

OVERVIEW

This Report contains 37 paragraphs including three reviews relating to non/short levy of tax, penalty, interest etc. involving Rs. 304.96 crore. Some of the major findings are mentioned below:

1. General

The total revenue receipts of the Government of Gujarat in 2007-08 were Rs. 35,689.85 crore as against Rs. 31,002.22 crore during 2006-07. The revenue raised by the State from tax receipts during 2007-08 was Rs. 21,885.57 crore and from non-tax receipt was Rs. 4,609.31 crore. State's share of divisible Union taxes and grant-in-aid from the Government of India were Rs. 5,426.09 crore and Rs. 3,768.88 crore, respectively. Thus the revenue raised by the State Government was 74 *per cent* of the total revenue receipts. The main source of tax revenue during 2007-08 was sales tax (Rs. 15,104.54 crore) and taxes and duties on electricity (Rs. 2,046.52 crore). The main receipt under non-tax revenue was from non-ferrous mining and metallurgical industries (Rs. 2,082.14 crore).

(Paragraph 1.1)

The arrears of revenue aggregating Rs. 8,673.54 crore remained unrealised under some principal heads of revenue at the end of 2007-08. The arrears were mainly in respect of sales tax and electricity duty.

(Paragraph 1.5)

2. Sales Tax

A review of Administration and recovery of deferred sales tax disclosed that:

- Industrial policies declared by the Department of Industries allowed deferment of sales tax in four clusters over a 20 year period from 1980-81 to 1999-2000. Under the schemes 4,118 beneficiaries availed deferments of Rs. 9,118 crore till 31 March 2007.
- A single beneficiary, namely Reliance Petroleum Ltd., availed the largest share of deferment incentive, totaling Rs. 5,336 crore, which constituted 59 *per cent* of total deferment availed since inception of the scheme in 1980.

(Paragraph 2.2.6)

- Units did not maintain prescribed records. Audit could not verify the correctness of grant of deferment of Rs. 242.60 crore to 263 beneficiaries.

(Paragraph 2.2.8)

- Department fixed instalments, late in case of 28 beneficiaries in eight units and short in case of nine beneficiaries in four units which resulted in non-recovery of Rs. 6.41 crore.

(Paragraph 2.2.13)

- The benefit under the *Vechan Vera Samadhan Yojana* was restricted to dealers not enjoying other benefits under the Act. Department allowed remission of interest of Rs. 5.40 crore incorrectly to 13 beneficiaries under the *Yojana*.

(Paragraph 2.2.15)

- Department allowed refund of set off of Rs. 12.97 crore to two beneficiaries in contravention of the deferment scheme.

(Paragraph 2.2.16.1)

Incorrect classification of goods resulted in under assessment of Rs.55.76 crore in the case of 109 dealers.

(Paragraph 2.4)

Concession of Rs.27.40 crore was allowed to 85 dealers without obtaining the required declaration/certificates.

(Paragraph 2.8)

3. Land Revenue

Conversion tax of Rs. 5.77 crore was either not levied or levied at incorrect rate on change in mode of land use in 310 cases.

(Paragraph 3.2)

Non-levy of premium at the prescribed rate in 11 cases resulted in short levy of Rs. 86.49 lakh.

(Paragraph 3.3)

4. Taxes on Vehicles

Review of Administration of Motor Vehicles Tax disclosed that:

- Growth in lump-sum (one time) component of MVT, applicable to LMVs, was static. In other segments of MVT, too there was disconnect between growth in vehicular traffic and collections.

(Paragraph 4.2.7)

- Audit test checks revealed cases of non-realisation of MVT totalling over Rs. 299.92 crore.

(Paragraph 4.2.8)

- Audit test checks also revealed short collection of various kinds of fees totalling Rs 16.75 crore. Besides shortfall in collections, absence of structured mechanism to identify cases requiring fitness certificate, renewal of permit, renewal of licenses of motor driving schools, etc. had road safety implications.

(Paragraph 4.2.9)

- GMVD did not follow any well-defined procedure in disposing of unclaimed seized vehicles. It did not have any central information as regards number of seized vehicles in the state.

(Paragraph 4.2.12)

- Internal control procedures in GMVD were weak having significant revenue implications. Revenue recovery process and reporting system between RTOs and CoT was flawed. GMVD did not have any departmental manual of instructions and guidelines. Its internal audit system was not commensurate with the size of its operations.

(Paragraph 4.2.13)

5. Stamp Duty and Registration Fees

Information Technology (IT) review on implementation of Registration of Documents System revealed that:

- The system software lacked adequate system security. The department has not laid down any security policies and procedures.

(Paragraph 5.2.7)

- The input controls in system are inadequate and weak, which may cause misleading/loss of data, leading to loss of revenue. The system did not cover the requirement of classification of documents essential for determining the duty leviable.

(Paragraph 5.2.8)

- The centralised data bank was not maintained. Adequate back up of data base was also not maintained.

(Paragraph 5.2.12)

- The department does not have any training plan to run the system by its staff.

(Paragraph 5.2.14)

Non-execution of 114 agreements with ONGC resulted in non-realisation of stamp duty and registration fees of Rs. 70.63 crore.

(Paragraph 5.3)

Forty-eight instruments of amalgamation of companies were not presented before the Superintendent of Stamps. Stamp duty and registration fees involved in 10 out of 48 cases were Rs. 32.68 crore .

(Paragraph 5.4)

6. Other tax and non-tax receipts

Non-levy of tax on oil massage/sauna bath/jacuzzi *etc.*, provided by a hotel resulted in short levy of luxury tax of Rs.67.65 lakh.

(Paragraph 6.2)

Failure to raise demand resulted in short levy of royalty, dead rent *etc.* of Rs. 1.41 crore.

(Paragraph 6.6)