

OVERVIEW

The report contains 22 paragraphs, including one Performance Audit, relating to non/short levy of taxes, royalty, interest, penalty, etc. involving ₹ 175.90 crore. Some of the major findings are mentioned below:

I General

The total revenue receipts of the State during 2014-15 were ₹ 1,22,420.44 crore, comprising tax revenue of ₹ 78,656.54 crore and non-tax revenue of ₹ 8,350.60 crore. ₹ 16,824.03 crore was received from the Government of India as State's share of divisible Union taxes and ₹ 18,589.27 crore as grants-in-aid. The revenue raised by the State Government in 2014-15 was 71 *per cent* of the total revenue receipts as compared to 77 *per cent* in 2013-14. Sales tax (₹ 57,190.80 crore) formed a major portion (73 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits (₹ 2,588.83 crore) accounted for 31 *per cent* of the non-tax revenue.

(Paragraph 1.1)

Test check of records relating to commercial taxes, state excise, motor vehicles tax, stamp duty and registration fee, electricity tax, mines and minerals and land revenue during the year 2014-15 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹ 803.32 crore in 3,951 cases.

(Paragraph 1.9)

II Value Added Tax/Central Sales Tax

Performance Audit on **System of Assessment under Value Added Tax in Tamil Nadu** revealed the following:

- Existing system to monitor the finalisation of assessments by the Assessing Authorities was ineffective.

(Paragraph 2.4.7.1)

- Conditions governing deemed assessment were not adhered to and ineligible cases were also erroneously treated as deemed to have been assessed.

(Paragraph 2.4.7.2)

- Selection of cases for detailed scrutiny suffered from deficiencies such as delay in selection, shortfall in selection, selection of low risk group of taxpayers, etc. and the target dates for completion of scrutiny was also not adhered to by the Assessing Authorities.

(Paragraph 2.4.7.4)

- Various sources of information, viz., reports of the Data Analysis Wing, audit report in Form WW, details of import uploaded on intranet of Department were not effectively utilised by the Assessing Authorities in assessment process.

(Paragraphs 2.4.8.1 to 2.4.8.3)

- Internal control and monitoring system was rendered weak due to lack of continuous and effective monitoring by the higher authorities through inspection, non-conduct of internal audit and improper maintenance of pre-assessment register by the Assessing Authorities.

(Paragraph 2.4.10)

Follow-up of Performance Audit on Implementation of Value Added Tax in Tamil Nadu revealed the following:

- Non-amendment of the TNVAT Act to bring timber under the ambit of transit pass system resulted in continued non-monitoring of the transportation of timber to other States.

(Paragraph 2.5.4.1)

- Correctness of claim of exemption/concessional rate of tax could not be ensured as the prescribed format of the returns was not modified.

(Paragraph 2.5.4.2)

- Omission to provide necessary validation checks in the software resulted in continued capturing of incorrect/inaccurate data in the system.

(Paragraph 2.5.4.3)

- Identification of the dealers and their registration status under the TNVAT Act continues to be difficult in the absence of TIN in the bill of entry.

(Paragraph 2.5.4.4)

- Instructions relating to post-registration monitoring of filing of returns by the newly registered dealers and completion of detailed scrutiny were not adhered to by the Assessing Authorities.

(Paragraph 2.5.4.5 and 2.5.4.6)

- Assessing Authorities of the assessment circles and the check post officers failed to initiate action in the cases of non-surrender of transit passes though the information was available in the MIS Module.

(Paragraph 2.5.4.7)

Other Audit Observations

Cross verification of records undertaken by Audit revealed suppression of sale of windmills by four dealers. Tax and penalty leviable on the suppressed turnover amounted to ₹ 2.08 crore.

(Paragraph 2.6.3.1)

Suppression of sales of granite blocks pointed out by Audit resulted in revision of assessment and raising of additional demand of tax and penalty of ₹ 5.15 crore.

(Paragraph 2.6.3.2)

Failure to take into consideration the element of additional sales tax / adoption of incorrect slab rate of additional sales tax for determining the rate of tax applicable on interstate sale of cement not covered by valid declarations resulted in short levy of tax of ₹ 1.92 crore.

(Paragraph 2.6.7.2)

III Stamp Duty and Registration Fee

Audit of “Registration of various Agreement Deeds and relevant Deeds of Power of Attorney” revealed the following:

The Registering Officers failed to link the instruments of Power of Attorney and Sale Agreement when these instruments were registered in respect of the same properties and were between the same or related persons. This resulted in misclassification of instrument of Power of Attorney for Consideration as General Power of Attorney involving short levy of stamp duty and registration fee of ₹ 5.69 crore.

(Paragraph 3.4.2)

Misclassification of Sale Agreement with Possession as one without Possession resulted in short levy of registration fee of ₹ 4.92 crore.

(Paragraph 3.4.4)

Other Audit Observations

Misclassification of instruments resulted in short levy of stamp duty and registration fee of ₹ 6.88 crore in six cases.

(Paragraph 3.5.2)

Undervaluation of properties in 47 instruments resulted in short levy of stamp duty and registration fee of ₹ 2.84 crore.

(Paragraph 3.5.1)

Adoption of incorrect rate resulted in short levy of stamp duty of ₹ 1.14 crore.

(Paragraph 3.5.5)

Misclassification of instrument of Conveyance as Cancellation Deed in 303 cases resulted in short levy of stamp duty and registration fee of ₹ 2.12 crore.

(Paragraph 3.5.7)

Failure of the Department to undertake reconciliation of remittances resulted in non-credit of ₹ 6.40 crore to Government account.

(Paragraph 3.5.8)

There was excess allocation of transfer duty surcharge of ₹ 2.87 crore to local bodies.

(Paragraph 3.5.9)

IV Other Tax and Non-Tax Receipts

Electricity Tax

Audit of “Assessment and collection of Electricity Tax” revealed the following:

- There was no system to monitor the filing of returns by the entities and thus, initiation of action for invoking the provisions of best judgement assessment in a systematic manner in respect of non-filers of monthly returns was rendered impossible.

(Paragraph 4.2.3)

- Omission to consider excess demand and energy charges as current consumption charges for levy of electricity tax resulted in short levy of electricity tax of ₹ 89.30 crore during the period from 2011-12 to 2013-14.

(Paragraph 4.2.5)