

## Overview

The Report contains 18 paragraphs including one Performance Audit and 17 Compliance Audit paragraphs involving revenue impact of ₹ 938.56 crore. Some of the major findings are mentioned below:

### I. General

Total revenue receipts of the State Government for the year 2017-18 amounted to ₹ 83,020.14 crore against ₹ 75,611.72 crore for the previous year. 69 per cent of this was raised by the State through tax revenue (₹ 46,459.61 crore) and non-tax revenue (₹ 11,199.61 crore). The balance 31 per cent was receipt from the Government of India as State's share of divisible Union taxes (₹ 16,833.08 crore) and Grants-in-aid (₹ 8,527.84 crore).

*(Paragraph 1.1.1)*

Arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 14,904.91 crore, of which, ₹ 5,514.14 crore was outstanding for more than five years.

*(Paragraph 1.2)*

At the end of June 2018, 3,340 Inspection Reports (IRs) in respect of various Departments containing 26,690 observations involving money value of ₹ 8,575.04 crore was outstanding.

*(Paragraph 1.7)*

### II. Taxes/VAT on sales, trade etc.

#### **Mechanism of Disposal of Appeals and Implementation of Appellate orders in SGST Department**

The Department could not monitor the receipt and disposal of appeals at Appellate Authority level and its implementation at the level of assessing authorities due to the non-availability of appellate module in KVATIS, which led to the huge backlog of pending appellate cases.

*(Paragraph 2.4.1)*

In 42 Assessment Circles, neither 557 dealers filed any appeal after remitting 20 per cent of the disputed tax for the period from April 2016 to June 2017 nor did the Department start revenue recovery proceedings for recovery of the amount resulting in non-realisation of revenue amounting to ₹ 10.57 crore.

*(Paragraph 2.4.2)*

In 43 Assessment Circles, 479 appellate cases with tax effect of ₹ 372.59 crore disposed by the first appellate authorities were pending for modification/disposal with the concerned assessing authorities.

*(Paragraph 2.4.3)*

### **Short Levy of Tax**

Short levy of tax amounting to ₹ 21.74 crore due to application of incorrect rate of tax; escape of turnover from assessment and calculation error in assessment in eight instances were noticed.

*(Paragraph 2.5)*

Non-levy of Integrated Goods and Services Tax (IGST) on the inward supply of Extra Neutral Alcohol (ENA) valuing ₹ 258.57 crore worked out to ₹ 46.54 crore out of which fifty *per cent* i.e. ₹ 23.27 crore is to be received as apportionment to Government of Kerala.

*(Paragraph 2.6)*

### **III. Taxes on Vehicles**

#### **Functioning of Kerala Road Safety Authority – Collection and Utilisation under Road Safety Fund**

Audit observed that despite clear provisions in the statutes, there was a short transfer of money to Kerala Road Safety Fund (KRSF) amounting to ₹ 435.51 crore for the period from 2008-09 to 2017-18.

*(Paragraph 3.4.2.1)*

Diversion of compounding fee and non-remittance of compounding fee into the designated head of account by the Police Department resulted in loss of share of ₹ 15.57 crore to KRSF.

*(Paragraph 3.4.2.2)*

#### **Short levy of tax**

Short levy of one time tax on vehicles reclassified from the category of transport vehicle to non-transport vehicles in 15 out of 17 RTOs and 45 out of 55 SRTOs amounting to ₹ 2.06 crore in 2,092 cases.

*(Paragraph 3.5 (a))*

Non-remittance of tax by 139 stage carriages amounting to ₹ 43.79 lakh during the operated period (period for which non-use intimation is not filed) in 12 out of 17 RTOs.

*(Paragraph 3.7)*

### **IV. Land Revenue and Building Tax**

#### **Implementation of Land Ceiling and Management of Surplus Land in Kerala**

The department did not maintain a *taluk*/Taluk Land Board (TLB) wise detailed database of ceiling cases, exempted lands and surplus lands in the State which was crucial for the identification, protection and utilisation of surplus lands.

*(Paragraph 4.4.1)*

In 43 out of 89 Sub Registrar Offices (SRO) in the five selected districts, 184 registered documents having more than 6.0702 ha (15 acres) of land, involving 5,192.4161 ha of land (valuing ₹ 311.35 crore as per the documents) were not identified by the Revenue department for initiating ceiling cases.

*(Paragraph 4.4.2)*

Land in excess of ceiling limit was not reported by Department during acceptance of land tax payment details in respect of land holdings above 6.0702 ha (15 acres) in 358 cases out of 372 cases (96.24 per cent) involving 12,574.5135 ha of land.

*(Paragraph 4.4.3)*

No ceiling cases were initiated in respect of 114 cases (57.87 per cent) involving 2,141.7317 ha of land (valuing ₹ 499.44 crore as per the fair value) out of 197 cases reported by the Taluk Office (TO)/VOs to the respective TLBs as having land in excess of the ceiling area.

*(Paragraph 4.4.4)*

Joint Physical Inspection (JPI) with the representatives of the concerned TLB/Taluk/VOs revealed that violation of exemption to an extent of 239.1020 ha of land (valuing ₹ 189.73 crore as per the fair value) in 33 out of 67 cases remained undetected.

*(Paragraph 4.4.5)*

In the five selected districts, there was delay in acquisition of surplus land of 1,588.0412 ha in 169 cases.

*(Paragraph 4.4.7)*

Irregular assignment of surplus land was noticed in four instances.

*(Paragraph 4.4.9)*

### **Short levy of tax**

In 24 out of 39 TOs, 798 buildings completed during 2015-16 and 2016-17 escaped assessment to building tax which resulted in non-levy of building tax of ₹ 2.70 crore.

*(Paragraph 4.5)*

Scrutiny of basic tax collection details for the period from 2014-15 to 2016-17 revealed that there was short/non collection of basic tax in 15 cases in 6 TOs amounting to ₹ 47.33 lakh.

*(Paragraph 4.6)*

## **V. Other Tax Receipts**

### **A - STATE EXCISE**

Non-inclusion of import fee element in the purchase cost for levying excise duty led to loss of revenue of ₹ 4.72 crore for the years 2016-17 and 2017-18.

*(Paragraph 5.5)*

Cross-verification of data obtained from the Office of the Drugs Controller in the six districts for 2017-18 revealed that 11,855 persons had not taken licences from the Excise department for the trading of spirituous preparations, which resulted in loss of revenue in the form of license fee of ₹ 2.35 crore per year.

*(Paragraph 5.7)*

Non-imposition of fine for unauthorised reconstitution of Board of Directors of companies/firms holding Foreign Liquor licences and non-collection of fee for regularisation resulted in non-realisation of revenue of ₹ 1.20 crore from 20 companies during the period from 2016-17 and 2017-18.

*(Paragraph 5.8)*

### **B - STAMP DUTY AND REGISTRATION FEE**

#### **Performance Audit on Functioning of OPEN PEARL in Registration Department**

Inordinate delay in achievement of goals due to lack of organisational and management controls over the project and the absence of User Requirement Specification, Service Level Agreements, Government order and detailed project proposal.

*(Paragraph 5.12.7.1)*

Absence of Business Continuity Plan / Disaster Recovery Plan and failure to test and restore backed up data.

*(Paragraph 5.12.7.2)*

Delay in completion of the registration process of documents due to additional work of data entry and validation of the data in addition to the preparation of document on stamped or e-stamped paper and its verification.

*(Paragraph 5.12.7.3)*

Maintenance of soft copy of e-stamp, absence of password protection, facility to take unrestricted printouts renders e-stamps insecure. There are no provisions for capturing serial numbers of e-stamps used for registration and purchase of additional e-stamp in case the e-stamps purchased are found to be insufficient.

*(Paragraph 5.12.7.4)*

Non-reduction of workload despite computerisation due to manual maintenance of accounts, revenue statements, reconciliation statement of the remittances, manual preparation and delivery of certified copies, list certificates and marriage certificates.

*(Paragraph 5.12.8.1)*

Incomplete and/or incorrect data in the database resulted in generation of incorrect Management Information System (MIS) reports and control registers.

*(Paragraph 5.12.8.4)*

Out of the 26 deficiencies pointed out in the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Kerala for the year ended 31 March 2009 (Volume I), 20 issues were taken care of in the OPEN PEARL. However, six issues viz., delay in project completion and non-achievement of objectives, non-validation of current data, generation of incorrect/defective reports, non-existence of Business Continuity Plan (BCP)/Disaster Recovery Plan (DRP), deficiencies in Internal Control are still persisting.

*(Paragraph 5.12.9)*

### **Short levy of Stamp Duty and Registration Fee**

Loss of revenue of ₹ 11.06 crore due to non-registration of 237 agreements entered into between flat/apartment owners and developers/builders in SRO Ernakulam.

*(Paragraph 5.13)*

Short collection of revenue of ₹ one crore due to misclassification of land in SRO Kalpetta.

*(Paragraph 5.14, bullet 1)*

