

OVERVIEW

This Report contains 32 paragraphs including two Performance Audits relating to non/short levy of tax, interest, penalty, revenue foregone, etc. involving ₹ 224.16 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 ₹ 78,176.22 crore against ₹ 69,806.27 crore for the previous year. 74 per cent of this was raised by State through tax revenue (₹ 53,753.55 crore) and non-tax revenue (₹ 3,966.11 crore). The balance 26 per cent was received from the Government of India as State's share of divisible Union taxes (₹ 12,647.14 crore) and grants-in-aid (₹ 7,809.42 crore).

(Paragraph 1.1.1)

A total of 3,363 Inspection Reports issued upto December 2012 containing 7,283 observations involving money value of ₹ 1,550.33 crore were pending for settlement at the end of June 2013.

(Paragraph 1.2.1)

Records of 383 units of commercial taxes, state excise, taxes on motor vehicles, stamps and registration fees, electricity tax and other departmental offices were test checked during the year 2012-13. These revealed underassessment, non/short levy of taxes, loss of revenue, failure to raise demands and other irregularities aggregating ₹ 345.43 crore in 1,100 paragraphs containing 93,188 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 29.52 crore in 5,979 cases. The Department recovered ₹ 10.95 crore in 459 cases at the instance of audit.

(Paragraph 1.5.1)

II Commercial Taxes

A Performance Audit on “**Online systems in the Commercial Taxes Department**” revealed that:

The Commercial Taxes Department (CTD) did not introduce a protocol for deactivation of user accounts after de-registration of dealers.

(Paragraph 2.8.10.1)

System lacked controls to validate tax paid in original returns, resulting in loss of revenue of ₹ 1.98 crore.

(Paragraph 2.8.11.1)

System lacked controls to validate the carry over of excess credit to the subsequent return resulting in erroneous carry forward in 32,846 cases.

(Paragraph 2.8.11.2)

System lacked controls to ensure that hoteliers who opted for composition of tax, are paying taxes at the correct rate, resulting in short levy of ₹ 69.07 lakh.

(Paragraph 2.8.11.4)

System lacked controls to prevent claim of input tax credit (ITC) on purchases from dealers opting for composition of tax, resulting in excess ITC claim of ₹ 1.18 crore.

(Paragraph 2.8.11.9)

System lacked controls to levy penalty on understatement of tax liability in Original Returns resulting in non-levy of penalty of ₹ 30.12 crore.

(Paragraph 2.8.11.10)

System lacked controls to prevent submission of nil returns by metal crushing units who had opted for composition of tax.

(Paragraph 2.8.11.12)

System lacked controls to compute interest on belated payment of taxes resulting in loss of revenue to the extent of ₹ 1.65 crore.

(Paragraph 2.8.12.2)

System lacked controls to ensure validity period of Delivery Notes issued online.

(Paragraph 2.8.14)

System lacked the necessary output controls to ensure the accuracy of MIS reports.

(Paragraph 2.8.15)

A Performance Audit on “**Input tax credit under Karnataka Value Added Tax Act 2003**” revealed that:

- Purchase details of only 25 *per cent* of the ITC claimed in the returns was available in the EFS database indicating laxity on the part of the Department in monitoring the grant of ITC through submission of purchase details as provided in the KVAT Rules.

(Paragraph 2.9.7.1)

- The data available in the EFS database was not found correct and reliable for verifying the correctness of the ITC claims. Incorrect Tax payers Identification Number (TIN), absence of TIN in the master table of the database and other mistakes/errors were noticed in purchase invoices involving tax of ₹ 609.95 crore.

(Paragraph 2.9.7.2)

- CTD had not initiated action to disallow ITC claims of ₹ 21.54 crore claimed on purchase invoice issued by deregistered dealers.

(Paragraph 2.9.8)

- Analysis of the database revealed suppression of sales by 4,531 selling dealers involving tax effect of ₹ 86.88 crore in respect of which ITC claims had been availed by the purchasing dealers.

(Paragraph 2.9.9.1)

- Loss of revenue of ₹ 1.05 crore was noticed due to non-submission of purchasing invoices and filing of 'Nil' returns by selling dealers.

(Paragraph 2.9.10.1)

- In three LVOs the tax declared by 11 sellers in their returns was lesser than that shown in the invoices resulting in loss of revenue of ₹ 53.92 lakh. The selling dealers were also liable to pay penalty of ₹ 5.39 lakh and interest of ₹ 17.08 lakh.

(Paragraph 2.9.10.3)

- 15 purchasing dealers in 10 LVOs claimed ITC of ₹ 1.03 crore in their returns though no returns were filed by selling dealers. This resulted incorrect grant of ITC to that extent.

(Paragraph 2.9.10.4)

- ITC claims of ₹ 15.58 lakh were incorrectly allowed as the purchases were made either from de-registered dealers or selling dealer had declared turnover less than the ITC Claimed/filed 'nil' returns/ had not filed returns for the corresponding tax period.

(Paragraph 2.9.11)

- In 260 cases though the dealers had under-declared their tax liability by ₹ 5.19 crore, their annual statements were approved by the LVOs.

(Paragraph 2.9.12.1)

- In 24 cases the dealers had neither repaid the excess ITC claimed in the returns nor adjusted it in any of the subsequent returns filed by them. The excess claim of ITC in these cases amounted to ₹ 81.20 lakh.

(Paragraph 2.9.13)

- Incorrect grant of refunds aggregating to ₹ 21.52 lakh in 23 cases and excess grant of refund of ₹ 49.41 lakh in one case were noticed during 2010-12.

(Paragraph 2.9.14)

Seven dealers had collected tax of ₹ 2.53 crore in excess of the output tax assessed. However, the Department failed to forfeit the excess collection of tax.

(Paragraph 2.10.1)

Excess carry forward of Input Tax Credit of ₹ 1.83 crore was noticed in the returns filed by 46 dealers.

(Paragraph 2.10.3)

Incorrect determination of output tax liability due to arithmetical errors and application of incorrect rate of tax which resulted in short levy of tax of ₹ 1.29 crore in eleven cases.

(Paragraph 2.10.4)

III Stamp Duty and Registration Fees

A paragraph on levy of stamp duty and registration fee on development agreements revealed as under:

Department continued to register documents as JDA during 2011-12, even though Article 5(f) relating to JDA was deleted. This resulted in short levy of stamp duty of ₹ 232.83 lakh and registration fee of ₹ 42.56 lakh in 20 documents.

(Paragraph 3.8.5.3)

Documents were registered as JDA, even though the properties were not held jointly by the owners and developers, which is the primary condition to classify as JDA. This resulted in short levy of stamp duty of ₹ 19.20 crore and registration fee of ₹ 1.29 crore in 342 cases.

(Paragraph 3.8.5.4)

The documents in which full consideration were paid by the developers to the land owners were classified as JDAs instead of conveyance deeds which led to short levy of stamp duty and registration fee of ₹ 2.28 crore in 31 cases.

(Paragraph 3.8.5.5)

Developers were extended undue benefit of concessional rate of stamp duty due to non-adherence to the strictest interpretation of joint holding/development/sale.

(Paragraph 3.8.5.6)

Compliance deficiencies

Stamp duty in case of amalgamation/demerger of three public limited companies was levied on face value of the shares issued by the amalgamated

company instead of market value of the shares which led to short levy amounting to ₹ 12.03 crore.

(Paragraph 3.9.1)

In four SROs, 27 sale deeds were registered admitting Power of Attorneys as evidence, which were not properly stamped. The short levy of stamp duty on Power of Attorneys amounted to ₹ 37.42 lakh on which penalty of ₹ 373.76 lakh was also leviable.

(Paragraph 3.9.2)

In nine SROs, undervaluation of properties resulted in short levy of stamp duty and registration fee of ₹ 1.12 crore in respect of 20 sale deeds.

(Paragraph 3.9.3)

In eight SROs, suppression of the actual consideration received for sale of immovable properties resulted in short levy of stamp duty and registration fee of ₹ 86.56 lakh.

(Paragraph 3.9.4)

IV Taxes on Motor Vehicles

In 22 RTOs life time tax in respect of vehicles belonging to employees of Central Government, Defence, Nationalised banks and Public Sector Undertakings was not demanded in 368 cases amounting to ₹ 2.11 crore.

(Paragraph 4.7.1)

In 18 RTOs life time tax in respect of construction equipment vehicles was not demanded in 165 cases and short levied in 16 cases amounting to ₹ 1.20 crore.

(Paragraph 4.7.2)

V State Excise

Excise licences were issued for the years 2008-09 to 2012-13 by five Deputy Commissioners of Excise in five districts without collecting stamp duty of ₹ 2.84 crore on the licence fee of ₹ 218.40 crore.

(Paragraph 5.6.2)

VI Mineral Receipts

In six cases due to non/incorrect adoption of IBM sale prices by the Department there was short levy of royalty of ₹ 66.76 lakh on which interest of ₹ 13.01 lakh was also leviable.

(Paragraph 6.5.2)

In two offices dead rent of ₹ 81.07 lakh payable in 180 cases of quarry leases between 2008-09 and 2009-10 were not recovered.

(Paragraph 6.5.3)