 14 and 15 of the U.P. Standard of Weights and Measures (Rules) 1990, (U.P. SWM), every person in possession, custody or control of any Weight and Measure (including capacity measurement like storage tank, lorries dispensing measurement etc.) which he intends to use or is likely to use in any transaction or for industrial production, shall present such weight and measure for verification or re-verification and get it stamped at least once in five years, as the case may be, on payment of the prescribed fees. Contravention of the provisions of the Act attracts penalty under section 47 with fine which may extend to ₹ 500. Further, under rule 17 (3) of the U.P. SWM Rules, additional fee at half the rates specified in schedule XII of the U.P. SWM Rules is also payable after expiry of the validity of stamping for every quarter of the year or part thereof for re-verification.

On test check of records of two distilleries³ between June 2010 and December 2010, we observed that storage vats/tanks were in use in these distilleries without verification by the Weights and Measures Department after lapse of the valid period of five years. The Department did not conduct inspections for verification/re-verification as laid down in rule 15(7) *ibid* and the users also did not get the vats/storage tanks verified as laid down in Rule 15(1) *ibid*. This

resulted in non-realisation of fee and additional fee amounting to ₹ 12.29 lakh besides penalties leviable for contravention of the Act. Further, non-calibration of the vats/storage tanks carried the risk of incorrect determination of the volume of liquor stored in them resulting in incorrect assessment of excise duty.

The Department accepted our observation and replied in May 2011 that in one case notice has been issued to the distillery. In another case the distillery has deposited ₹ 5000 as late fees and further action is being taken. We have not received further report on action taken for realisation of fee/penalty (December 2011).

6.5 Non-realisation of Net Present Value for using forest land

As per Uttar Pradesh Government order dated 22 August 2008 the rates of Net Present Value (NPV) recoverable from the agencies using forest land for non-forestry purposes shall be worked out on the basis of quality of land. The earlier rate of ₹ 9.20 lakh was revised to five times of ₹ 7.30 lakh per hectare for open land of wild life sanctuaries from May 2008.

On test check of the records of Divisional Forest Officer (DFO), Bijnore (March 2011) we observed that 2.125 hectares of forest land was transferred to the

³ (i) Kisan Sahkari Chini Mills Ltd, Sampoorana Nagar Ashwani, Lakhimpur-Kheri not verified since 1999 and
(ii) M/s K.M. Sugar Mill Ashwani Masaudha, Faizabad: not verified between 1995 to 1998 since installation.

Irrigation Department in June 2008 for construction of a canal. The Forest Department demanded and received ₹ 19.55 lakh from the Irrigation Department against the NPV of this land of ₹ 77.56 lakh (2.125 hectare x 7.30 lakh x 5). As per the condition No.6 of the approval letter issued by the Ministry of Environment and Forest dated 30.05.2008, the purchaser is bound to pay any additional/differential amount arising due to revision of rates. Despite these provisions, the DFO did not raise the demand at the revised rate. This resulted in non-realisation of NPV of ₹ 58.01 lakh (₹ 77.56 lakh - ₹ 19.55 lakh).

The matter was reported to the Department and the Government between June 2011 and August 2011. We have not received their reply (December 2011).

6.6 Non-charging of interest on belated payment of tax

Six Entertainment Tax Officers⁴

Under the Uttar Pradesh Entertainment and Betting Tax Act, 1979, entertainment tax is to be deposited within three days from the close of the week by the cinema owners and within one week after the closure of the month by the cable operators. In case of default, interest at the rate of one and a half *per cent* per month for the first three months and two *per cent* thereafter is recoverable from the cinema owners and in case of cable operators, it is recoverable at the rate of two *per cent* per month.

On test check of the records between December 2008 and August 2010, we noticed from the arrear register that entertainment tax of ₹ 22.41 lakh due from two cinema owners and 25 cable operators was deposited/collected between December 2000 and August 2009. The delay ranged from two to

120 months. The interest amounting to ₹ 9.54 lakh though leviable has not been charged by the Department. As the details were available in the arrear register, inaction on the part of the Department led to non-realisation of interest of ₹ 9.54 lakh.

⁴ Bagpat (₹ 1.05 lakh), Barabanki (₹ 3.27 lakh), Farrukhabad (₹ 0.55 lakh), Gonda (₹ 0.60 lakh), Gorakhpur (₹ 3.05 lakh) and Siddharth Nagar (₹ 1.02 lakh).

After we pointed this out, ETO Barabanki stated that ₹ 25,000 has been recovered from the cinema owner. We have not received replies in remaining cases (December 2011).

We reported the matter to the Department and the Government between January 2009 and August 2011; their replies have not been received (December 2011).



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Lucknow,
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(VINOD RAI)
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Appendices

APPENDIX-I

Short levy of tax due to incorrect rate of tax (Reference para No. 2.11.1)

(₹ in lakh)

Sl. No.	Name of the office	Number of dealer	Assessment year (Month and year of assessment)	Name of goods (Nature of irregularities)	Taxable Turnover	Rate of tax (per cent) Leviable/ Levied	Tax short levied
1.	CTO-II Barabanki	1	2006-07 (March 2009)	Cement goods (Levied incorrect rate of tax)	9.31	12/8	0.37
			2007-08 (October 2009)	--do--	5.20	12/8	0.21
2.	AC-4, CT Firozabad	1	2007-08 (February 2009)	Washing soap (Revised rate of tax not levied)	11.55	12.5/8	0.52
3.	DC-5, CT Ghaziabad	1	2007-08 (December 2009)	Base of Antenna (Revised rate of tax not levied)	97.49	10/8	1.95
4.	DC-3, CT Ghaziabad	1(a)	2005-06 (January 2009)	MDF Board (Unclassified goods)	63.95	10/8	1.28
			2006-07 (March 2009)	--do--	68.79	10/8	1.37
		1(b)	2005-06 (February 2009)	Tractor Battery (Treated as tractor parts by AA)	17.25	10/5	0.86
							= 2.65
5.	DC-10, CT Ghaziabad	1	2007-08 (December 2009)	UPS (Revised rate of tax not levied)	35.21	10/4	2.11
6.	DC-17, CT Kanpur	1	2007-08 (October 2009)	--do--	17.08	10/4	1.02
7.	DC-15, CT Kanpur	1	2007-08 (February 2010)	--do--	40.77	10/4	2.45
8.	DC-12, CT Lucknow	1	2007-08 (January 2010)	--do--	65.55	10/8	1.31
9.	DC-14, CT Ghaziabad	2	2006-07 (March 2009)	Tower (Levied incorrect rate of tax)	78.83	12/8	3.15
			2006-07 (September 2008)	Rubber chemical (Levied incorrect rate of tax)	40.38	4/2.5	0.61
			2007-08 (March 2010)	--do--	48.94	4/2.5	0.73
10.	DC-1, CT Ghazipur	1	2006-07 (March 2009)	Rice husk (Levied incorrect rate of tax)	133.38	5/4	1.33
			2007-08 (January 2010)	--do--	150.25	5/4	1.50
11.	AC-2 CT Hasanpur	1	2006-07 (March 2009)	Food colour (Unclassified goods)	11.74	10/4	0.70
			2007-08 (February 2010)	--do--	5.33	10/4	0.32
12.	AC-6, CT Saharanpur	1	2007-08 (November 2009)	--do--	12.09	10/4	0.72
13.	J C (C)-2 Kanpur	2	2007-08 (February 2010)	Inverter (Revised rate of tax not levied)	28.22	10/4	1.69
			2007-08 (March 2010)	Stationary (Unclassified goods)	151.36	10/8	3.03
14.	DC-27, CT Kanpur	1	2006-07 (September 2009)	Tiles (Tax not levied)	7.93	16/0	1.27
				Cement (Tax not levied)	26.86	12/0	3.22
15.	AC-27, CT Kanpur	1	2006-07 (March 2008)	Sunflower (oil seed) (Levied incorrect rate of tax)	27.46	4/2	0.55
16.	DC-8, CT Lucknow	1	2007-08 (March 2010)	Rice bran/Rice polish (Levied incorrect rate of tax)	58.73	5/4	0.59
17.	DC-10, CT Lucknow	1	2006-07 (November 2009)	Oil Engine parts (Revised rate of tax not levied)	34.28	9/8	0.34
			2007-08 (December 2009)	--do--	19.37	9/8	0.19
18.	AC-2 CT Lalitpur	3	2007-08 (December 2009)	Jatadar Watery Coconut (Treated as green coconut by AA)	71.73	4/0	2.87

Sl. No.	Name of the office	Number of dealer	Assessment year (Month and year of assessment)	Name of goods (Nature of irregularities)	Taxable Turnover	Rate of tax (per cent) Leviable/ Levied	Tax short levied
			2006-07 (March 2009)	-do-	77.16	4/0	3.09
			2007-08 (December 2009)	--do--	53.02	4/0	2.12
			2006-07 (March 2009)	--do--	157.60	4/0	6.30
			2007-08 (December 2009)	--do--	140.80	4/0	5.63
19.	DC-8,CT Bareilly	1	2006-07 (March 2009)	--do--	132.92	4/0	5.32
			2007-08 (January 2010)	--do--	188.31	4/0	7.53
20.	DC- CT Sardhana Mandal Meerut	1	2005-06 (March 2008)	Corrugated -box (Unclassified goods)	36.19	10/8	0.72
21.	DC-14, CT Noida	1	2007-08 (March 2010)	Mentha oil (Levied incorrect rate of tax)	120.14	2.5/2	0.60
22.	AC-10,CT Noida	1	2007-08 (February-2010)	Software (Tax not levied)	95.55	4/0	3.82
23.	AC-11,CT Noida	1	2007-08 (March-2010)	Glassware (Levied incorrect rate of tax)	28.15	16/10	1.69
24.	AC-5, CT Sonebhadra	1	2006-07 (March 2009)	Vidyut Samadhan Yojana (Used Form XXXI & C)	27.46	4/2	0.55
25.	DC-6, CT Varanasi	1	2007-08 (January 2010)	CD-R (Unclassified goods)	110.03	10/4	6.60
26.	DC-14, CT Lucknow	1	2007-08 (March 2010)	Stationery (Unclassified goods)	42.30	10/8	0.85
27.	AC-22, CT Lucknow	1	2007-08 (December 2010)	Bagasse (Unclassified goods)	6.19	10/0	0.62
28.	AC-16, CT Lucknow	1	2007-08 (November 2010)	Wire crate (Levied incorrect rate of tax)	21.38	8/4	0.86
	Total	33			2576.23		82.56

APPENDIX-II

Short levy of tax due to misclassification of goods (Reference para No. 2.11.2)

(₹ in lakh)

Sl. No.	Name of unit	Number of dealers	Assessment year (Month and year of assessment)	Nature of irregularity	Turnover	Rate of tax (per cent)	Tax short levied
						leviable/ levied	
1.	DC-3, CT, Agra	1	2006-07 (January 2009)	Disposable glass treated as plastic container	34.15	10/8	0.68
			2007-08 (September 2009)	-do-	8.64	10/8	0.17
2.	AC-7,CT, Agra	1	2005-06 (March 2008)	Tissue paper treated as paper	65.86	16 (-) 5% Entry Tax paid = 11	7.24
3.	DC-2,CT, Faizabad	1	2007-08 (March 2010)	Gulab Jamun powder treated as nutrition foods	18.64	12/8	0.75
4.	DC-10, CT, Ghaziabad	1	2007-08 (March 2010)	Aluminum foil treated as Aluminum sheet	12.87	10/4	0.77
5.	AC-2,CT, Gorakhpur	1	2005-06 (September 2008)	Used oil treated as old and discarded	7.94	10/5	0.40
			2006-07 (February 2009)	-do-	12.12	10/5	0.61
6.	DC-8,CT, Kanpur	2	2006-07 (December 2009)	Glucose powder treated as liquid Glucose	13.48	8/4	0.54
			2007-08 (December 2009)	-do-	10.02	8/4	0.40
			2007-08 (November 2009)	-do-	19.31	8/4	0.72
7.	DC-15,CT, Kanpur	1	2007-08 (December 2009)	Apoxy resin treated as chemical	73.57	10/4	4.41
8.	DC-18,CT, Kanpur	1	2006-07 (February 2008)	Brake fluid line (Lubricant of all kinds) treated as oil of all other kinds	79.66	20/10	7.97
			2007-08 (December 2009)	-do-	52.12	20/10	5.21
9.	DC-20, CT, Kanpur	1	2006-07 (December 2008)	Glycerin was treated as chemical	120.08	10/4	7.20
			2007-08 (January 2010)	-do-	44.68	10/4	2.68
10.	AC-21, CT, Kanpur	1	2006-07 (January 2009)	Used oil treated as old and discarded	17.96	10/5	0.90
			2007-08 (October 2009)	-do-	10.10	10/5	0.51
11.	JC(Corporate)-2, CT, Kanpur	2	2007-08 (February 2010)	UPS battery was treated as Computer Hardware	92.21	10/4	5.53
				Grease/Brake oil was treated as unclassified	23.63	20/10	2.36

Sl. No.	Name of unit	Number of dealers	Assessment year (Month and year of assessment)	Nature of irregularity	Turnover	Rate of tax (per cent)	Tax short levied
						leviable/ levied	
12.	AC-4,CT, Moradabad	1	2006-07 (March 2008)	Yeast treated as chemical	3.68	10/4	0.22
			2007-08 (October 2009)	-do-	8.26	10/4	0.50
13.	DC-3,CT, Muzaffarnagar	1	2007-08 (March 2010)	Industrial solvent treated as chemical	13.55	12/4	1.08
14.	DC-2,CT, Noida	1	2007-08 (December 2009)	Paraffin liquid treated as chemical	257.90	8/4	10.32
15.	DC-13, CT, Varanasi	1	2006-07 (October 2008)	Glycerin was treated as chemical	285.78	10/4	17.15
			2007-08 (September 2009)	-do-	78.92	10/4	4.74
16.	DC-4, CT, Aligarh	1	2007-08 (October 2009)	Preserved food treated as sweetmeat and namkeen as per sale to consumer rather than preserved food taxed at M or I point.	44.85	12/5	3.14
17.	DC-8,CT, Jhansi	1	2005-06 (December 2008)	Preserved food treated as sweetmeat and namkeen as per sale to consumer rather than preserved food taxed at M or I point.	90.51	12/5	6.34
			2006-07 (March 2009)	-do-	101.91	12/5	7.13
			2007-08 (January 2010)	-do-	94.99	12/5	6.65
18.	DC-12,CT, Lucknow	1	2007-08 (August 2009)	Preserved food treated as sweetmeat and namkeen as per sale to consumer rather than preserved food taxed at M or I point.	546.34	12/5	38.24
	Total	20			2,243.73		144.56

APPENDIX-III

Statement showing sale of Tender Forms/Booklets/Brochures and non/short levy of Commercial Tax (Reference Para No. 2.11.4)

(₹ in lakh)								
Sl. No.	Name of offices	Name of the assessing authority	Period	Sale amount	Rate of tax (Per cent)	Tax leviable	Tax levied	Non/short levy of tax
Assessment order passed								
1.	Nagar Ayukta Nagar Nigam, Agra	1.AC CT Sec-10 Agra 2.AC CT Sec-12 Agra	2003-04 to 2007-08	55.41	10	5.54	--	5.54
2.	Nagar Ayukta Nagar Nigam, Allahabad	AC CT Sec-12 Allahabad	2004-05 to 2007-08	20.86	10	2.09	--	2.09
3.	Nagar Ayukta Nagar Nigam, Kanpur	1.DC Sec-13 CT Kanpur 2.DC Sec-14 CT Kanpur	2003-04 to 2007-08	64.06	10	6.41	--	6.41
4.	Nagar Ayukta Nagar Nigam, Lucknow	1.AC Sec-2 CT Lucknow 2.DC Sec-5 CT Lucknow	2003-04 to 2007-08 (up to 12/2007) 2007-08 (01/08 to 03/08)	61.30 17.01	10 4	6.13 0.68	-- 0.68	6.13 --
5.	Nagar Ayukta Nagar Nigam, Varanasi	1.AC Sec-5 CT Varanasi 2.AC Sec-11 CT Varanasi	2003-04 to 2007-08	29.65	10	2.97	--	2.97
6.	Uttar Pradesh Avas Evam Vikas Parisad, Lucknow	1.AC Sec-12 Lucknow 2.DC Sec-12 Lucknow	2004-05 to 2007-08	127.69	10	12.77	--	12.77
7.	Uttar Pradesh State Industrial Development Corporation, Kanpur	1.AC Sec-19 Kanpur 2.DC Sec-3 Kanpur 3. DC Sec-17 CT Kanpur	2003-04 to 2007-08	138.14	10	13.81	4.23	9.58
8.	Greater Noida Industrial Development Corporation, Noida	DC Sec-2 CT GB Nagar	2004-05	265.89	10	26.59	26.59	--
			2005-06	12.73	10	1.27	1.27	--
			2007-08	313.43	10	31.34	23.06	8.28
9.	New Okhla Industrial Development Corporation, Noida	CTO Sec-4 CT NOIDA	2003-04 to 2007-08	3220.10	10	322.01	--	322.01
10.	Agra Development Authority, Agra	DC Sec-16 Agra	2007-08 (up to 12/2007) 2007-08 (01/08 to 03/08)	186.10 17.04	10 4	18.61 0.68	7.00 0.68	11.61 --
11.	Kanpur Development Authority, Kanpur	DC Sec-14 CT Kanpur	2007-08	48.66	10	4.87	--	4.87
12.	Lucknow Development Authority, Lucknow	AC Sec-2 CT Lucknow.	2007-08 (up to 12/2007) 2007-08 (01/08 to 03/08)	235.01 15.00	10 4	23.50 0.60	8.50 0.60	15.00 --
13.	North East Railway, Gorakhpur	1.DC Sec-1 CT Gorakhpur 2. DC Sec-3 CT Gorakhpur	2003-04 to 2007-08	112.88	10	11.29	--	11.29
Total				4940.96		491.16	72.61	418.55

Assessment order not passed						
Sl.No.	Name of Offices	Name of assessing authority	Period	Sale amount	Rate of tax (per cent)	Tax leviable
1.	Nagar Ayukta Nagar Nigam, Agra	1.AC CT Sec-10 Agra	2008-09	17.07	4	0.68
		2.AC CT Sec-12 Agra	2009-10	9.83	4.5	0.44
2.	Nagar Ayukta Nagar Nigam, Allahabad	AC CT Sec-12 Allahabad	2008-09	9.31	4	0.37
3.	Nagar Ayukta Nagar Nigam, Kanpur	1.DC Sec-13 CT Kanpur	2008-09	8.29	4	0.33
		2.DC Sec-14 CT Kanpur	2009-10	8.64	4.5	0.39
4.	Nagar Ayukta Nagar Nigam, Lucknow	1.AC Sec-2 CT Lucknow	2008-09	128.91	4	5.16
		2.DC Sec-5 CT Lucknow	2009-10	66.77	4.5	3.00
5.	Nagar Ayukta Nagar Nigam, Varanasi	1.AC Sec-5 CT Varanasi	2008-09	7.78	4	0.31
		2.AC Sec-11 CT Varanasi	2009-10	3.60	4.5	0.16
6.	Uttar Pradesh Avas Evam Vikas Parisad, Lucknow	1.AC Sec-12 Lucknow	2008-09	47.35	4	1.89
		2.DC Sec-12 Lucknow	2009-10	81.17	4.5	3.65
7.	Uttar Pradesh State Industrial Development Corporation, Kanpur	1.AC Sec-19 Kanpur	2008-09	7.91	4	0.32
		2.DC Sec-3 Kanpur 3. DC Sec-17 CT kanpur	2009-10	14.21	4.5	0.64
8.	Greater Noida Industrial Development Corporation	DC Sec-2 CT GB Nagar	2008-09	3087.27	4	123.49
9.	Agra Development Authority	DC Sec-16 Agra	2008-09	451.63	4	18.07
10.	Ghaziabad Development Authority		2009-10	976.07	4.5	43.92
11.	Kanpur Development Authority	DC Sec-14 CT Kanpur	2008-09	37.05	4	1.48
			2009-10	22.73	4.5	1.02
12.	Lucknow Development Authority	AC Sec-2 CT Lucknow.	2008-09	86.37	4	3.45
			2009-10	122.27	4.5	5.50
13.	North East Railway, Gorkhapur	1.DC Sec-1 CT Gorakhpur	2008-09	39.19	4	1.57
		2. DC Sec-3 CT Gorakhpur	2009-10	190.44	4.5	8.57
	Total			5423.86		224.41

APPENDIX-IV

Non-imposition of penalty u/s 15 A (1) (c) (Reference para No. 2.12.1)

(₹ in lakh)

Sl. No.	Name of the unit	Number of dealer	Assessment year (Month and year of assessment)	Concealed turnover	Name of the commodity	Tax levied on concealed turnover	Minimum penalty leviable
1.	AC(A)-CT, Debai, Bulandshahar	1	2004-05 (April 2006)	41.99	Timber and Timber Products	4.32	2.16
2.	DC(A)-3, CT, Faizabad	2	2004-05 (March 2007)	109.79	Coal	4.39	2.20
			2005-06 (July 2007)	1126.24	-do-	45.05	22.52
			2006-07 (December 2008)	1004.57	-do-	40.18	20.09
			2005-06 (September 2008)	35.28	-do-	1.41	0.71
			2006-07 (October 2008)	56.03	-do-	2.24	1.12
3.	AC(A)-4, CT, Kanpur	1	2004-05 (March 2007)	28.06	Paint and Thinner	3.37	1.68
4.	DC (A)-13, CT, Lucknow	1	2007-08 (March 2010)	21.50	Flex printed and glow sign board	2.37	1.18
5.	DC(A)-7, CT, Moradabad	1	2003-04 (December 2005)	42.00	Craft Paper	2.44	1.22
			2004-05 (June 2007)	95.00	--do--	6.05	3.03
6.	DC (A)-1, CT, Sambhal	1	2004-05 (March 2007)	6300.00	Mentha oil	405.00	202.50
Total		7		8860.46		516.82	258.41

APPENDIX- V

Loss of revenue due to non-remittance of excess realised tax

(Reference Para No. 2.17)

(₹ in lakh)

Sl. No.	Assessing Officer	Supplier's Name	Name of DISCOM	Name of the circle	Payment for Ex-works +Excise Duty	Trade Tax
1.	DC Sec.15, CT Lucknow	M/s Instrumentation Ltd, Mahanagar Lucknow	PVVNL Meerut	EDC Noida	829.06	33.16
			DVVNL Agra	EDC Agra	573.47	22.94
2.	DC Sec.9, CT Moradabad	M/s Genus Overseas Ltd. Moradabad	DVVNL Agra	EDC- Agra, Varanasi, Hardoi, Firozabad, Shikohabad, Etawah & Jhansi	7320.40	292.82
3.	DC Sec.3, CT, Sultanpur	M/s Vijay Electricals Ltd. Hyderabad	MVVNL	EDC Bareilly	3332.67	133.31
		-do-	PuVVNL	EDC Gorakhpur	2767.63	110.71
4.	DC Sec.2, CT, Muzaffarnagar	M/s KEC International Ltd	MVVNL	EDC Bareilly	984.29	39.37
			PVVNL	EDC Varanasi	2494.29	99.77
		-do-	PuVVNL	EDC Gorakhpur	2418.10	96.72
5.	JC (CC) Lucknow	M/s Nagarjuna Construction Co. Ltd. Hyderabad	MVVNL	EDC Faizabad	950.14	38.01
6.	DC Sec.1, CT Lucknow	M/s Reliance Energy Ltd.	PuVVNL	EDC Gorakhpur	4930.53	197.22
		-do-	DVVNL	EDC Farrukhabad	2882.76	115.31
		-do	PuVVNL	EDC-I Allahabad	444.73	17.79
		-do	--do--	EDC-I Allahabad	698.25	27.93
7.	DC Sec.3, CT, Gautam Buddh Nagar	M/s KPTL International Ltd.	PuVVNL	EDC Gorakhpur	469.49	18.78
8.	DC Sec.20, CT Lucknow	M/s IVRCL Infrastructure Projects Ltd. Hyderabad	MVVNL	EDC Gonda	4927.33	197.09
				-do-	3417.09	136.68
9.	DC Sec.13, CT, Agra	M/s Subhas Projects & Marketing Ltd. Kolkata	DVVNL Agra	EDC Mainpuri	223.61	8.94
		-do	DVVNL	EDC Firozabad	879.62	35.18
10.	DC Sec.12, CT Lucknow	M/s ABB Ltd	PuVVNL	EDC Gorakhpur	584.74	23.39
		-do-		EDC-II Allahabad	833.18	33.33
		M/s ABB Ltd	PuVVNL	Electricity Store Division ESD Varanasi	1691.40	67.66
11.	DC Sec.1, CT Lucknow	M/s Reliance Energy Ltd.	PuVVNL	-do-	819.56	32.78
		-do-			1495.15	59.80
12.	DC Sec.11, CT Meerut	M/s UPRNN(Electrical) Meerut	PVVNL	EDC Amroha	729.82	29.19

Sl. No.	Assessing Officer	Supplier's Name	Name of DISCOM	Name of the circle	Payment for Ex-works +Excise Duty	Trade Tax
13.	DC Sec.1, CT Lucknow	M/s Reliance Energy Noida	DVVNL	EDC Banda	2029.35	81.17
					244.79	9.79
14.	DC Sec.20, CT Lucknow	M/s IVRCL Infrastructure Ltd.	--d--	--do--	1335.12	53.40
15.	DC Sec.3, CT Sultanpur	M/s Vijay Electricals	--do--	EDC Kanpur	2639.85	105.59
16.	DC Sec.3, CT, Gautam Budh Nagar	M/s KPTL Transmission	MVVNL	EDC Barabanki	290.05	11.60
17.	DC Sec.12, CT Lucknow	M/s ABB Ltd. Banglore	--do-	EDC Unnao	982.53	39.30
18.	DC Sec.1, CT Lucknow	M/s Reliance Energy Ltd. Noida	DVVNL	EDC Hathras	298.21	11.93
19.	DC Sec.3, CT, Gautam Budh Nagar	M/s KPTL Power Transformer Ltd. Gandhinagar	MVVNL	EDC Shahjanpur	788.69	31.55
20.	DC Sec.1, CT Lucknow	M/s Reliance Energy Ltd. Noida	--do-	EDC Hardoi	4389.62	175.58
		--do--	DVVNL	EDC Aligarh	2003.65	80.15
21.	DC Sec.20, CT Lucknow	M/s IVRCL Infrastructure	--do-	EDC Jhansi	755.54	30.22
22.	DC Sec.1, CT Sultanpur	M/s Awadh Transformer Pvt. Ltd. Sultanpur	MVVNL	EDC Faizabad	52.16	2.09
23.	DC Sec.20, CT Lucknow	M/s IVRCL Infrastructure & Projects Ltd. Hyderabad	-do-	EDC Bareilly	1286.13	51.45
24.	DC Sec.14, CT Lucknow	M/s Pioneer Power Engineers	DVVNL	EDC Mainpuri	158.04	6.32
		M/s Secure Meters Ltd. HP	KESCO	KESCO	365.97	14.64
25.	DC Sec.2, CT Kanpur	M/s Sanchem Engg. (P) Ltd. Kanpur		-do-	45.70	1.83
26.	DC Sec.25, CT Kanpur	M/s Hervitec Enterprises Pvt. Ltd. Kanpur		-do-	717.42	28.69
		M/s Infinite India, Kanpur		-do-	172.42	6.89
		M/s Elymer International Pvt. Ltd. New Delhi		-do-	232.70	9.31
27.	DC Sec.2, CT Kanpur	M/s Sanchem Engg. (P) Ltd. Kanpur		-do-	52.00	2.08
28.	JC(CC) CT Faizabad	M/s Anand Transformers Pvt. Ltd. Kanpur		-do-	267.33	10.69
		M/s Absolute Projects (India) Ltd. Dariyaganj New Delhi.		-do-	23.15	0.93
29.	DC Sec.9, CT Moradabad	M/s Genus Overseas Electronics Ltd. Jaipur	DVVNL	EDC Jhansi	591.42	23.66
30.	DC Sec.14, CT Lucknow	M/s Pioneer Engg. Ltd. Lucknow		EDC Etah	163.87	6.55
		M/s Pioneer Power Engg. Ltd. Nawal Kishore Lucknow		EDC Aligarh	39.54	1.58

Sl. No.	Assessing Officer	Supplier's Name	Name of DISCOM	Name of the circle	Payment for Ex-works +Excise Duty	Trade Tax
		M/s Secure Meters Ltd. Pratapnagar Udaipur		--do-	182.45	7.30
31.	DC Sec.9, CT Ghaziabad	M/s JSP Constructions Ghaziabad	PVVNL	EDC Bagpat	43.53	1.74
32.	DC Sec.12, CT Lucknow	M/s ABB New Delhi		EDC Muzaffarnagar	11.15	0.45
33.	DC Sec.9, CT Ghaziabad	M/s JSP Constructions Ghaziabad		--do--	55.14	2.20
34.	DC Sec.15, CT Lucknow	M/s Instrumentation Ltd. Kota		EDC Noida	411.45	16.46
35.	DC Sec.12, CT Lucknow	M/s ABB Ltd. New Delhi		EDC Ghaziabad	134.01	5.36
		M/s Dynamic Electrical & Switch Gear Pvt Ltd. New Delhi		--do-	23.54	0.94
36.	DC Sec.9, CT Ghaziabad	M/s JSP Constructions		--do-	865.45	34.62
		M/s Jyoti Build Tech Pvt Ltd. Lucknow		--do--	33.21	1.33
37.	DC Sec.9, CT Noida	M/s Hythro Power Corp. New Delhi		EDC Bulandshahr	46.28	1.85
		M/s Absolute Project (India) Ltd. Dariyaganj New Delhi		--do-	19.05	0.76
		M/s Elymer International Pvt Ltd. New Delhi		--do-	25.02	1.00
38.	DC Sec.9, CT Moradabad	M/s Genus Oversease Electronics Ltd Jaipur	DVVNL	EDC Firozabad	421.70	16.87
		M/s Secure Meters Ltd. Pratapnagar Udaipur		EDC Mainpuri	158.44	6.34
39.	DC Sec.12, CT Lucknow	M/s ABB Ltd. New Delhi		EDC Mathura	25.67	1.02
		M/s Secure Meters Ltd. Pratapnagar Udaipur		--do--	113.56	4.54
Total					69192.21	2767.65

APPENDIX-VI

Non-deduction of works contract tax

(Reference Para No. 2.18)

(₹ in lakh)

Sl. No.	Name of the Company & Drawing Disbursing Officer (DDO)	Assessing Officer	Name of the Contractor	Total Payment for erection, test and commissioning	Works contract tax deductible	WCT deducted	Net non deducted amount	Penalty
1.	MVVNL ¹ SE, EDC ² Shahjhanpur	AC Sec.1, CT, Shahjhanpur	M/s Awadh Transformers Pvt., Sultanpur	73.71	2.95	0	2.95	5.90
			M/s Indo Power Project Ltd., Kolkata (B.O. Rampur)	40.83	1.63	0	1.63	3.26
			M/s Harvitec Enterprises Kanpur	81.32	3.25	0	3.25	6.50
			M/s Power Fabricators (I) Pvt. Lucknow	46.64	1.86	0	1.86	3.72
			M/s Hena Engineering Works Lucknow.	10.36	0.41	0.24	0.17	0.34
			M/s Chandra Enterprises, Bareilly	19.10	0.76	0.49	0.27	0.54
	SE, EDC Bareilly	CTO, Sec.3, CT, Bareilly	M/s Vijay Electricals Hyderabad	968.96	38.76	0	38.76	77.52
	SE, EDC Gonda		M/s IVRCL Infrastructure project Ltd. Hyderabad	250.51	10.02	0	10.02	20.04
			M/s ST Electricals Pune	323.32	12.93	0	12.93	25.86
	SE, EDC Raebareilly	AC Sec.1, CT, Raebareilly	M/s ABB Ltd., Lucknow	30.19	1.21	0	1.21	2.42
	SE, EDC Hardoi	CTO, Sec.1, CT, Hardoi	M/s Genus Overseas Electronics Ltd. Jaunpur (Regd. at Moradabad)	70.58	2.82	0	2.82	5.64
	SE, EDC Faizabad	AC Sec.4, CT Faizabad	M/s Nagarjun Construction Co. Ltd., Hyderabad (B.O. at Lucknow)	693.13	27.73	0	27.73	55.46
			M/s Awadh Transformer Pvt. Ltd.	7.83	0.31	0	0.31	0.62
				43.79	1.75	0	1.75	3.50
	SE EDC Faizabad	AC Sec.4. CT Faizabad	M/s Saurabh Enterprises	9.21	0.37	0	0.37	0.74
	SE EDC Bareilly	CTO, Sec.3, CT, Bareilly	M/s IVRCL Hyderabad	87.38	3.49	0	3.49	6.98

¹ Madhyanchal Vidyut Vitran Nigam Ltd.² Superintending Engineers, Electricity Distribution Circle,

Sl. No.	Name of the Company & Drawing Disbursing Officer (DDO)	Assessing Officer	Name of the Contractor	Total Payment for erection, test and commissioning	Works contact tax deductible	WCT deducted	Net non deducted amount	Penalty
2.	DVVNL ³ SE, EDC Agra	Not registered in CT Department.	M/s Instrumentation Ltd. Mahanagar, Lucknow	172.82	6.91	0	6.91	13.82
	SE, EDC Farukhabad		M/s Reliance Energy	553.98	22.16	0	22.16	44.32
	SE, EDC Firozabad	CTO Sec.1, CT Firozabad	M/s Subhash project Marketing Ltd. Kolkata	62.91	2.52	0	2.52	5.04
	SE, EDC Mainpuri	AC, Sec.1, CT, Mainpuri		176.26	7.05	0	7.05	14.10
	SE, EDC Aligarh	AC, Sec.2, CT Aligarh	M/s Reliance Energy Ltd. Noida	806.05	32.24	0	32.24	64.48
	SE, EDC Kanpur	DC Sec.16, CT, Kanpur	M/s Vijay Electricals Ltd.	413.05	16.52	0	16.52	33.04
	SE, EDC Mainpuri	AC, Sec.1, CT, Mainpuri	M/s Accurate Transformer Ltd. Delhi	192.13	7.68	0	7.68	15.36
	SE, EDC Mathura	CTO, Sec.5, CT, Mathura	M/s Reliance Energy Ltd. Noida	104.72	4.19	0	4.19	8.38
	SE, EDC Etawah	AC, Sec.3, CT, Etawah	--do--	4.64	0.18	0	0.18	0.36
	SE, EDC Banda	AC Sec.1, CT Banda	M/s IVRCL Infrastructures & Projects Ltd. Hyderabad	214.52	8.58	0	8.58	17.16
			--do--	247.07	9.88	0	9.88	19.76
	SE, EDC Jhansi	CTO Sec.6, CT Jhansi	M/s Genus Overseas Electronic Ltd. Jaipur	516.56	20.66	0	20.66	41.32
	SE, EDC Aligarh	AC, Sec.2, CT, Aligarh	M/s Awadh Transformers Pvt. Ltd. Lucknow	251.31	10.05	0	10.05	20.10
	SE, EDC Bareilly	CTO, Sec.3, CT, Bareilly	M/s R K Industries	201.19	8.05	0	8.05	16.10
			M/s Madan Construction & Co.	16.23	0.65	0	0.65	1.30
	SE, EDC Aligarh	AC, Sec.2, CT, Aligarh	M/s Marson's Electricals Indus. Agra	87.20	3.49	1.67	1.82	3.64
	SE, EDC Etawah	AC, Sec.3, CT, Etawah	M/s Genus Overseas Electronic Ltd.	266.43	10.66	0	10.66	21.32
	SE, EDC Agra	Not registered in CT Department.	--do--	244.70	9.79	0.26	9.53	19.06
	SE, EDC Mainpuri	AC, Sec.1, CT, Mainpuri	M/s IVRCL Hyderabad	785.80	31.43	0	31.43	62.86
			--do--	251.53	10.06	0	10.06	20.12
			--do--	131.03	5.24	0	5.24	10.48
			M/s Awadh Transformers Pvt. Ltd. Lucknow	32.73	1.31	0	1.31	2.62
	SE, EDC Firozabad	CTO Sec.1, CT Firozabad	M/s Genus Overseas Electronic Ltd.	454.58	18.18	0	18.18	36.36
			--do--	239.01	9.56	0	9.56	19.12

³ Dakshinanchal Vidyut Vitran Nigam Ltd.

Sl. No.	Name of the Company & Drawing Disbursing Officer (DDO)	Assessing Officer	Name of the Contractor	Total Payment for erection, test and commissioning	Works contact tax deductible	WCT deducted	Net non deducted amount	Penalty
	SE, EDC Mainpuri	AC, Sec.1, CT, Mainpuri	M/s Secure Meters Ltd. Udyapur	5.35	0.21	0	0.21	0.42
	SE, EDC Mathura	CTO, Sec.5, CT, Mathura	M/s Awadh Transformers Pvt. Ltd. Lucknow	17.02	0.68	0	0.68	1.36
			M/s ABB Ltd. Delhi	24.84	0.99	0	0.99	1.98
			--do--	57.61	2.30	0	2.30	4.60
3.	PuVVNL ⁴ SE, EDC Varanasi	AC Sec.6, CT Varanasi	M/s Reliance Infrastructure Ltd.	1001.68	40.07	5.32	34.75	69.50
	SE, EDC Mirzapur	DC Sec.3, CT Mirzapur	M/s KEC International Ltd. New Delhi	752.74	30.11	0	30.11	60.22
			M/s Reliance Energy Ltd. Mirzapur	1205.54	48.22	0	48.22	96.44
	SE, EDC Basti	Not registered in CT Department.	M/s Reliance Infrastructure Ltd.	1837.12	73.48	0	73.48	146.96
	SE, EDC, Siddharthnagar		M/s Kalptaru Power Transmission Ltd.	1495.09	59.80	0	59.80	119.60
	SE, EDC, Sant Kabir Nagar		M/s Vijay Electrical Ltd.	2819.20	112.77	0	112.77	225.54
	SE, EDC circle-II, Allahabad	AC, Sec.1, CT Allahabad	M/s ABB Ltd.	700.93	28.04	0	28.04	56.08
	SE, EDC, Jaunpur		--do--	607.97	24.32	0	24.32	48.64
	SE, EDC circle-I, Allahabad	AC, Sec.1, CT Allahabad	M/s Reliance Energy Ltd.	678.18	27.13	0	27.13	54.26
			M/s Nagarjuna Construction Co. Ltd.	1816.31	72.65	0	72.65	145.30
	SE, EDC Gorakhpur	AC Sec.5, CT Gorakhpur	M/s KEC International Ltd.	1451.87	58.07	0	58.07	116.14
			M/s ABB Ltd.	292.94	11.72	0	11.72	23.44
	SE, EDC-I, Varanasi	AC, Sec.6, CT Varanasi	M/s Genus Overseas Electronics Ltd. Jaipur	1279.19	51.17	0	51.17	102.34
			M/s Instrumentation Ltd. Lucknow	377.86	15.11	0	15.11	30.22
			--do--	90.61	3.62	0	3.62	7.24
	SE, EDC Gorakhpur	AC Sec.5, CT Gorakhpur	--do--	219.84	8.79	0	8.79	17.58
			M/s Subhash Traders Gorakhpur	194.46	7.78	0	7.78	15.56
4.	PVVNL ⁵ SE, EDC Ghaziabad	AC, Sec.16, CT Ghaziabad	M/s ABB Ltd. Lucknow	187.64	7.50	0	7.50	15.00
			M/s Awadh Transformers Pvt. Ltd. Lucknow	11.95	0.48	0	0.48	0.96
			M/s Jyoti Build Tech Pvt. Ltd. Lucknow	36.84	1.47	0	1.47	2.94

⁴ Purvanchal Vidyut Vitran Nigam Ltd.⁵ Paschimanchal Vidyut Vitran Nigam Ltd.

Sl. No.	Name of the Company & Drawing Disbursing Officer (DDO)	Assessing Officer	Name of the Contractor	Total Payment for erection, test and commissioning	Works contact tax deductible	WCT deducted	Net non deducted amount	Penalty
	SE, EDC Noida	AC, Sec.8, CT Noida	M/s Instrumentation Ltd. Lucknow	481.40	19.26	0	19.26	38.52
			M/s AT Electricals Ghaziabad	97.91	3.92	0	3.92	7.84
			M/s Alstom Ltd. New Delhi	5.49	0.22	0	0.22	0.44
	SE, EDC Muzaffar nagar	Not registered in CT Department.	M/s ABB Ltd Lucknow	25.36	1.01	0	1.01	2.02
	SE, EDC Bagpath	AC, CT Bagpath	M/s Gupta Transformers Products	49.96	2.00	0	2.00	4.00
			M/s Satish Kumar	31.00	1.24	0	1.24	2.48
			M/s RP Electricals	11.53	0.46	0	0.46	0.92
	SE, EDC Bulandshahr	AC Sec.4, CT Bulandshahr	M/s Absolute Projects (India) New Delhi	14.06	0.56	0	0.56	1.12
			M/s Ashok Kumar & Co.	17.51	0.70	0	0.70	1.40
			M/s Gupta Transformers products Muszffarnagar	7.90	0.32	0	0.32	0.64
	SE, EDC Amroha	DC, CT Amroha	M/s Pioneer Power Engg. Ltd. Lucknow	15.42	0.62	0	0.62	1.24
	SE, EDC Meerut	AC, Sec.10, CT Meerut	--do--	22.47	0.90	0.67	0.23	0.46
			M/s Vijay Electricals Hyderabad	21.56	0.86	0	0.86	1.72
	SE, EDC Moradabad	AC, Sec.1, CT Moradabad	M/s Crompton Greevs Ltd. Nasik	79.07	3.16	0	3.16	6.32
	Total			27226.73	1089.00	8.65	1080.35	2160.70

APPENDIX-VII

Low yield of alcohol from molasses (Reference Para No. 3.9)

SL. No.	Name of Distillery	Number of batches	Date of Continuous Out Turn	Molasses consumed (In quintals)	As per AT Lab report present in molasses		Alcohol produced as per norms (AL)	Actual alcohol produced (AL)	Difference (AL)	Potable alcohol in AL		Amount of compound fees deposited	Security deposit forfeited	Duty Involved on potable alcohol @ ₹ 420 per AL
					Percentage	Quantity (In Quintals)				Percentage	Quantity			
1	Modi Distillery, Modinagar, Ghaziabad	1	23.3.10 to 25.3.10	6809	41.6	2832.54	148708.35	148250.50	457.85	80	366.28		-	153838
2	Simbhauli Distillery, Ghaziabad	6	3.4.10 to 17.4.10	65610	40.9 - 42.3	27284.18	1432419.45	1421471.60	10947.85	40.00	4379.14		-	1839239
3	Lords Distillery, Nandgani, Ghazipur	2	3.5.10 to 11.8.10	7775	34.74-35.24	2716.08	142594.20	141830.54	763.66	100	763.66		-	320737
4	India Glycol Distillery, Gorakhpur	1	30.7.10 to 31.7.10	32395	38.03	12319.82	646790.55	645946.80	843.75	13.25	111.79		-	46952
5	NICL Distillery, Raja-ka-sahaspur, Moradabad	3	11.5.09 to 13.8.09	21000	35.1 - 37.83	7667.27	402531.68	393613.00	8918.68	93.27	8318.45	50000	-	3493749
6	Sarsadial Distillery, Mansoorpur, Muzaffarnagar	8	26.5.10 to 11.11.10	114282	35.91 - 39.37	43147.22	2265229.05	2218400.20	46828.85	58.97	27614.97		-	11598287
7	Shamli Distillery, Shamli Muzaffar Nagar	1	30.4.10	7472	40.96	3060.53	160677.83	159411.10	1266.73	36.68	464.64	5000	-	195149
8	Majhola Distillery, Pilibhit	1	2.4.09 to 8.4.09	9675	43.43 - 45.43	4201.85	220597.13	219735.10	862.03	100	862.03		-	362053
9	Pikhami Distillery, Saharanpur	3	9.2.10 to 30.3.10	26637	39.02 - 39.68	10494.58	550965.45	533556.40	17409.05	100	17409.05	50000	-	7311801
10	UDBL Distillery, Unnao	2	8.7.10 to 20.11.10	16120	34.35 - 34.38	5539.79	290838.98	284641.00	6197.97	100	6197.97		-	2603147
	TOTAL	28	02.04.09 to 20.11.10	307775 Or 3.08 lakh	34.74-45.43	119263.86 or 1.19 lakh	6261352.65 or 62.61 lakh	6166856.24 or 61.67 lakh	94496.41 or 0.94 lakh	13.25- 100	66487.98 or 0.66 lakh	105000 or 1.05 lakh		27924952 or 2.79 crore

APPENDIX-VIII

Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

(Reference Para No. 3.11)

Sl. No	Name of Distillery	Month of receipt of molasses	Number of passes	Molasses dispatched (In quintals)	Molasses received (In quintals)	Details of TRS (in percentage)			Difference of TRS (In quintals)	Quantity of FS 88 per cent of TRS (In quintals)	Quantity of alcohol produced (52.5 AL per quintal of FS)	Potable alcohol (in AL)		Duty involved on potable alcohol at the rate 420 per AL
						Dispatched	Received	Difference				Percentage	Quantity	
1.	Nanpara Distillery, Bahraich	January 2010 to March 2010	33	5542.15	5501.60	48.10 - 48.60	46.20 - 48.10	0.10 - 2.00	23.860	21.00	1102.50	100	1102.50	463050
2.	Kesar Interprises Ltd. Baheri, Bareilly	February 2010 to March 2010	08	1915.85	1899.50	45.54 - 46.00	45.00 - 45.45	0.09 - 6.00	23.479	20.66	1084.65	100	1084.65	455553
3.	Lords Distillery, Gazipur	July 2009 to September 2009	58	19805.20	19566.90	42.90 - 44.27	40.00	2.90 - 4.27	734.512	646.37	33934.43	100	33934.43	14252460
4.	IGL Distillery, Gorakhpur	January 2010 (2009-10) July 2010 to October 2010 (2010-11)	5 10	2082.65 3611.90	2082.65 3611.90	44.30 40.50 - 48.80	43.30-44.10 40.10 -48.60	0.20 - 1.00 0.02-4.00	17.530 27.590	15.43 24.28	810.07 1274.70	22.30 13.25	180.64 168.90	75869 70938
5.	Sir Shadi Lal Distillery, Mansoorpur, Muzaffarnagar	August 2010 to October 2010	38	9464.79	9295.15	45.22 - 47.47	45.00 - 47.20	0.12 - 0.35	22.080	19.43	1020.07	58.97	601.53	252643
	Total	July 2009 to October 2010	152	42422.54	41957.70	42.10 - 48.80	40.00 - 48.60	0.02 - 6.00	849,051	747.17	39226.42	13.25 - 100	37072.65	15570513 or 1.56 crore

APPENDIX-IX

Short levy of licence fee on shops of foreign liquor
(Reference Para No. 3.13)

2009-2010

Sl.No.	Name of districts	No. of shops	Actual consumption from 1 February 2008 to 31 March 2008 (in bottle)	Actual consumption from 1 April 2008 to 31 January 2009 (in bottle)	Actual consumption from 1 February 2008 to 31 January 2009 (in bottle)	Presumptive sale of 2008-09 on which department assessed licence fee (in bottle) (12/10 of col. 5)	Licence fee assessed and realised by the department during 2009-10 (@ ₹ 23 per bottle)	Licence fee due for the year 2009-10 as per actual consumption from February 2008 to January 2009 (@ ₹ 23 per bottle)	Difference of licence fee
1	2	3	4	5	6	7	8	9	10
1.	Bijnore	24	193689.18	429990.49	623679.67	515988.590	12799600	14344632.41	1545032
2.	Etah	24	95159.01	217177.63	312636.64	260613.160	6080000	7190642.72	1110643
3.	Farrukhabad	2	5348.00	21387.94	26735.94	25665.528	601000	614926.62	13927
4.	Firozabad	1	7410.00	23912.36	31382.36	28694.832	660100	721794.28	61694
5.	Hathras	5	47682.00	163845.75	211527.75	196614.900	4526000	4865138.25	339138
6.	Jalaun	8	17880.43	66870.00	84750.43	80244.000	1846000	1949259.89	103260
7.	Unnao	6	13062.00	34666.37	47728.37	41599.644	957300	1097752.51	140453
	Total	70	380230.62	957850.54	1338441.16	1149420.654	27470000 or 2.75 crore	30784146.68 or 3.08 crore	3314157 or 33.14 lakh

2010-2011

Sl.No.	Name of districts	No. of shops	Actual consumption from 1 February 2009 to 31 March 2009 (in bottle)	Actual consumption from 1 April 2009 to 31 January 2010 (in bottle)	Actual consumption from 1 February 2009 to 31 January 2010 (in bottle)	Presumptive sale of 2009-10 on which department assessed licence fee (in bottle) (12/10 of col. 5)	Licence fee assessed and realised by the department during 2010-11 (@ ₹ 26 per bottle)	Licence fee due for the year 2010-11 as per actual consumption from February 2009 to January 2010 (@ ₹ 26 per bottle)	Difference of licence fee
1	2	3	4	5	6	7	8	9	10
1.	Fatehpur	27	69369.87	230966.10	300335.97	277159.30	7213400	7808735.22	595335
2.	Ghaziabad	01	21748.30	80152.00	101900.30	96182.40	2518800	2649407.8	130608
3.	Jhansi	23	75697.00	307412.00	387995.00	368894.40	9668800	10087870	419070
4.	Lakhimpur Khiri	17	103047.46	247850.30	350897.80	297420.40	7349800	9123342.8	1773543
	Total	68	269862.63	866380.4	1141129.07	1039656.5	26750800 or 2.68 crore	29669355.82 or 2.97 crore	2918556 or 29.18 lakh

APPENDIX-X

Lack of data validation and duplicate entries

(Reference paras No. 4.5.14.3 and 4.5.14.4)

Sl. No.	Data in data field	RTO Kanpur	ARTO Kaushambi	RTO Lucknow	ARTO Bulandshahar	RTO Varanasi	ARTO Ghazipur	ARTO Mathura	ARTO Balia	RTO Basti	ARTO Unnao	RTO Jhansi	ARTO Bagpat	ARTO Pratapgarh	ARTO Kushinagar	ARTO Farrukhabad	Total
1	Duplicate Chassis No within district	2	NA	NA	NA	2	NA	2	NA	NA	NA	NA	NA	NA	NA	NA	6
2	Duplicate Engine No within district	NA	NA	3	69	38	NA	NA	NA	NA	NA	NA	NA	4	NA	2	116
3	Duplicate Chassis No among districts	135	10	33	32	122	24	106	6	19	141	79	14	29	3	1	754
4	Duplicate Engine No among districts	20	6	48	30	64	14	31	5	10	39	47	12	14	NA	1	341
5	Chassis No and Engine No same	333	309	1419	587	1072	5	928	190	334	444	1134	0	929	0	267	8395
6	Duplicate Insurance Cover Note	NA	NA	NA	6075	691	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	6766
7	Chassis No not alpha numerical	2907	650	6439	740	4126	223	3595	238	640	2899	3444	208	546	25	623	29816
8	Engine No not alpha numerical	587	297	9771	610	4011	86	3120	177	482	1018	3057	149	278	4	216	24842
9	Manufacturing Year Unrealistic	6	9	NA	31	59	NA	39	4	NA	NA	3	6	NA	NA	15	172
10	Eng. No. Unrealistic	10	NA	133	NA	NA	NA	NA	NA	NA	NA	16	NA	NA	NA	NA	159
11	Registration of vehicle before its Purchase/ Manufacturing	4	NA	NA	1	6	NA	10	NA	NA	NA	NA	NA	NA	NA	NA	21
12	Wheel base of Vehicles very low (less than 42 inches)	4256	10463	64218	2219	8476	420	6133	244	1	644	12079	216	2845	353	12	112579

Annexures

Sl. No.	Data in data field	RTO Kanpur	ARTO Kaushambi	RTO Lucknow	ARTO Bulandshahar	RTO Varanasi	ARTO Ghazipur	ARTO Mathura	ARTO Balia	RTO Basti	ARTO Unnao	RTO Jhansi	ARTO Bagpat	ARTO Pratapgarh	ARTO Kushinagar	ARTO Farrukhabad	Total
13	Cubic Capacity below 25	1321	3	1444	60	403	252	1486	20	99	339	911	18	238	852	56	7502
14	Seating capacity of Light Motor vehicle more than 12	NA	247	7	NA	NA	NA	NA	NA	NA	NA	2	9	796	NA	NA	1061
15	Seating capacity of Two Wheeler more than 3	0	10980	1435	NA	NA	14	56	3	1	3108	104	7	31949	NA	NA	47657
16	Seating capacity of Medium/Heavy goods vehicle more than 7	8	547	26	NA	NA	6	11	1	3	6	5	34	2	NA	2	653
17	Unladen Weight is more than 49000 Kg.	30	0	3	0	11	6	4	1	1	0	1	2	NA	1	NA	60
18	Gross Vehicle Weight is more than 49000 Kg.	14	3	12	5	26	28	54	6	1	36	4	NA	5	1	10	205
19	Unladen & Laden Weight Same	NA	NA	2314	NA	NA	NA	NA	142	175	1671	131	NA	NA	17	NA	6121
20	Unladen Weight is greater than Gross Vehicle Weight	255	149	596	2784	228	228	3707	116	166	48	40	333	8	6	196	8908
21	Fitness for more than 2 years	292	17	58	8	64	4	31	0	38	21	17	1	5	NA	8	564
Total No of vehicles		24169	15788	103484	99799	64836	30954	123892	11669	24028	44033	38739	17109	41745	2974	2270	645489

APPENDIX-XI

Disparity in Data fed in computerised system vis-à-vis manual files

(Reference para No. 4.5.14.5)

Sl. No.	Name of RTOs/ARTOs	Vehicle Registered		Total	Files checked	No. of differences found
		Directly on computerised system	Backlog data fed in computer			
1	RTO Kanpur	323245	142897	466142	540	17
2	ARTO Kaushambi	12592	3243	15835	209	35
3	RTO Lucknow	634212	156444	790656	100	22
4	ARTO Bulandshahar	100811	6697	107508	100	34
5	RTO Varanasi	248551	72636	321187	300	38
6	ARTO Ghazipur	30970	378	31348	0	0
7	ARTO Mathura	131892	9775	141667	0	0
8	ARTO Ballia	29488	9320	38808	76	18
9	RTO Basti	85848	10878	96726	105	13
10	ARTO Unnao	133218	16433	149651	24	0
11	RTO Jhansi	120987	128817	249804	150	32
12	ARTO Bagpat	79547	3397	82944	120	68
13	ARTO Pratapgarh	36656	3425	40081	192	16
14	ARTO Kushinagar	34476	4381	38857	0	0
15	ARTO Farrukhabad	19604	27	19631	245	0
Total		2022097	568748	2590845	2161	293

APPENDIX-XII

Statement of mannual workdone/certificate issued after computerisation

(Reference para No. 4.5.17)

Sl.No.	Name of RTOs/ARTOs	Receipts	Permit Temporary/ Permanent	Registration certificate	Temporary Registration Certificate	N.O.C.	Fitness Certificate
1	RTO Kanpur	511	2216	NA	12	NA	NA
2	ARTO Kaushambi	NA	NA	NA	32	20	13
3	RTO Lucknow	NA	NA	NA	NA	NA	NA
4	ARTO Bulandshahar	145	58	4	77	193	98
5	RTO Varanasi	NA	NA	NA	NA	NA	NA
6	ARTO Ghazipur	NA	NA	NA	NA	NA	NA
7	ARTO Mathura	NA	NA	NA	NA	NA	NA
8	ARTO Balia	NA	NA	NA	NA	NA	NA
9	RTO Basti	NA	NA	NA	NA	NA	NA
10	ARTO Unnao	20	NA	NA	NA	NA	NA
11	RTO Jhansi	NA	3088	NA	NA	NA	NA
12	ARTO Bagpat	29	NA	40	NA	48	884
13	ARTO Pratapgarh	NA	NA	NA	NA	NA	3
14	ARTO Kushinagar	NA	NA	NA	NA	NA	NA
15	ARTO Farrukhabad	1801	294	NA	NA	425	29
Total		2506	5656	44	121	686	1027

APPENDIX-XIII

Short levy of tax due to adoption of lesser seating capacity of Tata Magic Vehicle

(Reference Para No. 4.7)

(₹ in lakh)

Sl. No.	Name of unit	No. of vehicles (kerb weight 1000 Kg.)	Period	Tax leviable	Tax paid	Short levy
1.	RTO Agra	476	October 2009 to December 2010	85.72	73.47	12.25
2.	RTO Allahabad	294	October 2009 to December 2010	44.75	38.36	6.39
3.	RTO Azamgarh	197	October 2009 to November 2010	24.39	20.90	3.49
4.	RTO Banda	252	October 2009 to December 2010	39.58	33.93	5.65
5.	RTO Faizabad	14	October 2009 to November 2010	2.17	1.86	0.31
6.	RTO Gonda	08	July 2010 to December 2010	0.44	0.38	0.06
7.	RTO Saharanpur	123	October 2009 to December 2010	17.24	14.77	2.47
8.	RTO Varanasi	628	October 2009 to December 2010	99.36	85.16	14.20
9.	ARTO Barabanki	593	October 2009 to November 2010	85.14	72.98	12.16
10.	ARTO Chandauli	162	October 2009 to October 2010	25.24	21.64	3.60
11.	ARTO Gazipur	36	October 2009 to October 2010	4.00	3.43	0.57
12.	ARTO Lakhimpur kheri	124	October 2009 to July 2010	8.66	7.42	1.24
13.	ARTO Rampur	53	October 2009 to November 2010	5.40	4.63	0.77
14.	ARTO Unnao	192	October 2009 to July 2010	24.64	21.12	3.52
	Total	3152		466.73	400.05	66.68

APPENDIX-XIV
Evasion of stamp duty on lease deeds
(Reference Para No. 5.8)

(in ₹)

Name of the shopping Malls/Corporates		No. of lease deeds	Lease Period	Month and year of execution of lease deed	Amount on which stamp duty payable as per Act	Rate of Stamp duty (per cent)	Stamp duty payable	Stamp duty paid	Stamp duty short paid
Sahara Mall Lucknow		102	3 Years	09-10	765593988	4	30623759	10200	30613559
		07	6 to 9 years	10/05 to 01/08	87178000	8 to 10	7638240	700	7637540
Total		109			852771988		38261999	10900	38251099
Shipra Mall Ghaziabad		06	9 to 17 Years	03/05 to 09/06	144506000	8 to 10	13715800	600	13715200
Total Mall		115			992826988		51540179	11500	51966299 or 5.20 crore
Corporates	5 Noida 1 Ghaziabad	06	9 Months to 20 Years	01/05 to 06/10	105932000	2 to 8	6924840	600	6924240
	Rohit Surfactants Pvt. Ltd. Kanpur	01	9 years	07/08	36992000	7	2589440	100	2589340
Total Corporates		07			142924000		9514280	700	9513580 or 95.14 lakh
Grand Total		122			1140201988		61492079	12200	61479879 or 6.15 crore

APPENDIX-XV

Short levy of stamp duty due to incorrect valuation of the property

(Reference Para No. 5.9.1)

(₹ in lakh)

Sl. No.	Name of unit	Deed No. Dt. of regn.	Area (sq. mt.)	Valuation (as per deed)	Market value leviable (as per list)	Stamp duty and Regn. fee leviable	Levied	Short levied
Part of same plot sold earlier at residential rates								
1.	S.R.I Agra	1122/10, 1221/10 March 2010	3956.00	25.73	59.34	3.95	1.60	2.35
2.	S.R.IV Agra	4377/10 July 2010	5355.00	16.07	133.87	9.37	1.12	8.25
		4864/09 November 09	1368.00	4.11	34.20	2.39	0.29	2.10
3.	S.R. II Aligarh	9892/10 September 2010	6335.00	18.50	76.02	5.32	1.33	3.99
4.	S.R. Mahesi, Bahraich	5614/09 October 2009	720.00	2.81	72.00	4.94	0.17	4.77
5.	S.R. Rasra, Ballia	1164/10 July 2010 31/10 January 2010	4250.33	8.07	107.47	5.47	0.52	4.95
6.	S.R. I Jhansi	5085/10, 5086/10 July 2010	4580.00	32.06	183.20	12.72	2.15	10.57
7.	S.R.II Lucknow	5590/10 April 2010	6830.00	30.00	81.96	5.74	2.10	3.64
8.	S.R.II Varanasi	122/10 January 2010	2250.00	15.00	54.00	3.78	1.05	2.73
Total		12 deeds	35644.33	152.35	802.06	53.68	10.33	43.35
Plots declared residential in the circle rates								
9.	S.R.IV Agra	4426/10, 4427/10 July 2010	8669.00	17.35	216.72	14.97	1.72	13.25
		4290/09 October 2009	3500.00	12.25	87.50	6.12	0.86	5.26
		4691/09 November 09	5766.00	17.30	86.49	6.05	1.21	4.84
		4865/09 November 09	976.00	5.86	24.40	1.71	0.41	1.30
10.	S.R. Sewayajpur Hardoi	2556/10 April 2010	3290.00	2.99	62.51	3.23	0.21	3.02
11.	S.R. Sadar Ballia	217/10 January 2010	10480	25.25	209.60	10.48	1.26	9.22
12.	S.R. Haidar Garh Barabanki	5305/10 August 2010	670.00	5.41	23.45	1.54	0.33	1.21
13.	S.R. Chakar Nagar, Etawah	755/10 August 2010	5430.00	7.63	162.90	8.05	0.31	7.74
14.	S.R. Sambhal, Moradabad	3122/10 April 2010	1270.00	1.48	45.72	2.29	0.07	2.22
Total		10 deeds	40051.00	95.52	919.29	54.44	6.38	48.06
Same plot valued at different rates on same day								
15.	S.R. Sadar Banda	7176/10, 7177/10, 7178/10, December 2010	2070.57	111.96	161.50	11.31	7.84	3.47
16.	S.R. Etmadpur Agra	7299/10 June 2010	4503.40	54.05	135.11	9.35	3.68	5.67
		9214/09 September 2009	2303.00	11.54	41.46	2.90	0.81	2.09

⁶ This unit has been catogorised under two types of deeds.

Sl. No.	Name of unit	Deed No. Dt. of regn.	Area (sq. mt.)	Valuation (as per deed)	Market value leviable (as per list)	Stamp duty and Regn. fee leviable	Levied	Short levied
17.	S.R. Sadar Ghazipur	1818/10 April 2010	2331.00	19.12	69.93	4.80	1.24	3.56
18.	S.R. Bansgaon, Gorakhpur	2839/09 August 2009	3320.00	4.92	83.00	4.15	0.25	3.90
19.	S.R. -I Allahabad	3078/09 July 2009	442.02	44.58	79.57	5.47	3.02	2.45
	Total	08 deeds	14969.99	246.17	570.57	37.98	16.84	21.14
Part of same plot was sold at residential rate on same day/next day								
20.	S.R. Karchhana, Allahabad	4507/09 October 2009 794/10 February 2010	3344.00	5.29	120.01	8.40	0.37	8.03
21.	S.R. Tundla Firozabad	1686/10 March 2010	1620.00	5.60	42.12	2.95	0.40	2.55
22.	S.R. I Muzaffarnagar Nagar	2065/10 2066/10 March 2010	3242.00	16.52	48.63	3.30	1.10	2.20
	Total	05 deeds	8206.00	27.41	210.76	14.65	1.87	12.78
Plots surrounded by residential plots								
23.	S.R.II Jhansi	3546/10 June 2010	5560.00	12.24	72.28	5.06	0.86	4.20
24.	S.R. V Lucknow	6823/10 June 2010	6320.00	70.48	180.12	12.61	4.96	7.65
	Total	02 deeds	11880.00	82.72	252.40	17.67	5.82	11.85
Plot being sold in seven smaller plots								
25.	S.R. Sadar Chandauli	3679,1339 February 2010	2888.00	8.74	54.42	2.73	0.63	2.10
	Total	02 deeds	2888.00	8.74	54.42	2.73	0.63	2.10
	Grand Total	39 deeds		612.91 or 6.13 crore	2809.50 or 28.09 crore	181.15 or 1.81 crore	41.87 or 0.42 crore	139.28 or 1.39 crore

APPENDIX-XVI

Under valuation of land disregarding their potentiality

(Reference Para No. 5.9.3)

(₹ in lakh)

Sl. No.	Name of unit	Deed No. Dt. of regd.	Area (sq.mt.)	Valuation (as per deed)	Market value leviable (as per list)	Stamp duty and Regd. fee leviable	Levied	Short levied
1.	S.R. Sadar Fatehpur	5556/10 June 2010	8100	22.95	170.10	11.91	1.61	10.30
2.	S.R. Sadar Firozabad	5453/10 June 2010	15030	22.27	120.24	8.42	1.60	6.82
3.	S.R. Sadar Lalitpur	4778/10 July 2010	42790	72.19	685.90	34.30	3.62	30.68
		5276/10						
4.	S.R.III Lucknow	8666/09 December 2009	2660	21.28	66.50	4.66	1.49	3.17
5.	S.R.I Kanpur	361/10 February 2010	3070	3.69	18.42	1.29	0.26	1.03
6.	S.R. II Kanpur	3631/10 August 2010	1237	6.19	30.93	2.17	0.44	1.73
7.	S.R. III Kanpur	7378/10 July 2010	2340	16.38	210.60	14.74	1.15	13.59
8.	S.R. Sadar Unnao	(1) 9844/10 August 2010	9610	57.72	182.59	12.78	4.05	8.73
		(2) 9845/10 August 2010	9610	57.72	182.59	12.78	4.05	8.73
		(3) 14235/10 December 2010	4425	5.30	40.74	2.04	0.27	1.77
		(4) 13922/10 December 2010	2083	5.21	27.08	1.90	0.37	1.53
	Total	12 deeds		290.90 or 2.91 crore	1735.69 or 17.36 crore	106.99 or 1.07 crore	18.91 or 0.19 crore	88.08 or 0.88 crore