

Overview

OVERVIEW

This Report contains one Performance Audit on "Exemption and remission of taxes to industrial units", and six paragraphs including a paragraph on "Irregularities in implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 (Roshni Act)" involving ₹ 493.39 crore, relating to irregular exemption/ remission of taxes, short/non-levy of motor vehicles taxes, short levy of VAT, non-levy of penalty etc. in Part A and three paragraphs involving ₹ 247.20 crore relating to unfruitful development expenditure, non realisation of ground rent, non achievement of target for recovery of Non Performing Advances¹, purchase of material in excess of requirement, etc. in Part B. Thus, the total money value of this Report containing one Performance audit and 9 audit paragraphs is ₹ 740.59 crore. Some of the major findings are mentioned below:

1. General

The total revenue receipts of the Government for the year 2012-13 were ₹ 26216.86 crore as compared to ₹ 24782.96 crore of the previous year. Out of this, 30.48 *per cent* was raised through tax revenue (₹ 5832.43 crore) and non-tax revenue (₹2160.19 crore). The balance 69.52 *per cent* was received from the Government of India as States' share of divisible Union taxes (₹ 3870.37crore) and Grants-in-aid (₹14353.87 crore).

(Paragraph: 1.1)

Test-check of the records of 70 units of Commercial Tax, State Excise, Motor Vehicles and other Departments conducted during the year 2012-13 showed underassessment/ short levy / loss of revenue aggregating to ₹ 749.94 crore in 365 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 2.99 crore involved in 80 cases pointed out in audit during 2012-13 and earlier years.

(Paragraph: 1.15.1)

Revenue Sector

Performance Audit

FINANCE DEPARTMENT

A Performance audit on "Exemption and remission of taxes to industrial units" was conducted. Some major findings are given below:

- Assessing Authorities allowed irregular exemption of tax of ₹ 6.51 crore to 32 industrial units who had not filed returns of their turnover and authorized inadmissible exemption of tax of ₹ 0.15 crore on unapproved finished product under the CST Act, besides interest of ₹ 0.13 crore was also leviable.

{Paragraphs: 2.1.7(i) and (ii)}

¹ It refers to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing advance.

- Assessing Authorities granted remission of tax of ₹ 19.51 crore to the industrial units which was not admissible on purchase and sale of finished goods, for availing input tax credit, on inflated turnover and for negative listed goods under the J&K VAT Act.

{Paragraphs: 2.1.8(i to iv)}

- Remission of tax of ₹ 91.13 crore was granted irregularly to 18 unregistered industrial units by the Assessing Authorities.

(Paragraph: 2.1.8(vi))

- Due to misclassification of goods under category of higher rate of tax by eight industrial units excess remission of tax of ₹ 7.09 crore was granted in their favour by the Assessing Authorities, besides interest of ₹ 5.63 crore was also leviable.

{Paragraph: 2.1.8(viii)}

- Assessing Authorities had failed to withdraw remission of tax of ₹ 12.81 crore granted to 27 industrial units who had committed offences under the J&K VAT Act.

(Paragraph: 2.1.9)

Audit of transactions

Failure of the Assessing Authority to detect concealment of purchases at the time of assessment resulted in grant of incorrect exemption to a dealer from payment of tax of ₹21.28 lakh on the taxable turnover of ₹ 67.75 lakh.

(Paragraph: 2.2)

The proceeds of ₹ 9.06 crore in respect of bank drafts remitted into the Bank during the period 2010-13 by the RTO, Jammu were not realized as of March 2013.

(Paragraph: 2.6.2)

An amount of ₹ 3.19 crore on account of token tax was outstanding from 7123 vehicle owners for the period ranging between three months and 69 months.

(Paragraph: 2.6.3)

The Passenger Welfare Fund was poorly managed as only ₹ 2.34 crore was realized (against ₹ 7.10 crore due from 51478 commercial vehicles) out of which only ₹ 1.41 crore had been credited to the Fund.

(Paragraph: 2.6.6)

An audit of the Implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 (Roshni Act) showed the following major deficiencies:

The principal objective of the Act was to raise resources for investment in Power Sector and the Government had estimated resource mobilization of ₹25,448 crore by selling 20,64,792 *Kanals* state land under unauthorised occupation. Only ₹ 76.24 crore (24 *per cent*) was realised against a demand of ₹ 317.54 crore raised in the actual transfer of 3,48,160 *Kanals* of land in the State.

(Paragraph: 2.7.4)

Irregular allowance of rebate/discounts in transfer of 666 *Kanals* of land resulted in loss of ₹ 225.26 crore to government exchequer, in 547 test checked cases.

(Paragraph : 2.7.3.5)

System and procedure for processing and scrutinising applications was non-transparent and susceptible to misuse. Rules did not specify whether the amended Rules would also be applicable to the applicants pending on the date of the amendments. Audit noticed that the applications decided by the committee in 2004 were re-processed in 2007 after the Rules were amended to allow benefits of rebates to occupants.

(Paragraph : 2.7.3.2)

Land measuring 129 *kanals* four *marlas* and 4 ½ Sq.ft of road-side land was transferred in Pulwama to 59 occupants against clear prohibition in the Act as the land was coming within 50 feet from the centre of the interior road.

(Paragraph : 2.7.3.8)

Public Sector Undertakings (PSUs)

3. Information about the State Public Sector Undertakings

Investment in State PSUs

As on 31 March 2013, the investment (capital and long-term loans) in 26 PSUs and Statutory corporations was ₹ 5,119.04 crore. The total investment consisted of 13.10 *per cent* as capital and 86.90 *per cent* as long-term loans. The equity has increased from ₹ 410.48 crore in 2008-09 to ₹ 670.66 crore in 2012-13. The Government contributed ₹ 113.31 crore towards equity, loans and grants/subsidies during 2012-13.

(Paragraphs: 3.3 and 3.4)

Performance of Public Sector Undertakings (PSUs)

Out of 23 working PSUs (Social sector: two PSUs, General sector: six PSUs and Economic sector: 15 PSUs) for which accounts for latest years were received upto September 2013, eight PSUs earned profit of ₹ 1388.55 crore, 12 PSUs incurred loss of ₹ 154.37 crore, two PSUs had not prepared Profit and Loss account and one PSU had not submitted its accounts since 1996-97 when its audit was entrusted to the CAG. Further, the State Government did not formulate any dividend policy under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalised accounts, eight PSUs earned an aggregate profit of ₹ 1388.55 crore and only one PSU declared a dividend of ₹ 242.39 crore.

(Paragraph: 3.6)

Arrears in finalisation of accounts

Twenty working PSUs had arrears of 195 accounts as of September 2013. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature

(Paragraphs: 3.7)

4. Audit of Transactions

The delay in obtaining statutory clearances and execution of lease deed agreements by Jammu & Kashmir State Industrial Development Corporation Limited (SIDCO) and non-resumption/ non-utilization of plots of land in industrial estates/ complexes led to non realization of land premium of ₹ 10.58 crore and loss of ground rent ₹ 1.90 crore. There was no mechanism to check diversion of allotted land for un-intended purposes to new promoters, avoiding encroachment and allotment of excess land than requirements. The ground rent was not being revised after every five years which resulted in loss of revenue of ₹ 1.49 crore. The inadequate infrastructure by SIDCO caused non-utilisation of land by the promoters.

(Paragraphs: 4.1.4 to 4.1.7 and 4.1.10)

Due to deficiencies in planning and implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) the execution of projects were delayed besides, cases of mis-utilization of funds amounting to ₹ 4.89 crore and purchase of material in excess of requirement to the extent of ₹ 1.04 crore.

[Paragraphs: 4.2 (iii) and (iv)]

The targets for recovery of Non Performing Assets (NPAs) were not fixed by Jammu & Kashmir State Financial Corporation. Targets for over-dues were very small and that too had not been achieved. Despite settling 641 cases under One Time Settlement (OTS) scheme and writing off huge amount of ₹ 603.82 crore, there had not been significant reduction of NPAs. Though OTS 2010 scheme was finally extended till June 2011, the Corporation continued with the scheme during 2011-13 without the approval of the Government and recovered ₹ 10.88 crore while it sacrificed interest amounting to ₹ 173.44 crore. Revival Plan envisaged equitable regional growth with thrust on lending to Micro sector but the Corporation concentrated on Transport sector in Kashmir division only.

(Paragraphs: 4.3.2 to 4.3.5)