
OVERVIEW

This Report contains 21 paragraphs including a review on luxury tax and paragraphs relating to non/short levy/loss of tax involving Rs 276.21 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 21,106.79 crore against Rs 18,186.62 crore for the previous year. Seventy *per cent* of this was raised by the State through tax revenue (Rs.13,668.95 crore) and non-tax revenue (Rs.1,209.55 crore). The balance 30 *per cent* was receipt from the Government of India as State's share of divisible Union taxes (Rs. 4,051.70 crore) and grants-in- aid (Rs. 2,176.59 crore).

(Paragraph 1.1)

- At the end of 2007-08, arrears in respect of commercial taxes, State excise, land revenue, motor vehicle, etc., amounted to Rs. 10,610.15 crore of which arrears in respect of commercial taxes accounted for Rs. 4,425.47 crore and taxes and duties on electricity accounted for Rs. 2,736.87 crore.

(Paragraph 1.4)

- Test check of records of the departments of commercial taxes, State excise, land revenue, motor vehicles, registration, forest etc., conducted during 2007-08, revealed underassessments/short levy of revenue aggregating Rs. 517.11 crore in 1,684 cases. During the course of the year 2007-08, the departments concerned accepted under assessments, etc. of Rs. 31.47 crore involved in 717 cases of which 179 cases involving Rs. 6.88 crore were pointed out in audit during 2007-08 and the rest in earlier years.

(Paragraph 1.7)

- Out of inspection reports issued upto the end of December 2007 there were 2,566 outstanding reports containing 13,695 audit observations involving Rs. 1,005.99 crore as at the end of June 2008 for want of final replies from the departments.

(Paragraph 1.8)

II. Sales Tax

- Incorrect computation of loss of revenue due to introduction of value added tax resulted in short claim of Rs. 91.67 crore during 2005-06 and 2006-07.

(Paragraph 2.2.2)

- Incorrect computation of input tax credit adjusted against central sales tax resulted in short claim of Rs. 12.04 crore

(Paragraph 2.2.3)

- Delayed grant of refunds resulted in short claim of Rs. 108.12 crore.
(Paragraph 2.2.4)
- Refund of input tax credit was allowed to three dealers without adjusting old arrears of Rs. 16 crore.
(Paragraph 2.2.5)
- Incorrect grant of exemption in 10 cases resulted in short levy of tax of Rs. 11.83 crore.
(Paragraph 2.3)
- Application of incorrect rate of tax resulted in short levy of tax of Rs. 10.90 crore in 13 cases.
(Paragraph 2.4)
- Interest of Rs. 82.13 lakh accrued as a result of delay/non-payment of tax was not demanded in three cases.
(Paragraph 2.5)
- Non-appropriation of payment under section 55C resulted in short levy of tax and interest of Rs. 58.57 lakh in four cases.
(Paragraph 2.6)
- Maximum penalty of Rs. 10.44 crore leviable in 16 cases was not imposed.
(Paragraph 2.10)

III. Taxes on Agricultural Income

- Omission to transfer the arrears of tax from the abolished office due to lack of internal control mechanism resulted in non-*perusal* of arrears of Rs. 52.27 crore.
(Paragraph 3.2)

IV. Land Revenue and Building Tax

- Collection charges of Rs. 1.67 crore leviable as per rules was not realised while recovering arrears of Rs. 50.49 crore.
(Paragraph 4.2)
- Luxury tax of Rs. 68.45 lakh on 1,734 residential buildings was not demanded in 19 taluk offices.
(Paragraph 4.3)

V. Other Tax and Non-Tax Receipts

A review of “Receipts from luxury tax” revealed the following

- Luxury tax and registration fee was evaded by proprietors of unregistered hotels, houseboats, *kalyanamandapams* etc. and maximum penalty leviable thereon for this evasion amounted to Rs. 175.07 crore.

(Paragraph 5.2.8)

- Three amendments were made to The Kerala Tax on Luxuries Act, 1976 incorporating the provisions for levy of luxury tax on hospitals charging Rs 1,000 or more per room, home stays and recovery of tax under revenue recovery.

(Paragraph 5.2.8.1 and 5.2.9.1)

- Effective steps for realisation of arrears of revenue of Rs. 11.41 crore could not be taken in the absence of provision for realisation under revenue recovery.

(Paragraph 5.2.9.1)

- Short levy of luxury tax of Rs. 5.63 crore due to exclusion of taxable amenities from assessment/assessment at a reduced rate in 46 cases.

(Paragraph 5.2.14)

A State Excise

- Import fee of Rs. 17.36 crore was not levied on eight distilleries.

(Paragraph 5.3)

B Taxes on Vehicles

- Composite fee of Rs. 70.43 lakh was short levied from 1,955 goods carriages and 3,125 multi axled vehicles.

(Paragraph 5.4)

C Stamp Duty and Registration Fees

- Stamp duty and registration fee was realised short by Rs. 19.73 lakh in three documents due to undervaluation of documents.

(Paragraph 5.5)