

Press Brief

The Report of the Comptroller and Auditor General of India for the year ended 31 March 2016 (Revenue Sector) Government of Tamil Nadu was placed on the Table of Legislative Assembly on 19 July 2017.

The report contains 27 paragraphs, including one Performance Audit, relating to non / short levy of taxes, royalty, interest, penalty, etc. involving ₹ 4,107.31 crore. Some of the major findings are mentioned below:

I General

The total revenue receipts of the State during 2015-16 were ₹ 1,29,007.87 crore, comprising tax revenue of ₹ 80,476.08 crore and non-tax revenue of ₹ 8,918.31 crore.

Records relating to commercial taxes, state excise, motor vehicles tax, stamp duty and registration fee, electricity tax, mines and minerals and land revenue during the year 2015-16 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹ 4,381.82 crore in 4,620 cases.

II Value Added Tax / Sales Tax

Audit of Assessment, levy and collection of Value Added Tax on transfer of goods involved in the execution of works contracts revealed the following:

- The Commercial Taxes Department failed to institute a well established system of collection of data from various work awarders in the State. This resulted in not only contractors being out of the tax base but also the contract receipts escaping assessment from levy of tax under the Tamil Nadu Value Added Tax Act.
- The existing system of deduction of tax at source in respect of works contracts suffered from various deficiencies like non / short deduction of tax at source in the absence of Form-S certificate, absence of system to verify the genuineness of Form-S certificate, and failure to follow the prescribed procedures in issue of Form-S by the assessing authorities.
- The correctness of the amount of VAT-TDS claimed by the dealers in the monthly returns was not susceptible of verification due to failure to forward the statement of deduction in Form-R and the certificate of deduction in Form-T to the Assessment Circles concerned.

➤ The assessment of works contractors in the Assessment Circles suffered from various deficiencies like Non / short levy of purchase tax, short levy of penalty, Non-reversal of input tax credit, incorrect computation of taxable turnover, etc involving tax and penalty of ₹ 15.20 crore.

Audit of Tax Exemption to Industries revealed the following:

➤ The Industries Department of Government of Tamil Nadu issued orders in March 2008 that the Units availing deferral shall pay the same to the Commercial Taxes Department and obtain the same as soft loan from the Industries Department. This was issued to make the incentives compatible with the Value added tax regime. The Commercial Taxes Department, however, failed to implement the Government Order, which led to non recovery of deferred tax of ₹ 1,637.61 crore.

➤ The MoU Cell failed to forward to the Assessment Circles, the details of tax certificates issued to industries for refund of tax paid on purchases. Thus, the correctness of the amount of input tax credit which were carried forward by the industries in the monthly returns could not be ensured by the assessing authorities of the Assessment Circles.

➤ Two companies were incorrectly allowed to carry forward input tax credit of ₹ 1,597.64 crore in their monthly returns though the orders issued by the Industries Department in March 2015 provided that input tax credit shall be allowed only to the extent of sale of goods and the excess input tax credit after such adjustment shall lapse / be forfeited.

➤ The internal control and monitoring mechanism suffered from deficiencies of inadequate monitoring of the fulfillment of investment obligation, non-convening of the meetings of High Level Official Committee at prescribed time period and absence of mechanism to accurately determine the purchases and sales eligible for grant of special package of assistance to industries undertaking expansion.

III Stamp Duty and Registration Fee

Non-levy of stamp duty and short levy of registration fee in respect of amalgamation resulted in non / short realisation of revenue of ₹ 5.47 crore.

(Paragraph 3.3.1)

The adoption of concessional rate of stamp duty in respect of instruments involving release of properties to persons other than family members resulted in short collection of stamp duty and registration fee of ₹ 98.02 lakh.

(Paragraph 3.3.4)

The adoption of concessional rate of stamp duty in respect of instruments involving partition of properties to persons other than family members resulted in short collection of stamp duty and registration fee of ₹ 1.46 crore.

(Paragraph 3.3.5)

Incorrect allowance of exemption in respect of lease deeds resulted in non-levy of stamp duty of ₹ 26.95 crore.

(Paragraph 3.3.6)

IV Taxes on Vehicles

Performance Audit on **Collection of taxes and fees and delivery of citizen services by Home Transport Department** revealed the following:

- The Home-Transport Department had not utilised available data to monitor payment of tax by owners of transport and non-transport vehicles and to issue demand notices in cases of non-payment of periodical taxes.
- The adherence to conditions of permit by stage carriage operators was not ensured by the Department and Metropolitan Transport Corporation was allowed to operate vehicles in violation of the permit conditions.
- Though erroneous driving was identified by the Department as one of the major cause of accidents, the absence of testing tracks in RTOs to ensure the quality of driving tests was a major concern.
- There was tardy progress in the implementation of various measures undertaken by the Department for improving delivery of citizen services. This resulted in the benefits of such measures not being achieved.
- There was inadequate control of vehicular pollution in the State, with just three *per cent* of vehicle population being subjected to pollution check.

V Other Tax and Non-Tax Receipts

Mines and Minerals

Omission to levy royalty on the basis of ad valorem rate on the quantity of minerals resulted in short collection of royalty of ₹ 3.97 crore.

(Paragraph 5.3.1)