

## OVERVIEW

This report contains 41 paragraphs, including three reviews relating to non/short levy of tax, interest, penalty etc., involving Rs. 318.57 crore. Some of the major findings are mentioned below:

### I. General

- The total revenue receipts of the State Government for the year amounted to Rs. 25,694.28 crore against Rs. 20,596.79 crore for the previous year. Fifty one *per cent* of this was raised by the State through tax revenue (Rs. 10,473.13 crore) and non-tax revenue (Rs. 2,658.46 crore). The balance 49 *per cent* was received from the Government of India as State share of divisible union taxes (Rs. 8,088.54 crore) and grants-in-aid (Rs. 4,474.15 crore).

(Paragraph 1.1)

- Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fee, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs. 958.30 crore in 1,28,644 cases.

(Paragraph 1.8)

### II. Commercial tax

Non-cancellation of eligibility certificates resulted in non-realisation of commercial tax of Rs. 6.77 crore from closed units.

(Paragraph 2.2)

Incorrect deduction of tax paid sales resulted in short levy of tax of Rs. 1.17 crore and penalty of Rs. 2.92 crore.

(Paragraph 2.3)

Incorrect grant of exemption resulted in short levy of tax of Rs. 3.75 crore.

(Paragraph 2.4)

Application of incorrect rate of tax resulted in short levy of tax of Rs. 2.61 crore.

(Paragraph 2.5)

Inadmissible deferment of purchase tax resulted in short realisation of revenue of Rs. 1.49 crore.

(Paragraph 2.6)

Non/short levy of entry tax resulted in non-realisation of revenue of Rs. 69.66 lakh.

(Paragraph 2.7)

### III. State Excise

A review of **Collection of excise receipts on liquor** revealed the following:

- Failure of the department to prescribe maintenance of records and periodical returns to higher authorities for keeping a watch over receipt of verification reports resulted in non-realisation of excise duty of Rs. 10.93 crore.

**(Paragraph 3.2.8)**

- Non-prescription of a time limit for sending the cases of non-maintenance of the minimum stock of spirit at the distillery to the EC resulted in non-levy of penalty of Rs. 4.29 crore.

**(Paragraph 3.2.9)**

- Lack of monitoring of wastages during transit of liquor led to non-levy of excise duty of Rs. 74.19 lakh.

**(Paragraph 3.2.11)**

- Lack of provision for recovery in the conditions of sale and inaction by the department led to loss of Rs. 3.31 crore.

**(Paragraph 3.2.14)**

- Irregular grant of licence and failure to take action for default in payment of licence fee resulted in non-realisation of Rs. 2.37 crore.

**(Paragraph 3.2.17)**

- Inaction to recover the loss in resale of retail shops of liquor resulted in non-realisation of revenue of Rs. 1.05 crore.

**(Paragraph 3.2.18)**

- Incorrect application of rates of licence fee on 55 licences of hotel/restaurant bar resulted in short levy of Rs. 71.43 lakh.

**(Paragraph 3.2.19)**

### IV. Taxes on Vehicles

An information technology review of **Computerisation Project in Transport Department** revealed the following:

- The Transport Department failed to achieve the objective of issuing smart cards due to non-updation of data stored in them and non-utilisation of hand held terminals that are necessary to read data. The smart cards also lacked the requisite security features.

**(Paragraph 4.2.6)**

- Lack of application checks in the software had resulted in the objective of checking evasion of revenue remaining unachieved.

**(Paragraph 4.2.7)**

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- Lack of application controls resulted in non-detection of the use of fake insurance cover notes and duplicate registration, chassis and engine numbers. The objective of checking the use of forged and fake documents remained unachieved.

**(Paragraph 4.2.8)**

- Lack of essential controls had resulted in significant amount of incorrect, duplicate and missing data rendering the computer database unreliable and incomplete in many cases.

**(Paragraph 4.2.10.2)**

- The State Government failed to safeguard its interests at the stage of entering into the contract with the vendor.

**(Paragraph 4.2.13)**

- Vehicle tax of Rs. 3.34 crore and penalty of Rs. 1.71 crore was not levied on 1,171 vehicles which resulted in non-realisation of revenue of Rs. 5.05 crore.

**(Paragraph 4.3)**

## **V. Other Tax Receipts**

### **Stamp duty and registration fee**

Non-reimbursement of stamp duty and registration fee on 341 deeds resulted in non-realisation of revenue of Rs. 1.29 crore.

**(Paragraph 5.2)**

Misclassification and incorrect application of rates in six instruments resulted in short realisation of revenue of Rs. 71.57 lakh.

**(Paragraph 5.3)**

### **Land revenue**

Non-levy of process expenses of Rs. 42.91 lakh on principal amount of Rs. 14.30 crore against RRCs issued resulted in non-realisation of revenue of Rs. 42.91 lakh.

**(Paragraph 5.9)**

## **VI. Mining Receipts**

Non-renewal of four leases resulted in non-realisation of stamp duty and registration fee of Rs. 7.29 crore.

**(Paragraph 6.2)**

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Inaction of the department to recover the rural infrastructure and road development tax from holders of mining lease resulted in non-realisation of revenue of Rs. 3.18 crore.

**(Paragraph 6.3)**

## **VII. Other Non-Tax Receipts**

### **Finance Department**

A review of **Interest receipts** revealed the following:

- Failure of the Finance Department to monitor maintenance of the records and ensure regular submission of returns by the loan disbursing departments resulted in lack of complete information regarding the position of overdue principal and interest.

**(Paragraph 7.2.6)**

- Lack of monitoring on the part of the Finance Department to ensure that the loans were disbursed by the administrative departments only after specifying the terms and conditions resulted in sanction of loans aggregating Rs. 678.66 crore to various loanees during the period 2001-02 to 2005-06 without prescribing the terms and conditions for repayment of loan and interest/penal interest thereon. This led to loss of interest and penal interest of Rs. 263.81 crore.

**(Paragraph 7.2.7)**

- Failure of the administrative departments to maintain the relevant records required to watch the recovery of principal and interest thereon and lack of a system in the Finance Department to monitor the disbursement and recovery of loans by these departments resulted in non-assessment/raising of demand for interest and penal interest of Rs. 114.95 crore.

**(Paragraph 7.2.8)**

- Delay in disbursement of loans resulted in the loss of interest of Rs. 96 lakh.

**(Paragraph 7.2.9)**

### **Electricity Duty and Safety**

Failure to conduct inspections of electric installations resulted in loss of inspection fee of Rs. 92.93 lakh.

**(Paragraph 7.4)**

### **Forest receipts**

The Government was deprived of revenue of Rs. 36.50 crore due to non-recovery of lease rent from MPSFDC.

*(Paragraph 7.5)*