

Overview

I General

This Report contains 28 paragraphs (including two subject specific compliance audits) relating to under-assessment/ non-realisation/ loss of revenue etc., of ₹198.04 crore. The Departments/ Government accepted audit observations of ₹58.68 crore, of which ₹2.03 crore was recovered. Some of the significant audit findings are mentioned below:

- **Arrears of Revenue**

As of 31 March 2021, it was observed that the arrears of revenue pertaining to Commercial Taxes, Registration & Stamps under Revenue and Transport departments were ₹8,247.42 crore. Of this amount, ₹2,346.83 crore and ₹1,684.23 crore relating to Commercial Taxes and Transport departments respectively were outstanding for more than five years.

(Paragraph 1.2.3)

- **Position of local audit conducted during the period 2019-21**

Test check of records of 239 units and 15 units conducted during the years 2019-20 and 2020-21 respectively out of 1,410 auditable units, under Commercial Taxes, Registration & Stamps, Chief Commissioner of Land Administration (Land Revenue) and Transport departments (including Andhra Pradesh State Road Transport Corporation) showed underassessment, short levy/ loss of revenue aggregating ₹299.05 crore in 1,625 cases and ₹94.15 crore in 103 cases respectively.

(Paragraph 1.8)

II Commercial Taxes

- *Processing of refund claims under GST:* Section 54 of Andhra Pradesh Goods and Services Tax (APGST) Act 2017, enables the taxpayer to claim refund of balance in electronic cash ledger in accordance with the provisions of the Act. Scrutiny of a sample of 560 (out of 6,534) refund claims pertaining to the period 01 July 2017 to 31 July 2020 in 81 circles, revealed that there were delays in both disposal of claims and sanctioning of provisional refund. The department needs to ensure that causes for these delays are addressed as they go against the intended provisions of the Act to make available entitled flow of funds to the taxpayer for working/ operating capital. Conduct of post-audit of refund claims must be ensured to protect revenue leakage, as this was not done despite specific instructions. While streamlining the existing procedures of grant of refund, compliance to laid down procedures in processing of refund claims is to be ensured to prevent loss of revenue to the exchequer.

(Paragraph 2.1)

- *Transitional credits:* Section 140 of the Andhra Pradesh Goods and Services Tax (APGST) Act, 2017 enables the taxpayers to carry forward the Input Tax

Credit (ITC) earned under the existing laws to the Goods and Services Tax (GST) regime. The State Tax department had not issued any guidelines to verify transitional credit claims for ascertaining correctness of claims preferred by the taxpayers. Scrutiny of a sample of 563 (out of 14,086) claims in 97 circles, showed instances of excess availment of ITC due to non-verification of transitional credit claims thereby giving scope for passing undue benefit to the taxpayers while claiming transitional credit. Non-compliance issues like availing credit in excess than available balance, claiming of credit without supporting invoices, non-disclosing details of goods held by agent on behalf of the principal, irregular claim of credit due to non-consideration of Value Added Tax/ Central Sales Tax demands, claiming of transitional credit twice, etc., were also observed during audit of sampled claims. Penalty and applicable interest were not levied/ paid in certain cases of excess credit availed by the taxpayers.

(Paragraph 2.2)

- In nine offices, 13 dealers had declared tax at five *per cent* instead of 14.5 *per cent* which resulted in under-declaration of tax of ₹3.59 crore.

(Paragraph 2.3.1)

- In one case irregular exemption from payment of tax on Set-top Boxes resulted in non-levy of tax of ₹3.09 crore.

(Paragraph 2.3.2)

- Interest of ₹0.41 crore and penalty of ₹1.07 crore totaling to ₹1.48 crore was not levied on belated payments of taxes in 11 offices involving 42 dealers.

(Paragraph 2.3.3)

- Assessing authorities have not levied/ short levied penalty of ₹7.82 crore on dealers who had under-declared tax for reasons either of fraud/ willful neglect or other than fraud/ willful neglect.

(Paragraph 2.4)

- In 14 offices involving 24 dealers, incorrect allowance of concessional rate/ application of incorrect rate of tax in interstate sales resulted in short levy of tax of ₹4.90 crore.

(Paragraph 2.5)

- Tax of ₹1.47 crore on works contractors was short levied in two cases due to incorrect determination/ exemption of taxable turnover. The dealers have not maintained detailed accounts in these two cases contravening provisions of Andhra Pradesh Value Added Tax Rules, 2005.

(Paragraph 2.6.1)

- In three offices involving five dealers assessing authorities had allowed ITC amounting to ₹1.25 crore to the dealers running eating houses who were not eligible to claim ITC as per the provisions of Andhra Pradesh Value Added Tax

Act, 2005. Further, excess tax of ₹88.38 lakh collected by the dealers was also not forfeited to Government.

(Paragraph 2.7.1)

III Registration & Stamps

- Loans secured from various banks by creating charge on instruments on *Paripassu* basis are required to be registered by charging 0.5 *per cent* on the loan amount. Non-compliance to the provisions by the registering authorities resulted in short levy of registration fee of ₹7.27 crore in four cases.

(Paragraph 3.1)

- Misclassification of transactions in 57 registered documents resulted in short levy of stamp duty and registration fee of ₹2.10 crore.

(Paragraph 3.2)

- Stamp duty on distinct matters, *i.e.*, having more than one transaction in a document amounting to ₹1.61 crore was short levied in 28 cases.

(Paragraph 3.3)

- Valuing the properties at lesser rate than applicable market rate, incorrect adoption of structure rates, considering acreage rate instead of sq. yd./ lesser area of properties by the registering authorities resulted in short levy of duties of ₹1.10 crore in 27 cases.

(Paragraph 3.4)

- Non-inclusion of value of structure by the registering authorities while computing the value of properties resulted in short levy of duties amounting to ₹92.39 lakh in two cases.

(Paragraph 3.5)

- Non-inclusion of joint shares of properties by the registering authorities for arriving at the value of partitioned properties resulted in short levy of duties of ₹51.19 lakh in nine cases.

(Paragraph 3.6)

IV Chief Commissioner of Land Administration

- Non-finalization of land alienation process for the land given to Regional Passport Office, Visakhapatnam even after a lapse of six years resulted in non-realisation of balance land cost of ₹1.19 crore.

(Paragraph 4.1)

- Adoption of lesser rate for land conversion tax resulted in short levy of conversion tax of ₹47.81 lakh in seven cases.

(Paragraph 4.2)

V Transport

- Quarterly tax and penalty of ₹7.62 crore were not realised from the owners of 5,151 transport vehicles.

(Paragraph 5.1)

- Levy of compounding fee for offences at old rate instead of revised rate resulted in short realization of ₹6.03 crore in 3,176 cases.

(Paragraph 5.2)

- Mandatory annual fitness test of 1,18,399 vehicles was not conducted by the Department. This resulted in non-realisation of Fitness Certificate fee of ₹5.99 crore besides compromising on road safety.

(Paragraph 5.3)

- Green Tax amounting to ₹1.53 crore was not collected on 75,621 transport vehicles and 406 non-transport vehicles.

(Paragraph 5.4)

- Levy of life tax payable on vehicles registered under the category of second and subsequent vehicles for personal use at 12 *per cent* instead of 14 *per cent* resulted in short levy of tax of ₹1.25 crore in respect of 1,179 vehicles.

(Paragraph 5.5)

- Loss of ₹3.25 crore due to failure of Andhra Pradesh State Road Transport Corporation (Corporation) to timely collect GST on all components of AC bus fare from passengers and delay in modifications in Online Ticket Accounting System/ Central Information System module with consequent payment of GST retrospectively with interest and penalty.

(Paragraph 5.6)

- Infuctuous expenditure of ₹2.49 crore due to failure of the Corporation to carry out due diligence in implementation of Live TV System in Amaravati buses.

(Paragraph 5.7)