

OVERVIEW

I GENERAL

This Report contains 20 paragraphs including three detailed Compliance Audits relating to under-assessment/ non-realisation/loss of revenue etc., of ₹ 213.17 crore. The Departments/ Government accepted audit observations of ₹ 109.33 crore, of which ₹ 0.26 crore was recovered. Some of the major findings are mentioned below:

- **Trend of revenue receipts**

The total revenue receipts of the Government for the year 2017-18 amounted to ₹ 1,05,062 crore against ₹ 98,984 crore in the previous year. Of this, 51 *per cent* was raised by the State through tax revenue (₹ 49,486 crore) and non-tax revenue (₹ 3,814 crore). The balance 49 *per cent* was received from the Government of India in the form of State's share of divisible Union Taxes (₹ 29,001 crore) and Grants-in-Aid (₹ 22,761 crore).

(Paragraph 1.1.1)

- **Position of local audit conducted during the year**

Test check of the records of 324 units out of the 1,445 auditable units, under Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departments conducted during the year 2017-18 showed underassessment, short levy/ loss of revenue aggregating ₹ 222.19 crore in 1,245 cases.

(Paragraph 1.9.1)

II VALUE ADDED TAX, CENTRAL SALES TAX AND GOODS AND SERVICES TAX

- Under declaration of turnover of ₹ 86.74 crore resulted in short levy of tax of ₹ 7.28 crore in eight offices.

(Paragraph 2.4.1.1)

- Application of incorrect rates of tax resulted in under declaration of tax of ₹ 1.24 crore involving four dealers in one office.

(Paragraph 2.4.1.2)

- In 10 offices involving 11 dealers, tax of ₹ 3.97 crore was short levied due to incorrect determination of taxable turnover.

(Paragraph 2.4.2)

- Incorrect exemption of sales turnover of ₹ 26.21 crore of textiles and fabrics in six Offices had resulted in non-levy of tax of ₹ 1.31 crore.

(Paragraph 2.4.3)

- Assessing Authorities in nine offices did not levy interest and penalty on belated payments of tax in 26 cases that amounted to ₹ 2.48 crore.

(Paragraph 2.4.4)

- Non-conversion of TOT dealer as VAT dealer in nine offices resulted in short payment of tax and non-levy of penalty to the tune of ₹ 49.90 lakh in 21 cases.

(Paragraph 2.4.5)

- Tax of ₹ 8.61 crore was not/short levied due to incorrect determination of taxable turnover under Works Contracts in six offices involving seven cases.

(Paragraph 2.5.1)

- Tax of ₹ 67.02 lakh on works contracts was short levied due to determination of turnover on the basis of incorrect detailed accounts as well as incorrect application of works contract provisions.

(Paragraph 2.5.2)

- Assessing Authorities levied penalty equivalent to tax instead of at 200 *per cent* on ITC claims based on false invoices leading to short levy of penalty of ₹ 80.95 lakh.

(Paragraph 2.6.2)

- Non-restriction of Input Tax Credit (ITC) to works contractors, allowance of ITC on ineligible goods, led to excess/ incorrect allowance of ITC of ₹ 80.61 lakh in four offices involving nine cases.

(Paragraph 2.7.1)

Transition from VAT to GST

Detailed study on transition from VAT to GST was conducted and following deficiencies noticed in three out of five offices test checked.

- Excess claim of transitional credit of ₹ 14.57 crore was made by 113 dealers in five offices.

(Paragraph 2.10.8.4)

- Transitional claim of ₹ 1.41 crore was erroneously allowed to three dealers though CST assessments were not completed and declaration forms for claiming concession / exemptions were not filed.

The department needs to verify claims against the actual ITC available and ensure compliance to the rules/ provisions by the dealers before allowing transitional credit claims

(Paragraph 2.10.8.4)

- Department sanctioned the refund claim of ₹ 50.49 crore to a dealer without verifying ITC eligibility. Penalty of ₹ 50.49 crore equivalent to erroneous refund was not levied by the department.

(Paragraph 2.10.8.7)

III STATE EXCISE DUTIES

- In two offices of Prohibition and Excise Superintendents, annual licence fee for seven liquor shops was fixed at lower rates without considering the merger of the villages into nearby Municipality/ Municipal Corporation. This resulted in short levy of licence fee of ₹ 2.01 crore.

(Paragraph 3.4)

- Additional licence fee of ₹ 94.11 lakh was not levied on 13 bar licences though plinth area of bar premises exceeded 300 Square Metres.

(Paragraph 3.5)

IV STAMP DUTY AND REGISTRATION FEES

Detailed compliance Audit on “Functioning of Registration and Stamps Department” disclosed following deficiencies.

- Due to lack of coordination between Departments of Land Revenue and Registration, agricultural rate was adopted in respect of lands which had already been converted to non-agricultural use in nine offices of District Registrars/ Sub-Registrars. This had led to undervaluation of properties by ₹ 32.38 crore resulting in short levy of stamp duty and registration fees of ₹ 2.11 crore.

(Paragraph 4.4.6.1)

- Audit noticed that conveyance of immovable property valuing ₹ 15.99 crore transferred to another company through merger orders was not registered though compulsorily registerable. Stamp Duty and Registration fee leviable worked out to ₹ 71.95 lakh. Lack of coordination/ inbuilt mechanism to transfer merger/ amalgamation cases to Registration Department by Registrar of Companies led to non-levy of stamp duty on transfer of ownership.

(Paragraph 4.4.6.2)

- Total number of 9,23,830 vehicles were hypothecated to private banks and other financial institutions during the period from April 2015 to January 2017. Lack of coordinated efforts between departments of Transport and Registration & Stamps led to non-levy of stamp duty of ₹ 86.82 crore.

(Paragraph 4.4.6.3)

- Loans secured from various banks by creating charge on instruments on *Pari Passu* basis are required to be registered by charging 0.5 *per cent* on the loan amount. Registering authorities collected ₹ 10,000 on each document instead of charging 0.5 *per cent* on the amount of loan secured resulting in short levy of registration fee of ₹ 12.62 crore.

(Paragraph 4.4.7)

- The sale transactions of 192 apartments were intentionally split into sale of undivided share of land and construction agreement after the approval for construction of Apartments resulting in short levy of duties amounting to ₹ 2.14 crore in seven offices.

(Paragraph 4.4.8.1.)

- In 25 offices of District Registrars/ Sub-Registrars, properties involved in 160 documents were undervalued by ₹ 102.39 crore, due to application of incorrect market values, adoption of agricultural rates for non-agricultural properties, mention of incorrect location of properties, non-valuation of existing structures, misrepresentation of facts like correct door numbers, boundaries etc. This had resulted in short levy of duties and fees of ₹ 5.09 crore.

(Paragraph 4.4.9.1)

- Non-adoption of higher rates applicable to the lands mentioned in boundaries resulted in undervaluation of the properties by ₹ 31.42 crore. Undervaluation had consequently led to short levy of duties of ₹ 2.28 crore in 11 offices of District Registrars /Sub-Registrars.

(Paragraph 4.4.9.2)

- In 13 offices of District Registrars/ Sub-Registrars, the total extent of the property involved was not taken into consideration for levy of duties. This had resulted in short levy of duties of ₹ 62.20 lakh.

(Paragraph 4.4.9.3)

- In 10 offices of District Registrars/ Sub-Registrars, recitals of the documents and the conditions of leases were not properly interpreted by the registering officers for levy of duties. This had resulted in short levy of duties of ₹ 1.90 crore.

(Paragraph 4.4.10)

- Misclassification of documents in 17 offices of District Registrars/ Sub-Registrars resulted in short levy of stamp duty, registration fee and transfer duty of ₹ 80.38 lakh.

(Paragraph 4.4.12)

V TAXES ON VEHICLES

Detailed Compliance Audit on “Operation of check posts of Transport Department” revealed the following deficiencies:

- 71,011 transport vehicles registered outside Andhra Pradesh, entered into the State. Of this, a total number of 57,047 were moving in the State through alternative routes without a valid interstate permit. Due to establishment of check post at 120 km away from border, these vehicles escaped prescribed checks besides loss of revenue of at least ₹ 1.60 crore.

(Paragraph 5.4.5.3)

- 1,39,315 (78 per cent) offences out of 1,79,278 related to repetition of offence. Levy of ₹ 1000 instead of ₹ 2000 on second and subsequent offences resulted in short collection of compounding fee of ₹ 10.45 crore.

(Paragraph 5.4.6.1)

- The transactions at Chinturu check post were done manually and revenue registers prescribed were not maintained properly. Deficiency in collection and remittance of Government revenue to Treasury were noticed. On cross verification of revenue collected at Chinturu check post with contiguous State (Telangana) check post at Paloncha for the period 2015-18, (both check posts are located on same and only highway between Chhattisgarh and AP) discrepancies of ₹ 3.09 crore in revenue collected at Chinturu check post were found.

(Paragraph 5.4.7)

- In three check posts, the revenue collected was not reconciled during the period between April 2016 and March 2018. Verification of remittances by the Audit with the treasuries revealed that an amount of ₹ 1.49 crore was not traced.

(Paragraph 5.4.7.1)

Other Audit findings:

- Quarterly road tax of ₹ 69.10 lakh and penalty of ₹ 34.55 lakh were not realised from owners of 500 transport vehicles in seven offices.

(Paragraph 5.5)

- Non-renewal of Fitness Certificates (FC) in respect of 48,472 transport vehicles resulted in non-realisation of FC fee of ₹ 91.78 lakh in seven offices.

(Paragraph 5.6)

VI LAND REVENUE

- Advance possession (March, 2015) of 15 acres of land was given to Andhra Pradesh Dairy Development Cooperative Federation Limited. The alienation proposals were not finalised even after three years of handing over possession of the land. Non-finalisation of alienation proposals resulted in non-realisation of ₹ three crore towards cost of land.

(Paragraph 6.4)

VII OTHER TAX AND NON-TAX RECEIPTS

Detailed Compliance Audit on “Functioning of Endowments Department in management of temples and temple lands”:

- Scrutiny of Demand, Collection and Balance registers in the office of Commissioner of Endowment revealed that an amount of ₹ 298.21 crore was pending realisation from the temples as on 31 March 2018. In six test checked institutions alone, the arrear contributions accumulated to ₹ 72.39 crore.

(Paragraph 7.2.6.2(a))

- Contributions amounting to ₹ 470.98 crore were in arrears from a temple specified under Section 65 (2) of The Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act 1987 (Endowment Act), towards Endowment Administration Fund (EAF) and Common Good Fund (CGF).

(Paragraph 7.2.6.2(b))

- Incorrect assessment of assessable income had resulted in underassessment of ₹ 285.83 crore and consequent short payment of statutory contributions amounting to ₹ 61.45 crore in five temples.

(Paragraph 7.2.6.3.)

- The Government of AP created (October 2015)¹ Trust to propagate and preserve Hindu Dharma. For this purpose, Government directed that two *per cent* of CGF contributions be allocated for Hindu Dharmik activities. An amount of ₹ 10.60 crore was released to Trust during the period from 2015-16 to 2017-18 without issuing any guidelines for utilisation of the funds. Expenditure details were not maintained by the Trust and thus, proper fund utilisation could not be monitored.

(Paragraph 7.2.7.1)

¹ G.O.RT.No. 927 Revenue (Endowments-1) Department dated 01 October 2015.

- An amount of ₹ 12.41 crore was diverted from CGF for construction of office building, during the period from April 2014 to March 2018 in violation of the provisions of the Act.

(Paragraph 7.2.7.2)

- In eight Institutions categorised under Section 6(a) of the Endowment Act, temple funds amounting to ₹ 34.07 crore were utilised for other than intended purposes i.e. establishment of schools / colleges /grant to the private hospitals, fuel expenses of Government Officials etc.

(Paragraph 7.2.10.1)

- An amount of ₹ 2.57 crore was given to other temples on loan basis against the promissory note (between the years 1970 and 2016) by five temples. No efforts were made by these temples to realise the money from the borrowing institutions, resulting in blocking up of funds by way of interest amounting to ₹ 4.09 crore.

(Paragraph 7.2.10.2)

- Arrears of ₹ 18.48 crore was pending from lease holders of shops licenses and land in 12 temples since 2013-14.

(Paragraph 7.2.12.1)

- Temple land measuring 44.57 acres of a temple categorised under Section 6(a) of the Endowment Act, was allotted and possession was given (between 1973 and 1995) to various Central Government offices without fixing any land compensation. The compensation payable worked out to ₹ 18.58 crore as of March 2016. No amount, however, was realised upto February 2019.

(Paragraph 7.2.13.2)

