

CHAPTER IV OTHER TAX RECEIPTS

4.1 Results of audit

Test check of records of departmental offices conducted during the period from April 2005 to March 2006 revealed under assessment/non levy of urban land tax, electricity duty, land revenue, agricultural income tax and other irregularities amounting to Rs.23.40 crore in 198 cases as shown below:

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
Urban land tax			
1	Under assessment/non levy of urban land tax	40	7.35
2	Other irregularities	2	0.03
Sub Total		42	7.38
Electricity duty			
1	Non levy/collection of inspection fees, testing fees, fine and penalty	4	0.01
2	Non levy/collection of electricity duty, electricity tax and additional tax	7	1.41
3	Non renewal/collection of licence fees under Lift Act, 1997	6	0.02
4	Non collection of interest for belated payment of electricity tax.	5	0.05
Sub Total		22	1.49
Land revenue			
1	Non/short levy of local cess and local cess surcharge	2	0.31
2	Non levy of penalty/interest	13	0.51
3	Short recovery of value of rent in respect of lands assigned, alienated or evicted	6	1.10
4	Others	107	12.34
Sub Total		128	14.26
Agricultural income tax			
1	Arithmetical error/incorrect allowance of expenditure and exemptions/non levy of interest and penalty/incorrect carry forward of loss	6	0.27
Sub Total		6	0.27
Grand Total		198	23.40

During the year 2005-06, the department accepted non assessment of Rs.24.87 lakh in 47 cases pertaining to earlier years, of which an amount of Rs.0.52 lakh has been collected.

A few illustrative cases involving a financial effect of Rs.1.37 crore are mentioned below:

URBAN LAND TAX

4.2 Omission to assess urban lands

Under the Tamil Nadu Urban Land Tax Act, 1966, as amended from time to time, urban lands are assessable to urban land tax from 1 July 1991 on the basis of market value of lands, as on 1 July 1981.

Cross check of records of Joint IV Sub-Registrar, Madurai with Madurai assessment division (urban land tax) revealed in September 2005 that land measuring 62 acres 10 cents situated in Madakulam village was purchased by an assessee in October 1990 and September 2000 and was utilised for running a three star hotel for the past 15 years. Though urban land tax was leviable on the said land, it was not levied. This resulted in non levy of tax amounting to Rs.52.29 lakh, out of which Rs.23.96 lakh pertains to last five years.

The matter was reported to the department (October 2005) and Government (December 2005); reply is awaited (November 2006).

ELECTRICITY DUTY

4.3 Non levy of electricity tax

According to Section 3 of the Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003 which came into force with effect from 16 June 2003, every licensee shall pay every month to Government, in the prescribed manner, a tax on the electricity sold or consumed during the previous month at the specified rates. As per Section 9 of the Act, if no return as prescribed in Section 8 *ibid* in respect of any period is submitted by a licensee, the Director shall, after giving such person a reasonable opportunity of being heard, proceed in such manner as may be prescribed to assess to the best of his judgment, the amount of electricity tax payable under this Act by such licensee. The rate of tax payable on electricity consumed is 10 paise per unit.

It was noticed in December 2005 in the office of Electrical Inspector, Villupuram that in respect of two licensees, electricity tax leviable for electricity generated by their own captive generating plants was not levied. This resulted in non levy of electricity tax of Rs.1.02 crore as detailed below:

(Rupees in lakh)

Sl. No.	Name of the licensee	Nature of irregularity	Number of units generated	Tax leviable
1	A	Licensees have neither filed any return nor were they assessed under best judgment basis.	70,000 units per day x 655 (16.06.03 to 31.03.05) = 4,58,50,000	45.85
2	B		86,085 units per day x 655 = 5,63,85,675 <u>Diesel</u> 10,000 units/year x655/365 =17,945 units Total 5,64,03,620	56.40
Total				102.25

The matter was reported to the department (February 2006) and Government (February and March 2006). Government accepted the audit observation (October 2006). Further report is awaited (November 2006).

LAND REVENUE

4.4 Non assignment of Government poramboke lands

Board's Standing Order 24(1) provides for collecting the market value of land granted to a company, individual or institution for any public purpose.

In the office of tahsildar (Land Revenue) Katpadi, it was noticed in February 2003 that lands measuring 150.04 acres were sought for by the North Arcot Educational Trust in the year 1984, but permission was given to use only 98.80 acres. Though the trust requested for assignment of remaining 51.24 acres as early as in 1998, Government has not taken any decision so far. It is pertinent to mention that the said lands were under the possession and enjoyment of the trust since 1984.

Government by an order in March 2001 regularised the permission of 98.80 acres and assigned the lands by collecting the market value, but neither resumed the remaining 51.24 acres of lands nor assigned the lands by collecting the prevailing market value. The said lands are located between lands in the same survey numbers which have already been assigned to the trust. This resulted in non realisation of land cost amounting to Rs.58.52 lakh.

After this was pointed out in April 2003, the department replied in December 2005 that Government has rejected the proposal of alienation and has further stated that the lands were handed over to Tamil Nadu District Sports Development Centre. The reply is not tenable since the survey numbers mentioned in the Government order do not tally with the survey numbers

included in the audit objection. The matter was again reported to the department in March 2006; reply of which is awaited (November 2006).

AGRICULTURAL INCOME TAX

4.5 Omission to levy interest and penalty for non payment of (advance) tax

Under the Tamil Nadu Agricultural Income Tax, Act, 1955, every person liable to pay agricultural income tax on agricultural income derived by him during the previous year, shall pay advance tax for the said previous year on or before the end of February of the said previous year. The advance tax shall not be less than 80 *per cent* of the tax due on the estimated total agricultural income derived by him during the said previous year. The balance amount of tax shall be payable by the assessee before 31 December of that year or in pursuance of demand notice issued, failing which the assessee shall pay simple interest at 15 *per cent* per annum. Further the assessing authority may direct that a sum equal to two *per cent* of such tax or part thereof, may be recovered from him by way of penalty for every month of default.

Scrutiny of records of Agricultural Income Tax Office, Nagercoil, in December 2005 revealed that an assessee company had neither paid the advance tax of Rs.19.34 lakh, nor regular tax of Rs.25.28 lakh for the assessment year 2002-03. However, the assessing officer while finalising the assessment in June 2003, failed to levy interest and penalty upto the date of assessment. This resulted in non levy of interest of Rs.4.31 lakh and penalty of Rs.6.90 lakh totalling Rs.11.21 lakh.

The matter was reported to the department in January 2006 and to Government in March 2006; reply is awaited (November 2006).