

**AVOIDABLE PAYMENT DUE TO NON-CHARGING OF  
SERVICE TAX/GST FROM THE PASSENGERS**

**MINISTRY OF HOME AFFAIRS  
(CHANDIGARH ADMINISTRATION)**

**PUBLIC ACCOUNTS COMMITTEE  
(2023-24)**

**ONE HUNDRED AND TWENTY SIXTH REPORT**

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**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC NO. 2356

# ONE HUNDRED AND TWENTY SIXTH REPORT

## PUBLIC ACCOUNTS COMMITTEE (2023-24)

(SEVENTEENTH LOK SABHA)

### **AVOIDABLE PAYMENT DUE TO NON- CHARGING OF SERVICE TAX/GST FROM THE PASSENGERS**

MINISTRY OF HOME AFFAIRS  
(CHANDIGARH ADMINISTRATION)



*Presented to Hon'ble Speaker, Lok Sabha on 23.02.2024*

*Presented to Lok Sabha on: .....*

*Laid in Rajya Sabha on: .....*

LOK SABHA SECRETARIAT  
NEW DELHI

February 2024/ Phalguna 1945 (Saka)

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\*Not appended in the report

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2023-24)**

**Shri Adhir Ranjan Chowdhury - Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Thalikkottai Rajuthevar Baalu
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Pratap Chandra Sarangi
7. Shri Vishnu Dayal Ram
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Dr. Satya Pal Singh
11. Shri Brijendra Singh
12. Shri Rajiv Ranjan Singh alias Lalan Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

**RAJYA SABHA**

16. Shri Shaktisinh Gohil
17. Dr. K Laxman
18. Shri Derek O'Brien\*
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

**SECRETARIAT**

1. Shri Sanjeev Sharma - Joint Secretary
2. Shri Bharti Sanjeev Tuteja - Director
3. Shri Pankaj Kumar Sharma - Deputy Secretary

\*Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorized by the Committee, do present this One Hundred and Twenty Sixth Report (Seventeenth Lok Sabha) on “**AVOIDABLE PAYMENT DUE TO NON-CHARGING OF SERVICE TAX/GST FROM THE PASSENGERS**” based on Para 3.5 of C&AG Report No. 24 of 2022.

2. The Report of Comptroller and Auditor General of India was laid on the Table of the House on 20.12.2022.

3. The Public Accounts Committee took oral evidence of the representatives of Ministry of Home Affairs (Chandigarh Administration) on 20-11-2023. The Committee considered and adopted this Report at their sitting held on 09-02-2024. The Minutes of the sittings of the Committee are appended to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold and form Part-II of the Report.

5. The Committee would like to express their thanks to the representatives of the Ministry of Home Affairs (Chandigarh Administration) for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

6. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

NEW DELHI  
23 February, 2024  
4 Magha, 1945 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

## REPORT

### PART – I

#### INTRODUCTION

The Public Accounts Committee decided to take up for detailed examination and Report para 3.5 of C&AG Report No. 24 of 2022 on the subject “Avoidable Payment due to Non-Charging of Service Tax/GST from the Passengers”. Chandigarh Transport Undertaking (CTU) was liable to charge service tax at the rate of 6 *per cent* on transportation of passengers by stage carriage air conditioned buses w.e.f. 1<sup>st</sup> June 2016 till 30<sup>th</sup> June 2017 and GST on such services w.e.f. 1<sup>st</sup> July 2017 at the rate of 5 *per cent* and service tax GST so collected from the passengers to the government account.

2. In para 3.5 of the aforesaid report, Audit pointed out that Chandigarh Transport Undertaking (CTU) did not take any action to collect the Service Tax/ GST from the passenger or stage carriage air-conditioned buses w.e.f. the effective dates, it was only after an enquiry in July 2018, made by the Director General of Foods and Services Tax Intelligence that the Chandigarh Transport Undertaking (CTU) belatedly deposited in January-March 2020, Service Tax/GST amounting to Rs. 5.89 crore using funds from the Government Exchequer, as the Chandigarh Transport Undertaking (CTU) had not collected this tax amount from the passengers.

3. Further, the Audit observed that Chandigarh Transport Undertaking (CTU) had wrongly increased the fares of all buses, including non-ac buses. On being pointed out, the Department, while admitting the objection, stated that CTU had commenced charging GST from the passengers with effect from 16 January 2020, after approval of enhanced rates of tickets. The Department further stated that ₹ 5.53 crore paid as service tax was being recovered from the passengers with effect from 16 January 2020, by way of increase in the bus fare, daily & monthly passes and concessional tickets. The reply of the Department was not tenable, as the Department failed to implement the statutory requirement of collection of Service Tax and GST from the users of services and instead paid it from the Government exchequer. Further, the Department had wrongly increased

the fares of all buses, including Non-AC buses, to recover the amount of tax paid earlier from the Consolidated Fund of India. As a result, the Department had imposed a tax burden even on those who had not travelled in AC Buses and had also collected tax for previous years from passengers other than those who had actually availed the service. Failure of the CTU to take timely action to implement the relevant tax enactments from the applicable dates caused avoidable payment of ₹ 5.89 crore from the Government Exchequer and the burden of taxes on the public without any corresponding service being availed by them.

4. The Public Accounts Committee (2023-24) took oral evidence of the representatives of Ministry of Home Affairs and Chandigarh Administration on the above mentioned para at their sitting held on 20<sup>th</sup> November 2023. On the basis of oral evidence and the written information obtained on various aspects of the para under consideration, the Committee made in depth examination of the subject as detailed in the succeeding paragraphs.

5. In their Action Taken Note on Audit Para 3.5, the Ministry of Home Affairs has stated as under:

“On examination of para no. 3.5 it is observed that Chandigarh Transport Undertaking (CTU) was liable to charge Service Tax @ six per cent on transportation of passengers by Stage Carriage Air-conditioned buses with effect from 01 June 2016 till 30 June 2017 and GST on such services with effect from 01 July 2017 at the rate of five per cent and to pay the Service Tax/GST so collected from the passengers to the Government Account but CTU failed to implement the ibid enactments. After the enquiry (July 2018) made by the Goods & Services Tax Intelligence CTU failed to collect the Service Tax/GST amounting to 5.89 crore from the passengers and later deposited the same using its funds from the Consolidated Fund of India resulted in avoidable outgo of 5.89 crore from the Government Exchequer”.

6. On being asked by the Committee that why GST was not levied even after a notification in this regard, the representatives of the Chandigarh Administration stated as under:

“What happened was that initially there was certain condition that whether it will be applicable on the State Transport Undertakings.”

7. Audit also observed that CTU had wrongly increased the fares of all buses, including non-ac buses, to recover further the Audit observed that CTU had wrongly increased the fares of all buses, including Non-AC buses, to recover the amount of tax paid earlier from the Consolidated Fund of India. As a result, the Department had imposed a tax burden even on those who had not travelled in AC Buses and had also collected tax for previous years from passengers other than those who had actually availed the service. Thus, Failure of the CTU to take timely action to charge/collect Service Tax/GST from passengers from the applicable dates caused avoidable payment of 5.89 crore from the Government Exchequer and the burden of taxes on the public without any corresponding service being availed by them.

8. In their Action Taken Note, UT Administration of Chandigarh stated as under:

“On 15.01.2020, a decision (Annexure A) was taken by the Competent Authority to increase the fare of all buses (AC 8s Non-AC). Accordingly, Service Tax/GST was made a part of the bus fee structure. Further, revision of fare, which is a periodic exercise, was done in the interest of the CTU, taking into account increase in price index, increase in diesel prices etc. CTU has deposited below mentioned amount of Service Tax/GST: -

S.No.	Amount (Rs.)	Nature of tax	Period of which deposited
1.	1,42,48,070/-	Service tax	01.10.2016 to 30.06.2017
2.	3,55,30,480/-	GST	01.07.2017 to 31.07.2019
3.	70,70,960/-	GST	01.08.2019 to 30.11.2019
4.	48,91,874/-	GST	01.12.2019 to 29.02.2020

CTU has also clarified that the said amount has never been recovered from the passengers.



9. During oral evidence, on being enquired as to why the Ministry allowed recovery of the amount paid as service tax by CTU by way of increasing the bus fare, daily and monthly passes and concessional tickets.

10. The representatives of the Chandigarh Administration clarified as under:

The Audit interpreted that we are recovering the GST amount by fare revision, it is not true. The fare revision is done for both.

It was further stated that:

There is a lack of understanding but it is very clear that we are not recovering any GST amount from future passengers. It is not true.

The officials of Chandigarh Administration further elaborated that

“.....it was a mere fare revision which is a periodic exercise in the interest of CTU. In the past, similar fare revisions were made. While making the fare revision, we simply are enhancing the ticket charges, so we are not recovering from the prospective customers. Rather it is just an enhancement of tickets.”

11. The Audit has also recommended that an enquiry may be instituted to identify officials responsible for violation for appropriate action.

12. On being asked as to what action has been taken by the Ministry against CTU and officials responsible for the lapse in the implementation of the service tax and GST rules, the officials of Chandigarh Administration stated during oral evidence as under:

“As far as fixing of responsibility is concerned, disciplinary proceedings are under way against the concerned accounts officer.”

**PART – II**  
**OBSERVATIONS/RECOMMENDATIONS**

- 1. The Committee note that Chandigarh Transport Undertaking (CTU) was liable to charge Service Tax @ six per cent on transportation of passengers by Stage Carriage Air-conditioned buses with effect from 01 June 2016 till 30 June 2017 and GST on such services with effect from 01 July 2017 at the rate of five per cent and to pay the Service Tax/GST so collected from the passengers to the Government Account. The Committee while expressing shock that CTU neither implemented the enactments nor took any action to collect the Service Tax/GST from the passengers of Stage Carriage Air-conditioned buses with effect from the dates prescribed in the respective notifications. The Committee while noting that only after an enquiry (July 2018) was made by the Director General of Goods & Services Tax Intelligence that the CTU belatedly deposited (January-March 2020) Service Tax/GST amounting to ₹ 5.89 crore using funds from the Government exchequer, as the CTU had not collected this tax amount from the passengers. In this regard, the Committee opine that failure of the Chandigarh Transport Undertaking to implement the relevant tax enactments resulted in avoidable payment of ₹ 5.89 crore from Government Exchequer and burden of taxes on the public without any**

corresponding service being availed by them. The Committee desire to be apprised of specific measures taken by the Chandigarh administration to impart awareness about the laws to their employees. Further, The Committee with a view to identify similar such cases that might be persisting/exiting recommend that a comprehensive review of all the organizations under the Chandigarh Administration may be undertaken to ensure that such lapses are not prevalent.

2. The Committee note that Chandigarh Administration has taken disciplinary action against official(s) responsible for this gross negligence. However, the Committee are of the opinion that a thorough inquiry into the lapse may be made to bring out the systemic issues responsible for the lapse. The Committee further desire that the internal controls and internal audit in the organization may be strengthened to avoid recurrence of such instances.

**NEW DELHI**  
**23 February, 2024**  
**4 Magha, 1945 (Saka)**

**ADHIR RANJAN CHOWDHURY**  
**Chairperson,**  
**Public Accounts Committee**

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