

*Chapter-VI*  
*Forest Receipts*



## **CHAPTER-VI**

### **FOREST RECEIPTS**

#### **6.1 Tax administration**

The Principal Chief Conservator of Forest (PCCF) heads the Forest Department under the administrative control of the Additional Chief Secretary (Forest). The PCCF is assisted by eight Conservators of Forest (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities carried out by Divisional Forest Officers (DFOs) under their control. Each DFO is in-charge of assigned forest related activities in his territorial division.

#### **6.2 Results of audit**

During 2016-17, test check of the records of 28 units as well as collection of information relating to forest receipts brought out non/short recovery of royalty, non-levy of interest/extension fee, blocking/loss of revenue due to seized timber and other irregularities involving ₹61.64 crore in 103 cases which are depicted below.

**Table-6.1 Results of Audit**

Sr. No.	Categories	₹ in crore	
		Number of cases	Amount
1.	Non/Short recovery of royalty	35	15.06
2.	Non-levy of interest/extension fee	09	2.51
3.	Blockade/Loss of revenue due to seized timber	17	2.95
4.	Other irregularities	42	41.12
<b>Total</b>		<b>103</b>	<b>61.64</b>

During the course of the year, the Department accepted under-assessment and other deficiencies of ₹47.17 lakh in six cases which were pointed out in earlier years out of which an amount of ₹38.99 lakh was realised in six cases pertaining to earlier years.

Significant cases involving ₹34.30 crore are discussed in the following paragraphs.

#### **6.3 Non-raising of demand for arbitrarily withheld royalty**

***Department failed to recover the withheld amount of royalty of ₹31.12 crore from Himachal Pradesh State Forest Development Corporation Limited.***

Extracting resin and salvaging timber is carried out by Himachal Pradesh State Forest Development Corporation Limited (HPSFDC). A Pricing Committee (PC), constituted by the HP Government determines the rates of royalty, terms and conditions for exploitation of resin blazes<sup>1</sup>, standing trees and other forest produce by HPSFDC from time to time. HPSFDC makes payment of royalty due in two instalments in respect of resin and timber allotted by the Forest Department during lease period.

Audit noticed that HPSFDC had withheld (December 2012) payment of ₹17.35 crore on account of royalty of timber, resin and bamboo in lieu of amount recoverable from the Department towards cost and transportation charges of fuel wood supplied to the depots of tribal areas, to be released on receipt of the same

<sup>1</sup> A mark of cut on *Chil* trees to tap resin.

from the Department. The Department paid cost of fuel wood amounting to ₹17.31 crore as against ₹15.86 crore actually payable for the period 2007-08 to 2012-13, resulting in excess payment of ₹1.45 crore. Thus, failure of Department to claim withheld amount of royalty on account of timber royalty and excess payment made on account of fuel wood resulted in non-recovery of revenue of ₹18.80 crore by the Department.

Further, HPSFDC did not release the 1<sup>st</sup> instalment of resin royalty for resin season 2014 amounting to ₹4.16 crore on account of cost and transportation charges of forest produce supplied to the tribal areas up to 2012-13. Audit scrutiny further revealed that HPSFDC released partial royalty payment of ₹1.26 crore against total royalty of ₹9.42 crore in respect of resin season 2015, which was payable by 15<sup>th</sup> December 2015. Thus, royalty payment of ₹8.16 crore was also recoverable from the HPSFDC. The Department did not raise demand for royalty payment of ₹31.12 crore (₹18.80 crore + ₹8.16 crore + ₹4.16 crore) including excess payment towards cost/transportation charges of fuel wood.

The matter was reported to the Government and the Department in June 2017; the Department replied (July 2017) that HPSFDC released royalty payment of ₹72.27 crore during June 2013 to March 2017. However, payment of ₹31.12 crore was not found to have been paid to the Department as per details provided in July 2017. The reply of the Government was awaited (December 2017).

#### **6.4 Non-payment of differential resin royalty**

*Failure of the Department to demand differential amount of resin royalty for resin season 2014 resulted in loss of revenue of ₹2.48 crore.*

The PC constituted by the HP Government determines the rates of royalty, terms and conditions for exploitation of forest. PC in its meeting held on 11<sup>th</sup> July 2014 approved the tentative royalty rate of resin season 2014 at ₹58.78 per resin blaze and tentative rates were revised to ₹75.30 per resin blaze in PC meeting held in February 2016.

Audit noticed (between October 2016 and February 2017) from the statements of payment of resin blazes that HPSFDC had released the payment of resin royalty of ₹8.32 crore against the due royalty of ₹10.80 crore worked out on the basis of final royalty rates fixed by the PC for the resin season 2014. The differential amount of royalty of ₹2.48 crore on finalization of royalty rates for the resin season 2014 was neither demanded by the Department nor paid by the HPSFDC. This resulted in non-realization of revenue of ₹2.48 crore. The Department was not having a proper mechanism to raise bills in time and follow up recovery of dues, which resulted in long outstanding and non-realization of dues.

The matter was reported to the Department and the Government between November 2016 and March 2017; their replies were awaited (December 2017).

#### **6.5 Non-levy of interest on short payment of royalty**

*Interest of ₹70.47 lakh on short payment of royalty of ₹6.52 crore, from November 2015 to June 2016, was not levied by the Department.*

As per PC decision of July 2007, royalty on salvage lots to be paid by 20<sup>th</sup> March for 1<sup>st</sup> instalment, 20<sup>th</sup> June for 2<sup>nd</sup> instalment in respect of low lying lots


and 30<sup>th</sup> November and 20<sup>th</sup> March for high lying lots applicable for the lots of 2007-08 onwards and 15<sup>th</sup> September and 15<sup>th</sup> December for resin blazes lots. The PC in its meeting dated 15<sup>th</sup> February 2005, decided that the HPSFDC would pay interest at the rate of nine *per cent* per annum on belated payment of royalty. A grace period of 90 days is admissible if the payment is made within the grace period, otherwise, HPSFDC is liable to pay interest from the due date of payment of royalty.

Audit scrutiny of the records relating to payment of royalty etc., of 10 DFOs<sup>2</sup> between August 2016 and March 2017 revealed that 112 timber lots (17 high and 95 low lying lots) were handed over for exploitation during 2015-16 for which royalty of ₹6.71 crore was payable. The HPSFDC paid ₹19.20 lakh on due dates and ₹6.52 crore remained unpaid as on March 2017. The delay in payment of royalty ranged between 284 and 487 days up to 31.03.2017. Thus, interest of ₹70.47 lakh on delayed payment of royalty though leviable was not levied by the Department for the period of November 2015 to June 2016.

On this being pointed out, the DFOs stated that matter would be taken up with the HPSFDC to recover the amount of interest and royalty.

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

**Shimla**  
**The 26 February 2018**

  
**(KULWANT SINGH)**  
**Accountant General (Audit)**  
**Himachal Pradesh**

**Countersigned**

**New Delhi**  
**The 12 March 2018**

  
**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

<sup>2</sup> DFOs Chopal: 13 lots: ₹18.89 lakh, Dalhousie: five lots: ₹10.55 lakh, Karsog: three lots: ₹25.78 lakh, Rajgarh: nine lots: ₹0.55 lakh, Rampur: four lots: ₹0.41 lakh, Rohru: nine lots: ₹3.81 lakh, Shimla (Khalini): 14 lots: ₹5.48 lakh, Solan: two lots: ₹0.51 lakh, Una: 51 lots: ₹1.65 lakh and Kunihar: two lots: ₹2.84 lakh

