

Overview

This Report contains 39 paragraphs including one Performance Audit on "Levy and Collection of VAT on Evasion Prone Commodities/Areas in Commercial Taxes Department" relating to non/short levy of tax, interest and penalty etc; involving ₹ 304.66 crore. Some of the major findings are mentioned below:

I. General

Total revenue receipts of the State Government for the year 2011-12 amounted to ₹ 38,010.36 crore against ₹ 30,990.95 crore for the previous year. 74 *per cent* of this was raised by the State through tax revenue (₹ 25,718.60 crore) and non-tax revenue (₹ 2,592.18 crore). The balance 26 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (₹ 5,990.36 crore) and grants-in-aid (₹ 3,709.22 crore).

(Paragraph 1.1.1)

As on 30 June 2012, 2,751 Inspection Reports (IRs) in respect of various departments containing 20,629 observations involving money value of ₹ 2,102.05 crore were outstanding. The number of outstanding audit observations increased by 37 *per cent* during the two year period.

(Paragraph 1.3.1)

II. Taxes on sales, trade etc.

A Performance Audit on "Levy and Collection of VAT on Evasion Prone Commodities/Areas in Commercial Taxes Department" revealed the following:

- Cross verification of the data obtained from State Pollution Control Boards, Mining and Geology Department and Departments of Industries & commerce revealed that 378 dealers had not registered themselves with the Commercial Taxes Department (CTD).

(Paragraph 2.11.12.2)

- Cross verification of the information obtained from the Controller General of patents and Trademarks, Customs Department with the data available with the CTD revealed that 56 dealers had suppressed their turnovers resulting in short levy of tax of ₹ 211.26 crore.

(Paragraph 2.11.12.4)

- In the Special Circle, Thiruvananthapuram, the Kerala State Road Transport Corporation received ₹ 6.15 crore as income from advertisement on bus bodies during the period 2006-07 to 2010-11 but did not assess the same to tax. This resulted in non-levy of tax and interest of ₹ 34 lakh.

(Paragraph 2.11.12.6)

- The Department had not fixed the floor rate for Day old chicks (DOC). The farmers paid taxes at lesser rates on interstate rates than the rate fixed by KEPC .This resulted in loss of tax of ₹ 3.84 crore.

(Paragraph 2.11.12.7(i))

- Despite reports of the Investigation Wing of the CTD regarding tax evasion by use of bogus C/F declaration forms, the Department did not take any action for realisation of tax of ₹ 5.03 crore.

(Paragraph 2.11.12.9)

- The floor rate for plywood fixed in February 2007 was proposed to be revised in August 2009 with a hike of 15 *per cent* but these were not revised till November 2011. The delay in revision of floor rates resulted in forgoing of revenue of ₹ 2.02 crore during 2010-11.

(Paragraph 2.11.12.10)

Transaction Audit

In three offices mistake in annual return with reference to audited figures in four cases resulted in short levy of tax of ₹ 5.97 crore.

(Paragraph 2.13.1.1)

Incorrect computation of taxable turnover of a dealer as ₹ 9.12 crore instead of ₹ 33.41 crore, resulted in short levy of tax, cess and interest of ₹ 3.74 crore.

(Paragraph 2.13.1.2)

Non-inclusion of turnover on rental charges of energy meters collection by KSEB in the annual return resulted in non-levy of tax, cess and interest of ₹ 43.16 crore.

(Paragraph 2.13.1.12)

The subsidy/discount received in ten cases was not reckoned as turnover resulting in short levy of tax of ₹ 2.07 crore.

(Paragraph 2.13.2)

Accepting turnover of ₹ 38.49 crore instead of ₹ 47.43 crore by the assessing authority resulted in Short levy of tax of ₹ 21.24 lakh.

(Paragraph 2.13.14.1)

Non-levy of tax on sales of ₹ 1.07 crore relating to High Speed Diesel resulted in short realisation of tax ₹ 48.49 lakh.

(Paragraph 2.13.15.1)

III. Taxes on Agricultural Income

Non-inclusion of subsidy of ₹ 3.64 crore as taxable agriculture turnover resulted in short realisation of tax of ₹ 1.82 crore.

(Paragraph 3.8.1)

Non-levy of tax on the cost of failed plantations of ₹ 3.04 crore resulted in short realisation of tax of ₹ 1.52 crore.

(Paragraph 3.8.2.1)

IV. Stamp Duty and Registration Fees

The splitting the transactions resulted under valuation of a document to the tune of ₹ 4.72 crore involving stamp duty and registration fee of ₹ 56.68 lakh.

(Paragraph 4.8.1)

Due to incorrect valuation of 41 instruments short levy of stamp duty and registration fee aggregating to ₹ 27.83 lakh was noticed.

(Paragraph 4.8.2)

V. Taxes on Vehicles

The Department at the time of reclassification and assigning new registration of vehicles did not levy tax in 432 cases and levied it short in 1,152 cases. This resulted in short levy of tax of ₹ 1.24 crore

(Paragraph 5.8.1)

Non-imposition of fine on overloaded vehicles worked out to ₹ 24.86 lakh in 28 cases.

(Paragraph 5.8.2)

VI. Land Revenue and Building Tax

Collection/ service charges amounting to ₹ 18.74 lakh were either not realised or were realised short from the defaulters by the RR authority in three *taluk* offices and one Dy. Collector's office

(Paragraph 6.8.1)

Application of incorrect rate of two *per cent* instead of five *per cen* while computing the lease rent for the period from 1 April 2004 to 31 March 2008 resulted in short realisation of lease rent of ₹ 22.45 lakh in one *Taluk* office.

(Paragraph 6.8.2)

Luxury tax was not demanded on 974 residential buildings. This resulted in non-realisation of luxury tax of ₹ 36.24 lakh.

(Paragraph 6.8.3)

VII. Taxes and Duties on Electricity

Non-levy of electricity surcharge on 4,21,63,172 units of electrical energy sold to various HT consumers during 2010-11 aggregated to in ₹ 11.49 lakh including interest.

(Paragraph 7.6)

Non-payment of electricity duty on self consumption by Thrissur Corporation worked out to ₹ 11.07 lakh including interest.

(Paragraph 7.7)

VIII. Non-Tax Receipts

A – Lotteries

118 multiple claims were submitted for the period 2008-2011 by the prize winners against 91 prize winning tickets, of these 51 cases are still pending finalisation with the Department.

(Paragraph 8.1.5.2)

30,262 prizes involving ₹ 25.80 lakh were given in excess of the number of prizes offered in 66 draws.

(Paragraph 8.1.5.3)

The reliability of the software used by the Department was not tested even after a lapse of four years after its implementation by a competent authority to ensure that all the system controls exist.

(Paragraph 8.1.5.4)

69 prizes amounting to ₹ 3.94 crore were won repeatedly by persons residing at 30 households in Mumbai pointing towards the possibility of fraudulent practice in claiming prizes.

(Paragraph 8.1.5.6)

B – Interest Receipts

Non-realisation of interest on loans sanctioned by Government to various public sector undertakings worked out to ₹ 206.58 crore.

(Paragraph 8.2)