

EXECUTIVE SUMMARY – CHAPTER - VII

Decreasing tax collection and huge shortfall compared to budget estimates	During the past five years the actual revenue collection has been persistently lower than the budget estimates. Budget estimate should be realistic.
Results of audit	<p>In 2011-12, the records of 10 units relating to Power Department were test checked and detected under assessment/short levy of tax involving ₹ 11.54 crore in 11 cases.</p> <p>The Department accepted underassessment and other deficiencies of ₹ 4.92 lakh in one case, which was pointed out by us during the year 2011-12.</p>
What is highlighted in this Chapter	In this Chapter illustrative cases of ₹ 29.34 lakh selected from observations noticed during test check of records relating to Electrical Inspectorates are included. It was found that the provisions of the Acts /Rules were not complied with.
Conclusion	It is recommended that the Government may initiate action to collect revenue due from licencees and also strengthen enforcement so as to see that the licencees conforms to provisions of the law in force, in respect of rates, levy and collection of electricity duty.

CHAPTER-VII : TAXES AND DUTIES ON ELECTRICITY

7.1 Tax administration

Government of Kerala levies duty and surcharge on the sale and consumption of electricity under Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989. The rates are as follows:

Category	Electricity Duty	Surcharge
Duty payable on sale of energy by licensees	At the rate of six paise per unit on energy sold at a price of more than 12 paise per unit (under Section 3).	--
Domestic and commercial consumers	10 <i>per cent</i> of the price indicated in invoice (under Section 4).	--
Public Lighting	NIL	--
Consumer of energy for agricultural purposes	10 <i>per cent</i> of the price indicated in invoice (under Section 4).	--
Industrial consumers taking energy at points below 11 KV	10 <i>per cent</i> of the price indicated in invoice (under Section 4).	--
Industrial consumers taking energy at point 11 KV and above	10 paise per unit of energy consumed (under Section 4).	Maximum of 5 paise per unit
Consumer generating energy for their own consumption	1.2 paise per unit of energy generated and consumed.	--
Interest	At a rate not exceeding 18 <i>per cent</i> (under Section 8)	At a rate not exceeding 12 <i>per cent</i> (under Section 5)

The Kerala Electricity Duty Act, 1963 and Rules made thereunder govern the levy of duty on the sale and consumption of electrical energy in the State. Power Department is under the control of the Secretary (Power) at the Government level and the Chief Electrical Inspector administers the Act.

Government of Kerala have appointed nine¹ licensees for the sale of electricity. The collection of duties and surcharge is through self assessment made by the licensees.

7.2 Trend of receipts

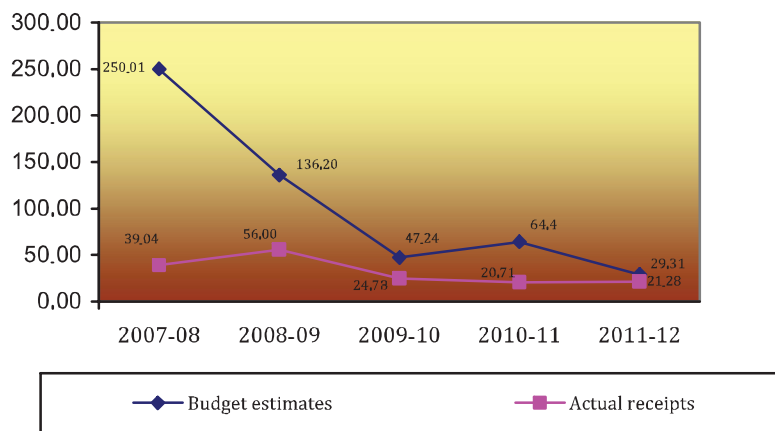
Actual receipts from electricity duty during the last five years (2007-08 to 2011-12) along with the budget estimates during the same period is exhibited in the following table and graph.

¹ KSEB, Cochin Shipyard, Cochin Port Trust, CSEZ, KINESCO (KINFRA), Rubber Park, Thrissur Corporation, KDHP, Munnar and Techno Park, Thiruvananthapuram.

(₹ in crore)

Year	Budget estimates	Actual Receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts	Percentage of growth
2007-08	250.01	39.04	(-) 210.97	(-) 84.38	13,668.95	0.28	22.84
2008-09	136.20	56.00	(-) 80.20	(-) 58.88	15,990.18	0.35	43.44
2009-10	47.24	24.78	(-) 22.46	(-) 47.54	17,625.02	0.14	(-) 55.75
2010-11	64.40	20.71	(-) 43.69	(-) 67.84	21,721.69	0.09	(-) 16.42
2011-12	29.31	21.28	(-) 8.03	(-) 27.40	25,718.60	0.08	(+) 2.75

Budget estimates and actual receipts - MH 0043



The actual receipts from electricity duty was less than the budget estimate during the last five years.

7.3 Working of Internal Audit Wing

The functioning of the Internal Audit Wing (IAW) of the Electrical Inspectorate is monitored by the Chief Electrical Inspector. The IAW consists of one Accounts Officer, one Administrative Assistant, one Senior Superintendent, five Upper Division clerks and two Lower Division clerks. Employees dealing with accounts and related subjects are selected for internal audit team. No regular training has been imparted to them. All the units are subjected to audit once in a year. Out of the 15 units planned for audit during 2011-12, 13 units have been audited. No separate internal audit manual has been prepared by the Department.

It is recommended that the IAW may be strengthened by imparting training to the persons deployed for audit and by preparing an Internal Audit Manual.

7.4 Results of audit

In 2011-12 records of 10 units relating to Power Department were test checked and underassessment/short levy of tax involving ₹ 11.54 crore were detected in 11 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Short /non-levy of tax	10	11.49
2	Other lapses	1	0.05
	Total	11	11.54

The Department accepted underassessment and other deficiencies of ₹ 4.92 lakh in one case, which was pointed out during the year 2011-12.

A few illustrative cases involving ₹ 0.29 crore are mentioned in the following paragraphs.

7.5 Audit observations

Scrutiny of records of the Chief Electrical Inspectorate and various Electrical Inspectorates revealed several cases of non-compliance of the provisions of the Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, etc. and other cases 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 Electrical Inspectors remain undetected till we conduct an audit. There is need for the Government to improve the internal control system.

7.6 Non-levy of surcharge

(Chief Electrical Inspectorate, Thiruvananthapuram)

Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 authorises licensees to collect and to pay to Government, Electricity Surcharge at 2.5 paise per unit. Interest at a rate not exceeding 12 *per cent* is leviable for the delayed payment of surcharge. Under the Kerala Electricity Duty Act, 1963 licensees are liable to pay duty and surcharge prescribed under the Act. Kerala Electricity Duty Rules provides that the licensees shall submit monthly/annual returns.

It was noticed (January 2012) from the Duty Remittance Statement furnished by KINESCO Power and Utilities Private Ltd. that they sold 4,21,63,172 units of electrical energy to various HT consumers during 2010-11 for which they did not remit the surcharge due. Though the information was readily

available with the Department, no action was taken to realise the dues. Non-levy of surcharge works out to ₹ 11.49 lakh including interest (up to December 2011).

The matter was pointed out to the Department (January 2012) and the Department stated that action would be taken to realise the same with penal interest.

The case was reported to the Government in March 2012; their reply has not been received (December 2012).

**7.7 Non-payment of electricity duty on self consumption of energy/
excess transmission loss**

(Chief Electrical Inspectorate, Thiruvananthapuram)

Under Sections 3 and 4 of the Kerala Electricity Duty Act, 1963 the licensees under the Act are authorised to collect the Electricity Duty from the consumers and to pay it to the Government. As per explanation under Section 2(a) where a licensee to whom energy is supplied by the KSEB for supply to others, himself consumes any part of the energy, he shall be deemed to be a consumer in respect of energy so consumed and electricity duty is payable at the rate of 10 *per cent* of invoice price. The line loss admissible to Thrissur Municipal Corporation is eight *per cent*. As per schedule of Tariff with effect from 1 December 2007, energy charges for non-domestic consumers above 500 kWh is ₹ 8.40/unit. As per the Act, duty collected from the consumers shall be remitted to Government before the expiry of the following month and interest at the rate of 18 *per cent* per annum is chargeable on the arrears.

It was noticed (January 2012) from the statements regarding remittance of duty filed by Thrissur Municipal Corporation that it had not paid electricity duty from April to June 2011, in respect of energy consumed for own purposes. It was also noticed that the assessee was claiming transmission loss in excess of permissible limit during the year. The non-payment of duty in this regard works out to ₹ 11.07 lakh including interest.

When the matter was pointed out to the Department (January 2012), the Department

stated that the licensee had not furnished the final accounts and no inspection had been conducted. Action would be taken to realise the amount at the time of inspection. Further report has not been received (December 2012).

The matter was reported to the Government (March 2012); their reply has not been received (December 2012).

7.8 Short levy of electricity duty and interest thereon

(Chief Electrical Inspectorate, Thiruvananthapuram)

As per the tariff of the Kerala State Electricity Regulatory Commission, supply of electrical energy at a voltage exceeding 33 KV under normal conditions is classified as Extra High Tension (EHT) consumer and supply at 33 KV and 22 KV or 11 KV is considered as High Tension (HT) consumer. As per schedule of the Kerala Electricity Duty Act 1963, Electricity duty at 10 paise per unit is to be charged from industrial consumers taking supply of energy at 11 KV and above and in all other cases electricity duty at the rate of ten *per cent* of the price of energy indicated in the invoice including industrial consumers taking supply of energy at points below 11 KV. Government vide notification (August 2012) clarified that electricity duty at the rate of ten *per cent* of the energy charges shall be collected from the non-industrial consumers. As per the Act, duty collected from the consumers shall be remitted to Government before the expiry of the following month and interest at the rate of 18 *per cent* per annum is chargeable on the arrears.

It was noticed (January 2012) that Kannan Devan Hill Plantation Co. (P) Ltd. (KDHP) collected electricity duty at the rate of 10 paise per unit instead of 10 *per cent* of invoice price from eight² non-industrial HT consumers during the period 2010-11 which resulted in short levy of electricity duty amounting to ₹ 6.78 lakh including interest (up to December 2011).

The matter was pointed out to the Department (January 2012) and the Department stated that inspection of accounts maintained by the assessee had not been conducted and action would be initiated to

realise the electricity duty short levied along with interest and penal interest. Further report has not been received (December 2012).

The matter was reported to the Government (March 2012); their reply has not been received (December 2012).

² Edassery Eastend Hotel, EVM Hotel, Grand Plaza, KLD Board, KTDC Tea County, Lockhart, MS Hotels and Talliar.