

## Overview

The Report contains 27 paragraphs including Performance Audit/Compliance Audit relating to non/short levy of tax, interest etc., involving revenue impact of ₹ 3,458.41 crore and expenditure impact of ₹ 153.63 crore. Some of the major findings are mentioned below:

### I. General

Total revenue receipts of the State Government for the year 2015-16 amounted to ₹ 69,032.66 crore against ₹ 57,950.47 crore for the previous year. 69 per cent of this was raised by the State through tax revenue (₹ 38,995.15 crore) and non-tax revenue (₹ 8,425.49 crore). The balance 31 per cent was receipt from the Government of India as State's share of divisible Union taxes (₹12,690.67 crore) and grants-in-aid (₹ 8,921.35 crore).

*(Paragraph 1.1.1)*

As on 30 June 2016, 2,672 Inspection Reports (IRs) in respect of various Departments containing 24,662 observations involving money value of ₹ 7,253.02 crore were outstanding.

*(Paragraph 1.7)*

### II. Taxes/VAT on sales, trade etc.

In 68 assessment circles in respect of 184 compounded dealers, purchase turnover of old gold escaped assessment resulting in short levy of tax, interest and penalty of ₹ 2,475.55 crore.

*(Paragraph 2.4.3.1)*

In respect of 81 dealers in 31 assessment circles out of 119 assessment circles in 15 tax districts the compounded tax for 2013-14 paid /agreed to be paid by the assessee was adjusted which resulted in short collection of ₹ 61.48 crore.

*(Paragraph 2.4.3.2)*

In four assessment circles, six dealers had imported gold, diamond and platinum amounting to ₹ 4,191.16 crore against which ₹ 496.69 crore only was conceded. The suppression of import purchase worked out to ₹ 3,694.46 crore and the resultant short levy of tax, interest and penalty worked out to ₹ 126.70 crore.

*(Paragraph 2.4.3.4)*

Four dealers claimed special rebate in respect of old gold purchased from unregistered dealers and converted and sold it as bullion. Excess availing of special rebate resulted in short payment of ₹ 132.89 crore.

*(Paragraph 2.4.3.5 - bullet 2)*

In 24 offices, 35 dealers who opted to pay compounded tax for the year 2013-14 and 2014-15 did not pay reverse tax on the closing stock for the years 2012-13 and 2013-14 respectively. This resulted in short levy of tax including interest and penalty of ₹ 80.89 crore.

***(Paragraph 2.4.3.5 - bullet 3)***

In four assessment circles, 71 sub contractors in 16 assessment circles failed to return the contract receipts fully which resulted in escape of turnover and consequent short levy of tax, interest and penalty of ₹ 26.37 crore.

***(Paragraph 2.5.3.1)***

In CTO (WC) Ernakulam, three dealers opted to pay tax at the compounded rates on their contract receipts for the fabrication/supply and installation of UPVC/aluminium doors and windows which resulted in incorrect compounding and application of incorrect rate of tax. This resulted in short levy of tax, interest and penalty amounting to ₹ 4.04 crore.

***(Paragraph 2.5.3.3)***

In four assessment circles, incorrect grant of exemption of sub contract turnover resulted in short levy of tax, interest and penalty of ₹ 58.16 crore.

***(Paragraph 2.5.3.4)***

In 48 assessment circles, 131 assesseees who opted to pay tax under the compounding scheme had under-reported the size and/or the number of crushing machines. Non utilisation of information from other Department/local bodies before compounding/finalising the assessment resulted in short levy of tax, interest and penalty of ₹ 68.78 crore.

***(Paragraph 2.6.1)***

M/s Brahmos Aero Space, Thiruvananthapuram, an assessee company involved in the manufacture and supply of various components and articles of 'Brahmos Missiles', showed only a small portion of the income by way of processing charges in the service tax returns for the years 2009-10 to 2013-14. The remaining turnover was liable to be treated as works contract involving transfer in the form of goods. Escape of turnover from assessment resulted in short payment of tax, cess and interest of ₹ 15.70 crore.

***(Paragraph 2.7.2.1)***

In 10 CTOs, dealers failed to account for purchase turnover and corresponding sales turnover which resulted in consequent short levy of tax, interest and penalty of ₹ 8.92 crore.

***(Paragraph 2.8.1- bullet 1)***

M/s Malabar Regional Co-operative Milk Producers Union Ltd., Kozhikode Dairy, Kozhikode misclassified sales as stock transfer during 2011-12 to

2013-14. This resulted in escape of turnover from assessment and consequent short payment of tax and interest of ₹ 3.13 crore.

*(Paragraph 2.8.1 - bullet 2)*

M/s 3F Industries Limited Kochi, a dealer in edible oil, margarine etc. while filing annual return for 2013-14 misclassified the sales turnover of margarine as that of edible oil and self assessed to tax at one *per cent*. The assessing authority failed to detect the escape of turnover of ₹ 4.60 crore from assessment resulting in short levy of tax and interest of ₹ 69.55 lakh.

*(Paragraph 2.8.6)*

### **III. Taxes on Vehicles**

Incorrect adoption of purchase value resulted in short levy of one time tax of ₹ 4.96 crore in 4,724 cases.

*(Paragraph 3.4)*

### **IV. Land Revenue and Building Tax**

**A Performance Audit on Disaster Management in the State revealed the following.**

- Disaster Management Plan at State/District levels and by Local Authority were not prepared even after 10 years of enactment of the Disaster Management Act, 2005 (DM Act).

*(Paragraph 4.4.6.1, Bullet 1)*

- Government/ Kerala State Disaster Management Authority (KSDMA) had not met legal obligations in submission of annual reports on disaster management activities which deprived the Legislature of getting a true and full account of Disaster Management (DM) activities in the State.

*(Paragraph 4.4.6.1, Bullet 2)*

- Out of the 24 Village Offices test checked in Alappuzha, Kottayam, Palakkad and Thiruvananthapuram districts, VDMCs, required to be set up to reduce the risks associated with disasters and dependency on external agencies, were not set up in the test checked village offices.

*(Paragraph 4.4.6.1, Bullet 4)*

- NGO Co-ordination Committees were not constituted at State/District levels.

*(Paragraph 4.4.6.1, Bullet 6)*

- In the test checked districts, Early warning systems were either not functioning or not installed.

**(Paragraph 4.4.6.2, Bullet 2)**

- State Disaster Response Force was not constituted as category wise staff strength had not been sanctioned by Government.

**(Paragraph 4.4.6.2, Bullet 7)**

- Provisions of National Disaster Management Authority guidelines were not included in the municipal and *panchayat buildings* Rules dealing with the construction of buildings in the State.

**(Paragraph 4.4.6.2, Bullet 8)**

- Preparation of budget estimated for State Disaster Response Fund was not based on estimates of District Collectors. Other *miscellaneous* relief expenditure was irregularly accounted as SDRF disbursements.

**(Paragraph 4.4.6.2, Bullet 10)**

- The State and District Authorities did not constitute District Disaster Response Fund and State Disaster Mitigation Fund.

**(Paragraph 4.4.6.2, Bullet 12)**

- In the selected districts, State Disaster Response Fund expenditure of ₹ 83.44 crore was utilized for calamities which did not conform to the definitions of disasters.

**(Paragraph 4.4.6.3)**

In 24 *taluk* offices, out of 148 Government plots/sites involving 1,030.78 ha joint physical inspection revealed encroachment of 72.61 ha of Government land valuing ₹ 65.45 crore in 30 cases.

**(Paragraph 4.5.3.1 Bullet 1)**

Even after direction of Hon'ble High Court in six cases involving 8.57 ha the land remained under the possession of the encroachers with unauthorised constructions.

**(Paragraph 4.5.3.1 bullet 3)**

An extent of 0.81 ha of agricultural land in Mannamkandam village under RDO Devikulam owned by Mar Baselious College was illegally converted, which was not reported by Agricultural officers or detected by the Village Officer.

**(Paragraph 4.5.5.1)**

In 21 *Taluk* Offices, failure of the Village Officers to send the list of completed buildings to *Tahsildars* resulted in non identification of buildings completed for assessment and consequent non-levy of tax of ₹ 2.98 crore.

*(Paragraph 4.6.1 – Bullet 1)*

In 24 *Taluk* Offices, the *Tahsildars* failed to levy and assess tax on the buildings, the completion of which were reported by Village Officers. Inaction on the part of the *Tahsildars* to assess 1,884 buildings resulted in non-levy of building tax of ₹ 4.92 crore.

*(Paragraph 4.6.2 – bullet 1)*

## **V. Other Tax Receipts**

### **A– STATE EXICSE**

Excise Department issued licences without collecting proper stamp duty which resulted in loss of revenue of ₹ 4.24 crore.

*(Paragraph 5.4.4.1)*