

## OVERVIEW

The report contains 20 paragraphs, including one Performance Audit, relating to non / short levy of taxes, interest, penalty, etc. involving ₹ 4,769.56 crore. Some of the major findings are mentioned below:

### I General

The total revenue receipts of the State during 2016-17 were ₹ 1,40,231.13 crore, comprising tax revenue of ₹ 85,941.40 crore and non-tax revenue of ₹ 9,913.76 crore. ₹ 24,537.77 crore was received from the Government of India as State's share of divisible Union taxes and ₹ 19,838.20 crore as grants-in-aid. The revenue raised by the State Government in 2016-17 was 68 *per cent* of the total revenue receipts as compared to 69 *per cent* in 2015-16. Sales tax (₹ 63,233.58 crore) formed a major portion (74 *per cent*) of the tax revenue of the State. Interest receipts, dividends and profits (₹ 4,503.90 crore) accounted for 45 *per cent* of the non-tax revenue.

(Paragraph 1.1)

Test check of records relating to commercial taxes, state excise, motor vehicles tax, stamp duty and registration fee, electricity tax, mines and minerals and land revenue during the year 2016-17 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹ 6,470.97 crore in 4,560 cases.

(Paragraph 1.9)

### II Value Added Tax / Central Sales Tax

Audit of Assessment, levy and collection of VAT and CST on Petroleum Products revealed the following:

- Absence of provision to levy tax at second point of sale in respect of petrol and diesel resulted in dealers' commission not being subjected to levy of tax. Inclusion of such a provision would have given an additional revenue of ₹ 645.35 crore.

(Paragraph 2.4.4)

- The assessing authorities did not ensure adherence to the conditions governing grant of exemption and applicability of reduced rate of tax. Exemption / reduced rate of tax allowed on sale of petroleum products in the absence of prescribed certificates / documentary evidences resulted in non / short levy of tax of ₹ 1,247.57 crore.

(Paragraphs 2.4.7, 2.4.8.1, 2.4.9.1 & 2.4.11)

- The system of e-transit pass had not been effectively utilised by the Department to monitor the interstate movement of petroleum products.

**(Paragraph 2.4.12.2)**

Audit of the Functioning of Business Intelligence Unit revealed the following:

- Business Intelligence Unit (BIU) did not engage itself in timely and continuous collection of data. Further, the procured data was also not properly analysed and conveyed in a manner in which it was easily usable by the assessing authorities. This resulted in poor utilisation of data by the assessing authorities in unearthing evasion of tax.

**(Paragraphs 2.5.2 & 2.5.3)**

- There was no proper monitoring mechanism to ensure timely and effective utilisation of BIU data by the enforcement and territorial wings of the Department.

**(Paragraph 2.5.7.1)**

- Data independently sourced by us from other departments / agencies and our examination of the extent of utilisation of BIU data in the assessment circles revealed suppression / under assessment of turnover involving levy of tax and penalty of ₹ 2,456.98 crore.

**(Paragraphs 2.5.3.1 to 2.5.3.12)**

Audit of Collection of Arrears of Tax in Commercial Taxes Department revealed the following:

- There existed no system in the Department to monitor disposal of cases pending with various appellate / judicial fora. Thus, the failure to undertake proper pursuance of cases pending in appeal resulted in blocking of arrears of ₹ 1,119.29 crore.

**(Paragraph 2.6.3)**

- The process of recovery of arrears under the Revenue Recovery Act suffered from deficiencies of non-initiation of revenue recovery proceedings, non / delay in initiation of action for attachment of property and failure to conduct auction after attachment of property. This resulted in arrears of ₹ 720.59 crore remaining uncollected.

**(Paragraph 2.6.5)**

#### **Other Audit Observations**

Incorrect claim of input tax credit of ₹ 2.05 crore was noticed in seven cases.

**(Paragraph 2.7.4)**

Non / short reversal of input tax credit of ₹ 2.69 crore was noticed in nine cases involving sale of exempted goods and stock transfer of goods to other States.

**(Paragraph 2.7.5)**

### **III Stamp Duty and Registration Fee**

Performance Audit on Assessment and Levy of Stamp duty and Registration fee revealed the following:

The failure of the Department to evolve a system to monitor payment of stamp duty by brokerages resulted in short collection of stamp duty of ₹ 359.69 crore.

**(Paragraph 3.4.8)**

Omission to collect stamp duty in respect of bonds issued through depositories resulted in non-collection of stamp duty of ₹ 450.52 crore.

**(Paragraph 3.4.9)**

There was non-adherence to the guidelines of Central Valuation Committee in subsequent fixation of market guideline value.

**(Paragraph 3.4.13)**

Incorrect allowance of exemption in respect of issue of debentures resulted in non-levy of stamp duty of ₹ 24.34 crore.

**(Paragraph 3.4.16)**

In 19 registering offices, short collection of registration fee of ₹ 12.18 crore was noticed in respect of 51 instruments.

**(Paragraph 3.4.17)**

In 41 registering offices, misclassification of instruments by the registering authorities resulted in short collection of stamp duty and registration fee of ₹ 8.50 crore.

**(Paragraph 3.4.18)**

Incorrect remission of transfer duty surcharge of ₹ 21.34 crore was noticed in 23,804 instruments processed under the Samadhan Scheme.

**(Paragraph 3.4.20.1)**

### **IV Taxes on Vehicles**

➤ Misclassification of Private Service Vehicles as Educational Institution Vehicles resulted in short realisation of tax of ₹ 20.41 lakh.

**(Paragraph 4.3.1)**

- Non-collection of life time tax from owners of old tourist motor cab amounted to ₹ 11.18 lakh.

**(Paragraph 4.3.3)**

- Misclassification of Contract Carriages as Private Service Vehicles resulted in loss of revenue of ₹ 22.43 lakh.

**(Paragraph 4.3.5)**

## **V Other Tax and Non-Tax Receipts**

### **State Excise**

The failure to collect annual privilege fee at enhanced rate in respect of licensees situated within Chennai City limits resulted in short realisation of revenue of ₹ 52 lakh.

**(Paragraph 5.2)**

The failure to collect brand renewal fee and label approval fee from three licensees resulted in non-realisation of revenue of ₹ 23.45 lakh.

**(Paragraph 5.3)**

### **Mines and Minerals**

Audit of Collection of arrears in the Department of Geology and Mining revealed the following:

- Failure to refer long pending cases of arrears for recovery under the Revenue Recovery Act resulted in non-collection of arrears of ₹ 29.11 crore.

**(Paragraph 5.5.2)**

- Non-initiation of action in cases referred under the Revenue Recovery Act resulted in non-collection of arrears of ₹ 5.39 crore.

**(Paragraph 5.5.3)**

- Non-initiation of action for recovery following disposal of appeals resulted in accumulation of arrears of ₹ 24.23 crore.

**(Paragraph 5.5.4)**