

OVERVIEW

This Report contains 35 paragraphs including four reviews relating to non/short levy of taxes, duties, interest and penalty, etc., involving Rs. 3,246.16 crore. Some of the major findings are mentioned below:

I. General

- The total receipts of the State during the year 2008-09 amounted to Rs. 81,231.51 crore, of which the revenue raised by the State Government was Rs. 61,780.71 crore and receipts from the Government of India were Rs. 19,450.80 crore. The revenue raised constituted 76 *per cent* of the total net receipts of the State. The receipts from the Government of India included Rs. 8,018.41 crore on account of the State's share of divisible Union taxes and Rs. 11,432.39 crore as grants-in-aid and registered an increase of 5.54 *per cent* and 52.24 *per cent* respectively over 2007-08.
(Paragraph 1.1)
- At the end of 2008-09 arrears in respect of some taxes administered by the departments of Finance, Home and Energy amounted to Rs. 34,185.26 crore, of which sales tax etc., alone accounted for Rs. 33,971.82 crore.
(Paragraph 1.5)
- In respect of the taxes administered by the Finance Department, such as sales tax, motor spirit tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts etc., 1,64,994 assessments were completed during 2008-09, leaving a balance of 11,50,197 assessments as on 31 March 2009.
(Paragraph 1.6)
- At the end of June 2009, 10,101 paragraphs involving Rs. 1,154.08 crore relating to 4,672 inspection reports issued upto 31 December 2008 remained outstanding.
(Paragraph 1.10)
- During the years between 2001-02 and 2007-08, the department/Government accepted audit observations involving Rs. 2,574.31 crore, out of which an amount of Rs. 878.50 crore was recovered till 31 March 2009.
(Paragraph 1.14)
- Test check of the records of sales tax, State excise, motor vehicles tax, stamp duty and registration fees, land revenue and other departmental offices conducted during the year 2008-09 revealed underassessment, short levy and loss of revenue, etc., amounting to Rs. 3,185.28 crore in 7,205 cases. The concerned departments accepted underassessment, short levy, etc., of Rs. 174.39 crore in 4,321 cases pointed out in 2008-09 and earlier years and recovered Rs. 154.29 crore.
(Paragraph 1.16)

II. Sales tax

A review on “**Sales Tax incentives under Package Scheme of Incentives**” revealed as under :

- Centralised database of incentives sanctioned, availed of by way of exemption and deferred tax was not available with the department.
(Paragraph 2.2.6)
- Incentives of Rs. 11.32 crore were not recovered from 45 units which were closed during the operative period of the eligibility certificate.
(Paragraph 2.2.7.2)
- In four divisions, 6,956 cases were pending for assessment of which 177 assessments were pending for more than 10 years.
(Paragraph 2.2.9)
- In five divisions, instalments of deferred taxes amounting to Rs. 39.21 crore were not recovered in 74 cases.
(Paragraph 2.2.10)
- Breach of conditions of production resulted in non-recovery of incentives of Rs. 258.41 crore including the interest.
(Paragraph 2.2.11)
- Incentives amounting to Rs. 1,034.47 crore were sanctioned to 30 units in excess of the prescribed norms.
(Paragraphs 2.2.12 and 2.2.13)
- Incorrect allowance of exemption to one unit resulted in underassessment of tax of Rs. 174.10 crore including the interest of Rs. 46.08 crore.
(Paragraph 2.2.15)
- In respect of four units, taxes of Rs. 13.48 crore on inter-State sale of goods not supported by declarations in form 'C' was incorrectly considered for calculation of cumulative quantum of benefits.
(Paragraph 2.2.16)
- Incorrect levy of sales tax, surcharge and turnover tax in respect of five units resulted in short levy of tax of Rs. 3.17 crore and consequential short determination of cumulative quantum of benefits.
(Paragraph 2.2.17)

A review on "**Transition from Sales Tax to VAT**" revealed as under :

- Implementation of the VAT was slow due to delay of 27 months in implementation of all the functional branches under the VAT and non-establishing of border check post resulted in non-utilisation of posts for the purpose for which they were created.
(Paragraph 2.3.7.2)

- Due to non-preparation of all the basic modules the automation process in the department could not keep pace with the changes for implementation of VAT.
(Paragraph 2.3.7.3)
- Huge number of pending assessments under the repealed Act resulted in non-realisation of amounts blocked in these cases.
(Paragraph 2.3.7.4)
- In the absence of timely validation of the data the correctness of the database maintained by the department could not be ensured. Further, delay in validation of data and consequential delay in issue of RCs and holograms adversely affected the authentication of the dealers.
(Paragraph 2.3.8.3)
- In respect of 43,48,342 returns received during the year 2007-08 and 2008-09 no defect notices were issued.
(Paragraph 2.3.9.1)
- Non-inclusion of refund for computation of cumulative quantum of benefit resulted in short determination of it by Rs. 60.81 lakh.
(Paragraph 2.3.12.1)
- Non-assessment of cases relating to short payment of tax detected by the business audit/refund audit branches resulted in non-levy of penalty in cases relating to willful default.
(Paragraph 2.3.14.1)
- Absence of internal audit under the VAT deprived department of the vital area of internal control.
(Paragraph 2.3.16.1)
- Delay in grant of refund under VAT resulted in claim of less compensation of Rs. 5.72 crore for loss of revenue from the Government of India.
(Paragraph 2.3.17)
- Excess claim of Rs. 277.99 crore for compensation of loss of revenue due to introduction of Value added tax.
(Paragraph 2.5)
- Incorrect exemption from tax, application of incorrect rate of tax, non-levy of tax, incorrect computation of tax and error in computation of tax in 15 cases resulted in underassessment of tax including interest of Rs. 14.15 crore.
(Paragraph 2.6.1)
- Non/short levy of turnover tax and surcharge on turnover of sales aggregating Rs. 19.68 crore in two cases resulted in underassessment of tax including interest of Rs. 45.78 lakh.
(Paragraph 2.6.2)

- Failure to register 289 licenced dealers of sand resulted in non-realisation of Value Added Tax of Rs. 6.66 crore.

(Paragraph 2.6.4)

- Incorrect adjustment of refund in one case resulted in grant of excess credit of tax of Rs. 4.47 crore.

(Paragraph 2.6.5)

- Irregular grant of exemption from tax on sales against form '14 B' valued at Rs. 11.98 crore in five cases resulted in underassessment of tax of Rs. 2.23 crore including the interest.

(Paragraph 2.6.6)

- Incorrect deferment of tax under package scheme of incentives in one case resulted in underassessment of tax of Rs. 64.74 lakh including the interest.

(Paragraph 2.6.9)

III. Stamp duty and registration fees

- Undervaluation of property resulted in short levy of stamp duty of Rs. 2.25 crore.

(Paragraph 3.3.1)

- Incorrect application of rate resulted in short levy of stamp duty of Rs. 63.74 lakh

(Paragraph 3.3.4)

IV. Land revenue

- Incorrect adoption of market rate resulted in short realisation of land revenue of Rs. 138.93 crore.

(Paragraph 4.3)

- Non-recovery of balance auction money from original bidders amounted to Rs. 1.57 crore.

(Paragraph 4.4)

V. Taxes on motor vehicles and State excise

- **Misappropriation of Government revenue of Rs. 43.13 lakh in office of the Deputy Regional Transport Officer, Ambejogai.**

(Paragraph 5.3.1)

- Non-recovery of motor vehicle tax from 747 vehicle owners resulted in non-realisation of Rs. 1.04 crore.

(Paragraph 5.3.2)

VI. Other tax receipts

A review on “**Levy and collection of entertainment duty**” revealed as under:

- Incorrect grant of exemption of Rs. 160.40 crore to Multiplex Theatre Complexes on account of non-fulfillment of prescribed conditions.
(Paragraph 6.2.7)
- Absence of a provision in the Act led to unjust enrichment of Rs. 1.16 crore.
(Paragraph 6.2.8)
- Non-raising of demand of Rs. 201.27 crore for recovery of entertainment duty from 1350 cable operators.
(Paragraph 6.2.9)
- Non-levy of entertainment duty of Rs. 4.99 crore on Indian Premier League Cricket Matches held in Mumbai.
(Paragraph 6.2.10)
- Non/short levy of surcharge of Rs. 8.13 crore in respect of eight water parks.
(Paragraph 6.2.17)
- Incorrect exemption of entertainment duty of Rs. 2.26 crore granted to seven films.
(Paragraph 6.2.18)
- Non-forfeiture of security deposit of Rs. 1.87 crore collected from organisers of special events.
(Paragraph 6.2.19)
- Non-recovery of entertainment duty from 317 cable operators resulted in non- realisation of Rs. 81.59 lakh.
(Paragraph 6.4)
- State education and employment guarantee cess of Rs. 180.41 crore collected by Bhiwandi-Nizampur and Brihan Mumbai Municipal Corporations was not remitted into the Government account.
(Paragraph 6.5)
- Non-prescribing of revised rates of repair cess resulted in foregoing of revenue of Rs. 14.50 crore.
(Paragraph 6.6)
- Non-remittance of tax on buildings (with larger residential premises) collected by the Mumbai and Pune Municipal Corporations amounted to Rs. 2.14 crore.
(Paragraph 6.7)

- Incorrect retention of tax on sale of electricity and non-recovery of interest amounted to Rs. 123.44 crore.
(Paragraph 6.8)
- Incorrect retention of electricity duty and non-levy of interest amounted to Rs. 86.77 crore.
(Paragraph 6.9)
- Non-enrolment of 16,381 Medical Practitioners liable for enrolment under the Profession Tax Act resulted in non-realisation of Rs. 14.35 crore.
(Paragraph 6.11)

VII. Non-tax receipts

A review on "User charges for supply of water from Irrigation Projects" revealed as under :

- Huge arrears of water charges amounting to Rs. 1,005.21 crore were pending for recovery as on 31 March 2009.
(Paragraph 7.2.8)
- Shortfall in utilisation of irrigation facilities created resulted in loss of Rs. 125.77 crore during the period 2004-05 to 2008-09.
(Paragraph 7.2.9.1)
- Wastage and non-utilisation of water resulted in loss of Rs. 57.01 crore.
(Paragraph 7.2.10)
- Non-recovery of water charges from well owners amounted to Rs. 36.15 crore.
(Paragraph 7.2.13)
- Supply of water to the tune of Rs. 12.80 crore was made without executing agreement.
(Paragraph 7.2.14)
- Non-recovery of interest from Maharashtra State Textile Corporation amounted to Rs. 292.60 crore.
(Paragraph 7.3)