

Overview

This Report contains 23 paragraphs including four reviews relating to non levy/short levy/loss of tax involving Rs 55.49 crore. Some of the major findings are mentioned below.

I. General

During the year 2004-05, Government of Kerala raised a total revenue of Rs 9,782.74 crore comprising tax revenue of Rs 8,963.65 crore and non tax revenue of Rs 819.09 crore. The State Government received Rs 2,404.95 crore by way of State's share of divisible Union taxes and duties and Rs 1,312.80 crore as grants in aid from the Government of India. Sales tax (Rs 6,701.05 crore) formed the major portion (75 per cent) of the tax revenue of the State. Receipts from Forestry and Wild Life (Rs 199.69 crore) formed the major portion (24 per cent) of the non tax revenue. Compared to the previous year, the total revenue raised by the State Government registered an increase of 10 per cent, the State's share of divisible Union taxes and duties registered increase of 20 per cent and grants in aid from Government of India recorded increase of 45 per cent during 2004-05.

(Paragraph 1.1.)

Test check of records of the departments of Agricultural Income Tax and Sales Tax, State Excise, Land Revenue, Motor Vehicles, Registration, Power, Forest, etc., conducted during 2004-05, revealed underassessments /short levy of revenue aggregating Rs 106.77 crore in 1,684 cases. During the course of the year 2004-05, the departments concerned accepted underassessments, etc., of Rs 7.82 crore involved in 475 cases of which 170 cases involving Rs 2.35 crore were pointed out in audit during 2004-05 and the rest in earlier years.

(Paragraph 1.11.)

Out of inspection reports issued up to the end of December 2004 there were 1,638 outstanding reports containing 9,659 audit observations involving Rs 382.14 crore as at the end of June 2005 for want of final replies from the departments.

(Paragraph 1.12.1.)

II. Sales Tax

A review on "Working of sales tax check posts in Kerala" revealed the following.

- *Bank guarantees of Rs 42.60 lakh were not renewed*

(Paragraph 2.2.6.)

- *Misclassification of entry tax of Rs 2.35 crore paid by Kerala Police Department*

(Paragraph 2.2.6.)

- *Non levy of tax and penalty of Rs 4.33 crore in cases where transit passes were not surrendered*

(Paragraph 2.2.7.)

- *Entry tax of Rs 1.02 crore from importers of the goods was not levied*

(Paragraph 2.2.9.)

- *Entry tax of Rs 12.45 lakh on goods used as component parts was not levied*

(Paragraph 2.2.9.)

Interest of Rs 50.61 lakh accrued as a result of delay/non payment of tax was short/not demanded in 11 cases

(Paragraph 2.3.)

Application of incorrect rate of tax resulted in short levy of tax of Rs 31.12 lakh in 12 cases

(Paragraph 2.4.)

Underassessment of turnover in seven cases resulted in short levy of tax of Rs 99.95 lakh

(Paragraph 2.5.)

Inadmissible exemption of tax of Rs 1.15 crore was granted in one case

(Paragraph 2.6.)

Incorrect grant of exemption in 21 cases resulted in short levy of tax of Rs 1.01 crore

(Paragraph 2.7.)

Irregular refund of surcharge in one case resulted in revenue loss of Rs 34.76 crore

(Paragraph 2.8.)

III. Taxes on Vehicles

A review on “Information Technology Audit of Motor Vehicles Department” revealed the following.

- *Government decided in December 2001 to computerise the Motor Vehicles Department. Only one out of seven offices in Thiruvananthapuram district scheduled in phase 1 is computerised. Service providers for computerisation of remaining offices under build, operate, maintain and transfer mode are yet to be selected*

(Paragraph 3.2.3.)

- *Several essential provisions were lacking in the software – SMART Move developed by NIC*

(Paragraph 3.2.4.)

- *Several irregularities noticed in licence data due to inadequate input control*

(Paragraph 3.2.5.)

- *Information generated from the system could not be authenticated as registration data was not properly validated*

- *Several vehicles with duplicate engine number and chassis number were entered in the registration data*

- *Incorrect/non accounting of remittance of fees/tax at FRIENDS Centre*
(Paragraph 3.2.6.)

- *Information security was not adequate for smooth functioning of the system as there was no documented password policy, business continuity planning*
(Paragraph 3.2.7.)

Tax of Rs 18.19 lakh on 110 interstate carriages of KSRTC was short remitted.

(Paragraph 3.3.1.)

Composite tax of Rs 10.82 lakh was short collected on 541 goods carriages.

(Paragraph 3.3.2.)

Tax of Rs 20.20 lakh was short levied on 250 permit lapsed stage carriages.

(Paragraph 3.4.)

Fee of Rs 15.78 lakh for renewing driving licence was short levied in 31,551 cases.

(Paragraph 3.5.)

IV. Land Revenue and Building Tax

Collection charge of Rs 2.07 crore for recovery of arrears was not/short demanded from defaulters in 21 offices.

(Paragraph 4.2.)

Luxury tax of Rs 12.52 lakh on residential buildings was not demanded in 12 taluk offices.

(Paragraph 4.3.)

V. Other Tax Receipts

A. Stamps and Registration fees

A review on “Disposal of undervaluation cases in Registration Department” revealed the following.

- *Though 5,80,080 cases with anticipated additional revenue of Rs 94.39 crore were brought under the compounding scheme 2002, revenue realised was only Rs 13.70 crore in 94,991 cases*
(Paragraph 5.2.10.)
- *4,85,089 cases involving Rs 268.96 crore were pending settlement on expiry of compounding scheme 2002 in March 2004*
(Paragraph 5.2.11.)
- *Stamp duty and registration fee amounting to Rs 9.03 crore was not demanded in 18,403 cases*
(Paragraph 5.2.12.)

B. State Excise

Failure to achieve the norms fixed by the Central Board of Molasses resulted in non levy of excise duty of Rs 1.20 crore.

(Paragraph 5.3.)

Interest of Rs 11.31 lakh was short levied while settling the abkari arrears in four cases.

(Paragraph 5.4.)

VI. Non Tax Receipts

Forest Receipts

A review on “Receipts of Forest and Wild Life Department” revealed the following.

- *Revenue of Rs 75.27 crore was blocked due to non extraction of timber on account of delay in preparation of working plan/omission to include necessary prescription in working plan/non execution of work as per working plan*
(Paragraph 6.2.6.)

- *Timber worth Rs 61.65 crore in the lands assignable to pre 1977 encroachers remains unextracted in five divisions*

(Paragraph 6.2.7.)

- *Non/short demand of lease rent of Rs 1.22 crore from two lessees*

(Paragraph 6.2.8.)

Licence fee of Rs 15.14 lakh was short demanded for lands made available for the Parambikulam-Aliyar Project.

(Paragraph 6.3.)

Value of trees in plantations transferred to HNL amounting to Rs 14.91 lakh was short realised.

(Paragraph 6.4.)