

## OVERVIEW

The Report contains 21 paragraphs including two performance audits relating to non/short levy of taxes, interest, penalty, etc., involving ₹ 549.40 crore. Some of the major findings are mentioned below:

### I General

The total receipts of the State during 2011-12 were ₹ 85,202.14 crore, comprising tax revenue of ₹ 59,517.66 crore and non-tax revenue of ₹ 5,683.57 crore. ₹ 12,714.60 crore was received from the Government of India as State's share of divisible Union taxes and ₹ 7,286.31 crore as grants-in-aid. The revenue raised by the State Government in 2011-12 was 77 per cent of the total revenue receipts as compared to 75 per cent in 2010-11. Sales tax (₹ 36,288.90 crore) formed a major portion (61 per cent) of the tax revenue of the State. Interest receipts, dividends and profits (₹ 2,056.89 crore) accounted for 36 per cent of the non-tax revenue.

( Paragraph 1.1 )

Test check of the records relating to commercial taxes, land revenue, motor vehicles tax, stamp duty and registration fees, electricity duty and mines and minerals during the year 2011-12 revealed underassessments, short levy, loss of revenue and other observations amounting to ₹ 852.86 crore in 2,330 cases.

( Paragraph 1.5.1 )

### II Sales Tax / Value Added Tax

Performance Audit on “Implementation of Value Added Tax in Tamil Nadu” revealed the following:

- Registration certificates were issued to dealers without exercising basic/vital checks and without obtaining PAN which was mandatory. This encouraged the bill trading activities by the dealers which was evidenced from the fact that the Department itself had identified 1,037 dealers as ‘bill traders’ and cancelled the RCs retrospectively.

(Paragraph 2.13.7)

- Absence of validation checks in the software rendered the information captured in the system unreliable.

(Paragraph 2.13.9.2)

- The TNVAT Act provides for selection of assessments for detailed scrutiny. There was delay both in selection of such cases and in completion of detailed scrutiny.

(Paragraph 2.13.10)

- The Commissioner of Commercial Taxes as Head of the Department had issued periodical instructions for scrutiny of returns and

verification of the ITC claims made by the dealers. However, huge claims of incorrect/inadmissible/fictitious ITC were made by the dealers. The ITC and penalty recoverable amounted to ₹ 280.64 crore.

**(Paragraph 2.13.11)**

- Application of incorrect rates of tax in 23 cases resulted in short levy of tax of ₹ 3.46 crore.

**(Paragraph 2.13.12)**

- Suppression of sales turnover by nine dealers resulted in non-levy of tax and penalty amounting to ₹ 19.96 crore

**(Paragraph 2.13.13)**

- Goods mentioned in the sixth schedule to the TNVAT Act require transit pass for passing through the State of Tamil Nadu. Transit passes issued for the transport of rubber (sixth schedule goods) at the entry check posts were not surrendered at the last exit check posts resulting in non-levy of tax and penalty amounting to ₹ 6.45 crore.

**(Paragraph 2.13.14)**

- TNVAT Act provides for levy of purchase tax on goods (the sale or purchase of which is liable to tax) in circumstances in which no tax was payable. Non-levy of purchase tax in respect of goods purchased by 24 dealers without payment of tax and consumed/used in manufacture amounted to ₹ 7.20 crore.

**(Paragraph 2.13.15)**

- TNVAT Act provides for levy of compounded rate of tax in respect of small dealers/works contractors. The Department failed to levy higher rate of tax amounting to ₹ 5.03 crore in respect of cases where the conditions for availing the compounded rates were violated.

**(Paragraph 2.13.16)**

- The Department identified iron and steel, timber etc as evasion prone commodities and also issued instructions for effective monitoring of claim of ITC in respect of such commodities. However, incorrect/excess/fictitious claim of ITC was made by iron and steel and timber dealers on which the tax and minimum penalty recoverable is ₹ 62.09 crore.

**(Paragraph 2.13.17.1 (i), (ii) & (iii))**

- Import purchases of timber were not accounted for by the dealers resulting in suppression of sales and consequent non levy of tax and penalty amounting to ₹ 10.55 crore.

**(Paragraph 2.13.17.2)**

### **Other observations**

- Consignment sale of goods effected outside the state and supported by valid declaration in Form F is exempt from tax. However, consignment sales of cardamom/pepper effected by 11 dealers supported by invalid declaration forms were allowed exemption resulting in loss of revenue amounting to ₹4.37 crore.

( Paragraph 2.16.1 )

- For transporting rubber outside the state, a dealer has to obtain declaration forms from the Rubber Board. A cross verification of the details obtained from the Rubber Board with the records in the assessment circles concerned revealed that the dealers had suppressed inter-State sales of rubber which resulted in non levy of tax and penalty amounting to ₹ 24.92 crore.

( Paragraph 2.16.4 )

### **III State Excise**

Performance Audit on “**Functioning of Prohibition and Excise Department**” revealed the following:

- Lack of transparency in granting privilege/license to new distilleries, IMFS and beer manufactories.

( Paragraph 3.7.8 )

- Non-revision of privilege/license fee for manufacture of spirit, IMFS and beer for more than 10 years.

(Paragraph 3.7.9 )

- FL2 and FL3 licensees (star hotels and clubs) were allowed to import IMFS. Though import fee was collected, vend fee amounting to ₹ 1.30 crore was not collected.

(Paragraph 3.7.13.1 )

- There was short collection of enhanced privilege fee, license fee and special additional privilege fee from FL2, FL3 and FL 10 licensees amounting to ₹ 6.72 crore.

(Paragraph 3.7.13.2 )

- Non-payment of brand renewal fee and label approval fee in respect of old brands resulted in non-collection of ₹ 94.60 lakh

(Paragraph 3.7.14 )

### **IV Stamp duty and Registration fees**

Misclassification of instruments of Power of Attorney for consideration as General Power of Attorney in eight cases resulted in short realisation of stamp duty and registration fees of ₹ 1.47 crore.

( Paragraph 4.9.1.1 to 4.9.1.5 )

Misclassification of instruments of Conveyance as Cancellation Deed resulted in short realisation of stamp duty and registration fees of ₹ 1.96 crore.

**( Paragraph 4.9.2 )**

Stamp duty and registration fees of ₹ 2.59 crore was short levied due to under valuation of properties in 25 instruments.

**( Paragraph 4.9.5 )**

Failure to amend the Registration Act to make certificate of sale compulsorily registerable to enforce sufficiency in payment of stamp duty resulted in non-realisation stamp duty and registration fees of ₹ 2.09 crore in 109 cases.

**( Paragraph 4.9.6 )**

Documents executed in favour of Co-operative House Building Societies were exempt from stamp duty provided the executants are members of such societies continuously for a period not less than two years. In 260 cases though the executants were not members/members for a period less than two years, exemption allowed on stamp duty and registration fee of ₹ 14.07 crore was irregular.

**( Paragraph 4.9.7 )**

Properties registered in 17 Sub-Registries were undervalued by suppressing the fact of transfer of 297 wind mills commissioned in the landed properties through conveyance/lease deed. This resulted in short collection of stamp duty and registration fees of ₹ 41.78 crore.

**( Paragraph 4.9.9.1 )**

In 10 Sub Registries there was excess allocation of transfer duty surcharge of ₹ 2.62 crore.

**( Paragraph 4.9.10 )**

There was incorrect grant of exemption from payment of stamp duty of ₹ 8.68 crore in respect of 622 lease deeds executed in favour of individuals by two developers of Special Economic Zones.

**( Paragraph 4.9.11 )**

## **V Other Tax Receipts**

### **Electricity Taxes**

There was non-collection of electricity tax of ₹ 13.44 crore on electricity sold by 11 licensees. Similarly electricity tax of ₹ 21.03 crore in respect of a licensee company for electricity captively consumed by it was not collected.

**( Paragraph 5.8.1 & 5.8.2 )**