

Overview

The Report contains 31 paragraphs including Performance Audit relating to non/short levy of tax, interest etc., involving ₹ 4,506.23 crore. Some of the major findings are mentioned below:

I. General

Total revenue receipts of the State Government for the year 2014-15 amounted to ₹ 57,950.47 crore against ₹ 49,176.93 crore for the previous year. Seventy three *per cent* of this was raised by the State through tax revenue (₹ 35,232.50 crore) and non-tax revenue (₹ 7,283.69 crore). The balance 27 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (₹ 7,926.29 crore) and grants-in-aid (₹ 7,507.99 crore).

(Paragraph 1.1.1)

As on 30 June 2015, 3,193 Inspection Reports (IRs) in respect of various Departments containing 24,691 observations involving money value of ₹ 9,146.67 crore were outstanding.

(Paragraph 1.7)

II. Taxes/VAT on sales, trade etc.

A Performance Audit on System of Assessment under KVAT revealed the following:

Department failed to bring majority of dealers under tax net by registering them to the VAT system. Though Economic Census 2013 reported that there were 13.41 lakh establishments operating with fixed structure outside the house hold having different economic activities other than agricultural service and defence, during 2013-14, but only 2.20 lakh dealers were registered for VAT in the State. Test check by Audit revealed non-levy of tax of ₹ 200.94 crore including interest and penalty on transactions of un-registered dealers.

(Paragraph 2.4.7.1)

Though it is mandatory to verify all the VAT returns submitted, the system of scrutiny of returns was not properly defined in the Act or in the guidelines issued by the Government. This resulted in absence of scientific method in selection of files for detailed scrutiny.

(Paragraph 2.4.7.2)

Non-adherence to provisions of Act and Rules while completing the assessment resulted in non/short levy of tax of ₹ 744.99 crore including interest and penalty.

(Paragraph 2.4.7.6)

Lack of co-ordination with other Departments in collecting data useful for the completion of assessment resulted in non/short levy of ₹ 117.62 crore including interest and penalty.

(Paragraph 2.4.7.7)

There was no system in place for analysis and utilisation of the data available in the KVATIS before acceptance of self assessments/ completion of assessments. Scrutiny of cases revealed non/short levy of tax of ₹ 128.17 crore including interest and penalty due to these deficiencies.

(Paragraph 2.4.7.8)

The assessing authorities did not detect the defect and assessed to tax the escaped turnover or the turnover misclassified in five cases. This resulted in short payment of tax, cess and interest of ₹ 26.08 crore.

(Paragraph 2.5)

In four cases, the assessee misclassified the items taxable at higher rate as goods taxable at lower rate to evade tax. This resulted in short payment of tax, cess and interest of ₹ 6.19 crore.

(Paragraph 2.6.1)

Audit found in three cases that though the bakery products sold by the assessee were under brand name, the assessee self assessed tax on sales turnover of bakery products at four/five *per cent* instead of at 12.5 *per cent* or 13.5 *per cent* for the respective years. This resulted in short payment of tax, cess and interest of ₹ 1.81 crore.

(Paragraph 2.6.2)

The works contract receipts from the work of Government of Kerala and local bodies for the years 2010-11 to 2012-13 were self assessed to tax by M/s Uralungal Labour Contract Co-operative Society Ltd., Vadakara at three *per cent* against the correct rate of four *per cent*. Application of incorrect rate of tax resulted in short payment of tax and interest of ₹ 2.95 crore.

(Paragraph 2.6.3)

Works contractors, while filing annual returns conceded taxable turnover which were less than the turnover arrived at as per the provision of KVAT Rules 2005. This resulted in short payment of tax, cess and interest of ₹ 4.12 crore in five cases.

(Paragraph 2.7.1)

Audit found that in the case of seven cement dealers, the discount/incentive received subsequent to sale were not reckoned as turnover for assessing to tax, though the dealers concerned sold goods purchased by them at prices lower than at which they were purchased. This resulted in short payment of tax, cess and interest of ₹ 1.41 crore.

(Paragraph 2.7.2)

Audit found that six assessees having annual sales turnover above rupees five crore with more than 75 per cent of their sales through retail business and more than 50 per cent of their stock imported from outside the State/country, the output tax payable was not increased by a surcharge at 10 per cent as per the provisions of KST Act, 1957. This resulted in short payment of surcharge and interest of ₹ 6.09 crore.

(Paragraph 2.8)

M/s. Kalyan Jewellers, Kollam a dealer in gold jewellery, though liable to pay purchase tax proportionate to the purchases made from unregistered dealers, had not paid any purchase tax. This resulted in non-payment of tax, cess and interest of ₹ 2.31 crore for the years 2011-12 and 2012-13.

(Paragraph 2.10)

M/s HCL Infosystems Ltd., Kochi a dealer in computer and accessories, availed of excess exemption against the actual eligible exemption which resulted in short payment of tax and interest of ₹ 37.95 lakh.

(Paragraph 2.11)

In four cases, the excess input tax credit/special rebate were availed which resulted in short payment of tax of ₹ 43.29 lakh.

(Paragraph 2.12)

III. Taxes on Agricultural Income

In the case of M/s. Kannan Devan Hills Plantations Company Private Limited, Munnar, non finalisation of assessment within the stipulated time resulted in escape of income from assessment and consequent loss of revenue of ₹ 1.95 crore.

(Paragraph 3.4)

The assessing officer allowed replantation allowance more than that admissible as per the statute which resulted in short levy of AIT of ₹ 1.35 crore.

(Paragraph 3.5)

In three cases assessee companies claimed exemption/deduction for some expenses which were not admissible as per KAIT Act, 1991 from the taxable agricultural income. The assessing authority while finalising assessments admitted these expenses which resulted in short levy of AIT of ₹ 1.54 crore

(Paragraph 3.6)

IV. Taxes on Vehicles

In 37 RTOs/SRTOs, the Regional Transport Officers/Joint Regional Transport Officers short levied one time tax due to incorrect calculation of the age of vehicle and application of incorrect percentage of tax. This resulted in short levy of tax of ₹ 1.39 crore in 1,182 cases.

(Paragraph 4.4)

In 32 RTOs/SRTOs the Motor Vehicle Inspectors/Assistant Motor Vehicle Inspectors who inspected the overloaded vehicles allowed them to proceed without following the procedure prescribed in the Act, after recording the offence in the check reports. The fine of ₹ 45.26 lakh was not levied in 737 cases.

(Paragraph 4.5)

V. Land Revenue and Building Tax

In 20 *Taluk* offices failure of the Village Officers to send the list of completed buildings to *Tahsildars* resulted in non-identification of the buildings completed, for assessment which resulted in non-assessment of buildings and consequent non levy of tax of ₹ 2.24 crore.

(Paragraph 5.4.1)

In 14 *Taluk* offices, the *Tahsildars* failed to levy and assess tax even on the buildings the completion of which were reported by the Village Officers. Inaction on the part of the *Tahsildars* to assess these buildings resulted in non-levy of building tax of ₹ 2.26 crore.

(Paragraph 5.4.2)

In 2,597 cases luxury tax was not assessed and demanded, though building tax was assessed, which resulted in non-realisation of luxury tax and interest amounting to ₹ 1.24 crore. In 1,464 cases, the *Tahsildars* accepted the delayed payments of luxury tax after the prescribed due dates without collecting the interest prescribed which resulted in non-realisation of interest of ₹ 4.93 lakh.

(Paragraph 5.5)

VI. State Excise

In seven offices of the Excise Inspectors, on the direction issued by the Excise Commissioner, which was contrary to Rule 34 of FL Rules, 3,034 consignments of IMFL were released in which shortage was found to be less than one case of liquor without realising the fine prescribed. This resulted in non-realisation of fine of ₹ 4.35 crore.

(Paragraph 6.4)

VII. Other Tax Receipts

A- ELECTRICITY DUTY

A Performance Audit on Levy, Collection and Accounting of Electricity Duty, Surcharge and Inspection Fee revealed the following:

The Department had not streamlined mechanism to ensure the levy and collection of electricity duty/surcharge/inspection fee timely. This resulted in non/short levy of electricity duty/surcharge/fee amounting to ₹ 67.61 crore.

(Paragraph 7.4.8.2)

The Department failed to ensure the collection of interest on belated payments of duty/surcharges resulting in non-collection of interest to the tune of ₹ 2,699.02 crore.

(Paragraph 7.4.8.3)

Incorrect grant of exemptions, irregular retention of collection charge resulted in non/short collection of duty/surcharge of ₹ 272.77 crore.

(Paragraph 7.4.8.4)

The Department failed to conduct inspections of electrical installations, accounts and returns of licensees. This resulted in non/short levy/collection of inspection fee of ₹ 1.43 crore in addition to the threat raised to public safety.

(Paragraph 7.4.8.5)

B – STAMP DUTY AND REGISTRATION FEES

In two sale deeds suspected cases of undervaluation amounting to ₹ 93.17 lakh were not reported by Sub Registrar to District Registrar which resulted in short levy of stamp duty and registration fee of ₹ 9.32 lakh.

(Paragraph 7.8)