

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.324.48 crore. Some of the major findings are mentioned below:

I General

- Total revenue receipts of the State Government for the year 2006-07 amounted to Rs.37,586.94 crore against Rs.30,352.05 crore for the previous year. 73 per cent of this was raised by State through tax revenue (Rs.23,301.30 crore) and non-tax revenue (Rs.4,098.41 crore). The balance 27 per cent was received from the Government of India as State's share of divisible Union taxes (Rs.5,374.33 crore) and grants-in-aid (Rs.4,813.17 crore).

(Paragraph 1.1)

- Test check of the 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 and other departmental offices conducted during the year 2006-07 revealed under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs.599.47 crore in 1,563 cases. During the course of the year 2006-07, the departments concerned accepted under assessments, short demands, etc. aggregating Rs.52.37 crore in 1,340 cases including 1,220 cases involving Rs.30.51 crore which were pointed out in audit in the earlier years. A sum of Rs.15.86 crore relating to 927 audit observations was recovered at the instance of audit.

(Paragraph 1.9)

- Three thousand five hundred eighty eight inspection reports issued upto December 2006 containing 6,866 observations involving money value of Rs.1,302.71 crore were pending settlement at the end of June 2007.

(Paragraph 1.10)

II Taxes on sales, trade, etc.

- Incorrect grant of exemption to industrial units on inter state sales turnover of Rs.26.69 crore not supported by prescribed declarations resulted in non realisation of tax of Rs.2.44 crore.

(Paragraph 2.2)

- Incorrect exemption of turnover of Rs.31.54 crore relating to inter state sales/branch transfer of beer, IMFL¹, rectified spirit, tamarind and dry chillies not supported by prescribed declarations resulted in non-levy of tax of Rs.4.89 crore.

(Paragraph 2.3)

- Application of incorrect rates of tax in 199 assessments finalised under the Karnataka Sales Tax Act, 1957 and Central Sales Tax Act, 1956 resulted in short levy of tax of Rs.5.56 crore.

(Paragraph 2.4)

- Non-levy of interest on delayed payment of tax by 195 dealers amounted to Rs.4.06 crore.

(Paragraph 2.5)

- Incorrect grant of exemption on sales turnover of HDPE[Ⓔ] woven fabrics, imported fabrics, imported silk fabrics, bed spreads, towel, bed sheets aggregating Rs.17.59 crore treating them as having suffered additional duties of excise resulted in non-levy of tax of Rs.1.74 crore.

(Paragraph 2.7)

III Taxes on motor vehicles

- Additional sum of Rs.1.88 crore due for belated payment of taxes for the years 2003-04 and 2004-05 by North West Karnataka Road Transport Corporation had not been demanded.

(Paragraph 3.2)

IV Land Revenue

- In Gulbarga taluk, compounding fine of Rs.1.08 crore was not levied in 16 cases of diversion of agricultural land for quarrying purposes without obtaining permission for diversion.

(Paragraph 4.2)

¹ IMFL: Indian made foreign liquor

[Ⓔ] High density poly ethylene

V Stamps and Registration Fees

- Test check of the records of State Excise Department, Forest Department and information obtained from South Western Railway and six city corporations for the years 2001-02 to 2005-06 revealed that stamp duty and registration fees aggregating Rs.30.46 crore was not realised or realised short in respect of leases and licences of immovable or movable properties.

(Paragraph 5.2)

VI Other tax receipts

- **Review of ‘Assessment, levy and collection of entertainments tax’** revealed the following:

➤ Leakage of revenue of Rs.9.32 lakh due to lack of databank on film distributors.

(Paragraph 6.2.7.2)

➤ Leakage of revenue of Rs.3.60 crore due to lack of a system to ascertain the status of a remade Kannada film from CBFC for availing exemption before authenticating tickets.

(Paragraph 6.2.8)

➤ Non-prescription of time limit for finalisation of assessment under the Karnataka Entertainments Tax Act led to accumulation of assessments.

(Paragraph 6.2.9)

➤ Entertainment tax of Rs.7.27 crore along with interest was not levied on amusement parks.

(Paragraph 6.2.13)

- Incorrect grant of deferment of luxury tax benefited a star hotel – Rs.39.67 crore.

(Paragraph 6.3)

- Education and health cess of Rs.151.80 crore collected by Bangalore Development Authority, Bangalore Mahanagara Palike, eight city/town municipal councils of Bangalore, six city corporations and gram panchayats during the years 2001-02 to 2005-06 was not remitted to the Government.

(Paragraph 6.9)

VII Non-tax receipts

- Guarantee commission of Rs.60.83 crore on guarantees given for the period 2001-02 to 2005-06 was outstanding for recovery from 28 loanee institutions.

(Paragraph 7.2)

- Tahsildars in two taluks failed to raise demand for water rate/penal water charges of Rs.86.15 lakh for the years 2002-03 to 2004-05 though demand statements had been received from the Irrigation Department.

(Paragraph 7.4)