

## OVERVIEW

This Report contains 17 paragraphs including two Performance Audits and one Compliance Audit relating to non/short levy of tax, interest, penalty, revenue foregone, etc. amounting to ₹ 1,017.45 crore. Some of the major findings are mentioned below:

### I General

Total revenue receipts of the State Government for the year 2015-16 amounted to ₹ 1,18,817.31 crore against ₹ 1,04,142.15 crore for the previous year. 68 *per cent* of this was raised by the State through tax revenue (₹ 75,550.18 crore) and non-tax revenue (₹ 5,355.04 crore). The balance 32 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 23,983.34 crore) and grants-in-aid (₹ 13,928.75 crore).

**(Paragraph 1.1)**

A total of 4,443 Inspection Reports issued up to December 2015 containing 9,305 observations involving money value of ₹ 2,162.61 crore were pending with the departments for settlement at the end of June 2016.

**(Paragraph 1.5)**

Test check of the records of 460 units of Value Added Tax, State Excise, Taxes on Motor Vehicles, Stamps and Registration Fee, Land Revenue and other Departmental offices conducted during the year 2015-16 showed under assessment/short levy/loss of revenue aggregating ₹ 1,220.57 crore in cases pointed out through 1,385 paragraphs.

**(Paragraph 1.8)**

### II Taxes/VAT on Sales, Trade, etc.

#### Performance Audit on “Administration of Minor Taxes in Commercial Taxes Department”

Transport vehicles owners to the extent of 2.75 lakh persons liable to Professions Tax (PT) in the State were not enrolled with Commercial Taxes Department. PT of ₹ 137.11 crore was due from them between April 2011 to March 2016.

**(Paragraph 2.4.9.1)**

Non-enrolment of 6,943 Private and Public Limited Companies, 12,316 Partnership firms and 60,480 individuals engaged in various professions under Service sector resulted in non-realisation of PT of ₹ 99.67 crore from these persons (entities) between 2011-12 and 2015-16.

**(Paragraph 2.4.9.2)**

Enrolment of only 76 persons out of the estimated 1,600 taxable persons who worked in the 667 films produced during the period of 2011-16 indicates inadequacy in the enforcement of the KTPTCE Act, 1976, in this Sector.

**(Paragraph 2.4.9.4)**

Failure to capture PAN details of 1.13 lakh persons enrolled under the KTPTCE Act, 1976, rendered CTD not being able to ascertain the correct amount of PT due in cases where liability under PT was dependent on whether the person was an Income Tax payee or not.

**(Paragraph 2.4.10)**

Misclassification and consequent application of incorrect rate of tax by the assessee and deficiencies in PELSoft to detect the errors relating to payment of PT resulted in non/short payment of PT ₹ 82.57 crore by 2.81 lakh proprietors, 47,940 partnership firms and 17,867 Companies during the years 2011-12 to 2015-16.

**(Paragraphs 2.4.12 to 2.4.14)**

Cross-verification by Audit with Service Tax Department revealed that 10,935 dealers who had practised professions under Service sector did not pay PT of ₹ 4.59 crore.

**(Paragraph 2.4.17)**

### **Compliance Audit**

Tax of ₹ 5.51 crore declared in 947 returns filed by 413 assesseees was not paid.

**(Paragraph 2.5)**

Non-levy of penalty under Section 72(1) of the KVAT Act for delay in payment of tax by 300 assesseees amounted to ₹ 12.94 crore.

**(Paragraph 2.6)**

Additional tax of ₹ 4.08 crore determined by the Auditors in the audited statement of accounts was not paid by 34 dealers.

**(Paragraph 2.7)**

Non/short levy of interest under Section 36(2) of the KVAT Act for delay in payment of tax by 75 dealers amounted to ₹ 2.62 crore.

**(Paragraph 2.8)**

## **III Stamp Duty and Registration Fees**

### **Performance Audit on “Adequacy of controls to prevent loss of Stamp Duty and Registration Fees”**

Department of Stamps and Registration (DSR) had not analysed reduction of market value by District Registrars (DR) and had not specified any criteria for selection of DR orders for review by Inspector General of Registration and Commissioner for Stamps (IGRCS).

**(Paragraph 3.4.10)**

DSR had not instituted a mechanism for detection of suppression of facts by the parties which led to loss of Stamp Duty. Stamp Duty and Registration Fee of ₹ 24.34 crore were short levied due to suppression of facts and figures in the test checked cases.

**(Paragraph 3.4.13)**

DSR does not have a break-up of the revenue in terms of each article of levy and by whom paid in respect of the revenue from instruments not compulsorily registrable, deficiency of which affects enforcement activities to ensure due realisation of Stamp Duty on such instruments.

**(Paragraph 3.4.14.1)**

DSR had not collected Stamp Duty of ₹ 313.26 crore due on conveyance of Industrial Machinery and Certificate of Sale relating to auction of iron ore during the period 2011-16.

**(Paragraphs 3.4.14.3 and 3.4.14.4)**

DSR did not have details/confirmation of payment of Stamp Duty of ₹ 71.69 crore on Certificates of Shares and Bonds issued by Companies in Karnataka during 2011-16.

**(Paragraphs 3.4.14.5 and 3.4.14.6)**

### **Compliance Audit**

Undervaluation of properties in respect of five sale deeds due to adoption of incorrect rates of market value guidelines resulted in short levy of Stamp Duty of ₹ 2.55 crore and Registration Fees of ₹ 0.45 crore.

**(Paragraph 3.5)**

## **IV Taxes on Motor Vehicles**

### **“Working of Departmental Statutory Action in Motor Vehicles Department”**

In 2,737 cases booked for non-production of documents, tax due of ₹ 1.20 crore from 35 Motor Vehicles was not identified and demanded. In 154 cases, Fitness Certificates, Clearance Certificates and No Objection Certificates were issued/renewed without disposing off the offence cases booked.

**(Paragraphs 4.4.6.2 and 4.4.6.3)**

In respect of 13 cases, documents like RC, MDL, Permit etc. were issued in duplicate by the Original Registering Authority (RTO) without the knowledge of these documents being impounded in original by another RTO.

**(Paragraph 4.4.6.2)**

In respect of 438 cases booked for overloading of vehicles, the excess goods were not off loaded and Compounding Fine of ₹ 68.19 lakh was also not collected.

**(Paragraphs 4.4.7.1 and 4.4.7.2)**

Lack of coordination between the field offices and Karnataka State Transport Authority resulted in issue of No Objection Certificates and non-surrender of documents in respect of 143 vehicles whose permits were under suspension.

**(Paragraph 4.4.8)**

Non disposal of 130 vehicles seized for non-payment of tax of ₹ 63.08 lakh through public auction resulted in non-recovery of tax due from those vehicles.

**(Paragraph 4.4.9.1)**

## **V Land Revenue**

Irregular refund of bid amount collected by the Department while auctioning of Government land resulted in loss of revenue of ₹ 9.13 crore.

**(Paragraph 5.4)**

Adoption of guideline market value applicable for agricultural land while fixing of lease rent for lands leased for non-agricultural purposes resulted in short assessment of lease rent amounting to ₹ 29.72 crore.

**(Paragraph 5.6)**

## **VI Mines and Geology**

Penalty for transportation of minor minerals without obtaining Mineral Dispatch Permits amounting to ₹ 244.58 crore was not demanded from the quarry lease holders.

**(Paragraph 6.4)**

Levy of royalty applicable at pre-revised rates by Monitoring Committee resulted in short levy of royalty of ₹ 18.78 crore on iron ore and manganese ore.

**(Paragraph 6.5)**