

## OVERVIEW

This Report contains 51 paragraphs including two Performance Audits involving ₹ 675.55 crore. Some of the major findings are as mentioned below:

### I. General

The total revenue receipts of the Government of Gujarat in 2013-14 were ₹ 79,975.74 crore as against ₹ 75,228.53 crore during 2012-13. The revenue raised by the State from tax receipts during 2013-14 was ₹ 56,372.37 crore and from non-tax receipts was ₹ 7,018.31 crore. State's share of divisible Union taxes and grant-in-aid from the Government of India were ₹ 9,701.93 crore and ₹ 6,883 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 2013-14 was value added tax/sales tax (₹ 40,976.06 crore) and stamp duty and registration fees (₹ 4,749.35 crore). The main receipt under non-tax revenue was from non-ferrous mining and metallurgical industries (₹ 1,578.34 crore).

(Paragraph 1.1)

### II. Value Added Tax (VAT)/Sales Tax

A Performance Audit on “Return Scrutiny and Self Assessment on VAT” revealed the following:

- The Department had not made any provision by way of providing space/column in Form 214A/215A and 202A for furnishing the details of the goods purchased and nature of contract respectively. Thus, it could not be ascertained whether the goods were purchased from registered dealers and tax was paid correctly.

(Paragraph 2.4.9)

- The Department had not evolved any mechanism at higher level to monitor initial scrutiny of periodical and annual returns by the Assessing Authority where the cases of the dealers were accepted as 'deemed to have been assessed' under Section 33 of the VAT Act.

(Paragraph 2.4.11)

- In 1,082 cases, though inter-State sales were not supported by statutory declaration forms, tax was paid by the dealer at concessional rate resulting in short levy of tax of ₹ 277.62 crore.

(Paragraph 2.4.12)

- In 16 offices, misclassification of goods and incorrect determination of taxable turnover resulted in short realisation of tax of ₹ 45.95 crore in 79 cases.

(Paragraph 2.4.13 and 2.4.14)

- In the inter-State sales valued at ₹ 12.61 crore, the title of the goods had already passed on to the ultimate buyer before the movement of goods and

the dealers were not entitled to concessional rate of tax, but these dealers incorrectly claimed and paid tax at concessional rate. This resulted in short recovery of tax of ₹ 1.31 crore.

**(Paragraph 2.4.17)**

- In respect of the 18 offices it was noticed that in 1,490 cases, either ITC was carried forward/claimed in excess of that shown in the returns or returns were not filed. Though provisional assessment was required under the Act in these cases, it was not done.

**(Paragraph 2.4.18)**

- Department had selected only 11 *per cent* cases of dealers for audit assessments. In 16,071 cases selected for audit assessment were having turnover less than ₹ one crore while 4,306 cases having turnover in excess of ₹ five crore were accepted as self assessed without scrutiny of the assessment. Though 1,106 cases were required to be selected for audit assessment, these were not selected and six cases selected for audit assessment were not finalised.

**(Paragraph 2.4.19)**

- Ten assessing authorities furnished a nil report relating to audit of self assessments done by the internal audit wing (IAW) of the department, while in other five offices, audit of only 384 cases out of total 2.09 lakh cases was done by the IAW, despite instructions from the department for audit of 5 *per cent* of the cases.

**(Paragraph 2.4.20)**

- In 16 offices, VAT audit reports and certified accounts in 329 cases were not furnished even after a lapse of ten months from the end of financial year. The assessing officers had not monitored the submission of these VAT audit reports as such the correctness of the tax payable by the dealers could not be ascertained.

**(Paragraph 2.4.21)**

## **Compliance Audit**

In 14 cases, there was short levy of VAT/ CST of ₹ 15.98 crore including interest of ₹ 4.72 crore and penalty of ₹ 4.28 crore due to underassessment/turnover escaping assessment.

**(Paragraph 2.5 and 2.6)**

The AA had allowed proportionate ITC of ₹ 54.76 lakh to four dealers on purchase of sugarcane/ plant and machinery against the production of molasses which is a by-product of sugar (a tax free item).

**(Paragraph 2.7.1)**

In three cases, the AA had allowed claim towards RR sale though the original seller had consigned goods directly to the ultimate buyer i.e. the goods were appropriated to their ultimate buyer before the movement of goods commenced resulting in non levy of tax of ₹ 3.73 crore, including interest of

₹ 0.86 crore and penalty of ₹ 0.05 crore.

**(Paragraph 2.8)**

Misclassification by the AA had resulted in short levy of VAT of ₹ 1.05 crore, including interest of ₹ 0.24 crore and penalty of ₹ 0.49 crore in three cases.

**(Paragraph 2.12)**

The AA did not levy Entry Tax on motor vehicles in four cases resulting in non levy of entry tax of ₹ 60.56 lakh, including penalty of ₹ 27.50 lakh.

**(Paragraph 2.14)**

### III. Land Revenue

A performance audit on “Lease of Government Land” revealed the following:

The system for maintaining the records was not secure, reliable and adequate. The Jamnagar Collectorate had not maintained data of the Government land granted on lease in the LeLIS software developed for the maintenance of data. In eight districts, the data as per LeLIS software did not match with the data as per the records.

**(Paragraph 3.2.7)**

In certain instances, the grant of Government land on lease was not in accordance with the existing provisions of the concerned Act(s), Rules and Regulations, GRs, etc. and policies framed by the Government from time to time, as noticed in the following cases:

- In case of Solaris ChemTech Ltd., the Government land was granted for installation of plant and machinery on recovery of one-time occupancy price, while in other two similar cases, it was granted on lease at the rate of ₹ 150 per hectare per annum applicable to salt and bromine, though in these cases, the land was leased for construction/ installation of plant and machinery. The different treatment given to these two companies resulted in non-levy of occupancy price of ₹ 130.11 crore had the land been given on one time occupancy price.

**(Paragraph 3.2.8.3)**

- In 15 cases, the Government land admeasuring 17.57 lakh sq. mtr. valued at ₹ 69.71 crore granted was in excess of the eligible limit and in other two cases occupancy price of ₹ 2.03 crore though leviable was not levied.

**(Paragraph 3.2.8.4)**

- Though the area of grazing land was not sufficient with reference to number of cattle of the area, even then grazing land was irregularly granted on lease for industrial purpose.

**(Paragraph 3.2.8.5)**

The monitoring mechanism was deficient so far as it relates to ensuring adherence to the terms and conditions of lease of the land/renewal of lease, as noticed in the following cases:

- Out of total 6,587 cases of lease, 4,682 leases had expired between 1933 and 2012 but no action was taken for their renewal or eviction of lessees from the leased land. In five cases, rent at revised rates was also recoverable.

**(Paragraphs 3.2.9.1)**

- The Government land admeasuring 1,508.69 hectare granted by the Collector, Ahmedabad remained unused and continued to be in the occupation of the Company even after lapse of 10 years from the date of allotment for which lease rent of ₹ 22.63 lakh (2000-10) was not recovered from the Company.

**(Paragraph 3.2.10.2)**

- In two Collectorate offices, in seven cases, land admeasuring 1,15,402.12 sq. mtr. granted on lease was lying un-utilised for period ranging between 3 and 57 years, but the same had not been resumed by the Government despite breach of conditions of allotment of land.

**(Paragraph 3.2.10.2)**

- In five Collectorates, in 542 cases, Government land admeasuring 72,206.56 sq. mtr. given on lease was transferred in the name of purchaser based on the sale deeds executed and certified by the City Survey Superintendents (CSS). Neither the permission of Collectors nor proof of payments of any premium by the original lessees for purchasing the Government land was available in the records.

**(Paragraph 3.2.10.3)**

- In 578 cases of four Collectorates, lease rent for the period after 2 February 2010 was recovered at pre revised annual rent of ₹ 150 instead of ₹ 300 resulting in short levy of lease rent of ₹ 68.96 lakh. In other six Collectorates, interest and services charges of ₹ 2.88 crore were levied in 235 cases.

**(Paragraph 3.2.11.3)**

### **Compliance Audit**

In case of allotment of Government land admeasuring 27,00,838 sq. mtr. of Suva village, Taluka Vagra in District Bharuch to *SRF Ltd.* (a private Company) for industrial purpose, there was short levy of additional occupancy price for *Gaucher* land to the tune of ₹ 11.34 crore.

**(Paragraph 3.3.1)**

In eight cases, the premium price was either not recovered or was recovered short resulting in non/short realisation of Government revenue of ₹ 3.37 crore in 5 offices.

**(Paragraph 3.4)**

In 12 cases, conversion tax was either not recovered or was recovered short resulting in non/short realisation of Government revenue of ₹ 14.84 lakh.

**(Paragraph 3.6)**

Service charge was not recovered in six cases and recovered less in two cases resulting in non/short levy of service charge of ₹ 17.43 lakh in three offices.

**(Paragraph 3.8)**

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

Operators of 2,369 omnibuses/maxi cabs/staff buses/school buses, who kept their vehicles for use exclusively as contract carriage and 1,999 vehicles used for transport of goods, had neither paid tax nor filed non-use declarations for various periods between 2008-09 and 2012-13. This resulted in non-realisation of motor vehicles tax of ₹ 24.61 crore including interest of ₹ 1.92 crore and penalty of ₹ 2.34 crore.

**(Paragraph 4.3)**

The fleet owner Ahmedabad Municipal Transport Services (AMTS) has delayed payment of passenger tax for their CNG/Diesel buses that ranged between five and 281 days. Taxation authority had not demanded interest and penalty for the late payment. This has resulted in non-levy of interest of ₹ 3.30 lakh and penalty of ₹ 68.92 lakh. Total non-levy of interest and penalty worked out to ₹ 72.22 lakh.

**(Paragraph 4.4)**

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

In 21 instruments, consideration aggregating to ₹ 299.99 crore was either paid in advance or partly paid/agreed to be paid by the developers to the land owners. Besides, the land owners had also given irrevocable powers of attorney to the developers for sale/transfer of the land. These instruments were required to be stamped at the rates applicable to the conveyance deeds instead of one *per cent*. This resulted in short levy of stamp duty and registration fees of ₹ 14.70 crore.

**(Paragraph 5.3.1.1)**

In one case, it was noticed that developer had been given absolute rights by the owner to dispose off the property, receive the money and transfer the same to prospective buyers. It was required to be stamped at conveyance rates but the assessing authority incorrectly stamped it at the rates applicable to development agreement. This resulted in short levy of stamp duty and registration fees of ₹ 1.67 crore.

**(Paragraph 5.3.1.2)**

In 10 instruments, 23 owners had in addition to development agreement executed powers of attorney with the developers authorising them to sign and execute the document of conveyance in the capacities as seller as well as developers. The developers had themselves sold the property but the instruments were stamped at the rates applicable to development agreement. This resulted in short levy of stamp duty and registration fees of ₹ 1.84 crore.

**(Paragraph 5.3.2)**

In 56 instruments, the recitals revealed that in addition to development agreement the powers of conveyance of the properties were given to the developers without charging any stamp duty. This resulted in short levy of stamp duty and registration fees of ₹ 4.96 crore.

**(Paragraph 5.3.3)**

There was no uniformity in charging of registration fees by the registering authorities on the instruments of development agreement in the absence of clear provision/direction.

**(Paragraph 5.3.4)**

Incorrect determination of market value of properties in 65 cases resulted in short levy of stamp duty and registration fees of ₹ 2.84 crore in 17 offices.

**(Paragraph 5.5)**

In seven offices, incorrect classification of nine documents resulted in short realisation of stamp duty and registration fees of ₹ 1.06 crore.

**(Paragraph 5.6)**

## **VI. Other Tax Receipts**

The Department had not initiated any action to recover unpaid dues aggregating to ₹ 75.47 lakh as arrears of land revenue. This resulted in non-realisation of revenue to that extent.

**(Paragraph 6.3)**

## **VII. Non-tax Receipts**

Test check of the Demand and Collection Registers of two district geologists for the period 2010-11 revealed non/short levy of surface rent in 258 cases involving ₹ 9.05 lakh.

**(Paragraph 7.3)**

Test check of the Demand and Collection Registers of office of five District Geologists for the period 2011-13 revealed short levy of dead rent in 80 cases involving ₹ 52.03 lakh.

**(Paragraph 7.4)**