
OVERVIEW

This Report contains 44 paragraphs including three reviews on cross verification of purchase/sale effected under KGST/KVAT/CST acts, package for effective administration of registration laws (PEARL) in the registration department and recovery of arrears of revenue under revenue recovery act and paragraphs relating to non/short levy/loss of tax involving Rs. 675.44 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. 24,512.18 crore against Rs. 21,106.79 crore for the previous year. Seventy two *per cent* of this was raised by the State through tax revenue (Rs. 15,990.18 crore) and non-tax revenue (Rs. 1,559.29 crore). The balance 28 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (Rs. 4,275.52 crore) and grants-in-aid (Rs. 2,687.19 crore).

(Paragraph 1.1.1)

- At the end of 2008-09, arrears in respect of commercial taxes, land revenue, motor vehicle, etc., amounted to Rs. 9,465.95 crore of which arrears in respect of commercial taxes accounted for Rs. 3,777.26 crore and taxes and duties on electricity accounted for Rs. 3,238.95 crore.

(Paragraph 1.4)

II. Tax on Sales, Trade etc.

A review of "Cross verification of purchase/sale effected under KGST/KVAT/CST Acts" revealed the following.

- Absence of control over movement of goods under transit pass resulted in short levy of Rs. 32.41 crore.

(Paragraph 2.2.7)

- Non-conducting of cross verification of declarations in form 25 led to evasion of tax of Rs. 43.94 crore.

(Paragraph 2.2.9)

- Short levy of Rs. 172.93 crore due to acceptance of invalid/defective declaration forms was detected.

(Paragraph 2.2.10)

- The Government unauthorisedly waived tax, interest and penalty of Rs. 96.87 crore leviable under the Central Sales Tax Act.

(Paragraph 2.2.11)

- Non-accounting of import/purchase through form 25 resulted in non-levy of tax of Rs. 18.43 crore.

(Paragraph 2.2.12)

Irregular grant of exemption in 24 cases resulted in non/short levy of tax of Rs. 4.09 crore.

(Paragraph 2.4.1)

Application of incorrect rate of tax in 10 cases resulted in short levy of tax of Rs. 2.90 crore.

(Paragraph 2.4.2)

Non-appropriation of payment under section 55 C resulted in short levy of tax and interest of Rs. 1.41 crore in three cases.

(Paragraph 2.4.3)

Underassessment of turnover in 11 cases resulted in non/short demand of tax and interest of Rs. 83.72 lakh.

(Paragraph 2.4.4)

Misclassification of goods by the dealers and non scrutiny of the records by assessing authorities in 15 cases resulted in non/short levy of tax and interest of Rs. 1.30 crore.

(Paragraph 2.4.11)

Application of incorrect rate of tax/incorrect exemption granted without scrutiny of the records in three cases resulted in non/short levy of output tax of Rs. 1.24 crore.

(Paragraph 2.4.12)

Excess/incorrect allowance of input tax in six cases resulted in short levy of tax of Rs. 84.54 lakh.

(Paragraph 2.4.13)

III. Taxes on Agricultural Income

Underassessment of income in three cases resulted in non/short levy of tax of Rs. 8.54 crore.

(Paragraph 3.3.1)

Incorrect computation of income in one case resulted in short levy of tax and interest of Rs. 1.30 crore.

(Paragraph 3.3.2)

Interest of Rs. 92.55 lakh accrued as a result of non-payment of balance tax was not demanded in two cases.

(Paragraph 3.3.3)

IV. Stamp Duty and Registration Fees

A review of “**Package for effective administration of registration laws (PEARL) in the registration department**” revealed the following.

- Every user could login as Sub Registrar as passwords were shared by all, exposing to the risk of unauthorised modification of data.

(Paragraph 4.2.4.4)

- Stakeholders are totally helpless as validated electronic copy of data and documents were not kept in Sub Registry Office (SRO), Kottarakara where a fire mishap devastated 99 *per cent* of documents. It took four years to resume computerised activity in another SRO where hardware was stolen.

(Paragraph 4.2.5.1)

- Stamp duty calculated and stored in PEARL was short of requirement in 47 *per cent* of records.

(Paragraph 4.2.6.2)

- There is no restriction for any user to access and modify backend data. Data analysis found no login information in 12 *per cent* of records.

(Paragraph 4.2.6.4)

- The fields storing survey number details were blank in 3,493 records and age fields of executants and claimants were blank in 87 *per cent* of records. Crucial data of boundary details stored contained trash data in 99 *per cent* of records.

(Paragraph 4.2.7.2)

- 44 *per cent* and 18 *per cent* mistakes were observed in data stored relating to accounts and registration documents respectively.

(Paragraph 4.2.7.3)

- Legal suits initiated against the department due to issuance of incorrect encumbrance certificates generated from not-validated data.

(Paragraph 4.2.7.4)

- Though computerisation started in the year 2000 and Rs. 24.41 crore was incurred, the System has not been fully operationalised; bugs are not rectified; only 1 out of 5 modules are put to use and the required amendments to Acts and Rules were not carried out till date.

(Paragraph 4.2.8.2 and 4.2.8.3)

- Though Government have taken no decision on commencement of scanning, scanners continued to be purchased (Rs. 70 lakh) in all the six phases and AMC also was provided (Rs. 3 lakh) for scanners which remained packed.

(Paragraph 4.2.8.6)

Stamp duty and registration fee was realised short by Rs. 92.83 lakh in 11 documents due to undervaluation of documents.

(Paragraph 4.4.1)

V. Taxes on Vehicles

Omission to levy and collect fee for permit and renewal of certificate of fitness, misclassification of vehicles etc., resulted in non/short realisation of revenue of Rs. 85.32 lakh in four cases.

(Paragraph 5.3.2)

Incorrect application of the provisions of the Act, resulted in non/short levy of one time tax to the extent of Rs. 41.80 lakh in four cases.

(Paragraph 5.3.4)

Tax due but not demanded due to non-filing of non-use intimation, incorrect reckoning of seating and standing capacity and irregular adjustment resulted in non/short realisation of revenue of Rs. 17.79 lakh in three cases.

(Paragraph 5.3.5)

VI. Land Revenue and Building Tax

A review of “**Recovery of arrears of revenue under the Revenue Recovery Act**” revealed the following.

- Revenue recovery requisitions/certificates covering an amount of Rs. 63.46 crore was seen returned without exhausting all means of recovery.

(Paragraph 6.2.12)

- Collection of revenue of Rs. 326.35 crore was blocked due to inordinate delay in RR action.

(Paragraph 6.2.13)

- Lack of co-ordination between Government Departments resulted in blocking up of revenue to the extent of Rs. 18.73 crore.

(Paragraph 6.2.14)

- Failure of the Excise Department to exercise the vested powers for recovery led to non-realisation of revenue of Rs. 102.69 crore.

(Paragraph 6.2.15)

- In the Demand Collection Balance Statement of *Tahsildar* (RR) Kochi opening balance of 2004-05 was incorrectly carried forward from the closing balance of the previous year resulting in non-realisation of revenue of Rs. 8.41 crore.

(Paragraph 6.2.18.1)

- Bought-in-land valued at Rs. 11.98 crore was kept undisposed without conducting re-auction.

(Paragraph 6.2.19.3)

- Remission of demand for revenue recovery without the orders of the competent authority resulted in loss of revenue of Rs. 3.50 crore.

(Paragraph 6.2.20.1)

- Revenue recovery proceedings in respect of a defaulter having arrears of Rs. 1.12 crore was inadvertently closed in Ernakulam District.

(Paragraph 6.2.20.2)

Inaction to execute fresh lease agreement with seven lease holders of land in the erstwhile *panchayats*, which were brought under the corporation limits resulted in short levy of lease rent of Rs. 1.59 crore.

(Paragraph 6.4.1)

Collection charges amounting to Rs. 33.85 lakh was short realised while recovering the arrear amount of Rs. 20.82 crore.

(Paragraph 6.4.2)

VII. Other Tax Receipts

Failure to levy tax on the income derived from services such as *ayurveda*, travel and trekking charges etc., provided in a hotel resulted in short levy of tax of Rs. 24.36 lakh in two cases.

(Paragraph 7.3)

VIII. Other Non-Tax Receipts

Non-revision of seignorage rate in tune with the rates of PWD resulted in loss of revenue of Rs. 57.12 lakh.

(Paragraph 8.3)

Non-remittance of the revenue portion of special fee collected by six polytechnic colleges and three engineering colleges into the Government account resulted in misappropriation of revenue to the tune of Rs. 3.65 crore.

(Paragraph 8.4)