

OVERVIEW

This Report contains 21 paragraphs besides one Performance Audit on “Enforcement activities of Transport Department including implementation of High Security Registration Plates” and one detailed Compliance Audit on “Functioning of Chief Electrical Inspectorate to Government of Telangana”. These findings relate to under-assessment / short levy / loss of revenue etc., of ₹ 260.04 crore. Some of the significant audit findings are mentioned below:

I GENERAL

- The total revenue receipts of the State Government for the year 2016-17 amounted to ₹ 82,818.37 crore. Of this, Tax Revenue (₹ 48,407.73 crore) and Non-Tax Revenue (₹ 9,781.70 crore) accounted for 70 *per cent* of the total revenue receipts of the State. The remaining 30 *per cent* was received from Government of India as State’s share of divisible Union Taxes and Duties (₹ 14,877.04 crore) and Grants-in-Aid (₹ 9,751.90 crore).

(Paragraph 1.1.1)

- There has been increase of 21.10 *per cent* of tax revenue during the year 2016-17 over the previous year. The revenue under VAT, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fee had increased by 14.70 *per cent*, 46.51 *per cent*, 46.99 *per cent* and 23.19 *per cent* respectively.

(Paragraph 1.1.2)

- Test-check of the records of 320 units of Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departmental offices conducted during the year 2016-17 showed under-assessment/ short levy / loss of revenue aggregating ₹ 1,289.76 crore in 1,553 cases.

(Paragraph 1.6.3)

IV TAXES ON VEHICLES

Performance Audit on ‘Enforcement activities of Transport Department including implementation of High Security Registration Plates’ revealed the following deficiencies:

Introduction

The Telangana Transport Department (Department) was established for enforcement of the provisions of Motor Vehicles Act (MV Act), 1988; Andhra Pradesh Motor Vehicles Taxation Act (APMVT Act), 1963 and the rules framed thereunder. The Department primarily functions under the provisions of Section 213 of the MV Act, 1988. This includes collection of taxes and

fees, issue of driving licences and certificates of fitness. Registration of motor vehicles and granting permits to vehicles is also being undertaken by the department.

Non-detection of vehicles without valid Fitness Certificates (FCs)

- Test check of 10 offices revealed that 20,163 vehicles were plying without Fitness Certificates (FCs) due to lack of alerts in the system and failure of the Department to ensure renewal of FCs. This posed risk to public safety besides non-realisation of FC fee of ₹ 51.54 lakh.

(Paragraph 4.4.4.1)

Non-detection of vehicles with expired registrations

- Green tax amounting to ₹ 92.36 lakh, remained uncollected in respect of 25,558 vehicles with expired Certificates of Registration (RCs).

(Paragraph 4.4.4.2)

Non-enhancement of Compounding Fee on second and subsequent offences

- State Government had not notified the enhanced fee for second and subsequent offences in the Schedule of Compounding Fee. Low compounding fee for repeated offences allow erring drivers violate traffic rules posing risk to life and property. Besides, it led to non-realisation of compounding fee of ₹ 6.05 crore.

(Paragraph 4.4.3.3)

Offences of allowing unauthorized persons to drive

- The owners of the vehicles were not booked in 15,159 offences for allowing unauthorized persons to drive their vehicles. The loss of revenue towards compounding fee worked out to ₹ 1.52 crore.

(Paragraph 4.4.3.4)

Lack of co-ordination between departments on deployment

- There was no co-ordination between Police Department and Transport Department on deployment of enforcement staff. The Enforcement Wing of Transport Department did not have a risk-based deployment plan.

(Paragraph 4.4.2.1)

Access to Citizen Friendly Services of Transport Department (CFST) data during Vehicular Inspection

- The project, 'e-VCR' mobile solution that facilitates access to vehicular data base (CFST) during vehicular inspection was not implemented. Analysis of VCR data revealed that multiple offences

relating to the same vehicle could not be detected by the enforcement officials.

(Paragraph 4.4.3.1)

Lapses on interstate vehicular movement

- Bilateral tax and penalty of ₹ 2.76 crore was not collected from the owners of 1,330 vehicles registered in Maharashtra and Karnataka.

(Paragraph 4.4.5.4)

New vehicles without affixation of HSRP

- High Security Registration Plates (HSRPs) in respect of 2,92,843 new vehicles (42 *per cent*) were not affixed (July 2017).

(Paragraph 4.4.9.1)

Penalty charges

- The mechanism to give rebate to customers where there were delays in affixing HSRP had not been instituted.

(Paragraph 4.4.9.3)

Non-fixing of HSR Plates for in-use vehicles

- The project of HSRP had not commenced in respect of 18.41 lakh 'in-use' vehicles. The objective of having uniform Registration Plates with security features could not be achieved by the Department.

(Paragraph 4.4.9.2)

Delay in auction of seized vehicles

- There were delays in disposal of 1,413 vehicles under seizure, out of which 206 vehicles were under seizure since 2010 onwards.

(Paragraph 4.4.6.2)

There was lack of co-ordination between the Transport Department and the Police Department on deployment of personnel for enforcement activities. The 'e-VCR mobile solution' project, that would have provided the last mile integration, by automation of the Vehicle Check Reports (VCR) to inspecting officers at the time of check, was not implemented. Deterrence effect was lost due to non-incorporation of provisions on enhanced compounding fee in respect of repeated offences. Offences were booked against the drivers and were not booked against vehicle owners. High Security Registration Plates (HRSP) were installed only on 58 *per cent* of the 6,95,709 authorised new vehicles.

Other Audit findings:

- Quarterly tax of ₹ 2.12 crore and penalty of ₹ 1.06 crore were not realised from owners of 1,262 transport vehicles for the years 2014-15 and 2015-16 in 10 offices.

(Paragraph 4.5)

II VALUE ADDED TAX AND CENTRAL SALES TAX

- In 24 offices, 28 dealers claimed excess Input Tax Credit (ITC) of ₹ 2.72 crore due to adoption of incorrect method of restriction of ITC. Non-restriction of ITC by the Assessing Authorities (AAs) as per the rules on exempt sale/ transactions resulted in excess allowance of ITC.

(Paragraph 2.4.2)

- In 14 offices, 23 dealers were allowed ITC of ₹ 1.55 crore incorrectly on ineligible items. The incorrect allowance was due to non-restriction of ITC on damaged goods, invalid tax invoices and incorrect claim by hotels and bakeries.

(Paragraph 2.4.1)

- In nine offices, the AAs incorrectly allowed ITC of ₹ 1.63 crore on works contracts of 11 dealers. The incorrect allowance was due to allowing ITC to dealers who were not eligible and the AAs allowed 100 *per cent* ITC though the dealers were eligible for only 90/75 *per cent*.

(Paragraph 2.4.4)

- Excess deferred Sales Tax benefit of ₹ 3.02 crore was availed by 15 Industrial units under the jurisdiction of six offices. Deficiency in monitoring by AAs resulted in excess availment of deferred Sales Tax.

(Paragraph 2.13.1)

- In four offices, inadmissible deductions under works contract were allowed in four cases. The deduction allowed pertained to land development charges, design & engineering services, erection & installation services, labour charges etc., which were not admissible. This resulted in short levy of Tax of ₹ 50.30 lakh.

(Paragraph 2.9.2.1)

- Application of incorrect rates of Tax resulted in short levy of Tax of ₹ 35.61 crore in 40 cases in 35 offices. Goods such as empty gas cylinders, water purifiers, LED lights, Quinoa and Chia seeds etc., which were liable to be taxed at 14.5 *per cent* were taxed at five *per cent*. Bar and Restaurants/ Restaurants whose turnover was above ₹ 1.5 crore paid Tax at five *per cent* instead of 14.5 *per cent*.

(Paragraph 2.5)

- In 23 offices, the AAs adopted purchase turnovers in excess of those shown in Profit and Loss accounts of 28 dealers. This resulted in excess allowance of ITC of ₹ 2.28 crore.

(Paragraph 2.4.3)

- In 12 offices in 21 cases, the dealers paid/ AAs short levied Tax at the rate of five *per cent* instead of at 14.5 *per cent* on sale of mobile phones. This resulted in short levy of Tax of ₹ 43.47 crore.

(Paragraph 2.5.1)

- In 16 offices, incorrect exemption of sales turnover of 'textiles and fabrics' in 26 cases resulted in non-levy of VAT of ₹ 9.53 crore. As none of the dealers opted for composition, they were liable to pay Tax at the rate of five *per cent*.

(Paragraph 2.6)

- In 41 cases, there was a variation between the sales turnover determined by the AAs and the turnovers reported in Profit and Loss accounts. This resulted in short levy of VAT of ₹ 5.30 crore.

(Paragraph 2.8)

- Interest of ₹ 1.31 crore and penalty of ₹ 3.59 crore were not levied by the AAs in 38 offices though 167 dealers had paid tax with delays ranging from one day to 1,073 days.

(Paragraph 2.12.1)

- The AAs did not levy penalty in 10 cases and short levied penalty in 16 cases on under-declaration of tax for reasons other than due to fraud or wilful neglect. This resulted in non levy/short levy of penalty of ₹ 4.11 crore.

(Paragraph 2.12.3)

- The AAs had not levied interest of ₹ 13.37 crore on delayed payment of deferred Sales Tax/ Tax holiday converted into deferment in 144 cases.

(Paragraph 2.13.2 & 2.13.4)

- In 177 Industrial units deferred tax incentive of ₹ 27.34 crore was availed between 1993-94 and 2015-16. AAs did not initiate action to recover the deferred Sales Tax of ₹ 6.39 crore even though 31 units closed their units.

(Paragraph 2.13.3)

III STAMP DUTY AND REGISTRATION FEE

- Companies secured credit facilities from various financial institutions by creating charge on *pari passu* basis on their properties. Registering

authorities collected ₹ 10,000 on each document instead of charging 0.5 per cent on the amount secured which resulted in short collection of Registration fee of ₹ 8.76 crore.

(Paragraph 3.4)

- Agricultural rate was adopted in respect of lands which had already been converted to non-agricultural use by 14 offices of District Registrars/ Sub-Registrars. This led to short levy of Duties and Fees of ₹ 2.04 crore.

(Paragraph 3.5)

V OTHER TAX AND NON-TAX RECEIPTS

LAND REVENUE

- In four Tahsildar offices, Water Tax amounting to ₹ 58.48 lakh was not levied/ short levied due to application of incorrect rate of Tax and non-levy of Tax on entire extent of land irrigated.

(Paragraph 5.2)

Detailed Compliance Audit Report on “Functioning of Chief Electrical Inspectorate to Government of Telangana” revealed the following deficiencies:

- Adoption of provisional figures led to short demand of Electricity Duty of ₹ 42.83 crore from Distribution Companies (DISCOMs).

(Paragraph 5.3.3.3)

- An amount of ₹ 32.81 crore was irregularly adjusted towards Electricity Duty dues of DISCOMs.

(Paragraph 5.3.3.4)

- There was short payment of ₹ 1.36 crore of Electricity Duty by RESCOS, Siricilla to Government.

(Paragraph 5.3.3.7)

- There was short fall of periodical inspections relating to HT installations in five offices.

(Paragraph 5.3.4.1)

The mechanism for timely remittance of Electricity Duty collected by the DISCOMs to the government account was ineffective. Electricity duty of ₹ 42.83 crore was short demanded from DISCOMs and ₹ 32.81 crore was irregularly adjusted. There had been shortfall in conducting periodical inspections of HT installations.