

## OVERVIEW

This Report contains 29 paragraphs including four reviews relating to non/short levy of taxes, fees, interest and penalty etc., involving Rs. 1,155.59 crore. Some of the major findings are mentioned below:

### I. General

- The total receipts of the State for the year 2008-09 were Rs. 18,077.04 crore against Rs. 15,324.92 crore in the previous year. Of this, 36 *per cent* was raised by the Government through tax revenue (Rs. 4,150.21 crore) and non-tax revenue (Rs. 2,271.90 crore). The balance 64 *per cent* was received from the Government of India in the form of State's share of net proceeds of divisible Union taxes (Rs. 5,189.90 crore) and grants-in-aid (Rs. 6,465.03 crore).

(Paragraph 1.1)

- The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 722.12 crore of which Rs. 342.36 crore were outstanding for more than five years.

(Paragraph 1.4)

- In respect of taxes administered by the Finance Department, such as sales tax and other taxes, 51,132 assessments were completed during 2008-09 leaving balance of 50,726 cases pending for assessments as on 31 March 2009.

(Paragraph 1.5)

- Test check of records of sales tax, taxes on vehicles, state excise, forest receipts, other tax and non tax receipts conducted during the year 2008-09 revealed under assessment/short levy/short demand and loss of revenue amounting to Rs. 1,255.24 crore in 470 cases. The concerned departments accepted under assessment, short levy etc., of Rs. 79 lakh pointed out in 2008-09 and earlier years and recovered Rs. 2.26 lakh.

(Paragraph 1.11)

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## **II. Sales Tax/Value Added Tax**

### **A. Value Added Tax**

**A review on transition from sales tax to VAT revealed the following:**

- The average growth of revenue after implementation of VAT registered a decrease of 9.66 *per cent* as compared to the pre-VAT period. Also, there was negative growth of revenue during consecutive three years from 2005-06 to 2007-08.

**(Paragraph 2.2.6.1)**

- Input tax credit of Rs. 55 lakh availed by the dealers without furnishing the required certificates duly signed by the chartered accountants.

**(Paragraph 2.2.7.4)**

- Non-detection of application of lower rate of tax resulted in leakage of revenue of Rs. 1.29 crore.

**(Paragraph 2.2.8.6(a))**

- Due to deficiencies in the provisions for input tax credit, the genuineness of input tax credit to the dealers could not be verified in audit.

**(Paragraph 2.2.10)**

- The department irregularly allowed exemption of tax of Rs. 1,026 crore on tax paid sales without any supporting documents.

**(Paragraph 2.2.11.1)**

- Due to lacunae in the Act prescribing discretionary provisions for levy of penalty, penalty upto Rs. 47.24 lakh though leviable, was not levied.

**(Paragraph 2.2.14.1)**

- Compensation claim of Rs. 278.65 crore preferred by the State Government during 2006-07 and 2007-08 was inadmissible.

**(Paragraph 2.2.15)**

**An Information Technology Audit of Taxation Information Management System (TIMS) revealed the following:**

- Neither the Government nor the CT had prepared any user requirement specification.

**(Paragraph 2.3.8.1)**

- Lack of input check resulted in a huge difference of Rs.91,27,460.16 crore in comparison with manual records.

**(Paragraph 2.3.8.2(x))**

- Though the system was designed to capture the complete workflow of the process of issuance of the registration certificate, data was entered in the system after completion of all the task manually, defeating the objective of computerisation.

**(Paragraph 2.3.8.4(b))**

- Non-implementation of major portion of the modules (10 out of 18) even after five years of commissioning of TIMS rendered the whole project ineffective.

**(Paragraph 2.3.9)**

- Lack of cross verification with TIMS data resulted in loss of Rs.1.42 crore.

**(Paragraph 2.3.9(ii))**

## **B. SALES TAX**

**A review on Pendency of appeals at various levels and its impact on revenue collection revealed the following:**

- Revenue of Rs. 224.08 crore (as on 31 March 2008) was blocked in appeal cases pending with the appellate authorities.

**(Paragraph 2.4.6)**

- Due to low pace of disposal of appeal cases ranging between 25 and 52 *per cent*, 585 appeal cases involving revenue of Rs. 87.58 crore remained undisposed at the level of DCsT (Appeals) as on 31 March 2008.

**(Paragraph 2.4.7.1)**

- There were delays in disposal of 755 appeal cases in three selected DCsT (Appeals) ranging from 3 to 120 months and above involving revenue of Rs.107.08 crore during 2003-04 to 2007-08.

**(Paragraph 2.4.8.2)**

- There were delays ranging from 1 to 12 months in 134 cases involving revenue of Rs. 19.70 crore in communicating the appeal orders to the unit offices.

**(Paragraph 2.4.8.3)**

- Delay in finalisation of appeals/taking follow up action on decided appeal cases resulted in loss/non-realisation of revenue of Rs. 20.57 crore.

**(Paragraphs 2.4.9.1 - 5 and 2.4.10)**

Incorrect allowance of concession and exemption resulted in short/non-levy of tax of Rs.7.63 crore including interest.

**(Paragraph 2.6.1.1)**

Non-disclosure of taxable turnover of Rs.37.24 crore resulted in evasion of tax of Rs.11.18 crore including interest and maximum penalty.

**(Paragraph 2.6.2)**

Irregular and excess grant of exemption to industrial exempted units resulted in loss of revenue of Rs.2.13 crore including interest.

**(Paragraph 2.6.3)**

Turnover of Rs.10.24 crore escaped assessments resulting in short levy of tax of Rs.1.62 crore including interest.

**(Paragraph 2.6.4)**

Failure of the Assessing Officer to complete assessments within the period of limitation led to loss of Rs.1.09 crore including interest.

**(Paragraph 2.6.5)**

Against the leviable interest of Rs.2.12 crore, the AO levied interest of Rs.1.87 crore leading to short levy of interest of Rs.24.74 lakh.

**(Paragraph 2.6.8)**

Irregular allowance of exemption on account of branch transfer of goods valued at Rs.6.66 crore resulted in non-levy of tax of Rs.1.32 crore including interest.

**(Paragraph 2.7.1)**

Incorrect grant of concessional rate of tax on sale of goods against Form C/D resulted in short levy of tax of Rs.1.16 crore.

**(Paragraph 2.7.2)**

### **III. Other Tax Receipts**

Non-reviewing the combined registers and non-issue of demands by the DTOs resulted in non-realisation of road tax of Rs.14.98 lakh including fine.

**(Paragraph 3.3.1)**

### **IV. Non-Tax Receipts**

**A review on receipts of Police Department revealed the following:**

- Due to non-implementation of revised rates at the time of preferring claims, there was short demand of Rs. 53 lakh.

**(Paragraph 4.2.7.1)**

- Due to mistake in assessment, there was non/short raising of demand of Rs.4.14 crore against the police personnel deployed in three organisations.

**(Paragraph 4.2.7.2)**

- Arbitrary adjustment of cost of police guards by Railways resulted in non-realisation of Rs.7.61 crore.

**(Paragraph 4.2.8.1)**

- Against deployment of police force at a cost of Rs.104.44 crore upto March 2008, Rs. 41.28 crore was realised as of November 2008 leaving Rs. 63.16 crore unrealised.

**(Paragraph 4.2.8.2)**

- Due to absence of internal control mechanism and non-monitoring by the higher authorities, the department was unable to watch the correctness of demand and recovery of dues from the defaulting organisations effectively.

**(Paragraph 4.2.9)**

#### **A. FOREST RECEIPTS**

Illicit felling and removal of forest produce in three Forest Divisions resulted in loss of revenue of Rs.30.94 lakh.

**(Paragraph 4.3.1)**

Non-settlement of forest *mahals* resulted in loss of revenue of Rs.8 lakh.

**(Paragraph 4.3.2)**

**B. MINES AND MINERALS**

Non-application of revised rate of royalty by the Department led to short realisation of royalty of Rs.12.50 crore from M/s Oil India Ltd. and M/s Oil and Natural Gas Corporation.

**(Paragraph 4.4)**