

EXECUTIVE SUMMARY

About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from Compliance Audit of selected Departments of Government of Rajasthan (GoR). Compliance Audit refers to whether the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and examination of the transactions relating to expenditure incurred by the audited entities and to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

This report is in two parts. **Part-A** includes audit observations noticed during Audit of revenue earning Departments i.e. Commercial Taxes, Land Revenue, Registration & Stamps and State Excise and **Part-B** includes audit observations related to expenditure incurred by various State Government Departments. This Report contains nine paragraphs involving money value of ₹ 444.05 crore. Some of the significant audit findings are mentioned below:

Part A: Revenue Sector

This part contains Seven paragraphs involving ₹ 441.92 crore, which includes one SSCA on ‘Department’s oversight on GST payments & Return filing’ pertaining to Commercial Tax Department and one SSCA on ‘Procedure for determination of market value of Immovable Properties’.

A synopsis of key findings contained in this Report is presented below:

Goods and Service Tax

A Subject Specific Compliance Audit on “**Department’s oversight on GST Payments and Return filing**” was conducted. The major irregularities noticed are as under:

There was slow pace of scrutiny of returns as after the constitution of Business Intelligence Units (BIU) in September 2021, BIU had selected 9,288 high risk taxpayers pertaining to financial year 2017-18 for scrutiny, out of which merely 2,535 cases (27.29 *per cent*) were scrutinized till August 2022. It was also noticed that timeline for scrutiny of returns was not prescribed by the Department. There was delay in Business Audit by tax authorities as the Business Audit for the financial years 2019-20 to 2020-21 was yet to commence. All the identified cases of 2017-18 had also not been audited while less than five *per cent* cases of 2018-19 had been audited by the Department. Appropriate returns were not filed by 878 taxpayers (52.39 *per cent*) in three circles (requisite information was provided by three circles out of 21 circles) even after notices in form GSTR-3A were issued to them. However, the Jurisdictional officers had not initiated any action regarding assessment and cancellation of registration in these cases. There was lack of action for non-

filing of GSTR-10 after cancellation of registration, as no action was initiated/taken by the Jurisdictional Officers against 4,901 taxpayers where final return, GSTR-10, had not been filed after lapse of prescribed period till the date of audit.

In Centralised Audit, there were deviations from the provisions of the RGST Act in 323 cases involving an amount of ₹ 272.59 crore, constituting 53.39 *per cent* of the 605 inconsistencies/mismatches in data, for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as excess ITC availed, short declaration of taxable value and excess availment of ITC on RCM. In 123 cases of 39 taxpayers, constituting 39 *per cent* of the 100 taxpayers audited, the taxpayers had either filed their returns belatedly or had erroneously availed and utilised ITC credits, which were paid back but the interest payments of ₹ 6.50 crore were not discharged. In seven cases, taxpayers had availed ineligible ITC of ₹ 1.44 crore mainly on account of availing ITC on supply of goods and services which were not used in the course of furtherance of business and credit availed on blocked items. In nine cases, the taxpayers had not reversed ITC of ₹ 3.44 crore due to incorrect application of Rule 42 of RGST Act. Audit observed 49 cases of deviations/mismatch in tax liability amounting to ₹ 9.75 crore out of 100 cases examined which were mainly caused due to mismatch between the tax paid in GSTR-1 and GSTR 9/3B. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose. 82 taxpayers, out of audit sample of 100 taxpayers, had availed more ITC in monthly/annual return as compared to ITC available in GSTR-2A. The mismatch in ITC availed in these observations ranges from ₹ 0.02 lakh to ₹ 11,635.15 lakh totalling to ₹ 25,902.69 lakh.

Audit recommended that the Government/Department may consider:

- *to prescribe the timelines and strengthen the monitoring mechanism to ensure scrutiny of the returns by Circles in a time bound manner. It may also better align the number of cases identified for scrutiny using a risk-based approach with the resources/capacity available for such scrutiny.*
- *to take prompt steps to undertake the remaining audits so that timely action could be initiated against the defaulters and recoveries, if any, could be effected.*
- *to provide the requisite records to Audit and examine similar cases under its jurisdiction to avoid any loss of revenue.*
- *to initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

Land Revenue

The office conducted audit of 74 units of Land Revenue Department. The major irregularities noticed are:

- Short recovery of conversion charges due to non-adoption of proper DLC rate and irregular exemption in conversion charges and unauthorised use of land after conversion.

Stamp Duty and Registration Fee

A Subject Specific Compliance Audit on **‘Procedure for determination of market value of Immovable Properties’** was conducted. The major irregularities noticed are as under:

Mis-classification of the instrument of amalgamation of companies led to short levy of Stamp Duty, Surcharge and Registration Fee of ₹ 1.45 crore. Sub Registrar did not take cognizance of the facts mentioned in the recital of Developer Agreement which resulted in short levy of Stamp Duty, Surcharge and Registration Fee amounting to ₹ 86.25 lakh at consideration value of ₹10.89 crore. Non-consideration of the facts mentioned in recital of lease deed issued by the Jaipur Development Authority resulted in non-levy of Stamp Duty Surcharge and Registration Fee of ₹ 25.36 lakh. Exchange lease deeds issued by the Krishi Upaj Mandi Samiti were to be categorized as conveyance deed and accordingly Stamp Duty, Surcharge and Registration Fee of ₹ 1.64 crore on market value of ₹ 19.79 crore was leviable. However, the Sub Registrars had levied Stamp Duty, Surcharge and Registration Fee of ₹ 0.48 crore on assessed value of ₹ 6.40 crore which resulted in short levy of Stamp Duty, Surcharge and Registration Fee of ₹ 1.16 crore. In the absence of effective site inspections, the concerned Sub Registrars levied Stamp Duty, Surcharge and Registration Fee of ₹ 2.94 crore instead of ₹ 4.54 crore resulting in short levy of Stamp Duty, Surcharge and Registration Fee of ₹ 1.60 crore. Non-compliance with the rules and procedures and the inability of E-Panjiyan system to prevent usage of wrong/spurious challans resulted in loss of revenue amounting to ₹ 1.45 crore.

The State Government may ensure:

- *linking of khasra numbers of various categories of lands with the applicable District Level Committee rates on E-Panjiyan system.*
- *effective site inspections of immovable properties by the registering authorities to plug revenue leakage.*
- *compliance with the established procedures in the Sub Registrar offices and address the weaknesses in the E-Panjiyan system, especially related to payment of duty, to prevent loss of revenue to the Government.*
- *implementing a payment gateway in the E-Panjiyan system as one of the options for payment to facilitate people as well as for ensuring the security and authenticity of payments.*

In addition to the SSCA, following irregularities were noticed:

- Irregular exemption of Stamp Duty under Rajasthan Investment Promotion Scheme was noticed in two cases, under which Stamp Duty and Surcharge aggregating to ₹ 66.87 lakh and interest of ₹ 31.54 lakh were recoverable.

- Sub Registrar failed to consider the relevant documents due to which the instrument of partnership deed was notarized with Stamp Duty of ₹ 5000 only resulting in short levy of Stamp Duty and Surcharge of ₹ 2.83 crore.
- Failure of Registering Authorities to effectively inspect the records of Real Estate Regularity Authority led to short levy of Stamp Duty and Surcharge of ₹ 1.15 crore on instrument of Developer Agreement.

State Excise

Compliance Audit on 'Levy and Collection of State Excise Duty' was conducted. The major irregularities noticed in complying with the provisions of Rajasthan State Excise and Temperance Policy (policy), 2020-21 are as under:

- District Excise officers did not enforce the provisions of the policy which led to short collection of revenue amounting to ₹ 23.88 crore on short lifted monthly guarantee quota of Country Liquor and Rajasthan Made Liquor.
- Non-enforcement of the provisions of the policy by the District Excise officers led to short collection of revenue amounting to ₹ 24.65 crore of differential amount of excise duty and basic license fees.
- Non-compliance with the extant directions of Excise Commissioner resulted in non-recovery of ₹ 72.88 crore differential amount of additional excise duty on IMFL and Beer from retail-on and retail-off licensees.
- District Excise officers did not enforce policy provisions and did not comply with the extant directions of Excise Commissioner which resulted in non-recovery of additional amount of ₹15.25 crore on short lifted quantity of IMFL and beer.
- Non-compliance of District Excise Officers with the extant Rule/notification resulted in short recovery of license fees amounting to ₹77.50 lakh from Restaurant Bar licensees.

Part B: Compliance Audit

Compliance Audit observations related to expenditure incurred by various State Government Departments.

This part of the Report contains two compliance audit paragraphs involving an amount of ₹ 2.13 crore emerging out of the audit of Youth Affairs and Sports Department and Medical Education Department.

Youth Affairs and Sports Department

- Procurement of the Automatic Electronic Target Scoring Systems was conducted very inefficiently, as the Rajasthan State Sports Council took a long time in decision making at each stage. The procurement was also

grossly mismanaged due to lack of procurement capability by Youth Affairs and Sports Department.

Medical Education Department

- Lack of timely action by the Medical Education Department resulted in non-recovery of Government dues of ₹ 2.13 crore.