

OVERVIEW

This Report contains 26 paragraphs including two Performance Audits relating to non/short levy of tax, interest, penalty, revenue foregone, etc. involving ₹ 184.18 crore. Some of the major findings are mentioned below:

I General

Total revenue receipts of the State Government for the year 2013-14 amounted to ₹ 89,542.53 crore against ₹ 78,176.22 crore for the previous year. 74 per cent of this was raised by the State through tax revenue (₹ 62,603.53 crore) and non-tax revenue (₹ 4,031.90 crore). The balance 26 per cent was received from the Government of India as State's share of divisible Union taxes (₹ 13,808.28 crore) and grants-in-aid (₹ 9,098.82 crore).

(Paragraph 1.1)

A total of 4,114 Inspection Reports issued up to December 2013 containing 8,753 observations involving money value of ₹ 1,851.83 crore were pending for settlement at the end of June 2014.

(Paragraph 1.5)

Test check of the records of 439 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, and other Departmental offices conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹ 380.22 crore in 1,425 cases.

(Paragraph 1.8)

II Taxes/VAT on Sales, Trade, etc

A Performance Audit on “**Assessment, levy and collection of VAT and entry tax on works contract receipts**” revealed the following:

Five Developers in four LVOs did not declare the turnover of ₹ 300.47 crore relating to the land owner's share of the building. This resulted in short levy of tax of ₹ 19.49 crore including interest and penalty.

(Paragraph 2.4.2.2)

Absence of controls in the e-Filing System (EFS) to validate deductions claimed by contractors in their returns as payments made to 'Sub-contractor' resulted in short levy of tax of ₹ 15.66 crore including interest and penalty.

(Paragraph 2.4.2.7)

TDS claimed in returns filed by the works contractors exceeded the revenue realised through remittance of TDS by the concerned authorities by ₹ 941.14 crore.

(Paragraph 2.4.2.9)

Incorrect computation of taxable turnover in the re-assessment orders resulted in loss of revenue of ₹ 3.78 crore.

(Paragraph 2.4.3.1)

Compliance Audit

52 dealers did not pay additional tax liability of ₹ 3.42 crore determined by the Auditors in the audited statement of accounts.

(Paragraph 2.5)

31 dealers brought forward input tax credit of ₹ 2.83 crore against admissible credit of ₹ 90.26 lakh resulting in excess adjustment of credit amounting to ₹ 1.93 crore.

(Paragraph 2.6)

Non/short payment of tax liability declared by 58 dealers in 118 returns amounted to ₹ 1.25 crore.

(Paragraph 2.7)

The non/short levy of interest under Section 36(2) of the KVAT Act for delay in payment of tax by 29 dealers amounted to ₹ 1.13 crore.

(Paragraph 2.8)

III Stamp Duty and Registration Fees

Undervaluation of properties in respect of 28 sale deeds, two power of attorney and four agreements to sell with possession of the property to the buyer resulted in short levy of stamp duty of ₹ 1.23 crore and registration fee of ₹ 21.76 lakh.

(Paragraph 3.4)

IV Land Revenue

Information System Audit of 'Mojini' application in use in the Department of Survey, Settlement and Land Records, Karnataka, revealed the following:

The Mojini was stated to be developed in-house. However, documentation on in-house competency, justification/business case for the same, Government approval, expenditure incurred, requirement specifications, timeliness and testing regime have not been maintained. This resulted in a system with inadequate segregation of duties without foolproof control against unauthorized modifications and inadequate control over back-up and recovery procedures.

(Paragraph 4.3.2)

Inadequacies in system logic resulted in contravention of accepted business policy of assignment of work to Licensed Surveyors.

(Paragraph 4.3.3)

Inadequacy of Logical Access Controls resulted in use of identical passwords and with the same user holding several login identities.

(Paragraph 4.3.8)

Absence of integration with the application system in the Department of Stamps and Registration resulted in insufficient control against unauthorized sketches being used.

(Paragraph 4.3.10.1)

Non-integration of Mojini with digitized Akarband was leading to manual intervention and delay in issue of sketches to applicants.

(Paragraphs 4.3.10.2)

Compliance Audit

Incorrect adoption of guidance market value while fixing the lease rent led to short fixation of lease rent. The loss of revenue to Government during the entire lease period would be ₹ 15.25 crore.

(Paragraph 4.4)

In one case Government permitted the lessee to sub-let the property and remit 50 *per cent* of the lease rent realised on sub-lease to Government account. As the lessee did not need the sub-let land, Government should have taken action to resume the land, which would fetch additional lease rental revenue of ₹ 3.14 crore during the current sub-lease period.

(Paragraph 4.5)

V Other Tax/Non-tax Receipts

Penalty of ₹ 2.14 crore was not levied on 29 licensees who had short lifted 2,14,153 bulk litres of Indian Made Liquor during the period from 2008-09 to 2012-13.

(Paragraph 5.3)

Life time tax amounting to ₹ 1.29 crore including penalty in respect of 148 construction equipment vehicles was not demanded.

(Paragraph 5.4)

Penalty of ₹ 99.51 crore was not levied for transportation of 66.22 lakh MT of building stone and 5,748 MT of Lime shell by lessees without obtaining Mineral Dispatch Permits.

(Paragraph 5.6)