

OVERVIEW

This Report contains 26 paragraphs including three reviews pointing out non-levy or short levy of tax, interest, penalty, revenue forgone, etc., involving Rs. 336.61 crore. Some of the major findings are mentioned below:

I General

Total revenue receipts of the State Government for the year 2008-09 amounted to Rs. 43,290.67 crore against Rs. 41,151.14 crore for the previous year. 71 *per cent* of this was raised by State through tax revenue (Rs. 27,645.66 crore) and non-tax revenue (Rs. 3,158.99 crore). The balance 29 *per cent* was received from the Government of India as State's share of divisible Union taxes (Rs. 7,153.77 crore) and grants-in-aid (Rs. 5,332.25 crore).

(Paragraph 1.1)

3,705 inspection reports issued up to December 2008 containing 7,028 observations involving money value of Rs. 1,417.56 crore were pending settlement at the end of June 2009.

(Paragraph 1.7)

Test check of the records of sales tax, state excise, taxes on motor vehicles, agricultural income tax, land revenue, stamps and registration fees, entry tax, entertainments tax, professions tax, betting tax, electricity tax, forest and other departmental offices conducted during the year 2008-09 revealed underassessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc., involving Rs. 638.87 crore in 1,075 cases. During the course of the year 2008-09, the departments concerned accepted underassessments, short demands, etc., aggregating Rs. 299.21 crore in 1,183 cases including 1,053 cases involving Rs. 265.86 crore which were pointed out in audit in earlier years. A sum of Rs. 22.72 crore relating to 855 audit observations were recovered at the instance of audit.

(Paragraph 1.12)

II Taxes on sales, trade, etc.

A review of **Transition from sales tax to value added tax** revealed as under:

- The average growth rate of revenue collection in post VAT period (2005-06 to 2007-08) declined by 0.48 *per cent* compared to average growth rate in pre VAT period (2002-03 to 2004-05).

(Paragraph 2.2.6)

- Software got developed for implementation of VAT was not found suitable by the department. Also, the software was not tested before implementation nor was the source code obtained.

(Paragraph 2.2.7.5)

- Scrutiny of assessment records of VAT revealed several cases of non-observance of provisions of Acts/Rules, non/short levy of tax, arithmetical inaccuracies, non-levy of penalty, etc. amounting to Rs. 3.66 crore.

(Paragraph 2.2.9.2)

- Non-levy of penalty for non-filing of annual returns by 3,145 dealers for the year 2006-07 and 3,304 dealers for the year 2007-08 amounted to Rs. 15.57 crore.

(Paragraph 2.2.9.3)

- There was no provision under the KVAT Act for disallowing the input tax credit on capital goods where the KVAT paid on capital goods is capitalised and depreciation claimed.

(Paragraph 2.2.11.1)

Application of incorrect rates of tax in 19 assessments finalised under the Karnataka Sales Tax Act, 1957 and Central Sales Tax Act, 1956 resulted in short levy of tax of Rs. 1.20 crore.

(Paragraph 2.4.1)

Excess/incorrect tax reduction of Rs. One crore was allowed to a dealer for the years 2003-04 and 2004-05 by assessing authority in Bangalore (Urban).

(Paragraph 2.4.3)

III Taxes on Motor Vehicles

Lifetime tax of Rs. 1.07 crore was levied short in respect of 792 vehicles in 42 RTOs.

(Paragraph 3.3.1)

IV Land Revenue

The conversion fine of Rs. 95.13 lakh for diversion of agricultural land for non-agricultural purposes was not levied.

(Paragraph 4.3.1)

V Stamps and Registration Fees

A review of **Levy and collection of stamp duty and registration fees** revealed as under:

- No rules prescribing the procedures for conducting inspection of public offices were framed. As such, the department was unaware of any leakage/evasion of revenue on instruments presented before the officers in-charge of public offices.

(Paragraph 5.2.8.2)

- Absence of a system of co-ordination with various agencies to ensure realisation of proper duty led to non-realisation of revenue of Rs. 215.44 crore.

(Paragraph 5.2.9)

- Leakage of revenue due to non-execution of lease deeds subsequent to revision of mining plans in nine cases amounted to Rs. 2.49 crore.

(Paragraph 5.2.10)

- Incorrect classification of bonds led to short levy of stamp duty of Rs. 42.65 crore.

(Paragraph 5.2.13.1)

Non-detection of suppression of fact of executing a general power of attorney along with an agreement for sale resulted in short levy of stamp duty and registration fees of Rs. 18.94 crore. Besides, penalty of Rs. 44.88 crore was also realisable.

(Paragraph 5.4.1)

Non-detection of evasion of stamp duty by not mentioning the fact of conversion of agricultural land for non-agricultural purposes led to short levy of stamp duty and registration fees of Rs. 19.16 lakh. Besides, penalty of Rs. 85.70 lakh was also realisable.

(Paragraph 5.4.2)

VII Non-Tax Receipts

A review of **Receipts of the Public Works Department** revealed as under:

- There were huge variations between Budget Estimates and actual realisation indicating that the BEs were unrealistic.

(Paragraph 7.2.6)

- Fixation of concessional lease rent by Government in respect of properties leased to non-charitable private bodies/individuals resulted in foregoing of revenue of Rs. 1,205.97 crore.

(Paragraph 7.2.8)

- Non-levy of centage charges and Establishment, Tools and Plant (ETP) charges resulted in loss of revenue of Rs. 19.30 crore

(Paragraph 7.2.11)