

## OVERVIEW

This Report contains 26 paragraphs including one review pointing out non levy or short levy of tax, interest, penalty, revenue forgone, etc., involving Rs.820.86 crore. Some of the major findings are mentioned below:

### I. General

- The total revenue receipts of the State Government for the year 2004-05 amounted to Rs.26,162.91 crore against Rs.20,759.88 crore for the previous year. Seventy seven *per cent* of this was raised by the State through tax revenue (Rs.15,769.13 crore) and non tax revenue (Rs.4,368.78 crore). The balance 23 *per cent* was received from Government of India as State's share of divisible Union taxes (Rs.3,878.44 crore) and as grants in aid (Rs.2,146.56 crore).

(Paragraph 1.1)

- Test check of records of sales tax, state excise, taxes on motor vehicles, taxes on agricultural income, land revenue, stamps and registration fees, entry tax, professions tax, taxes and duties on electricity, other taxes and duties on commodities and services, forest receipts, public works receipts and other receipts conducted during the year 2004-05 revealed underassessments, non levy and short levy of taxes, interest, penalty, revenue forgone etc., amounting to Rs.1,741.59 crore in 1,601 cases. During the year 2004-05, the concerned departments accepted underassessments, non levy and short levy, etc. of Rs.27.83 crore in 1,441 cases which had been pointed out in audit in earlier years. The departments recovered Rs.16.97 crore during 2004-05 at the instance of audit.

(Paragraph 1.8)

- 3,655 inspection reports issued upto December 2004 containing 6,994 observations involving revenue of Rs.900.55 crore were pending settlement at the end of June 2005.

(Paragraph 1.9)

### II. Taxes on Sales, Trade, etc.

- Application of incorrect rate of tax in 135 cases resulted in short levy of Rs. 3.89 crore

(Paragraph 2.3.1)

- Turnover tax of Rs.2.18 crore was not levied or was levied short in 87 cases.

(Paragraph 2.3.2)

- Grant of incorrect exemptions in 29 cases resulted in short levy of tax of Rs.2.22 crore.

**(Paragraph 2.4.1)**

- Incorrect grant of exemption to milk containing milk powder as fresh milk resulted in non levy of tax of Rs.15.22 crore.

**(Paragraph 2.4.2)**

- Failure to forfeit the excess tax collected resulted in non realisation of revenue amounting to Rs.3.31 crore in 27 cases.

**(Paragraph 2.7)**

- Non levy of interest for delayed payment of tax in 107 cases amounted to Rs.2.96 crore.

**(Paragraph 2.10.1, 2.10.2)**

### **III. State Excise**

- Review on **Working of Distilleries**

There was considerable low yield of rectified spirit in private units as compared to co-operative/Government units with revenue implication of Rs. 102.37 crore.

**(Paragraph 3.2.7)**

Irregular drawal of medium grade alcohol during secondary distillation caused loss of revenue of Rs.20.48 crore.

**(Paragraph 3.2.8)**

Shifting of levy of fee from the stage of rectified spirit to neutral spirit resulted in forgoing of fee of Rs.57.21 lakh.

**(Paragraph 3.2.10)**

- Permitting the bar licence holders to sell beer without valid licence deprived Government of revenue of Rs1.75 crore during 2003-04.

**(Paragraph 3.3)**

- The highest offer for the lease of retail vend of arrack in Sindhanur taluk was rejected as being low. In the reauction held in the subsequent month lower offer received was accepted on the ground that higher offer was not anticipated in future auction. This resulted in loss of revenue of Rs.1.50 crore.

**(Paragraph 3.4)**

#### **IV Land Revenue**

- Tahsildars in four taluks failed to raise demand for water rates/penal water charges amounting to Rs. 6.53 crore though demand statements from the irrigation officers were in hand.

**(Paragraph 4.2)**

- Conversion fine of Rs.4.31 crore was not levied in two taluks in respect of 25 cases of sanction of lease/grant of gomal land for various residential/non-residential purposes.

**(Paragraph 4.3)**

#### **V. Other Tax Receipts**

- Education and health cess of Rs.107.17 crore collected by 224 local bodies during 2002-03 and 2003-04 was not remitted to Government.

**(Paragraph 5.6)**

- Forest Development Tax
  - Messrs. Mysore Minerals Limited, a State Government company, did not levy and collect forest development tax of Rs.4.49 crore on minerals disposed of during 2001-04.
  - Karnataka Forest Development Corporation, a State Government corporation, did not remit the forest development tax of Rs.7.78 crore levied and collected by it during 1999-2004 to Government.

- In six divisions, there was short levy of forest development tax of Rs.1.07 crore in auction sales due to circular clarification which was not in consonance with the provisions of the Act.

**(Paragraph 5.7)**

## **VI Non Tax Receipts**

Non compliance to provisions and determination of lower lease rent in respect of three leases relating to Bangalore Golf Club, Karnataka State Cricket Association and a retail petrol pump resulted in forgoing revenue of Rs.513.43 crore for the period 1999-2004.

**(Paragraph 6.2)**

Guarantee commission of Rs.82.58 crore on guarantees given for the period 1999-2004 was outstanding for recovery from 14 loanee corporations/boards.

**(Paragraph 6.3)**

Non-realisation of lease rent from Karnataka Forest Development Corporation for the period 1999-2004 amounted to Rs.6.55 crore inclusive of interest.

**(Paragraph 6.4)**

Irregular trading of silk outside Government silk exchanges resulted in loss of revenue of Rs.27.62 crore by way of market fees for the period 1999-2004.

**(Paragraph 6.5)**