

OVERVIEW

The report contains 22 paragraphs including three reviews relating to non /short levy of taxes, interest, penalty, etc., involving Rs.228.71 crore. Some of the major findings are mentioned below:

I General

The revenue raised by the State during 2005-06 amounted to Rs.33,959.99 crore comprising Rs.23,326.03 crore as tax revenue and Rs.2,600.75 crore as non tax revenue. Rs.5,012.74 crore was received from Government of India as State's share of divisible Union taxes and Rs.3,020.47 crore as grants in aid. Sales tax (Rs.15,554.69 crore) formed a major portion (67 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits of Rs.819.91 crore accounted for 32 *per cent* of the non tax revenue.

(Paragraph 1.1)

At the end of 2005-06, arrears in respect of taxes administered by the departments of commercial taxes, revenue, industries, etc., amounted to Rs.11,132.07 crore of which sales tax and mines and minerals accounted for Rs.10,769.15 crore.

(Paragraph 1.5)

Test check of records of sales tax, state excise, land revenue, urban land tax, taxes on vehicles and other departmental offices conducted during the year 2005-06 revealed under assessments, short levy, loss of revenue, etc., amounting to Rs.1,211.90 crore in 2,416 cases.

(Paragraph 1.10)

As at the end of June 2006, 6,708 inspection reports issued upto December 2005 containing 22,549 audit observations with money value of Rs.2,556.70 crore were pending settlement with various departments.

(Paragraph 1.11)

II Sales Tax

A review on **Pendency of appeals at various levels and their impact on revenue collection** revealed the following

- At the end of March 2005, 5,972 appeal cases involving disputed revenue of Rs.2,477 crore and 14,221 cases involving disputed revenue of Rs.1,372 crore were pending before the Appellate Assistant Commissioners/Appellate Deputy Commissioners and Sales Tax Appellate Tribunals respectively.

(Paragraph 2.2.6)

- In five divisions, 15 appeal cases involving Rs.6.62 crore though filed after the statutory time limit were incorrectly admitted.

(Paragraph 2.2.7)

- Penalty of Rs.16.53 crore required to be collected before admitting appeals was not collected by 14 appellate authorities in 543 cases resulting in non realisation of Government revenue.

(Paragraph 2.2.8)

- As on 31 March 2005, 1,392 appeals involving disputed revenue of Rs.73.09 crore were pending before 12 appellate authorities for more than three years.

(Paragraph 2.2.9)

- Orders in 138 appeal cases finalised by eight appellate authorities were communicated after a period of 38 to 340 days resulting in delay in collection of Government revenue of Rs.40.57 crore.

(Paragraph 2.2.11)

Application of incorrect rates of tax resulted in short levy of tax of Rs.1.46 crore.

(Paragraph 2.4)

In one assessment circle, in respect of 5 dealers, additional sales tax was either not levied or short levied to the extent of Rs.1.46 crore.

(Paragraph 2.6)

Cross verification of records of Central Excise Department and railways with that of Commercial Taxes Department revealed escapement of taxable turnover of Rs.93.11 crore involving tax and penalty of Rs.23.76 crore.

(Paragraph 2.7)

III Stamp Duty and Registration Fees

A review on **Receipts from stamp duty and registration fees** revealed the following

- Absence of provision for levy of stamp duty on power of attorney registered without consideration, resulted in foregoing of Government revenue of Rs.141.55 crore in 2,846 instruments.
(*Paragraph 3.2.6*)
- Unconditional exemption of stamp duty in case of transfer of property between holding and subsidiary companies resulted in foregoing of revenue of Rs.19.97 crore.
(*Paragraph 3.2.7*)
- Short levy of stamp duty due to misclassification of bonds of Rs.21.24 crore.
(*Paragraph 3.2.9*)
- Omission to collect stamp duty on issue of bonds through demat system resulted in foregoing of revenue of Rs.39.10 crore.
(*Paragraph 3.2.10*)
- Failure to prescribe the rate of stamp duty on value basis in respect of shares issued through demat system by companies resulted in non levy/collection of stamp duty.
(*Paragraph 3.2.11*)
- Absence of provision in the Indian Stamp Act for registration of apartments resulted in non realisation of revenue of Rs.11.84 crore.
(*Paragraph 3.2.12*)

Under valuation of a portion of a property conveyed, resulted in short levy of stamp duty and registration fee amounting to Rs.2.63 crore.

(*Paragraph 3.3.1*)

IV Other Tax Receipts

Electricity tax for electricity generated by captive generation plants was not levied in two cases resulting in non levy of tax of Rs.1.02 crore.

(*Paragraph 4.3*)

V Non Tax Receipts

Finance Department

Delay in finalisation of terms and conditions by Government for repayment of loan advanced to 10 co-operative sugar mills resulted in non levy of interest amounting to Rs.177.95 crore.

(Paragraph 5.3.3.1)

Interest for loans sanctioned to local bodies through TNUIFSL and HUDCO amounting to Rs.69.32 crore was not levied.

(Paragraph 5.3.4.1 and 5.3.4.2)

Home Department

A review on **Police Receipts** revealed the following

- Maximum amount of Rs.336 crore being the share of Chennai Corporation for the cost of police employed in Chennai city for the years 2000-01 to 2004-05 could not be demanded due to non fixation of rate.

(Paragraph 5.4.7)

- Non realisation of police cost from Central Government for agency function and bandobust duty at Mandapam and Rameswaram coastal area amounted to Rs.6.38 crore.

(Paragraph 5.4.9)

- Non recovery of water charges from police personnel over and above the free permissible limit amounted to Rs.0.89 crore.

(Paragraph 5.4.10)