

OVERVIEW

This Report contains 47 paragraphs including three reviews relating to non/short levy of tax, penalty, interest etc. involving Rs. 5,743.47 crore. Some of the major findings are mentioned below.

I) General

The total revenue receipts of the Government of Gujarat in 2008-09 were Rs. 38,675.71 crore as against Rs. 35,689.85 crore during 2007-08. The revenue raised by the State from tax receipts during 2008-09 was Rs. 23,557.03 crore and from non-tax receipt was Rs. 5,099.32 crore. State's share of divisible Union taxes and grants-in-aid from the Government of India were Rs. 5,725.86 crore and Rs. 4,293.50 crore, respectively. Thus the revenue raised by the State Government was 74 *per cent* of the total revenue receipts. The main source of tax revenue during 2008-09 was sales tax/VAT (Rs. 16,810.65 crore) and taxes and duties on electricity (Rs. 2,369.91 crore). The main receipt under non-tax revenue was from non-ferrous mining and metallurgical industries (Rs. 1,559.82 crore).

(Paragraph 1.1)

The arrears of revenue aggregating Rs. 9,609.38 crore remained unrealised under some principal heads of revenue at the end of 2008-09. The arrears were mainly in respect of sales tax and electricity duty.

(Paragraph 1.5)

Test check of the records of sales tax/VAT, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue amounting to Rs. 6,023.46 crore in 1,418 cases. During the year, the departments accepted underassessment of Rs. 15.97 crore in 358 cases and recovered Rs. 5.45 crore in 233 cases pointed out in 2008-09 and earlier years.

(Paragraph 1.14)

II) Sales Tax/Value Added Tax

A review of **Transition from Sales tax to VAT** disclosed the following:

- The State Legislature introduced levy of additional tax under the Gujarat Value Added Tax Act, 2003 with effect from April 2008, though the policy paper on Value Added Tax specifically discouraged levy of additional tax.

(Paragraph 2.2.6.1)

- By allowing the exemption incentive holders to collect and retain the output tax, Government had not only made the taxing statute discriminatory towards the incentive holders but also allowed undue enrichment of Rs. 6,376.58 crore to the exemption incentive holders.

(Paragraph 2.2.12.2)

- Failure to recover deferred tax from the composite incentive holders who opted exemption incentive under the GVAT Act, had resulted in non-recovery of Rs. 4,774.98 crore upto March 2009, including interest of Rs. 1,263.96 crore.

(Paragraph 2.2.12.4)

- The actual receipts could not be confirmed in absence of the system for verification of the treasury schedules with *challan*. Cross check in audit revealed misclassification of Rs. 39.20 crore in three cases. Misclassification adversely affects reports on receipts and budget estimates submitted to the State Legislature.

(Paragraph 2.2.17.2)

Central sales tax of Rs. 58.55 crore was allowed to be adjusted against exemption/deferment limit irregularly in case of 18 dealers under incentive scheme for economic development of Kutchh district, either without issue of notification under Section 8(5) of the CST Act or provision in Government Resolution.

(Paragraph 2.4.1)

Incorrect classification of goods resulted in underassessment of Rs. 21.51 crore in the case of 54 dealers.

(Paragraph 2.5)

Concession of Rs. 57.35 crore was allowed to 180 dealers without obtaining the required declaration/certificates as required under the Central Sales Tax Act, 1956.

(Paragraph 2.6)

III) Land Revenue

Premium for conversion of land from new and restricted tenure to old tenure was recovered from the land holders on final plots after deduction of specified area though compensation was paid for that area of land, resulting in short levy of premium of Rs. 14.59 crore.

(Paragraph 3.3.1)

Conversion tax was either not levied or levied at incorrect rate on change in mode of land use in 166 cases resulting in non-realisation of Rs. 3.64 crore.

(Paragraph 3.4)

IV) Taxes on Vehicles

Information Technology review of computerisation of issue of driving licence and registration of vehicles revealed the following:

- The Government of India, in order to have a national registry of registered vehicles and licences issued, had asked all State governments to implement the *Vahan* and *Sarathi* software developed by National Informatics Centre in 2001. The Gujarat Motor Vehicles Department implemented these systems in only one of the 27 regional transport office/assistant regional transport

office though eight years have lapsed. The *Vahan* system implemented in regional transport office, Ahmedabad covered only non-commercial vehicles. The *Sarathi* system covered only issue of learner licence and did not cover issue of permanent licence.

(Paragraph 4.2.6.1)

- Data analysis of the *Vahan* system implemented in regional transport office, Ahmedabad revealed inadequate input and process controls resulting in short levy of tax amounting to Rs. 36.79 lakh.

(Paragraph 4.2.6.3)

- The system has been implemented only in seven regional transport office/assistant regional transport offices out of the 27 regional transport office/assistant regional transport offices/inspector offices.

(Paragraph 4.2.7.2)

- The system design of smart card based vehicle registration system was not complete and did not have provision for entry and calculation of motor vehicles tax, monitoring tax collection, issue of national or state permits, offences registered, stolen vehicles, wanted vehicles *etc.* The present system of vehicles registration has data of just five *per cent* of the total registered vehicles.

(Paragraph 4.2.7.3)

- Hand held terminals purchased for Rs. 61.43 lakh were not used. A server costing Rs. 1.94 crore purchased in December 2001 for creation of a central data repository was not installed. A database of all the registered vehicles and driving licences issued had not been created.

(Paragraph 4.2.7.4)

Though the operators of 317 omnibuses and 338 vehicles for transport of goods had neither paid tax nor filed non-use declarations, the departmental officials failed to issue demand notices and initiate recovery proceeding, resulting in non-realisation of tax of Rs. 5.11 crore.

(Paragraph 4.4.1)

V) Stamp Duty and Registration Fees

The department did not set up any system to levy stamp duty and registration fees on cash/delivery based transactions by the brokers/agents of shares, raising of funds through IPO/FPO, allotment of shares *etc.*, resulting in non/short levy of stamp duty of Rs. 35.88 crore.

(Paragraph 5.3)

In 459 cases of delivery orders for clearance of the imported goods valued at Rs. 1,948.51 crore, stamp duty and registration fees was not/short levied resulting in non/short realisation of Rs. 9.66 crore.

(Paragraph 5.4)

In case of 251 documents comprising several distinct matters of immovable properties valued at Rs. 120.99 crore, stamp duty and registration fees were charged for only one matter/transaction, resulting in short levy of stamp duty and registration fees of Rs. 8.48 crore.

(Paragraph 5.5)

VI) Other tax receipts

Though the proprietors of the multiplexes had failed to comply with the court order, the department had not initiated action for realisation of the dues of Rs. 22.86 crore.

(Paragraph 6.3)

VII) Non-tax receipts

A review of **Levy and collection of royalty, dead rent and surface rent from mines and quarries** disclosed the following:

- The Industries and Mines and the Energy and Petrochemicals Department prepared the annual budget estimates without reference to the past trends and future potential.

(Paragraph 7.2.6)

- Due to the absence of a system for the execution of lease deeds, the Director of Petroleum could not get the lease deeds executed for 15 oil and natural gas sites after sanction of lease or after the expiry of lease period. Test check indicated non-realisation of stamp duty of Rs. 18.13 crore on that account.

(Paragraph 7.2.7)

- Absence of a system of cross verification of production tally statement with the royalty returns, resulted in non-detection of usage of condensate for value added product without the payment of royalty by the Oil and Natural Gas Corporation Limited. Consequently, there was non-realisation of royalty of Rs. 6.20 crore.

(Paragraph 7.2.8.1)

- There was short levy of royalty of Rs. 5.72 crore on account of double deduction of base, sediment and water.

(Paragraph 7.2.8.2)

- Due to the absence of a system to review the rates of surface rent at periodic intervals, there was no revision in the rate of surface rent for more than 40 years. Taking the rates of non-agricultural assessment as a comparator, the revenue foregone on that account alone would amount to Rs. 3.57 crore.

(Paragraph 7.2.9)

- The internal control mechanism was weak in both, the Director of Petroleum as well as the Energy and Petrochemicals Department. Non-inspection of 178 leases in operation has serious implications on the

supervisory functions. The Director of Petroleum did not prescribe any system or procedure for inspection of the leases of oil and natural gas.

(Paragraph 7.2.10.1)

- There was no internal audit arrangement in Director of Petroleum and the Energy and Petrochemicals Department to audit the management of mining receipts from oil and natural gas.

(Paragraph 7.2.11)

- Lack of co-ordination with the Public Works Departments of the State and Central Government regarding receipts of royalty on minerals used by the contractors resulted in unrealised royalty receipts of Rs. 28.38 crore.

(Paragraph 7.2.15)

- Internal controls were weak, especially relating to supervision of illegal mining activities. Even in cases where the department had detected illegal mining, CGM could not recover the dues for long periods. As a result, 44 cases of illegal mining could not be detected timely and revenue of Rs. 490.43 crore could not be realised.

(Paragraph 7.2.16)

- Proposal for the issue of gazette notification of the availability of the area for regrant of leases was not sent to the Collector soon after the expiry, cancellation, surrender or revocation of leases resulting in potential loss of revenue of Rs. 6 crore.

(Paragraph 7.2.23)