

Overview

OVERVIEW

This Report comprises of one performance Audit on ‘**Systems of Assessments under VAT**’, one follow-up Audit on Levy and Collection of Electricity Duty and Fee, and three paragraphs relating to non-levy of penalty and short levy of tax due to suppression of stocks, concealment of purchases etc; involving revenue implication of ₹93.66 crore. Some of the major findings are mentioned below:

Revenue Sector

General

The total revenue receipts of the State Government for the year 2014-15 were ₹28938.59 crore as compared to ₹27127.98 crore during the year 2013-14 i.e. an increase of ₹1810.61 crore. Out of this, 29 *per cent* of the total receipt was raised through tax revenue (₹6333.95 crore) and non-tax revenue (₹1978.05 crore) and the balance 71 *per cent* was received from the Government of India as State’s share of divisible Union taxes and duties (₹4477.23 crore) and Grants-in-aid (₹16149.36 crore).

(Paragraph: 1.1)

Test-check of the records of 55 units of Sales tax/ Value Added Tax, State Excise, Transport, conducted during the year 2014-15 showed under assessment/ short levy/ loss of revenue aggregating ₹175.12 crore in 1218 cases. During the year, the Departments concerned accepted under assessment and other deficiencies of ₹13.31 crore involved in 125 cases, which were pointed out in audit during 2014-15 and earlier years. The Departments collected ₹50.10 lakh¹ in 90 cases pertaining to audit findings of previous years as well as of the year 2014-15. A performance Audit on System of assessment under VAT and follow up audit on Levy and Collection of Electricity Duty and Fee was also undertaken during the year.

(Paragraphs: 1.10 and 1.11)

Performance Audit

A Performance Audit on “**System of Assessments under VAT**” showed the following:

- The Department had not maintained any data base on prescribed criteria for

¹ 2014-15: ₹0.09 lakh (Two cases) and prior to 2014-15: ₹50.01 lakh (88 cases)

identification and selection of dealers for tax audit and audit assessments. The percentage of cases selected for tax audit ranged between 0.03 and one during 2009-10 to 2013-14.

(Paragraphs: 2.3.6.1 and 2.3.6.4)

- The Commissioner Commercial Taxes (CCT) selected cases for audit assessment on random basis without applying prescribed criteria which resulted in huge number of cases falling under escaping audit assessments. The Assessing Authorities (AAs) also selected cases for audit assessment in an arbitrary manner.

(Paragraph: 2.3.6.4)

- Out of 4155 cases authorized for audit assessment by CCT during 2011-12 to 2013-14 nil demands were raised in 2668 (64 *per cent*) cases while out of 2251 cases selected for audit assessment by AAs nil demands were raised in 1617 cases (72 *per cent*) in test-checked circles.

(Paragraph: 2.3.6.4 (I))

- Incorrect assessments by AAs led to inadmissible allowances of Input Tax Credit, misclassification/ concealment of turnover, grant of incorrect exemption resulting in tax evasion of ₹88.66 crore in 73 cases.

(Paragraphs: 2.3.6.4 (III to X))

- Arrears of revenue pending realization with Deputy Commissioner (Recovery) were increased from ₹989.46 crore in 2010-11 to ₹1078.31 crore in March 2015. The realisation of arrears was between one *per cent* and seven *per cent* of the arrears during 2010-11 to 2014-15, which shows that sincere efforts were not made by the department to recover the arrears.

(Paragraph: 2.3.7)

Audit of Transactions

Follow up Audit of Levy and Collection of Electricity Duty and Fee

A Performance Audit (PA) of the system of Levy and Collection of Electricity Duty and Fee in the Power Development Department for the period 2005-06 to 2009-10 had featured in the Report of the CAG of India (Government of Jammu and Kashmir) for the year ended 31 March 2010 under Audit paragraph 4.2. The Performance Audit contained four recommendations to address the audit findings, which were agreed to by the Power Development Department. The findings

and the recommendations had not been discussed by the Committee on Public Accounts (November 2015). The Government and Department had not initiated any corrective measures to address the deficiencies pointed out in the Audit Report. The progress of recovery of ED was insignificant as out of a recoverable amount of ₹269.94 crore pointed out previously, an amount of ₹265.50 crore was still pending for recovery (July 2015).

(Paragraph: 2.4)

Suppression of stocks, concealment of purchases including interstate purchases and turnover were not detected by the AAs at the time of assessment of dealers, which resulted in short levy of tax of ₹21.05 lakh.

(Paragraph: 2.5)

Assessing Authority did not impose penalty for concealment of turnover by three dealers, which resulted in non-levy of penalty of ₹27.57 lakh.

(Paragraph: 2.6)

Assessing Authority Commercial Taxes Circle 'L' Jammu failed to detect concealment of interstate purchases by the dealer during the year 2008-09, which resulted in short levy of tax to the extent of ₹27.27 lakh.

(Paragraph: 2.7)

