

## **Press Brief**

This Audit Report (Revenue Sector) 2018 has been laid on the table of the Kerala Legislature on 12 February 2020 in accordance with Article 151(2) of the Constitution of India.

This Report (Revenue Sector) contains 18 paragraphs in five chapters. The Performance Audit on Functioning of OPEN PEARL in Registration Department brings out issues of non-achievement of the proposed objectives of the registration process as envisaged in OPEN PEARL. Paragraphs in Chapter 1 of the Report review the revenue receipts of Government of Kerala during 2017-18, the audits conducted, reports issued and observations settled. Other chapters highlight some of the compliance issues noticed amounting to ₹ 938.56 crore.

### **I. General**

- Total revenue receipts of the State Government for the year 2017-18 amounted to ₹ 83,020.14 crore against ₹ 75,611.72 crore for the previous year. 69 *per cent* of this was raised by the State through tax revenue (₹ 46,459.61 crore) and non-tax revenue (₹ 11,199.61 crore). The balance 31 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (₹ 16,833.08 crore) and Grants-in-aid (₹ 8,527.84 crore).

*(Paragraph 1.1.1)*

- Arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 14,904.91 crore, of which ₹ 5,514.14 crore was outstanding for more than five years.

*(Paragraph 1.2)*

- At the end of June 2018, 3,340 Inspection Reports (IRs) in respect of various Departments containing 26,690 observations involving money value of ₹ 8,575.04 crore were outstanding.

*(Paragraph 1.7)*

### **II. Taxes/VAT on sales, trade etc.**

- The Department could not monitor the receipt and disposal of appeals due to the non-availability of appellate module in KVATIS, which led to the huge backlog of pending appellate cases.

*(Paragraph 2.4.1)*

- 557 dealers did not file any appeal after remitting 20 *per cent* of the disputed tax and the Department did not start revenue recovery proceedings resulted in non-realisation of revenue amounting to ₹ 10.57 crore.

*(Paragraph 2.4.2)*

- 479 appellate cases with tax effect of ₹ 372.59 crore disposed by the first appellate authorities were pending for modification/ disposal with the concerned assessing authorities.

(Paragraph 2.4.3)

- Short levy of tax amounting to ₹ 21.74 crore was seen in eight cases due to application of incorrect rate of tax, escape of turnover from assessment and calculation error in assessment.

(Paragraph 2.5)

- Non-levy of Integrated Goods and Services Tax (IGST) of ₹ 46.54 crore on the inward supply of Extra Neutral Alcohol (ENA) led to loss of ₹ 23.27 crore (fifty per cent apportionment).

(Paragraph 2.6)

### **III. Land Revenue and Building Tax**

- The Department did not maintain a *taluk*/Taluk Land Board (TLB) wise detailed database of ceiling cases, exempted lands and surplus lands in the State which was crucial for the identification, protection and utilisation of surplus lands.

(Paragraph 4.4.1)

- In the five selected districts, 184 registered documents having more than 6.0702 ha (15 acres) of land, involving 5,192.4161 ha of land (valuing ₹ 311.35 crore as per the documents) were not identified by the Revenue department for initiating ceiling cases.

(Paragraph 4.4.2)

- Land in excess of ceiling limit was not reported by the Department during acceptance of land tax payment details in 358 cases out of 372 cases (96.24 per cent) involving 12,574.5135 ha of land.

(Paragraph 4.4.3)

- No ceiling cases were initiated in respect of 114 cases (57.87 per cent) involving 2,141.7317 ha of land (valuing ₹ 499.44 crore as per the fair value) out of 197 cases reported by the *Taluk* Office.

(Paragraph 4.4.4)

### **IV. Other Tax Receipts**

#### **A - STATE EXCISE**

- Non-inclusion of import fee element in the purchase cost for levying excise duty led to loss of revenue of ₹ 4.72 crore for the years 2016-17 and 2017-18.

(Paragraph 5.5)

#### **B - STAMP DUTY AND REGISTRATION FEE**

### **Performance Audit on Functioning of OPEN PEARL in Registration Department**

- Inordinate delay in achievement of goals.

*(Paragraph 5.12.7.1)*

- Absence of Business Continuity Plan / Disaster Recovery Plan and failure to test and restore backed up data.

*(Paragraph 5.12.7.2)*

- No improvement in delivery of services to the consumers. The registration process took longer than in the manual system. There was no provision for delivery of electronic documents. Security has been compromised as absence of password protection and facility to take unrestricted printouts renders e-stamps insecure.

*(Paragraphs 5.12.7.3, 5.12.7.4 and 5.12.10)*

- Non-reduction of workload despite computerisation.

*(Paragraph 5.12.8.1)*

- Incomplete and/or incorrect data resulted in generation of incorrect Management Information System (MIS) reports and control registers.

*(Paragraph 5.12.8.4)*

#### **Short levy of Stamp Duty and Registration Fee**

- Loss of revenue of ₹ 11.06 crore due to non-registration of 237 agreements made between flat/apartment owners and developers/builders in SRO Ernakulam.

*(Paragraph 5.13)*