

CHAPTER-VI: OTHER TAX RECEIPTS

6.1 Results of audit

Test check of records in the Commercial Taxes Department, State Excise Department and Electricity Tax Department conducted in audit during the year 2008-09, disclosed underassessments of tax amounting to Rs. 40.88 crore in 78 cases, under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
	Betting tax		
1.	Short payment of totalisator tax due to incorrect allowance of composition benefit	1	33.87
2.	Non-levy of penalty and other irregularities	2	0.04
	Total	3	33.91
	Tax on entry of goods		
1.	Non/short levy of tax	21	2.46
2.	Non-levy of penalty	8	0.30
3.	Incorrect grant of exemption	2	0.14
4.	Non-forfeiture of tax collected in excess	1	0.02
	Total	32	2.92
	Karnataka Agricultural Income Tax		
1.	Non/short levy of tax due to incorrect carry forward and set-off of loss/depreciation	22	1.80
2.	Non/short levy of interest/penalty	6	0.29
	Total	28	2.09
	State Excise		
1.	Non-levy of penalty	4	0.80
2.	Non-levy of interest on arrack rental	1	0.52
3.	Non/short levy of licence fee	2	0.07
4.	Non-levy of duty	3	0.01
5.	Other irregularities	3	0.33
	Total	13	1.73
	Electricity tax		
1.	Non-realisation of inspection fee due to non-conducting of annual periodical inspection of high tension installations	1	0.22
2.	Short levy due to incorrect application of rate of annual periodical inspection fee	1	0.01
	Total	2	0.23
	Grand Total	78	40.88

During the year 2008-09, the department accepted underassessments of tax amounting to Rs. 9.37 crore in 251 cases and recovered Rs. 7.26 crore in 218 cases pointed out in the earlier years.

A few illustrative audit observations involving Rs. 44.33 lakh are given in the following paragraphs.

6.2 Audit observations

Scrutiny of assessment records of entry tax revealed several cases of non-observance of provisions of Acts/Rules, non/short levy of tax and interest as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the AAs are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including reviving and strengthening of internal audit.

6.3 Non-observance of provisions of the Acts/Rules

The Karnataka Tax on Entry of Goods (KTEG) Act 1979 and rules made thereunder provide for;

- (i) levy of entry tax on notified goods at prescribed rate;*
- (ii) levy of interest on belated payment of tax;*
- (iii) exemption/concessional rate of tax subject to prescribed conditions.*

The AAs while finalising the assessments did not observe some of the above provisions in cases as mentioned in paragraphs 6.3.1 and 6.3.2. This resulted in non/short levy/non-realisation of tax/interest of Rs. 44.33 lakh.

6.3.1 Non/short levy of entry tax

Under the KTEG Act 1979, on entry of petroleum products and sewing machinery into a local area, tax is leviable at the rates notified from time to time.

Test check of the records of four STOs in three districts¹ between November 2008 and January 2009 revealed that five dealers caused entry of petroleum products and sewing machinery valued at Rs. 4.49 crore during the years 2002-03, 2005-06 and 2006-07 into the local area. However, while finalising the assessments of these cases between May 2007 and March 2008, three AAs omitted to levy entry tax of Rs. 21.27 lakh.

The cases were reported to the CCT between December 2008 and January 2009 and the Government in April 2009; their reply has not been received (November 2009).

6.3.2 Non-levy of interest for belated payment of entry tax

Under the KTEG Act 1979, every dealer is required to pay the full amount of tax payable on the basis of turnover computed by him for the preceding month within 20 days after the close of that month. In case of default beyond 10 days after that period, the assessee is liable to pay interest at the rate of two *per cent* of the tax payable for every month or part thereof during which such default is continued.

Test check of the records of five STOs in four districts² between September 2007 and January 2009 revealed that eight dealers delayed the

¹ Bangalore (Urban), Belgaum, Dharwad.

² Bangalore (Rural), Bangalore (Urban), Hassan, Mysore.

payment of monthly/annual taxes amounting to Rs. 38.28 lakh ranging between 15 to 59 months for the years 2002-2003 to 2005-06. However, the concerned AAs omitted to levy interest of Rs. 23.06 lakh.

After the cases were brought to notice, the AAs concerned issued notices in five cases involving Rs. 15.37 lakh and recovered Rs. 12.11 lakh in two of them. Replies in remaining cases are yet to be received (November 2009).

The cases were reported to the CCT between November 2007 and March 2009 and the Government in April 2009; their reply has not been received (November 2009).