

OVERVIEW

The Report contains 41 paragraphs involving ₹ 477.58 crore and three performance audits on (i) “Taxation of works contracts under the APVAT Act”, involving ₹ 35.23 crore, (ii) “Cross verification of declaration forms used in inter state trade”, involving ₹ 77.31 crore, and (iii) “Alienation of Government land and conversion of agricultural land for non-agricultural purposes”, involving revenue implication of ₹ 182.31 crore, relating to non/short levy of taxes, interest, penalty etc., and having total financial impact of ₹ 772.43 crore. Some of the significant audit findings are mentioned below:

1 GENERAL

- The total revenue receipts of the State Government for the year 2010-11 amounted to ₹ 80,996.30 crore against ₹ 64,678.35 crore for the previous year. 69 *per cent* of this was raised by the State through tax revenue (₹ 45,139.55 crore) and non-tax revenue (₹ 10,719.72 crore). The balance 31 *per cent* was received from the Government of India as State share of divisible Union taxes (₹ 15,236.75 crore) and Grants-in-aid (₹ 9,900.28 crore).

(Paragraph 1.1.1)

- Test check of the records of VAT/sales tax, land revenue, taxes on vehicles, stamp duty and registration fee and other departmental offices conducted during the year 2010-11 revealed under assessment/short levy/loss of revenue etc., amounting to ₹ 1,778.34 crore in 2,497 cases.

(Paragraph 1.6.1)

2 SALES TAX/VAT

A Performance Audit on “**Taxation of works contracts under the APVAT Act**” indicated the following deficiencies:

- The number of registered works contractors and taxes collected increased during the period 2005-06 to 2009-10 but the Department could have ensured more revenue collections by bringing more dealers under the tax net by utilising TDS details to detect the unregistered dealers and by establishing system of cross verification with agencies and Government Departments/bodies. We have cross verified TDS details in just four circles and have estimated tax dues of ₹ 3.42 crore due to non-registration of contractors in construction and sale of apartments besides penalty of ₹ 0.86 crore.

(Paragraph 2.11.7.1)

- Though the VAT provisions came into force since 1 April 2005, the Department has not established a system of cross verification of transactions with other Taxation Departments as envisaged in the White Paper issued by the Empowered Committee of State Finance

Ministers for VAT (ECSFM) for preventing revenue leakages. We have estimated tax dues of ₹ 141.73 crore due to non-registration of works contractors under the Act, by cross verification of data with the Income Tax Department. Further, due to under reporting of turnovers, we have estimated tax dues of ₹ 36.15 crore in nine cases by cross verifying Income Tax returns details.

(Paragraph 2.11.7.2)

- We saw that there were system deficiencies relating to TDS collections in the form of unique form ID not being followed for TDS credits; non-maintenance of registers for monitoring of receipt of TDS cheques and their credit to Government Account; non-monitoring of receipt of returns with TDS remittances; absence of a system to monitor the filing of option under the prescribed form for claiming benefit of the Composition Scheme. We detected incorrect declaration of tax under the composition scheme of ₹ 1.53 crore.

(Paragraph 2.11.8)

- There was irregular claim of tax credit of ₹ 4.91 crore by nine dealers due to non-submission of TDS certificates with the returns.

(Paragraph 2.11.12.2)

- There was under declaration of tax of ₹ 6.26 crore by 20 Works Contractors due to incorrect allowance of exemption; of ₹ 5.84 crore in 83 cases due to suppression of turnovers with reference to payment received from their contractees and under declaration of ₹ 0.66 crore in two cases due to incorrect exemption of turnover.

(Paragraphs 2.11.13.2, 2.11.13.3 & 2.11.13.4)

- There were incorrect/excess claims of Input Tax Credits (ITC) in composition/non-composition contracts.

(Paragraph 2.11.14.2 & 2.11.14.3)

- Misclassification of sales as works contracts in nine cases resulted in under declaration of tax of ₹ 4.82 crore.

(Paragraph 2.11.16)

- Incorrect determination of taxable turnover in 10 cases resulted in under declaration of tax of ₹ 0.96 crore and incorrect authorisation of refunds in two cases resulted in excess refund of ₹ 1.78 crore.

(Paragraphs 2.11.17.2 & 2.11.17.4)

A Performance Audit on “**Cross verification of declaration forms used in inter-state trade**” indicated the following deficiencies:

- The Department did not maintain a comprehensive database of concessions and exemptions given in Inter-State Trade.

(Paragraph 2.12.8)

- The Department did not have a system for blacklisting dealers utilising fake/invalid declarations.

(Paragraph 2.12.9.2)

- Evasion of tax by fraudulent utilisation of fake 'F' forms in support of branch/consignment transfers resulted in non-levy of tax and penalty of ₹ 73.07 crore.

(Paragraph 2.12.12.1)

- Evasion of tax by fraudulent utilisation of fake 'C' forms in support of inter-State sales resulted in short levy of tax of ₹ 8.65 lakh and non-levy of penalty of ₹ 17.31 lakh.

(Paragraph 2.12.12.2)

- Grant of incorrect exemption from payment of tax of ₹ 2.27 crore due to acceptance of invalid forms (F-forms).

(Paragraph 2.12.12.3)

- Grant of incorrect concession due to acceptance of invalid forms resulted in short levy of tax of ₹ 43.19 lakh.

(Paragraph 2.12.12.4)

- Mis-utilisation of 'C' Forms on inter-State purchases led to non-levy of Penalty of ₹ 35.45 lakh.

(Paragraph 2.12.12.5)

- Incorrect claim of exemption from payment of tax of ₹ 8.40 lakh on forms issued by dealers whose registrations were cancelled.

(Paragraph 2.12.12.6)

- Incorrect allowance of concessional rate of tax of ₹ 83.48 lakh in the absence of declaration forms (C Forms).

(Paragraph 2.12.13)

Audit observations on Returns/Assessments

- In three LTUs and 14 circles, the Department allowed excess incorrect claim of Input Tax Credit of ₹ 5.91 crore in 19 cases.

(Paragraph 2.15)

- VAT of ₹ 10.13 crore was not collected from the rice millers on their sale turnover of rice made to Food Corporation of India (FCI), though the price paid by the FCI to the millers included the element of VAT.

(Paragraph 2.19)

- Irregular exemption of taxable turnover of ₹ 207.04 crore relating to sale of loose liquor in violation of the APVAT Act resulted in under declaration of VAT of ₹ 19.67 crore in 43 circles in 96 cases.

(Paragraph 2.20.1)

- In one LTU and seven circles, incorrect exemption of export sales resulted in non-levy of tax of ₹ 15.87 crore.

(Paragraph 2.24)

3 LAND REVENUE

A Performance Audit on “**Alienation of Government land and conversion of agricultural land for non-agricultural purposes**” indicated the following deficiencies:

- The Department did not finalise alienation proposals on advance possession of land for years together resulting in non-recovery of revenue of ₹ 160.86 crore

(Paragraph 3.6.8.2)

- Absence of a system for cross verification and coordination between Departments and local bodies resulted in non/short levy of revenue of ₹ 50.56 lakh.

(Paragraph 3.6.9)

- We noticed from information collected from five divisions and 10 Tahsildars that conversion fee and fine amounting to ₹ 1,438.11 crore was pending recovery for want of effective pursuance by the Department.

(Paragraph 3.6.10)

- Non-levy of fine on lands converted for non-agricultural purpose without obtaining prior permission - ₹ 70.49 lakh.

(Paragraph 3.6.12)

- Short levy of Conversion fee and fine due to incorrect arithmetic calculations - ₹ 11.13 crore.

(Paragraph 3.6.13)

- Non levy of interest on collected arrears - ₹ 6.04 crore.

(Paragraph 3.6.16)

- Unauthorised occupation of Government Land for 39 years due to non-demarcation.

(Paragraph 3.6.18)

4. TAXES ON VEHICLES

- Non-renewal of fitness certificate in one office of the Joint Transport Commissioner (JTC), 17 offices of Deputy Transport Commissioners (DTCs) and 22 offices of Regional Transport Officers (RTOs), resulted in non-realisation of fitness certificate fee of ₹ 14.60 crore besides compounding fee of ₹ 44.96 crore.

(Paragraph 4.8)

- Quarterly tax of ₹ 2.31 crore and penalty of ₹ 4.62 crore in the offices of one JTC, Hyderabad, seven DTCs and 10 RTOs were not realised.

(Paragraph 4.9)

- Issue of 8,16,868 driving licenses at pre-revised rates in the office of Transport Commissioner resulted in short levy of fee of ₹ 4.08 crore.

(Paragraph 4.10)

- Life tax aggregating to ₹ 1.03 crore was short levied in 13 DTCs and 19 RTOs.

(Paragraph 4.11)

5. STAMP DUTY AND REGISTRATION FEES

- Cross verification of records of the office of the Commissioner and Inspector General of Registration and Stamps and the Registrar of Companies, Andhra Pradesh revealed that stamp duty of ₹ 3.42 crore was not levied on amalgamation/merger of 16 companies.

(Paragraph 5.10)

- In one District Registry (DR) office, four Sub-Registries (SRs) and two Commercial Tax circles, stamp duty of ₹ 1.96 crore was short levied on 12 lease deeds.

(Paragraph 5.11)

- In one DR, stamp duty of ₹ 1.50 crore on two documents involving distinct matters relating to payment of goodwill was short levied.

(Paragraph 5.12)

6. OTHER TAX RECEIPTS

ENERGY DEPARTMENT

- Electricity duty of ₹ 264.58 crore was not levied by the CEI on the electrical energy generated and sold by 113 private power generating units.

(Paragraph 6.3.1)

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

- Professions tax of ₹ 27.77 crore was not collected by the Transport Department from the owners of 3,70,288 non-transport vehicles on road for the year 2008-09.

(Paragraph 6.4.1)

INDUSTRIES AND COMMERCE DEPARTMENT

- In seven offices of Assistant Cane Commissioners, penalty amounting to ₹ 5.08 crore was not levied on removal of sugar without payment of purchase tax.

(Paragraph 6.5)

REVENUE DEPARTMENT

- In six Tahsildar offices, remission of water tax amounting to ₹ 65.63 lakh was incorrectly granted without obtaining orders from the Government.

(Paragraph 6.6)

7 NON-TAX RECEIPTS

- In one office of Assistant Director of Mines and Geology (ADMG) seigniorage fee of ₹ 1.29 crore was short recovered.

(Paragraph 7.3.1)

- In three offices of Deputy Director of Mines and Geology and two offices of ADMG, dead rent of ₹ 60.05 lakh was either not levied or short levied in 103 cases.

(Paragraph 7.4)