

OVERVIEW

This Report contains 35 paragraphs including one review pointing out non-levy or short levy of tax, interest, penalty, revenue forgone, etc., involving Rs. 331.77 crore. Some of the major findings are mentioned below:

I General

- Total revenue receipts of the State Government for the year 2007-08 amounted to Rs. 41,151.14 crore against Rs. 37,586.94 crore for the previous year. 71 *per cent* of this was raised by State through tax revenue (Rs. 25,986.76 crore) and non-tax revenue (Rs. 3,357.66 crore). The balance 29 *per cent* was received from the Government of India as State's share of divisible Union taxes (Rs. 6,779.23 crore) and grants-in-aid (Rs. 5,027.49 crore).

(Paragraph 1.1)

- Test check of the records of sales tax, state excise, taxes on motor vehicles, agricultural income tax, land revenue, stamps and registration fees, entry tax, entertainment tax, profession tax, betting tax, electricity tax, forest and other departmental offices conducted during the year 2007-08 revealed under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs. 510.96 crore in 3,739 cases. During the course of the year 2007-08, the departments concerned accepted under assessments, short demands, etc. aggregating Rs.71.44 crore in 1,061 cases including 980 cases involving Rs. 30.93 crore which were pointed out in audit in earlier years. A sum of Rs. 19.92 crore relating to 801 audit observations was recovered at the instance of audit.

(Paragraph 1.7)

- Three thousand seven hundred and seventy eight inspection reports issued upto December 2007 containing 7,039 observations involving money value of Rs. 1,420.58 crore were pending settlement at the end of June 2008.

(Paragraph 1.8)

II Taxes on sales, trade, etc.

- 2,179 transit passes issued by 10 check posts during 2000-01 to 2006-07 were not surrendered at the relevant exit point CPs. No action was taken to levy tax of Rs. 9.81 crore on the value of goods covered under these TPs treating them as local sales. Besides, maximum penalty of Rs. 19.61 crore was also leviable.

(Paragraph 2.2)

- Application of incorrect rates of tax in 343 assessments finalised under the Karnataka Sales Tax Act, 1957 and Central Sales Tax Act, 1956 resulted in short levy of tax of Rs. 14.79 crore.

(Paragraph 2.3)

- Non-levy of interest on delayed payment of tax by 48 dealers amounted to Rs. 7.36 crore.
(Paragraph 2.4)
- Incorrect grant of exemption on sales turnover of HDPE¹ woven fabrics of Rs. 50.13 crore treating them as having suffered additional duties of excise resulted in non-levy of tax of Rs. 5.02 crore.
(Paragraph 2.5)
- Additional tax of Rs. 3.82 crore in 183 assessments and resale tax of Rs. 1.21 crore in 71 assessments were not levied/levied short.
(Paragraph 2.6.1, 2.6.2)
- Incorrect grant of exemption on interstate sales turnover of Rs. 39.47 crore not supported by prescribed declarations resulted in non-levy of tax of Rs. 3.94 crore.
(Paragraph 2.7)
- Incorrect determination of taxable turnover in 25 assessments under the KST Act resulted in turnover of Rs. 16.41 crore escaping assessment and consequent non-levy of tax of Rs. 1.79 crore.
(Paragraph 2.8.1)
- Inadmissible deductions of Rs. 36.67 crore allowed by the assessing authorities while concluding assessment under composition scheme for works contract resulted in short levy of tax of Rs. 1.45 crore.
(Paragraph 2.9.1)
- Short demand of tax due to arithmetical mistakes in 11 assessments amounted to Rs. 1.41 crore.
(Paragraph 2.10)
- Non/short levy of cess in 56 assessments amounted to Rs. 1.24 crore.
(Paragraph 2.11)
- Excess/incorrect input tax claimed and allowed in 139 cases amounted to Rs. 2.91 crore.
(Paragraph 2.16)

III Land Revenue

- The conversion fine of Rs. 103.08 crore for diversion of agricultural lands for non-agricultural purposes was not levied.
(Paragraph 4.2)
- Cross verification of the information obtained from the Department of Mines with the records of the Revenue Department revealed that permission for diversion of agricultural land for non-agricultural

¹ High density poly ethylene

purposes was not obtained. Compounding fine amounting to Rs. 106.01 crore though leviable was not levied.

(Paragraph 4.3)

IV Stamps and Registration Fees

- Information obtained from four national highway divisions and Karnataka Electricity Regulatory Commission revealed that stamp duty and registration fees aggregating Rs. 1.25 crore was not realised on leases of tolls and licences issued for transmission and supply of electricity.

(Paragraph 5.2)

- Incorrect determination of market value resulted in short levy of stamp duty of Rs. 1.07 crore and registration fees of Rs. 12.67 lakh in respect of seven conveyance deeds in five sub-registries during 2006-07.

(Paragraph 5.3)

V Other tax receipts

A review of **Assessments, levy and collection of professions tax** revealed as under:

- Non -existence of a system of co-ordination between the department and the licensing/registering authorities to bring the potential tax payers into the tax net resulted in non-enrolment of 23,105 persons and non-realisation of revenue of Rs. 30.93 crore.

(Paragraph 6.2.7)

- Absence of a penal clause led to inordinate delay in applying for registration/enrolment.

(Paragraph 6.2.8)

VI Non-tax receipts

- Revenue department failed to raise demand for water rate/penal water charges of Rs. 4.31 crore in six taluks for the years 2004-05 to 2006-07 though demand statements had been received from the Irrigation Department.

(Paragraph 7.4)

- Incorrect adjustment of payments towards royalty instead of outstanding interest resulted in short levy of interest of Rs. 4.07 crore.

(Paragraph 7.5)