



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended 31 March 2018**



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Punjab**  
**Report No. 3 of the year 2019**



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Comptroller and Auditor General of India**

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## TABLE OF CONTENTS

Description	Reference to	
	Paragraphs	Page
Preface	--	v
Overview	--	vii - x
<b>Chapter-I General</b>		
Trend of revenue receipts	1.1	1
Analysis of arrears of revenue	1.2	6
Arrears in assessment	1.3	6
Evasion of tax detected by the Department	1.4	7
Refund Cases	1.5	8
Response of the Government/Departments towards audit	1.6	8
Departmental Audit Committee Meetings	1.6.2	10
Non production of records to audit for scrutiny	1.6.3	10
Response of the Departments to the draft audit paragraphs	1.6.4	11
Follow up on the Audit Reports – summarized position	1.6.5	11
Analysis of the mechanism for dealing with the issues raised by audit	1.7	12
Position of Inspection Reports	1.7.1	12
Recovery of accepted cases	1.7.2	12
Action taken on the recommendations accepted by the Departments/Government	1.7.3	13
Audit planning	1.8	13
Internal Audit	1.9	14
Results of audit	1.10	15
Position of local audit conducted during the year	1.10.1	15
Coverage of this Report	1.11	15
<b>Chapter-II Taxes/VAT on Sales and Trade</b>		
Tax administration	2.1	17
Results of audit	2.2	17
Preparedness for transition to Goods and Services Tax (GST)	2.3	18-28
Irregular allowance of concession of tax	2.4	28
Short reversal of input tax credit	2.5	29
Short retention of input tax credit	2.6	30
Short levy of tax due to incorrect assessment	2.7	31
Short levy of Central Sales Tax	2.8	32
Inadmissible benefit to the dealer	2.9	33

Description	Reference to	
	Paragraphs	Page
Inadmissible input tax credit on furnace oil and lubricants	2.10	34
Inadmissible allowance of deduction to works contractor	2.11	35
Non/Short levy of interest	2.12	35
<b>Chapter-III State Excise</b>		
Tax administration	3.1	37
Results of audit	3.2	37
Non-realisation of interest	3.3	38
<b>Chapter-IV Stamp Duty</b>		
Tax administration	4.1	39
Results of audit	4.2	39
Inadmissible remission of SSF and SIC	4.3	40
Short levy of SD and RF due to misclassification of property	4.4	41
Non-application of Collector rates	4.5	42
Inadmissible remission of Stamp Duty and Registration Fee	4.6	43
Short levy of SD and RF on agreements to sell	4.7	44
<b>Thematic Audit on “Remission of stamp duty and registration fee on mega projects”</b>	4.8	44
Introduction	4.8.1	45
Inadmissible remission of registration fee	4.8.2	46
Inadmissible remission of SD and RF on exchange deeds	4.8.3	46
Inadmissible remission of SD and RF where land was purchase in villages other than the approved village for Mega Projects	4.8.4	47
Irregular remission of SD, SSF, SIC and RF on unapproved Mega Project	4.8.5	47
Evasion of SD and RF due to acceptance of unregistered document	4.8.6	48
Short levy of RF and SIC	4.8.7	50
Irregular remission of stamp duty on Power of Attorneys	4.8.8	50
Non-recovery of SD where developer failed to comply with the conditions of the agreement	4.8.9	51
Non-utilisation of information of CLU to update status of land	4.8.10	51
<b>Chapter-V Taxes on Vehicles</b>		
Tax Administration	5.1	55
Results of audit	5.2	55
<b>Performance Audit titled “Levy and collection of taxes on vehicles”</b>	5.3	56-82

<b>Chapter-VI Forest, Other Tax and Non Tax Receipts</b>		
Tax Administration	6.1	83
Results of audit	6.2	83
Non-realisation of Entertainment Duty	6.3	84
<i>Appendix-I</i>	2.5	87-88
<i>Appendix-II</i>	5.3.8	89-92
<i>Appendix-III</i>	5.3.22	93-96
<i>Glossary</i>	--	97-98



## **PREFACE**

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of Punjab under Article 151 of the Constitution of India.

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

The instances mentioned in this Report are those, which came to notice in the course of test audit done during the period 2017-18 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports; instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

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



# Overview



## Overview

This Report contains one performance audit on “**Levy and Collection of taxes on vehicles**” and 17 paragraphs relating to non/short levy of value added tax/central sales tax, excess refunds in VAT, short deposit of license fee, non/short levy of stamp duty, non/short realisation of motor vehicle tax, and non-realisation of entertainment duty involving financial effect of ₹ 121.47 crore.

### 1. Chapter -I

#### General

The total receipts of the State Government for the year 2017-18 were ₹ 53,009.58 crore. The Government raised ₹ 34,741.63 crore, comprising tax revenue of ₹ 30,423.24 crore and non-tax revenue of ₹ 4,318.39 crore. The State Government received ₹ 10,616.94 crore as State’s share of divisible Union taxes and ₹ 7,651.01 crore as Grants-in-aid from the Government of India.

(Paragraph 1.1.1)

Test check of the records of 283 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Vehicles, Forest Receipts and other Departmental offices conducted during the year 2017-18 showed under assessment/short levy/loss of revenue aggregating ₹ 298.82 crore in 8,870 cases. The Departments recovered ₹ 5.71 crore in 2,887 cases during 2017-18, out of which ₹ 0.19 crore in 52 cases were pointed out during 2017-18 and rest in earlier years.

(Paragraph 1.10.1)

### 2. Chapter -II

#### Taxes/VAT on Sales and Trade

The Government/Department was prompt in its preparedness for implementation of GST as can be seen with reference to enactment of the Act and Rules as per model law approved by GST Council, migration of existing taxpayers, capacity building efforts etc. Further, the Department needs to sort out the legacy issues like assessments of pre-GST cases, recovery of arrears and refund of tax relating to pre-GST regime expeditiously in a time bound manner through focused arrangements. Proper system was not put in place for verification of transitional credit especially in respect of the dealers transferred from the jurisdiction of Central Government.

(Paragraphs 2.3 to 2.3.8)

The Designated Officer allowed irregular concession of ₹ 16.52 lakh on the basis of seven non-genuine ‘C’ forms which were not obtained from prescribed authority of the issuing State of Himachal Pradesh.

(Paragraph 2.4)

Excess Input Tax Credit availed by two dealers was not reversed in full resulting in short levy of tax of ₹ 27.34 lakh.

**(Paragraph 2.5)**

In seven assessment and two refund cases under eight AETCs, ITC of ₹ 11.12 crore on goods, lying in closing stock, was allowed to be adjusted from output tax liability as ITC in contravention of the provision contained in PVAT Act resulting in short levy of tax of ₹ 10.84 crore and irregular refund of ₹ 28.35 lakh.

**(Paragraph 2.6)**

In two assessment cases under AETC Ludhiana-II, the Designated Officers short levied tax of ₹ 1.31 crore on account of (a) giving undue benefit of tax paid and (b) not taxing sale of plant and machinery.

**(Paragraph 2.7)**

In an assessment case under AETC Fazilka, the Designated Officer did not levy revised rate of tax on turnover of interstate sales without 'C' forms resulting in short levy of tax of ₹ 11.97 lakh.

**(Paragraph 2.8)**

In AETC Muktsar and AETC Ludhiana-I, the Designated Officers allowed inadmissible benefit of ₹ 1.92 crore to two dealers resulting in short levy of tax of ₹ 1.92 crore.

**(Paragraph 2.9)**

The Designated Officer allowed inadmissible input tax credit of entry tax paid on interstate purchase of furnace oil and lubricants resulting in inadmissible refund ₹ 16.65 lakh and excess allowance of ITC of ₹ 16.98 lakh.

**(Paragraph 2.10)**

Designated Officer allowed deduction of ₹ 2.21 crore on account of material supplied by Government Department which was not admissible, resulting in short levy of tax of ₹ 12.14 lakh.

**(Paragraph 2.11)**

Application of incorrect provision relating to levy of interest in assessment orders by 18 AETCs, resulted in short levy of interest of ₹ 38.11 crore in 51 cases.

**(Paragraph 2.12)**

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### 3. Chapter -III

#### State Excise

Two AETCs did not realise interest of ₹ 22.07 lakh from two licensees on account of delayed payment of fixed license fee.

**(Paragraph 3.3)**

### 4. Chapter -IV

#### Stamp Duty

Seven SRs/JSRs allowed inadmissible remission of SSF of ₹ 64.42 lakh and SIC of ₹ 25.47 lakh to eight charitable institutions in violation of Government clarification in this regard.

**(Paragraph 4.3)**

Five SRs short levied Stamp Duty and Registration Fee of ₹ 1.51 crore in 14 cases due to application of lower rates than applicable as per Collector rate/status of properties at the time of registration.

**(Paragraph 4.4)**

SR Amritsar-I and SR Zira short levied SD and RF of ₹ 41.78 lakh in three cases due to non-application of minimum market rates fixed by the Collectors for respective periods in which the instruments were executed.

**(Paragraph 4.5)**

SR Amritsar-I and JSR Ghanaur did not realise SD, SIC and RF of ₹ 14.68 lakh on (a) Power of Attorney giving right to a person other than family member to sell immovable property and (b) on transfer of property by owner to other than specified family member.

**(Paragraph 4.6)**

JSR Majri did not levy SD and RF under Entry 5(CC) of Schedule I-A of Indian Stamp Act, 1899 on two agreements to sell evidencing delivery of possession of the properties resulting in short levy of SD and RF of ₹ 18.20 lakh.

**(Paragraph 4.7)**

Instance of non-compliance to provisions of order regarding remission of SD for Mega Projects as pointed out by Audit indicate weak internal controls of the Department. Department remitted registration fee of ₹ 1.85 crore whereas remission of RF was not available to Mega Housing Projects. Remission of SD and RF of ₹ 20.33 lakh was allowed on exchange of land and SD of ₹ 1.30 lakh on power of attorney whereas remission was only available on purchase of land. SD and RF of ₹ 4.04 crore was remitted in those cases also where either the project was not approved by Empowered Committee or villages in which land purchased was not a part of approved Mega Projects.

Developers evaded SD and RF of ₹ 6.99 crore by not presenting collaboration agreements for registration due to acceptance of unregistered documents by Chief Town Planner, Punjab at the time of issue of change of land use. Due to non-consideration of CLU while updating Collector's rate list, SSF, SIC and RF of ₹ 39.94 lakh was short realised.

**(Paragraphs 4.8 to 4.8.10)**

## **5. Chapter -V**

### **Taxes on Vehicles**

Performance Audit on “**Levy and Collection of Taxes on Vehicles**” showed the following:

Department had no mechanism to identify arrears of MVT and ensure its timely recovery as a result of which there was short realisation of MVT of ₹ 34.14 crore.

**(Paragraph 5.3.8)**

99 *per cent* of non-transport vehicles and 66 *per cent* of transport vehicles in the selected RTAs did not renew their fitness certificate on time. Revenue that was not realised works out to ₹ 22.97 crore.

**(Paragraphs 5.3.12 and 5.3.13(a))**

33 *per cent* Pollution Checking Centres in the four test checked RTAs were functioning without valid authorisation certificates.

**(Paragraph 5.3.15)**

There was short realisation of Trade Fee and Possession Tax from dealers of Motor Vehicles amounting to ₹ 7.95 crore in the test checked Regional Transport Authorities.

**(Paragraph 5.3.16)**

## **6. Chapter -VI**

### **Other Tax and Non Tax receipts**

AETC Moga took no steps to recover entertainment duty from 122 cable operators resulting in non-realisation of entertainment duty of ₹ 18.30 lakh.

**(Paragraph 6.3)**

# **Chapter-I**

## **General**



## CHAPTER-I General

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Punjab, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2017-18 and the corresponding figures for the preceding four years are depicted below:

**Table 1.1.1: Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18 <sup>1</sup>
1.	<b>Revenue raised by the State Government</b>					
	Tax revenue	24,079.19	25,570.20	26,690.49	27,746.66	30,423.24 <sup>2</sup>
	Non-tax revenue	3,191.50	2,879.73	2,650.27	5,863.20	4,318.39
	<b>Total</b>	<b>27,270.69</b>	<b>28,449.93</b>	<b>29,340.76</b>	<b>33,609.86</b>	<b>34,741.63</b>
2	<b>Receipts from the Government of India</b>					
	Share of net proceeds of divisible Union taxes and duties	4,431.47	4,702.97	8,008.90	9,599.73	10,616.94 <sup>3</sup>
	Grants-in-aid	3,401.38	5,869.95	4,173.72	4,775.83	7,651.01 <sup>4</sup>
	<b>Total</b>	<b>7,832.85</b>	<b>10,572.92</b>	<b>12,182.62</b>	<b>14,375.56</b>	<b>18,267.95</b>
3.	Total revenue receipts of the State Government (1 and 2)	<b>35,103.54</b>	<b>39,022.85</b>	<b>41,523.38</b>	<b>47,985.42</b>	<b>53,009.58</b>
4.	<b>Percentage of 1 to 3</b>	<b>78</b>	<b>73</b>	<b>71</b>	<b>70</b>	<b>66</b>

The year-wise trend in revenue receipts during 2013-14 to 2017-18 is depicted in the Chart- 1.1.

1 Finance Account of the State Government.

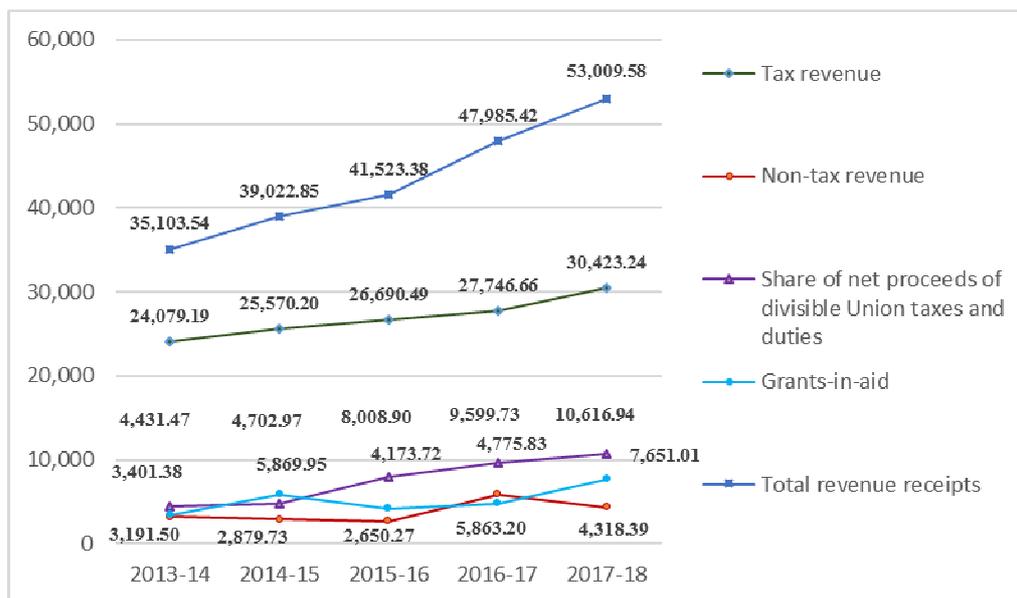
2 This includes amount of ₹ 7,901.14 crore received under Major Head 0006-State Goods and Services Tax.

3 This includes amount of ₹ 151.60 crore received from Government of India as share of Central Goods and Services Tax and ₹ 1,072.32 crore as share of Integrated Goods and Services Tax.

4 This includes amount of ₹ 4,037.00 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax.

Chart- 1.1

(₹ in crore)



It is observed that during the year 2017-18, the State Government raised (₹ 34,741.63 crore) 66 per cent of the total revenue receipts. Balance 34 per cent of the receipts were from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-aid. The share of State's own revenue decreased from 78 per cent of total receipts in 2013-14 to 66 per cent during 2017-18, while that of share of net proceeds of divisible Union taxed and duties rose to 20 per cent in 2017-18 as compared to 12.62 per cent in 2013-14. Increase in share of this component in revenue receipts of the State was on account of receipt of State share of CGST (₹ 151.60 crore) and IGST (₹ 1,072.32 crore).

**1.1.2** Details of the tax revenue raised during the period from 2013-14 to 2017-18 are depicted below:

Table 1.1.2: Details of Tax Revenue raised

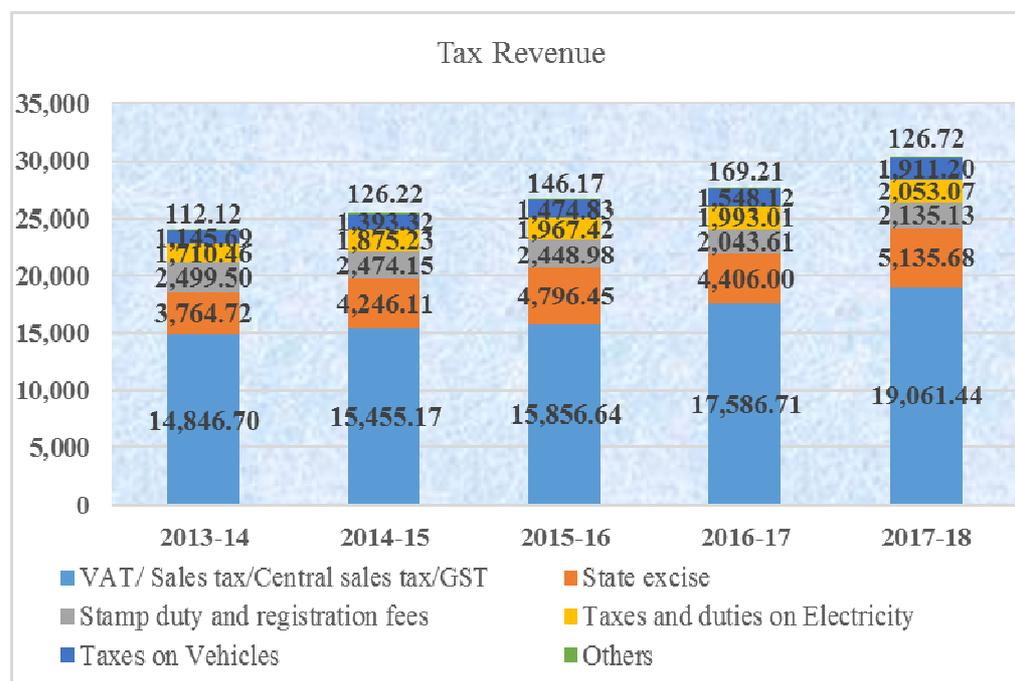
(₹ in crore)

Sl. No.	Head of revenue	2013-14 Revenue (per cent of Total)	2014-15 Revenue (per cent of Total)	2015-16 Revenue (per cent of Total)	2016-17 Revenue (per cent of Total)	2017-18 Revenue (per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2017-18 over 2016-17
1.	VAT/ Sales tax/Central sales tax/GST	14,846.70 (61.66)	15,455.17 (60.44)	15,856.64 (59.41)	17,586.71 (63.38)	19,061.44 (62.65)	(+)8.39
2.	State excise	3,764.72 (15.63)	4,246.11 (16.61)	4,796.45 (17.97)	4,406.00 (15.88)	5,135.68 (16.88)	(+)16.56
3.	Stamp duty and registration fees	2,499.50 (10.38)	2,474.15 (9.68)	2,448.98 (9.18)	2,043.61 (7.37)	2,135.13 (7.02)	(+)4.48
4.	Taxes and duties on Electricity	1,710.46 (7.10)	1,875.23 (7.33)	1,967.42 (7.37)	1,993.01 (7.18)	2,053.07 (6.75)	(+)3.01
5.	Taxes on Vehicles	1,145.69 (4.76)	1,393.32 (5.45)	1,474.83 (5.52)	1,548.12 (5.58)	1,911.20 (6.28)	(+)23.45
6.	Others <sup>5</sup>	112.12 (0.47)	126.22 (0.49)	146.17 (0.55)	169.21 (0.61)	126.72 (0.42)	(-)25.11
<b>Total</b>		<b>24,079.19</b>	<b>25,570.20</b>	<b>26,690.49</b>	<b>27,746.66</b>	<b>30,423.24</b>	<b>(+)9.65</b>

The year-wise trend in Tax Revenue receipts during 2013-14 to 2017-18 is depicted in the Chart- 1.2.

Chart 1.2

(₹ in crore)



It is observed that VAT/Sales Tax/CST/SGST and State Excise are major contributors of revenue and contribute about 79.53 per cent of tax revenue collection. There is increase in revenue from VAT/Sales Tax/CST/GST and

5 Revenue Receipts of the two Departments i.e. Land Revenue (₹ 91.34 crore, which is 34.70 per cent higher than previous year's receipt of ₹ 67.81 crore), Other taxes and duties on commodities and services (₹ 35.38 crore, which is 64.89 per cent lower than previous year's receipt of ₹ 100.78 crore) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue Receipts of these Departments have been merged in 'Others'.

State Excise from ₹ 17,586.71 crore & ₹ 4,406 crore in 2016-17 to ₹ 19,061.44 crore & ₹ 5,135.68 crore respectively in 2017-18. There is also increase in revenue from stamp duty and registration fee & taxes and duties on Electricity. Though there is sharp increase in revenue from taxes on vehicles from ₹ 1,548.12 crore during 2016-17 to ₹ 1,911.20 crore during 2017-18, the budgetary estimates of 2017-18 have proven to be unrealistic in view of sudden increase of estimates by 92 per cent (from ₹ 1,650 crore in 2016-17 to ₹ 3,175 crore in 2017-18). The Finance Department stated (December 2018) to have increased the budget estimates in anticipation of upcoming policies for increasing Motor Vehicle Tax, which were revised considering the actual receipts. However, actual receipts were much less than the Budget Estimates.

**Taxes on Vehicles:** The department stated that the increase in revenue receipt over previous years was due to increase in tax & fee rates and registration of more vehicles in 2017-18.

Other Departments did not furnish the reasons of variations despite being requested.

**1.1.3** The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are depicted below:

**Table 1.1.3: Details of Non-Tax revenue raised**

Sl. No.	Head of Revenue	2013-14 Revenue (per cent of Total)	2014-15 Revenue (per cent of Total)	2015-16 Revenue (per cent of Total)	2016-17 Revenue (per cent of Total)	2017-18 Revenue (per cent of Total)	Percentage increase (+) or decrease (-) of Actual in 2017-18 over 2016-17
1.	Miscellaneous General Services	1,640.32 (51.40)	1,473.47 (51.17)	999.84 (37.73)	3,028.08 (51.64)	1,478.97 (34.25)	(-) 51.16
2.	Interest receipts	174.68 (5.47)	193.88 (6.73)	225.28 (8.50)	1,293.80 (22.07)	1,404.94 (32.53)	(+) 8.59
3.	Other Administrative Services	102.58 (3.21)	114.12 (3.96)	253.05 (9.55)	133.46 (2.28)	165.85 (3.84)	(+) 24.27
4.	Police	55.26 (1.73)	77.23 (2.68)	48.45 (1.83)	98.52 (1.68)	61.78 (1.43)	(-) 37.29
5.	Medical and Public Health	151.97 (4.76)	116.50 (4.05)	184.25 (6.95)	135.47 (2.31)	253.34 (5.87)	(+) 87.01
6.	Major and Medium Irrigation	65.94 (2.07)	72.81 (2.53)	142.66 (5.38)	93.61 (1.60)	71.38 (1.65)	(-) 23.75
7.	Non-ferrous Mining and Metallurgical Industries	43.83 (1.37)	86.44 (3.00)	56.64 (2.14)	42.08 (0.72)	122.40 (2.83)	(+) 190.87
8.	Public Works	46.73 (1.47)	16.79 (0.58)	18.94 (0.71)	67.96 (1.16)	83.30 (1.93)	(+) 22.57
9.	Forestry and wildlife	20.69 (0.65)	19.45 (0.49)	31.81 (0.12)	20.92 (0.06)	48.67 (0.07)	(+) 132.65
10.	Co-operation	3.44 (0.11)	14.16 (0.49)	3.24 (0.12)	3.37 (0.06)	2.82 (0.07)	(-) 16.32
11.	Dairy Development	0.06 (0.00)	0.11 (0.00)	0.10 (0.00)	0.03 (0.00)	0.02 (0.00)	(-) 33.33
12.	Education, Sports, Art and Culture	96.45 (3.02)	159.36 (5.54)	88.68 (3.35)	95.89 (1.63)	41.87 (0.97)	(-) 56.34
13.	Others <sup>6</sup>	789.55 (24.74)	535.41 (18.59)	597.33 (22.54)	850.01 (14.50)	583.05 (13.50)	(-) 31.41
<b>Total</b>		<b>3,191.50</b>	<b>2,879.73</b>	<b>2,650.27</b>	<b>5,863.20</b>	<b>4,318.39</b>	<b>(-) 26.35</b>

<sup>6</sup> The receipts which do not come under the Heads of revenue mentioned at Sr. No. 1 to 12 of the table.

It is observed that there is more than two times increase in revenue through Non-ferrous Mining and Metallurgical Industries in 2017-18 compared to 2016-17. Interest receipts grew by more than eight times over the years from ₹ 174.68 crore in 2013-14 to ₹ 1,404.94 crore in 2017-18. In addition to this, major increase in receipts was from Forest & Wild Life (132.65 per cent) and Medical & Public Health (87.01 per cent) as compared to 2016-17. The Departments which recorded significant decrease in revenue were Education, Sports, Art and Culture (56.34 per cent) and Miscellaneous General Services (51.16 per cent).

The respective Departments reported the following reasons for variations in actual receipts during the year 2017-18:

- (i) **Police:** The Director General of Police, Punjab reported (July 2018) that decrease in actual receipts was due to non-recovery of outstanding claims of previous years and non-payment of deployment charges of forces by other States/departments.
- (ii) **Dairy Development:** The Director, Dairy Development reported (July 2018) that there were no normal revenue receipts as only source of revenue receipt was registration/renewal of feed manufacturers and dealers in the state under “The Punjab Regulation of Compounded Cattle Feed, Mineral, Mixture and Concentrates Order 1988” which lost its validity due to amendment in the ‘Essential Commodity Act’.
- (iii) **Medical and Public Health:** The Director Health and Family Welfare reported (August 2018) that increase in actual receipt over previous year were due to increase in number of outdoor/indoor patients and reimbursement of ₹ 34.59 crore from Employees State Insurance Corporation which was incurred by the Department in 2016-17.
- (iv) **Miscellaneous General Services:** The Deputy Controller (F&A) reported (August 2018) in respect of receipt from lotteries that less receipt<sup>7</sup> was due to non-conducting of draw of weekly lottery schemes after June 2017.

In respect of the remaining heads<sup>8</sup> of receipt, the departments despite being requested (June to August 2018) did not furnish the reasons for variations in receipts from that of the previous year.

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7 Lotteries receipts included in Head “Miscellaneous General Services” at Sr. No. 1

8 Cooperation, Education, Sports, Art & Culture, Forestry and Wild life, Major and Medium Irrigation, Miscellaneous General Services, Non-ferrous Mining and Metallurgical Industries, Other Administrative Services and Public Works.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of principal heads of revenue were ₹ 6,846.56 crore of which ₹ 1,060.57 crore was outstanding for more than five years, as depicted below:

**Table 1.2: Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Reply of the Department
1.	Taxes/VAT on sales, Trade etc.	6,317.86	945.62	Amount of ₹ 4,056.59 crore was outstanding on account of cases pending before various appellant courts/authorities and ₹ 1.41 crore to be written off. For remaining amount of ₹ 2,259.86 crore, no reply/reason was furnished by the department.
2.	Forestry and Wildlife Preservation	27.59	27.59	Amount is outstanding against Forest Contractors. Efforts are being made to recover the outstanding amount.
3.	State Excise	358.81	13.97	Amount of ₹ 2.70 crore was non-recoverable and ₹ 0.56 crore has been written off. For remaining amount recovery proceedings against defaulters in most of the cases had already been initiated under Land Revenue Act.
4.	Land Revenue	142.30	73.39	Action has been taken to recover the amount under section 47-A.
<b>Total</b>		<b>6,846.56</b>	<b>1,060.57</b>	

It is observed that out of total outstanding arrears of ₹ 6,317.86 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 4,588.99 crore pertained to seven AETCs<sup>9</sup>, out of which arrears of ₹ 561.22 crore was outstanding for more than five years. The State Transport Commissioner, Punjab intimated that there was no mechanism in the department through which arrears of revenue could be ascertained.

However, during validation of data in seven AETCs<sup>10</sup>, it was noticed that in Assistant Commissioner of State Tax (ACST)<sup>11</sup> Ludhiana closing balance of arrear of revenue was under reported by ₹ 111.55 crore and ₹ 8.31 crore in case of Taxes/VAT on sales, Trade etc. and State Excise respectively.

## 1.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalization at the end of the year as furnished by the Department of Excise and Taxation in respect of value added tax and luxury tax & entertainment tax are depicted below:

9 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-I, Mohali, Roop Nagar (Ropar) and Patiala.

10 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-I, Mohali, Roop Nagar (Ropar) and Patiala.

11 Designation of Assistant Excise and Taxation Commissioner (AETC) in VAT regime redesignated as Assistant Commissioner of State Tax in GST regime.

**Table 1.3: Arrears in Assessment**

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Balance at the end of the year	Percentage of disposal (Col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes/VAT on Sales/Trade etc./Luxury & Entertainment Tax	1,13,822	30,286	1,44,108	37,327	1,06,781	25.90

Note: The closing balance of previous year was 85,151 whereas opening balance of this year is 1,13,822. The difference of 28,671 cases is due to supply of lesser number of assessment figures for previous year by AETCs Amritsar-II (5,686), Bathinda (8,293), Jalandhar-1 (1,144), Mohali (150), Muktsar (110), Ropar (2,558) and Sangrur (10,730).

There were arrears in assessment in all the 26 AETCs. However, during validation of data in seven AETCs<sup>12</sup>, it was noticed in two AETCs<sup>13</sup> that cases pending for assessment were not reported correctly. The ACST Jalandhar-II under reported 104 cases<sup>14</sup> and 150 cases<sup>15</sup> were reported in excess by ACST Mohali. This is indicative of inaccuracies in the data provided by the department. The Department may reconcile the data of arrears in assessment.

#### 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & Taxation Department and State Transport, cases finalized and the demand for additional tax raised as reported by the Departments are depicted below:

**Table 1.4: Evasion of Tax Detected**

Sl. No.	Head of revenue	Cases pending as on 31 March 2017	Cases detected during 2017-18	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2018
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade etc.	3,012*	2,452	5,464	1,476	49.82	3,988
2.	Taxes on Vehicles	16	0	16	0	0	16
<b>Total</b>		<b>3,028</b>	<b>2,452</b>	<b>5,480</b>	<b>1,476</b>	<b>49.82</b>	<b>4,004</b>

\*The closing balance of previous year was 470 whereas the opening balance of this year is 3,028. The difference of 2,558 is due to non-reporting of closing balance by AETC Ropar during previous year.

However, during validation of data in seven AETCs<sup>16</sup>, it was noticed in ACST, Roop Nagar (Ropar) that cases of evasion of taxes were wrongly reported as 2,558 whereas actually there was no case of evasion of tax. This is indicative of inaccuracies in the data provided by the department. The

12 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

13 Mohali and Jalandhar-II

14 Reported 5,283 cases - 5,387 cases found during validation.

15 Reported 5,685 cases - 5,535 cases found during validation.

16 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

Department may reconcile the data of evasion of taxes in respect of all the districts.

It is observed that no case was detected/finalised in respect of taxes on vehicles during the year 2017-18. The State Transport Commissioner, Punjab despite being requested (September 2018) did not furnish the reasons for non-finalization of the cases pending for the last three years.

### **1.5 Refund Cases**

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 as reported by the Department are depicted below:

**Table 1.5: Details of refund cases**

(₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	5,488*	712.14*	142	2.35
2.	Claims received during the year	8,794	1,114.65	45	1.24
3.	Refunds made during the year	4,580	532.77	22	2.30
4.	Refunds rejected during the year	993	263.79	0	0
5.	Balance outstanding at the end of year	8,709	1,030.23	165	1.28

\*The opening balance figures are taken after verification by AG Audit Party during 2016-17.

It is observed that number of outstanding cases in Sales Tax/VAT has increased by 58.69 per cent and amount by 44.67 per cent during the year. Section 40 of the Punjab Value Added Tax Act, 2005, provides for payment of interest at the rate of 0.5 per cent per month if the excess amount is not refunded to the dealer within 60 days from the date of the application. The Department needs to ensure timely refund to assessee.

The refunds in case of Sales Tax/VAT were pending in all 26 excise districts and refunds in case of state excise were pending in ten out of 26 excise districts.

However, during validation of data in seven AETCs<sup>17</sup>, it was noticed in AETC, Fatehgarh Sahib that figures of outstanding claims at the beginning of year and claims received during the year in respect of State Excise were two and 43 as against Nil and 16 earlier reported and included in above data. The Department may reconcile the data of refunds in state excise.

### **1.6 Response of the Government/Departments towards audit**

The Principal Accountant General (PAG) Punjab conducts periodical inspection of the Government Departments to test check the transactions.

17 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

These inspections are followed up with the inspection reports (IRs) incorporating audit findings which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Head of the office is required to send initial reply to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Out of Inspection Reports issued up to December 2017, 16,318 paragraphs involving ₹ 6,280.32 crore relating to 6,358 IRs remained outstanding at the end of June 2018. This, alongwith the corresponding figures for the preceding two years are depicted below:

**Table 1.6: Details of pending Inspection Reports**

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	5,908	6,170	6,358
Number of outstanding audit observations	14,380	15,478	16,318
Amount of revenue involved (₹ in crore)	5,825.95	6,001.19	6,280.32

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2018 and the amount involved are mentioned in **Table 1.6.1** below:

**Table 1.6.1: Department-wise details of pending IRs**

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on sales, Trade etc.	2,031	4,678	1,350.00
		Entertainment and Luxury Tax	359	621	93.41
		State Excise	373	403	592.29
2.	Revenue	Land Revenue	787	1,637	2,315.16
		Stamp Duty and Registration Fee	1,762	5,538	611.00
3.	Transport	Taxes on motor vehicles	749	3,065	700.97
4.	Finance	State Lotteries	22	58	153.29
5.	Forestry and Wildlife Preservation	Forestry and wild life	275	318	464.20
<b>Total</b>			<b>6,358</b>	<b>16,318</b>	<b>6,280.32</b>

During 2017-18, audit did not receive even the first reply in respect of 202 IRs out of 283 IRs from the Head of offices within the stipulated time of four weeks.

This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the Government to

ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations.

### 1.6.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite progress of the settlement of the audit observations contained in the IRs. The details of audit committee meetings held during the year 2017-18 and the paragraphs settled are depicted below:

**Table 1.6.2: Details of Departmental Audit Committee Meetings**

Head of Revenue	Number of meetings held	Number of outstanding observation	Number of paragraphs settled	Amount (₹ in crore)
0030-Stamp Duty & Registration Fees	8	5,518	17	0.09
0040-Taxes/VAT on sales, Trade etc.	2	4,720	2	0.03
0406-Forestery & Wild Life	2	339	165	16.51
0045-Luxury and Entertainment Tax	2	626	5	0.02
<b>Total</b>	<b>14</b>	<b>11,203</b>	<b>189</b>	<b>16.65</b>

It is observed that the settlement of outstanding paragraphs was very low in respect of Sales Tax/VAT, Stamp Duty and Registration Fee and Luxury and Entertainment Tax. No audit committee meeting was convened in respect of State Excise, Taxes on vehicles, Land Revenue and State Lotteries.

It is recommended that Government should ensure holding meetings of the Audit committees at regular intervals in all departments.

### 1.6.3 Non production of records to audit for scrutiny

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

During the year 2017-18 as many as 804 cases/items of auditable records pertaining to Four Departments were not made available to audit as depicted below:

**Table 1.6.3: Details of non-production of records**

Name of the office/Department	Nature of receipt	Number of cases/items not provided	
		2016-17	2017-18
Excise and Taxation	Sales Tax/VAT	328	557
	State Excise	24	0
	Luxury & Entertainment Tax	35	5
Transport	Taxes on Vehicles	335	62
Revenue	Stamp duty and Registration Fees	127	152
	Land Revenue	344	25
Forest and Wildlife Preservation	Forests and Wild life	40	3
<b>Total</b>		<b>1,233</b>	<b>804</b>

Non-production of records pertaining to revenue is serious and in the absence of examination, the risk associated cannot be commented upon. It is advised to direct the concerned authorities to provide the record during examination.

#### **1.6.4 Response of the Departments to draft audit paragraphs**

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

Eighteen draft paragraphs and one Performance Audit were sent to the Principal Secretaries/Secretaries of the respective Departments between October 2017 and March 2019. Revised versions of the draft paragraphs and Performance Audit were again sent to the Principal Secretaries/Secretaries of the respective Departments between April 2018 and April 2019. The Principal Secretary/Secretary and of the concerned Departments did not reply to any of the above draft paragraphs and one Performance Audit and the same were included in the Report without their response. However, clarifications received during exit conference at the conclusion of the Performance audit and the replies from the concerned Departmental authorities wherever received, have been appropriately included in the report.

#### **1.6.5 Follow up on the Audit Reports – summarized position**

The internal working system of the Public Accounts Committee (PAC), notified in August 1992, lays down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs. The action taken notes (ATNs) thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. A total of 129 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Punjab for the years ended 31 March 2012 to 2017 were placed before the State Legislative Assembly between 19 March 2013 and 22 March 2018. ATNs in respect of 73 paragraphs from Six departments<sup>18</sup> had not been received. However, remaining 56 ATNs were received with average delay which ranged between 01 month and 58 months.

The PAC discussed 73 selected paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2014-15 between 2013 and 2018, and its

<sup>18</sup> Sales Tax/VAT, Land Revenue, State Excise, Taxes on Vehicles, Stamp Duty and Forest other tax/non-tax receipts.

recommendations on 24 paragraphs<sup>19</sup> were incorporated in three PAC Reports (2014-15, 2015-16 and 2017-18). However, ATN on the recommendations of the PAC on three paragraphs for the year 2010-11 has not been received up to March 2019 from Agriculture Department.

### **1.7 Analysis of the mechanism for dealing with the issues raised by audit**

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Report by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years in respect of Stamp Duty and Registration Fee of the Revenue Department, Punjab was evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss performance of the Revenue Department in respect of Stamp Duty and Registration Fee (SD and RF) to deal with cases detected in the course of local audit during the last 10 years up to 2017-18 and also the cases included in the Audit Reports for the years 2007-08 to 2016-17.

#### **1.7.1 Position of Inspection Reports**

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and status of the same as on 31 March 2018 in respect of SD and RF are depicted below:

**Table 1.7.1: Position of Inspection Reports in Stamp Duty and Registration Fee**

(₹ 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
2008-09	1,077	1,998	81.93	124	371	10.13	39	134	0.25	1,162	2,235	91.81
2009-10	1,162	2,235	91.81	93	285	23.90	116	136	7.22	1,139	2,384	108.49
2010-11	1,139	2,384	108.49	155	764	55.05	40	202	56.28	1,254	2,946	107.26
2011-12	1,254	2,946	107.26	81	565	66.08	32	185	3.92	1,303	3,326	169.42
2012-13	1,303	3,326	169.42	103	473	23.13	191	453	11.49	1,215	3,346	181.06
2013-14	1,215	3,346	181.06	114	568	152.00	16	214	9.25	1,313	3,700	323.81
2014-15	1,313	3,700	323.81	115	576	170.21	5	173	8.64	1,423	4,103	485.38
2015-16	1,423	4,103	485.38	135	745	39.16	18	214	31.50	1,540	4,634	493.04
2016-17	1,540	4,634	493.04	102	525	25.60	11	148	1.63	1,631	5,011	517.01
2017-18	1,631	5,011	517.01	116	622	23.22	3	115	1.15	1,744	5,518	539.08

It is observed that there is increase in the number of outstanding IRs from 1,162 in 2008-09 to 1,744 in 2017-18 and corresponding money value pointed out in IRs has increased from ₹ 91.81 crore to ₹ 539.08 crore.

#### **1.7.2 Recovery of accepted cases**

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered under the Head 0030- Stamp Duty and Registration Fee are depicted below:

<sup>19</sup> Department of Transport (07) +Department of Agriculture (07) + Department of Electricity (10).

**Table 1.7.2: Recovery of accepted cases**

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered up to 31 March 2017	Amount recovered during the year 2017-18	Cumulative position of recovery of accepted cases as of 31/03/2018
1	2	3	4	5	6	7	8
2007-08	11	44.08	--	--	Paras/reviews upto the year 2007-08, 2008-09 and 2009-10 have been transferred by the PAC to the concerned Administrative Secretaries of the Departments to take action at their own level.		
2008-09	7	34.82	--	--			
2009-10	1	22.94	--	--			
2010-11	9	3.99	9	3.99	0	0.96	0.96
2011-12	15	14.69	15	14.69	0	1.34	1.34
2012-13	5	15.25	5	15.25	0	0.44	0.44
2013-14	10	65.60	10	65.60	0	16.11	16.11
2014-15	13	37.96	13	37.96	0	0.50	0.50
2015-16	1	1.96	1	1.96	Reply of the paragraphs for the Audit Report 2015-16 and 2016-17 is still awaited from the department.		
2016-17	6	9.03	6	9.03			
<b>Total</b>	<b>78</b>	<b>250.32</b>	<b>59</b>	<b>148.48</b>	<b>0</b>	<b>19.35</b>	<b>19.35</b>

It is observed that the progress of recovery even in accepted cases was very slow. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties.

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

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

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

The Review titled "Levy and Collection of Stamp Duty and Registration Fee" on the Stamp Duty and Registration Fee, Punjab featured in the report of 2009-10 with six recommendations and in the report of 2015-16 with three recommendations. In respect of report of 2009-10, the Public Accounts Committee (PAC) in its meeting dated 31.08.2015 directed the department to ensure implementation of the recommendations suggested by the Audit. The report of 2015-16 is yet to be discussed.

### **1.8 Audit planning**

The auditable entities under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared

on the basis of risk analysis which *inter-alia* includes 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, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2017-18, there were 495 auditable units. 286 units (57.77 per cent) were due and planned for audit out of which 283 units were audited (99 per cent). The audit of three units could not be completed as one unit<sup>20</sup> was excluded from Annual Audit Plan for the year 2017-18 and two units<sup>21</sup> were not functioning.

Besides, the compliance audit mentioned above, one performance audit titled 'Levy and collection of Taxes on Vehicles' was also conducted to examine the efficacy of the Department concerned in realization of revenue receipts.

### **1.9 Internal Audit**

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

During the year 2017-18, out of 2,213 units planned for audit, IAO audited 63 units (2.85 per cent) as depicted below:

**Table 1.9: Internal Audit**

<b>Revenue Head</b>	<b>No. of units Planned</b>	<b>No. of units audited</b>
0030 – Stamp Duty	396	24
0039 – Excise	271	27
0040 – VAT/Sales Tax	676	9
0041 – Motor Vehicle Tax	648	3
0045 – Entertainment Tax	222	0
<b>Total</b>	<b>2,213</b>	<b>63</b>

The Department replied that the targets planned for audit could not be achieved for the year 2017-18 due to acute shortage of staff. Further, special audits are also assigned by the Government from time to time along with routine audit. It is recommended that Government may direct IAO to plan audit by adopting risk analysis technique and to ensure audit of all the planned units.

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20 Pr. Secretary and Financial Commissioner Taxation, Punjab (under head - 0040).

21 Joint Sub Registrar, Binewal (under head - 0030) and M/s. Kee Mee Blended Bottling Plant, Pathankot (under head - 0039)

## 1.10 Results of audit

### 1.10.1 Position of local audit conducted during the year

The Principal Accountant General Punjab conducts periodical inspection of the Government Departments to test check the transactions under CAG's (DPC) Act, 1971.

Test check of the records of 283 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Forest Receipts and other Departmental offices conducted during the year 2017-18 showed under assessment/short levy/loss of revenue aggregating ₹ 298.82 crore in 8,870 cases. The Departments recovered ₹ 5.71 crore in 2,887 cases during 2017-18, out of which ₹ 0.19 crore in 52 cases were pointed out during 2017-18 and rest in earlier years.

### 1.11 Coverage of this Report

This Report contains one performance audit on “*Levy and Collection of Taxes on Vehicles*” and 17 paragraphs involving financial effect of ₹ 121.47 crore. The replies of the Government/Department have not been received (July 2019). These are discussed in the succeeding Chapters II to VI.







## CHAPTER-II

### Taxes/VAT on Sales and Trade

#### 2.1 Tax administration

The Financial Commissioner Taxation and Principal Secretary to the Government of Punjab is overall in-charge of the Excise and Taxation Department. Subject to overall control and superintendence of the Excise and Taxation Commissioner (ETC), the administration of the Punjab Value Added Tax Act (PVAT Act)/Central Sales Tax Act (CST Act) is carried out with the help of Additional Excise and Taxation Commissioner (Addl. ETC), Joint Excise and Taxation Commissioners at the headquarters (JETCs), Deputy Excise and Taxation Commissioners (DETCs) at the divisional level and Assistant Excise and Taxation Commissioners (AETCs), Excise and Taxation Officers (ETOs) and other allied staff at the district level. The authorities performing duties within jurisdictions as specified by the Government under the PVAT Act are called as Designated Officers (DOs).

#### 2.2 Results of audit

Test check of the records of 44 units out of 68 units relating to Sales Tax/VAT during 2017-18 revealed under-assessment of tax and other irregularities involving ₹ 109.41 crore in 425 cases as depicted below.

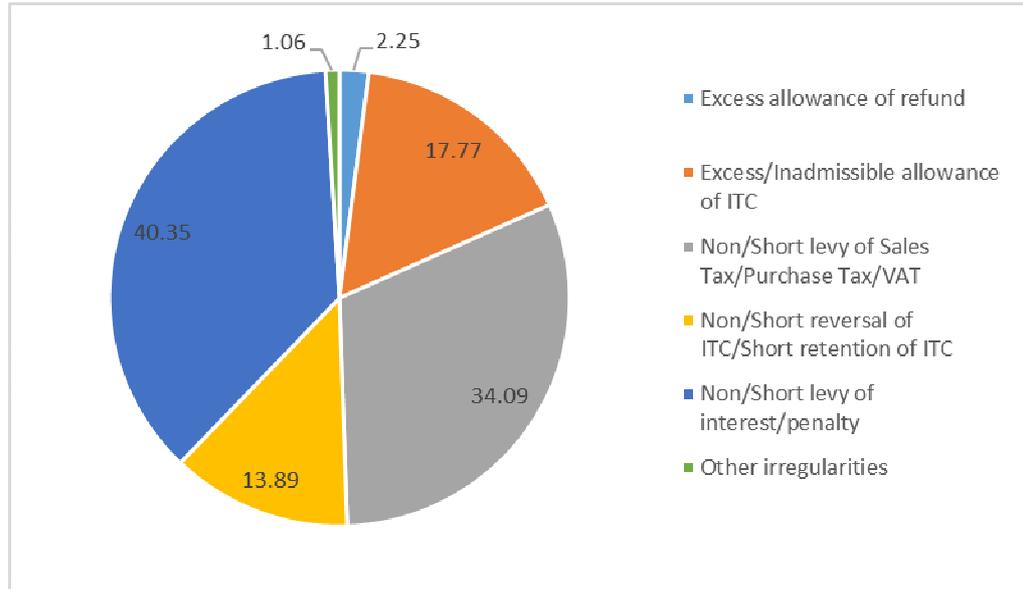
**Table 2.1: Results of Audit**

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1.	Excess allowance of refund	18	2.25
2.	Excess/Inadmissible allowance of ITC	39	17.77
3.	Non/Short levy of Sales Tax/Purchase Tax/VAT	91	34.09
4.	Non/Short reversal of ITC/Short retention of ITC	40	13.89
5.	Non/Short levy of interest/penalty	94	40.35
6.	Other irregularities	143	1.06
<b>Total</b>		<b>425</b>	<b>109.41</b>

Head wise audit findings noticed under Taxes/VAT on Sales and Trade is depicted in Chart 2.1:

Chart-2.1

(₹ in crore)



The Department accepted and recovered ₹ 14.97 lakh in 12 cases in 2017-18 out of which ₹ 10.17 lakh involved in six cases was pointed out during 2017-18 and rest in earlier years.

Significant cases involving ₹ 53.48 crore are discussed in the succeeding paragraphs.

## 2.3 Preparedness for transition to Goods and Services Tax (GST)

### 2.3.1 Introduction

Goods and Services Tax (GST<sup>1</sup>) was implemented with effect from 1 July 2017. GST is being levied on intra-State supply of goods or services (*except alcohol for human consumption and five specified petroleum products*<sup>2</sup>) separately but concurrently by the Union (CGST) and the States (SGST) / Union Territories (UTGST). Further, Integrated GST (IGST) is being levied on interstate supply of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, Value Added Tax was leviable on intra-State sale of goods in the series of sales by successive dealers as per Punjab Value Added Tax (PVAT) Act, 2005 and Central Sale Tax (CST) on sale of goods in the course of interstate trade or commerce as per CST Act, 1956.

The State Government was empowered to regulate the provisions of PVAT Act, whereas, provisions relating to GST are being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States to

1 Central GST: CGST and State/Union Territory GST: SGST/UTGST.

2 Petroleum Products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

recommend on the matters related to GST. The State Government notified (June 2017) the Punjab Goods and Services Tax (PGST) Act, 2017 and the Punjab Goods and Services Tax Rules, 2017 where various taxes<sup>3</sup> were subsumed.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services. It provides shared IT infrastructure and services, to both central and state governments including tax payers and other stakeholders. The *Front-end* services of Registration, Returns, Payments, etc. to all taxpayers are provided by GSTN. It is the interface between the government and the taxpayers. Further, GSTN will also provide the Back-End Services to tax officers of the Model-II<sup>4</sup> states. Punjab has opted for Model-II.

### 2.3.2 Trend of revenue

GST was implemented from July 2017 and total receipts under GST including non-subsumed/subsumed taxes from July 2017 to March 2018 were ₹ 14,245.93 crore<sup>5</sup> against ₹ 13,513.99 crore under pre-GST taxes during the same period of previous year 2016-17 i.e. an increase of 5.42 per cent. Actual receipts under pre-GST taxes<sup>6</sup> and GST are given below:

**Table 2.2 : Trend of Revenue Receipt**

(₹ in crore)

Year	Revised Budget Estimate	Receipts under pre-GST taxes <sup>7</sup>	Receipts under GST		Total receipts under pre-GST taxes and GST	Increase (in per cent)	Compensation received	Protected Revenue
			SGST	Advance IGST Approtationment				
2013-14	16,829.60	14,916.36	-	-	14,916.36	-	-	
2014-15	17,852.00	15,534.10	-	-	15,534.10	4.14	-	
2015-16	17,088.51	15,946.09	-	-	15,946.09	2.65	-	
2016-17 <sup>8</sup>	18,695.21	4,173.50	-	-	17,687.49	10.92	-	
2016-17 <sup>8</sup>		13,513.99	-	-				
2017-18*	24,153.96	4,850.89	-	-	19,096.82	7.97	4,037.00	
2017-18#		6,344.79 <sup>8</sup>	7,268.14	633.00				

<sup>8</sup> April to June 2016, <sup>8</sup> July 2016 to March 2017, <sup>\*</sup> April to June 2017, <sup>#</sup> July 2017 to March 2018

The above table indicates that there was an increasing trend in receipts during the last four years.

3 Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax.

4 Model-I States: States which have already developed or are developing a software application.

Model-II States: States which have not developed a software application, GSTN would develop necessary application.

5 ₹ 6,344.79 crore (Pre-GST receipts) + ₹ 7,901.14 crore (SGST).

6 Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax.

7 Receipts under 0040 (PVAT) and 0045 (Luxury & Entertainment).

8 It includes VAT on non-subsumed items also. Amount of VAT on subsumed items was ₹ 1,585.01 crore.

9 This protected revenue of ₹ 14,105.70 crore for the period from July 2017 to March 2018 (₹ 1,567.30 crore per month) has been derived from the approved figure of ₹ 14,471.77 crore pertaining to base year 2015-16 (14 per cent increase per year).

### 2.3.3 Statutory Preparedness

The State Government notified the Punjab Goods and Services Tax Act, 2017 and the Punjab Goods and Services Tax Rules, 2017 in June 2017. E-way bill system was implemented in the state on interstate transactions with effect from 1 April 2018 and on intra-state transactions with effect from 1 June 2018. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the state.

#### 2.3.3.1 Restructuring / reorganization of the Department

The Department, which earlier administered the State Value Added Tax (VAT), was restructured to align it with the requirements of GST. The officers working under VAT regime were re-designated as below:

**Table 2.3 : Restructuring of administration for GST**

Designation under VAT regime	Re-designated under GST regime
Excise and Taxation Commissioner	Commissioner of State Tax
Additional Excise and Taxation Commissioner	Additional Commissioner of State Tax
Joint Excise and Taxation Commissioner	Joint Commissioner of State Tax
Deputy Excise and Taxation Commissioner	Deputy Commissioner of State Tax
Assistant Excise and Taxation Commissioner	Assistant Commissioner of State Tax
Excise and Taxation Officer	State Tax Officer

The existing 35 Information Collection Centres<sup>10</sup> (ICC) were done away with and number of mobile wings was increased from 6 to 13. The number of divisions (six) and districts offices (26) remained the same as it was in pre-GST regime.

#### 2.3.4 IT preparedness and capacity building efforts by the Department

GSTN was to provide three front-end services to the taxpayers namely registration, payment of tax and filing of returns. As Punjab had opted model-II for implementation of GST, *back-end applications* like registration approval, taxpayer detail viewer, refund processing, audit and enforcement, recovery etc. for GST administration were being developed by GSTN. The access for back-end application was available to the State through Application Programming Interface (API).

No funds were provided by the State Government for Information Technology infrastructure of GST and opening of new facilitation centres / help desks for GST stake holders. The existing help desk at Data Centre of ET TSA<sup>11</sup> at

<sup>10</sup> In pre-GST regime, the ICC barriers and mobile wings were established with a view to prevent or check avoidance or evasion of tax under Punjab Value Added Tax Act, 2005.

<sup>11</sup> Excise and Taxation Technical Services Agency (ET TSA) is a society created by the Government of Punjab for implementation of technical projects in the Excise and Taxation Department.

Patiala catered to the needs of GST stake holders through helpline numbers. The IT infrastructure for GST was installed by ETTSA at the total cost of ₹ 23.97 crore from the funds available with it.

The Department conducted various training programmes/workshops i.e. Induction Training, Refresher Training, Field Training, training to selected Master Trainers, workshops on fraud analytics, ITC refund training, training on MIS report and GST Modules etc. during 2018-19 for skill development of its officers/officials. The Department also conducted training on TDS provisions of GST for Drawing and Disbursing Officers (DDOs). The above trainings were imparted at departmental offices and training institutes situated in Punjab, GSTN Delhi and National Academy of Customs, Indirect Taxes and Narcotics (NACIN) Chandigarh. The period of training/workshop ranged between one day and one month.

GST Mitra<sup>12</sup> training and GST Mitra Refresher training were conducted during 2017-18 and 2018-19 for skill development of unemployed youth and hand holding of such small and marginal taxpayers who may not be conversant with GSTN protocols for filing returns and other applications. The Department had certified 503 candidates as GST Mitra during 2017-18. Moreover, 81 candidates had qualified GST Mitra assessment test during 2018-19.

### **2.3.5 Implementation of GST**

The major issues/challenges in implementation of GST were registration, migration, allocation of taxpayers, filing of returns, payment of tax, transitional credit, refund etc. These issues along-with the changes in Rules and Regulations made since 1 July 2017 were analysed in audit and are briefly discussed as follows:

#### **2.3.5.1 Registration of taxpayers**

Every person registered under any of the pre-GST laws and having a valid Permanent Account Number (PAN) was to be issued a certificate of registration on provisional basis. Thereafter, final certificate of registration was to be granted on completion of prescribed conditions. Further, taxpayers having turnover of more than the threshold limit of ₹ 20 lakh were required to be registered under GST.

- **Migration of existing taxpayers**

As per Rule 24 of Punjab GST Rules, 2017, every person registered under any existing law of subsumed taxes and having a PAN shall enrol on common portal by validating his e-mail address as well as mobile number. Such person shall be granted registration on a provisional basis. Every person who has been granted a provisional registration shall submit an application alongwith the information and documents specified in the application on common portal. A

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<sup>12</sup> GST Mitra can independently assist taxpayers for consideration/payment to be mutually decided by GST Mitra and the taxpayers.

certificate of registration shall be made available to the registered person electronically if the information and the particulars furnished in the application are found to be correct and complete. As per information provided by the Department, position of provisional registration and final registration of existing registered dealers in the Commercial Taxes Department as on 28 February 2019 is given below:

**Table 2.4 : Status of migration of dealers to GST**

Total number of existing registered dealers with valid PAN	Number of dealers migrated to GST	Percentage of existing registered dealers migrated to GST
2,70,875	2,01,944	74.55

(Source: Information furnished by Excise and Taxation Department)

It would be seen from the above table that 74.55 per cent of the existing dealers completed the migration process and were finally registered under GST. Apart from that 1,79,771 new dealers were also registered under the GST.

• **Allocation of taxpayers between Centre and State**

- (a) **Existing registered taxpayers of Commercial Taxes Department and Central Excise Department:** As per recommendation of GST Council, 90 per cent of existing registered taxpayers having turnover up to ₹ 1.50 crore and 50 per cent of existing registered taxpayers having turnover of more than ₹ 1.50 crore were allotted to the State. Accordingly, State was allotted the jurisdiction of 1,59,119 existing registered taxpayers (December 2017) as detailed below:

**Table 2.5 : Allocation of existing taxpayers**

	Existing registered tax payers		
	Turnover up to ₹ 1.5 crore	Turnover more than ₹ 1.5 crore	Total
State	1,38,811	20,308	1,59,119
Centre	15,433	20,308	35,741
<b>Total</b>	<b>1,54,244</b>	<b>40,616</b>	<b>1,94,860</b>

(Source: Information furnished by Excise and Taxation Department)

- (b) **New taxpayers** - Jurisdiction of newly registered taxpayers is being allotted to the State and Centre by GST portal electronically during submission of application for registration by the taxpayers. Position of new registration under the jurisdiction of State as on 28 February 2019 is given below:

**Table 2.6 : Status of new registration**

Total registrations	Active dealers	Cancelled registrations	In-active dealers	Provisional registrations
1,79,771	1,65,266	13,639	861	5

(Source: Information furnished by Excise and Taxation Department)

### 2.3.5.2 Filing of returns

As per Rule 59 to 61 of Punjab GST Rules, 2017, taxpayers other than composition taxpayers were required to furnish details of outward supplies of goods or services in Form GSTR-1<sup>13</sup>, details of inward supplies of goods or services in Form GSTR-2<sup>14</sup> and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) monthly, whereas composition taxpayers were required to file a quarterly return GSTR-4.

The filing of GSTR-2 and GSTR-3 was postponed by GSTC and all taxpayers were mandated to submit a simple monthly return in Form GSTR-3B<sup>15</sup> with payment of tax by 20<sup>th</sup> of the succeeding month. Further, taxpayers having turnover below ₹ 1.50 crore were to file GSTR-1 on quarterly basis.

Position of new filing of returns under the jurisdiction of State as on February 2019 is given below:

**Table 2.7: Status of filing of returns**

Month	GSTR-3B				GSTR-4			
	Due	Filed	Pending	Pending per cent	Due	Filed	Pending	Pending per cent
07/2017	2,18,287	2,12,056	6,231	2.85	40,797	30,007	10,790	26.45
08/2017	2,41,137	2,30,554	10,583	4.39				
09/2017	2,54,431	2,40,154	14,277	5.61				
10/2017	2,61,256	2,39,229	22,027	8.43	43,889	37,388	6,501	14.81
11/2017	2,66,408	2,40,619	25,789	9.68				
12/2017	2,71,168	2,43,763	27,405	10.11				
01/2018	2,75,493	2,45,847	29,646	10.76	45,594	39,076	6,518	14.30
02/2018	2,80,420	2,48,876	31,544	11.25				
03/2018	2,84,273	2,51,022	33,251	11.70				
<b>Total</b>	<b>23,52,873</b>	<b>21,52,120</b>	<b>2,00,753</b>		<b>1,30,280</b>	<b>1,06,471</b>	<b>23,809</b>	

Monthly returns GSTR-3B and quarterly return GSTR-4 were required to be filed after payment of due tax. Therefore, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers. Scrutiny of the information provided (March 2019) by the Department for the period July 2017 to March 2018 revealed that taxpayers ranging between 2,12,056 and 2,51,022 had filed their monthly return GSTR-3B against taxpayers ranging between 2,18,287 and 2,84,273 required to file GSTR-3B. The remaining tax payers had not filed 2,00,753 monthly returns in GSTR-3B for the period July 2017 to March 2018. Further, 14.30 to 26.45 *per cent* of the composition taxpayers had not filed 23,809 quarterly returns in GSTR-4.

Audit is of the view that the Department needs to take concrete steps to ensure that pending returns are filed by tax payers expeditiously.

13 GSTR-1: (a) Invoice wise details of all interstate and intra-State supplies made to the registered persons and interstate supplies with invoice value more than ₹ 2.50 lakh made to unregistered persons, (b) consolidated details of all intra-State supplies made to unregistered persons and State wise interstate supplies with invoice value up to ₹ 2.50 lakh made to the unregistered persons and (c) debit and credit notes, if any, issued during the month.

14 GSTR-2: (a) Invoice wise details of all interstate and intra-state supplies received from the registered persons or unregistered persons. (b) Import of goods and services made and (c) debit and credit notes, if any, received from supplier.

15 GSTR-3B: A monthly return required to be filed by all taxpayers other than composition taxpayers.

### 2.3.5.3 Transitional Credit

As per Rule 117 of Punjab GST Rules read with Section 140 of Punjab GST Act, the registered taxpayers were entitled to carry forward and claim un-availed amount of ITC of the pre-GST regime (as per VAT returns) in the GST regime. This included un-availed input tax credit in respect of capital goods not carried forward in the VAT returns. Further, the taxpayers were also entitled to take credit of VAT in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on which credit was not claimed in earlier law and the taxpayer is eligible for input tax credit on such inputs under the Punjab GST Act. The registered taxpayers were required to file a return in prescribed transition form, TRAN-I<sup>16</sup>. However, the taxpayers shall not be allowed to take credit where all the returns required under the pre-GST law for the period of six months immediately preceding the appointed date were not furnished.

Scrutiny of data<sup>17</sup> provided (March 2019) by the Department revealed that 35,586<sup>18</sup> taxpayers had filed TRAN- 1 and claimed transitional credit of ₹ 3,441.94 crore. Out of this, 5,755 taxpayers claimed transitional credit amounting to ₹ 750.53 crore as CGST, 17,070 taxpayers claimed ₹ 361.01 crore as SGST and 2,723 taxpayers claimed both CGST (₹ 526.10 crore) and SGST (₹ 270.83 crore) under the Jurisdiction of State Authority. Similarly, 3,042 taxpayers claimed transitional credit amounting to ₹ 526.79 crore as CGST, 5,212 taxpayers claimed ₹ 209.83 crore as SGST and 1,593 taxpayers claimed both CGST (₹ 536.76 crore) and SGST (₹ 258.62 crore) under the Jurisdiction of Central Authority.

i. Audit cross verified 325<sup>19</sup> (all cases of more than ₹ 10 lakh) out of 6,654<sup>20</sup> cases of claim of transitional credit (SGST) with VAT returns for the quarter ending 30 June 2017 filed by respective taxpayers. Cross verification revealed that in 16 cases, the quarterly returns (VAT-15) in pre-GST law for the period ending 30 June 2017 were not available. In 63 cases, the taxpayers had claimed transitional credit of ₹ 24.26 crore in TRAN-I whereas the credit available to these dealers as per the VAT returns (VAT-15) for the period ending 30 June 2017 was ₹ 5.48 crore.

ACST, Ludhiana-III in its reply (March 2019) stated that ITC of ₹ 52.24 lakh has been reversed in respect of two dealers, ITC of ₹ 45.56 lakh has been blocked in case of two of the dealers, registration of two dealers involving ITC of ₹ 49.95 lakh were cancelled/inactive and verification of ITC of ₹ 138.24 lakh was under progress in respect of four dealers. Further, it was

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16 Form prescribed under Section 140 of CGST Act to claim transitional credit.

17 Information relating to transitional credit was provided by the Department in excel file.

18 It includes 167 taxpayers who did not claim any transitional credit and 24 tax payers who claimed CGST (₹ 1.40 crore) and SGST (₹ 0.07 crore) as transitional credit but were not allocated to State or Centre.

19 SGST claimed by dealers under State Authority in Ludhiana-II (156 dealers), Ludhiana-III (157 dealers) and Kapurthala (12 dealers).

20 TRAN-I filed by dealers of Ludhiana-II (3,223 dealers), Ludhiana-III (2,831 dealers) and Kapurthala (600 dealers).

also stated that information in respect of 16 taxpayers, who claimed transitional credit of ₹ 5.11 crore in TRAN-I was not available with the department.

ACST, Kapurthala (March 2019) stated that verification of ITC of ₹ 557.99 lakh was under progress in respect of one dealer and the cases will be examined and due action will be taken in respect of three dealers.

ACST, Ludhiana-II stated (November 2018) that notice would be issued and reply would be given in due course.

ii. Audit enquired about 1,422<sup>21</sup> out of 6,654 cases allocated to State Authority where transitional credit of ₹ 153.75 crore was claimed by the dealers as CGST. The enquiry revealed that department had allowed the credit of CGST without verification of claim with returns filed in earlier central tax laws<sup>22</sup>.

AETC Ludhiana-II, Ludhiana-III and Kapurthala in its reply (March 2019) stated that transitional credit claimed under CGST was not verified as it falls under the jurisdiction of Central Authorities and data/report of previous regime was not available to verify the credit of CGST claimed in TRAN-I.

Thus, results of preliminary examination showed that there is a need to institutionalize a mechanism to ensure that all cases of transitional credit are cross verified with the returns filed under earlier tax laws and other relevant records.

#### **2.3.5.4 Refund under GST**

Refund module under GSTN was not operational hence the refunds are being allowed through manual system to the applicants. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilised input tax credit at the end of particular tax period. Refund of unutilised input tax credit was allowed in case of zero-rated supplies made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. As per information provided by the Department position of refunds was as under:

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21 CGST claimed by dealers under State Authority in Ludhiana-II (739 dealers), Ludhiana-III (574 dealers) and Kapurthala (109 dealers).

22 Central Excise and Service Tax.

**Table 2.8 : Refund under GST regime**

(₹ in crore)

Applications received for refund upto 31 March 2018		Refunds allowed within prescribed period		Refunds allowed after prescribed period		Number of applications rejected/pending
Number of taxpayers	Amount	Number of taxpayers	Amount	Number of taxpayers	Amount	
808	83.84	674	64.93	63	4.07	71*

\* Rejected-69, Pending -02

It could be seen from the above table that the Department allowed refunds to 83.42 per cent of the registered taxpayers within the prescribed period of sixty days and 69 applications were rejected. As filing of GSTR-2 was postponed (till further orders), match/mismatch report of ITC could not be generated from the IT system. Therefore, possibility of claim of refund in case of unutilised input tax credit showing incorrect ITC amount in GSTR-3B cannot be ruled out.

### Legacy Issues

Audit assessed the legacy issues regarding assessment, recovery of arrears and other related matters and the observations are as follows:

#### 2.3.6 Assessment of dealers

Dealers were registered under PVAT Act, 2005, CST Act, 1956 and other minor taxes i.e. luxury tax, entertainment tax etc. prior to implementation of GST. Therefore, assessments of the dealers registered under pre-GST regime were to be completed by the Department within the prescribed<sup>23</sup> period.

As per prescribed time line, the assessments for the year 2011-12 were to be completed by November 2018<sup>24</sup>. However, out of 26 AETCs, the 4,288 assessments for the year 2011-12 in 5 AETCs offices were pending as on 28 February 2019 (detailed below).

**Table 2.9: Arrears of Assessment**

Total cases approved <sup>25</sup> for assessment for the year 2011-12	Number of assessments completed	Number of cases pending for assessment
30,122	25,834	4,288

There was need to complete the assessments before those becoming time barred.

23 Three years from the date when annual statement was filed or due to be filed, whichever is later, but not later than six years under special circumstances.

24 The annual return for the year 2011-12 was to be filed in November 2012, the assessment of which was to be completed by November 2018.

25 Total number of cases approved and assessed was for 26 AETCs. Out of these, the pendency of 4,288 cases was in 5 AETCs (Bathinda (1,327), Ferozepur (391), Gurdaspur (613), Ludhiana-I (603) and Ludhiana-II (1,354)).

### 2.3.7 Recovery of arrears

As per information furnished by the Department, arrears (VAT and CST) aggregating to ₹ 6,317.86 crore were pending as on 31 March 2018, out of which, arrears of ₹ 945.62 crore was outstanding for more than five years. ₹ 1.41 crore was written off by the Department. More than 64 per cent of total arrears (₹ 4,056.59 crore) were locked up on account of cases pending before various appellants courts/authorities. No reply/reason was furnished by the Department for the remaining arrears of ₹ 2,259.86 crore. In a bid to minimize litigation, 'One Time Settlement Scheme' as initiated in the neighbouring State of Haryana, had not been introduced in the State of Punjab.

### 2.3.8 Refunds of pre-GST period

Provisions were not available in the PVAT Act/Rules for processing the refunds as a result of assessment made without submission of refund of application by the dealers as is provided in Income Tax Act.

As per information provided by the Department, position of refunds claimed/sanctioned by/to dealers for the pre-GST period under PVAT Act, as on 28 February 2019 is given below:

**Table 2.10 : Refunds of pre-GST period**

(₹ in crore)

Claims outstanding in beginning of year		Claims received		Refund Sanctioned		Claim rejected		Balance	
Number of cases	Amount	Number of Cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
8,726	1,036.77	5,428	586.48	9,536	974.66	1,354	300.26	3,264	348.33

It can be seen from the above table that 3,264 refund claims involving an amount of ₹ 348.33 crore were still to be finalized by the Department. The department may also consider sensitizing the dealers to apply for refunds, if any left unclaimed by dealers of pre-GST period. This is in interest of the revenue of the State as the shortfall in revenue, if any, due to allowing refunds would be compensated by Central Government during the transitional period of five years only and refunds allowed after the transitional period would adversely affect the revenue of State.

### Conclusion

The Government/Department was prompt in its preparedness for implementation of GST as can be seen with reference to enactment of the Act and Rules as per model law approved by GST Council, migration of existing taxpayers, capacity building efforts etc. Further, the Department needs to sort out the legacy issues like assessments of pre-GST cases, recovery of arrears and refund of tax relating to pre-GST regime expeditiously in a time bound manner through focused arrangements. Proper system was not put in place for verification of transitional credit especially in respect of the dealers transferred from the jurisdiction of Central Government.

The Paragraph was sent to Government (March 2019); the replies were awaited.

#### 2.4 Irregular allowance of concession of tax

*The Designated Officer allowed irregular concession of ₹16.52 lakh on the basis of seven non-genuine 'C' forms which were not obtained from prescribed authority of the issuing State of Himachal Pradesh.*

Section 8(4) of the CST Act, 1956 read with Rule 12(1) of CST (Registration & Turnover) Rules, 1957 provides that the concessional rate of tax of two *per cent* shall not be admissible unless the dealer selling the goods furnishes a declaration in Form 'C' duly filled in and signed by the registered dealer to whom the goods are sold, in a prescribed form obtained from the prescribed authority.

Scrutiny of records of AETC Ludhiana-III revealed that the Designated Officer, for the year 2012-13 and 2013-14, allowed concessional rate of CST of two *per cent* on seven 'C' forms against which a dealer of Ludhiana had sold goods worth ₹ 4.72 crore to a registered dealer of Himachal Pradesh. Tax at the rate of 5.50 *per cent* was leviable on these goods. On cross verification and checking it from TINXYS (Tax Information Exchange System), it was found that these 'C' forms were not genuine and were not issued by the prescribed authority. Thus, the DO allowed the concession without ensuring that the forms were valid. The irregular allowance of concession resulted in short levy of tax of ₹ 16.52 lakh<sup>26</sup> at the rate of 3.50 *per cent* (5.50 *per cent* minus two *per cent*). The details are as below:

(Amount in ₹)

C forms objected	Value	Tax leviable (5.5 per cent)	Tax levied (2 per cent)	Short levy of tax
HP A/1 3516240	1,06,56,128	5,86,087	2,13,123	3,72,964
HP A/1 3516241	70,09,123	3,85,502	1,40,182	2,45,320
HP A/1 3516242	67,36,695	3,70,518	1,34,734	2,35,784
HP A/1 3516243	52,19,808	2,87,089	1,04,396	1,82,693
HP A/1 3516244	67,27,176	3,69,995	1,34,544	2,35,451
HP A/1 3516245	61,03,490	3,35,692	1,22,070	2,13,622
HP A/1 3516246	47,45,356	2,60,995	94,907	1,66,088
	<b>4,71,97,776</b>	<b>25,95,878</b>	<b>9,43,956</b>	<b>16,51,922</b>

The matter was reported to the Government/Department in May 2018 and August 2018; their replies were awaited (May 2019).

The Government may direct the Department to institutionalize a mechanism to ensure that concession of tax on the basis of 'C' forms is allowed after cross verifying from TINXYS and from the issuing state in all future cases and to recover ₹ 16.52 lakh from the assessee in the instant case.

<sup>26</sup> ₹ 4,71,97,776 x 3.5 per cent = ₹ 16,51,922.

## 2.5 Short reversal of input tax credit

***Excess Input Tax Credit availed by two dealers was not reversed in full resulting in short levy of tax of ₹27.34 lakh.***

Section 13 of PVAT Act provides that VAT paid on local purchase of goods is available as input tax credit. Section 13-A of the Act provides that the entry tax<sup>27</sup> paid would be admissible as input tax credit (ITC) subject to the provisions of the Act. Section 19(5) of the Act provides that ITC on goods, specified in Schedule 'H'<sup>28</sup> of PVAT Act i.e. paddy, wheat, cotton, sugarcane and milk, or products manufactured there from, when sold in the course of interstate trade or commerce, shall be available only to the extent of central sales tax chargeable under the Central Sales Tax Act, 1956.

Scrutiny of two assessment cases for the year 2009-10, assessed in May and November 2016 under AETC Ludhiana-I, revealed that two dealers purchased Schedule-H goods (cotton) from both within (₹ 210.66 crore) and outside State (₹ 218.88 crore). Goods worth ₹ 106.11 crore were sold in the course of interstate sales on which ₹ 2.12 crore was payable as Central Sales Tax (at the rate of two *per cent*). Audit calculated the ITC availed on local and interstate purchase of cotton used in manufacture of goods for interstate sale and output tax liability on corresponding sale value of cotton on proportionate basis. It was found that ITC of ₹ 2.11 crore was availed on value of cotton used for the interstate sale whereas the dealers were eligible for ITC of ₹ 1.74 crore<sup>29</sup> only. The Designated Officer was required to reverse<sup>30</sup> ITC of ₹ 36.82 lakh whereas ITC of ₹ 9.48 lakh was reversed in one case and no reversal was done in the other case. This resulted in short levy of tax of ₹ 27.34 lakh (*Appendix-I*).

The matter was reported to the Government/Department in April 2018 and May 2018; their replies were awaited (May 2019).

The Government may direct the Department to realise tax of ₹ 27.34 lakh in these two cases by re-assessing these two cases.

27 Entry tax is tax paid to the State of Punjab on interstate purchase of goods.

28 There are nine schedules to PVAT Act i.e. Schedules 'A', 'B', 'C', 'C1', 'D', 'E', 'F', 'G' and 'H' which prescribe rates of tax or exemptions.

29 Worked out proportionally on the basis of proportion of interstate purchase to total purchase of cotton.

30 The process where the Designated Officer disallows the amount of ITC claimed by the dealer.

## 2.6 Short retention of input tax credit

*In seven assessment and two refund cases under eight AETCs, ITC of ₹11.12 crore on goods, lying in closing stock, was allowed to be adjusted from output tax liability in contravention of the provision contained in PVAT Act resulting in short levy of tax of ₹10.84 crore and irregular refund of ₹28.35 lakh.*

Government of Punjab amended<sup>31</sup> (November 2013) first proviso to Section 13(1) of PVAT Act, 2005 effective from 1 April 2014. It provides that VAT paid on purchase of any goods within State shall not be available as input tax credit unless such goods are sold within the State or in the course of interstate trade or commerce or in the course of export or are used in manufacture, processing or packing of taxable goods for sale within the State or in the course of interstate trade or commerce or in the course of export. Similar provision exists for purchase tax<sup>32</sup> on purchase of goods specified in Schedule 'H'<sup>33</sup> of the Act (Paddy, Wheat, Cotton, Sugarcane and Milk) (Section 19 and Section 19(4) of the Act).

a) Scrutiny of four assessment cases for the year 2014-15 (three cases) and 2015-16 (one case), assessed between April 2016 and March 2017 under three AETCs<sup>34</sup>, revealed that four dealers purchased raw materials worth ₹ 19.49 crore for trading/manufacturing. At the end of the years, raw materials worth ₹ 8.15 crore were lying in the closing stock which proportionately contained goods worth ₹ 6.74 crore purchased from within State. VAT of ₹ 55.11 lakh paid on this purchase was not available as ITC during the years. The Designated Officers were required to carry forward ITC of ₹ 55.11 lakh for use in subsequent years on account of unused raw materials. However, the DO, while assessing the cases, carried forward ITC of ₹ 9.68 lakh in one case only and did not carry forward any ITC in the remaining three cases. The balance amount of ₹ 45.43 lakh was allowed as ITC and adjusted from output tax liability which reduced the output tax liability of the dealers to that extent. This resulted in short levy of tax of ₹ 45.43 lakh in the assessment years.

b) Scrutiny of two refund cases for the year 2014-15, which were finalised in April and August 2016 under two AETCs<sup>35</sup>, revealed that raw materials worth ₹ 13.21 crore remained unutilized during the year and were lying in closing stock. This proportionately included materials worth ₹ 8.04 crore which were purchased from within State and on which VAT of ₹ 28.35 lakh was paid. Consequently, ITC of ₹ 28.35 lakh was not available for utilisation during the years. However, the Designated Officers did not

31 Before amendment the provision stated that "provided that the goods are for sale in the State or in the course of interstate trade or commerce or in the course of export or for use in manufacture, processing or packing of taxable goods for sale within the State or in the course of interstate trade or commerce or in the course of export."

32 Purchase tax is paid by the purchaser of the goods (registered dealer) when the goods are purchased from unregistered persons (farmers) and is levied at a rate of VAT applicable to such goods as per Schedules.

33 Schedule 'H' goods are Paddy, Wheat, Cotton, Sugarcane and Milk on which purchase tax is levied.

34 Barnala, Patiala and Sangrur.

35 Barnala and Fatehgarh Sahib.

retain any ITC and allowed refund of ₹ 28.35 lakh. This resulted in irregular refund of ₹ 28.35 lakh.

c) Scrutiny of three assessment cases for the years 2009-10 and 2013-14, assessed in May and November 2016 under three AETCs<sup>36</sup>, revealed that three dealers purchased Schedule-H goods (wheat and paddy) and paid purchase tax on it. Goods worth ₹ 443.81 crore remained unutilized during the years and were lying in closing stock. Consequently, purchase tax of ₹ 17.85 crore was not available as ITC. The Designated Officers should have carried forward ₹ 17.85 crore for use as ITC in subsequent years. However, while assessing the cases, the DO carried forward ₹ 7.46 crore only and incorrectly allowed the remaining ₹ 10.39 crore as ITC in the assessment years which reduced the tax liability of the dealers to that extent during the years. This resulted in short levy of tax of ₹ 10.39 crore.

The above matters were reported to the Government/Department in January 2018 and May 2018; their replies were awaited (May 2019).

The Government may direct the Department to re-assess these nine cases by complying with the provisions of PVAT Act.

## 2.7 Short levy of tax due to incorrect assessment

*In two assessment cases under AETC Ludhiana-II, the Designated Officers short levied tax of ₹1.31 crore on account of (a) giving undue benefit of tax paid and (b) not taxing sale of plant and machinery.*

Rule 48(1) of PVAT Rules, 2005 provides that the Designated Officer after considering the objections and documentary evidence, if any, filed by the person, shall pass an order of assessment in writing, determining the tax liability of such a person.

a) Scrutiny of an assessment case for the year 2009-10, assessed in September 2016 under AETC Ludhiana-II, revealed that a dealer had claimed tax deposit of ₹ 13.14 crore in his annual return for the year 2009-10. However, at the time of assessment the Designated Officer took the tax paid as ₹ 14.37 crore instead of ₹ 13.14 crore. This resulted in short levy of tax of ₹ 1.23 crore.

b) Capital goods i.e. plant and machinery and parts thereof were taxable at the rate of four *per cent* up to 28 January 2010 and five *per cent* thereafter under Entry 16 of Schedule 'B' of PVAT Act, 2005.

Scrutiny of an assessment case for the year 2009-10, assessed in November 2016 under AETC Ludhiana-II, revealed that the dealer, in the annual return showed gross sale as ₹ 59.95 crore (₹ 59.62 crore as sale and ₹ 0.33 crore as consignment transfer). The dealer had also sold plant and

<sup>36</sup> Fatehgarh Sahib, Fazilka and Sangrur.

machinery for ₹ 2.05 crore<sup>37</sup> during 2009-10, as per Schedule of Fixed Asset and Profit and Loss Account. Thus, the gross sale of the dealer including sale of machinery was ₹ 62.00 crore. The Designated Officer accepted and assessed the gross sale of the dealer without considering the sale value of ₹ 2.05 crore of plant and machinery. This resulted in non-levy of tax of ₹ 8.20 lakh at the rate of four *per cent* on sale of Plant and Machinery.

The above matters were reported to the Government/Department in May 2018; their replies were awaited (May 2019).

The Government may direct the Department to realise tax of ₹ 1.31 crore in the two cases by correcting the omissions.

## **2.8 Short levy of Central Sales Tax**

*In an assessment case under AETC Fazilka, the Designated Officer did not levy revised rate of tax on turnover of interstate sales without 'C' forms resulting in short levy of tax of ₹11.97 lakh.*

The Government of Punjab raised the tax rate leviable under Section 8 of PVAT Act, on items falling under Schedule 'B'<sup>38</sup> of the Act, from four *per cent* to five *per cent* w.e.f. 28 January 2010 and levied surcharge, under Section 8-B of PVAT Act, at the rate of 10 *per cent* of tax liability w.e.f. 05 February 2010.

Scrutiny of an assessment case for the year 2009-10, assessed in November 2016 under AETC Fazilka, revealed that the Designated Officer, while determining the tax liability of a dealer, levied CST at the rate of four *per cent* on interstate sale of ₹ 40.00 crore. The sale was without any concessional form. Out of this, goods worth ₹ 1.43 crore were sold between 29 January 2010 and 04 February 2010 on which CST of ₹ 7.15 lakh at revised rate of five *per cent* was applicable. Similarly, goods worth ₹ 7.03 crore were sold on or after 05 February 2010 on which CST and surcharge of ₹ 38.66 lakh at the rate of 5.5 *per cent* were applicable. Thus, goods worth ₹ 8.46 crore (₹ 1.43 crore + ₹ 7.03 crore) were sold after 28 January 2010 on which tax of ₹ 45.81 lakh (₹ 7.15 lakh + ₹ 38.66 lakh) was required to be levied. However, the Designated Officer, at the time of assessment, levied tax of ₹ 33.84 lakh at the rate of four *per cent* on this transaction of ₹ 8.46 crore. The omission resulted in short levy of tax of ₹ 11.97 lakh.

The matter was reported to the Government/Department in May 2018; their replies were awaited (May 2019).

The Government may direct the Department to apply the correct rate of tax and recover tax of ₹ 11.97 lakh which was short levied.

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<sup>37</sup> Plant and machinery worth ₹ 1.63 crore and profit of ₹ 42.47 lakh.

<sup>38</sup> Schedule B lists commodities on which tax was increased from four *per cent* to five *per cent* w.e.f. 29 January 2010 and surcharge, at the rate of 10 *per cent* of tax liability of five *per cent* was levied w.e.f. 05 February 2010. The commodity in this case was edible oil which is listed as item no. 33 in the Schedule.

## 2.9 Inadmissible benefit to a dealer

*In AETC Muktsar and AETC Ludhiana-I, the Designated Officers allowed inadmissible benefit of ₹1.92 crore to two dealers resulting in short levy of tax of ₹1.92 crore.*

Section 2(zc) of PVAT Act, 2005 provides that a return is a true and correct account of business pertaining to the return period in the prescribed form. Further, Rule 48(1) of PVAT Rules, 2005 provides that the Designated Officer after considering the objections and documentary evidence, if any, filed by the person, shall pass an order of assessment in writing, determining the tax liability of such a person.

a) Scrutiny of an assessment case for the year 2009-10, assessed in November 2016 under AETC Muktsar, revealed that the Designated Officer had computed ₹ 2.59 crore as the amount of purchase tax to be retained<sup>39</sup>. This was reduced by ₹ 1.82 crore stating that in the annual return filed by the dealer, this amount had been shown as retained. However, scrutiny of the dealer's annual return showed that no amount was retained by the dealer. This resulted in inadmissible benefit and short levy of tax of ₹ 1.82 crore.

b) Scrutiny of an assessment case for the year 2011-12, assessed in January 2017 under AETC Ludhiana-I, revealed that the DO, at the time of assessment, computed tax liability of ₹ 4.93 lakh. There was no ITC due for carrying forward. However, the DO instead of levying tax of ₹ 4.93 lakh, allowed carry forward ITC of ₹ 4.80 lakh based on the return of the dealer and adjusted it against the tax payable. Due to this incorrect assessment, tax of ₹ 4.93 lakh was not levied and ineligible carry forward of ITC of ₹ 4.80 lakh was also allowed. This resulted in short levy of tax of ₹ 9.73 lakh (₹ 4.93 lakh + ₹ 4.80 lakh).

The matter was reported to the Government/Department in May 2018; their replies were awaited (May 2019).

The Government may direct the Department to realise tax of ₹ 1.92 crore by correcting the omissions in the two assessment cases.

<sup>39</sup> Retention means holding back of ITC during a particular year so that it cannot be adjusted against output tax of that particular year.

## 2.10 Inadmissible input tax credit on furnace oil and lubricants

*The Designated Officer allowed inadmissible input tax credit of entry tax paid on interstate purchase of furnace oil and lubricants in two cases resulting in excess allowance of ITC and inadmissible refund ₹33.63 lakh.*

Section 13(4) of PVAT Act, 2005 provides that ITC on furnace oil, lubricants etc. shall be allowed only to the extent by which the amount of tax paid in the State exceeds a specific rate<sup>40</sup>. The rate was four *per cent* up to 3 December 2012 and five *per cent* from 4 December 2012. Further, Section 13-A of the Act provides that entry tax paid on interstate purchases of goods will be available as input tax credit subject to the provisions of the Act.

a) Scrutiny of two refund cases for the years 2012-13 and 2013-14 that were finalised in January 2017 and February 2015 respectively under AETC Hoshiarpur, revealed that a dealer made interstate purchase of furnace oil of ₹ 4.06 crore and paid entry tax of ₹ 17.48 lakh on it at the rate of four *per cent* and four and half *per cent*. The dealer was eligible for input tax credit on entry tax paid in excess of four *per cent* up to 3 December 2012 and five *per cent* from 4 December 2012. Out of ₹ 17.48 lakh, the dealer was eligible for input tax credit of ₹ 0.16 lakh. The remaining amount of ₹ 17.32 lakh was not available as input tax credit and was required to be reversed<sup>41</sup>. However, the Designated Officer reversed only ₹ 0.67 lakh. The balance amount of ₹ 16.65 lakh (₹ 17.32 lakh - ₹ 0.67 lakh) was refunded to the dealer which was inadmissible.

b) Scrutiny of an assessment case for the year 2010-11, assessed in August 2016 under AETC Hoshiarpur, revealed that the dealer purchased lubricants (engine oil, transmission oil, gear oil etc.) worth ₹ 14.70 crore on which entry tax of ₹ 1.84 crore was paid at the applicable rate of 12.5 *per cent*. Out of this ₹ 1.84 crore, entry tax of ₹ 58.80 lakh (four *per cent* of ₹ 14.70 crore) was not available as ITC as per the provisions *ibid* and was required to be reversed at the time of assessment. However, the Designated Officer reversed entry tax of only ₹ 41.82 lakh. The omission resulted in excess allowance of ₹ 16.98 lakh (₹ 58.80 lakh - ₹ 41.82 lakh) as ITC on lubricants.

The above matters were reported to the Government/Department in May 2018 and June 2018; their replies were awaited (May 2019).

<sup>40</sup> Rates of entry tax

Date	Rate of entry tax on Furnace oil (in <i>per cent</i> )	Rate of entry tax on Lubricants (in <i>per cent</i> )	Rate of reversal of entry tax u/s 13(4) of PVAT Act (in <i>per cent</i> )
Up to 17 Sep 2012	4	12.5	4
18 Sep 2012 to 03 Dec 2012	4.5	13	4
04 Dec 2012 to 03 Oct 2013	4.5	13	5

<sup>41</sup> Reversal means disallowing ITC claims of a dealer under provisions of PVAT Act and Rules at the time of assessment by the Designated Officer.

The Government may direct the Department to recover excess allowance of ITC of ₹ 33.63 lakh (₹ 16.65 lakh + ₹ 16.98 lakh).

### 2.11 Inadmissible allowance of deduction to works contractor

***Designated Officer allowed deduction of ₹2.21 crore on account of material supplied by Government Department which was not admissible, resulting in short levy of tax of ₹12.14 lakh.***

Section 8(2-A) of the Punjab Value Added Tax (PVAT) Act, 2005 provides that every person executing works contract shall pay tax at applicable rates on the value of goods at the time of incorporation of such goods in the works. Further, Rule 15(4) of PVAT Rules lists items which are admissible as deductions from gross sales to determine the taxable turnover. Material supplied by contractee/department to contractor for use on works is not listed under Rule *ibid*.

Scrutiny of an assessment case for the year 2009-10, assessed in November 2016 under AETC Kapurthala, revealed that a works contractor in his trading account has shown goods worth ₹ 2.21 crore as material supplied by the Government Department. Cost of material supplied by the Department was not admissible as deduction from the gross taxable turnover. The Designated Officer allowed this deduction at the time of assessment and did not levy tax on it whereas the cost of material was not admissible for deduction from gross turnover under Rule 15(4). The omission resulted in short levy of tax of ₹ 12.14 lakh<sup>42</sup>.

The matter was reported to the Government/Department in May 2018 and June 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover ₹ 12.14 lakh from the assessee.

### 2.12 Non/Short levy of interest

***Application of incorrect provision relating to levy of interest in assessment orders by 18 AETCs, resulted in short levy of interest of ₹ 38.11 crore in 51 cases.***

Section 32(1) of the PVAT Act, 2005 provides that if a person fails to pay the amount of tax due from him as per provisions of this Act, he shall be liable to pay simple interest on the amount of tax at the rate of half *per cent* per month from the due date of payment till the date he actually pays the amount of tax. Further, Section 32(3) provides that if a person fails to declare the amount of tax in a return, which should have been declared, such a person shall be liable to pay simple interest at the rate of one and half *per cent* per month on such amount of tax from the due date of payment till the date he actually pays such amount of tax.

<sup>42</sup> ₹ 2,20,70,031 x 5.5 *per cent* = ₹ 12,13,852.

Scrutiny of assessment cases of 18 AETCs<sup>43</sup>, assessed during 2016-17, revealed that 45 dealers in 51 cases did not declare due tax in their annual returns between 2009-10 and 2014-15. While assessing the cases, the DOs raised additional tax demands of ₹ 51.44 crore. However, in eight cases of eight dealers pertaining to five AETCs<sup>44</sup>, the DOs levied interest of ₹ 1.69 crore at the rate of 0.5 *per cent* per month instead of ₹ 4.96 crore<sup>45</sup> at applicable rate of 1.5 *per cent* per month. Further, the DOs did not levy any interest in the remaining 43 cases of 37 dealers whereas interest of ₹ 34.84 crore was leviable. The above omissions resulted in short levy of interest of ₹ 38.11 crore<sup>46</sup>.

AETC Mohali replied (March 2018) that the dealers had declared their turnover and tax liability in the returns and thus interest under Section 32(3) was not leviable. The reply was not tenable because merely declaring any tax liability in the annual return was not sufficient, the dealers were required to declare due tax liability so that no additional tax demands could be raised on assessment. Since additional tax demands were raised, it makes it amply clear that correct tax liabilities were not declared by the dealers. Hence, the Designated Officers should have levied interest at the rate of 1.5 *per cent*.

The matter was reported to the Government/Department in May 2018 and June 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover interest of ₹ 38.11 crore in the 51 cases which was short realised.

**The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.**

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43 Amritsar-I, Amritsar-II, Batala, Bathinda, Faridkot, Ferozepur, Fatehgarh Sahib, Jalandhar-I, Jalandhar-II, Ludhiana-I, Ludhiana-II, Ludhiana-III, Mansa, Mohali, Patiala, Ropar, Sangrur and Tarn Taran.

44 Ferozepur, Jalandhar-I, Ludhiana-II, Mohali and Ropar.

45 Interest is calculated by audit from the following financial year till the month in which assessment was completed.

46 ₹ 4.96 crore- ₹ 1.69 crore+₹ 34.84 crore= ₹ 38.11 crore





## Chapter-III State Excise

### 3.1 Tax administration

The Financial Commissioner Taxation and Principal Secretary to the Government of Punjab is overall in-charge of the Excise and Taxation Department. The administration of the Punjab Excise Act, 1914, is carried out by Additional Excise and Taxation Commissioner at Patiala and six Deputy Excise and Taxation Commissioners (DETCs) at Amritsar, Faridkot, Ferozepur, Jalandhar, Ludhiana and Patiala. 26 Assistant Excise and Taxation Commissioners (AETCs), assisted by Excise and Taxation Officers (ETOs) and other allied staff monitor the work at the district level.

### 3.2 Results of audit

Test check of the records of 41 units out of 59 units relating to State Excise receipts during 2017-18 revealed irregularities involving ₹ 65.93 crore in 476 cases as depicted below.

**Table 3.1: Results of audit**

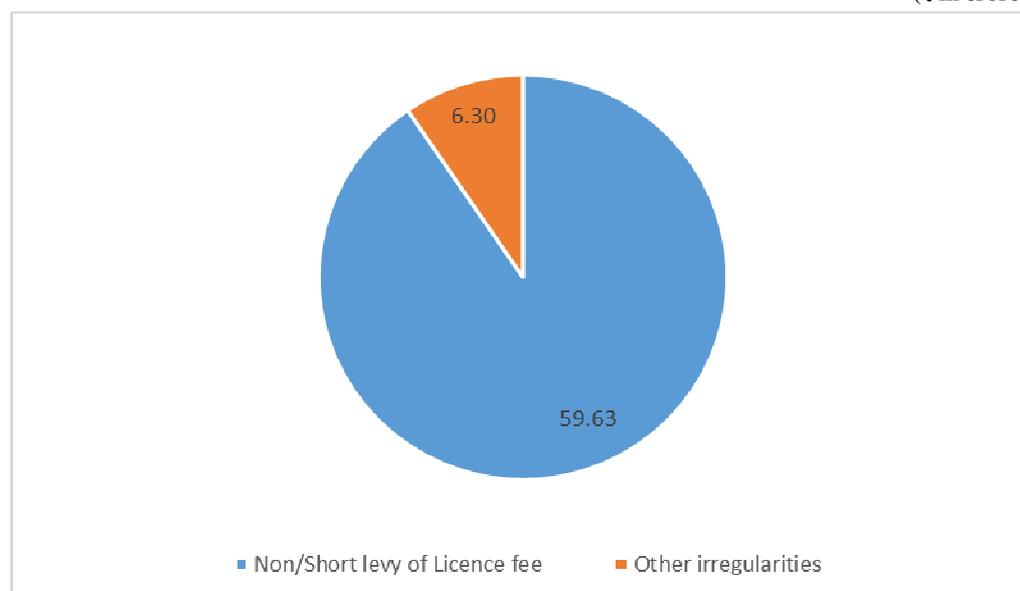
(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/Short levy of Licence fee	434	59.63
2.	Other irregularities	42	6.30
<b>Total</b>		<b>476</b>	<b>65.93</b>

Head wise audit findings noticed under State Excise is depicted in Chart 3.1:

**Chart-3.1**

(₹ in crore)



In 2017-18, the Department accepted and recovered ₹ 8.70 lakh in 13 cases out of which ₹ 1.43 lakh involved in three cases were pointed out in 2017-18 and rest in earlier years.

### 3.3 Non-realisation of interest

**Two AETCs did not realise interest of ₹ 22.07 lakh from two licensees on account of delayed payment of fixed license fee.**

Rule 36(15) of Punjab Liquor Licence (Amendment) Rules 2016 provides that after deducting the amount of 12 *per cent* security, a licensee is required to pay the remaining licence fee (88 *per cent*), in nine<sup>1</sup> installments. Each monthly installment is payable by the close of last working day of each month. In case of late payment of any installment, an interest at the rate of one and a half *per cent* per month, to be calculated on daily basis, shall be charged.

Scrutiny of records of AETCs Barnala and Ludhiana-II for the year 2016-17 revealed that two licensees, who had been issued licence L-2<sup>2</sup> and L-14A<sup>3</sup> had paid due monthly licence fee of ₹ 25.97 crore, out of which ₹ 24.30 crore was paid with delay ranging between two and 83 days. However, interest, as per the provision *ibid* was not realised by the department. This resulted in non-realisation of interest of ₹ 22.07 lakh.

The matter was brought to the notice of the Department and the Government in January 2018 and May 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover interest of ₹ 22.07 lakh from the two licensees.

**The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.**

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1 Nine *per cent* in the month from April to June each, ten *per cent* in the month from July to November each and eleven *per cent* in the month of December.

2 License for retail sale of Indian Foreign Liquor (including IMFL, Beer, Wine and cider).

3 License for retail sale of Punjab Medium Liquor (PML).

**Chapter-IV**  
**Stamp Duty**



## CHAPTER-IV Stamp Duty

### 4.1 Tax administration

The State Government exercises control over the registration of instruments through the Inspector General of Registration, who is assisted by the Deputy Commissioners (Collectors), Tehsildars and Naib-Tehsildars acting as Registrars, Sub-Registrars (SRs) and Joint Sub-Registrars (JSRs) respectively. The Registrar exercises Superintendence and Control over the SRs and JSRs of the district. For the purpose of levy and collection of Stamp Duty and Registration Fee, the State has been divided into five divisions and 22 districts having 22 Registrars, 92 SRs and 80 JSRs.

The value of property mentioned in the sale deed or the minimum market rate prescribed by the Collector, whichever is higher, is considered for levy of duty and fee on transfer of properties. Stamp Duty (SD) is leviable at the rate of five *per cent*. In addition, Social Security Fund (SSF) at the rate of three *per cent* is leviable for transfer of properties situated within the jurisdiction of a Municipality/Corporation or within an area of five kilometers from the outer limit of Municipality/Corporation. Further, Social Infrastructure Cess (SIC) at the rate of one *per cent* is leviable on all instruments for transfer of properties. Stamp Duty is leviable at a fixed amount of ₹ 2,000 for 'Agreements to sell' and ₹ 1,000 for 'Power of Attorney'.

Registration Fee (RF) is leviable at a rate of one *per cent* subject to maximum of ₹ 2 lakh.

### 4.2 Results of audit

Test check of the records of 116 out of 175 units relating to Stamp Duty and Registration Fee during 2017-18 showed irregularities involving ₹ 37.02 crore in 1,115 cases, which broadly fall under the following categories:

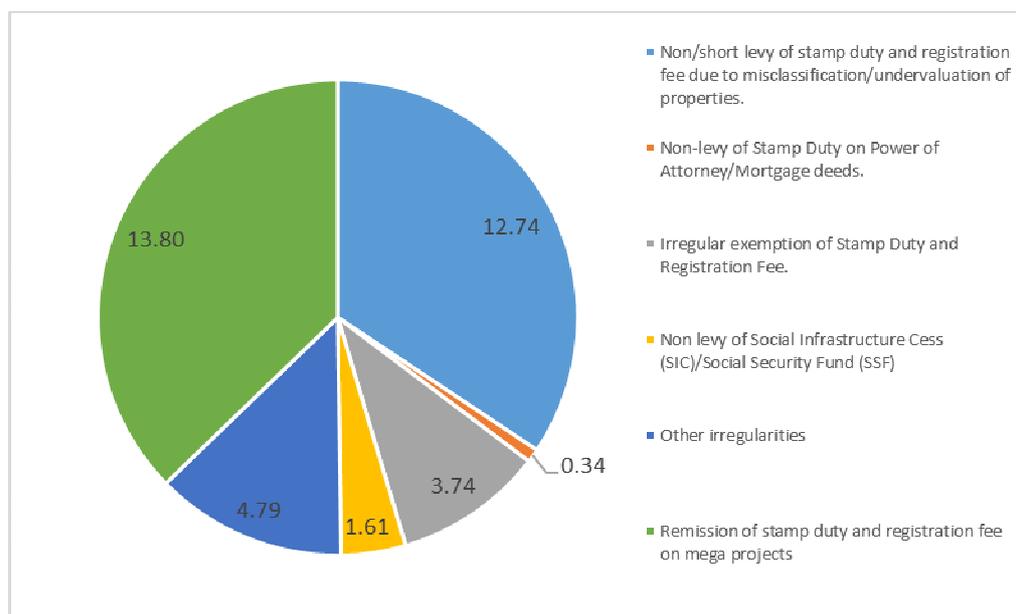
**Table 4.1**

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short levy of stamp duty and registration fee due to misclassification/undervaluation of properties.	589	12.74
2.	Non-levy of Stamp Duty on Power of Attorney/Mortgage deeds.	35	0.34
3.	Irregular exemption of Stamp Duty and Registration Fee.	99	3.74
4.	Non levy of Social Infrastructure Cess (SIC)/Social Security Fund (SSF)	138	1.61
5.	Other irregularities	253	4.79
6.	Remission of stamp duty and registration fee on mega projects	1	13.80
<b>Total</b>		<b>1,115</b>	<b>37.02</b>

Head wise audit findings noticed under Stamp Duty is depicted in Chart 4.1:

Chart-4.1

(₹in crore)



In 2017-18, the Department recovered ₹ 4.25 crore in 2,559 cases which were pointed out in earlier years.

A few illustrative cases involving ₹ 16.95 crore are discussed in the succeeding paragraphs.

### 4.3 Inadmissible remission of SSF and SIC

***Seven SRs/JSRs allowed inadmissible remission of SSF of ₹ 64.42 lakh and SIC of ₹ 25.47 lakh to eight charitable institutions in violation of Government clarification in this regard.***

The Government of Punjab levied additional stamp duty for Social Security Fund (SSF) (February 2005) at the rate of three *per cent* and Social Infrastructure Cess (SIC) (February 2013) at the rate of one *per cent* on every instrument mentioned in entry 23 of Schedule 1-A. SSF is leviable if the instrument is for transfer of properties situated within the jurisdiction of a Municipality/Corporation or within an area of five kilometers from the outer limit of Municipality/Corporation, as may be specified by the Collector. Further, the Government, while issuing clarification regarding levy of SSF, stated (May 2005) that where remission from payment of stamp duty has been given from time to time under provision of Indian Stamp Act, such remission is for stamp duty only and such remissions do not extend to SSF or SIC. Remission of Stamp Duty and Registration Fee for charitable institutions was granted vide notification dated 20 February 1981.

Scrutiny of the records of seven<sup>1</sup> SRs/JSRs for the year 2016-17 revealed that the Sub Registrars (SR)/Joint Sub Registrar (JSR) registered 16 instruments for transfer of property valued at ₹ 25.47 crore in favour of charitable institutions. The concerned Sub Registrars and Joint Sub Registrars remitted Stamp Duty, Registration Fee, SSF and SIC for all the 16 instruments. Since the transactions were in favour of charitable institutions, remission of Stamp Duty and Registration Fee was in order, but SSF and SIC was leviable. This resulted in non-levy of SSF and SIC as detailed below:

Type of levy	Number of instruments	Value of property	Rate	Leviable amount
SSF within municipal limits	14	₹ 21.47 crore	Three per cent	₹ 64.42 lakh
SIC leviable on all instruments	16	₹ 25.47 crore	One per cent	₹ 25.47 lakh
<b>Total</b>				<b>₹ 89.89 lakh</b>

Thus, inadmissible remission resulted in non-realisation of SSF and SIC of ₹ 89.89 lakh.

The matter was brought to the notice of the Government/Department in April 2018; their replies were awaited (May 2019).

The Government may issue instructions clarifying that instruments for transfer of properties executed in favour of charitable institutions are not exempt from SSF and SIC and further direct the Department to recover SSF and SIC of ₹ 89.89 lakh in respect of the 16 instruments referred to in this para.

#### 4.4 Short levy of SD and RF due to misclassification of property

*Five SRs short levied Stamp Duty and Registration Fee of ₹1.51 crore in 14 cases due to application of lower rates than applicable as per Collector rate/status of properties at the time of registration.*

Punjab Government empowered<sup>2</sup> (August 2002) the Collector of a district in consultation with Committee of Experts as defined there under to fix the minimum market rates of land and properties situated in the urban and rural areas locality-wise and category-wise in the district for the purpose of levy of SD and RF on the instruments of transfer of properties.

Scrutiny of 14 sale deeds, registered during the period 2016-17 under five<sup>3</sup> Sub-Registrars/Joint Sub-Registrars, vis-à-vis the Collector rate lists and status of properties as per jamabandi/khasra girdawari revealed that these deeds were registered at the value of ₹ 5.15 crore set forth in these instruments whereas the properties were required to be valued at ₹ 20.83 crore as these were either situated in particular locality or were already being used for

<sup>1</sup> Bathinda, Barnala, Jalandhar-I, Ludhiana (East), Mullanpur Dakhan, Nathana and Sangrur.

<sup>2</sup> GSR-30/CA-2/1899/SS-47 and 75/Amd (2)/2002 dated 23 August 2002.

<sup>3</sup> Ferozepur, Ghanaur, Ludhiana (South Central), Sangrur and Zira.

residential/commercial purpose at the time of registration of document, for which higher rates as fixed by the respective Collectors were applicable. The difference in valuation of the property on account of misclassification was ₹ 15.68 crore which resulted in short levy of SD and RF of ₹ 1.51 crore<sup>4</sup>.

The matter was reported to the Government/Department in April 2018; their replies were awaited (May 2019).

The Government may direct the Department to levy SD and RF according to locality and status of property and to recover SD and RF of ₹ 1.51 crores in the 14 cases referred to in this para.

#### **4.5 Non-application of Collector rates**

***SR Amritsar-I and SR Zira short levied SD and RF of ₹ 41.78 lakh in three cases due to non-application of minimum market rates fixed by the Collectors for respective periods in which the instruments were executed.***

The value of property mentioned in the sale deed or the minimum market rate prescribed by the Collector, whichever is higher, is considered for levy of duty and fee on transfer of properties.

Scrutiny of three sale deeds, registered during 2016-17 under two<sup>5</sup> SRs, revealed that these deeds were executed in compliance of the decree of Civil Courts given in respect of suits for specific performance of the agreements to sell. The agreements to sell were entered into during the period from 2002 to 2006 whereas the sale deeds were executed during 2015-16 and 2016-17. These deeds were registered by levying SD of ₹ 5.63 lakh at the rate of nine *per cent* and RF of ₹ 0.62 lakh at the rate of one *per cent* on the value of ₹ 62.51 lakh as set forth in these documents which were the value as per agreement to sell. However, SD of ₹ 43.37 lakh and RF of ₹ 4.66 lakh was required to be levied on ₹ 4.82 crore, worked out on the basis of minimum market rates fixed by the Collectors for respective periods in which the instruments were executed. The omission resulted in short levy of SD and RF of ₹ 41.78 lakh<sup>6</sup>.

The matter was reported to the Government/Department in April 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover SD and RF of ₹ 41.78 lakh which was short levied in the three cases referred to in this para.

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4 SD of ₹ 1.41 crore (nine *per cent* of ₹ 15.68 crore) and RF of ₹ 10.13 lakh.

5 Amritsar-I and Zira.

6 SD ₹ 37.74 lakh (₹43.37 lakh – ₹ 5.63 lakh) + RF ₹ 4.04 lakh (₹ 4.66 lakh – ₹ 0.62 lakh).

#### 4.6 Inadmissible remission of Stamp Duty and Registration Fee

***SR Amritsar-I and JSR Ghanaur did not realise SD, SIC and RF of ₹14.68 lakh on (a) Power of Attorney giving right to a person other than family member to sell immovable property and (b) on transfer of property by owner to other than specified family member.***

a) Punjab Government amended (30 July 2013) entry 48 of Schedule I-A of the Indian Stamp Act, 1899 as applicable to Punjab and levied stamp duty at the rate of two *per cent* on Power of Attorney when given to a person other than family member, authorizing the attorney to sell any immovable property.

Scrutiny of a sale deed, registered during 2016-17 under SR Amritsar-I, revealed that a Power of Attorney was executed, by levying SD of ₹ 1,000 only, to give right to a person other than family member to sell immovable property whereas SD of ₹ 6.98 lakh was required to be levied at the rate of two *per cent* on the value of the property (₹ 3.49 crore). The omission resulted in short levy of SD of ₹ 6.97 lakh.

The matter was reported to the Government/Department in April 2018; their replies were awaited (May 2019).

b) Punjab Government remitted (November 2015) Stamp Duty, Registration Fee, Social Security Fund and Social Infrastructure Cess on the transfer of immovable property by an owner during his life time to his/her spouse and to any blood relation, namely son, daughter, father, mother, brother, sister, grandson and granddaughter.

Scrutiny of a deed, registered in March 2016 under JSR Ghanaur, revealed that the instrument was executed by owner to transfer an immovable property valued at ₹ 1.10 crore in favour of the son of her husband's brother (nephew). The property did not attract SSF as it was situated beyond five kilometers from the outer limit of Municipality/Corporation. Since 'Nephew' is not included in the list of blood relations mentioned in the notification *ibid*, remission of stamp duty and registration fee was not available in this case. However, the JSR registered the instrument by allowing remission of SD, SIC and RF of ₹ 7.71 lakh<sup>7</sup> which was inadmissible.

The matter was reported to the Government/Department in May 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover the short realised SD and RF of ₹ 14.68 lakh in the two cases referred to in this para.

<sup>7</sup> Seven *per cent* of ₹ 1.10 crore (Five *per cent* SD + One *per cent* SIC + One *per cent* RF).

#### 4.7 Short levy of SD and RF on agreements to sell

*JSR Majri did not levy SD and RF under Entry 5(CC) of Schedule I-A of Indian Stamp Act, 1899 on two agreements to sell evidencing delivery of possession of the properties resulting in short levy of SD and RF of ₹18.20 lakh.*

Entry 5(CC) of Schedule I-A of Indian Stamp Act, 1899, as applicable to Punjab, provides that in case of agreement to sell followed by or evidencing delivery of possession of the immovable property, same stamp duty is applicable as is leviable in case of sale of immovable property under Entry 23 of the Schedule. The value of property mentioned in the agreement or the minimum market rate prescribed by the Collector, whichever is higher, is considered for levy of duty and fee on transfer of properties.

Scrutiny of two agreements to sell, at a value of ₹ 13.12 lakh, registered during 2016-17 (27 October 2016) under JSR Majri, revealed that the selling party gave all its rights and title on the properties to the purchasing party and relinquished its own rights and title. Thus, the agreements evidenced delivery of possession of the properties and are to be treated as conveyance deeds. SD, SSF and SIC at the rate of nine *per cent* and RF of one<sup>8</sup> *per cent* amounting to ₹ 18.37 lakh (SD ₹ 16.54 lakh + RF ₹ 1.83 lakh) as applicable to sale of immovable property was required to be levied on the value of ₹ 1.84 crore as per minimum market value fixed by the Collector. However, SD and RF of only ₹ 0.17 lakh<sup>9</sup> was levied. This resulted in short levy of ₹ 18.20 lakh.

The matter was reported to the Government/Department in May 2018; their replies were awaited (May 2019).

The Government may direct the Department to recover the short realised amount of ₹ 18.20 lakh in the two cases referred to in this para.

#### 4.8 Remission of Stamp Duty and Registration Fee on Mega Projects

*Department remitted registration fee (RF) of ₹ 1.85 crore whereas remission of RF was not available to Mega Housing Projects. Remission of SD and RF of ₹20.33 lakh was allowed on exchange of land and SD of ₹1.30 lakh on power of attorney whereas remission was only available on purchase of land. SD and RF of ₹4.04 crore was remitted in cases where either the project was not approved by Empowered Committee or villages in which land was purchased was not a part of approved Mega Projects. Developers evaded SD and RF of ₹ 6.99 crore by not registering collaboration agreements. There was short levy of SSF, SIC and RF of ₹39.94 lakh due to non-consideration of grant of change of land use in Collector's rate list.*

8 One *per cent* subject to maximum of ₹ 2 lakh.

9 Stamp Duty of ₹ 4,000 and Registration Fee of ₹ 13,310.

### 4.8.1 Introduction

Punjab Government Industrial Policy 2003 provides that a Mega Project is a project, with fixed capital investment<sup>10</sup> of ₹ 100 crore and above (₹ 25 crore and above for the border districts), duly approved by the Empowered Committee<sup>11</sup>. Mega Project could be Housing Project, Industrial Project, Agro Based Project, IT Project and manufacturing project etc. Remission of stamp duty is allowed on purchase/lease of land for setting up mega project. Initially, remission of stamp duty and registration fee was allowed on case to case basis by issuing notification by the Government. However, the Industrial Policy 2009 envisaged that in order to facilitate the grant of stamp duty exemption, Revenue Department would issue a general notification for remission of stamp duty for Mega Projects as approved by the Empowered Committee or for other projects, Super Mega Projects<sup>12</sup> as admissible under Industrial Policies of the State. Consequently, the Government issued notification (24 June 2010) for remission of stamp duty chargeable on a document when executed by or in favour of any person purchasing land for setting up a Mega Project approved by the Empowered Committee. The Government also remitted (14 July 2010) stamp duty on the first sale or transfer of developed infrastructure by the developer of an Industrial Park or complex. Remission of Registration Fee (RF) was granted only to mega projects pertaining to Information Technology and Information Technology Enabled Services, Electronics Industry, Knowledge Park and Bio-technology.

**Objective, Scope and Methodology:** In order to assess whether remissions of SD and RF were allowed as per the provisions of the Act/Rules and guidelines issued by the State Government under the Industrial Policy 2003 and 2009, an audit of the **“Remission of Stamp Duty and Registration Fee on Mega Projects”** was conducted between July 2017 and May 2018 covering the office of the Chief Administrator, Punjab Urban Development Authority<sup>13</sup> (PUDA), Chief Town Planner<sup>14</sup> (CTP), Punjab and all 20<sup>15</sup> Sub Registrars/Joint Sub Registrars (SRs/JSRs) where mega projects were approved. There are 175 SRs/JSRs in the State. Audit examined records for the period from 2013-14 to 2016-17 of 32 Mega Housing Projects and three Mega Industrial Projects. Examination of records revealed irregularities

10 ₹ 25 crore or more for Agro Mega Projects.

11 A committee, constituted by the State Government for considering the desirability of granting concession for setting up mega projects for the development of the State of Punjab.

12 Project with the area of 250 acre of land and above is termed as Super Mega Project.

13 Nodal agency where applications for approval of mega projects are received. PUDA sends the proposal to the concerned department for comments. Proposal along with comments, if any, received from concerned department is placed before screening committee under the chairmanship of the Chief Secretary and comprising Administrative Secretaries of key departments. The screening committee then recommends project for grant of concessions to the Empowered Committee. After approval by the Empowered Committee, Letter of Intent (LoI) is issued by the nodal agency to the concerned applicant.

Audit had only examined the correctness of exemptions granted to Mega Projects as regards Stamp Duty and Registration Fee and commented on these issues. The process of inviting and processing applications of mega project is outside the purview of this Report.

14 Competent authority to grant permission for change of land use.

15 On the basis of information provided by PUDA.

regarding remission of SD and RF, Social Security Fund (SSF) and Social Infrastructure Cess (SIC) of ₹ 13.80 crore in mega projects which have been discussed in the succeeding paragraphs:

### **Audit Findings**

#### **4.8.2 Inadmissible remission of registration fee**

Section 78 of Indian Registration Act, 1908 (IR Act) provides for levy of Registration Fee (RF) on registration of a document at a rate prescribed by State Government. Besides Registration Fee, Stamp Duty (SD) is also levied on execution of a document at a rate prescribed in Schedule I-A of Indian Stamp Act, 1899 (IS Act). Both the Acts (IS and IR Acts) empower the Government to reduce or remit<sup>16</sup> the duty/fee payable on execution/registration of a document. The Government remitted (24 June 2010) stamp duty chargeable on a document when the document is executed by or in favour of any person purchasing land for setting up a Mega Project approved by the Empowered Committee.

In Sub-Registrar (SR) Kharar and Joint Sub-Registrar (JSR) Majri, scrutiny of records for the years 2014-18 revealed that 193 documents (sale deeds) were registered in favour of five developers without levying SD and RF. The remission of SD and RF was allowed on the basis of notification dated 24 June 2010 on the ground that the documents were registered in favour of persons purchasing land for setting up Mega Housing Projects. However, this notification provided remission from SD only and remission from RF was not given to Mega Housing Projects. The value of the properties in these documents was ₹ 267.74 crore and RF of ₹ 1.85 crore was chargeable on registration of these documents. The omission resulted in inadmissible remission of RF of ₹ 1.85 crore. SSF (where applicable) and SIC were levied on these instruments.

SR Kharar and JSR Majri, stated (October 2017) recovery would be made after issuing notices to the concerned.

#### **4.8.3 Inadmissible remission of SD and RF on exchange deeds**

The Government remitted (24 June 2010) stamp duty chargeable on a document when the document is executed by or in favour of any person purchasing land for setting up a Mega Project approved by the Empowered Committee. This remission is available only in case of purchase of land and not in case of exchange<sup>17</sup> of land as per decision given by the Collector of S.A.S Nagar in a case under Section 47-A of IS Act.

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<sup>16</sup> Section 9 of Indian Stamp Act, 1899 in relation to stamp duty and Section 78 and 79 for remission of registration fee.

<sup>17</sup> When two persons mutually transfer the ownership of one thing for the ownership of another, the transaction is called an "exchange" (Section 118 of Transfer of Property Act).

Scrutiny of records of JSR Majri, for the year 2015-17 revealed that two developers were to set up Mega Housing Projects in villages approved by Empowered Committee. For this purpose, the developers obtained land in the approved villages by executing eight exchange deeds valued at ₹ 5.15 crore with land owners. The exchange deeds were registered without levying SD and RF on the ground that the land was being acquired for a Mega Project. Since, the deeds were executed for exchange of land and not for purchase of land, remission from payment of SD was not available. Moreover, remission of RF was also not available under the notification dated 24 June 2010. Rate of SD is three *per cent* on exchange deeds. SD and RF of ₹ 20.33 lakh<sup>18</sup> was chargeable on the exchange deeds but the same was remitted by the JSR. This resulted in inadmissible remission of SD and RF amounting to ₹ 20.33 lakh. SSF and SIC are not leviable on exchange deeds.

JSR Majri replied (October 2017) that outstanding recovery would be made.

#### **4.8.4 Inadmissible remission of SD and RF where land was purchase in villages other than the approved village for Mega Projects**

Scrutiny of the records of JSR Majri for the year 2016-17 revealed that four documents (sale deeds) were registered for a consideration of ₹ 7.15 crore without levying SD and RF on the plea that the land was being purchased for a Mega Housing Project. Cross verification of the list of approved mega projects obtained from PUDA with the names of villages as mentioned in the sale deeds revealed that the villages mentioned in the sale deeds did not match those that were approved. Remission of SD and RF was therefore not admissible in these cases. However, the JSR remitted both SD (₹ 35.74 lakh) and RF (₹ 5.45 lakh) in these cases. This resulted in inadmissible remission of SD and RF of ₹ 41.19 lakh. SSF and SIC were levied on these instruments.

#### **4.8.5 Irregular remission of SD, SSF, SIC and RF on unapproved Mega Project**

Govt. of Punjab, Department of Revenue and Rehabilitation (Stamp and Registration Branch) has made<sup>19</sup> it mandatory for all the Registering Officers in the State to compute the actual amount of SD and RF required to be levied/charged at the time of registration of document and note the particulars of Government Order/Notification in terms of which the exemption from the payment of registration fee or stamp duty has been allowed.

In SR Sangrur, four sale deeds were registered in May 2017 for consideration of ₹ 3.16 crore in favour of a company. SSF and SIC ₹ 12.65 lakh were levied whereas SD and RF of ₹ 18.98 lakh<sup>20</sup> were remitted treating it as a Mega Project. Information obtained from PUNGRAIN<sup>21</sup>, for whom the project was

18 SD of ₹ 15.45 lakh (three *per cent* of ₹ 5.15 crore) and RF of ₹ 4.88 lakh.

19 No. 8/14/2004-ST-II/4115 dated 12 October 2004.

20 SD ₹ 15.82 lakh (five *per cent* of ₹ 3.16 crore) + RF ₹ 3.16 lakh (one *per cent* of ₹ 3.16 crore).

21 Punjab Grains Procurement Corporation Limited.

executed, revealed that it was not a Mega Project and hence no remission was available. Inadmissible remission resulted in non-levy of ₹ 18.98 lakh (SD of ₹ 15.82 lakh and RF of ₹ 3.16 lakh).

In SR Ludhiana (Central) a collaboration<sup>22</sup> agreement between the land owner and developer was registered on May 2013 for development of land. SD of ₹ 2,000 as applicable in case of an agreement and RF of ₹ 2.00 lakh was levied. As per information provided by PUDA, the project was not approved as a Mega Project. Hence, remission of SD, SSF and SIC was not admissible. Further, scrutiny of this agreement revealed that the owner of the land was entitled to receive part of the developed land as consideration and hence the contents of the agreements were those of conveyance. The owner was to receive 28 *per cent* of total land after development and value of this land on the basis of Collector's rate was ₹ 40.37 crore. Thus SD and RF at applicable rates should have been levied. Incorrect remission resulted in non-levy of SD, SSF and SIC of ₹ 3.63<sup>23</sup> crore.

SR Ludhiana (Central) stated (May 2018) that the collaboration agreement was registered for Mega Project. This was however not correct as PUDA has stated that this was not an approved Mega Project. Deficient amount of SD was not deposited (August 2018). Further, Deputy Commissioner Ludhiana intimated (May 2019) that the case had been decided under Section 47-A wherein order for recovery of ₹ 1.19 crore along with interest was issued. Recovery was awaited (July 2019).

SR Sangrur stated (May 2019) that clarification was sought from Director, PUNGRAIN whether the remission of SD had been granted to the company by the Empowered Committee. Moreover, the cases have been sent to Collector under Section 47-A.

Reply regarding clarification from PUNGRAIN is not convincing as the SR was required to ascertain before registering the deeds that the remission of SD was allowed in valid cases only.

#### **4.8.6 Evasion of SD and RF due to acceptance of unregistered document**

Section 17(b) of IR Act provides that an instrument is compulsorily registrable if it purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest of the value of one hundred rupees and upwards to or in immovable property. It was noticed that Chief Town Planner, Punjab (CTP) accepted unregistered development agreements collaboration agreements and agreements to exchange at the time of grant of CLU with the result that these documents were not presented by developers

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<sup>22</sup> An agreement between at least two parties looking to work together on a commercial project on a collaborative or cooperative basis. The agreement spells out the specific terms and conditions of the parties' working relationship including allocation of responsibilities and division of revenues derived from the exploitation of the work.

<sup>23</sup> Nine *per cent* of ₹ 40.37 crore.

for registration. This resulted in evasion of SD and RF of ₹ 6.99 crore as discussed in the succeeding paragraphs:

(a) In SR Mohali, a developer executed an agreement to exchange a property with land owners and SD of ₹ 2,000 only was paid by the developer as applicable in case of an agreement. It was observed that the developer and the land owner had already exchanged their properties at the time of agreement as per declaration given in the document. Hence, the document fell under the description of exchange. The value of the property was ₹ 8.24 crore (on the basis of Collector's rate) on which SD of ₹ 24.73 lakh<sup>24</sup> and RF of ₹ 2.00 lakh were chargeable. Since the unregistered document was accepted by the CTP, the same was not presented by the developer for registration. The omission resulted in evasion of SD and RF of ₹ 26.71 lakh<sup>25</sup>. SSF and SIC were not leviable on exchange deeds.

SR Mohali replied (May 2019) that the agreement was not presented in the office of the Sub-Registrar so no action could be taken. Reply of CTP was awaited (July 2019).

(b) In CTP office Mohali, it was observed that 34 unregistered collaboration agreements executed between March 2013 and October 2016 by three developers of Mega Housing Projects (in the jurisdiction of JSR Majri) were accepted by CTP at the time of grant of CLU. These agreements were executed by levying SD of ₹ 26,200<sup>26</sup>. In the case of 29 agreements, the owners were entitled to receive part of the developed land as consideration. Hence, the contents of the development agreement were those of conveyance. The value of the property involved was ₹ 136.15 crore on the basis of Collector's rate. SSF, SIC and RF of ₹ 5.93 crore<sup>27</sup> was leviable in these agreements. As the CTP had accepted unregistered agreements, revenue of ₹ 5.93 crore was not realised.

In the case of five agreements, it was noticed that the villages were not covered under Mega Housing Project as informed by PUDA. Hence, remission of SD and RF was not available for these agreements. As the agreements were not registered, SD, SSF, SIC and RF were not realised. Value of the property involved was ₹ 8.13 crore on the basis of Collector's rate and the amount of SD, SSF, SIC and RF leviable was ₹ 0.79 crore<sup>28</sup>.

JSR Majri stated (November 2017) that information/reply would be sent after verification of record.

24 Three per cent of ₹ 8.24 crore.

25 (₹ 24.73 lakh + ₹ 2.00 lakh) – 0.02 lakh (₹ 2,000).

26 In nine agreements @ ₹ 2,000, in one agreement @ ₹ 1,500, in three agreements @ ₹ 1,000, in four agreements @ ₹ 500, in 17 agreements @ ₹ 100.

27 Value of property: ₹ 136.15 crore; SSF - ₹ 4.08 crore (three per cent) + SIC - ₹ 1.36 crore (One per cent) + RF - ₹ 0.49 crore (One per cent subject of maximum of ₹ 2.00 lakh).

28 Value of property: ₹ 8.13 crore; SD- 0.41 crore (five per cent), SSF - ₹ 0.24 crore (three per cent) + SIC - ₹ 0.08 crore (One per cent) + RF - ₹ 0.06 crore (One per cent subject of maximum of ₹ 2.00 lakh).

#### **4.8.7 Short levy of RF and SIC**

Entry 23 of Schedule I-A of IS Act read with Rule 3-A of the Punjab Stamp (Dealing of Undervalued Instruments) Rules, 1983 provides that stamp duty on conveyance is leviable on consideration or Collector's rate whichever is higher.

In JSR Majri, in the year 2015-16 a developer purchased property for setting up a Mega Project from land owners through three land pooling agreements. Scrutiny of the agreements revealed that the land owners were entitled to receive developed residential as well as commercial plots<sup>29</sup>. SIC of ₹ 3.32 lakh was levied at the rate of one *per cent* on ₹ 3.32 crore calculated on the basis of Collector's rate for agricultural land. RF was not levied. As the owners were to receive residential and commercial plots, SIC and RF should have been levied on Collector's rates for residential and commercial plots. The value of residential (₹ 6.03 crore) and commercial (₹ 0.80 crore) plots as per Collector's rate was ₹ 6.83 crore on which RF of ₹ 4.70 lakh and SIC of ₹ 6.83 lakh were leviable. However, SIC of ₹ 3.32 lakh was levied and RF was remitted. The omission resulted in short levy of SIC and RF of ₹ 8.21 lakh (RF of ₹ 4.70 lakh + SIC of ₹ 3.51 lakh<sup>30</sup>). SSF was not leviable on these instruments as the property was situated beyond five kilometers from the outer limit of Municipality/Corporation.

JSR Majri stated (October 2017) that notice would be issued after verification of records and outstanding recovery would be made, if due.

#### **4.8.8 Irregular remission of stamp duty on Power of Attorneys**

As per Entry 48 (f) of Schedule I-A of IS Act, SD on a Power of Attorney (PoA) executed to give the right to a person, other than family members, to sell immovable properties shall be two *per cent* of the amount of consideration, or of Collector rate whichever is higher.

Scrutiny of records of JSR Majri for the years 2015-17 revealed that two PoAs, giving rights to persons other than family members, to sell immovable property, were registered between 2014-15 and 2015-16. PoAs were registered by levying SD of ₹ 3,000 only i.e. without levying SD at the rate of two *per cent* on the ground that the land was being purchased for Mega Project. However, the remission was not available on PoA as the remission was allowed only on purchase of land. The value of the property involved was ₹ 66.25 lakh on the basis of Collector's rate on which SD of ₹ 1.33 lakh was chargeable. However, SD of ₹ 3,000 was levied. This resulted in inadmissible remission of SD amounting to ₹ 1.30 lakh. RF was levied on these documents. SSF and SIC were not leviable on PoA.

JSR Majri stated (October 2017) that recovery would be made.

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<sup>29</sup> Residential plot of 1,000 sq. yard and commercial plot of 100 sq. yard per acre of land.

<sup>30</sup> ₹ 6.83 lakh - ₹ 3.32 lakh.

#### **4.8.9 Non-recovery of SD where developer failed to comply with the conditions of the agreement**

Scrutiny of information received from Bathinda Development Authority (BDA) in respect of an approved mega project (in the jurisdiction of JSR Guniana Mandi) of a developer revealed that the Empowered Committee approved a Mega Housing Project in May 2008. The project was to be developed in an area of 71.81 acre. The agreement was executed with the State Government in August 2008 which provided that the project was to be completed within three years from the date of signing of the agreement, failing which the concessions allowed would stand withdrawn. Further, the completion period of the project was extended upto 30 June 2017 in a supplementary agreement (June 2016). The supplementary agreement again provided that in case the developer failed to comply with any clause of the supplementary agreement and original agreement within the stipulated period mentioned therein, the concession enumerated in the agreements would stand automatically withdrawn and the developer would have no claim or liability whatsoever on the State Government or its agency.

Audit noticed that the project was not completed even as per time frame mentioned in the supplementary agreement i.e. upto June 2017. Though the developer was issued (October 2015) partial completion certificate with respect to project area measuring 67.625 acres by the BDA, final completion certificate was not issued by the development authority. Remission of SD of ₹ 54.25 lakh was availed by the developer on purchase of 71.81 acre of land. Since the Developer failed to comply with the condition of the agreements regarding completion of the project in respect of 4.185 acre of land, the concession of ₹ 3.16 lakh<sup>31</sup> allowed on account of SD was required to be recovered. Though the developer had not applied for extension of time period of completion, the Department did not initiate any recovery proceeding to recover SD of ₹ 3.16 lakh.

JSR Guniana Mandi stated (April 2018) that action would be taken as per rules.

#### **4.8.10 Non-utilisation of information of CLU to update status of land**

Rule 3-A of the Punjab Stamp (Dealing of Undervalued Instruments) Rules, 1983 provides that the Collector of a district shall, in consultation with Committee of experts consisting of officers of the Department of Public Works (Building and Road), Department of Revenue and Rehabilitation, Punjab Urban Development Authority, Department of Local Government, Department of Rural Development and Panchayats, Department of Horticulture/Forest/Town Planning/Industrial or any other department as may

<sup>31</sup> Since exact information regarding detail of land where project was not completed was not available, audit calculated the amount of remission of SD on incomplete project on proportionate basis. (₹ 54.25 lakh x 4.185 acre/71.81 acre)

be found desirable, fix the minimum market value of land/properties, located in his district, locality wise and category wise for the purpose of levy of stamp duty. The rates so fixed, will be revised by the Collector once a year. Further, Rule 3-A (b) (iii) provides that besides other factors, purpose for which the land is being used presently and any other special features having bearing on the valuation will be kept in view while fixing/revising the rates. The purpose of land use is represented/authorized by Change of Land Use (CLU) certificate granted by Department of Town Planning.

In SR Ludhiana (West), audit observed that two conveyance deeds were registered in June 2016 for sale of land for a Mega Project. The land was valued at ₹ 2.56 crore by applying Collector's rate for agricultural property. However, cross verification with the records of Chief Town Planner, Punjab revealed that purpose of use of land was changed from agricultural to residential by granting CLU in December 2014 after charging fee of ₹ 99.12 lakh. Since fee had been charged for granting CLU, it had a bearing on the value of land and should have been considered by the Collector at the time of revision of rate list. Thereafter the rate list was revised twice (2015-16 and 2016-17) by the Collector under Rule 3-A *ibid* but the category of the said land was not updated as residential nor any higher rate was prescribed for that land. The value of the land as per Collector's rate of residential property was ₹ 12.19 crore<sup>32</sup> on which SSF, SIC and RF of ₹ 52.75 lakh<sup>33</sup> was leviable. However, ₹ 12.81 lakh<sup>34</sup> was levied. The omission resulted in short levy of RF, SSF and SIC of ₹ 39.94 lakh (₹ 52.75 lakh - ₹ 12.81 lakh).

SR Ludhiana (West) agreed (November 2017) that Collector rate for residential plot was applicable and recovery would be made. Further, Deputy Commissioner Ludhiana intimated (May 2019) that the case was sent to Collector under Section 47-A. Final outcome was awaited (July 2019).

## **Conclusion**

Instance of non-compliance to provisions of order regarding remission of SD for Mega Projects as pointed out by Audit indicate weak internal controls of the Department. Department remitted registration fee of ₹ 1.85 crore whereas remission of RF was not available to Mega Housing Projects. Remission of SD and RF of ₹ 20.33 lakh was allowed on exchange of land and SD of ₹ 1.30 lakh on power of attorney whereas remission was only available on purchase of land. SD and RF of ₹ 4.04 crore was remitted in those cases also where either the project was not approved by Empowered Committee or villages in which land purchased was not a part of approved Mega Projects. Developers evaded SD and RF of ₹ 6.99 crore by not presenting collaboration

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32 Since CLU was granted for use of land for residential/commercial purpose, residential rate of Collector's rate list has been used for calculating value of land for the purpose of levy of SSF, SIC and RF.

33 Four per cent of ₹ 12.19 crore (three per cent SSF and one per cent SIC) + RF of ₹ 4.00 lakh (₹ 2.00 lakh in per case)

34 Four per cent of ₹ 2.56 crore (three per cent SSF and one per cent SIC) + RF of ₹ 2.56 lakh (One per cent of ₹ 2.56 crore)

agreements for registration due to acceptance of unregistered documents by Chief Town Planner, Punjab at the time of issue of change of land use. Due to non-consideration of CLU while updating Collector's rate list, SSF, SIC and RF of ₹ 39.94 lakh was short realised.

The issues pointed out are based on test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

The above points were reported to the Government/Department and Chief Town Planner, Punjab (June 2018); their replies were awaited.

The State Government may strengthen the internal control mechanism and institutionalise a system to ensure that such omissions as pointed out, do not recur.

**The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.**



**Chapter-V**  
**Taxes on Vehicles**



## Chapter-V Taxes on Vehicles

### 5.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, Chandigarh. There are 11 Regional Transport Authorities (RTAs) which, in observance of the Punjab Motor Vehicles Taxation Act, 1924 and the Rules made there under, monitor and maintain the records of receipt of motor vehicles taxes. The RTA is also responsible for collection of motor vehicles taxes in respect of stage carriage buses of other States. In addition, RTAs regulate the motor vehicles in the State in conformity with the Motor Vehicle Act, 1988 and maintains the records of receipt of fees on motor vehicles.

### 5.2 Results of audit

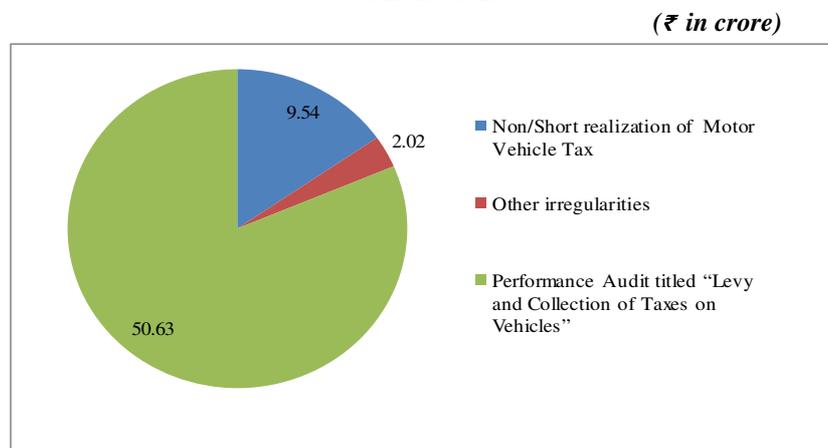
Test check of the records of 24 out of 30 units relating to head 0041 – Motor Vehicle Tax during 2017-18 is showing irregularities involving ₹ 62.19 crore in 4,399 cases, which broadly fall under the following categories as depicted below:

**Table 5.1: Results of audit**

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/Short realization of Motor Vehicle Tax	3,698	9.54
2.	Other irregularities	700	2.02
3.	<i>Performance Audit titled “Levy and Collection of Taxes on Vehicles”</i>	1	50.63
<b>Total</b>		<b>4,399</b>	<b>62.19</b>

Head wise audit findings noticed under Taxes and motor Vehicles Tax is depicted in Chart 5.1:

**Chart-5.1**



In 2017-18, the Department informed audit that they have accepted and recovered ₹ 1.18 crore in 174 cases out of which ₹ 0.07 crore involved in 43 cases relate to the year 2017-18 and remaining ₹ 1.11 crore involved in 131 cases relate to the earlier years.

### **5.3 Performance Audit on “Levy and Collection of Taxes on Vehicles”**

The Transport Department regulates vehicles plying in the State and is responsible for registration of vehicles, grant of permits for vehicles and fitness certificates. The Department also issues licences to drivers, conductors and grants trade licences to vehicle traders. It is also responsible for issuing authorization certificates to pollution control centres. A performance audit was undertaken to assess the efficiency of the Department in realization of revenue receipts.

#### **Highlights**

Department had no mechanism to identify arrears of MVT and ensure its timely recovery as a result of which there was short realisation of MVT of ₹ 34.14 crore

**(Paragraph 5.3.8)**

99 *per cent* of non-transport vehicles and 66 *per cent* of transport vehicles in the selected RTAs did not renew their fitness certificate on time. Revenue that was not realised works out to ₹ 22.97 crore.

**(Paragraph 5.3.12 and 5.3.13(a))**

33 *per cent* Pollution Checking Centres in the four test checked RTAs were functioning without valid authorisation certificates.

**(Paragraph 5.3.15)**

There was short realisation of Trade Fee and Possession Tax from dealers of Motor Vehicles amounting to ₹ 7.95 crore in the test checked Regional Transport Authorities.

**(Paragraph 5.3.16)**

#### **5.3.1 Introduction**

Motor Vehicle Tax (MVT) is one of the sources of tax revenue receipts of the State. The Transport Department exercises control over vehicles plying in the State and is responsible for registration of vehicles, grant of permits for vehicles and fitness certificates. The Department also issues licences to drivers, conductors and permissions to vehicle traders and pollution check centers. The levy and collection of Motor Vehicle Tax, fees and penalties is governed by the Motor Vehicle Act, 1988 (MV Act), Punjab Motor Vehicle Tax Act, 1924 (Amended in 1993) (PMVT Act) and Rules made thereunder.

In Punjab, the registration of vehicles of all categories along with initial fitness certification and initial payment of taxes was being handled by a software application called “VAHAN 1.0”. Another software application “Online Motor Vehicle Payment System (OMVPS)” was developed, maintained and managed by a private operator engaged by the Government for online payment of taxes and fees. Upgraded version of VAHAN (VAHAN 4.0) was rolled out in June 2018.

### 5.3.2 Organizational setup

The Principal Secretary (Transport) is the administrative head of the Department. The functional head of the Department is State Transport Commissioner (STC).

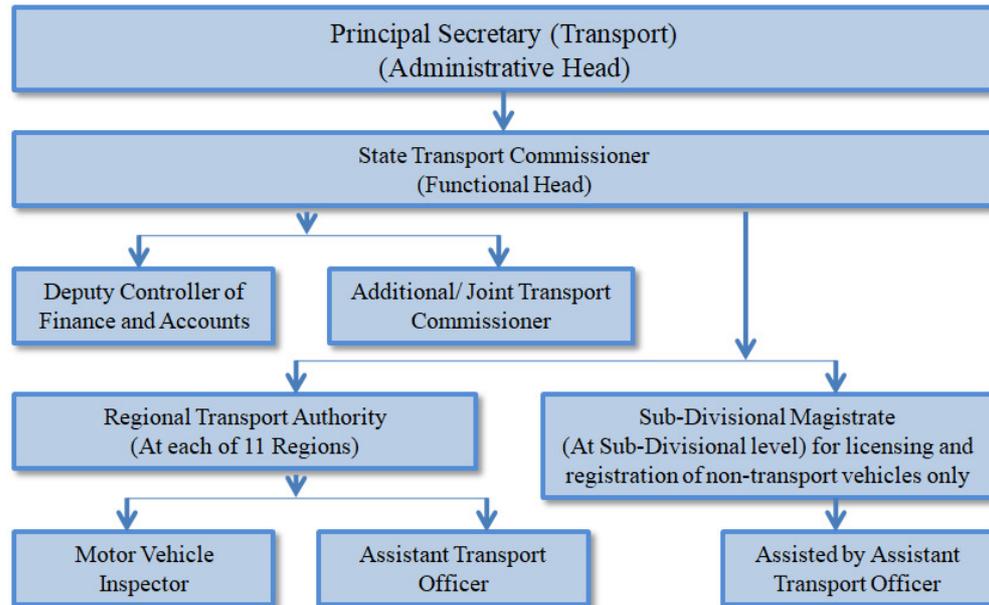
Prior to August 2017, the State was divided into four regions each headed by a Regional Transport Authority (RTA) and each of the 22 districts was headed by a District Transport Officer (DTO). State Transport Commissioner issues permits for All India Tourist vehicles and RTAs used to issue permits in respect of Stage Carriage buses, Goods Carriages and interstate buses whereas DTOs were issuing registration certificates, driving licenses, fitness certificates, permits to Private Service Vehicles (PSVs) and contract carriages.

In August 2017, Government of Punjab (GoP) abolished the posts of DTOs, increased the number of RTAs from four<sup>1</sup> to eleven<sup>2</sup>, created the posts of Assistant Transport Officers (ATOs) and designated Sub Divisional Magistrates (SDMs) as Registration and Licensing Authorities (RLAs). RTAs, in addition to their earlier responsibilities, are assigned the work pertaining to transport vehicles of DTOs also. The SDMs function in the sub divisions where office of RTA is not situated and are responsible for registration of non-transport vehicles and issue of driving licenses. ATOs assist RTA/SDM in the discharge of their responsibilities. The organizational chart of the Department is as under:

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1 Bathinda, Ferozepur, Jalandhar and Patiala.

2 Amritsar, Bathinda, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Ludhiana, Sahibzada Ajit Singh Nagar (Mohali), Patiala and Sangrur.



### 5.3.3 Audit objectives

The Performance Audit was conducted with a view to ascertain whether:

- the systems to comply with the provisions of Acts/Rules for levy and collection of taxes were in place and were consistent and complementary to the computerised applications;
- the computerised applications such as Online Motor Vehicle Payment System (OMVPS) and VAHAN, working in the Department, are adequate, complete, accurate and are also delivering the desired output; and
- adequate internal controls existed for precise estimation of targets for the realisation of revenue and for arresting pilferage/leakage of revenue.

### 5.3.4 Audit scope and methodology

The Performance Audit was conducted between January 2018 and May 2018 covering the office of the State Transport Commissioner, Punjab, and five<sup>3</sup> out of 11 RTAs were selected on the basis of Probability Proportionate to Size without Replacement (PPSWR) method taking MVT receipts as the size measure.

Records wherever maintained manually for the period from 2013-14 to 2017-18 (December 2017) were test checked and correlated with VAHAN 1.0 and OMVPS data (February 2018) and analysed using a Computer Aided Audit Tool namely; Interactive Data Extraction and Analysis (IDEA). Besides, similar cases noticed during regular audit of other than selected RTAs have also been included in this report. An entry conference was held with the Principal Secretary, Transport, Punjab (Government) and the State Transport

3 Amritsar, Hoshiarpur, Jalandhar, Ludhiana and Patiala.

Commissioner (Department) on 30 January 2018 in which objective, scope and methodology of Performance Audit were discussed. The findings of the Performance Audit were forwarded to the Government/Department in July 2018 for their comments. An exit conference was also held with the Department on 24 August 2018. The replies of Department and views expressed during Exit Conference have been incorporated in the Report. Reports that could be generated on VAHAN 4.0 were accessed using VAHAN report portal.

### 5.3.5 Audit criteria

The audit criteria were drawn from the following sources:

- Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules); Punjab Motor Vehicle Rules, 1989 (PMV Rules);
- Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), Punjab Motor Vehicles Taxation Rules, 1925 and;
- Circulars and Notifications issued by the Department and Government from time to time.

### 5.3.6 Trend of revenue receipt

Actual receipts vis-à-vis budget estimates and revised estimates and its contribution to the total receipts of Punjab during the period 2013-14 to 2017-18 are exhibited in the Table below:

**Table 5.2: Trend of revenue receipts**

*(₹ in crore)*

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actual Receipts	Variation with BE		Variation with RE		Tax revenue raised by the State	Percentage of actual MVT receipts to tax revenue raised by the State
				Excess (+) Shortfall (-)	Percentage of variation	Excess (+) Shortfall (-)	Percentage of variation		
2013-14	1,350.00	1,320.00	1,145.69	(-)204.31	(-)15.13	(-)174.31	(-)13.20	24,079.19	4.76
2014-15	1,350.00	1,350.00	1,393.32	(+)43.32	(+)3.21	(+)43.32	(+)3.21	25,570.20	5.45
2015-16	1,500.00	1,500.00	1,474.83	(-)25.17	(-)1.68	(-)25.17	(-)1.68	26,690.49	5.52
2016-17	1,650.00	1,478.91	1,548.12	(-)101.88	(-)6.17	(+) 69.21	(+)4.68	27,746.66	5.56
2017-18	3,175.00	1,858.91	1,911.20	(-) 1,263.80	(-)39.80	(+)52.29	(+)2.81	30,423.24	6.28

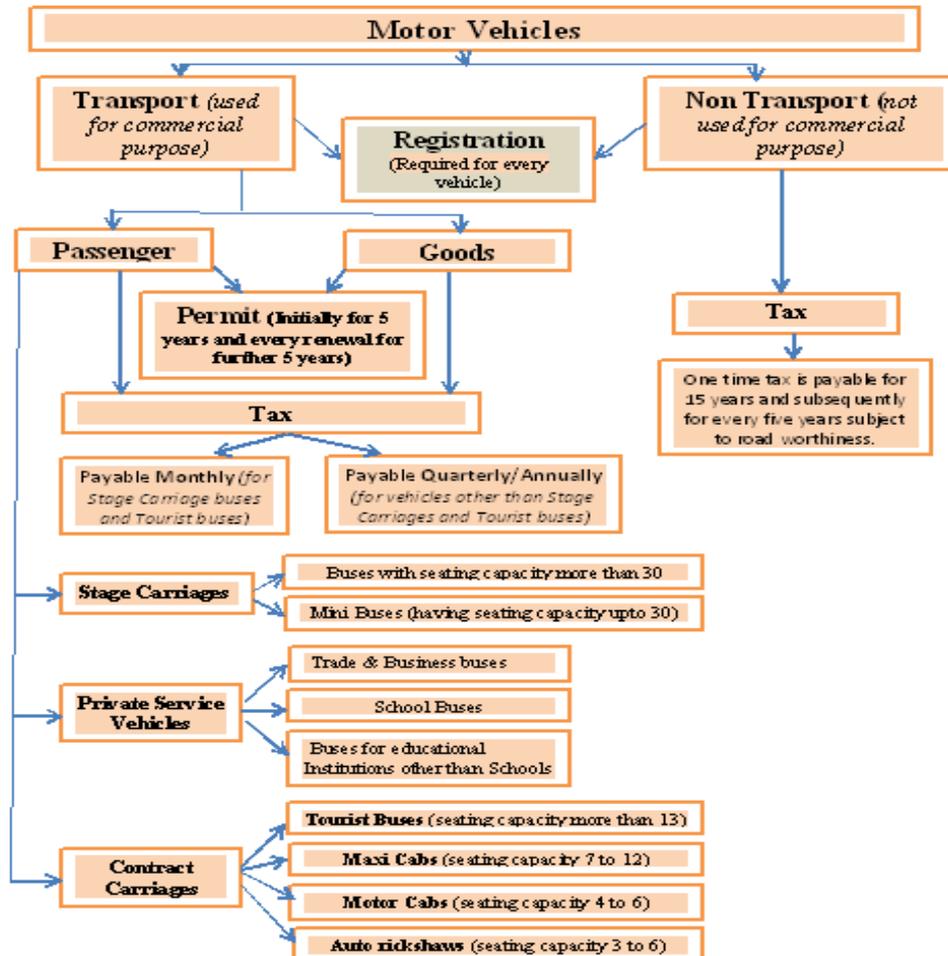
*(Source: Annual financial statements and Finance Accounts of the Government of Punjab)*

Receipts from taxes on vehicles showed an increasing trend during 2013-18. Motor vehicle tax receipts accounted for around 5 to 6 per cent of State's own tax receipts in the last three years. Actual tax receipts fell short of budget estimates in all years except in 2014-15.

During 2017-18 the Budget Estimate of Motor Vehicle Tax was raised by 92.42 per cent from ₹ 1,650.00 crore to ₹ 3,175.00 crore. However, the actual realisation was only ₹ 1,911.20 crore. The Finance Department stated (December 2018) that BE were revised in anticipation of policies for raising

MVT. However, actual receipt was only ₹ 1,911.20 crore since MVT was raised only in respect of two categories of vehicles, Stage Carriage Buses and Goods Vehicles.

### 5.3.7 Activity flow chart



**Stage Carriage buses** are vehicles which carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

**Private Service Vehicles** are vehicles running upto 50 km from the place of business.

**Contract Carriage** means a motor vehicle which carries a passenger or passengers for hire or reward from point to point and is engaged under a contract entered into by a person holding a permit.

### Audit findings

### 5.3.8 Short collection of MVT

Section 3 of PMVT Act, empowers the State Government to fix the rate of tax by issue of notifications from time to time. The rate of tax imposed from time to time is given in the *Appendix-II*.

Audit of five selected RTAs disclosed that against due MVT of ₹ 62.36 crore, only ₹ 29.06 crore was found to have been deposited leaving unrealized MVT of ₹ 33.30 crore in respect of different categories of vehicles as tabulated below:

**Table 5.3: Detail of unrealized Motor Vehicle Tax**

(₹ in crore)

Sl. No.	Type of Vehicle	Population in five RTAs/STC	Audit Sample Test Checked/Analysed	Cases involved in objection	RTAs involved in objection	Nature of Objection	Amount Due	Amount Paid	Amount Short paid	Remarks
1.	Stage Carriage Buses	421 Transporter 1,711 Permits	145 Transporter 825 Operating Permits	19 Transporter 61 Permits	4 Selected RTAs (Amritsar, Hoshiarpur, Jalandhar, Patiala) and RTA Faridkot	Outstanding MVT	4.97	2.87	2.10	No short payment of MVT found in RTA Ludhiana
2.	Mini Buses	2,091	1,120	141	5 RTAs	Outstanding MVT	2.52	1.43	1.09	
3.	Contract Carriages	20,687	20,687	12,459	5 RTAs	Outstanding MVT	10.02	3.89	6.13	
4.	All India Tourist Buses	322	103	53	STC Punjab	Outstanding MVT	1.86	0.61	1.25	
5.	Goods Carriages	46,865	46,865	19,650	5 RTAs	Outstanding MVT	34.34	17.31	17.03	
6.	<b>Private Service Vehicles</b>									
i	Trade and Business Buses	120	120	55	4 RTAs (Hoshiarpur, Jalandhar, Ludhiana and Patiala)	Outstanding MVT	4.28	1.47	2.81	Due MVT was found paid in RTA Amritsar
ii	Educational institute buses other than School Buses	226	132	40	5 RTAs	Outstanding MVT	0.94	0.43	0.51	
iii	Buses used by Schools	10,371	3,802	397	5 RTAs	Outstanding MVT	3.43	1.05	2.38	
	<b>Total</b>	<b>10,717</b>	<b>4,054</b>	<b>492</b>			<b>8.65</b>	<b>2.95</b>	<b>5.70</b>	
	<b>G.Total</b>	<b>81,853</b>				<b>Total</b>	<b>62.36</b>	<b>29.06</b>	<b>33.30</b>	

It was observed as follows:

- The system could not generate separate defaulter lists (showing particulars of vehicle owners who did not pay tax) in respect of Contract Carriages and Mini buses
- There was no integration between VAHAN 1.0 and OMVPS. As a result, owners who had never made payments were not on OMVPS and were not included in the defaulter list generated by OMVPS. There was inadequate follow up of defaulter lists by RTAs/STC level as evidenced by large arrears in collection of MVT.

During exit conference (August, 2018), Department stated that recovery would be effected and intimated accordingly. The Department further stated that tracking of goods vehicles having arrears of MVT is difficult because of their interstate movement. The reply should be seen in the light of the fact that as many as 6,222 goods vehicles (32 *per cent*) having arrears of MVT turned up for one or the other on-counter services<sup>4</sup> at respective RTAs. Thus the Department had ample opportunity to collect arrears of taxes from these defaulters. However, due to lack of a robust monitoring mechanism, this could not be ensured.

In VAHAN 4.0, the mapping of permits with stage carriages was yet to be done. Tax defaulter report for all categories of vehicles, report on vehicle wise tax paid and report of arrears of MVT exists in VAHAN 4.0. Department has not intimated any recovery of MVT (November 2018).

**(ii) Non-application of revised rates**

Section 3 of the Act empowers the State Government to fix the rate of tax by issue of notifications from time to time.

Audit of selected RTAs disclosed that the MVT rates applicable to stage carriage buses during 2013-18 for plying within the State of Punjab were revised by the State vide seven notifications<sup>5</sup>. Seven depots<sup>6</sup> of Punjab Roadways and PUNBUS falling under the jurisdiction of three selected RTAs<sup>7</sup>, deposited MVT of ₹ 12.49 crore on pre-revised rates in place of ₹ 12.80 crore required to be levied and collected as per revised rates. These depots were paying MVT through treasury challan without using OMVPS. The RTAs concerned did not issue any notice for recovery of short deposited MVT despite the fact that short realisation of MVT continued since April 2013. Thus, inaction on the part of the Department led to accumulation of short realised MVT of ₹ 0.31 crore.

In the exit conference (August 2018), the Department assured that the recovery of MVT would be effected and intimated accordingly.

Non pursuance of system generated defaulter lists resulted in short realisation of MVT of ₹ 33.30 crore. The department may consider prescribing periodicity for generation of defaulter reports. It may strengthen its monitoring mechanism for identifying arrears of MVT and utilizing the system-generated information of defaulters and strengthening its recovery mechanism including arrears of past period. Strengthen enforcement wing to ensure timely realization of revenue by adopting special modes of recovery e.g. impounding vehicles of the tax defaulters, cancelling permits of defaulters etc.

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4 Services relating to permit, fitness certification, transfer of ownership, etc.

5 October 2012, August 2013, July 2014, January 2015, December 2015, June 2016 and August 2017, for rates please see *Appendix-II*.

6 Amritsar-I, Amritsar-II, Tarn Taran, Patti, Hoshiarpur, Ludhiana and SBS Nagar.

7 Amritsar, Hoshiarpur and Ludhiana.

**(iii) Reciprocal Agreements**

As per Section 88 of the MV Act, State Governments are to enter into reciprocal agreement to facilitate both of them to ply their stage carriage buses in the territory of each other at agreed routes. Different rates were prescribed for countersigned permits under the reciprocal agreements and permits without countersignatures as per details given in **Appendix-II**.

Out of five selected RTAs, RTAs at Jalandhar and Patiala had entered into reciprocal agreements with other States. Audit of records of RTA Patiala disclosed that it executed a reciprocal agreement (June 2008) with Union Territory, Chandigarh, for plying of Chandigarh Transport Undertaking (CTU) buses on 67 routes covering 29,562 kilometers on daily basis. However, CTU buses covered 62,364<sup>8</sup> kilometers on 10 routes, not covered under reciprocal agreement and covered 7,182 kilometers on two agreed routes in excess of the permitted kilometers between April 2013 and December 2017. This was detected by cross checking reciprocal agreements with monthly bills of tax payment wherein mileage covered on different routes was depicted. The CTU was required to pay MVT of ₹ 1.48 crore on the distance of 69,546 kilometers, as per rates applicable for permits without countersignature whereas it deposited MVT of ₹ 0.95 crore only, as per rates applicable for countersigned permits. Though the Union Territory, Chandigarh deposited MVT short by ₹ 0.53 crore (₹ 1.48 crore - ₹ 0.95 crore) since April 2013, the RTA Patiala failed to take cognizance of this fact.

In the exit conference (August 2018), the Department intimated that the matter has been taken up with CTU for recovery. However, the reply from CTU was awaited.

Plying of buses on routes not covered under reciprocal agreement and in excess of agreed kilometres resulted in short realisation of MVT of ₹ 0.53 crore. The department may consider strengthening its monitoring mechanism for detecting plying of buses under reciprocal agreements.

### **5.3.9 Non-levy of interest on delayed payment of MVT for Stage Carriage buses**

Section 11A (1) of PMVT Act provides that failure on the part of a transporter to pay tax within the prescribed period attracts simple interest at the rate of one and half *per cent* per month on the amount of tax remaining unpaid following the due date of payment of tax till the actual date of payment. Section 8(4) of PMVT Act provides for imposition of penalty not exceeding ₹ 10,000 but not less than ₹ 2,000 on delayed payment of tax

Audit of payments made during 2013-18 through OMVPS in respect of stage carriage buses in five selected RTAs disclosed that out of MVT of

<sup>8</sup> On these ten routes, distance covered, on daily basis, ranged, between 672 and 1,468 kilometers.

₹ 94.98 crore received from 189 transporters during 2013-18, ₹ 23.22 crore (25 per cent) was deposited with delay ranging between one month and 35 months. As a result, interest of ₹ 0.80 crore was due from these transporters. Further, MVT of ₹ 2.10 crore was not paid by 18 transporters and one depot of Punjab Roadways up to 31 March 2018 in the selected RTAs. Interest of ₹ 0.53 crore is due from these transporters.

No case of delayed payment of tax was noticed in respect of test checked tourist buses. However, MVT of ₹ 1.25 crore was not paid by 53 bus owners upto 31 March 2018 in the selected RTAs. Interest of ₹ 0.41 crore is due from these bus owners.

Payment of tax in respect of stage carriage buses and tourist buses is made on monthly basis. Hence interest on delayed payment of tax could be worked out. In case of remaining categories of vehicles, taxes are paid quarterly/annually. As the MVT is paid in lump sum covering more than one quarter, and since OMVPS does not capture information on interest, the interest component, cannot be segregated in case of vehicles where the payment is made quarterly/annually.

OMVPS has separate column to show the amount of tax and penalty but does not have separate column to show the amount of interest paid. The system should have provision for calculating interest payable for all payments made after due date.

In the exit conference (August 2018), the Department assured to recover the interest and get the provision for calculation of interest inbuilt in VAHAN 4.0. Action taken by the Department to recover the interest is still awaited. (November 2018).

OMVPS was not enabled to calculate interest payable on delayed payments of MVT. Provision for calculating interest for delayed payment has not been provisioned in VAHAN 4.0 also. Department may consider incorporating a feature in VAHAN 4.0 for auto calculation of interest on delayed payment of MVT.

#### **5.3.10 Non obtaining of security on default in payment of MVT**

Section 7-A (1) and (2) of PMVT Act, 1924 provides that the Licensing Officer, for the proper realization of tax levied under this Act, shall after giving an opportunity of being heard, required any owner of the transport vehicle to deposit as security an amount not exceeding fifty thousand rupees in the prescribed manner where such an owner make a default in the payment of tax under this Act for continuous period of two months or more.

Audit noticed that 15 out of 19 operators of stage carriages as pointed out in Para 5.3.8 (1), defaulted continually in payment of MVT for more than two

months during 2013-18. However, the Department did not demand security from these operators to safeguard the government money.

The Department may consider obtaining security as per provision to safeguard the interest of the government.

### 5.3.11 Non-renewal of permits

Section 66 of CMV Act prescribes that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place whether or not such vehicle is actually carrying passengers or goods. Further, as per Rule 80 of PMV Rules, the holder of a permit may, at any time, surrender or deliver the permit to that authority within fourteen days of its expiry.

As per provisions contained in Section 81 of the CMV Act read with Rule 67 of the PMV Rules, a permit is granted to a transport vehicle for a period of five years and is subject to renewal for further period of five years by submitting an application not less than 15 days before expiry date, along with requisite application and permit fee<sup>9</sup> prescribed on the basis of type of vehicle and its seating capacity.

653 permits were due for renewal during the period 2013-18 (December 2017) in respect of private service vehicles (PSVs) in the test checked RTAs. It was observed that 169 permits (26 per cent) falling under the jurisdiction of three selected RTAs<sup>10</sup> were neither got renewed nor were surrendered. Audit also observed renewal of permits of 15 PSVs out of 653 test checked cases by the RTAs on receipt of application along with renewal fee without ensuring payment of due MVT of the prior period. In the other two RTAs<sup>11</sup> permits due for renewal were got renewed. In transport vehicles one vehicle is linked up with one permit except Stage Carriage buses where more than one vehicle can be plied against one permit. The renewal of permits was being managed manually. Non-renewal of permits rendered plying of vehicles on public roads illegal and caused revenue loss amounting to ₹ 0.16<sup>9</sup> crore.

Renewal of permits of Stage carriage buses (including Mini Buses) was not examined as the matter was under litigation. Further in respect of Goods carriage and Contract Carriage, there was no correlation between initial register where permit was issued with subsequent register where permit was got renewed. Also there were no remarks regarding surrender or delivery of

<sup>9</sup> Detail of application and permit fee in respect of PSVs:

Type of Vehicle	Seating Capacity	Application Fee (₹)	Permit Fee (₹)	Total (₹)	Hoshiarpur No. of vehicles	Ludhiana No. of vehicles	Patiala No. of vehicles	Total amount (₹)
PSV	Upto 30	1,500	3,750	5,250	41	33	24	
PSV	31 and above	10,000	5,000	15,000	23	32	16	
Total					5,60,250	6,53,250	3,66,000	15,79,500

<sup>10</sup> Hoshiarpur, Ludhiana and Patiala

<sup>11</sup> Amritsar and Jalandhar.

permit. Hence it was difficult to trace vehicle wise non renewal of permits. As a result, audit cannot give assurance regarding renewal of permits in respect of these two categories.

During exit conference (August 2018), Department stated that instructions would be issued to field offices to pursue the matter to recover the outstanding permit fee from the vehicle owners.

Weak monitoring of permit renewal resulted in non-renewal of permits. Department may ensure complete migration of legacy data maintained manually onto VAHAN 4.0 so as to ensure completeness of data. VAHAN 4.0 can facilitate monitoring by generating information on permits due for renewal. The Department should enforce an efficient mechanism for effective pursuance so that the benefit of features available in VAHAN 4.0 can be fully utilised.

### **5.3.12 Non-renewal of registration certificates of non-Transport Vehicles**

Section 41(7) of the MV Act provides that registration of non-transport vehicle is valid for a period of 15 years. Further, Rule 52 of CMV Rules provides that after the expiry of this period, a vehicle could be re-registered for a further period of five years with payment of prescribed fees. At the time of re-registration, fitness certificate is also to be obtained by paying applicable fee. Section 55 (1) of the Act provides that if a motor vehicle has been destroyed or has been rendered permanently incapable of use, the owner shall within 14 days report the fact to the registering authority and shall forward the certificate of registration of the vehicle.

Data analysis of VAHAN 1.0 and OMVPS revealed that, in all, there were 24,26,998 non-transport vehicles registered with the selected five RTAs. Of these, registration of 8,50,951<sup>12</sup> vehicles (35 per cent) were due for renewal, out of which 2,95,903 vehicles pertain to the period of audit (April 2013 to September 2017). However, only 2,342 out of 2,95,903 got their fitness certificates renewed. The remaining 2,93,561 vehicles (99 per cent) neither obtained fitness certificates nor surrendered the registration certificates (RCs) to the registering authority. The revenue implication in respect of these 2,93,561 vehicle is ₹ 17.47 crore (Fitness fee ₹ 6.81 crore and renewal fee ₹ 10.66 crore). This amount has been calculated assuming that all these vehicles are in usable condition and are plying. However, information on the number of vehicles that are actually in use in the State is not available with the Department.

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12 Amritsar- 2,27,013, Hoshiarpur- 14,585, Jalandhar- 3,65,287, Ludhiana- 95,991 and Patiala- 1,48,075.

In the exit conference, the Department stated (August 2018) that after incorporation of penalty clause<sup>13</sup> in December 2016, owners of non-transport vehicles were coming forth for re-registration.

Non monitoring of surrender of RC and absence of integration of VAHAN 1.0 with OMVPS resulted in non re-registration of non-transport vehicles. VAHAN 4.0 can generate reports, date-wise and registration number-wise, to list out vehicles whose re-registration is due. The Department should put in an efficient mechanism for effective pursuance so that the benefit of features available in VAHAN 4.0 can be fully utilised.

### 5.3.13 Fitness certificates of Transport Vehicles

Section 56 of the CMV Act provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. Further, as per Rule 62 of CMV Rules, fitness certificate granted under the Act in respect of newly registered transport vehicle is valid for two years and thereafter required to be renewed every year after payment of prescribed fee of ₹ 400 for light motor vehicle and ₹ 600 for medium and heavy motor vehicle.

a) Data analysis of “VAHAN 1.0” and “OMVPS” in respect of transport vehicles registered between April 2011 and December 2015 by the selected five RTAs revealed that fitness certification of 81,979<sup>14</sup> vehicles became due at least once between April 2013 and December 2017. 28,239 vehicles (34 per cent) renewed fitness certificate and the remaining 53,740<sup>15</sup> vehicles (66 per cent), did not renew fitness certificate. The revenue that was not realized works out to ₹ 5.50 crore. Due to absence of integration between VAHAN 1.0 and OMVPS vehicles due for fitness/declared fit could not be monitored.

Out of 53,740 vehicles, 1,470 were school buses and 317<sup>16</sup> were ambulances/animal ambulance. The fitness certification on the basis of pollution under control certificates granted by the pollution check centers having no such testing facility was also questionable as discussed in **Paragraph 5.3.15**. This implies that there is no assurance that only road-worthy vehicles are being permitted to ply in the State. This also has adverse environment impact.

In exit conference (August 2018), Department stated that mandatory fee for renewal of fitness certificate in respect of gap period was being recovered from the vehicle owners and penalty would be levied whenever the vehicle

13 In case of delay in applying for renewal of certificate of registration, an additional fee of three hundred rupees for delay of every month or part thereof in respect of motor cycle and five hundred rupees for delay of every month or part thereof in respect of other class of non-transport vehicles shall be levied.

14 Amritsar- 13,568, Hoshiarpur- 7,582, Jalandhar- 14,629, Ludhiana- 31,017 and Patiala- 15,183.

15 Amritsar- 10,214, Hoshiarpur- 4,394, Jalandhar- 10,096, Ludhiana- 20,100 and Patiala- 8,936.

16 Out of 317 vehicles, 82 vehicles belonged to Government.

owners come for fresh renewal of fitness certificate. In VAHAN 4.0, SMS mechanism would be incorporated for sending alerts to the vehicle owners.

b) Rule 62 of CMV Rules prescribe that renewal of fitness certificate shall be made only after carrying out tests specified in the Rule. Further Rule 40 of Punjab Motor Vehicle Rules, 1989 provides Form C.F.X for inspection record of certificate of fitness of transport vehicle. The form requires to fill data against 12 points relating to registration of vehicle after verification of the physical features of the vehicle with the particulars noted in the Certificate of registration. It also requires to carry out more than 40 prescribed checks in 13 categories in order to declare a transport vehicle fit.

Audit noticed that 4,77,455<sup>17</sup> fitness certificates were issued to transport vehicles in the selected RTAs during 2013-18. Form C.F.X was also found filled. It was further noticed from the vehicle passing registers<sup>18</sup> maintained by MVI in the selected RTAs during 2017-18 that the number of fitness certificates issued daily ranged between three (RTA Hoshiarpur) and 659 (RTA Ludhiana). There are no criteria regarding time required to carry out these checks. Even if five minutes are considered appropriate to fill the required data after verification and carry out the checks as prescribed in Form C.F.X, at most 100 number of transport vehicles could be tested for fitness on a day. Audit noticed 384 instances where more than 100 fitness certificates were issued in one day. This includes 186 instances where more than 200 fitness certificates were issued in one day. The unreasonably large number of fitness certificates issued in one day indicates that these vehicles were granted fitness by compromising the safety norms which could cause harm to the environment as well as jeopardize safety of public life.

Motor Vehicle Inspectors are responsible for issuing fitness certificates. As against the sanctioned strength of 18 posts, the men-in-position is 7 as on 31 March 2018. The shortage is 11 posts (61 *per cent*). The staff strength needs to be increased.

Absence of integration of VAHAN 1.0 with OMVPS resulted in non-detection of transport vehicles due for fitness certification. The Department should enforce a stringent monitoring mechanism for ensuring that only road – worthy vehicles are permitted to ply.

#### **5.3.14 Non-realization of additional fee for choice numbers**

Rule 42-A of the PMV Rules provides that the Registering Authority shall assign a registration mark to the owner of a motor vehicle as per his choice from the registration marks, as specified in the Sixth Schedule to these Rules on payment of such additional fee, as may be fixed by the Government. The

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<sup>17</sup> Amritsar (62,307), Hoshiarpur (69,030), Jalandhar (91,321), Ludhiana (1,41,171) and Patiala (1,13,626).

<sup>18</sup> Excluding passing registers for the year 2013-14 and from 25.5.17 to 22.6.17 (RTA Patiala).

Government, in exercise of these powers, notified (December 2012, January 2014, September 2015 and August 2017) additional fee<sup>19</sup> for registration marks of choice in each series.

Scrutiny of the records and further online verification on official website of Department from the period 2013-14 to 2017-18 revealed that 11,366 registration marks of choice numbers were allotted to vehicle owners by STC Punjab (39), RTA Amritsar (1,769), RTA Hoshiarpur (1,017), RTA Jalandhar (3,371), RTA Ludhiana (91) and RTA Patiala (5,079). Out of this, there were no documents in support of payments of ₹ 79.39 lakh by the allottees of 90 choice numbers in STC Punjab (6) and RTA Ludhiana (84). In rest of the four RTAs, additional fee of ₹ 31.97 lakh was not collected in 95 cases as revised rates were not applied (₹ 40.88 lakh – ₹ 8.91 lakh). The omissions resulted in short realisation of addition fee of ₹ 111.36 lakh (₹ 31.97 lakh + ₹ 79.39 lakh).

During exit conference (August 2018), Department stated that matter would be looked into.

The Department may recover the deficient additional fee of ₹111.36 lakh.

### 5.3.15 Pollution Check Centers

Rule 170-B of PMV Rules, 1989 authorizes a Pollution Checking Centre (PCC), to issue ‘pollution under control’ (PUC) certificate. The PCC’s are required to obtain authorization certificate by depositing ₹ 5,000. These certificates are to be renewed annually by paying ₹ 1,000 per annum. These centres are required to submit fortnightly report<sup>20</sup> to the concerned RTA regarding details of PUC certificates issued. In compliance to STC’s directives (February 1998), Punjab Pollution Control Board (PPCB) carried out inspection (September 2011) of PCC’s and reported issuance of PUC certificates by more than 50 per cent of PCC’s without having testing facilities.

Audit of records of five selected RTAs disclosed that there were 228 PCC’s. In RTA Ludhiana, all 24 PCC’s got their authorization certificates renewed. In the remaining four<sup>21</sup> RTAs, 68 out of 204 PCC (33 per cent) were issuing PUC certificates during 2013-18 without getting their authorization certificates renewed. Age wise analysis of these unauthorized pollution check centers is as under:

19 Rates of additional fee for allotment of registration marks of choice

Registration marks of choice	From 05.12.2012 till 08.01.2014	From 09.01.2014 to 29.09.2015	From 30.09.2015 to 23.08.2017	From 24.08.2017 to 31.03.2018
0001	₹ 50,000	₹ 5,00,000	₹ 5,00,000	₹ 2,50,000
0002 to 0009	₹ 10,000	₹ 2,50,000	₹ 50,000	₹ 25,000
0010 to 0099	₹ 3,000	₹ 1,00,000	₹ 25,000	₹ 12,500
0100 and others	₹ 1,000	₹ 5,000 to ₹ 25,000	₹ 5,000 to ₹ 25,000	₹ 5,000 to ₹ 12,500

20 Order No.-7098-7119 dated 18.02.1998.

21 Amritsar, Hoshiarpur, Jalandhar and Patiala.

**Table 5.4: Age wise analysis of non-renewal of certificates**

Name of the RTA	Period for which renewal is pending in respect of Pollution check centres (PUCs)						Total PUCs
	One Year	Two Year	Three Year	Four Year	Five Year	More than Five Year	
Amritsar	3	3	0	0	1	1	8
Hoshiarpur	5	1	0	0	0	1	7
Jalandhar	14	4	1	3	1	6	29
Patiala	7	1	3	3	1	9	24
<b>Total</b>	<b>29</b>	<b>9</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>17</b>	<b>68</b>

Neither, did the STC or the RTAs carry out any inspection of these Centers to ensure renewal of authorization and proper testing facilities nor did these Centers submit any fortnightly report. This resulted into non-realisation of authorization fee of ₹ 0.03 crore.

During exit conference the Department assured (August 2018) to carry out the necessary inspections.

Poor monitoring resulted in issue of pollution under control certificates by unauthorised pollution control centres. The Department may consider putting in place a stringent mechanism for ensuring timely renewal of authorization certificates of pollution control centres and for ensuring availability of prescribed testing facilities.

### 5.3.16 Trade fee and Possession tax

#### a) *Trade Fee:*

Rule 33 of CMV Rules provides that a motor vehicle in the possession of a dealer/manufacturer of vehicles shall be exempt from the necessity of registration subject to the condition that he obtains a trade certificate from the concerned RTA. Rule 34 provide that an application for the grant or renewal of a trade certificate shall be accompanied by appropriate fee<sup>22</sup> as specified in Rule 81. The trade certificate is issued or renewed for a period of twelve months from the date of issue or renewal.

Audit of records of five RTAs revealed that there were non-renewal of trade certificates and short-deposit of renewal fee leading to short realisation of trade fee of ₹ 0.09 crore as given in Table 5.5.

<sup>22</sup> Detail of rate of trade fee payable of vehicle dealers:

Vehicle	Trade fee per trade certificate	
	Up to 31.12.16	From 1.1.17 onwards
Two wheeler	50	500
Three/Four Wheeler	200	1,000

Table 5.5: Detail of outstanding Trade Fee

(₹ in crore)									
	Total Population in 5 RTAs	Audit Sampled Test Checked/Analysed	Number of Trade Certificate	Dealers involved in objection	RTAs involved in objection	Number of Trade Certificate	Trade Fee due	Trade Fee Paid	Trade Fee short Paid
Non renewal of trade certificate	513 Dealers	320 Dealers	3,061	98	5 RTAs	1,027	0.10	0.03	0.07
Non application of revised rates				45	3 RTAs (Amritsar, Hoshiarpur and Patiala)	499	0.04	0.02	0.02
<b>Total</b>							<b>0.14</b>	<b>0.05</b>	<b>0.09</b>

b) **Possession Tax:**

Section 14C of PMVT Act provides that a dealer or manufacturer of motor vehicles shall pay tax<sup>23</sup> (possession tax) at the specified annual rate for the vehicles kept in his possession and such possession is authorized under a trade certificate.

Audit of records of five RTAs revealed that RTA Jalandhar (Jalandhar and Kapurtala districts) was realising possession tax from vehicle traders of Jalandhar district on the number of vehicles received from manufacturers. However, 320 vehicle dealers of the remaining districts falling under the five selected RTAs were paying possession tax at the minimum rate of the rates-slab resulting in short realisation of possession tax of ₹ 7.86 crore as given in Table 5.6. RTAs maintain manual registers containing name and address of dealer, number of trade certificates issued and period of renewal. But the sale data of the vehicles was not entered in the register. Dealer wise data of vehicles sold were available on OMVPS since registered dealers were provided login ID by the Transport Department wherein sale data was fed in the OMVPS. Department however did not use this information for assessing amount of possession tax to be paid by these dealers. Audit adopted a conservative approach by taking number of vehicles sold by the dealers during the period (as available in OMVPS) as vehicles in possession with the dealers and worked out the short collection based on data in OMVPS.

23 Detail of rate of possession tax payable by vehicle dealers

Vehicle	Possession Tax (in ₹)		
	Up to 8.8.13	From 9.8.13 onwards	Lots
Two wheeler	2,000	4,000	100 or part thereof
Three/Four Wheeler	4,000	8,000	50 and part thereof

**Table 5.6: Detail of outstanding Possession Tax**

(₹ in crore)

	Total Population in 5 RTAs	Audit Sampled Test Checked/Analysed	Dealers involved in objection	RTAs involved in objection	Type of Vehicle	Number of Vehicles	Tax due	Tax Paid	Tax short Paid
Possession Tax	513 Dealers	320 Dealers	222 Dealers	5 RTAs	Two Wheeler	9,91,503	4.21	0.36	3.85
			98 Dealers	5 RTAs	Four Wheeler	2,96,043	4.33	0.32	4.01
<b>Total</b>			<b>320 Dealers</b>			<b>12,87,546</b>	<b>8.54</b>	<b>0.68</b>	<b>7.86</b>

In exit conference (August 2018), Department stated that there was some ambiguity in interpretation of the term “possession” and clarification would be sought or dealt with and intimated accordingly. Reply of the Department regarding ambiguity in interpretation of the term “possession” is not acceptable as the rates were applicable since November 2007 and no clarification had been sought since then. Nothing in this regard has so far been intimated by the Department (November 2018).

Absence of monitoring resulted in non-renewal of trade certificate, non application of revised rates and short-realisation of possession tax. The department should devise a method for ascertaining the number of vehicles in the possession of dealers and may use sale data available in OMVPS for arriving at the number of vehicles in possession with the dealers. VAHAN 4.0 generates the report of trade certificates due for renewal. Department may ensure complete migration of manual data for ensuring optimal utilisation of the system. Prescribe a periodical return to be furnished by the dealers indicating number of vehicles in possession and trade fee payable thereon.

### 5.3.17 Non-renewal of authorisation of National Permits

A Goods carriage intending to move at national level shall apply for a National Permit in a prescribed form to the jurisdictional RTA (Rule 86 to 90 of MV Rules). A permit is valid for five years (Section 81 of MV Act). However, as per Rule 87(3) of CMV Rules, an authorisation of National Permit is valid for one year only. No National permit is granted to a goods carriage other than multi-axle vehicle which is more than twelve years old (15 years for multi-axle vehicle) (Rule 88(1) of MV Rules). Authorisation to ply vehicles across the country for one year is issued on payment of Consolidated fee of ₹ 16,500 (from April 2012) along with State authorisation fee of ₹ 1,000. Further, Society fee of ₹ 150, scan fee of ₹ 20 and permit application fee of ₹ 200 are also charged.

Rule 80 (1) of Punjab Motor Vehicles Rules, 1989 read with Section 86 (e) of MV Act, provides that the holder of a permit may, at any time, surrender the permit to the State or Regional Transport Authority by which it was granted if he fails to use the vehicle for the purpose for which the permit was granted. The State or Regional Transport Authority shall forthwith cancel the permit so surrendered.

Data analysis of report<sup>24</sup> of authorizations of National Permit revealed that 67,105 goods vehicles obtained 2,11,385 authorisations during 2012-17. Authorizations of 45,802 out of 67,105 vehicles were renewed every year. However, owners of the remaining 21,303 vehicles did not renew authorizations. 887 out of 21,303 vehicles had become overaged and were not eligible for renewal of authorisation. 17,761 out of 20,416 vehicles were registered prior to 1 April 2013. Since the database did not have information on the period of validity of the National Permits, it could not be ascertained whether the authorisations of these vehicles were eligible for renewal. Remaining 2,655 out of 20,416 vehicles were registered between 1 April 2013 and 31 March 2017 and hence these national permits were valid and their authorizations were due for renewal during 2014-18. However, owners of these vehicles did not renew authorization. There was nothing on record to indicate whether vehicles assigned to these permits were declared off the road/transferred to other States. These goods vehicle owners neither renewed the authorisations nor surrendered the National Permit for cancellation. The Department also did not issue notices to the owners who did not renew their authorisations and did not surrender National Permits. The amount of fee involved in these 2,655 vehicles was ₹ 4.69 crore (2,655 x (16,500+1,000+150+20)).

The matter was brought to the notice of the Department (July 2019) and the Department assured to pursue the matter.

The Department may ensure compliance of provisions of MV Act relating to renewal/cancellation of National Permit.

### 5.3.18 Determination of Exemption of Tax for Stage Carriages

Section 13(1) of Punjab Motor Vehicles Taxation Act, 1924 and Rule 8-C, 9 and 10 of Punjab Motor Vehicles Taxation Rules, 1925 provide for exemption from payment of tax for motor vehicles not used subject to deposition of registration certificate with the licensing officer.

MVT for Stage Carriage Buses is charged on the basis of number of kilometres allowed per day as per the route permits. MVT is payable at the end of every month. The permit holders may seek exemption from payment of

<sup>24</sup> Obtained from National Informatics Centre (NIC).

MVT if they are not able to ply the buses due to breakdown, accident, impounding of vehicles, etc.

The Department has not maintained any record/register in respect of number of exemptions of tax granted to stage carriages. Hence, it could not be ascertained in Audit as to how many exemption orders were issued during 2013-18. The Department, however, provided Audit with 10 exemption orders issued during 2013-18. In five out of these, it was observed that exemptions were allowed on the basis of confirmation from bus stand operators regarding non-entry of the stage carriages in the bus stand. However, the applicants had not deposited the registration certificates with the Department.

In these five cases department granted exemptions by seeking confirmation from bus stand operators regarding non-entry of the buses into bus stands. However, this method is not correct since it is possible that stage carriages may ply illegally without entering into bus stands. This possibility is confirmed by the complaints made by State Transport Undertakings to State Transport Commissioner, Punjab and RTA Amritsar in April 2015, September 2017 and July 2018 about unauthorised plying of buses from outside bus stands.

Hence, the practice of grant of exemptions merely on the basis of confirmation from bus stand operators is wrong and is not in conformity with the provisions of the rules. The Department needs to ensure compliance to the rules.

### **5.3.19 Absence of mechanism to map newly registered stage carriage with existing/new permit**

Section 66 of CMV Act prescribes that no owner of a motor vehicle shall use or permit the use of a vehicle as a transport vehicle in any public place whether or not such vehicle is actually carrying passengers or goods save in accordance with the conditions of a permit granted by Regional Transport Authority.

Audit noticed in selected RTAs that each RTA maintained a permit list to list out permits of stage carriages that were effective in its jurisdiction. However, the permit list lacked important information that was necessary for effective monitoring. In RTA Amritsar, Hoshiarpur and Jalandhar, registration numbers of buses were not mentioned against all the 954<sup>25</sup> permits in the permit list due to which detail of buses being used by the permit holder against a permit was not available. In RTAs Ludhiana and Patiala, 24 (3 + 21) out of 757 (318 + 439) permits were found not mapped with vehicle registration numbers. In most of the cases where the vehicle registration numbers were mentioned, these were not mentioned permit wise. Instead, these were mentioned transport company wise. The permit list also failed to declare minimum number of

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25 Amritsar (350), Hoshiarpur (262) and Jalandhar (342).

buses required to carry out the permitted trips as per allotted time table to compare the required fleet strength with number of buses owned by the permit holder. In absence of the information on minimum number of buses required to carry out permitted trips and non-mentioning of vehicle numbers against a permit, it could not be ascertained whether these operators were plying more number of buses than required to carry out the permitted trips.

Audit observed from VAHAN 1.0 data that 1,428 new buses were registered in name of private persons/operators during 2013-18 (up to 31 December 2017) in the State of Punjab. No stage carriage permits were issued by the Department to private operators in the State during the period. This indicates that either these buses are plying without permit or plying against existing permits as replacement vehicle.

To verify details of replacement vehicles information was called from RTAs. None of the RTA except RTA Ludhiana provided this information. In RTA Ludhiana there were 17 replacements. Out of 17 replacement buses, only two buses were from these 1,428 new buses which indicate that most of these new buses were plying without permit. This was further corroborated by Audit analysis of challans issued for plying buses without permits by RTA S.A.S Nagar (Mohali) during 2017-18. Out of 44 challans, 14 challans were issued for 12 buses which were part of these 1,428 new buses.

Further, the State Transport Undertaking had lodged complaint from time to time (April 2015, September 2017 and July 2018) with RTA Amritsar and STC Punjab regarding instances of unauthorised plying by 52 buses from outside bus stand in Amritsar. It was noticed that 22 out of 52 buses were from 1,428 newly registered buses. Action taken on the complaints was not intimated to Audit (July 2019).

In the absence of permit wise vehicle registration numbers in permit list, the information regarding replacement of vehicles against existing permits and minimum number of buses required to carry out the permitted trips as per allotted time table, Audit could not derive an assurance that vehicles were not plying in excess of the permitted trips. The possibility that some of these buses might be plying without valid permit cannot be ruled out.

The Department may ensure that information regarding vehicle registration number against each permit and minimum number of buses required to carry out permitted trips is recorded for stage carriages at the time of registration.

### 5.3.20 Enforcement

As per Rule 239 of PMV Rules, 1989, the officers of the Motor Vehicles Department shall be responsible to administer and enforce the provisions of the Act, rules and regulations or notifications made or issued there-under and carry out such duties as have been assigned to them under these rules or such other duties as may be assigned to them. The persons appointed as Officers has powers to seize and detain the vehicle and shall keep the same in safe custody of nearest police station or in the premises of Government Department against a proper receipt if they have reasons to believe that motor vehicle has been used in contraventions of the provisions of Section 3 or Section 4 or Section 39 or without the required permit as envisaged in Section 66(1) of CMV, Act or in contraventions of any of the condition prescribed in the permit.

Audit scrutinised 2,933<sup>26</sup> challans issued during 2013-18 in the selected RTAs and RTA S.A.S Nagar (Mohali). A total of 4,619 offences were registered in these 2,933 challans. Out of 4,619 offences, 142 were for without permit, 27 for not carrying permit, 29 for without fitness, 548 for without MVT, 48 for without pollution, 1,410 for overloading, 468 for unauthorised use, 12 for without time table and 1,935 for other offences.

Audit observed following deficiencies in the enforcement process:

- i. **Non-consolidation of vehicle wise offences:** Sections 180 to 192-A under the Motor Vehicle Act, 1988 provides for enhanced fine with or without imprisonment for the second or subsequent offences committed for driving at excessive speed, driving dangerously, driving under the influence of liquor/drugs, driving when mentally or physically unfit to drive, offences related to accidents, using vehicles in unsafe conditions/without permit.

Audit observed that neither enforcement module of VAHAN 1.0 was operational nor data regarding vehicle wise detail of offences and number of times a particular offence was committed were maintained. Maintenance of such data would help in identifying the repeat offenders for levy of enhanced compounding fee. However, in the absence of such mechanism, implementation of provision of enhanced compounding fee on repeated offence could not be ensured in audit.

- ii. **Overloaded vehicles:** Section 113(3) of MV Act provides that motor vehicle should not be allowed to be driven in any public place having unladen weight exceeding the limit specified in the Registration Certificate (RC) of the vehicle or the laden weight exceeding the gross vehicle weight specified in the RC. Section 114(1) of the Act provides

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<sup>26</sup> Amritsar-366 (Jan-18 to Mar-18), RTA Hoshiarpur-683 and Jalandhar-684 (Jan-17 to Mar-17), RTA Ludhiana-402 (Oct-17 to Mar-18), RTA Patiala-727 (Apr-13 to Jun-13 and Jan-16 to Mar-16) and RTA Mohali-71 (2017-18).

for directing the driver to off-load the excess weight at his risk and not allowing to remove the vehicle from the place until the laden weight has been reduced.

Scrutiny of challans books disclosed that 1,410 offences were for overloading. In all the cases, the offenders were allowed to go without offloading the excess load. This is in contravention of the provision. In 1,200 cases the amount of penalty was mentioned in the challans and the offenders had paid the due penalty. In the remaining 210 cases, the amount of penalty was not mentioned.

RTAs Ludhiana and Patiala replied that it was not practically feasible to offload the overloaded vehicles as requisite manpower, machinery, suitable space are required for the same. The reply is not convincing as it is in contravention of the provision contained in Section 114 (1).

- iii **Non-mentioning of vehicle registration number in challan:** In 122 challans, vehicle registration numbers of the offenders were not mentioned. Out of this, offences in respect of 42 challans were not compounded.
- iv **Non-availability of equipment:** To effectively implement provisions regarding speed limit (Section 183) and drunken driving (Section 185) as provided in MV Act, the department needs to have equipments such as breath analysers, mobile interceptors<sup>27</sup> and speed guns.

Audit noticed that these equipments were not available in RTAs Amritsar, Jalandhar, Ludhiana and Patiala for effective enforcement. RTA Ludhiana stated that only one interceptor is available with the State which is sent to RTAs on turn basis. RTA Hoshiarpur and STC did not reply.

Enforcement is a crucial aspect in Motor Vehicle Department as it helps to ensure that the provisions of the MV Act and Rules are implemented effectively. Assistant Transport Officers are responsible for carrying out enforcement functions. However, as against the sanctioned strength of 47 posts, the men-in-position was 8. The shortage is 39 posts (83 per cent). In RTA Patiala, audit observed that Secretary, RTA was the only officer for enforcement in the jurisdiction of RTA Patiala. Further there is no earmarked staff for enforcement.

The Department may strengthen the enforcement by maintaining vehicle wise data of offences, off-loading excess weight from overloaded vehicles, using available MIS as input for effective enforcement and providing necessary equipment for risk based enforcement.

<sup>27</sup> Mobile Interceptor is a comprehensive enforcement system vehicle useful to identify over speeding vehicles by capturing video of movement violations, drunken driven cases and vehicles overloaded with goods.

### **5.3.21 Data integrity issues**

Data integrity refers to assurance of the accuracy and consistency of data over its life-cycle.

(a) The prescribed nomenclature of registration number in Punjab State is alphanumeric wherein the first two characters are “PB”, fifth or fifth and sixth characters are alphabets and rest of the characters are numeric. Further, in the old nomenclature of registration numbers, first three characters were alphabets followed by four numeric characters. Audit observed that data validation check in VAHAN 1.0 was not built in, as can be seen from the fact that the system accepted various alpha-numeric combinations<sup>28</sup> in respect of 272 registration numbers.

In exit conference (August 2018), Department attributed the inaccuracy to inadequate training to staff and assured that now trainings would be imparted on regular basis. The Department also stated that the directions had already been issued for carrying out necessary rectifications.

(b) Audit verified the registration numbers mentioned in the manually maintained permit lists and observed that 31 of 141 Mini buses were untraceable in VAHAN 1.0. Of the remaining 110 registrations numbers, which could be traced, 49 vehicles were found to be registered in some other category. Of the remaining, 61 Mini buses, four were showing to have more than 32 seats. Thus, correctness of registration numbers as well as category of vehicle mentioned against permits by the RTAs is doubtful.

(c) Audit also verified the vehicle registration numbers mentioned against permits in the register of PSVs with VAHAN 1.0 database and found that 54 out of 492<sup>29</sup> PSVs were not traceable. Of the remaining 438 PSVs, 19 registration numbers were found to be of vehicles other than PSVs, as these vehicles were registered as two/three wheelers, light goods vehicles, e-rickshaws etc. Thus, correctness of registration numbers mentioned against permits by the RTAs remained questionable.

MVT data of 49 mini buses and 19 PSVs (pointed out above) was analysed in OMVPS and it was observed that these vehicles had deposited tax as applicable to the respective category of vehicles as mentioned in permit list in a particular year. It thus indicates that category of vehicle in VAHAN 1.0 has been entered incorrectly.

(d) In respect of goods vehicles, motor vehicle tax is calculated on the basis of Gross Vehicle Weight. Data analysis of VAHAN data base revealed that there are 118 vehicles (for example PB10BV4581, PB10BV8056, PB10DS6427 etc.) in the database which are showing zero Gross Vehicle

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<sup>28</sup> For example: PA10AH0360, PA10AH0890, P1B0AH1674, P1B0AH1757, etc.

<sup>29</sup> 55 PSVs permitted for use by trade and business houses + 40 PSVs permitted for use by educational institutions and 397 PSVs permitted for use by schools.

Weight, which is not possible and will result in determination of tax at the lowest slab

In exit conference (August 2018) it was assured that the data base would be rectified, Results of verification in VAHAN 4.0 showed one out of 31 mini buses and three out of 54 PSVs were traceable. Thus, the data was yet to be completely corrected/updated (November 2018) in VAHAN 4.0.

Inaccuracies in database has the risk of generating incorrect reports which cannot be relied upon. Department may incorporate appropriate validations for ensuring correctness of database.

### 5.3.22 Non-compounded challan cases not sent to court

Section 200 of MV Act provides that any offence committed in contravention of the provisions of this Act may either before or after the institution of the prosecution, be compounded by such officers or authorities and for such amount as may be specified by the State Government in this behalf. If the offender does not either agree to compounding or does not turn up for disposal of challan at a later date, the Department is required to send such cases within a period of six months from the date of challan to the Court for disposal. However, as per Section 468 of the Criminal Procedure Code 1973, the Court will not take cognizance of the offences after expiry of six months from the date of commencement of the offence.

Audit of records of selected five RTAs disclosed that out of 12,000 challans test-checked, 472 challans issued during the period between April 2013 and July 2017 were neither compounded by the Department nor were these challans forwarded to the Court within six months of their issue, leading to failure of system of enforcement.

In exit conference, the Department assured (August 2018) that henceforth non-compounded challans would be sent to the Court within time limit of six months.

VAHAN 4.0 is yet to be equipped with enforcement module (November 2018) and the Department is yet to procure e-Challan machines.

Non initiation of timely action resulted in non compounding of challans. The Department may consider to equip VAHAN 4.0 with enforcement module for optimum of utilization of VAHAN 4.0.

### 5.3.23 Arrears of Revenue

Audit of records of selected five RTAs for the period 2013-18 revealed that none of the RTAs were maintaining any manual record whereby arrears of MVT could be identified for pursuance. Though, OMVPS could generate, permit-wise monthly list of MVT received for stage carriage buses and

quarterly for goods vehicles and PSVs, the Department had no mechanism to ascertain the outstanding MVT, period of default and number of defaulting firms/vehicles. As such, arrears amounting to ₹ 50.63 crore, as discussed in the foregoing paragraphs remained un-recovered.

In exit conference the Department assured (August 2018) to issue instructions to field offices for preparation of record of arrears of MVT properly and also assured to incorporate the provision of showing arrears of revenue against the defaulting transporters in VAHAN 4.0.

Non pursuing of previous arrears and short realisation of MVT resulted in accumulation of arrears. VAHAN 4.0 has provision for generating tax defaulter report and tax arrears report (2016-17 onwards). The Department should put in an efficient mechanism for effective pursuance so that the benefit of features available in VAHAN 4.0 can be fully utilised.

#### **5.3.24 Non-maintenance of registers**

Rule 15.7 of Punjab Financial Rules provides that suitable accounts of stores and inventories should be maintained with a view to preventing losses through theft, accident, fraud or otherwise and to make it possible, at any time, to check the actual balance with the book balances. It is important that all quantities received in or issued from stores are entered in stock accounts, strictly in order of occurrence, on the date of transactions. Rule 15.16 provides that a physical verification should be made once in every year.

Audit of records of selected five RTAs revealed that receipt books, challan books and daily cash registers were issued for official use in all RTA offices, but the stock registers were not maintained in the Form 2 (UF 73) prescribed for this purpose. None of the RTA got the requisite physical verification of these stock registers conducted during 2013-18.

Thus, owing to non-adherence to the well-prescribed system of stock management and physical verification, the assurance of having reliable stock accounts could not be derived. Hence, these receipt books and registers, were always susceptible to loss through theft, accident, fraud or otherwise.

During exit conference the Department (August 2018) assured to maintain stock register in proper form.

#### **5.3.25 Non-preparation of Departmental Manual**

In order to ensure proper functioning of the various wings of the Department, it is essential to maintain a departmental manual outlining the process to be followed by different levels of staff.

However, no such manual existed in the Department. The Department had not prepared a compendium, enumerating business rules and/or instructions issued from time to time, thereby affecting the efficacy of the Department. Thus,

Department's standard operating procedures, demarcation of duties, etc. were yet to be documented and chronicled.

In exit conference, Department assured (August 2018) that a committee would be constituted to look into the preparation of departmental manual.

### 5.3.26 Internal Audit

With a view to plug the various loopholes leading to leakage of revenue and to improve the quality of assessment and collection of major revenue earning Departments in Punjab, including Transport Department, an Internal Audit Organization (IAO) under the Finance Department, Government of Punjab was set up in October 1981.

Audit of selected five<sup>30</sup> RTAs revealed that none of the RTA offices was audited by the Internal Audit Organization during 2013-18.

In exit conference (August 2018), Department stated that matter would be taken up with the Finance Department to take up internal audit of the Transport Department.

The Department may consider strengthening internal control mechanism by preparation of Departmental manual resulting in efficacy of the Department, getting Internal Audit done and maintenance of up-to-date records in proper format.

### 5.3.27 Follow up on previous Performance Audit Report

The Report No. 4 of 2014 of the Comptroller and Auditor General of India on Revenue Sector of Punjab, presented to the State Legislature in March 2015, also included performance audit of "Levy and Collection of Motor Vehicle Tax (MVT)" covering period from 2008 to 2013.

The above Audit Report pointed out short collection of MVT, fees and fines amounting to ₹ 85.13 crore. The Public Accounts Committee of the State Legislature discussed this Audit Report on 29 August 2017, wherein the Department intimated to have recovered MVT of ₹ 14.32 crore (17 per cent). The Department also intimated that MVT of ₹ 0.91 crore was beyond recovery. Thus, balance recoveries of MVT of ₹ 69.90 crore were still awaited.

Although issues like non/short realization of MVT, short realization of MVT from buses on reciprocal agreement, non-application of revised rates etc., were raised in the above Report, yet these shortcomings still persist.

The recommendations given by PAC have been given in *Appendix-III*. Action Taken Note on these recommendations have not yet been submitted by the Department.

30 Amritsar, Hoshiarpur, Jalandhar, Ludhiana and Patiala.

### **Conclusion**

Due to absence of mechanism to monitor arrears of MVT and ensure its timely recovery taxes of ₹ 34.14 crore remained unrealized. Although provision for generating defaulter lists existed on VAHAN 1.0 this facility was not utilized by the Department effectively for recovering arrears in tax collection. There was no prescribed periodicity for generating the defaulter lists nor was there a reporting mechanism for collection/ recovery of arrears of taxes. There was short realisation of trade fee and possession tax from dealers of motor vehicles amounting to ₹ 7.95 crore in the test checked Regional Transport Authorities. Unauthorised pollution control centres were issuing pollution under control certificates without having proper testing facilities. Improper maintenance of registers, non-submission of reports and non-pursuance of outstanding amounts indicate poor internal control mechanism in the Department.

**The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.**

**Chapter-VI**  
**Forest, Other tax and non-tax Receipts**



## CHAPTER - VI Forest, Other Tax and Non Tax Receipts

### 6.1 Tax Administration

This chapter consists of receipts from Forest, Land Revenue, Entertainment and Luxury Tax, Marriage Registration, State Lotteries etc. The tax administration is governed by Acts and Rules framed separately for each Department.

### 6.2 Results of audit

Test check of records of 58 units relating to Forest receipts, Land Revenue, Entertainment and Luxury Tax etc. during 2017-18 showed irregularities involving ₹ 24.27 crore in 2,455 cases, which fall under the following categories as depicted below.

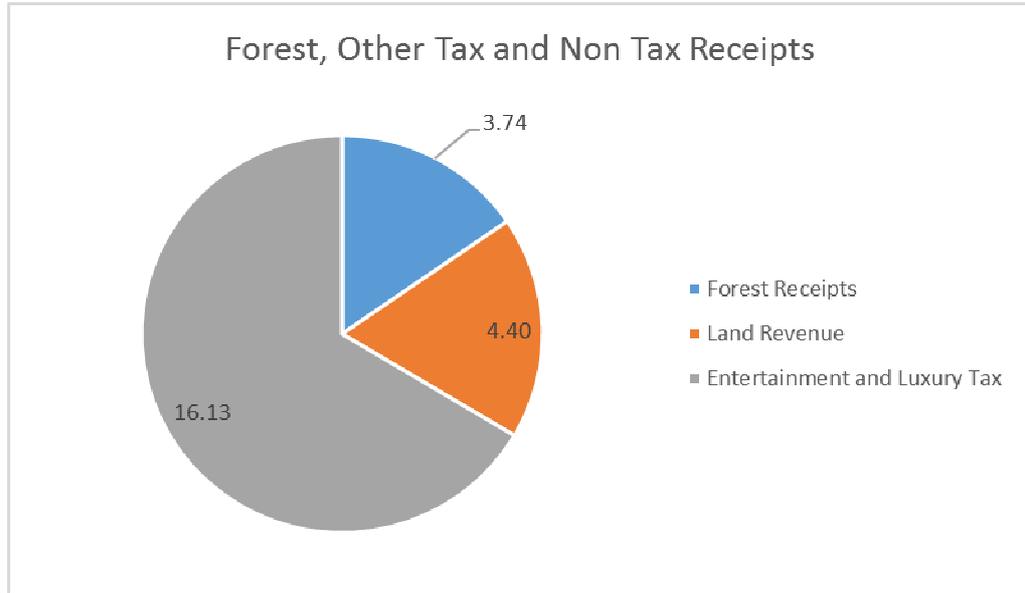
**Table 6.1: Results of audit**

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
<b>A: Forest Receipts</b>			
1.	Non-recovery of Government dues	48	0.32
2.	Other irregularities	1,302	3.42
<b>TOTAL (A)</b>		<b>1,350</b>	<b>3.74</b>
<b>B: Other Tax Receipts</b>			
<b>(i) Land Revenue</b>			
1.	Non/short recovery of chowkidara tax	2	2.46
2.	Other irregularities	137	1.94
<b>TOTAL B(i)</b>		<b>139</b>	<b>4.40</b>
<b>(ii) Other taxes and duties on commodities and services</b>			
1.	Non/short realisation of entertainment tax/duty	60	0.23
2.	Late/non submission or return	579	1.73
3.	Other irregularities	327	14.17
<b>TOTAL B(ii)</b>		<b>966</b>	<b>16.13</b>
<b>TOTAL (B)</b>		<b>1,105</b>	<b>20.53</b>
<b>TOTAL (A+B)</b>		<b>2,455</b>	<b>24.27</b>

Head wise audit findings noticed under Forest receipt, Land Revenue and Entertainment and Luxury Tax is depicted in Chart 6.1:

Chart- 6.1

(₹ in crore)



In 2017-18, the Department accepted the observations of ₹ 4.38 lakh in 129 cases pertaining to Entertainment/Luxury Tax, Land Revenue and Forest, and recovered an amount of ₹ 4.19 lakh in 129 cases which were pointed out in earlier years.

### 6.3 Non-realisation of Entertainment Duty

***AETC Moga took no steps to recover entertainment duty from 122 cable operators resulting in non-realisation of entertainment duty of ₹ 18.30 lakh.***

Section 3 (3-B) of the Punjab Entertainment Duty Act, 1955 (PED Act) provides that Entertainment Duty (ED) at the rate of ₹ 15,000 per annum is payable by the proprietor for providing entertainment with the aid of antenna or cable television to a connection holder. Section 3 of Cable Television Network (Regulation) Act 1995 read with Rule 3 of Cable Television Network Rules, 1994 makes it incumbent upon all the cable operators to get themselves registered with the Head Post Master of the area in which office of the cable operator is situated. Further, Section 14 (1) of the PED Act provides that for the purpose of ensuring that the provisions of the Act or Rules made thereunder are being complied with, the prescribed officers of Excise and Taxation Department may enter into, inspect and search any place of entertainment at any reasonable time while the entertainment is proceeding.

Scrutiny of records of AETC Moga relating to ED for the period 2015-17 revealed that the AETC had not maintained any list/database of cable operators for the purpose of levy and collection of ED. Audit obtained a list of cable operators registered in General Post Office Moga under Section 3 of

Cable Television Network (Regulation) Act and noticed that 122 cable operators were registered with the General Post Office. However, none of them paid ED at the rate of ₹ 15,000 per annum nor was any demand notice issued to them by AETC Moga. The department did not take steps to ascertain the actual number of cable operators and ensure that the tax due under the provisions of the Act is levied and collected. This resulted in non-realisation of ED of ₹ 18.30 lakh.

The matter was reported to the Government/Department in May 2018 and June 2018; their replies were awaited (May 2019).

The Government may direct the Department to ascertain actual number of cable operators in Punjab and recover entertainment duty due from them. The Government may also direct the department to recover the non realized entertainment duty of ₹ 18.30 lakh from 122 registered cable operators referred to in this para.



(PUNAM PANDEY)

Chandigarh

The 30 September 2019 Principal Accountant General (Audit), Punjab

Countersigned



(RAJIV MEHRISHI)

New Delhi

The 4 October 2019

Comptroller and Auditor General of India



# **Appendices**



**Appendix-I**

*(Referred to in Para 2.5, Page-29)*

**Statement showing calculation of short reversal of ITC**

Short reversal of ₹ 27,34,126 (₹ 21,55,236 + ₹ 5,78,890)

**A) Calculation of reversal of ITC u/s 19 (5) calculated on proportionate basis**

*(Amount in ₹)*

1. Gross Sale	4,47,26,27,022
2. ISS@2%	75,05,79,344
3. Percentage of 2 to 1	16.7816 %
4. Total value of cotton purchased	354,64,47,239.79
5. Value of cotton consumed	263,72,83,376.79
6. Percentage of 5 to 4	74.3641 %
7. Value of cotton on which entry tax was available as ITC	1,61,46,82,925
8. Value of cotton locally purchased on which ITC was claimed	1,22,53,08,105
9. Total value of cotton on which ITC was claimed (7+8)	2,83,99,91,030
10. Value of cotton out of (9) used in manufacturing (74.36% of (9))	2,11,18,17,330
11. Value of cotton used in manufacturing of goods sold interstate at concessional rate of tax of two <i>per cent</i> (16.78 % of (10))	35,43,62,948
12. Conversion ratio of material consumed to sale value (1/5)	1.69592
13. Corresponding sale value of cotton at 11 (1.6959 x (11))	60,09,64,124
14. CST chargeable on sale value above (2% of (13))	1,20,19,282
15. ITC on value of cotton consumed (4% of (11))	1,41,74,518
16. Reversal of ITC required to be made (15-14)	21,55,236
17. Reversal made in the assessment order	Nil
<b>18. Short reversal of ITC u/s 19(5)</b>	<b>21,55,236</b>

Description	Local cotton	cotton from outside State on which entry tax was paid	cotton from outside State on which no entry tax was paid	Total
Purchase of cotton	122,53,08,105	161,46,82,925	70,64,56,210	354,64,47,240
Cotton consumed (74.3641%)	91,11,89,344	120,07,44,425	52,53,49,802	263,72,83,571
Cotton consumed for interstate sale at the rate of two <i>per cent</i> (16.7816%)	15,29,12,151	20,15,04,126	8,81,62,102	44,25,78,379
Corresponding value of products manufactured (x1.69592)	25,93,26,775	34,17,34,877	14,95,15,872	75,05,77,524
ITC on cotton consumed	61,16,486	80,60,165	Nil	1,41,76,651
CST on ISS	51,86,536	68,34,698	29,90,317	1,50,11,551
Reversal required	9,29,950	12,25,467	Nil	21,55,417

**Appendix-I**

(Referred to in Para 2.5, Page-29)

**Statement showing calculation of short reversal of ITC**

**B) Calculation of reversal of ITC u/s 19 (5) calculated on proportionate basis**

(Amount in ₹)

1. Gross Sale	216,21,54,958
2. ISS@2%	31,05,07,871
3. Percentage of 2 to 1	14.361 %
4. Total value of raw material purchased	168,09,74,114.69
5. Value of raw material consumed	138,80,18,310.20
6. Percentage of 5 to 4	82.57226 %
7. Value of cotton on which entry tax was available as ITC	57,41,44,000
8. Value of cotton locally purchased on which ITC was claimed	88,12,63,008
9. Total value of cotton on which ITC was claimed (7+8)	145,54,07,008
10. Value of cotton out of (9) used in manufacturing (82.57226% of (9))	120,17,29,566
11. Value of cotton used in manufacturing of goods sold interstate at concessional rate of tax of two per cent (14.36 % of (10))	17,25,68,366
12. Conversion ratio of material consumed to sale value (1/5)	1.557728
13. Corresponding sale value of cotton at 11 (1.5577 x (11))	26,88,09,744
14. CST chargeable on sale value above (2% of (13))	53,76,195
15. ITC on value of cotton consumed (4% of (11))	69,02,735
16. Reversal of ITC required to be made (15-14)	15,26,540
17. Reversal made in the assessment order	9,47,650
<b>18. Short reversal of ITC u/s 19(5)</b>	<b>5,78,890</b>

Description	Local cotton	cotton from outside State on which entry tax was paid	cotton from outside State on which no entry tax was paid	Total
Purchase of cotton	88,12,63,008	57,41,44,000	22,55,67,107	168,09,74,115
Cotton consumed (82.57226%)	72,76,78,782	47,40,83,676	18,62,55,858	138,80,18,316
Cotton consumed for interstate sale at the rate of two per cent (14.361%)	10,45,01,949	6,80,83,157	2,67,48,204	19,93,33,310
Corresponding value of products manufactured (x1.55773)	16,27,85,821	10,60,55,176	4,16,66,480	31,05,07,477
ITC on cotton consumed	41,80,078	27,23,326	Nil	69,03,404
CST on ISS	32,55,716	21,21,104	8,33,330	62,10,150
Reversal required	9,24,362	6,02,222	Nil	15,26,584

## Appendix-II

(Referred to in Para 5.3.8, Page-60 and 63)

## Rate of Motor Vehicle Tax

## Category wise Rate of Motor Vehicle Tax under Section 3 of Punjab Motor Vehicles Taxation Act, 1924

Sl. No	(Amount in ₹)							
	Period	Ordinary Buses	HVAC Buses	Number of days allowed for MVT exemption per month	Application Fee (AF)	Permit Fee (PF)	Total (AF+PF)	Remarks
1	<i>Stage Carriage Buses</i>							Rate of MVT per Kilometer per day (No. of days of a month less the number of days allowed for exemption per month) paid at the end of every month
	upto 08.08.2013	2.75	1.50	5	10,000	5,000	15,000	
	09.08.2013 to 02.07.2014	3.00	1.75	5				
	03.07.2014 to 31.12.2014	3.13	1.88	5				
	01.01.2015 to 11.12.2015	3.03	1.77	5				
	12.12.2015 to 14.06.2016	2.73	1.60	6				
	15.06.2016 to 17.08.2017	2.75	1.62	6				
	18.08.2017 to till date	2.80	3.36	4				

Sl. No	(Amount in ₹)						
	Period	Permits counter signed (as per Reciprocal Agreement)	Permits without counter signature/ agreement	Application Fee(AF)	Permit Fee(PF)	Total (AF+PF)	Remarks
2	<i>Other State Stage Carriage Buses coming to Punjab</i>						
	13.10.2012 to 08.08.2013	3.10	5.50	10,000	5,000	15,000	Rate of MVT per Kilometer per day and paid at the end of each month
	09.08.13 to 02.07.2014	3.50	6.00				
	03.07.14 to 31.12.14	3.63	6.13				
01.01.15 onwards	3.53	6.03					

Sl. No	(Amount in ₹)					
3	<b>Mini Buses</b>					
	<b>Period</b>	<b>Lump sum rate of MVT per annum</b>	<b>Application Fee(AF)</b>	<b>Permit Fee(PF)</b>	<b>Total (AF+PF)</b>	<b>Remarks</b>
	13.10.2012 to 08.08.2013	40,000	1,500	3,750	5,250	MVT paid on quarterly/annually basis in advance
	09.08.2013 to 11.12.2015	50,000				
12.12.2015 to till date	30,000					

Sl. No	Period				(Amount in ₹)			
4	<b>Private Service Vehicles</b>							
a)	<b>Trade and Business</b>				<b>Application Fee(AF)</b>	<b>Permit Fee(PF)</b>	<b>Total (AF+PF)</b>	<b>Remarks</b>
	<b>Seating capacity</b>	01.09.12 to 08.08.13	09.08.13 to 22.11.16	23.11.16 onwards				MVT paid on quarterly/annually basis in advance
	Up to 12 seats	50,000	1,00,000	50,000	1,500	3,750	5,250	
	13 to 30 seats	75,000	2,00,000	1,00,000	1,500	3,750	5,250	
	31 and above seats	90,000	3,00,000	1,50,000	10,000	5,000	15,000	
b)	<b>College/other educational institutes</b>				<b>Application Fee (AF)</b>	<b>Permit Fee(PF)</b>	<b>Total (AF+PF)</b>	<b>Remarks</b>
	<b>Seating capacity</b>	01.09.10 to 08.08.13	09.08.13 onwards					MVT paid on quarterly/annually basis in advance
	Up to 12 seats	25,000	40,000		1,500	3,750	5,250	
	13 to 30 seats	35,000	50,000		1,500	3,750	5,250	
31 and above seats	45,000	60,000		10,000	5,000	15,000		
c)	<b>Seating capacity</b>	<b>Schools</b>						
		01.09.10 to 08.08.13	09.08.13 onwards		<b>Application Fee (AF)</b>	<b>Permit Fee(PF)</b>	<b>Total (AF+PF)</b>	<b>Remarks</b>
	Up to 12 seats	10,000	15,000		1,500	3,750	5,250	MVT paid on quarterly/annually basis in advance
	13 to 30 seats	15,000	20,000		1,500	3,750	5,250	
	31 and above seats	25,000	30,000		10,000	5,000	15,000	

Sl. No	(Amount in ₹)						
5	Contract Carriages	Rate of MVT per seat per annum (in ₹)		Application Fee (AF)	Permit Fee (PF)	Total (AF+PF)	Remarks
a)	Maxi Cabs/Motor Cabs/Auto Rickshaw having seating capacity not more than six seats excluding driver	750	Maxi Cab	400	4,000	4,400	MVT paid on quarterly/annually basis in advance
			Motor Cabs	200	4,000	4,200	
			Auto Rickshaw	100	1,500	1,600	
b)	Tourist Buses	7,000		10,000	5,000	15,000	MVT paid on monthly basis at the end of each month

Sl. No	Period				(Amount in ₹)			
6	Goods Vehicles	Rate of MVT per annum (in ₹)			Application Fee(AF)	Permit Fee(PF)	Total (AF+PF)	Remarks
	Gross Vehicle Weight (in Ton)	01.09.2012 to 08.08.2013	09.08.2013 to 07.09.2017	08.09.2017 onwards				
	Less than equal to 1.2 ton	4,000	5,000*	5,000	200	2,700	2,900	MVT paid on quarterly/annually basis in advance
	More than 1.2 ton and up to 6 ton	5,000	6,000	7,000				
	More than 6 ton and up to 16.2 ton	6,000	7,000	9,500				
	More than 16.2 ton and up to 25 ton	9,000	10,000	15,000				
	More than 25 ton	17,000	18,000	22,000				
* Option of payment of lump sum tax was notified for goods vehicle up to 1.2 ton vide notification dated 28 November 2016.								
7	Rule 81 of Central Motor Vehicles Rules, 1989							
7	Type of Vehicle	Rate of Fitness Fee (in ₹)						
		For manual test		For automated test				
	Motor Cycle	200		400				
	Three wheeler or light motor vehicle or quadricycle	400		600				
	Medium and Heavy Motor Vehicle	600		1,000				

Sl. No.		
8	<b>Issue or renewal of certificate of registration and assignment of new registration mark:</b>	<b>Amount in ₹</b>
	(a) Invalid Carriage	50
	(b) Motor cycle	300
	(c) Three wheeler/Quadricycle/ Light Motor vehicles	
	i) Non transport	600
	ii) Transport	1,000

## Appendix-III

(Referred to in Para 5.3.27, Page-81)

PAC recommendations made on PA on “Levy and Collection of MVT” printed in Audit Report (Revenue Sector) 2013-14 (As per PAC report dated 20 February 2019)

Para	PAC recommendation as per PAC Report dated 20.02.2019
<b>5.3.6.2 Late deposit of receipt into treasury</b>	The Committee wants to know whether action against the concerned officer/official was taken due to ignorance of whom the government money was deposited late in the treasury by 10 to 186 days. If no action was taken, reason thereof and the names of the concerned officers may be intimated to the Committee. Besides this, the Committee recommends that proper cognizance of the audit observation may be taken in future and such irregularities may be avoided.
<b>5.3.6.3 Non reconciliation with treasury</b>	The Committee is not satisfied with the replies furnished by the Department and directs that reconciliation report for the year 2012-13 may be prepared afresh and sent to the Committee.
<b>5.3.7 Non/short realisation of Motor Vehicle Tax</b> <b>i) Stage Carriage Buses</b>	<p>The Committee had noticed that collection of due tax as enumerated in the para had not been made correctly. Hence, the Committee had directed the concerned officer of Finance Department to re-examine the facts of the para with the officers of the Transport Department and to submit a report in this regard to the Committee within one month.</p> <p>However, neither Transport Department and Finance Department took any action in this regard nor submitted any report/information to the Committee.</p> <p>The Committee take serious note of this conduct of the Departments. This is the reason that the officers of the Departments do not take their work seriously due to which government work is not carried out in a swift and efficient manner which causes financial loss to the Government.</p> <p>Hence, the Committee directs the Transport Department to verify the facts of the para afresh and to submit a report in this regard within six months after laying of this report in the assembly.</p>
<b>5.3.7 Non/short realisation of Motor Vehicle Tax</b> <b>ii) Mini Buses</b>	The Committee in its meeting dated 29.08.2017 had directed the nodal officer with regard to this para to intimate to the Committee about the total recoverable amount, the detail of bus operators from whom the amounts are to be recovered, the reasons for non-recovery and actions being taken by the Department to effect the recovery.

	<p>The Department did not take the work of Committee seriously. Hence, the Committee condemns such conduct of the Department and feels that such cases of recoveries are pending for long time due to negligence of the departmental officers due to which the government has to suffer financial loss.</p> <p>In view of above position, the Committee directs the Department to prepare detail information in respect of this para describing how much amount is to be recovered district wise in whole State, what the reasons are for non-recovery of this amount, what actions have been taken by the Department to recover this amount yet. The Committee also directs to promptly recover due amount as per rule and to intimate the Committee within six months about the action taken.</p>
<p><b>5.3.7 Non/short realisation of Motor Vehicle Tax</b> <b>iii) Educational institutions</b></p>	<p>The Committee wants to know the district wise position of the amount recovered and amount that cannot be recovered. The Committee also wants to know that in how many cases there is double entry. District wise report in this regard may be submitted to the Committee.</p> <p>The Committee directs the Department to speed up the recovery process of pending amount and to intimate the Committee about the action taken within six months.</p>
<p><b>5.3.7 Non/short realisation of Motor Vehicle Tax</b> <b>iv) Goods vehicles</b></p>	<p>The Committee directs to intimate district wise position of the recovery that can be effected, recovery that cannot be effected and detail of cases in which there is double entry. All the details in this regard may be submitted to the Committee.</p> <p>The Committee directs the Department to speed up the recovery process in respect of such recoveries as can be effected. Action taken in this regard may be intimated to the Committee within six months.</p>
<p><b>5.3.7 Non/short realisation of Motor Vehicle Tax</b> <b>v) All India Tourist Buses and Maxi Cabs</b></p>	<p>The Committee wants that company wise detail of tourist buses that have been plying for last 10 years, may be given to the Committee.</p> <p>The Committee wants to know what the tax structure was in respect of buses plying with tourist permit, how much tax per seat per kilometer was charged. The Committee also wants to know whether tourist buses used to ply from one destination to another by stopping at various places or without stopping in between. Copy of policy and rules w.r.t tourist buses may be sent to the Committee.</p>

<p><b>5.3.7 Non/short realisation of Motor Vehicle Tax</b></p> <p><b>vi) Private service vehicles</b></p>	<p>The Committee recommends that the Department should have taken action in respect of the amount that is to be recovered because now the Department may have to face problem due to its restructuring. Hence, it should be made mandatory that in cases where recoveries are not made, officer concerned may be held responsible for that.</p> <p>The Committee directs the Department that a two-member committee may be formed and sent in each district to assess the amount of due recovery. The Committee wants to time bound the recovery process and report on action taken in this regard may be taken from the concerned two-member committee so as to accelerate the recovery process. Action taken in this regard may be intimated to the Committee within six months.</p>
<p><b>5.3.8 Non deposit of MVT by closed companies</b></p>	<p>The Committee directs the Department to take due action against the guilty officers who did not get the permits cancelled as detailed in the para. The Committee also wants that the Committee may be intimated after fixing the responsibility of the officers.</p> <p>The Committee wants to know that how much tax is to be recovered from private companies and what actions are being taken to recover that amount. A report in this regard may be sent to the Committee. A complete report in respect of the 53 permits cancelled during 2008-09 to 2012-13 may be furnished to the Committee.</p>
<p><b>5.3.9 Short realisation of MVT on account of plying buses in excess of permitted kilometers against reciprocal agreement</b></p>	<p>The Committee recommends that action at personal level may be taken and due recovery may be made in respect of whatever recovery is due.</p>
<p><b>5.3.10 Non-application of revised rates</b></p>	<p>The Committee is not satisfied with the reply of the Department because the Department did not put up a solid reply regarding recovery. Hence, the Committee wants that process of recovery of ₹ 11.83 lakh may be accelerated so that due recovery may be made. Action taken in this regard may be intimated to the Committee.</p>
<p><b>5.3.11 Challaned cases not sent to court</b></p>	<p>The Committee wants to know that how much amount was to be recovered in respect of the 330 challan cases. The Committee also wants to know what the reasons were for non-submission of challans in time and who are responsible for that. The Committee wants that responsibility of concerned</p>

	<p>officers may be fixed who failed to perform their duties. Action as per rules may be taken against them under intimation to the Committee.</p>
<p><b>5.3.12 Non realisation of trade fee</b></p>	<p>The Committee wants that rules regarding trade certificates may be sent to the Committee and the facts of the para may be reviewed in light of views of audit.</p> <p>The Committee also wants to know that audit officers may re-examine the facts with the department in light of Central Motor Vehicle Rules 1989 and action taken in this regard may be intimated to the Committee.</p>
<p><b>5.3.13.1 Improper maintenance of Registers</b></p>	<p>The Committee is not satisfied with the reply of the Department. The Committee recommends that verification of daily cash register may be made for the period from April 2014 to 31 March 2017 and action taken in this regard may be intimate to the Committee.</p>
<p><b>5.3.13.3 Absence of departmental manual</b></p>	<p>The Committee recommends that audit and the department may re-examine the para by coordinating each other so that all the notifications/instructions may be placed in one file and may be available at one place and audit observation may be removed. Action taken in this regard may be intimated to the Committee.</p>
<p><b>5.3.13.4 Non-renewal of fitness certificates</b></p>	<p>The Committee wants to know the reasons of why the owners of commercial vehicles did not obtain fitness renewal certificate each year. Whether the Department issued any notice to those dealers in this regard. If not, what are the reasons? Action taken in this regard may be intimated to audit.</p> <p>The Committee also wants to know district wise number of commercial vehicles in the year 2018 and how many of these vehicles took fitness certificates and how many vehicles are non-existing. The Committee may be informed in this regard.</p>
<p><b>5.3.13.5 Internal Audit</b></p>	<p>The Committee recommends that the Transport Department may request the Finance Department in writing to conduct audit of Transport Department as per rules so that required help of Finance Department may be obtained. The Department may effectively apply internal audit.</p>
<p><b>5.3.15 Recommendations</b></p>	<p>The Committee recommends that whatever action is required as per rules in respect of the deficiencies pointed out in audit findings, may be taken in time bound manner. The necessary action to implement the recommendations made by audit may be taken by the Department in time bound manner.</p>

# **Glossary**



## GLOSSARY OF ABBREVIATIONS

<b>AETC</b>	<b>Assistant Excise and Taxation Commissioner</b>
<b>ASD</b>	<b>Additional Stamp Duty</b>
<b>ATNs</b>	<b>Action Taken Notes</b>
<b>ATO</b>	<b>Assistant Transport Officer</b>
<b>CMVR</b>	<b>Central Motor Vehicles Rules, 1989</b>
<b>CST Act</b>	<b>Central Sales Tax Act, 1956</b>
<b>DC</b>	<b>Deputy Commissioner</b>
<b>DETC</b>	<b>Deputy Excise and Taxation Commissioner</b>
<b>DO</b>	<b>Designated Officer</b>
<b>DTO</b>	<b>District Transport Officer</b>
<b>ED</b>	<b>Entertainment Duty</b>
<b>ET</b>	<b>Entertainment Tax</b>
<b>ETC</b>	<b>Excise and Taxation Commissioner</b>
<b>GOI</b>	<b>Government of India</b>
<b>GTO</b>	<b>Gross Turnover</b>
<b>ICC</b>	<b>Information Collection Centre</b>
<b>IGR</b>	<b>Inspector General of Registration</b>
<b>IMFL</b>	<b>Indian Made Foreign Liquor</b>
<b>IRs</b>	<b>Inspection Reports</b>
<b>IR Act</b>	<b>Indian Registration Act, 1908</b>
<b>IS Act</b>	<b>Indian Stamp Act, 1899</b>
<b>ITC</b>	<b>Input Tax Credit</b>
<b>JSR</b>	<b>Joint Sub Registrar</b>
<b>LT</b>	<b>Luxury Tax</b>
<b>MC</b>	<b>Municipal Corporation</b>
<b>MVT</b>	<b>Motor Vehicles Tax</b>
<b>OMVPS</b>	<b>Online Motor Vehicle Payment System</b>
<b>PA</b>	<b>Performance Audit</b>
<b>PAC</b>	<b>Public Accounts Committee</b>
<b>PAG</b>	<b>Principal Accountant General (Audit)</b>
<b>PED Act</b>	<b>Punjab Entertainment Duty Act</b>
<b>PLR Act</b>	<b>Punjab Land Revenue Act, 1887</b>

<b>PLT Act</b>	<b>Punjab Luxury Tax Act</b>
<b>PMVT Act</b>	<b>Punjab Motor Vehicles Taxation Act, 1924</b>
<b>PSU</b>	<b>Private Service Vehicle</b>
<b>RC</b>	<b>Registration Certificate</b>
<b>RF</b>	<b>Registration Fee</b>
<b>RTA</b>	<b>Regional Transport Authority</b>
<b>SD</b>	<b>Stamp Duty</b>
<b>SDM</b>	<b>Sub Divisional Magistrate</b>
<b>SIC</b>	<b>Social Infrastructure Cess</b>
<b>SR</b>	<b>Sub Registrar</b>
<b>SSF</b>	<b>Social Security Fund</b>
<b>STC</b>	<b>State Transport Commissioner</b>
<b>TINXSYS</b>	<b>Tax Information Exchange System</b>
<b>VAT</b>	<b>Value Added Tax</b>



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