

OVERVIEW

The Report contains 37 paragraphs involving ₹ 122.83 crore relating to non-levy / short levy of taxes, interest, penalty etc.; including a Performance Audit on “Revision and Implementation of Market Value Guidelines” with financial impact of ₹ 11.00 crore and a Follow-up of Performance Audit on Functioning of Prohibition and Excise Department. Some of the significant audit findings are mentioned below :

I GENERAL

- The total revenue receipts of the State Government for the year 2015-16 amounted to ₹ 76,133.83 crore. Of this, Tax Revenue (₹ 39,974.63 crore) and Non-Tax Revenue (₹ 14,414.36 crore) accounted for 71 *per cent* of the total revenue receipts of the State. The remaining 29 *per cent* was received from Government of India as State’s share of divisible Union Taxes and Duties (₹ 12,350.72 crore) and Grants-in-Aid (₹ 9,394.12 crore).

(Paragraph 1.1.1)

- Test check of audit of 341 units relating to Value Added Tax, State Excise, Motor Vehicle Tax, Land Revenue, Stamp Duty and Registration Fee etc., conducted during 2015-16, showed preliminary audit findings involving non-levy / short levy of taxes, duties etc. amounting to ₹ 1,248.72 crore in 1,598 cases.

(Paragraph 1.9.1)

II VALUE ADDED TAX AND CENTRAL SALES TAX

- In six offices, Input Tax Credit (ITC) of ₹ 9.83 crore was incorrectly allowed to seven dealers.

(Paragraph 2.4.1)

- Adoption of incorrect method of restriction of ITC resulted in excess claim of ₹ 2.50 crore on exempt sales and exempt transactions.

(Paragraph 2.4.2)

- In 11 offices, assessing authorities adopted Purchase Turnovers in excess of those shown in Profit and Loss Accounts. This had resulted in excess allowance of ITC of ₹ 83.55 lakh.

(Paragraph 2.4.3)

- In 17 offices, 26 dealers had incorrectly declared taxes at lower rates on sale of commodities, such as air conditioners, electronic weighing scales, confectionery etc. Application of incorrect rates of tax resulted in short levy of tax of ₹ 23.79 crore.

(Paragraph 2.5)

- In 12 offices involving 27 cases, incorrect exemption of sales turnover of textiles and fabrics of ₹ 263.76 crore resulted in non-levy of VAT of ₹ 13.19 crore.

(Paragraph 2.6)

- In 15 offices involving 23 cases, central sales tax was levied at lower rates on interstate sale of goods not covered by 'C' Forms. This resulted in short levy of tax of ₹ 3.63 crore.

(Paragraph 2.7.1)

- In one office, penalty of ₹ 2.62 crore was not levied for misuse of 'C' Forms on purchase of iron & steel and hardware.

(Paragraph 2.7.2)

- In eight offices involving 13 cases, incorrect exemption of total turnover of ₹ 13.95 crore representing export sales, transit sales and high sea sales resulted in non-levy of central sales tax of ₹ 1.59 crore.

(Paragraph 2.7.3)

- In six offices involving eight cases, incorrect determination of taxable turnover resulted in short levy of central sales tax of ₹ 1.52 crore on a total turnover of ₹ 28.63 crore.

(Paragraph 2.7.4)

- Variation in interstate sales turnover of ₹ 145.47 crore between the turnover determined by assessing authorities and turnover reported in Profit and Loss Accounts resulted in short levy of tax of ₹ 7.36 crore.

(Paragraph 2.8)

- Failure of the assessing authority to follow the rule provisions in respect of works contractors who did not maintain detailed accounts resulted in short levy of tax of ₹ 1.46 crore.

(Paragraph 2.9.1.2)

- In one case, the assessing authority levied penalty of ₹ 12.29 crore on false tax invoices, instead of ₹ 24.57 crore, resulting in short levy of penalty of ₹ 12.28 crore.

(Paragraph 2.13.1)

- In 257 cases, the dealers had paid tax belatedly with delays ranging from 1 to 674 days. However, penalty of ₹ 5.99 crore and interest of ₹ 2.64 crore were not levied by the assessing authorities.

(Paragraph 2.13.2)

- In six cases, the assessing authorities did not levy / short levied penalty of ₹ 1.62 crore on wilful under-declaration of tax by dealers.

(Paragraph 2.13.3)

- In 46 cases, the assessing authorities did not levy / short levied penalty of ₹ 1.50 crore on under-declaration of tax.

(Paragraph 2.13.4)

III STATE EXCISE DUTY

- Failure of the Prohibition and Excise Department to levy licence fee on manufacture of Ethanol resulted in short levy of licence fee of ₹ 98 lakh.

(Paragraph 3.4)

- In two offices, permit room licence fee of ₹ 10 lakh was not levied in respect of five retail liquor shops, besides short levy of licence fee of ₹ 1.50 lakh of another shop for the period 2014-15.

(Paragraph 3.5)

- In four offices, transfer fee amounting to ₹ 8.53 lakh, for conversion of proprietary concern to partnership firm and *vice versa*, was not levied / short levied in respect of four Restaurant & Bars for the period 2013-14 and 2014-15.

(Paragraph 3.6)

IV STAMP DUTY AND REGISTRATION FEE

A Performance Audit on “**Revision and Implementation of Market Value Guidelines**” with monetary value of ₹ 11.00 crore showed the following:

- The Department had not adhered to the periodicity of revision of market values as prescribed under the Market Value Guidelines Rules, 1998.

(Paragraph 4.4.7.2)

- The Department did not maintain any documents evidencing collection of inputs / requisite data to ascertain the prevailing market values for use at the time of revision of market values.

(Paragraph 4.4.7.4)

- Registers relating to market value information, intelligence reports on high values and development activities were not maintained. No mechanism was in place to monitor maintenance of such registers.

(Paragraph 4.4.7.5)

- Incorrect classification of lands due to lack of coordination between departments, adoption of incorrect market values, undervaluation of properties and non-adherence to instructions resulted in non-levy / short levy of duties and fees amounting to ₹ 11.00 crore.

(Paragraphs 4.4.7.6 to 4.4.9.1)

- Duties and fees of ₹ 1.38 crore were short levied due to adoption of agricultural rate for the lands which had already been converted to non-agricultural use.

(Paragraph 4.5)

- Duties and fees of ₹ 70.92 lakh were short levied due to undervaluation of properties in contravention of market value guidelines/instructions.

(Paragraph 4.6)

- The estimated cost of structures in the leased area was not truly set forth in the document resulting in undervaluation of improvements leading to loss of revenue of ₹ 52.74 lakh.

(Paragraph 4.7)

- Stamp duty of ₹ 20.43 lakh was short levied due to undervaluation of properties proposed for development.

(Paragraph 4.8)

V TAXES ON VEHICLES

- Tax amounting to ₹ 1.80 crore and penalty of ₹ 0.90 crore were not realised from owners of 1,213 transport vehicles for the years 2011-12 to 2014-15.

(Paragraph 5.4)

- Non-renewal of fitness certificate (FC) of 53,556 transport vehicles resulted in non-realisation of fitness certificate fee of ₹ 1.19 crore.

(Paragraph 5.5)

- Scrutiny of Vehicle Check Reports (VCRs) showed that compounding fee amounting to ₹ 31.29 lakh was not realised in respect of 568 VCRs.

(Paragraph 5.6)

- Bilateral tax amounting to ₹ 12.65 lakh and penalty of ₹ 3.04 lakh were not collected for the year 2014-15 in respect of 253 goods vehicles registered in Maharashtra State, which were covered by countersignature permits.

(Paragraph 5.7)

- Green tax amounting to ₹ 15.32 lakh was not levied and collected for the period from April 2011 to March 2015 in respect of 6,739 transport and 441 non-transport vehicles, though the vehicles had completed 7 years and 15 years of age respectively.

(Paragraph 5.8)

VI LAND REVENUE

- In four districts, no re-survey was conducted for 20 to 68 years.

(Paragraph 6.4.3)

- In seven districts, basic records such as '*Sethwars*' and '*Tippans*' were not available in required numbers.

(Paragraph 6.4.5)

- The Government failed to build up any legally enforceable land records under *Bhu Bharati* Project making the entire expenditure of ₹ 37.73 crore unfruitful.

(Paragraph 6.4.6)

- No precautionary measures, such as scanning/computerisation were taken to preserve the basic land records.

(Paragraph 6.4.7)

- Incorrect preparation of village maps led to land disputes in two cases and made 500 acres of Government land physically unavailable in one case.

(Paragraph 6.4.8)

- Dispute between the Department of Forests and the Department of Survey, Settlement & Land Records led to non-updation of land records.

(Paragraph 6.4.11)

- Issue of Supplementary *Sethwars* for correction of survey errors and for sub-division of survey numbers on account of land assignment, land acquisition, etc., was pending in 94 cases for more than 20 years in the Office of the Assistant Director, Survey Settlement & Land Records, Ranga Reddy.

(Paragraph 6.4.12)

- Out of 110 *Jamabandis* (finalisation of village accounts) due in 22 *mandals*, 36 were completed with delays ranging from one to more than three years. In the remaining 74 cases, village accounts were not finalised. Consequently, land records at village level were not updated.

(Paragraph 6.4.16)

- Non-finalisation of alienation proposals regarding land alienated for non-agricultural purposes even after lapse of two to four years from the dates of handing over of land resulted in non-realisation of cost of land amounting to ₹ 8.01 crore in five cases.

(Paragraph 6.5)

- Conversion tax and penalty amounting to ₹ 6.46 lakh was not levied / short levied in respect of 23.69 acres of agricultural land which were put to use for non-agricultural purposes, without prior permission of the competent authorities.

(Paragraph 6.6)

VII OTHER TAX AND NON-TAX RECEIPTS

- Interest amounting to ₹ 5.46 lakh was not levied on collection of arrears of water tax.

(Paragraph 7.2)

- Tax on professions for the years 2011-12 to 2014-15 amounting to ₹ 6.07 lakh was not collected by the registering authorities from 184 institutions.

(Paragraph 7.3)

VIII FOLLOW-UP AUDIT

A Follow-up Audit was conducted on the recommendations made in the Performance Audit on “Functioning of Prohibition and Excise Department”

- Out of nine audit recommendations, Government had accepted eight recommendations. The Department had completed action on four recommendations while, in case of two, the department had initiated action but it was yet to be completed. In the case of the remaining two recommendations, the Department had not taken any action.

(Paragraph 8.1.3)

- Government had introduced Hedonic Path Finder System (HPFS) to track and trace manufacture and sale of Indian Made Foreign Liquor (IMFL). This system included affixture of Holographic Excise Adhesive Labels (HEALs) embedded with barcode on bottles of IMFL in distilleries. HEALs were being affixed on bottles of liquor manufactured at distilleries.

(Paragraph 8.1.3.1)

- Government had introduced new Excise Policy in the year 2012-13. Privilege fee was levied on sale of liquor at the rate of eight *per cent* and value added tax thereon when the cumulative value of purchases during the licence year exceeded six times the annual licence fee.

(Paragraph 8.1.3.2)

- The HPFS included computerisation at three levels i.e., Distilleries, Depots and Retail sales outlets. Computerisation at Distilleries and Depots was completed and computerisation of retail sale outlets was pending.

(Paragraph 8.1.3.5)

- No check-post was set up in Karimnagar. No posts were sanctioned to new check-posts and no communication facilities were provided to any check-post.

(Paragraph 8.1.3.6)