

## OVERVIEW

The report contains 25 paragraphs including two reviews relating to non/short levy of taxes, interest, penalty, etc. involving Rs.151.38 crore. Some of the major findings are mentioned below:

### I General

The revenue raised by the State during 2006-07 was Rs.40,913.23 crore, comprising Rs.27,771.15 crore as tax revenue and Rs.3,422.57 crore as non-tax revenue. Rs.6,393.86 crore was received from the Government of India as State's share of divisible Union taxes and Rs.3,325.65 crore as grants-in-aid. Thus the revenue raised by the State Government was 76 *per cent* of the total revenue receipts. Sales tax (Rs.17,727.16 crore) formed a major portion (64 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits (Rs.1,134 crore) accounted for 33 *per cent* of the non-tax revenue.

(Paragraph 1.1)

Test check of the records of sales tax, state excise, land revenue, urban land tax, taxes on vehicles and other departmental offices conducted during the year 2006-07 revealed underassessments, short levy, loss of revenue and other observations amounting to Rs.377.99 crore in 6,692 cases.

(Paragraph 1.9)

As at the end of June 2007, 6,638 inspection reports containing 23,047 audit observations involving Rs.2,772.37 crore were outstanding in various departments.

(Paragraph 1.10)

### II Sales Tax

A review of **Assessment, levy and collection of sales tax including arrears** revealed the following:

- Absence of a time limit for finalisation of assessments under the TNGST Act and failure to follow the standing orders led to large pendency of assessment cases.

(Paragraph 2.2.6)

- Lack of a prescribed time limit for implementation of the D3 proposals led to large pendency. 6,757 'D3 proposals' involving money value of Rs.3,604.19 crore were pending implementation as on 31 March 2006.

**(Paragraph 2.2.7)**

- Lack of a prescribed time limit for finalisation of the remand cases under the TNGST Act resulted in huge pendency. 1,719 remanded cases involving value of Rs.167.04 crore were pending re-assessment as on 31 March 2006.

**(Paragraph 2.2.8)**

- Lack of a system for the CCT to monitor disposal of cases pending decision with various appellate/judicial fora resulted in pendency of 4,635 court cases involving a sum of Rs.1,679.68 crore.

**(Paragraph 2.2.11)**

- Non-adherence to the codal provisions for levy of interest on unpaid tax resulted in short levy of interest of Rs.27.93 crore in 22 cases.

**(Paragraph 2.2.14)**

- Issue of clarifications without verifying the nature of goods involved led to short realisation of Rs.2.56 crore in four assessment circles.

**(Paragraph 2.2.15)**

- In 10 assessment circles, there was non/short levy of additional sales tax of Rs.1.96 crore.

**(Paragraph 2.2.16)**

- In 32 assessment circles though there was shortfall in payment of tax by 82 dealers, penalty of Rs.1.93 crore was not levied.

**(Paragraph 2.2.17)**

Incorrect grant of exemption on inter-state sale of cocount resulted in non/short levy of tax of Rs.9.06 crore.

**(Paragraph 2.3)**

Application of incorrect rate of tax in 14 cases resulted in short levy of tax of Rs.8.53 crore.

**(Paragraph 2.4)**

Erroneous treatment of contract of sale as works contract resulted in short levy of tax of Rs.3.17 crore.

**(Paragraph 2.5)**

Cross verification of records of the Customs Department and Geology and Mining Department with that of Commercial Taxes Department revealed non/short levy of tax of Rs.1.37 crore.

**(Paragraph 2.6)**

### **III State Excise**

There was inordinate delay in levying penalty of Rs.64.32 crore for the short fall in achievement of minimum off-take of liquor by the licensees.

**(Paragraph 3.2)**

### **IV Stamp Duty and Registration Fees**

In five Registration offices due to undervaluation of properties, there was short levy of stamp duty and registration fees of Rs.1.46 crore.

**(Paragraph 4.3)**

### **V Other Tax Receipts**

A review of **Computerisation of the Transport Department** revealed the following:

- Initial adoption of the software of a private firm instead of the freely available NIC software resulted in an unproductive expenditure of Rs.80.63 lakh

**(Paragraph 5.2.6.1)**

- Computerisation started as early as in 1998 is yet to be completed and put to use in full form despite an expenditure of Rs.14 crore.

**(Paragraph 5.2.6.2)**

- Non-linking of the offices with a central database resulted in failure to achieve the desired objectives and wastage of resources in terms of manpower and storage space.

**(Paragraph 5.2.6.3)**

- The software lacked built in alert mechanism to ensure revenue collection and adherence to mandatory requirements.

**(Paragraph 5.2.7.5)**

- Lack of input controls resulted in duplication of chassis number and engine number of the vehicles and capturing of irrelevant dates and incorrect values for the key fields made the data unreliable.

**(Paragraph 5.2.8)**

There was inordinate delay in leasing of Government lands to a company. The company was in possession of 415.19 acres of the Government land since 1975 without making any payment.

**(Paragraph 5.4)**

## **VI Non-Tax Receipts**

Cross verification of the records of the Assistant Director of Geology and Mining, Tirunelveli with the Customs Department revealed garnet and ilmenite escaping assessment leading to short collection of royalty and price of the mineral by Rs.6.74 crore.

**(Paragraph 6.2)**

In five *taluks*, owners of 284 public buildings did not apply for licences/renewal of licences resulting in non-realisation of licence fee of Rs.14.20 lakh.

**(Paragraph 6.4)**