

## OVERVIEW

The report contains 27 paragraphs including four reviews relating to non/short levy of taxes, interest, penalty, etc. involving Rs. 337.40 crore. Some of the major findings are mentioned below:

### I General

The revenue raised by the State during 2008-09 was Rs. 55,042.51 crore, comprising Rs. 33,684.37 crore as tax revenue and Rs. 5,712.33 crore as non-tax revenue. Rs. 8,510.80 crore was received from the Government of India as State's share of divisible Union taxes and Rs. 7,135.01 crore as grants-in-aid. The revenue raised by the State Government in 2008-09 was 72 *per cent* of the total revenue receipts as compared to 69 *per cent* in 2007-08. Sales tax (Rs. 20,674.70 crore) formed a major portion (61 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits (Rs. 1,501.09 crore) accounted for 26 *per cent* of the non-tax revenue.

(Paragraph 1.1)

At the end of 2008-09, arrears in respect of taxes administered by the departments of Commercial Taxes, Revenue, Home, etc., amounted to Rs. 10,204.58 crore; of which sales tax alone accounted for Rs. 9,871.35 crore.

(Paragraph 1.4)

As at the end of June 2009, 7,213 inspection reports containing 24,693 audit observations involving Rs. 3,417.03 crore were outstanding in various departments.

(Paragraph 1.9)

Test check of the records relating to sales tax, state excise, land revenue, urban land tax, taxes on vehicles and other departmental offices conducted during the year 2008-09 revealed underassessments, short levy, loss of revenue and other observations amounting to Rs. 1,459.26 crore in 2,752 cases.

(Paragraph 1.14)

### II Sales Tax

Review on “Transition from Sales Tax to Value Added Tax” revealed as under:

- Failure to formulate a time bound action plan for attaining finality in respect of matters relating to the erstwhile TNGST Act resulted in huge pendency of assessments, non-collection of arrears and non-implementation of taxation proposals.

(Paragraph 2.2.7.1, 2.2.7.2 & 2.2.7.3)

- Absence of provisions empowering registering authorities to exercise vital checks before granting registration or for conducting survey and lack of co-ordination with the other Government departments to elicit information about dealers resulted in non-detection of dealers liable for registration.

**(Paragraph 2.2.8.1)**

- Failure to prescribe a time frame under the TNVAT Act for finalisation of assessments has led to pendency and consequent delay in selection of cases for scrutiny.

**(Paragraph 2.2.10)**

- Refund of Rs. 57.29 crore was allowed in 1,567 cases without ensuring the remittance of tax into the Government account.

**(Paragraph 2.2.12.3)**

- The benefit of reduction in rate of tax on the implementation of TNVAT was not passed on to the general public by way of reduction in prices.

**(Paragraph 2.2.13.4)**

Review on “**Computerisation of Value Added Tax Information System in Commercial Taxes Department**” revealed as under:

- Lack of URS, system design and its documentation while switching over to the new environment of VAT computerisation exposed the lack of preparation at the time of customisation.

**(Paragraph 2.3.6.1)**

- Absence of proper connectivity between the client and server resulted in non generation of notices at circle level and consequent delay in realisation of revenue.

**(Paragraph 2.3.7.3)**

- Absence of input and validation controls in vital fields like TIN, rate of taxes resulted in lack of the data integrity and reliability.

**(Paragraph 2.3.8)**

Incorrect grant of exemption without verification of the genuineness of the transaction of consignment sale resulted in non-levy of tax of Rs. 3 crore, including penalty of Rs. 1.80 crore.

**(Paragraph 2.5)**

Erroneous treatment of sale as works contract resulted in short levy of tax of Rs. 2.33 crore.

**(Paragraph 2.8)**

In two assessment circles, incorrect assessment of goods sold under the brand names by two dealers resulted in short levy of tax of Rs. 1.13 crore.

**(Paragraph 2.9)**

### **III Stamp Duty and Registration Fees**

In 52 registering offices, misclassification of instruments was noticed in 651 cases which resulted in short levy of stamp duty and registration fees of Rs. 6.85 crore.

**(Paragraph 3.3)**

In five registration offices there was short levy of stamp duty and registration fees of Rs. 1.86 crore due to under valuation of property.

**(Paragraph 3.4)**

In three sub registries, excess allocation of transfer duty surcharge to local bodies resulted in incorrect allocation of Rs. 66.60 lakh.

**(Paragraph 3.5)**

### **IV Other Tax Receipts**

Review on “**Assessment and levy of entertainments tax**” revealed as under:

- Revenue of Rs. 141.74 crore was not realised by the department on account of non registration of cable television operators during the years 2003-04 to 2007-08.

**(Paragraph 4.2.7.1)**

- There was excess assignment of funds to local bodies to the tune of Rs. 61.33 lakh.

**(Paragraph 4.2.13)**

### **V Non-Tax Receipts**

#### **Mines and Minerals**

Review on “**Receipts under mines and minerals**” revealed as under:

- Absence of a system for cross verification of Central Excise Range office records with the records of the Assistant Director, Geology and Mining, Nagapattinam revealed incorrect depiction of mineral oil produced by a company resulting in less payment of royalty of Rs. 2.17 crore.

**(Paragraph 5.2.8)**

- There was absence of time limit provision for renewal of lease deeds. The leases of four lessees in six cases were not renewed even after a considerable time of six to 12 years. This resulted in non-realisation of stamp duty of Rs. 1.20 crore.

**(Paragraph 5.2.9)**

- Absence of a proper system in place to take up the revision of seigniorage rates at the interval of every three years resulted in foregoing of revenue of Rs. 42.43 crore for the period from April 2006 to March 2008.

**(Paragraph 5.2.10)**

- Absence of a proper system in place to take up the revision of royalty rates at the interval of every three years resulted in foregoing of revenue of Rs. 105.29 crore in respect of lignite.

**(Paragraph 5.2.16)**