

OVERVIEW

This Audit Report contains 30 paragraphs including 3 reviews relating to non levy/short levy of taxes, interest, penalty, etc., involving Rs.1,032.59 crore. Some of the major findings are mentioned below:

I. General

(i) The revenue raised by the State during 2002-03 amounted to Rs.16,202.33 crore comprising Rs.14,341.71 crore as tax revenue and Rs.1,860.62 crore as non-tax revenue. Rs.3,047.57 crore were received from the Government of India as State's share of divisible Union taxes and Rs.1,586.84 crore as grants-in-aid.

Sales tax (Rs.9,589.60 crore) formed a major portion (67 per cent) of the tax revenue of the state. Interest receipts, dividends and profits of Rs.594.70 crore accounted for 32 per cent of the non-tax revenue.

[Paragraph 1.1]

(ii) At the end of 2002-03, arrears in respect of taxes administered by the Departments of Commercial Taxes, Revenue, Industries, etc., amounted to Rs.9,424.10 crore of which, arrears under sales tax and mines and minerals together accounted for Rs.9,181.14 crore.

[Paragraph 1.5]

(iii) Test-check of records of sales tax, state excise, agricultural income tax, land revenue, urban land tax, taxes on vehicles and other departmental offices conducted during the year 2002-03 revealed under-assessments, short-levy, loss of revenue, etc., amounting to Rs.2,266.63 crore in 3,318 cases.

[Paragraph 1.10]

(iv) As at the end of June 2003, 5,627 Inspection Reports issued upto December 2002 containing 21,348 audit observations with money value of Rs.2,053.26 crore were pending settlement with various Departments.

[Paragraph 1.11]

II. Sales Tax

A review, **Exemptions under Sales Tax Acts**, revealed the following:

Incorrect grant of exemption of tapioca by treating it as vegetable resulted in non-levy of tax of Rs.82.44 crore.

[Paragraph 2.2.4]

Incorrect grant of exemption on inter-state sale of common salt, wheat bran and hand made matches resulted in non-levy of tax of Rs.34.59 crore.

[Paragraph 2.2.5]

Irregular allowance of exemption on local sale of wheat bran without satisfaction of the conditions specified in the notification resulted in non-levy of tax amounting to Rs.20.19 crore.

[Paragraph 2.2.6]

Failure to amend the Schedule in consonance with Additional Duties of Excise Act, 1957 resulted in notional loss of revenue of Rs.107.64 crore in respect of goods for which additional excise duty is nil.

[Paragraph 2.2.7]

A review, **Repayment of deferred sales tax**, revealed the following:

Delay in initiating action in time resulted in non-recovery of deferred tax amounting to Rs.9.17 crore and interest of Rs.6.46 crore

[Paragraph 2.3.6]

There was excess availment of deferred tax of Rs.55.96 lakh which had not been recovered so far.

[Paragraph 2. 3.7]

There was delay in realisation of deferred sales tax of Rs.8.86 crore consequent on the companies being declared sick by Board for Industrial and Financial Reconstruction.

[Paragraph 2.3.9]

There was non realisation of Interest Free Sales Tax (IFST) dues of Rs.2.78 crore, where properties of dealers were taken over by state financial institutions.

[Paragraph 2.3.10]

Interest of Rs.2.70 crore was not included in the claim petition filed before the official liquidators.

[Paragraph 2.3.11]

Action was not initiated against the Directors of companies under liquidation to recover deferred tax of Rs.2.63 crore, even though provision existed in the Act.

[Paragraph 2.3.12]

Interest of Rs.64.73 lakh was not levied on belated payment of deferred tax.

[Paragraph 2.3.13]

Incorrect exemption granted to 21 dealers on sales made between 1996-97 and 2000-01 resulted in non-levy of tax amounting to Rs.1.48 crore.

[Paragraph 2.4]

Application of incorrect rate of tax on sale of various goods in 18 assessment circles during 1995-96 to 2000-01 resulted in short-levy of tax of Rs.40.54 lakh.

[Paragraph 2.5]

Incorrect treatment of intra-state sales as inter-state sales resulted in short-levy of tax of Rs.8.36 crore.

[Paragraph 2.6]

Non/Short-levy of additional sales tax resulted in short-realisation of tax of Rs.31.82 lakh from 3 dealers.

[Paragraph 2.10]

III. Land Revenue

A review, **Encroachments on government lands**, revealed the following:

Inadequate levy of penalty in cases of encroachments resulted in Government not being able to earn a revenue of Rs.524.47 crore in 26 taluks.

[Paragraph 3.2.6]

Encroachments by commercial entities resulted in Government not being able to earn a revenue of Rs.11.05 crore, by way of lease rent in 5 taluks.

[Paragraph 3.2.7]

In one taluk due to prolonged adverse possession of lands and in another taluk sale of encroached land by dividing them into plots, resulted in loss of revenue to the tune of Rs.26.73 crore.

[Paragraph 3.2.8]

Encroached government lands valuing at Rs.45.23 crore in 10 taluks pertaining to 7 districts, were later sold illegally through registered transaction by individuals.

[Paragraph 3.2.9]

In Madurai, non-revision of lease rent in respect of a lessee for more than a decade resulted in short collection of revenue of Rs.9.45 crore.

[Paragraph 3.4]

IV. Stamp Duty and Registration Fees

Incorrect exemption of stamp duty in respect of transfer of property between a parent and two of its subsidiary companies resulted in stamp duty of Rs.2.34 crore not being realised.

[Paragraph 4.2.1]

Failure of the Department to follow the provisions as envisaged in the Act/ Rules and guidelines, resulted in under-valuation of property and consequent short-levy of stamp duty and registration fee to the tune of Rs.2.10 crore.

[Paragraph 4.3.1]

V. Luxury Tax

Incorrect exemption from levy of luxury tax in respect of rooms occupied by time share holders resulted in non-levy of luxury tax of Rs.1.02 crore.

[Paragraph 5.5]

VI. Mines and Minerals

Short accountal of 3.50 crore metric tons of limestone utilised for the production of clinker, in respect of 12 cement units, resulted in consequent short-levy of royalty amounting to Rs.113.97 crore, for the years 1996-97 to 2001-02.

[Paragraph 6.2]

Failure of the Department to collect lease amount within the prescribed time or to cancel the lease or to raise double the rate of lease amount, in respect of a lessee resulted in non-realisation of lease amount of Rs.42.94 crore.

[Paragraph 6.3]

Failure of the Department to fix the lease amount in respect of a lessee in Villupuram District, resulted in non-levy of lease rent of Rs.1.74 crore.

[Paragraph 6.4]

VII. Handlooms, Handicrafts, Textiles and Khadi Department

Delay on the part of the Department in giving effect to government orders of 1990, resulted in loss due to short-collection of levy by Rs.2.68 crore for the period from 1990-91 upto December 1997. Also levy of Rs.0.88 crore collected was not remitted into government account.

[Paragraph 6.7]