

## OVERVIEW

This Report contains 15 paragraphs including two Performance Audits. Observations relating to non/short-levy of tax, interest, penalty, revenue foregone, etc. amounted to ₹ 595.66 crore. Some of the major findings are mentioned below:

### I General

Total revenue receipts of the State Government for the year 2017-18 amounted to ₹ 1,46,999.65 crore against ₹ 1,33,213.79 crore for the previous year. 64 *per cent* of this was raised by the State through tax revenue (₹ 87,130.38 crore) and non-tax revenue (₹ 6,476.53 crore). The balance 36 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 31,751.96 crore) and grants-in-aid (₹ 21,640.78 crore).

**(Paragraph 1.1)**

A total of 1,385 Inspection Reports, containing 4,099 observations, involving money value of ₹ 1,467.14 crore, were pending with the Departments for settlement at the end of June 2018.

**(Paragraph 1.5)**

Test-check of the records of 386 units of Value Added Tax, State Excise, Taxes on Motor Vehicles, Stamp Duty and Registration Fee, Land Revenue and other Departmental Offices conducted during the year 2017-18 showed under-assessment/short-levy/loss of revenue aggregating ₹ 750.43 crore in cases pointed out through 847 paragraphs.

**(Paragraph 1.8)**

### II Taxes/VAT on Sales, Trade, etc.

#### Paragraphs

Non-levy of penalty under Section 72(1) of the KVAT Act, for delay in payment of tax by 169 assesseees, amounted to ₹ 14.46 crore.

**(Paragraph 2.6)**

Short-levy of tax on sale of liquor by 94 Bars and Restaurants situated in urban areas for the period from March 2014 to March 2016 amounted to ₹ 10.89 crore.

**(Paragraph 2.7)**

Tax of ₹ 6.42 crore declared in the returns by 152 assesseees, was not paid.

**(Paragraph 2.8)**

Additional tax of ₹ 4.37 crore, determined by the Auditors in the audited statement of accounts, was not paid by 43 dealers.

**(Paragraph 2.9)**

Suppression of turnover, application of incorrect rate of tax and incorrect allowance of gross profit resulted in short-levy of tax of ₹ 7.74 crore in respect of three works contractors.

**(Paragraph 2.10)**

Works contract consideration of ₹ 74.51 crore, received by 35 dealers from the Karnataka Residential Educational Institutions Society during 2016-17, was not declared by these dealers in their returns, which resulted in non-levy of tax of ₹ 6.73 crore.

**(Paragraph 2.11)**

Short-levy of tax due to incorrect allowance of sub-contractor payments, by 14 dealers, amounted to ₹ 2.50 crore.

**(Paragraph 2.12)**

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

#### **Performance Audit on “Assessment and Implementation of Guidance Market Value” in Karnataka**

The time schedule in estimating and notifying the Guidance Market Values (GMVs) was not adhered to by the Central Valuation Committee (CVC) and the Valuation Sub-Committees (VSCs). Consequent to the delay, outdated values were notified in 2016-17 which continued till 2018-19. Notification of values which did not match the prevailing market trends adversely impacted revenue.

**(Paragraph 3.4.9.2)**

Market trends observed by the VSCs were not captured by the CVC in the majority of the cases. Instead, the final values were being notified by the CVC following a pattern of uniform increase (mostly 10 *per cent*) which were below market trends observed by the VSCs.

**(Paragraph 3.4.9.3)**

Indicators of Market Value like Sale-Agreements, Deposit of Title Deeds, base price quoted by the Developers, loans sanctioned by Banks and Income Tax deducted at source were not considered appropriately in estimating GMV. Cross-verification of 3,335 Sale-Deeds revealed suppression of ₹ 2,232.40 crore and consequent loss of Stamp Duty and Registration Fee at ₹ 149.01 crore.

**(Paragraph 3.4.10)**

Errors in estimation of GMV led to developed lands getting valued lower than the undeveloped lands in the same village/area. Consequent undervaluation of sites/apartments in 13,533 cases worked out to ₹ 3,167.52 crore. The Revenue forgone by way of Stamp Duty and Registration Fee amounted to ₹ 189.82 crore.

**(Paragraph 3.4.11 and 3.4.12)**

Deletion of specific entries with higher GMV in 17 villages during 2017-18 led to undervaluation of properties to the extent of ₹ 33.51 crore in 227 Sale-Deeds with short-levy of Stamp Duty and Registration Fee at ₹ 2.21 crore.

**(Paragraph 3.4.14.3)**

3,237 apartments in 57 projects, were registered at general rates lesser than the base price quoted by the Developers. This resulted in under valuation of the apartments by ₹ 735.78 crore and consequent loss of revenue of ₹ 48.56 crore. The SROs failed to refer these projects to CVC for notifying GMV, inspite of specific instructions.

**(Paragraph 3.4.16)**

Non-stipulation of specific names for different projects led to undervaluation and consequent short-levy of Stamp Duty and Registration Fee of ₹ 20.37 crore.

**(Paragraph 3.4.17)**

### **Paragraphs**

Adoption of incorrect guidance values, incorrect classification of documents, non-adherence to special instructions, etc. in seven SROs led to undervaluation of documents in 80 cases resulting in short-levy of Stamp Duty and Registration Fee of ₹ 4.35 crore.

**(Paragraph 3.5)**

Suppression of facts like existence of building, facts of development and deemed possession in seven documents in four SROs led to short-levy of Stamp Duty and Registration Fee of ₹ 2.29 crore.

**(Paragraph 3.6)**

Adoption of incorrect rates, incorrect levy on share of lesser value, etc. in 36 Joint Development Agreements in seven SROs led to short-levy of Stamp Duty and Registration Fee of ₹ 2.10 crore.

**(Paragraph 3.7)**

## **IV Mineral Receipts**

### **Performance Audit on “Systematic and Scientific Mining and Protection of Environment in respect of Quarry Leases of Minor Minerals”**

Preparedness of the Department of Mines and Geology to introduce the new provisions relating to systematic and scientific mining was not adequate. Inventory of quarries was not comprehensive, relevant modern technologies like satellite imagery, GPS coordinates, etc. were either not used or used insufficiently and the mechanism to monitor transportation of minerals remained weak.

**(Paragraph 4.4.9)**

Joint Physical Verification conducted by Audit with the Department revealed:

- quarrying in 52 expired leases spanning over 29,800 square meters;
- quarrying outside the legal boundaries of 33 quarries spanning over 46,000 square meters; and
- quarrying in 109 illegal sites spanning over 1.07 lakh square meters.

Illegal extraction from such sites was quantified at 9.94 lakh cubic metres which implied a revenue of ₹191.96 crore including royalty and penalty.

**(Paragraph 4.4.9.4)**

With the help of satellite imagery through the Technical Consultant (Indian Institute of Science, Bengaluru), Audit detected:

- 532 locations of illegal quarrying sites spanning over 11.45 lakh square meters in Chikkaballapura Taluk. Volume of illegal extraction was estimated at 11.12 crore MT;
- 146 locations of quarrying beyond the legal boundaries spanning over 8.90 lakh square meters. Volume of illegal extraction was estimated at 27.68 crore MT.

**(Paragraph 4.4.9.5)**

Parameters in the Quarry Plan were not independently evaluated by the DMG and guidelines were not prescribed for fixation of annual target of production in the quarries. Claims of buffer zones left in the quarry areas were found fictitious in 244 out of 260 cases checked.

**(Paragraph 4.4.11)**

Assessment of production of minerals by the DMG in the quarries was inaccurate. An analysis (with satellite imagery) of production through the Technical Consultant revealed a production of 39.81 crore MTs in 183 building stone quarries in Chikkaballapura Taluk as against 1.07 crore MTs assessed by the DMG.

**(Paragraph 4.4.14 and 4.4.15)**

Non-compliance to the conditions relating to scientific and systematic mining was high, ranging from 96 to 100 *per cent* in five out of the seven conditions test-checked.

**(Paragraph 4.4.16.2)**

Implementation of conditions under Environmental Clearance (EC) was deficient due to non-coordination among the different agencies involved. Non-compliance to conditions envisaged under EC was high, ranging from 75 to 100 *per cent*.

**(Paragraph 4.4.9.7 and 4.4.17.1)**

The Environment Impact Assessment Authorities (EIAAs) concerned had issued ECs to the individual leases without a cumulative impact assessment or cumulative environment management plan as envisaged in the GoI notification of January 2016.

**(Paragraph 4.4.19.2)**

### **Paragraph**

Penalty for transportation of minor minerals without obtaining Mineral Dispatch Permits amounting to ₹ 131.01 crore was not demanded from the quarry lease holders.

**(Paragraph 4.5)**