

OVERVIEW

This Report contains 33 paragraphs including one review pointing out non levy or short levy of tax, interest, penalty, revenue forgone, etc., involving Rs.694.48 crore. Some of the major findings are mentioned below:

I. General

- Total revenue receipts of the State Government for the year 2005-06 amounted to Rs.30,352.05 crore against Rs.26,569.66 crore for the previous year. 74 *per cent* of this was raised by State through tax revenue (Rs.18,631.55 crore) and non tax revenue (Rs.3,874.71 crore). The balance 26 *per cent* was received from Government of India as State's share of divisible Union taxes (Rs. 4,213.42 crore) and as grants in aid (Rs.3,632.37 crore).

(Paragraph 1.1)

- Test check of records of sales tax, State excise, taxes on motor vehicles, agricultural income tax, land revenue, stamps and registration fees, entry tax, entertainments tax, professions tax, betting tax, electricity tax, forest, mineral receipts, energy, sericulture and other departmental offices conducted during the year 2005-06 revealed underassessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs.1,016.84 crore in 1,464 cases. During the course of the year 2005-06, the departments concerned accepted underassessments, short demands, etc. aggregating Rs.79.35 crore in 893 cases including 849 cases involving Rs.29.55 crore which were pointed out in audit in earlier years. A sum of Rs.20.53 crore relating to 702 audit observations was recovered at the instance of audit.

(Paragraph 1.8)

- 3,599 inspection reports issued upto December 2005 containing 6,300 observations involving money value of Rs.985.49 crore were pending settlement at the end of June 2006.

(Paragraph 1.9)

II. Taxes on sales, trade, etc.

- Incorrect grant of exemption to industrial units on interstate sales turnover of Rs.81.49 crore not supported by prescribed declarations resulted in non realisation of tax of Rs.11.40 crore.

(Paragraph 2.2.2)

- Application of incorrect rates of tax in 167 assessments finalised under the Karnataka Sales Tax Act, 1957 and Central Sales Tax Act, 1956 resulted in short levy of tax of Rs.3.45 crore.

(Paragraph 2.3.1, 2.3.2)

- Grant of incorrect exemption in 47 assessments resulted in non levy of tax of Rs.2.92 crore.

(Paragraph 2.4)

- Non levy of interest on delayed payment of tax by 184 dealers amounted to Rs.4.34 crore.

(Paragraph 2.13.1, 2.13.2)

III. State excise

- Permitting wholesale licensees in 11 districts to sell beer without collecting additional licence fee caused loss of revenue of Rs.2.41 crore during 2000-01 to 2004-05.

(Paragraph 3.2.1)

- Permitting bar licence holders to sell beer without valid licence deprived Government of revenue of Rs.1.74 crore during 2004-05.

(Paragraph 3.2.2)

- In four districts during 2002-03 to 2004-05, 15 star hotels were allowed to vend liquor under different licences other than by licence applicable to them. This resulted in short levy of licence fee of Rs.77.93 lakh.

(Paragraph 3.3)

IV. Land revenue

- Tahsildars in six taluks failed to raise demand for water rate/penal water charges amounting to Rs.2.72 crore though demand statements from the irrigation officers had been received.

(Paragraph 4.2)

V. Stamp duty and registration fees

- Test check of records of 26 Government departments, statutory corporations and public sector undertakings for the years 2000-01 to 2004-05 revealed that stamp duty had not been realised or realised short in respect of acknowledgements, certificates of sale, conveyances of industrial properties, leases of immovable or movable properties and licences of immovable or movable properties. Stamp duty not realised or short realised amounted to Rs.100.19 crore. There was no system in the Stamps and Registration Department to obtain information periodically from all the persons regularly executing instruments of the nature attracting stamp duty, amount realised or to be realised thereunder, stamp duty payable thereon together with details of payment. Consequently, the extent of compliance with the provisions of the Act was not ascertainable from the records of the department.

(Paragraph 5.2)

VI. Other tax receipts

- Non levy of interest for delayed payment of entry tax by 23 dealers amounted to Rs.1.34 crore.

(Paragraph 6.4)

- Mysore Minerals Limited, a State Government undertaking, did not levy and collect forest development tax of Rs.4.12 crore on minerals disposed of during 2002-03 to 2004-05.

(Paragraph 6.5)

VII. Non tax receipts

- **Review on levy and collection of mineral receipts**

Lack of co-ordination between Land Revenue and Mines and Geology departments resulted in illegal mining not being curbed. The estimated loss to Government was Rs.284 crore.

(Paragraph 7.2.9.1)

Incorrect classification of shale used in manufacture of cement resulted in short levy of royalty of Rs.6.98 crore.

(Paragraph 7.2.10)

Incorrect fixation of minimum bid for disposal of lease for quarrying ordinary sand resulted in loss of revenue of Rs.81.76 crore.

(Paragraph 7.2.14)

Non levy of penalty of Rs.122.39 crore for despatching building stones without obtaining mineral despatch permits during 2000-01 to 2004-05.

(Paragraph 7.2.16)

Incorrect adjustment of payments towards royalty instead of interest resulted in loss of interest of Rs.16.60 crore.

(Paragraph 7.2.18.2)

- Non inclusion of cost of cattle proof trenches and supervision charges in computing unit cost of compensatory afforestation charges to be recovered from the user agency resulted in loss of revenue of Rs.5.99 crore.

(Paragraph 7.6)