

OVERVIEW

The report contains 27 paragraphs, including one Performance Audit, relating to non / short levy of taxes, royalty, interest, penalty, etc. involving ₹ 4,107.31 crore. Some of the major findings are mentioned below:

I General

The total revenue receipts of the State during 2015-16 were ₹ 1,29,007.87 crore, comprising tax revenue of ₹ 80,476.08 crore and non-tax revenue of ₹ 8,918.31 crore. ₹ 20,353.86 crore was received from the Government of India as State's share of divisible Union taxes and ₹ 19,259.62 crore as grants-in-aid. The revenue raised by the State Government in 2015-16 was 69 *per cent* of the total revenue receipts as compared to 71 *per cent* in 2014-15. Sales tax (₹ 57,522.03 crore) formed a major portion (71 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits (₹ 3,093.50 crore) accounted for 35 *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 2015-16 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹ 4,381.82 crore in 4,620 cases.

(Paragraph 1.9)

II Value Added Tax / Sales Tax

Audit of Assessment, levy and collection of Value Added Tax on transfer of goods involved in the execution of works contracts revealed the following:

- The Commercial Taxes Department failed to institute a well established system of collection of data from various work awarders in the State. This resulted in contract receipts escaping assessment from levy of tax under the Tamil Nadu Value Added Tax Act.

(Paragraphs 2.4.2 & 2.4.3)

- The existing system of deduction of tax at source in respect of works contracts suffered from various deficiencies like Non / short deduction of tax at source in the absence of Form-S certificate, absence of system to verify the genuineness of Form-S certificate, and failure to follow the prescribed procedures in issue of Form-S by the assessing authorities.

(Paragraph 2.4.5)

- The failure to forward the Statement of deposit of VAT-TDS in Form-R and the failure to forward the certificate of deduction in Form-T to the Assessment Circles concerned of the works contractors resulted in allowance of claim of VAT-TDS by the contractors without verification of remittance of the same into Government Account.

(Paragraph 2.4.6 & 2.4.7.2)

- The assessment of works contractors in the Assessment Circles suffered from various deficiencies like Non / short levy of purchase tax, short levy of penalty, Non-reversal of input tax credit, incorrect computation of taxable turnover, etc involving tax and penalty of ₹ 15.20 crore.

(Paragraph 2.4.7.2)

Audit of Tax Exemption to Industries revealed the following:

- The failure of the Commercial Taxes Department to comply with the provision of Government Order issued by the Industries Department led to non-recovery of deferred tax of ₹ 1,637.61 crore.

(Paragraph 2.5.2)

- Incorrect method of determination of achievement of Base Production Volume / Base Sales Volume resulted in issue of tax payment certificates in excess of the eligible amount; the excess amount being ₹ 170.93 crore in respect of six companies.

(Paragraph 2.5.5.1)

- Tax payment certificate of ₹ 25.04 crore for refund of tax paid on purchase of inputs was incorrectly issued to a company, though the goods purchased were not involved in process of manufacture.

(Paragraph 2.5.5.3)

- Two companies were incorrectly allowed to carry forward input tax credit of ₹ 1,597.64 crore in their monthly returns though the orders issued by the Industries Department in March 2015 provided that input tax credit shall be allowed only to the extent of sale of goods and the excess input tax credit after such adjustment shall lapse / be forfeited.

(Paragraph 2.5.6.2)

- The internal control and monitoring mechanism suffered from deficiencies of inadequate monitoring of the fulfillment of investment obligation, non-convening of the meetings of High Level Official Committee at prescribed time period and absence of mechanism to accurately determine the purchases and sales eligible for grant of special package of assistance to industries undertaking expansion.

(Paragraph 2.5.7)

Other Audit Observations

Incorrect claim of input tax credit of ₹ 3.14 crore was noticed in 17 cases.

(Paragraph 2.6.4)

Non / short reversal of input tax credit of ₹ 3.29 crore was noticed in 16 cases involving interstate sale of goods and stock transfer of goods to other States.

(Paragraph 2.6.5)

Omission to levy tax on the deemed sale of dyes and chemicals purchased from interstate and utilised in dyeing contracts resulted in non levy of tax of ₹ 81.29 lakh.

(Paragraph 2.6.9)

III Stamp Duty and Registration Fee

Non-levy of stamp duty and short levy of registration fee in respect of amalgamation resulted in non / short realisation of revenue of ₹ 5.47 crore.

(Paragraph 3.3.1)

The adoption of concessional rate of stamp duty in respect of instruments involving release of properties to persons other than family members resulted in short collection of stamp duty and registration fee of ₹ 98.02 lakh.

(Paragraph 3.3.4)

The adoption of concessional rate of stamp duty in respect of instruments involving partition of properties to persons other than family members resulted in short collection of stamp duty and registration fee of ₹ 1.46 crore.

(Paragraph 3.3.5)

Incorrect allowance of exemption in respect of lease deeds resulted in non-levy of stamp duty of ₹ 26.95 crore

(Paragraph 3.3.6)

IV Taxes on Vehicles

Performance Audit on **Collection of taxes and fees and delivery of citizen services by Home Transport Department** revealed the following:

- Misclassification of Private Service Vehicles as Educational Institution Vehicles resulted in short realisation of tax of ₹ 2.46 crore.

(Paragraph 4.3.8.5)

- Incorrect grant of Private Service Vehicle permits to vehicles not owned by the permit holder and plied based on contract agreements resulted in loss of revenue of ₹ 6.59 crore.

(Paragraph 4.3.8.5)

- Incorrect classification of Non-metropolitan services as Metropolitan services and collection of tax at the concessional rate applicable to Metropolitan services resulted in short realisation of tax of ₹ 4.18 crore.

(Paragraph 4.3.8.6)

- Penalty leviable for violation of permit conditions by the stage carriages of Metropolitan Transport Corporation amounted to ₹ 187.97 crore.

(Paragraph 4.3.9.3)

- There was tardy progress in the implementation of various measures undertaken by the Department for improving delivery of citizen services. This resulted in the benefits of such measures not being achieved.

(Paragraph 4.3.10)

V Other Tax and Non-Tax Receipts

Mines and Minerals

Omission to levy royalty on the basis of *ad valorem* rate on the quantity of minerals resulted in short collection of royalty of ₹ 3.97 crore.

(Paragraph 5.3.1)

There was excess transfer of seigniorage fee of ₹ 4.30 crore to local bodies.

(Paragraph 5.5)