

## OVERVIEW

The Audit Report contains 24 Paragraphs and 4 Reviews relating to non levy/short levy of taxes, interest, penalty etc., involving Rs.668.90 crore. The Government have accepted audit observations involving Rs.1.69 crore of which Rs.42.75 lakh had been recovered during 2000-2001. Some of the major findings are mentioned below:

### 1. General

(i) The revenue raised by the State during 2000-2001 amounted to Rs.13993.02 crore comprising Rs.12282.24 crore as tax revenue and Rs.1710.78 crore as non-tax revenue. Rs.2783.75 crore were received from the Government of India as State's share of divisible Union taxes and Rs.1539.89 crore as Grants-in-Aid. There is overall increase of Rs.116.75 crore (4.38 per cent) over the previous year in the State's share of divisible Union taxes which is mainly due to increase of Rs.737.43 crores under Union Excise Duties. The increase is partly offset by decrease of Rs.620.68 crore under the receipt 'net proceeds of taxes on income other than corporation tax'. Under Grants-in-aid from Central Government there is overall increase of Rs.155.14 crore (11.20 per cent) over the previous year which is mainly due to increased grants under Non-plan and State plan schemes.

Sales Tax (Rs.8197.15 crore) formed a major portion (67 per cent) of the tax revenue of the State. Interest receipts, dividends and profits of Rs.440.17 crore accounted for 26 per cent of the non-tax revenue.

*[ Paragraph 1.1 ]*

(ii) At the end of 2000-2001, the arrears in respect of taxes administered by the departments of Commercial Taxes, Revenue, Industries, etc. amounted to Rs.8706.92 crore of which Sales Tax and Mines and Minerals together accounted for Rs.8244.34 crore.

*[ Paragraph 1.5 ]*

iii) Test-check of records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles and other departmental offices conducted during the year 2000-2001 revealed under-assessments, short-levy, loss of revenue, etc., amounting to Rs.962.63 crore in 4228 cases.

*[ Paragraph 1.10 ]*

(iv) As at the end of June 2001, 4754 Inspection Reports issued upto December 2000 containing 17974 audit observations with money value of Rs.633.98 crore were pending settlement with various departments.

*[ Paragraph 1.11 ]*

## **2. Sales Tax**

(i) Incorrect exemption granted to 13 dealers on sales made during 1993-94 to 1998-99 resulted in non-levy of tax amounting to Rs.80.41 lakh.

*[ Paragraph 2.2 ]*

(ii) Application of incorrect rate of tax on sale of various goods in 9 assessment circles during 1990-91 to 1998-99 resulted in short-levy of tax of Rs.61.72 lakh.

*[ Paragraph 2.3 ]*

(iii) In 3 assessment circles in respect of 4 dealers due to arithmetical inaccuracy there was short demand of tax and penalty of Rs.435.36 lakh.

*[ Paragraph 2.4 ]*

(iv) Incorrect computation of taxable turnover amounting to Rs.507.46 lakh in respect of six dealers for the years 1995-96, 1997-98 and 1998-99 resulted in short-levy of tax of Rs.30.10 lakh.

*[ Paragraph 2.5 ]*

(v) There was short-levy of Rs.15.98 lakh due to excess credit being afforded to five dealers in five assessment circles.

*[ Paragraph 2.6 ]*

### **3. Agricultural Income Tax**

*A review on "Assessment of plantation crops" revealed the following:-*

(i) Excess allowance of plucking charges over and above the permissible limit in 4 assessment circles involving 12 cases resulted in short levy of Agricultural Income Tax of Rs.65.14 crore.

*[ Paragraph 3.2.6]*

(ii) In 2 assessment circles in respect of 3 cases, excess allowance of expenditure on account of bonus amounting to Rs.1.98 crore resulted in short levy of Agricultural Income Tax of Rs.1.14 crore.

*[ Paragraph 3.2.7]*

### **4. Land Revenue**

Loss of revenue of Rs.1.34 crore due to non-resumption and non-leasing afresh of Government lands on violation of condition by Regional Engineering College, Trichy.

*[Paragraph 4.2 ]*

### **5. Taxes on Vehicles**

In 27 Regional Transport Offices, non-issue of fresh permits on introduction of modified scheme in respect of 4173 stage carriages has resulted in non-realisation of revenue amounting to Rs.62.60 lakh.

*[ Paragraph 5.2 ]*

## **6. State Excise**

*A review on "Receipts under State Excise" revealed the following:-*

(i) Non-forfeiture of privilege amount and Security deposit on belated submission of application for Indian Made Foreign Spirit retail licenses resulted in loss of revenue of Rs.152.90 crore.

*[ Paragraph 6.2.5]*

(ii) Incorrect adoption of yield rate of rectified spirit resulting in notional loss of revenue of Rs.143.28 crore.

*[ Paragraph 6.2.6]*

(iii) Incorrect grant of allowance in bottling process resulted in loss of revenue of Rs.5.77 crore.

*[ Paragraph 6.2.7]*

(iv) Incorrect allowance of wastage for redistillation resulted in loss of revenue of Rs.5.44 crore.

*[ Paragraph 6.2.8 ]*

In 251 Star Hotels and 5 Hotels with additional bar, privilege fees for the year 1998-1999 were collected at the old rates instead of at the enhanced rates resulting in short collection of Rs.162.00 lakh.

*[ Paragraph 6.3 ]*

## **7 Urban Land Tax**

Omission to assess urban lands in four offices involving 17 assesseees resulted in non-levy of tax of Rs.39.69 lakh.

*[ Paragraph 8.2 ]*

## **8. Non-Tax Receipts**

### **A - Mines and Minerals**

Incorrect exemption granted to Chennai Port Trust resulted in loss of seigniorage fee of Rs.2.54 crore on 507.27 lakh cubic feet of stones removed.

*[ Paragraph 9.2]*

### **B - Finance Department**

#### **(1) Interest Receipts**

A review on Interest Receipts revealed the following:

(i) Even after conversion of earlier loans granted to Rural Local Bodies, Interest amounting to Rs.96.36 crore remained uncollected as on 31 March 2000.

*[ Paragraph 9.4.5(i)]*

(ii) A sum of Rs.42.60 crore towards interest on loans sanctioned to urban local body was pending realisation as on 31 March 2000.

*[ Paragraph 9.4.5(ii)]*

(iii) Due to non-maintenance of Loan Register by the Agriculture department, a sum of Rs.9.39 crore towards interest and penal interest remained uncollected.

*[ Paragraph 9.4.6(i)]*

(iv) Due to non raising of demand, interest amounting to Rs.79.48 crore on loans sanctioned to State Commercial Undertakings and Co-operative Societies was pending realisation.

*[ Paragraph 9.4.7 (a) & (b)]*

(v) Despite the State Transport Undertakings not paying any dividend to Government a sum of Rs.147.84 crore towards loans and interest outstanding was converted into equity share capital.

*[ Paragraph 9.4.9]*

#### **(2) Receipts from State Raffles**

A review on Receipts from State Raffles revealed the following:

(i) Total payout of prize money to the public was less than the prescribed limit of 50 *per cent* and there was an unauthorised deduction of Rs 8.43 crore from I and II prize winning tickets during the period from September 1998 to October 2000. Delay of more than 6 months in the disbursement of prize money to the public resulted in non-payment to the extent of Rs.20.30 crore as of January 2001.

*[ Paragraph 9.5.7]*

(ii) Undue financial aid was given to agents by way of payment of excess bonus to the tune of Rs.23.18 crore. Government lost interest to the extent of Rs 2.56 crore by allowing unauthorised credit period of 21 days to Agents for payment of value of tickets issued to them.

*[ Paragraph 9.5.8]*

(iii) There was shortfall of Rs.7.81 crore in transfer of funds to the Tamil Nadu Special Welfare fund. There was under-utilisation to the tune of Rs 30.45 crore from the fund.

*[ Paragraph 9.5.10]*

(iv) No account was rendered for prize amounts upto Rs.5000 paid by agents to the tune of Rs.66.27 crore.

*[ Paragraph 9.5.11]*

### **C – Environment and Forest Department**

Failure of the District Forest Officer to demand interest from Tamil Nadu Forest Plantation Corporation has resulted in non-realisation of interest to the tune of Rs.15.66 crore.

*[ Paragraph 9.6 ]*

### **D – Home Department**

Delay in raising demand by the Director of Fire Services on Tamil Nadu Electricity Board resulted in non-collection of Rs.3.58 crore.

*[ Paragraph 9.7]*