

# Press Brief

**The Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 (Revenue Sector) Government of Tamil Nadu was placed on the Table of Legislative Assembly on 9 July 2018.**

The report contains 20 paragraphs, including one Performance Audit, relating to non / short levy of taxes, interest, penalty, etc. involving ₹ 4,769.56 crore. Some of the major findings are mentioned below:

## **I General**

The total revenue receipts of the State during 2016-17 were ₹ 1,40,231.13 crore, comprising tax revenue of ₹ 85,941.40 crore and non-tax revenue of ₹ 9,913.76 crore. ₹ 24,537.77 crore was received from the Government of India as State's share of divisible Union taxes and ₹ 19,838.20 crore as grants-in-aid.

Test check of records relating to commercial taxes, state excise, motor vehicles tax, stamp duty and registration fee, electricity tax, mines and minerals and land revenue during the year 2016-17 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹ 6,470.97 crore in 4,560 cases.

## **II Value Added Tax / Central Sales Tax**

**Audit of Assessment, levy and collection of VAT and CST on Petroleum Products** revealed the following:

- Absence of provision to levy tax at second point of sale in respect of petrol and diesel resulted in dealers' commission not being subjected to levy of tax. Inclusion of such a provision would have given an additional revenue of ₹ 645.35 crore.
- The adherence to the conditions governing grant of exemption and applicability of reduced rate of tax was not ensured by the assessing authorities. Exemption / reduced rate of tax allowed on sale of petroleum products in the absence of prescribed certificates / documentary evidences resulted in non / short levy of tax of ₹ 1,247.57 crore.
- The system of e-transit pass had not been effectively utilised by the Department to monitor the interstate movement of petroleum products.

**Audit of the Functioning of Business Intelligence Unit (BIU)** revealed the following:

- BIU was formed in December 2012 to improve revenue collection and check evasion of tax by an analysis of data to be procured from internal and external agencies. BIU, however, did not engage itself in timely and continuous collection of data. Further, the procured data was also not properly analysed and conveyed in a manner in which it was easily usable by the assessing authorities. This resulted in poor utilisation of data by the assessing authorities in unearthing evasion of tax.
- There was no proper monitoring mechanism to ensure timely and effective utilisation of BIU data by the enforcement and territorial wings of the Department.
- Independent data analysis from other departments / agencies and comparing it with BIU data revealed suppression / under assessment of turnover involving levy of tax and penalty of ₹ 2,456.98 crore.

**Audit of Collection of Arrears of Tax in Commercial Taxes Department** revealed the following:

- There existed no system in the Department to monitor disposal of cases pending with various appellate / judicial fora. Thus, failure to undertake proper pursuance of cases pending in appeal resulted in blocking of arrears of ₹ 1,119.29 crore.
- The process of recovery of arrears under the Revenue Recovery Act suffered from deficiencies of non-initiation of revenue recovery proceedings, non / delay in initiation of action for attachment of property and failure to conduct auction after attachment of property. This resulted in arrears of ₹ 720.59 crore remaining uncollected.

### **III Stamp Duty and Registration Fee**

**Performance Audit on Assessment and Levy of Stamp duty and Registration fee** revealed the following:

- The Department failed to evolve a system to monitor payment of stamp duty by brokerages. This resulted in short collection of stamp duty of ₹ 359.69 crore.
- Omission to collect stamp duty in respect of bonds issued through depositories resulted in non-collection of stamp duty of ₹ 450.52 crore.

- The instructions issued by the Valuation Committee was not followed in fixation of market value guidelines of properties.
- There were widespread errors in implementing grant of exemptions and remissions, classification of instruments, and necessary inquiries were not made by registering officers before registration of documents. This resulted in non / short levy of stamp duty and registration fee of ₹ 82.76 crore.

#### **IV Taxes on Vehicles**

Misclassification of Private Service Vehicles as Educational Institution Vehicles resulted in short realisation of tax of ₹ 20.41 lakh.

**(Paragraph 4.3.1)**

Misclassification of Contract Carriages as Private Service Vehicles resulted in loss of revenue of ₹ 22.43 lakh.

**(Paragraph 4.3.5)**

#### **V Other Tax and Non-Tax Receipts**

##### **State Excise**

The failure to collect annual privilege fee at enhanced rate in respect of licensees situated within Chennai City limits resulted in short realisation of revenue of ₹ 52 lakh.

**(Paragraph 5.2)**

The failure to collect brand renewal fee and label approval fee from three licensees resulted in non-realisation of revenue of ₹ 23.45 lakh.

**(Paragraph 5.3)**

##### **Mines and Minerals**

➤ There was a lack of systematic follow-up action to collect arrears due to Government. Failure to refer long pending cases of arrears for recovery under the Revenue Recovery Act, Non-initiation of action in respect of cases referred under the Revenue Recovery Act and non-initiation of action for recovery following disposal of appeals resulted in accumulation of arrears of ₹ 58.73 crore.

➤ There was no proper maintenance of related files and records to watch the trail of action taken for recovery of arrears.

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