

OVERVIEW

This Report contains 50 paragraphs including two reviews pointing out non-levy or short levy of tax, interest, penalty, etc., involving Rs.1,141.96 crore. Some of the major findings are mentioned below:

1. General

(i) The total revenue receipts of the State Government for the year 2002-2003 amounted to Rs.16,168.76 crore against Rs.15,321.25 crore for the previous year. 72 per cent of this was raised by the State through tax revenue (Rs.10,439.71 crore) and non-tax revenue (Rs.1,277.67 crore). The balance 28 per cent was received from the Government of India as State's share of divisible Union taxes (Rs.2,786.20 crore) and as grants-in-aid (Rs.1,665.18 crore).

(Paragraph 1.1)

(ii) 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, mineral receipts, sericulture receipts, public works receipts, State lotteries and guarantee commission conducted during the year 2002-2003, revealed under-assessments, non-levy and short levy of taxes, interest, penalty and other receipts, loss of revenue, etc. amounting to Rs.1,250.37 crore in 2,146 cases. During the year 2002-2003, the concerned Departments accepted under-assessments, non-levy and short levy, etc. of Rs.198.63 crore in 1,649 cases of which 1,461 cases (Rs.13.64 crore) had been pointed out in audit in earlier years. The Departments recovered Rs.10.67 crore during 2002-2003 at the instance of audit.

(Paragraph 1.10)

(iii) 3,625 inspection reports issued up to December 2002 containing 7,722 observations involving revenue of Rs.692.90 crore were pending settlement at the end of June 2003.

(Paragraph 1.11)

2. Taxes on Sales, Trade etc.

(i) Granting of incorrect exemptions and concessions resulted in non-levy/short levy of tax of Rs.1.76 crore in 37 cases.

(Paragraph 2.2)

(ii) Turnover tax of Rs.2 crore was not levied or levied short in 151 cases.

(Paragraph 2.3)

(iii) Application of incorrect rate of tax resulted in short levy of Rs.1.85 crore in 82 cases.

(Paragraph 2.4)

(iv) Failure to forfeit the excess tax collected resulted in non-realisation of revenue amounting to Rs.3.30 crore in 37 cases.

(Paragraph 2.7)

(v) Non-levy of interest for delayed payment of tax amounted to Rs.1.23 crore in 49 cases.

(Paragraph 2.9)

(vi) Ineffective pursuance of arrears of tax demands resulted in non-realisation of revenue of Rs.123.68 crore in one case.

(Paragraph 2.10)

3. State Excise

(i) Incorrect allowance of withdrawal of medium grade alcohol from the process of secondary distillation caused a loss of revenue of Rs.2.57 crore during 2001-2002.

(Paragraph 3.3)

(ii) Delay in termination of leases for non-payment of monthly rentals by arrack contractors and non-forfeiture of security deposit during 2001-2002 led to accumulation of arrears of Rs.30.06 crore.

(Paragraph 3.5)

(iii) Loss of revenue of not less than Rs.208.68 crore occurred during 2001-2002 due to the absence of stipulation on the contractors to lift at least the minimum quantity of arrack to meet their rental liabilities for securing retail vending rights.

(Paragraph 3.8)

(iv) Granting to lease of retail vending of arrack during 2001-2002 to ineligible persons due to non-verification of their status and antecedents led to non-realisation of Rs.1.97 crore.

(Paragraph 3.9)

(v) Injudicious release of bank guarantees furnished as security for obtaining lease of retail vending of arrack during 2001-2002 deprived Government of the opportunity of realising accumulated arrears of Rs.1.25 crore.

(Paragraph 3.10)

4. Taxes on Motor Vehicles

(i) Additional sum of Rs.18.03 crore due for default in payment of taxes for 1996-1997 to 1999-2000 had not been demanded from two fleet owners for 18 to 58 months.

(Paragraph 4.5)

5. Land Revenue

Demands for Rs.5.42 crore towards penal water charges for violation of cropping pattern and unauthorised use of water during 1998-1999 to 2000-2001 had not been raised by a Tahsildar, even after receipt of demand statements from the Irrigation Department.

(Paragraph 6.3)

6. Other Tax Receipts

(i) Incorrect exemption/concession of stamp duty and registration fees on two sale deeds executed by Information Technology Park Limited during 2001-2002 resulted in short levy of Rs.2.58 crore.

(Paragraph 7.2)

(ii) Education and health cesses of Rs.91.10 crore collected by 10 local bodies during 1997-98 to 2001-02 had not been remitted to Government.

(Paragraph 7.10)

7. Non-tax Receipts

(i) A Review, **Detection and disposal of forest offence cases**, disclosed the following:

The number of offence cases pending disposal increased from 32,346 at the beginning of 1997-98 to 42,737 at the end of 2000-2001 registering a rise of 32 per cent.

(Paragraph 8.2.6)

There were long delays in preparation of Enquiry Reports on the offence cases registered; during the period 1997-98 to 2001-2002, Enquiry Reports in only 10 to 16 per cent of the new cases were finalised within the prescribed time limit of 15 days.

(Paragraph 8.2.7)

Despite patrolling of 98 to 100 per cent Beats, the undetected cases formed 18 to 25 per cent of offences booked.

(Paragraph 8.2.8)

The pace of disposal of prosecution cases was very slow and showed a declining trend; during the period 1997-98 to 2001-2002. Out of 471 cases decided by Courts during this period, only 159 were in favour of Government.

(Paragraph 8.2.11)

Though damage caused to forests in cases of illicit felling and smuggling is required to be recovered from the offenders, such damage had not been assessed in any of the Enquiry Reports. The value of damages in the 15 Divisions test checked was estimated to be Rs.75.44 crore.

(Paragraph 8.2.12)

Over 92,111 hectares of encroached forest land continued to be in unauthorised occupation as of December 2002

(Paragraph 8.2.19)

(ii) A review, Working of Karnataka Computerised Network (Online) Lottery Scheme, disclosed the following:

Against the gross sale proceeds of Rs.256.13 crore realised by the Marketing Agent during the year 2002-2003 which was required to be remitted to Government on daily basis, the actual remittance amounted to only Rs.52.27 crore. On the shortfall of Rs.203.86 crore, the Marketing Agent was liable to pay interest of Rs.253.80 crore which had also not been demanded. Further, sale figures are based solely on the information given by the Marketing Agent and are not independently verifiable by Government.

(Paragraph 8.3.6)

According to the revenue sharing pattern agreed with the Marketing Agent, minimum assured revenue of Rs.62.50 crore was due to the Government till March 2003. Since the remittance was only Rs.50.14 crore, there was a shortfall of Rs.12.36 crore. Though this could have been realised from bank guarantees furnished by the Marketing Agent, the same was not done.

(Paragraph 8.3.7)

The value of prize money up to Rs.5000 each claimed to have been distributed by the Marketing Agent amounted to Rs.113.80 crore, for which no proof of payment was available. The Department had not ensured the correctness of the claim of the Marketing Agent.

(Paragraph 8.3.8)

ADA