

Overview

The Report contains 28 paragraphs including one performance audit on 'Assessment, levy and collection of VAT on transfer of goods involved in the execution of work/supply contract' and a study done by Audit on 'Levy of stamp duty and registration fees on development/construction agreements' relating to non/short levy of tax, interest and penalty etc., involving ₹ 643.41 crore. Some of the major findings are mentioned below:

I. General

Total revenue receipts of the State Government for the year 2012-13 amounted to ₹ 44,137.30 crore against ₹ 38,010.36 crore for the previous year. 78 *per cent* of this was raised by the State through tax revenue (₹ 30,076.61 crore) and non-tax revenue (₹ 4,198.51 crore). The balance 22 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (₹ 6840.65 crore) and grants-in-aid (₹ 3,021.53 crore).

(Paragraph 1.1.1)

As on 30 June 2013, 2,906 Inspection Reports (IRs) in respect of various departments containing 22,189 observations involving money value of ₹ 2,794.17 crore were outstanding. The number of outstanding audit observations increased by 7.56 *per cent* during the period of one year.

(Paragraph 1.3.1)

II. Tax on sales, trade etc.

A Performance Audit on 'Assessment, levy and collection of VAT on transfer of goods involved in the execution of works/supply contract' revealed the following:

- ❖ There was no separate sub head for classifying/crediting of VAT receipts received from works contractors.

(Paragraph 2.11.8)

- ❖ Form 10 C showing the details of works contracts awarded was not furnished to the CTD by the Public sector undertakings /Government Departments and by private sector.

(Paragraph 2.11.10)

- ❖ No survey was conducted in the five districts for identifying unregistered works contractors. Audit cross verified the details collected from other departments with KVATIS and found that 484 contractors were not registered under the KVAT Act.

(Paragraph 2.11.11)

- ❖ A difference of ₹ 630.21 crore was noticed between the contract amounts awarded to the subcontractors and that depicted by them in their returns. The tax effect involved in these cases amounted to ₹ 124.51 crore.

(Paragraph 2.11.12.2)

- ❖ Audit noticed that in three cases, the developers accepted the advance payment from the prospective buyers without paying VAT of ₹ 63.03 crore.

(Paragraph 2.11.13.2)

- ❖ Application of incorrect rate of tax resulted in short levy of tax of ₹ 7.26 crore in two cases.

(Paragraph 2.11.19)

- ❖ Audit observed that contractors were allowed to pay tax at a compounded rate of three *per cent* in contravention of the provisions of the Act.

(Paragraph 2.11.20.2)

Transaction Audit

Misclassification of goods sold and consequent application of incorrect rate of tax resulted in short levy of tax, cess and interest of ₹ 6.16 crore in two cases.

(Paragraph 2.13)

Application of incorrect rate of tax on the taxable turnover resulted in short levy of tax, cess and interest of ₹ 1.34 crore in 11 cases.

(Paragraph 2.14)

In seven offices, Input tax credit/special rebate was either availed in excess in the case of interstate sales/stock transfer or inadmissible input tax/special rebate was availed in 16 cases resulting in short levy of tax, cess and interest of ₹ 2.64 crore.

(Paragraph 2.15)

In five offices, the turnover conceded in the annual returns was less than the turnover certified in the audited accounts resulting in escape of turnover from assessment and short levy of tax, cess and interest of ₹ 1.93 crore in seven cases.

(Paragraphs 2.16.1 to 2.16.3)

Non-reckoning of discount/incentive received as turnover resulted in escape of turnover from assessment and consequent short levy of tax, cess and interest of ₹ 1.38 crore in 20 cases in 15 offices.

(Paragraph 2.16.4)

In three offices, discount offered to customers were deducted from the taxable turnover which resulted in short levy of tax, cess and interest of ₹ 1.11 crore in four cases.

(Paragraph 2.16.5)

Reckoning of sales incorrectly as works contract to avail inadmissible deduction resulted in short levy of tax, cess and interest of ₹ 66.73 lakh.

(Paragraph 2.17)

In three offices, incorrect reckoning of taxable turnover in works contract resulted in short levy of tax, cess and interest of ₹ 66.72 lakh in five cases.

(Paragraph 2.18)

Application of incorrect rate of tax on the taxable turnover resulted in short levy of tax, additional sales tax and interest of ₹ 3.22 crore and ₹ 72.80 lakh in two cases.

(Paragraphs 2.23.1, 2.23.2)

In two offices, interest of ₹ 1.20 crore and ₹ 1.14 crore respectively, leviable for delayed payment of tax were not levied in two cases.

(Paragraph 2.24.1)

Failure to levy interest on tax due on the escaped turnover and appropriate remittances first towards interest resulted in short demand of balance tax and non-levy of interest of ₹ 52.21 lakh.

(Paragraph 2.24.2)

Non-utilisation of information available in the crime files in finalisation of assessment resulted in short levy of tax, penalty and interest of ₹ 54.03 lakh.

(Paragraph 2.25)

III. Taxes on Agricultural Income

Actual loss of ₹ 7.39 lakh conceded by the assessee was incorrectly reckoned as ₹ 73.93 lakh resulting escape of turnover and consequent short levy of agricultural income tax of ₹ 33.27 lakh.

(Paragraph 3.7.1)

Assessing Authority allowed replantation allowance in excess of what was admissible resulting in short levy of agricultural income tax of ₹ 27.18 lakh.

(Paragraph 3.7.2)

IV. Taxes on Vehicles

In 29 offices, one time tax on vehicles realised was less than those prescribed resulting in short collection of one time tax amounting to ₹ 35.84 lakh in 617 cases.

(Paragraph 4.7.1)

Non-imposition of fine on overloaded vehicles worked out to ₹ 27.97 lakh in 510 cases.

(Paragraph 4.7.2)

The Department at the time of reclassification and assigning new registration of vehicles either did not levy or short levied tax in 622 cases. This resulted in short levy of tax of ₹ 94.82 lakh.

(Paragraph 4.7.5)

V. Land Revenue and Building Tax

In four *taluk* offices, escape of buildings from assessment, though reported for assessment by Village Officers, resulted in non levy of building tax of ₹ 1.23 crore in 169 cases.

(Paragraph 5.7.1)

Non-assessment of building tax of ₹ 8.02 lakh was noticed in 57 cases, of which, files were either missing or misplaced in 39 cases. TR5 receipts produced in proof of remittance were found to be bogus.

(Paragraph 5.7.1)

In 14 *taluk* offices, the Department did not assess and demand luxury tax of ₹ 94.81 lakh, though building tax was assessed in 1,535 cases.

(Paragraph 5.7.2)

VI. Other Tax Receipts

A – State Excise

In three offices, 71,074 permits were issued to licensees for transportation of IMFL without realising fee of ₹ 3.55 crore.

(Paragraph 6.7)

B – Stamp Duty and Registration Fees

A study done by Audit on ‘Levy of Stamp duty and registration fees on development/construction agreements’ revealed the following:

Undervaluation of 820 sale deeds executed by builders resulted in short levy of stamp duty and registration fee of ₹ 13.88 crore.

(Paragraph 6.14.6.2)

Incorrect levy of stamp duty of ₹ 59.04 lakh was noticed in 21 agreements in two offices.

(Paragraph 6.14.6.3)