

OVERVIEW

This Report contains 22 paragraphs and one Performance Audit involving ₹ 443.24 crore. Some of the major findings are as mentioned below:

I. General

The total revenue receipts of the Government of Gujarat in 2017-18 were ₹ 1,23,291.27 crore as against ₹ 1,09,841.81 crore during 2016-17. The revenue raised by the State from tax receipts during 2017-18 was ₹ 71,549.41 crore and from non-tax receipts was ₹ 15,073.97 crore. The revenue raised by the State Government was 70 *per cent* of the total revenue receipts. The main sources of tax revenue during 2017-18 were Gujarat Goods and Service Tax (GGST)/ Value Added Tax (VAT)/ Central Sales Tax (CST)/Entertainment and Luxury Tax (₹ 50,975.15 crore), Stamp Duty and Registration Fees (₹ 7,254.75 crore) and Taxes and Duties on Electricity (₹ 6,484.29 crore). The main receipt under non-tax revenue came from non-ferrous mining and metallurgical industries (₹ 8,988.62 crore). In the financial year 2017-18, 13 *per cent* of the revenue received by the Government of Gujarat came from Grants-in-aid from Government of India as compared to 12 *per cent* in the previous year 2016-17. Share of divisible Union taxes and grants-in-aid from the Government of India were ₹ 20,782.29 crore and ₹ 15,885.60 crore respectively.

(Paragraph 1.1)

II. Goods and Services Tax(GST)/Value Added Tax (VAT)/ Sales Tax

This chapter contains seven audit paragraphs including paragraphs on Audit of “Transition from VAT to GST” having a financial impact of ₹ 101.89 crore. Out of 63,893 assessments finalised in the units selected for audit, 18,093 assessments (28 *per cent*) were test checked during the year 2017-18 and irregularities in 536 cases (2.96 *per cent*) were noticed. A few are mentioned as follows:

Audit of “Transition from VAT to GST”

- Out of 5,15,948 dealers registered under GVAT Act as on 30 June 2017, 4,61,156 dealers were finally granted registration certificates. The remaining 54,792 dealers being 10.61 *per-cent* of the existing dealers were not migrated to GST regime.

(Paragraph 2.3.5.2)

- The department had selected 1,238 cases for verification of GST transitional credit. Of these, in 1,092 cases it required some clarification/ information from the taxpayers for verifying the transitional credit claimed by each. This was not obtained despite a lapse of more than one year and the claims remained unverified.

(Paragraph 2.3.6.1)

- In five ACST offices, audit of 195 cases involving transitional credit of ₹ 133.68 crore revealed irregularities in 53 cases which resulted in excess transitional credit of ₹ 27.90 crore.

(Paragraph 2.3.6.3)

- The Advance Ruling Authority constituted by the Government of Gujarat had admitted 46 cases for the advance ruling(s), of these, in 18 cases rulings were pronounced while the remaining 28 cases were still pending for pronouncement.

(Paragraph 2.3.8)

- The legacy issues under VAT regime were still to be resolved. The “Module for Refund” was not made operational in GSTN. The refund claims under the GVAT Act were processed through VATis. There was no synchronization between GSTN and VATis as such risk of undue benefit of input tax credit under Gujarat Goods and Services Tax (GGST) Act could not be ruled out.

(Paragraph 2.3.9.5)

Short levy of VAT of ₹ 65.25 crore was noticed in 82 assessments in 23 offices due to misclassification of commodities/ application of incorrect rate of tax.

(Paragraph 2.4)

Excess tax credit of ₹ 5.49 crore was allowed in the assessment records of 23 offices in 63 assessments of 51 dealers due to non/ short reduction of Input Tax Credit (ITC).

(Paragraph 2.5)

Short levy of VAT of ₹ 1.11 crore was noticed in assessment records of four dealers of four offices due to incorrect determination of turnover.

(Paragraph 2.6)

III. Land Revenue

Premium price of ₹ 60.47 lakh was short recovered due to incorrect valuation of land on its conversion from new tenure to old tenure in four cases.

(Paragraph 3.3)

Additional occupancy price of ₹ 5.34 crore was short levied in three cases of allotment of *Gauchar* land to a company by Collector office, Vadodara during the period 2015-16.

(Paragraph 3.7)

IV. Stamp Duty and Registration Fees

In eight Sub Registrar offices blockage/ short levy of stamp duty aggregating to ₹ 7.35 crore was noticed in 21 registered documents.

(Paragraph 4.5)

In two Sub Registrar offices, there was short levy of stamp duty ₹ 1.29 crore due to misclassification of three documents.

(Paragraph 4.6)

V. Other Tax and Non-Tax Receipts

Audit of “Levy and Collection of Mining receipts from petroleum and natural gas” revealed as follows :

- The Department had not specified the items eligible for post well head expenditure/ cost and the method of calculation for such cost. In six cases, inclusion of ‘notional cost of capital’ in post well head expenses without specific instructions resulted in short levy of royalty of ₹ 16.19 crore.

(Paragraph 5.2.4.1)

- PNG Rules provided for restriction of use of the gas for uneconomical purposes, the Department, however, did not make any efforts to ascertain the correctness of the loss/ deduction claimed. No norms were fixed for restricting the use of Petroleum and Natural gas which was un-economical or conducive to waste.

(Paragraph 5.2.4.3)

- Non-execution of the lease deeds deprived the State Government of revenue aggregating to ₹ 36.79 crore during 2015-17 by way of stamp duty and registration fees.

(Paragraph 5.2.5)

- Non-revision of rates of surface rent resulted in foregone revenue of ₹ 2.99 crore while non-realisation of dead rent and late payment charges amounted to ₹ 1.32 crore.

(Paragraph 5.2.6 & 5.2.7)

- Lessees were allowed to continue mining operations in 74.24 *per cent* of the total PMLs without grant order. Lessees had continued mining operations and commercial production without valid authority.

(Paragraph 5.2.9.2)

- No instruction for issue of NOC was issued by the DoP. In 37 cases out of 60, it had issued NOCs after a lapse of more than one year from the date of application during the period 2012-13 to 2016-17.

(Paragraph 5.2.10.1)

- Instructions were issued to the District Collectors (DCs) for issuing of NOC within a period of two months, however, the District Collectors had issued NOCs in only four PMLs out of 66 PMLs granted during the period 2012-13 to 2016-17.

(Paragraph 5.2.10.2)

Transport Department

In seven Regional Transport Offices, operators of 780 transport and non-transport vehicles had neither paid tax nor filed non-use declarations for the periods between 2013-14 and 2016-17. This resulted in non-realisation of motor vehicles tax of ₹ 3.47 crore.

(Paragraph 5.3)

There was variation of ₹ 21.93 lakh in the amount of tax dues as reported by two different modules of VAHAN-IV (software) in 41 cases test checked in four RTOs. As per the 'Tax Defaulter List' module total tax payable was ₹ 71.19 lakh whereas as per 'Collection of MV Tax' module the total tax payable was ₹ 49.26 lakh.

(Paragraph 5.6)

Industries and Mines Department

There was non-realisation of dead rent of ₹ 96.93 lakh against 38 lease holder in four district Geologist offices. Though, the leases were required to be cancelled, the concerned Geologist did not cancel the leases.

(Paragraph 5.7)

VI. Performance Audit (PA) of "Mechanism in the State for Collection of Arrears of Revenue"

The number of cases pending for recovery of the Government dues of four major Departments pertaining to Stamp Duty, Motor Vehicles Tax, Mining Receipts and Taxes & Duties on Electricity was 1,56,880. Audit checked 4,058 cases and found irregularities in 2,517 cases involving ₹ 253.65 crore.

There were shortcomings in maintenance of initial records/ registers, failure to follow up the recovery process under the respective Acts, utilisation of existing resources properly as well as inadequate action for recovery as arrears of land revenue and follow up action. These are discussed Department wise in the following paragraphs.

Revenue Department (Stamp Duty and Registration Fees)

- Demands for payment of deficit stamp duty in 245 instruments of ₹ 10.53 crore were not paid within the time stipulated in the valuation orders. No action to recover these demands as arrears of land revenue under the GLR Code was taken and these remained unrealised. Of these 178 cases were more than two years old. No time limit was prescribed in the Gujarat Stamp Act for declaring the arrears as arrears of land revenue.

(Paragraph 6.6.1.3)

- The Department did not take the help of revenue authorities in locating the correct address of the defaulters in respect of demand notices

remaining undelivered. This resulted in non-realisation of dues of ₹ 2.49 crore in 88 cases pertaining to eight DCs (SDVO) offices.

(Paragraph 6.6.1.4)

- In 37 cases stamp duty of ₹ 1.60 crore was required to be recovered. The requisitions for making encumbrance entries in the immovable properties of the defaulters were sent to the concerned *Mamlatdar/ Village Talatis*. However, no corresponding encumbrance entries were made in the village land record of the defaulters.

(Paragraph 6.6.1.5)

- The immovable properties of defaulters in 37 cases located in seven DCs (SDVO) were not attached under GLR Code for recovery of the dues. This resulted in non-recovery of dues of ₹ 1.20 crore.

(Paragraph 6.6.1.6)

- In six cases action for recovery of stamp duty of ₹ 4.92 crore finalized by Chief Controlling Revenue Authority (CCRA) was not initiated. This resulted in non-recovery of Government revenue to that extent.

(Paragraph 6.6.1.8)

Transport Department (Motor Vehicles Tax)

- Audit scrutiny of eight taxation authorities revealed that in 192 cases of tax defaulters there were invalid entries in the *VAHAN-IV* 'Registration Module' of transport and non-transport vehicles. The tax dues in these cases amounted to ₹ 2.53 crore. It was difficult to identify the vehicles owners and initiate recovery proceedings.

(Paragraph 6.6.2.3.1)

- In six offices, demand notices for recovery of motor vehicles tax amounting to ₹ 5.01 crore was not issued in respect of 361 vehicles despite a lapse of one to eight years.

(Paragraph 6.6.2.4)

Industries and Mines Department (Mining Receipts)

- There were 6,696 cases involving ₹ 154.65 crore of mining receipts pending for collection as on March, 2017. Revenue Recovery Certificates (RRCs) were issued in 1,058 cases involving dues of ₹ 55.98 crore.

(Paragraph 6.6.3.1)

- As per the information furnished by the eight Geologists/ Assistant Geologists, out of 2,949 cases involving arrears of ₹ 90.51 crore, RRCs were not issued in 1,891 cases. There was no time limit fixed for treating the arrears as arrears of land revenue.

(Paragraph 6.6.3.2)

- Lack of monitoring and coordination between Commissioner of Geology and Mining and Revenue Department resulted in non-realisation of mining receipts and incorrect removal of the demands of ₹ 5.48 crore in 38 RRC cases in three districts.

(Paragraph 6.6.3.3)

- Nine Geologist/ Assistant Geologist had issued demand notices in 1,425 cases out of 2,773 cases. In the remaining 1,348 cases, there was neither anything on record to indicate that the demand notices were issued nor did authorities produce individual case files to audit for scrutiny.

(Paragraph 6.6.3.4)

Energy and Petrochemicals Department (Taxes and Duties on Electricity)

- The Collector of Electricity Duty irregularly removed three consumers against whom dues of ₹ 4.45 crore were recoverable from the list of defaulters without approval of the competent authority.

(Paragraph 6.6.4.1)

- Tax Monitoring Committee appointed by the Government of Gujarat to review the status of arrears on monthly basis did not meet regularly as per the norms. No mechanism was evolved by the Committee to ensure compliance to the instructions given to the respective Departments for recovery of arrears.

(Paragraph 6.7.1)

- The data regarding outstanding demands of tax/ non-tax revenue was not being maintained electronically by Departments test checked except the Transport Department that generated the list of the defaulters in VAHAN.

(Paragraph 6.7.3)