

## OVERVIEW

This Report contains 43 paragraphs involving ₹ 763.52 crore, including a Performance Audit on 'Assessment and Collection of VAT & CST' relating to non/short levy of tax, interest, penalty *etc.* Some of the significant audit findings are mentioned below:

### I. General

The total revenue receipts of the Government of Rajasthan during 2011-12 were ₹ 57,010.76 crore as against ₹ 45,928.20 crore for the year 2010-11. The revenue raised by the Government amounted to ₹ 34,552.15 crore comprising tax revenue of ₹ 25,377.05 crore and non-tax revenue of ₹ 9,175.10 crore. The receipts from the Government of India were ₹ 22,458.61 crore (State's share of divisible Union taxes: ₹ 14,977.05 crore and grants-in-aid: ₹ 7,481.56 crore).

(Paragraph 1.1)

2,628 Inspection Reports (IRs) containing 8,260 paragraphs involving ₹ 5,958.95 crore remained outstanding at the end of June 2012. Out of these, 922 IRs containing 1,829 paragraphs involving ₹ 438.63 crore were outstanding for more than five years.

(Paragraph 1.2.1)

Test-check during 2011-12 revealed underassessment, non/short levy of taxes and loss of revenue, failure to raise demands and other irregularities aggregating to ₹ 3,119.98 crore in 47,716 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 1,110.74 crore involved in 17,146 cases, of which 3,896 cases involving ₹ 1,013.90 crore were pointed out in audit during the year 2011-12 and the rest in earlier years. The Departments recovered ₹ 44.26 crore in 8,789 cases at the instance of audit during the year 2011-12.

(Paragraph 1.4.1)

### II. Taxes on Sales, Trade *etc.*

A Performance Audit of 'Assessment and Collection of VAT and CST' revealed the following:

- Test check of the assessment records of 24 dealers revealed that the AAs had not verified the balance sheets, Audit Reports and other related documents attached with the VAT Returns filed by the dealers. This resulted in non/short levy of tax of ₹ 8.67 crore.

(Paragraph 2.9.8)

- Misclassification of sale of goods as works contract in four cases and incorrect levy of exemption fee in two cases resulted in short realisation of revenue of ₹ 1.13 crore.

(Paragraph 2.9.10)

- Scrutiny of ITC claims of five dealers revealed that the dealers were either not entitled to ITC or claimed ITC in excess of their entitlement. This resulted in excess grant of ITC of ₹ 1.30 crore and interest of ₹ 53.22 lakh was also leviable.

**(Paragraph 2.9.11)**

- Incorrect computation of deferment of VAT, non-raising of demand and incorrect grant of subsidy under various exemption/deferment schemes resulted in excess deferment of tax ₹ 13.37 crore.

**(Paragraph 2.9.12.1 to 2.9.12.3)**

- Acceptance of CST declaration forms after assessment in contravention of CST Rules resulted in irregular concession/exemption of tax of ₹ 46.74 crore in 16 cases.

**(Paragraph 2.9.13.1)**

- No mechanism was put in place by the Department to verify that the goods had been utilised for the purpose for which they were purchased by the dealer. Further, no provision was made for imposing penalty in case of misutilisation of declaration form or certificate. Besides, frequent relaxations in terms and conditions of the notifications were found that benefited the individual dealer.

**(Paragraph 2.9.14)**

- Delay was noticed in submission of VAT returns and in deposit of VAT in respect 25 dealers in seven circles, however penalty of ₹ 18.09 lakh was not levied.

**(Paragraph 2.9.16)**

Mistakes in assessments finalised by the Assessing Authorities in six cases resulted in under assessment of taxable turnover involving tax liability of ₹ 1.54 crore including interest of ₹ 38.05 lakh.

**(Paragraph 2.11.1)**

Incorrect grant of composition scheme to *saraffa/gem* and stone dealers, brick kiln owners, petroleum dealers, registered tent dealers resulted in short realisation of revenue of ₹ 1.05 crore in 23 cases.

**(Paragraph 2.11.3)**

Non levy of entry tax on the goods purchased from other states for consumption or use in the business resulted in non-recovery of tax of ₹ 61.52 lakh including interest of ₹ 14.66 lakh.

**(Paragraph 2.11.4)**

Incorrect assessment of entertainment tax by Assessing Officer resulted in short levy of tax of ₹ 2.92 crore and interest of ₹ 1.07 crore.

**(Paragraph 2.11.5)**

### III. Taxes on Motor Vehicles

Motor vehicle tax and special road tax of ₹ 14.99 crore in respect of 5,052 vehicles for the period between April 2007 and March 2011 were either not paid or paid short.

**(Paragraph 3.10.1)**

Lump sum tax of ₹ 66.92 lakh payable by 172 vehicles was either not paid or paid short resulting in short/non-realisation of revenue.

**(Paragraph 3.10.2)**

Scrutiny of 1,100 application forms received for issue of license revealed 469 deficiencies like absence of mandatory information and application forms without signatures of candidates etc.

**(Paragraph 3.11.2)**

The software "In house" did not provide for exemption to the existing license holder from "learning license test" while applying for a different class of license and touch screen machines were not installed in the sub-offices, the preliminary test was taken manually.

**(Paragraph 3.11.3.1)**

There was no provision in the softwares 'SARATHI' and 'In house' to maintain information about the violations committed by the licensees. No registers were maintained for watching the violations manually.

**(Paragraph 3.11.4)**

Basic amenities like providing of drinking water, shed, toilets and sitting arrangements for the applicants provided by the Department were not available in many offices.

**(Paragraph 3.11.7)**

### IV. Land Revenue

Land valued at ₹ 5.05 crore was allotted for ₹ 0.56 crore due to application of pre revised Rules. This resulted in loss of revenue of ₹ 4.49 crore.

**(Paragraph 4.9.1(i))**

The Revenue Department had not amended Rajasthan Industrial area Allotment Rules, 1959 for allotment of land resulting forgoing of revenue of ₹ 1.13 crore.

**(Paragraph 4.9.1(ii))**

The Department had not taken steps for regularisation of land held by Airport Authority of India and Air Force. This resulted in non-realisation of cost of land valued at ₹ 487.58 crore. Besides, in two other cases the cost of land of ₹ 3.19 crore was not recovered.

**(Paragraph 4.9.2)**

Conversion charges and penalties amounting to ₹ 1.28 crore was not received from Companies/Individuals/Institutes for using *khatedari* land for Residential/ Institutional/Commercial purposes.

**(Paragraph 4.12)**

Government share of ground rent and interest amounting to ₹ 5.44 crore was not remitted by the UIT in the Government account.

**(Paragraph 4.13.3)**

#### **V. Stamp Duty and Registration Fee**

Non-registration/Misclassification of developer agreement resulted in short Levy of Stamp Duty and Registration Fee amounting to ₹ 1.27 crore.

**(Paragraph 5.11)**

Under-valuation of properties due to concealment of fact of land conversion and incorrect classification of land resulted in short levy of stamp duty and registration fee amounting to ₹ 2.20 crore.

**(Paragraph 5.13)**

Stamp duty amounting to ₹ 49.45 lakh was not levied on the documents of transfer of lease by way of assignment.

**(Paragraph 5.15)**

#### **VI. State Excise**

12,759 licensed opium poppy cultivators did not deposit the declaration forms during the year 2009-10 and 2010-11. The Department had made no efforts to collect these declaration forms.

**(Paragraph 6.8.5)**

The physical verification reports submitted by the Excise Inspectors regarding confirmation of non-availability of Lanced Poppy Heads (LPH) with cultivators were incomplete and inconsistent.

**(Paragraph 6.8.6)**

The collection of declaration forms was done by the wholesale licensees of production area, instead of the Department. Further no verification of the forms was done by the Department and incomplete and doubtful declaration forms were accepted.

**(Paragraph 6.8.7 and 6.8.8)**

The Department issued permit to the wholesale licensees for collection of 11,760 kg un-lanced poppy heads in contravention of rules and breach of the conditions of license.

**(Paragraph 6.8.10)**

The licensees incurred expenditure of ₹ 228.89 crore on license fee, excise duty, VAT, purchase price etc. during the year 2009-11 whereas the total amount realised by the licensee from sale of LPH was only ₹ 184.22 crore resulting in a clear deficit of ₹ 44.67 crore which needed to be analysed by Government.

**(Paragraph 6.8.12)**

2,131 permits of addicts were renewed by the Department after periods ranging between 3 and 20 years during 2009-11 though there was no provision in the rules for renewal of permit after lapse of more than one year.

**(Paragraph 6.8.15)**

339 addicts of LPH registered in a month at a private de-addiction centre of Jodhpur (M/s Rajasthan Pharmacia) were not holding permits from the State Excise Department which shows that there are huge numbers of LPH addicts within the State without holding permits.

**(Paragraph 6.8.23.2)**

The Department charged license fee for hotel bars under "heritage hotels category" rate without certification of their status as heritage hotels from the Government of India. Issuing of *ad hoc* licenses without verification of certificate resulted in loss of ₹ 63 lakh.

**(Paragraph 6.10.1 (i))**

## **VII. Non-Tax Receipts**

### **Mines, Geology and Petroleum Department**

28 leases were sanctioned for making lime as building material, but the lessees despatched the mineral to cement factories and steel plants in contravention of lease agreement. The cost of mineral of ₹ 240.29 crore though recoverable was not recovered.

**(Paragraph 7.7.1)**

In 17 cases, cost and royalty of ₹ 80.76 crore for mineral excavated illegally or excavated minerals in excess of the quantity authorised was not recovered.

**(Paragraph 7.7.2.1)**

Royalty of ₹ 23.42 crore, in respect of 43,81,258 MT limestone shown as waste in the returns during the crushing of limestone into gitties, was not paid by the lease holders.

**(Paragraph 7.7.3)**

388 contractors excavated the mineral either without obtaining the short term permit or beyond the permissible limit. This resulted in short realization of revenue of ₹ 20.82 crore.

**(Paragraph 7.7.4)**

It was noticed that cost of mineral and royalty of ₹ 3.94 crore was not recovered from 49 brick kiln owners who used brick earth illegally without obtaining requisite permit and paying royalty.

**(Paragraph 7.7.8.1)**

Compound fees aggregating to ₹ 48.25 lakh was not recovered along with cost of minerals and royalty from the owners of 193 transport vehicles carrying mineral gypsum unauthorisedly.

**(Paragraph 7.7.10)**