

OVERVIEW

This Report contains 24 paragraphs, including four Performance Audits relating to non/short levy of taxes, duties, interest and penalty, etc., involving ₹ 348.30 crore. Some of the major findings are mentioned below:

I General

The total revenue receipts of the State during the year 2014-15 were ₹ 1,65,281.25 crore, of which the revenue raised by the State Government was ₹ 1,27,510.58 crore and receipts from Government of India was ₹ 37,770.67 crore. The revenue raised by the State Government constituted 77 *per cent* of the total net receipts of the State. The receipts from Government of India included ₹ 17,630.03 crore on account of the State's share of divisible Union taxes which registered an increase of six *per cent* over the previous year and ₹ 20,140.64 crore received as grants-in-aid.

(Paragraph 1.1.1)

II Taxes on Sales, Trade, etc.

Performance Audit on “**System of Registration, Assessment and Collection under the Maharashtra Value Added Tax Act, 2002**” revealed the following:

- Audit noticed decline in the number of the surveys conducted by the Department from 2010-11 to 2014-15 for detection of the unregistered dealers (URD). It fell from 19,568 in 2010-11 to 2,360 in 2014-15.

(Paragraph 2.4.2)

- PAN numbers of 1,751 firms having assessable income of ₹ 2,051.21 crore and 17,970 firms having Import licences, were not present in the dealer database of the Sales Tax Department (STD). Thus the chances of the dealers as having remained outside the tax net could not be ruled out.
- TDS branch of the STD had identified 19,818 works contractors as URD dealers between 2009-10 and 2013-14, but the same had not been forwarded to the Survey branch for ensuring their registration.

(Paragraph 2.4.3)

- Though the average number of advisory visits conducted during 2010-11 to 2013-14 was 21,670, it had sharply declined to 6,468 in 2014-15. Of these, the pendency of 25,223 advisory visits pertained to more than two years as on 31 March 2015.

(Paragraph 2.4.5)

- As per the information furnished by the Department, 87,068 dealers had not filed their 2,32,305 periodical returns as on 31 March 2015. The penalty/late fee of ₹ 116.15 crore though leviable on the dealers for non-filing of the returns was not levied.

(Paragraph 2.4.6)

- In Large Taxpayer Unit, the disposals of the cases were not uniformly distributed throughout the limitation period of five years. The Department therefore had to speed up the process of finalisation at the end of the period to save the cases from being time barred.
- It was noticed that 2,777 i.e. 57 per cent of the cases assessed during 2013-14 were ordered for re-assessment in subsequent years and in 2,393 cases involving an amount of ₹ 8,031 crore, appeals against the assessment were preferred by the dealers. Thus a major portion of the cases remained undecided.

(Paragraph 2.4.8)

- Though the objective of the Business Audit Branch was to close the gap between taxes declared and VAT legally due, we found that the recovery of amounts against the demands raised was very meagre during 2013-14 and 2014-15. The number of cases in appeal also increased from 453 in 2012-13 to 9,771 in 2014-15. Further, the number of dealers not traceable increased from four in 2012-13 to 858 in 2014-15.

(Paragraph 2.4.9)

- In Refund and Refund Audit, the pendency of refund applications persisted/continued during all the periods from 2011-12 to 2014-15. It was found that 20,632 refund applications involving refunds of ₹ 2,438 crore pertained to the year 2011-12. Delay in refund assessments resulted in payment of avoidable interest to dealers amounting to ₹ 143.99 crore.

(Paragraph 2.4.10)

- In the Issue Based Audit the actual recoveries against the identified risks stood at 10.25 per cent in 2013-14 and 13.58 per cent during 2014-15 indicating that though it was an appreciable concept for fast-tracking tax recovery process it did not produce the desired results.

(Paragraph 2.4.12)

- In the Investigation Branch scrutiny of reports and records of selected divisions revealed that the delay in finalizing the investigation process resulted in 300 dealers having dues of ₹ 256.79 crore being untraceable, and in 24 other cases involving dues of ₹ 78.14 crore no property was found available for recovery.

(Paragraph 2.4.13)

- An amount of ₹ 2,416.02 crore was pending in respect of 1,68,831 short filer cases. Out of this, an amount of ₹ 753.04 crore pertained to more than five years.

(Paragraphs 2.4.14)

III Stamp Duty and Registration Fee

Performance Audit on “**Integrated Stamps and Registration Information Technology Application (iSARITA)**” revealed the following:

Although the Vendor Management System was introduced in August 2012, it has deficiencies regarding time tags and logics. Therefore the VMS was unable to give correct results for levy of penalty as well as failed to monitor the activities of BOT agencies.

(Paragraph 3.4.2.3)

Absence of necessary validation checks resulted in 15,977 documents where e-payment of ₹ 214.73 crore were made, the corresponding e-challans were not defaced. However, all these documents were registered.

(Paragraph 3.4.2.4)

The Annual Schedule of Rates (ASR) which was the backbone for the valuation module was not updated timely in the system. This has resulted into manual valuation of property for the purpose of levy of stamp duty.

(Paragraph 3.4.2.5)

The application lacked necessary control to ensure complete capture of data, resulted into non-storing of stamp duty details in respect of 19,960 documents involving ₹ 40.64 crore in database.

(Paragraph 3.4.3.1)

The application lacked necessary input validation controls that resulted into;

- Storing of multiple entries of same transaction relating to stamp duty paid resulted into reporting of inflated figures to the tune of ₹ 2.91 crore.

(Paragraph 3.4.3.2)

- The application accept any range of stamp duty which has resulted into reporting of inflated figure of revenue collection to the tune of ₹ 2,950.15 crore.

(Paragraph 3.4.3.3)

- The application was prone to risk of capturing the different PAN number for same person.

(Paragraph 3.4.3.4)

- The application is capturing duplicate/incorrect/blank Government Reference Number.

(Paragraph 3.4.3.5)

- In 93,263 documents of 296 SRs involving registration fees of ₹ 49.24 crore were misclassified as Document Handling Charges.

(Paragraph 3.4.3.6)

The application lacked necessary processing controls that resulted into;

- The system failed to maintain the sequence of registration process as envisaged in documentation of application.

(Paragraph 3.4.3.7)

- The application is prone to risk of registering the documents without proper authority and defeated very purpose of having biometric and digital data.

(Paragraph 3.4.3.8)

- Application failed to maintain reliable and complete data in respect of scanned images of the documents, digital photographs and biometric data of thumb impression of parties and witnesses concerned with the document and non accounting of document handling charges. We noticed that in 47,962 manually registered documents in 222 SRs, though document handling charges amounting to ₹ 2.35 crore were recovered these were not accounted for in the data base.

(Paragraph 3.4.3.9)

- Refund of stamp duty module is in partially operation due to some lacunas like order of refund is incorrectly generated.

(Paragraph 3.4.3.10)

Though the NIC was providing the software support to the Department at the rate of ₹ 60 lakh per annum as the maintenance cost, no Service Level Agreement (SLA) was entered with the agency.

(Paragraph 3.4.4.1)

Although the application was developed by NIC, Pune, no system documentation and source code was obtained by Department from NIC.

(Paragraph 3.4.4.2)

Due to weak logical security control;

- The operator has got un-authorized privileges to capture data in respect of other SRs.

(Paragraph 3.4.5.1)

- The system was susceptible to the risk of suspected backend changes with no audit trail to locate the event through security logs.

(Paragraph 3.4.5.2)

- The developer of application using live database for testing purpose and stored the test data in the same database.

(Paragraph 3.4.5.3)

- Though the warranty period of hardware procured in 2011 has lapsed, the Department has not taken any efforts to appoint an agency for maintenance of hardware. Thus, the hardware were susceptible to the risk of damage thereby disruption in the working.

(Paragraph 3.4.5.4)

Though there was condition in the contract for execution of the data entry work in the office of the JDR, the volumes of Index II were allowed to be shifted outside the office premises which resulted in permanent loss of 265 original Index-II records of important documents.

(Paragraph 3.4.6.1)

Grant of exemption in stamp duty on Letter of Intent submitted by the purchaser with the document which was found to be forged has resulted in irregular concession of stamp duty of ₹ 24.26 lakh.

(Paragraph 3.5.1)

Non-consideration of revenue sharing aspect mentioned in the recitals of the document for valuation resulted in short levy of stamp duty of ₹ 17.68 crore.

(Paragraph 3.5.3)

Inadmissible concession granted in valuation of properties resulted in short levy of stamp duty of ₹ 2.96 crore.

(Paragraph 3.5.4)

Since the purchaser was given the absolute right of the property, the classification of document as a development agreement was incorrect and thus, resulted in short levy of stamp duty of ₹ 1.55 crore.

(Paragraph 3.5.5)

IV Land Revenue

Arithmetical mistake and consideration of incorrect area of land resulted in short recovery of unearned income of ₹ 89.19 lakh.

(Paragraph 4.3.1)

Undervaluation of property resulted in short recovery of *nazrana* amount of ₹ 26.18 lakh.

(Paragraph 4.3.2)

V Taxes on Vehicles

Non-payment of Passenger Tax from the tax collected by the agency resulted in short recovery of Passenger Tax of ₹ 7.86 crore.

(Paragraph 5.4.1)

Motor Vehicle Tax amounting to ₹ 99.31 lakh on various types of vehicles was not recovered in 330 cases.

(Paragraph 5.4.2)

VI Other Tax Receipts

Entertainments Duty

Performance Audit on “Levy and collection of Entertainments Duty” revealed the following:

There was lack of co-ordination between the Home Department, which issued licences through Commissioner of Police, Mumbai and the Revenue and Forests Department that collected Entertainments Duty (ED) for ascertaining the number of licences issued. In 211 Entertainment Centres where licences were issued by Commissioner of Police, Mumbai, ED was not being recovered by concerned Collectors.

(Paragraph 6.3.2.1)

The organizers of two events breached the conditions of exemption, prescribed in the GRs. They were liable to pay ED of ₹ 34 lakh which the Department failed to collect.

(Paragraph 6.3.2.2)

There was short recovery of ED and surcharge amounting to ₹ 12.81 crore in case of amusement parks/water rides, which included an amount ₹ 11.35 crore from a single amusement park.

(Paragraph 6.3.2.3(b))

Non-recovery of ED amounting to ₹ 9.67 crore was noticed from 1,201 cases of cable operators and permit rooms/beer bars with live orchestra.

(Paragraph 6.3.2.3(c) and (d))

The Advisory Committee for grant of exemption of Entertainment tax to cinemas was not formed despite a lapse of 12 years from the date of issue of GR.

(Paragraph 6.3.2.5)

There were shortfalls in inspections of entertainment centres and ED offices at district and taluka level by the Divisional flying squads as well as Divisional Dy. Commissioners.

(Paragraph 6.3.2.6)

The Department was not monitoring the compliance of the conditions mentioned in the GR by the DTH service providers, like filing of CA approved returns, checking correctness of DTH connections and conducting surveys.

(Paragraph 6.3.2.7)

It was noticed that one hundred and fifty one cheques for payment of ED amounting to ₹ 65.48 lakh were dishonoured by the issuing banks, however, no action as per prescribed procedure was taken to recover the ED in cash.

(Paragraph 6.3.2.9)

Deposits amounting to ₹ 10.01 crore collected from organisers of events/performances were not forfeited and credited to the Government account as the organisers failed to submit the accounts in time. Further, demand drafts/cheques amounting to ₹ 48.74 lakh received on account of security deposits were not credited into the treasury in time which resulted in their being time-barred.

(Paragraph 6.3.2.10(b))

Education Cess and Employment Guarantee Cess

EC and EGC collected by one municipal corporation was remitted short by ₹ 5.10 crore into the Government treasury.

(Paragraph 6.5)

VII Non-Tax Receipts

Performance Audit on “**Systems and Controls in collection of Mineral Receipts**” revealed the following:

- Scrutiny of records revealed that in case of major minerals ‘Bauxite’ and ‘Limestone’, 865 applications of PL and 269 of ML were pending for disposal hampering the process of establishment of new area of mining and augmenting the state revenue.

(Paragraph 7.2.2.1)

- We noticed that in five cases the lessees had extracted mineral either in excess of the Mining Plan or without the approval of Mining scheme. However, action for violations relating to extraction of 4.03 lakh MT mineral valued at ₹ 6.23 crore without any lawful authority was not taken.

(Paragraph 7.2.2.3(a))

- We found that there was no sharing of information between the DGM, MoEF and IBM (GOI) to trace the excess extraction/ production of the mineral. The quantity mentioned in EC was at variance with the quantity mentioned in the scheme of mining and the quantity actually extracted by the lessees.

(Paragraph 7.2.2.3(b))

- In Kolhapur two lessees provided false information for obtaining EC in December 2006. The leases were cancelled by the MoEF in August 2012 and November 2013. The quantity of bauxite extracted during illegal occupation by both lessee was 26.97 lakh MT valued ₹ 30.02 crore. The same was not recovered by the State Government in terms of Section 21(5) of MMDR Act.

(Paragraph 7.2.2.4)

- Scrutiny of Inspection Reports in DGM /Dy. Director Kolhapur revealed two cases of excavation of 1.41 lakh MT of Bauxite outside the lease area. The lessees were liable to pay the penalty at ₹ 5.80 crore.

(Paragraph 7.2.2.5)

- Six lessees had transferred lease right to an agent through irrevocable Power of Attorney and Development Agreement without approval of Government and agent extracted 32.97 lakh MT of mineral valued ₹ 60.83 crore without lawful authority.

(Paragraph 7.2.2.6)

- The short fall in collection of royalty ₹ 6.54 crore was noticed in case of seven lessees. The short fall was due to lack of efforts to scrutinise returns submitted by lessee.

(Paragraph 7.2.2.7(a))

- The GoM did not have a centralized data about quantum of minor mineral (other than sand) and location thereof as a result the management of the miner mineral like precious/ semi precious stones, hill cutting, measurement of quarry leases etc; could not be effectively monitored.

(Paragraphs 7.2.3.1)

- Though, the rates royalty of the ordinary earth were revised from February 2010, the departments responsible for collection of the royalty continued to recover the royalty at pre revised rates, besides the collecting departments either did not credit royalty at all or credited less than that collected into the Government account. This resulted in short / non-recovery of royalty of ₹ 7.74 crore.

(Paragraph 7.2.3.2)

- The lease rent of ₹ 12.90 crore for the year 2014 in case of 28 leases of minor mineral and 13 leases of major mineral was not levied on Government land leased out for mining activities.

(Paragraph 7.2.3.4)

- We noticed that during 2010-14 out of 3,096 sand ghats identified for auction, 1,598 sand ghats having an upset price of ₹ 994.90 crore could not be auctioned.

(Paragraph 7.2.3.5(b))

- In Kolhapur and Nagpur, 122 sand ghats involving revenue of ₹ 24.88 crore were not put to auction during 2012-14 due to non-receipt of EC.
- In Thane, nine sand ghats though marked for extraction of sand could not be auctioned during 2012-14 due to non-receipt of a report on Environment Impact Assessment (EIA). The ghats had the potential of generating revenue to the extent of ₹ 72.25 crore.

(Paragraph 7.2.3.5(c))

- Lack of information sharing between Revenue Department, Regional Transport Office and Police in referring the cases of illegal transportation of minerals was noticed.

(Paragraph 7.2.3.7)

- Stamp duty of ₹ 31.84 lakh was neither levied nor paid on the bid amount of ₹ 106.13 crore in respect of auction of 448 sand ghats during 2012-14. In case of minor minerals, stamp duty and registration fees of ₹ 48.78 lakh was not levied by the Department.

(Paragraph 7.2.3.9)

- In Thane, permits for extraction of sand or sand mix clay of 3.48 lakh brass on payment of royalty of ₹ 20.56 crore was allowed without EIA study, thus, environment impact of such huge extraction was not assessed.

(Paragraph 7.2.3.10(a))