

OVERVIEW

This Report contains 21 paragraphs including two performance audits relating to non/short levy of tax, interest, penalty, revenue foregone, etc. involving ₹ 89.20 crore. Some of the major findings are mentioned below:

I General

Total revenue receipts of the State Government for the year 2011-12 amounted to ₹ 69,806.27 crore against ₹ 58,206.23 crore for the previous year. 72 per cent of this was raised by State through tax revenue (₹ 46,475.96 crore) and non-tax revenue (₹ 4,086.86 crore). The balance 28 per cent was received from the Government of India as State's share of divisible Union taxes (₹ 11,075.04 crore) and grants-in-aid (₹ 8,168.41 crore).

(Paragraph 1.1.1)

3,115 Inspection Reports issued upto December 2011 containing 6,668 observations involving money value of ₹ 1,589.45 crore were pending settlement at the end of June 2012.

(Paragraph 1.2.1)

Records of 355 units of commercial taxes, state excise, taxes on motor vehicles, stamps and registration fees, electricity tax and other departmental offices were test checked during the year 2011-12. These revealed underassessment, non/short levy of taxes, loss of revenue, failure to raise demands and other irregularities aggregating ₹ 211.00 crore in 2,360 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 7.06 crore in 846 cases. The Departments recovered ₹ 7.20 crore in 250 cases at the instance of audit.

(Paragraph 1.5)

II Taxes on sales, trade, etc.

A Performance Audit on “**Arrears in assessments and collection of taxes in Commercial Taxes Department**” revealed that:

Demand, Collection and Balance (DCB) statements were not prepared and submitted to the Divisional offices after April 2005. In its absence, progress made in recovery of arrears could not be watched and ascertained at the apex level.

(Paragraph 2.8.8)

In six offices, 1,582 assessment files which had details relating to arrears of ₹ 8.77 crore were missing which adversely affected the pursuance of recovery of arrears.

(Paragraph 2.8.10)

Government of Karnataka issued instructions in October 2009 for setting up joint committees at different levels consisting of both Commercial Taxes

Department and State Excise Department officers for identifying sales tax defaulters who were still in the liquor trade. However, no committees were formed except in Mysore division till date. Sales tax arrears of ₹ 205.90 crore from liquor dealers was pending recovery as on 1 October 2012.

(Paragraph 2.8.12)

Arrear tax of ₹ 8.38 crore in 29 cases for the period 1999 to 2011 could not be recovered through Judicial Magistrate First Class (JMFC) in Bangalore due to inability of the CTD to furnish mandatory information of the defaulters.

(Paragraph 2.8.14)

In eight cases, non-filing/belated filing of claims with the official liquidator resulted in arrears of ₹ 44.88 crore remaining uncollected.

(Paragraph 2.8.15)

In four cases, though department was aware of the fact that properties were attached/disposed of by financial institutions, it did not direct the financial institutions to recover the arrears of tax of ₹ 1.80 crore and remit the same to Government.

(Paragraph 2.8.16)

Seven industrial units who had availed deferment of sales tax of ₹ 1.34 crore did not repay the amount and department did not demand the same along with interest of ₹ 1.22 crore.

(Paragraph 2.8.18)

The audited accounts filed by 18 dealers in form VAT 240 revealed that the dealers had short declared their liability to tax. The concerned dealers neither filed revised returns nor paid the dues as advised by their Auditors. The AA concerned also did not take any action to demand the tax together with mandatory interest and penalty. This deprived the Government of revenue of ₹ 4.46 crore.

(Paragraph 2.9.1)

Excess claim of input tax credit amount, under assessment of output tax, short payment of tax, non-levy of interest/penalty etc. in 127 cases amounted to ₹ 1.75 crore.

(Paragraphs 2.9.2 to 2.9.8)

III Stamp Duty and Registration Fees

A Performance Audit on “**Computerisation of Department of Stamps and Registration**” revealed that:

No Information System (IS) Audit was conducted by Department of Stamps and Registration (DSR) even after a lapse of eight years since the date of computerisation. The provision for IS Audit was neither contemplated in the document “Software Requirement Specification (SRS)” nor was any departmental instruction issued in this regard.

(Paragraph 3.8.8.1)

Under KAVERI system, there was no lateral connectivity across the Sub-Registrars’ offices. The consolidated information relating to the total number of documents registered, amount of stamp duty and registration fee collected and other recoveries made in the State in a day was not available in the system.

(Paragraph 3.8.8.2)

The legacy data has not been digitised so far and in the absence of legacy data, the Department of Stamps and Registration could not issue Encumbrance Certificate (EC) on the same day as stipulated in the website.

(Paragraph 3.8.8.3)

There was no module for generation of tokens in the software to systematically deal with the requirements of the members of the public visiting SROs.

(Paragraph 3.8.9.1)

KAVERI system does not have a provision for presentation of documents online for examination, valuation and determination of duty and fees. The KAVERI website has an interface in English only and not in Kannada. The Karnataka Registration (Deed Writers’ Licence) Rules, 1978 framed under the Registration Act, 1908 was not provided in the website.

(Paragraph 3.8.9.3 and 3.8.9.4)

The implementation of logical access controls like user names and passwords by the DSR was not found in tune with business practices necessary to ensure authorisation requirements and establishment of accountability.

(Paragraph 3.8.10)

The business rules like denotation of duty, rejection of documents, registration of property notified for non-registration, valuation of lease deeds etc. were not mapped in the system.

(Paragraph 3.8.11)

It was noticed in the ‘PropertyMaster’ table that 50 *per cent* of the data was redundant. This resulted in unnecessary wastage of data storage capacity.

(Paragraph 3.8.12.1)

In the test checked SROs, we noticed that due to incorrect data entry 2,428 out of 15,116 incomplete documents were not qualified as pending. This had resulted in duplication of payment details. Besides, we found incomplete/incorrect entries in the 'PersonDetails' table of the marriage registration module.

(Paragraph 3.8.12.2)

Cross verification of the data from 'DocumentMaster' with 'ScanMaster' tables in two SROs revealed that 2,841 extra pages were scanned for which no receipt was generated and no payment on this was made into the Government account. This resulted in short realisation of revenue of ₹ 86,310.

(Paragraph 3.8.14)

In SRO Tumkur, we found shortage of computers and peripherals that affected the service delivery in the system. We also found that, though kiosks were installed in the SROs, these were not found working in any of the offices test checked.

(Paragraph 3.8.15)

KAVERI has the provision for generation of the reports required to be sent by SROs to the higher authorities. Though the reports are generated, their figures were not correct, with the results, SROs prepare the reports manually for submission to supervisors.

(Paragraph 3.8.16)

Short levy of stamp duty and registration fee due to suppression of facts, under valuation, incorrect denotation, etc. and non-levy of interest in the form of penalty for delay in remittances to Government in 36 cases amounted to ₹ 2.39 crore.

(Paragraph 3.9.1 to 3.9.6)

IV Taxes on Motor Vehicles

Non/short payment of tax on construction equipment vehicles, non-levy of tax and penalty on transport vehicles and in respect of vehicles violating conditions for surrender amounted ₹ 1.20 crore in 145 cases.

(Paragraph 4.7.1 to 4.7.3)

V Electricity Tax

Non-levy of electricity tax on auxiliary consumption and incorrect adjustment of payment leading to short demand of interest amounted to ₹ 3.49 crore.

(Paragraph 5.6 and 5.7)