

OVERVIEW

This Report contains 32 Paragraphs including one Review pointing out non-levy or short levy of tax, interest, penalty, etc., involving Rs.190.79 crore. Government have accepted audit observations involving Rs.16.84 crore of which Rs. 4.43 crore had been recovered up to December 2002. Some of the major findings are mentioned below:

1. General

(i) The total revenue receipts of the State Government for the year 2001-2002 amounted to Rs.15321.25 crore against Rs.14822.72 crore for the previous year. 71 per cent of this was raised by the State through tax revenue (Rs.9853.27 crore) and non-tax revenue (Rs.1093.42 crore). The balance 29 per cent was received from the Government of India as State's share of Union taxes and duties (Rs.2623.38 crore) and as grants-in-aid (Rs.1751.18 crore).

(Paragraph 1.1)

(ii) 3693 inspection reports issued up to December 2001 containing 8079 observations involving revenue of Rs.688.89 crore were pending settlement at the end of June 2002.

(Paragraph 1.11)

(iii) Test check of records of sales tax, state excise, taxes on motor vehicles, taxes on agricultural income, land revenue, stamps and registration fees, entry tax, professions tax, taxes and duties on electricity, other taxes and duties on commodities and services, forest receipts, receipts from royalty on power generation, public works receipts and sericulture industries receipts, conducted during the year 2001-2002, revealed under-assessments, non-levy and short levy of taxes, interest, penalty and other receipts, loss of revenue, etc., amounting to Rs.306.83 crore in 1732 cases. During the year 2001-2002, the concerned Departments accepted under-assessments, non-levy and short levy, etc., of Rs. 21.17 crore in 1200 cases of which 1191 cases (Rs. 20.95 crore) had been pointed out in audit in earlier years. The Departments recovered Rs.21.17 crore during 2001-2002 at the instance of audit.

(Paragraph 1.12)

2. Sales Tax

(i) Grant of incorrect exemptions and concessions resulted in non-levy/short levy of tax of Rs.1.16 crore in 64 cases.

(Paragraph 2.2)

(ii) Turnover tax of Rs.1.18 crore was not levied or levied short in 79 cases due to incorrect exemption of turnover, application of incorrect rate, etc.

(Paragraph 2.3)

(iii) Application of incorrect rate of tax resulted in short levy of Rs.2.40 crore in 53 cases.

(Paragraph 2.4)

(iv) Failure to forfeit the excess tax collected resulted in non-realisation of revenue amounting to Rs.1.32 crore in 39 cases.

(Paragraph 2.8)

(v) Non-levy of penalty for delayed payment of tax amounted to Rs.0.91 crore in 48 cases.

(Paragraph 2.9)

3. State Excise

(i) A Review on Working of Intelligence and Enforcement Wing of the State Excise Department disclosed the following:

The shortfall in number of inspections of licensed premises required to be conducted ranged from 22930 to 28311 during 1998-99 to 2000-2001 and constituted 32 to 40 per cent of the total inspections due.

(Paragraph 3.2.6)

Analysis of the number of raids conducted and the types of crimes detected showed that emphasis (75/76 per cent) was laid on procedural offences rather than on intelligence activities like illegal cases of manufacture, sale, transport, storage. As many as 9045 detected cases were pending for departmental action at the end of March 2001 delaying the realisation of minimum compounding fee of Rs.4.52 crore besides affecting deterrence.

(Paragraph 3.2.7)

Government suffered a loss of revenue of not less than Rs.153.15 crore during 2000-2001 due to the absence of stipulation on the contractors to lift at least the minimum quantity of arrack to meet their rental liabilities for securing retail vending rights.

(Paragraph 3.2.8)

2.84 lakh bulk litres of potable liquor was yet to be disposed of (February-March 2002) in 15 districts locking up Government revenue of Rs.6.08 crore.

(Paragraph 3.2.9)

(ii) Undue favour shown in incorrect adjustment of deposits furnished by contractors towards rental dues of lease of the right of retail vending of liquor resulted in accumulation of arrears of Rs.1.03 crore for which no security back up was available and thus exposed it to uncertainty of realisation.

(Paragraph 3.4)

4. Land Revenue

(i) Penalty and fine of Rs.1.36 crore due for encroachment of land in three taluks had not been levied.

(Paragraph 5.2)

(ii) Demands for water rates amounting to Rs.0.89 crore were not raised or raised short by Revenue Department even after receipt of demand statements from the Irrigation Officers in five taluks.

(Paragraph 5.4)

(iii) Non-revision of measurement fees under the Karnataka Land Revenue Act 1964 after 1979 entailed loss of revenue of Rs.8.30 crore for the period 1996-97 to 2000-2001.

(Paragraph 5.8)

5. Other Tax Receipts

Entry Tax

Non-levy/short levy of tax on entry of goods into local area resulted in non-realisation of Rs.1.81 crore in 25 cases.

(Paragraph 6.5)

6. Non-tax Receipts

Power

Application of differential rates of royalty for three generating stations of the Karnataka Power Transmission Corporation Limited resulted in loss of revenue of Rs.4.29 crore during 1997-98 to 2000-2001.

(Paragraph 7.2(c))

