

## OVERVIEW

This Report contains 50 paragraphs including four Performance Audits relating to non/short levy of tax, penalty, interest etc. involving ₹ 462.98 crore. Some of the major findings are mentioned below:

### I General

The total revenue receipts of the Government of Gujarat in 2010-11 were ₹ 52,363.64 crore as against ₹ 41,672.36 crore during 2009-10. The revenue raised by the State from tax receipts during 2010-11 was ₹ 36,338.63 crore and from non-tax receipts was ₹ 4,915.02 crore. State's share of divisible Union taxes and grant-in-aid from the Government of India were ₹ 6,679.44 crore and ₹ 4,430.55 crore, respectively. Thus, the revenue raised by the State Government was 79 *per cent* of the total revenue receipts. The main source of tax revenue during 2010-11 was Sales Tax/VAT (₹ 24,893.46 crore) and stamp duty and registration fees (₹ 3,666.24 crore). The main receipt under non-tax revenue was from non-ferrous mining and metallurgical industries (₹ 2,019.31 crore).

(Paragraph 1.1)

### II Sales Tax/VAT

**Performance Audit on “Cross Verification of Declaration Forms in Inter-State Trade or Commerce”** revealed the following:

- Though Declaration forms under the CST Act were being issued online since July 2008 to the dealers, the physical position of the unutilised Declaration forms was not known, since this was not called back by the Department.

(Paragraph 2.13.6)

- The TINXSYS website was not utilised for verification of forms till June 2011 and despite Departmental instructions, for its usage thereafter, we found instances where the Assessing officers were not utilising it effectively.

(Paragraph 2.13.7)

- Internal control measures for cross verification of Inter State Trade Transactions in the form of Special Cell was absent.

(Paragraph 2.13.8)

- Correctness of purchase transactions, involving revenue implication of ₹ 12.93 crore could not be ensured in absence of a system to check the utilisation of forms issued.

(Paragraph 2.13.9)

- Evasion of tax to the tune of ₹ 2.44 crore was noticed due to fraudulent utilisation of 'C' Forms/under-disclosure of Inter-State sales due to absence of cross verification system.

**(Paragraph 2.13.10)**

- Non/short levy of Central Sales Tax of ₹ 1.19 crore was noticed due to allowance of Branch Transfer on fake 'F' forms/over-declaration of branch transfer by the selling dealer in absence of system of cross verification of transactions.

**(Paragraph 2.13.11)**

- There was Non/short levy of tax of ₹ two crore on inter-state purchase effected on fake 'C' form/under-disclosed Inter-State purchase.

**(Paragraph 2.13.15)**

- We detected Mis-utilisation of 'F' forms which resulted in non/short levy of tax of ₹ 8.45 crore in absence of cross verification system.

**(Paragraph 2.13.18)**

### **Compliance Audit**

Irregular deduction of labour charges from VAT sales turnover resulted in under assessment of ₹ 66.79 lakh in case of seven dealers.

**(Paragraph 2.15)**

In 13 offices, the assessing officers allowed excess set-off, either on purchase of prohibited goods or without ascertaining the fulfillment of prescribed conditions. This resulted in excess grant of set off of ₹ 61.40 lakh including interest and penalty.

**(Paragraph 2.20.1)**

In five offices, the assessing officers did not initiate any action to recover tax of ₹ 2.33 crore including interest of ₹ 1.19 crore from 16 dealers under the deferment incentive schemes in violation of rules and provisions of the schemes.

**(Paragraph 2.22.2)**

In 22 offices, the assessing officers while finalising the assessments either did not levy penalty or levied it short though difference between the tax assessed and tax paid exceeded the prescribed limit. This resulted in non/short levy of penalty of ₹ 3.91 crore.

**(Paragraph 2.24)**

In five offices, the assessing officers applied incorrect rate of tax in the CST assessments which resulted in under assessment of ₹ 90.70 lakh including interest and penalty.

**(Paragraph 2.32)**

Concession of ₹ 2.98 crore was allowed to 49 dealers without obtaining declaration/certificates as required under Central Sales Tax Act, 1956.

**(Paragraph 2.35)**

### **III Land Revenue**

Government land admeasuring 14.75 lakh square metres was allotted to Suzlon and other companies for windmill project. Though conversion tax for change in mode of use of land was required to be levied, the Departmental officials failed to levy it. This resulted in non levy of conversion tax amounting to ₹ 0.88 crore.

**(Paragraph 3.5)**

In one case, occupancy price fixed by Government (June 2005) was not increased after lapse of one year at the time of allotment of land (March 2007). Deficiency in the system to keep proper watch by the Department to levy and collect occupancy price at correct rates resulted in non/short recovery of occupancy price of ₹ 16.48 lakh.

**(Paragraph 3.6)**

We found that in one case, the applicant committed breach of condition by commencing non agricultural use on a new tenure land. In another case, premium price was levied short due to incorrect calculation of area. There was total short levy of premium price of ₹ 14.04 lakh.

**(Paragraph 3.7.2)**

### **IV Taxes on Vehicles**

A Performance Audit on “**Computerisation in Motor Vehicle Department**” revealed the following:

- VAHAN application for registration of vehicles was implemented in all 26 RTOs of the State since March 2008. State Consolidated Register was in place. However, tax module relating to registration of the specially designed vehicles falling under non-transport category and transport vehicles were not designed in the system.

**(Paragraph 4.9.7.1)**

- Out of four modules (Registration, Taxes, Fitness and Enforcement) meant for vehicles, the Fitness Module and Enforcement Modules were not implemented in any of the RTOs/ARTOs. Further, the module relating to tax has been implemented only for the non-transport vehicles and not implemented for transport vehicles.

**(Paragraph 4.9.7.2)**

- Out of 34 fields prescribed for registration of motor vehicles in ‘Form 20’ under Central Motor Vehicles Rules, 1989, five fields were not mapped in the system.

**(Paragraph 4.9.8.1)**

- The system lacked necessary controls/checks to avoid wrong input in many crucial fields. We found that in 4,684 of registered vehicles, the chassis numbers or engine numbers entered in Inspection Memos table did not match with the chassis numbers or engine numbers entered in registration records.

**(Paragraph 4.9.9.1)**

- We found that out of 1.45 lakh vehicles entered in the system, PAN was left blank in 1.13 lakh entries and in 694 cases, the PAN entered was shown as 000000, NO, etc. i.e. an invalid number of alphabet.

**(Paragraph 4.9.10.1)**

- We noticed that in 1766 cases, there were duplicate insurance cover notes, in 48 cases the insurance cover note details were blank and in 132 cases, the insurance cover notes were invalid. (e.g. 00000000, 0, NEW, etc).

**(Paragraph 4.9.10.2)**

- We found that penalty column lacked necessary validity controls. A minus amount could be entered in the penalty column and accordingly, a receipt of negative amount could also be generated. The system was therefore, vulnerable to generate receipt in minus amount.

**(Paragraph 4.9.10.3)**

- SARATHI Application for driving licences was partially implemented as the module meant for issue of driving school licence, conductor licence and enforcement modules had not been implemented so far.

**(Paragraph 4.9.11.1)**

## **Compliance Audit**

In case of two fleet owners (Gujarat State Road Transport Corporation and Ahmedabad Municipal Transport Service) passenger tax of ₹ 363.77 crore was not levied. Besides, interest and penalty was also leviable.

**(Paragraph 4.10)**

Operators of 2,633 omnibuses, who kept their vehicles for use exclusively as contract carriage and 2,272 vehicles used for transport of goods, had neither paid tax nor filed non-use declarations for various periods between 2007-08 and 2009-10. The Departmental officials failed to issue demand notices and initiate recovery action prescribed in the Act. This resulted in non-realisation of motor vehicles tax of ₹ 21.47 crore including interest of ₹ 2.14 crore and penalty of ₹ 2.68 crore.

**(Paragraph 4.11)**

In case of two fleet owners (Gujarat State Road Transport Corporation and Ahmedabad Municipal Transport Service), motor vehicle tax, interest and penalty of ₹ 10.94 crore was not levied.

**(Paragraph 4.13)**

Lump sum tax of ₹ 15.61 lakh including interest and penalty was short levied on 20 imported vehicles.

**(Paragraph 4.15)**

## **V Stamp Duty and Registration Fees**

A Performance Audit on “**Levy and Collection of Stamp Duty and Registration Fees**” revealed the following:

- No time limit has been prescribed by the Department for finalisation of valuation cases referred to Dy. Collectors (Stamp Duty Valuation Office) under Section 32A of Bombay Stamp Act, 1958. This resulted in pendency of 53,093 cases presented for registration during the period from 1-4-2000 to 31-3-2010 and blocking of revenue of ₹ 49.35 crore.

**(Paragraph 5.6.7)**

- Non-levy of stamp duty on the delivery orders of the imported goods at Inland Container Depot and Air Cargo valued at ₹ 1,05,870.65 crore during the period from 2006-07 to 2009-10 deprived the State Government revenue of ₹ 105.87 crore towards stamp duty.

**(Paragraph 5.6.11)**

- Non-inspection of records of public offices and not prescribing any periodical returns to obtain data regarding instruments chargeable with duty from the public offices resulted in incorrect classification of lease agreements as concession agreements which resulted in short levy of stamp duty of ₹ 42.21 crore and registration fees of ₹ 8.61 crore.

**(Paragraph 5.6.12.1 and 5.6.12.2)**

- No mechanism was devised by the Department to ascertain whether Companies incorporated in the State have paid stamp duty on issue and allotment of shares or not. The stamp duty of ₹ 73.43 crore was involved in issue and allotment of shares by 16,230 companies during the period 2006-07 to 2009-10. In one case, non-inclusion of premium in the value of shares resulted in short levy of stamp duty of ₹ 6.09 crore.

**(Paragraph 5.6.13)**

- Incorrect application of rate of stamp duty on contract notes issued by two companies/brokers in connection with purchase and sale of shares and incorrect allowance of benefit of reduced rate of duty to four companies/ brokers resulted in short levy of stamp duty aggregating to ₹ 7.46 crore.

**(Paragraph 5.6.14.1 and 5.6.14.2)**

- Due to non-co-ordination with Income Tax Department, the Registration Department failed to levy stamp duty on additional consideration disclosed by the assessee during the course of search, raid etc., by the Income Tax Authorities resulted in short levy of stamp duty of ₹ 45.08 lakh.

**(Paragraph 5.6.16)**

- Incorrect calculation of consolidated stamp duty on debentures resulted in short levy of stamp duty of ₹ 1.25 crore.

**(Paragraph 5.6.18)**

- Incorrect classification of bonds as promissory notes resulted in short levy of stamp duty of ₹ 1.06 crore.

**(Paragraph 5.6.19)**

- Misclassification of 28 instruments in three Sub Registrar offices and Additional Superintendent of Stamps office resulted in short levy of stamp duty of ₹ 7.15 crore.

**(Paragraph 5.6.28)**

- Undervaluation of immovable properties in 368 cases in 37 Sub Registrar offices, DC, Anand, Additional Superintendent of Stamps, Gandhinagar and DDO, Anand resulted in short levy of stamp duty and registration fees of ₹ 7.09 crore.

**(Paragraph 5.6.30)**

## **VI Other tax receipts**

A Performance Audit on “**Working of Electricity Duty Department**” revealed the following:

- The Department was saddled with huge arrears of electricity duty which stood at ₹ 743.60 crore. No arrears had been recovered in the past three years.

**(Paragraph 6.3.7)**

- Non-finalisation of the case of M/s. Essar Power Ltd., a licensee, by the Government despite directions from the Court in March 2007 to decide the case within two months resulted in blocking up of revenue of ₹ 97.46 crore, including interest of ₹ 60.08 crore.

**(Paragraph 6.3.7.1)**

- *M/s. Arunodaya Mills Ltd.*, Morbi did not pay duty for the period from June 2004 to September 2006 as contemplated in the rule. The Department had not referred the case to the Collector in time for recovery

of its dues as arrears of land revenue. The Department also did not register their claim before auction of its property by IDBI Bank through public notice for recovery of their dues. This resulted in blocking up of revenue of ₹ 1.40 crore.

**(Paragraph 6.3.7.2)**

- The Department had not maintained a complete data base of the captive power plants/DG set units, in absence of which important details of energy generated, duty paid/exempted were not available.

**(Paragraph 6.3.8.1)**

- Department did not take effective action against those lift operators whose licence had expired during the period 2005-06 to 2009-10; 55 to 73 *per cent* were operating with expired licences. The Department had not carried out inspection of lift installations, the shortfall being as high as 88 *per cent* during the period 2005-06 to 2009-10, thereby jeopardising public safety.

**(Paragraph 6.3.8.2, 6.3.8.3)**

- The Department had made the energy audit compulsory for eligible industrial and commercial consumers. Our test check revealed that authorised energy auditors audited the units ranging between five to twenty two *per cent* during the period from 2005-06 to 2009-10 and gave their recommendations. There was no mechanism to ensure whether recommendations of energy auditors were complied with, defeating the objective of energy audit.

**(Paragraph 6.3.8.4)**

- There was no separate internal audit wing for ensuring correct levy and prompt realisation of electricity duty. The office of the Chief Electrical Inspector fell short of the required target of inspections fixed by the office itself.

**(Paragraph 6.3.8.5)**

- The Department failed to levy and recover interest of ₹ 20.06 crore and penalty of ₹ 44 lakh from GSFC units. In case of GACL, the Company did not pay interest of ₹ 11.22 crore but the Department did not initiate action for its recovery.

**(Paragraph 6.3.9.5)**

### **Compliance Audit**

Absence of provision for levy of entertainment tax on T-20 cricket tournament organised by IPL resulted in foregoing entertainments tax of ₹ 1.38 crore.

**(Paragraph 6.4)**

In 650 cases, cable operators did not pay/ paid belatedly entertainments tax resulting in non/short realisation of entertainment tax of ₹ 88.98 lakh, including interest.

**(Paragraph 6.5)**

## **VII Non-tax receipts**

Royalty was non/short levied in 116 cases on minerals removed from leased area resulting in non/short levy of royalty and interest of ₹ 1.30 crore. In another case, the Department failed to initiate action to recover royalty of ₹ 9.14 crore as per interim order of the High Court.

**(Paragraph 7.5)**

In 506 cases, the Department did not raise demand for dead rent from lease holders resulting in non levy of dead rent of ₹ 2.54 crore.

**(Paragraph 7.6.1)**

For 39 quarry mining leases sanctioned between October 2005 and September 2009 by the District Geologist, Bhavnagar, lease deeds were not executed and three was notional loss of ₹ 20.81 lakh to the Government on account of non-recovery of dead rent.

**(Paragraph 7.8)**

District Development Officers detected 84 cases of illegal mining and manufacturing of bricks in the area under their jurisdiction. Lack of system for co-ordination between the Revenue Authorities and concerned District Geologists resulted in non-levy of royalty of ₹ 19.72 lakh, including penalty of ₹ 4.80 lakh.

**(Paragraph 7.9)**