

**REPORT OF THE  
COMPTROLLER AND AUDITOR  
GENERAL OF INDIA**

**on**

**REVENUE SECTOR**

**for the year ended March 2014**

**Government of Kerala  
Report No. 8 of the year 2014**





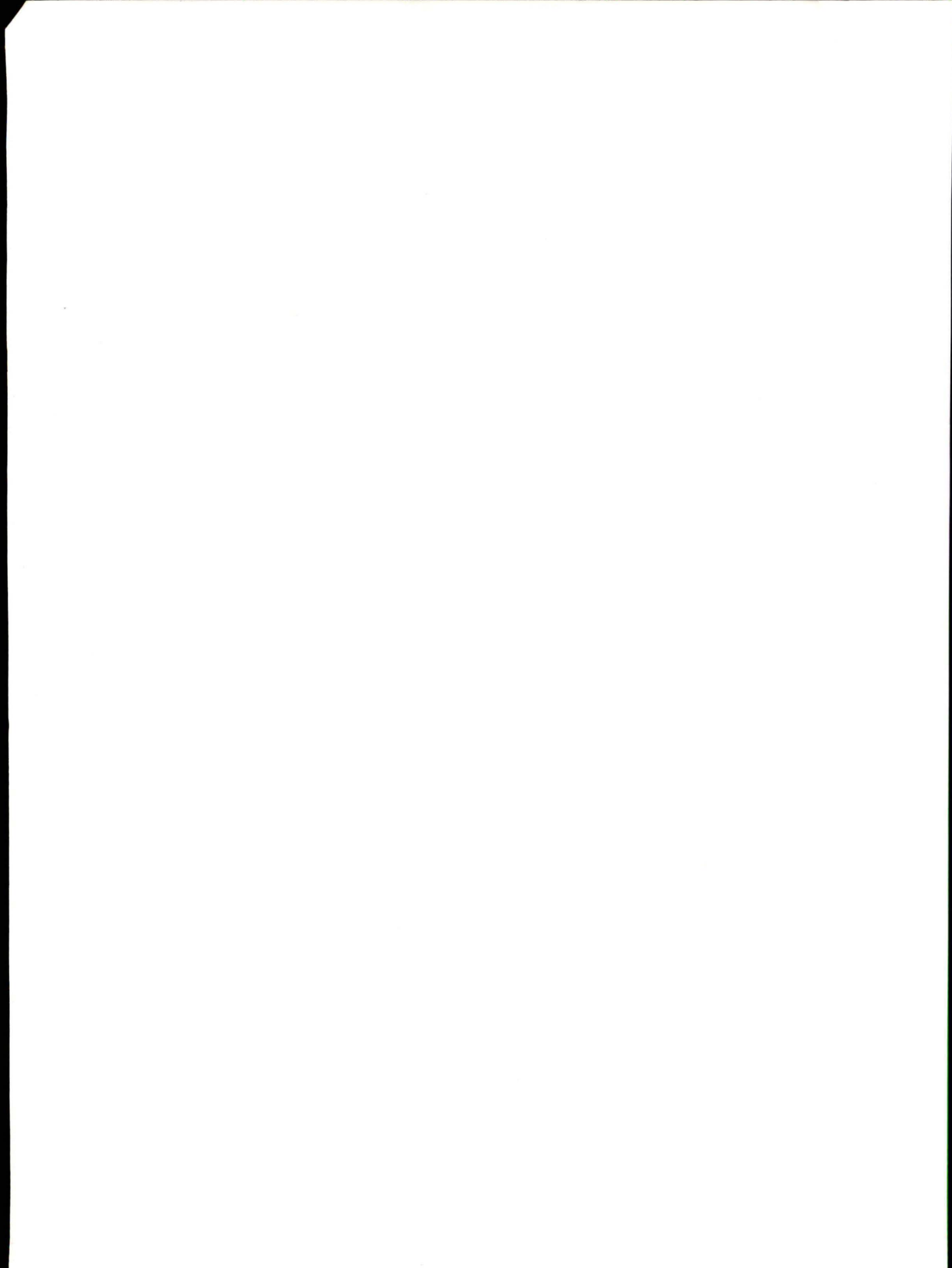
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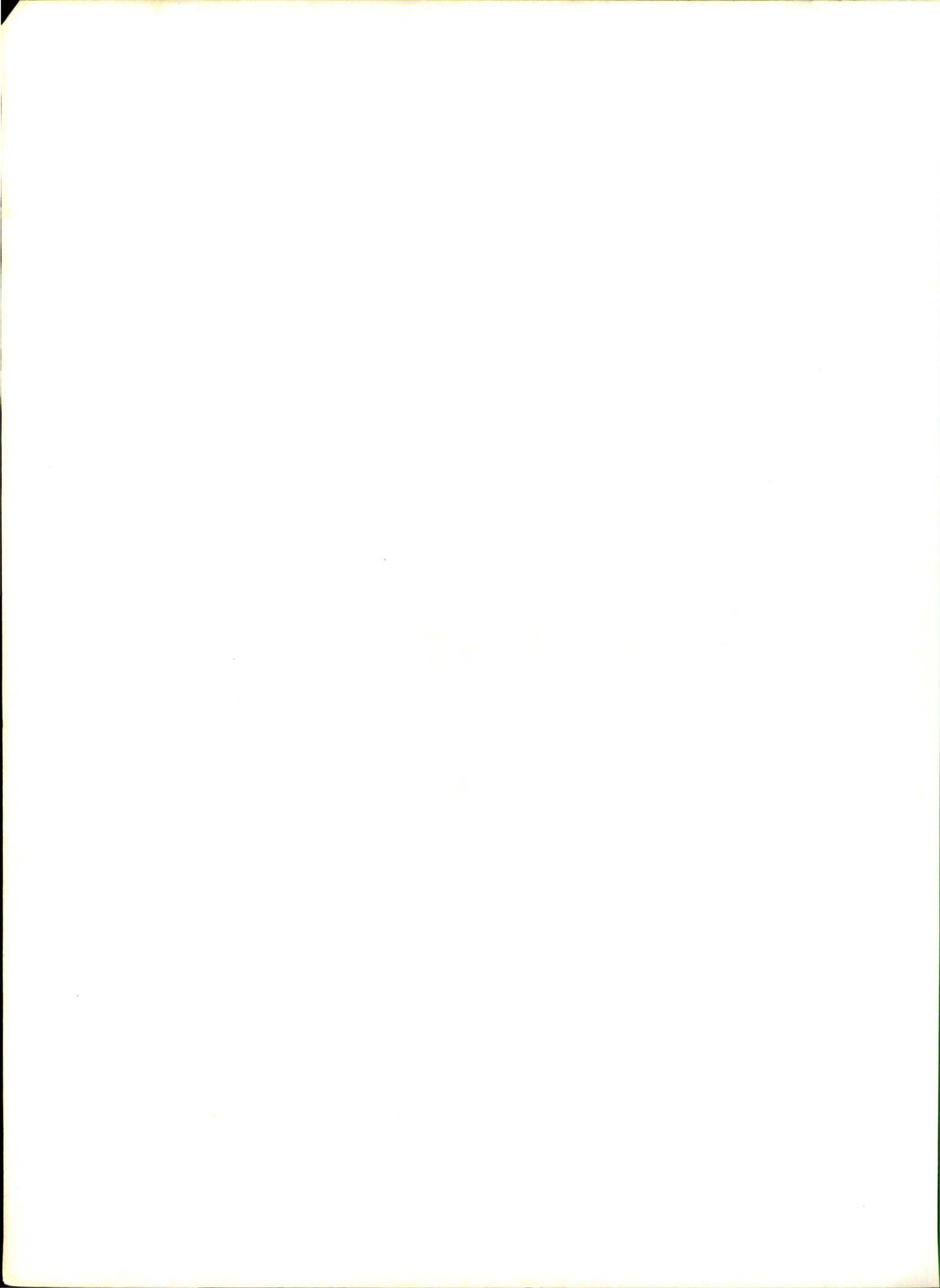
## Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution of India for being laid before the State Legislature.

The Report contains significant results of the compliance audit of the Departments of Government of Kerala under Revenue Sector, including Commercial Taxes Department, Revenue and Disaster Management Department, Motor Vehicle Department, Department of Power and State Excise Department.

The instances mentioned in this Report are those, which came to notice in the course of test audit of records during the year 2013-14 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included wherever necessary.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



# Overview





## Overview

The Report contains 30 paragraphs relating to non/short levy of tax, interest etc., involving ₹ 98.13 crore. Some of the major findings are mentioned below:

### I. General

Total revenue receipts of the State Government for the year 2013-14 amounted to ₹ 49,176.93 crore against ₹ 44,137.30 crore for the previous year. 76 per cent of this was raised by the State through tax revenue (₹ 31,995.02 crore) and non-tax revenue (₹ 5,575.03 crore). The balance 24 per cent was receipt from the Government of India as State's share of divisible Union taxes (₹ 7,468.68 crore) and grants-in-aid (₹ 4,138.20 crore).

*(Paragraph 1.1.1)*

As on 30 June 2014, 3,027 Inspection Reports (IRs) in respect of various departments containing 23,324 audit observations involving money value of ₹ 6,018.52 crore were outstanding.

*(Paragraph 1.7)*

### Compliance Audit

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

In 41 offices, purchase turnover and sales turnover were not fully accounted for which resulted in short payment of tax of ₹ 44.40 crore including cess and interest.

*(Paragraph 2.4)*

Application of incorrect rate of tax on the taxable turnover resulted in short payment of tax, cess and interest of ₹ 14.67 crore in eight cases.

*(Paragraph 2.5.1 and 2.5.2)*

In one case, application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 3.06 crore during three years.

*(Paragraph 2.5.3)*

In seven cases, either the assessee self assessed or the assessing authority assessed the tax commodities at the incorrect rate resulting in short payment of tax, cess and interest of ₹ 1.08 crore.

*(Paragraph 2.5.4 to 2.5.10)*

In nine offices, excess input tax credit/special rebate was availed resulting in short payment of tax, cess and interest of ₹ 2.87 crore.

*(Paragraph 2.6.1 and 2.6.2)*

In three offices, short levy of tax due to escape of turnover in works contract resulted in short payment of tax, cess and interest of ₹ 2.10 crore in 3 cases.

*(Paragraph 2.7.1)*

In five offices, discount/incentive received in six cases was not reckoned as turnover for assessing tax resulting in short payment of tax, cess and interest of ₹ 61.16 lakh.

*(Paragraph 2.7.2)*

In one office, the assessing authority did not revise defective self assessments, resulting in short payment of tax, cess and interest amounting to ₹ 42.09 lakh.

*(Paragraph 2.9)*

In two offices, contract receipts were either incorrectly computed or not assessed to tax resulting in short levy of tax, cess and interest of ₹ 49.83 lakh.

*(Paragraph 2.10)*

In three offices, while computing the compounded tax, rate was applied on incorrect turnover tax reckoned for previous year resulting in short demand of tax, cess and interest of ₹ 63.12 lakh in four cases.

*(Paragraph 2.15)*

Incorrect reckoning of turnover tax resulted in short demand of compound tax, cess and interest of ₹ 46.19 lakh.

*(Paragraph 2.16)*

### **III. Taxes on Agricultural Income**

Acceptance of the claim of the assessee for deduction of insurance provision from net profit while calculating the Agricultural income which was already deducted as expenditure for computing net profit resulted in short levy of tax of ₹ two crore.

*(Paragraph 3.4)*

The assessing authority while finalising the assessment did not include in the agricultural income the amount received in respect of bad debt written off in earlier years resulting in short levy of tax of ₹ 28.92 lakh.

*(Paragraph 3.5)*

### **IV. Taxes on Vehicles**

Non-collection of advertisement fee from a private firm resulted in loss of revenue of ₹ 8.87 crore.

*(Paragraph 4.4)*

In 32 offices, non-imposition of fine on overloaded vehicles worked out to ₹ 27.66 lakh in 475 cases

*(Paragraph 4.5)*

The Department, at the time of reclassification and assigning new registration of vehicles, did not levy/short levied tax in 927 cases in 43 offices. This resulted in non-levy/short levy of tax of ₹ 1.26 crore.

*(Paragraph 4.6)*



In 19 offices, one time tax realised on vehicles was less than that prescribed resulting in short collection of one time tax amounting to ₹ 14.69 lakh in 308 cases.

*(Paragraph 4.7)*

## **V. Land Revenue and Electricity Duty**

### **A. Land Revenue and Building tax**

In 13 taluk offices, 359 buildings were either not reported by Village Officers to the assessing authorities for assessment or though reported for assessment, were not assessed to building tax by the assessing authorities resulting in non-assessment of building tax of ₹ 82.86 lakh.

*(Paragraph 5.4)*

In 23 taluk offices, the Department either did not assess luxury tax or did not demand interest on belated payment of tax of ₹ 66.82 lakh in 2,034 cases.

*(Paragraph 5.5)*

### **B. Electricity Duty**

The licensees collected electricity duty from low tension consumers only at 10 paise per unit of energy consumed instead of at 10 *per cent* of invoice price resulting in short levy of electricity duty of ₹ 18.26 lakh.

*(Paragraph 5.9)*

## **VI. State Excise**

The differential amount of ₹ 7.40 crore towards Foreign Liquor-3 licence fee was not collected from 740 licencees though the fee was enhanced during the year.

*(Paragraph 6.4)*

Excess wastage of 1.12 lakh Proof Litre of Extra Neutral Alcohol was allowed due to incorrect computation of wastage resulted in non-levy of duty of ₹ 22.46 lakh

*(Paragraph 6.5)*

The licence fee on the sale of spirituous preparation though revised was collected only at pre-revised rates from Spirituous Preparation (SP)VI and SP VII licencees resulting in short levy of fee of ₹ 3.97 lakh.

*(Paragraph 6.6)*

## **VII. Stamp duty and Registration fees**

The audit on the issue of 'Fixation of fair value of land in the State' revealed the following:

- Though the system of fair value for land was introduced in 2010 in 1,635 villages, fair value was not fixed in 1,32,991 survey/re-survey numbers in 89 villages.

*(Paragraph 7.4.3)*

- The Government did not prescribe a detailed procedure for classification of land for the purpose of fixation of fair value.

*(Paragraph 7.4.4.1)*

- Failure to constitute the village level committees (VLCs), non-defining of the market value resulted in fixation of fair value at a level lower than the previous transaction value or purchase value.

*(Paragraph 7.4.4.3)*

- In the absence of guidelines for valuation of building, understatement of the value of buildings presented for registration cannot be detected.

*(Paragraph 7.4.6)*

**Chapter I**  
**General**





## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Kerala during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table - 1.1.1**.

**Table - 1.1.1**  
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	17,625.02	21,721.69	25,718.60	30,076.61	31,995.02
	• Non-tax revenue *	1,852.22 (1,633.22)	1,930.79 (1,739.58)	2,592.18 (2,228.97)	4,198.51 (3,272.25)	5,575.03 (4,059.49)
	<b>Total</b>	19,477.24 (19,258.24)	23,652.48 (23,461.27)	28,310.78 (27,947.57)	34,275.12 (33,348.86)	37,570.05 (36,054.51)
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	4,398.78	5,141.85	5,990.36	6,840.65	7,468.68
	• Grants-in-aid	2,233.38	2,196.62	3,709.22	3,021.53	4,138.20
	<b>Total</b>	<b>6,632.16</b>	<b>7,338.47</b>	<b>9,699.58</b>	<b>9,862.18</b>	<b>11,606.88</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	26,109.40 (25,890.40)	30,990.95 (30,799.74)	38,010.36 (37,647.15)	44,137.30 (43,211.04)	49,176.93 (47,661.39)
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>75</b>	<b>76</b>	<b>74</b>	<b>78</b>	<b>76</b>

Source : Finance Accounts prepared by PAG (A&E), Kerala

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 37,570.05 crore) was 76 per cent of the total revenue receipts. The balance 24 per cent of the receipts during 2013-14 was from the Government of India.

\* The difference between the figures shown in column and bracket represent expenditure on prize winning tickets of lotteries conducted by the Government.



1.1.2 The details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table - 1.1.2**.

**Table - 1.1.2**  
Details of Tax Revenue raised

Sl. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	0040 - Tax on sales, trade etc	12,733.94	12,770.89	15,125.69	15,833.11	19,427.90	18,938.83	23,450.52	22,511.09	28,456.62	24,885.25	21.35	10.55
2.	0030-Stamps and Registration fees	2,728.63	1,896.41	2,187.51	2,552.49	3,252.17	2,986.55	3,775.71	2,938.38	4,207.01	2,593.29	11.42	(-) 11.74
3.	0041 - Taxes on vehicles	958.63	1,131.10	1,301.88	1,331.37	1410.73	1,587.13	1,694.49	1,924.62	2,570.65	2,161.09	51.71	12.29
4.	0039 - State Excise	1,440.52	1,514.81	1,836.21	1,699.54	2,059.05	1,883.18	2,550.65	2,313.95	2,801.75	1,941.72	9.84	(-) 16.09
5.	0029 - Land Revenue	52.50	53.93	155.13	55.97	162.84	60.75	127.72	121.58	135.49	88.78	6.08	(-) 26.98
6.	0043 - Taxes and Duties on Electricity	47.24	24.78	64.40	20.71	29.31	21.28	250.00	24.71	284.15	42.25	13.66	70.98
7.	0022 - Taxes on Agricultural Income	8.52	27.73	12.00	46.97	14.49	42.86	15.98	18.92	23.99	21.55	50.13	13.90
8.	Others†	258.30	205.37	289.04	181.53	285.06	198.02	257.14	223.36	291.44	261.09	13.34	16.89
	<b>Total</b>	<b>18,228.28</b>	<b>17,625.02</b>	<b>20,971.86</b>	<b>21,721.69</b>	<b>26,641.55</b>	<b>25,718.60</b>	<b>32,122.21</b>	<b>30,076.61</b>	<b>38,771.10</b>	<b>31,995.02</b>	<b>20.70</b>	<b>6.38</b>

Source : Budget Estimates and Finance Accounts of the respective years.

The respective Departments reported the following reasons for variation. The data to back the reasons however has not furnished.

**Tax on sales, trade etc.:** There was increase in revenue receipts during the year as compared with the last year. The receipts showed a decrease when compared to budget estimates due to fall in collection from Kerala State Beverages Corporation, motor vehicles and rubber.

**State Excise:** The short fall in revenue over budget estimates was due to decrease in sale volume of liquor, beer, non issue of fresh FL-1 licences during the year. Though the actual collection during the year 2013-14 decreased drastically, the department failed to explain the reasons.

**Stamp duty and Registration fees:** The decrease in revenue during the year when compared to budget estimates and receipt of previous year was due to decrease in rate of stamp duty of exchange and conveyance deeds.

† Taxes on immovable property other than agricultural land, Luxury tax and Entertainment tax.



**Taxes and duties on electricity:** The increase in revenue receipts for 2013-14 over 2012-13 was due to revised inspection fee, increase in arrear collection and increase in electricity duty due to increase in electricity charge. Non-remittance of electricity duty and surcharge by Kerala State Electricity Board resulted in short fall of receipts than the budget estimate.

**Taxes on agricultural income:** There was increase in revenue over previous year. The receipts showed a shortfall when compared to budget estimates due to fall in collection from cardamom.

The other Departments despite being requested (June 2014) did not furnish the reasons for variations in receipts from that of the previous year (October 2014).

**1.1.3** The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table - 1.1.3**.

**Table - 1.1.3**  
**Details of Non-Tax Revenue raised**

Sl. No.	Head of revenue	₹ in crore)											
		2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	0075-Miscellaneous General Services 103 - State Lotteries	300.35	405.07	464.60	380.25	462.05	919.53	1,381.20	1,747.51	2,307.00 <sup>†</sup>	2,280.15 <sup>§</sup>	67.03	30.48
2.	0406 - Forestry and Wild Life	227.80	272.80	360.11	274.10	330.12	220.52	321.26	237.33	328.83	329.95	2.36	39.03
3.	0202 - Education, Sports, Art and Culture	128.95	130.62	164.25	150.83	183.61	164.96	222.07	182.78	259.18	308.13	16.71	68.58
4.	Others**	629.23	824.73	1,095.35	934.40	1,306.25	923.96	1,092.08	1,104.63	1,333.56	1,141.26	22.11	3.32
	<b>Total</b>	<b>1,286.33</b>	<b>1,633.22</b>	<b>2,084.31</b>	<b>1,739.58</b>	<b>2,282.03</b>	<b>2,228.97</b>	<b>3,016.61</b>	<b>3,272.25</b>	<b>4,228.57</b>	<b>4,059.49</b>	<b>40.18</b>	<b>24.06</b>

Source: Budget estimates and Finance Accounts of the respective years

The Departments reported the following reasons for variation between the actual receipts over budget estimates for 2013-14 and also between receipts for 2013-14 over the receipts for 2012-13.

<sup>†</sup> From gross receipts (budget estimates) of ₹ 3,000 crore, expenditure on prize winning tickets of lotteries (Budget estimate) of ₹ 693 crore has been deducted, but other expenditure like commission to agents (budget estimate - ₹ 809 crore), establishment expenses (budget estimates - ₹ 200 crore) have not been deducted.

<sup>§</sup> From gross receipts of ₹ 3,795.69 crore, expenditure of ₹ 1,515.54 crore on prize winning tickets has been deducted, but other expenditure like commission to agents (₹ 1,256.49 crore), establishment expenses (₹ 210.65 crore) etc. have not been deducted.

\*\* Receipts from Interest receipts, Medical and Public Health, Crop Husbandry, Animal Husbandry, Public Works, Other Administrative Services, Police, Co-operation, Major Irrigation Projects, Judiciary, Jail, Stationery, etc.

**State Lotteries:** The increase in gross revenue receipts during the year over the gross budget estimates for 2013-14 and the gross receipts for 2012-13 was due to restoration of lotteries on daily draw.

**Forestry and Wild Life:** Increase in revenue receipts over previous year was due to increase in sale of timber and its price.

The other Departments despite being requested (June 2014) did not furnish the reasons for variations in receipts from that of the previous year (October 2014).

## 1.2 Analysis of arrears of revenue

As per the details furnished by the departments concerned, the arrears of revenue as on 31 March 2014 under nine principal heads amounted to ₹ 7,529.67 crore. The details of revenue pending collection for more than five years were furnished by five departments only which amounted to ₹ 414.97 crore. In the remaining four cases, the details were not furnished by the departments. The details are given in the **Table - 1.2**.

**Table - 1.2**  
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Departments
1	0040 - Tax on sales, trade etc	6,516.49	Not furnished	Not furnished by the Department
2	0029 - Land Revenue	299.43	Not furnished	Not furnished by the Department
3	0022 - Taxes on Agricultural Income	49.42	Not furnished	Not furnished by the Department
4	0406 - Forestry and Wild Life	278.96	165.75	The Department stated (August 2014) that steps to recover arrears of revenue have been taken against the defaulters through District Collectors concerned. To realise defaulted arrears of lease rent and other dues from departments and Public Sector Undertakings (PSUs), necessary action has been taken to realise the same through discussions at Government level. An amount of ₹ 0.67 crore is due from Government of India, ₹ 0.27 crore from other State Governments, ₹ 3.36 crore from PSUs of Government of India, ₹ 261.47 crore from PSUs of Government of Kerala and other States and ₹ 13.18 crore from individuals, private companies etc.
5	0039 - State Excise	187.86	187.86	The Department stated (July 2014) that it had taken revenue recovery action and introduced Amnesty Scheme for speedy recovery of arrears. The abkari arrears due are ₹ 0.53 lakh from PSUs of Government of Kerala, ₹ 187.33 crore from



				(₹ in crore)
Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Departments
				individuals, private firms, private companies etc.
6	0055 - Police	151.43	51.53	The Department stated (June 2014) that the nature of arrear is cost of police guard and the arrears have been demanded and follow up action is being taken to realise the arrears. An amount of ₹ 68.12 crore is due from Government of India, ₹ 0.28 crore from other State Governments, ₹ 50.97 crore from PSUs of Government of India, ₹ 30.55 crore from PSUs of Government of Kerala and ₹ 1.52 crore from individuals, private firms, private companies etc.
7	0070-60-110- Fees for Government audit	30.48	Not furnished	The Local Fund Audit Department stated (July 2014) that to realise the arrears from various auditee institutions, proposals have been submitted to Government, strict instructions have been sent to the auditee institutions to remit the pending audit charge and demand notices are being sent to them. The arrears of revenue pending collection towards audit charge are ₹ 14.27 crore from universities, ₹ 1.47 crore from Devaswoms, ₹ 0.78 crore from temples and ₹ 13.97 crore from miscellaneous and other institutions.
5	0058 - Stationery and printing	14.97	9.66	The Department stated (July 2014) that the defaulters are being reminded regularly to remit the arrears. The amounts due are ₹ 0.16 crore from Government of India, ₹ 0.02 crore from PSUs of Government of India and ₹ 0.96 crore from Government of Kerala.
6	0853 - Non-Ferrous Mining and Metallurgical Industries	0.63	0.17	The Mining and Geology Department stated (June 2014) that the delay in collection of revenue was due to disputes regarding claims, court stays and Government stays. It has stated that steps are under way to redress the disputes and to vacate the stays. The arrears of revenue pending collection are ₹ 2.09 lakh from Co-operative Society, ₹ 25.92 lakh from PSUs of Government of Kerala and ₹ 35.10 lakh from individuals, private firms, private companies etc.
	<b>Total</b>	<b>7,529.67</b>	<b>414.97</b>	

No details have been furnished by other Departments (October 2014) despite being requested (June 2014).

### **1.3 Arrears in assessments**

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year 2013-14 furnished by the Commercial Taxes Department were as shown in **Table - 1.3**.

**Table - 1.3**  
**Arrears in assessments**

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessment cases due	No. of assessment cases assessed during 2013-14	Balance at the end of the year	Percentage of assessments done (col. 5 to 4)
1	2	3	4	5	6	7
0040 - Tax on sales, trade, etc.	7,042	6,206	13,248	8,197	5,051	61.87
0022 - Taxes on agricultural income	4,473	1,966	6,439	3,083	3,356	47.88

During the year 2013-14, the Commercial Taxes Department completed 61.87 *per cent* and 47.88 *per cent* of assessments on sales tax and agricultural income tax respectively.

The item wise details of arrears in assessments such as motor spirit tax, luxury tax, tax on works contracts etc. called for (September 2014) were not furnished by the Commercial Taxes Department (October 2014).

The details of arrears in assessment in respect of building tax and plantation tax called for (June 2014) from Revenue & Disaster Management Department were not furnished till date (October 2014).

### **1.4 Evasion of tax detected by the department**

The details of cases of evasion of tax detected by the Excise Department, cases finalised and the demands of additional tax raised as reported by the Department are given in **Table - 1.4**.



**Table - 1.4**  
**Evasion of Tax**

							(₹ in crore)
Sl. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for realisation as on 31 March 2014
					Number of cases	Amount of demand	
1.	0039-State Excise	840	1	841	46	235.70	795

The Power Department stated (October 2014) that no case of evasion of tax was detected by the Department.

The details of cases of evasion of tax detected though called for by Audit (August 2014) have not been furnished by other departments (October 2014).

### **1.5 Pendency of Refund cases**

The details of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Excise Department are given in **Table - 1.5**.

**Table - 1.5**  
**Details of pendency of refund cases**

			(₹ in crore)	
Sl. No.	Particulars	State Excise		
		No. of cases	Amount	
1.	Claims outstanding at the beginning of the year 2013-14	7	2.79	
2.	Claims received during the year	0	0	
3.	No. of cases in which refunds made during the year	3	1.11	
4.	Balance cases outstanding at the end of the year 2013-14	4	1.68	

The details of refund cases called for from Commercial Taxes Department (August 2014) have not been furnished (October 2014).

### **1.6 Analysis of stay granted**

The categorisation of arrears of revenue which were under various stages of collection revealed that the arrears pending collection as on 31 March 2014 included collections stayed by various authorities at various stages in respect of some principal heads of revenue as detailed in **Table - 1.6**.

Table - 1.6  
Stages of stay granted

Sl. No.	Head of revenue	Total arrear amount	Stage wise details of stay			Total amount under stay	% of stay to total arrear
			Stay by Court	Stay by Government	Stay by Appellate Authorities		
1	0040-Tax on sales, trade etc.	6,516.49	1,251.27	221.46	1,671.11	3,143.84	48.24
2	0022-Taxes on Agricultural Income	49.42	15.90	17.83	5.59	39.32	79.56
3	0039-State Excise	187.86	12.58	0	0	12.58	6.70
4	0029-Land Revenue	299.43	47.16	39.63	12.69	99.48	33.23
	<b>Total</b>	<b>7,053.20</b>	<b>1,326.91</b>	<b>278.92</b>	<b>1,689.39</b>	<b>3,295.22</b>	<b>46.72</b>

The details though called for (September 2014), have not been furnished by other Departments (October 2014).

### 1.7 Response of the Government/departments to Audit

The Accountant General (E&RSA), Kerala, conducts periodical inspection of the Government Departments to test check the transactions and verifies the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2013 disclosed that 23,324 paragraphs involving financial implication of ₹ 6,018.52 crore relating to 3,027 IRs were outstanding at the end of June 2014 as mentioned below with the corresponding figures for the preceding two years in **Table - 1.7**.



**Table - 1.7**  
**Details of pending Inspection Reports**

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	2,751	2,906	3,027
Number of outstanding audit observations	20,629	22,189	23,324
Amount of revenue involved (₹ in crore)	2,102.05	2,794.17	6,018.52

**1.7.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table - 1.7.1**.

**Table - 1.7.1**  
**Department-wise details of IRs**

Sl. No.	Name of the Departments	Nature of receipts	(₹ in crore)		
			Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Taxes	Tax on sales, trade, etc.	1,592	18,024	2,651.96
		Taxes on agricultural income	168	781	89.87
2.	Revenue and Disaster Management	Land revenue	352	1,511	1.98
3.	Transport	Taxes on vehicles	314	1,736	53.37
4.	Registration	Stamp duty and registration fees	353	706	9.74
5.	Excise	Excise duty	213	466	33.66
6.	Power	Taxes and duties on electricity	18	78	3,176.24
7.	Lotteries	Lotteries	17	22	1.70
<b>Total</b>			<b>3,027</b>	<b>23,324</b>	<b>6,018.52</b>

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 112 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

### **1.7.2 Departmental audit committee meetings**

The Government has set up audit committees to monitor and expedite the progress of settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table - 1.7.2**.

**Table - 1.7.2**  
**Details of Departmental audit committee meetings**

Head of revenue	Number of meetings held	No. of audit observations pending as on 31 March 2013	Number of paragraphs settled	(₹ in crore)
				Amount involved in settled paras
0041-Taxes on vehicles	5	1,540	317	4.08
0040-Tax on sales, trade etc.	1	18,246	215	3.76
0030-Stamps and registration fees	1	811	7	0.02
0029-Land Revenue	2	1,504	64	0.38
<b>Total</b>	<b>9</b>	<b>22,101</b>	<b>603</b>	<b>8.24</b>

The progress of settlement of paragraphs pertaining to the Commercial Taxes Department, Registration Department and Revenue and Disaster Management Department was negligible compared to the huge pendency of the local audit reports and paragraphs despite holding departmental audit committee meetings.

### **1.7.3 Non-production of records to Audit for scrutiny**

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2013-14, as many as 5,653 assessment files, refunds, registers and other relevant records were not made available during audit of offices under Commercial Taxes Department. Break up of these cases are given in **Appendix I**.

In respect of other departments, no cases of non-production of records have been noticed.

### **1.7.4 Response of the Departments to the draft paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the Accountant General to the Principal Secretaries/Secretaries of the respective departments drawing their attention to audit findings and requesting their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Ninty five draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective departments by name between July and October 2014. The Principal Secretaries/Secretaries of the Department did not send replies to 80 draft paragraphs despite issue of reminders (October 2014) and the same have been included in this Report without the response of the Department. This is indicative



of lack of seriousness of State Government Departments towards Audit observations.

### 1.7.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 204 paragraphs included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Kerala for the year ended 31 March 2008, 2009, 2010, 2011 and 2012 were placed before the State Legislative Assembly between 03 March 2009 and 19 March 2013. The action taken explanatory notes from the Departments concerned on these paragraphs were received late in respect of each of these Audit Reports. Action taken explanatory notes in respect of 32 paragraphs from four departments (Commercial Tax, Revenue and Disaster Management, Motor Vehicles, Excise) had not been received for the Audit Report for the year ended 31 March 2013 so far (October 2014).

The PACs discussed 123 paragraphs pertaining to the Audit Reports for the years from 2008 to 2012 and its recommendations on 119 paragraphs were incorporated in the Reports brought out during their respective tenure for the period 2008-16. However, ATN have not been received in respect of 75 recommendations of the PACs from the Departments concerned as mentioned in the **Table - 1.7.5**.

Table - 1.7.5

Year of PAC s*	Name of Department									Total
	Taxes	Excise	Transport	Land Revenue	Forest & Wildlife	Finance	Home	Education	Power	
2008-11	4	-	-	4	-	-	-	-	-	8
2011-14	14	1	12	12	-	-	-	-	2	41
2014-16	20	-	-	-	2	1	2	1	-	26
<b>Total</b>	<b>38</b>	<b>1</b>	<b>12</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>75</b>

\* Year represent the tenure of the PAC

## 1.8 Status of the mechanism for dealing with the issues raised in audit

To appreciate the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs included in the Audit Reports of the last 10 years for one Department is analysed and included in this Audit Report.

The following two paragraphs discuss the performance of the Motor Vehicles Department under revenue head 0041- Taxes on vehicles and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

### **1.8.1 Position of Inspection Reports**

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated below in **Table - 1.8.1**.

**Table - 1.8.1**  
**Position of Inspection Reports**

Sl No.	Year	(₹ in crore)											
		Opening Balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
1	2003-04	431	2,253	10.57	65	535	3.24	55	624	1.07	441	2,164	12.74
2	2004-05	441	2,164	12.74	66	646	2.69	251	1432	6.43	256	1,378	9.00
3	2005-06	256	1,378	9.00	64	513	2.72	42	470	0.40	278	1,421	11.32
4	2006-07	278	1,421	11.32	72	522	3.10	78	585	4.34	272	1,358	10.08
5	2007-08	272	1,358	10.08	61	505	2.11	34	503	1.32	299	1,360	10.87
6	2008-09	299	1,360	10.87	66	689	2.72	83	609	3.52	282	1,440	10.07
7	2009-10	282	1,440	10.07	64	656	9.84	97	904	3.44	249	1,192	16.47
8	2010-11	249	1,192	16.47	63	683	8.19	27	388	2.70	285	1,487	21.96
9	2011-12	285	1,487	21.96	64	674	14.34	58	526	2.87	291	1,635	33.43
10	2012-13	291	1,635	33.43	68	571	9.51	74	666	5.19	285	1,540	37.75

The Government arranges audit committee meetings between the Department and office of the Accountant General to settle the old paragraphs. As would be evident from the above table, against 431 outstanding IRs with 2253 paragraphs as on start of 2003-04, the number of outstanding IRs decreased to 285 with 1540 paragraphs at the end of 2012-13. This is indicative of the fact that appropriate steps were taken by the Department in this regard resulting in reduction of the old outstanding IRs and paragraphs.

### **1.8.2 Recovery in accepted cases**

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table - 1.8.2**.



Table - 1.8.2

(₹ in crore)							
Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2013
1	2003-04	5	9.31	5	9.31	0.04	0.04
2	2004-05	7	1.45	4	0.33	0.01	0.01
3	2005-06	3	0.28	1	0.02	-	-
4	2006-07	1	0.18	1	0.18	-	-
5	2007-08	1	0.70	1	0.70	-	0.20
6	2008-09	16	2.36	6	1.52	0.09	0.12
7	2009-10	8	362.78	1	0.14	-	0.04
8	2010-11	5	1.11	5	1.11	0.31	0.51
9	2011-12	5	1.78	5	1.78	0.03	0.14
10	2012-13	5	1.69	5	1.69	0.04	0.04

It is evident from the above table that the progress of recovery in accepted cases was slow throughout the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the parties concerned. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Motor Vehicles Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

### **1.9 Action taken on the recommendations accepted by the Departments/Government**

The draft performance reviews conducted by the Accountant General are forwarded to the Department concerned/Government for their information with a request to furnish their replies. These reviews are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The details of reviews on the Departments of Commercial Taxes, Excise and Transport featured in the Reports for the last five years along with recommendations and their status are given in **Appendix II**.

### **1.10 Audit planning**

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan was prepared on the

basis of risk analysis which *inter-alia* include critical issues in government revenue, tax administration i.e. budget speech, white paper on finances, reports of the Finance Commission (State and Central), recommendation of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2013-14, there were 840 audit units, of which 432 units were planned and 414 units had been audited, which is 49.29 *per cent* of the total audit units. Due to diversion of large number of staff to election duty and resultant shortage of staff, 18 planned units could not be audited.

### **1.11 Results of audit**

#### **Position of local audit conducted during the year**

Test check of the records of 403 units<sup>††</sup> of Sales Tax/Value Added Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2013-14 showed under-assessment/short levy/loss of revenue aggregating ₹ 484.91 crore in 2,481 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 18.26 crore involved in 277 cases which were pointed out in audit during 2013-14. The Departments collected ₹ 17.82 crore in 922 cases during 2013-14, pertaining to the audit findings of previous year.

### **1.12 Coverage of this Report**

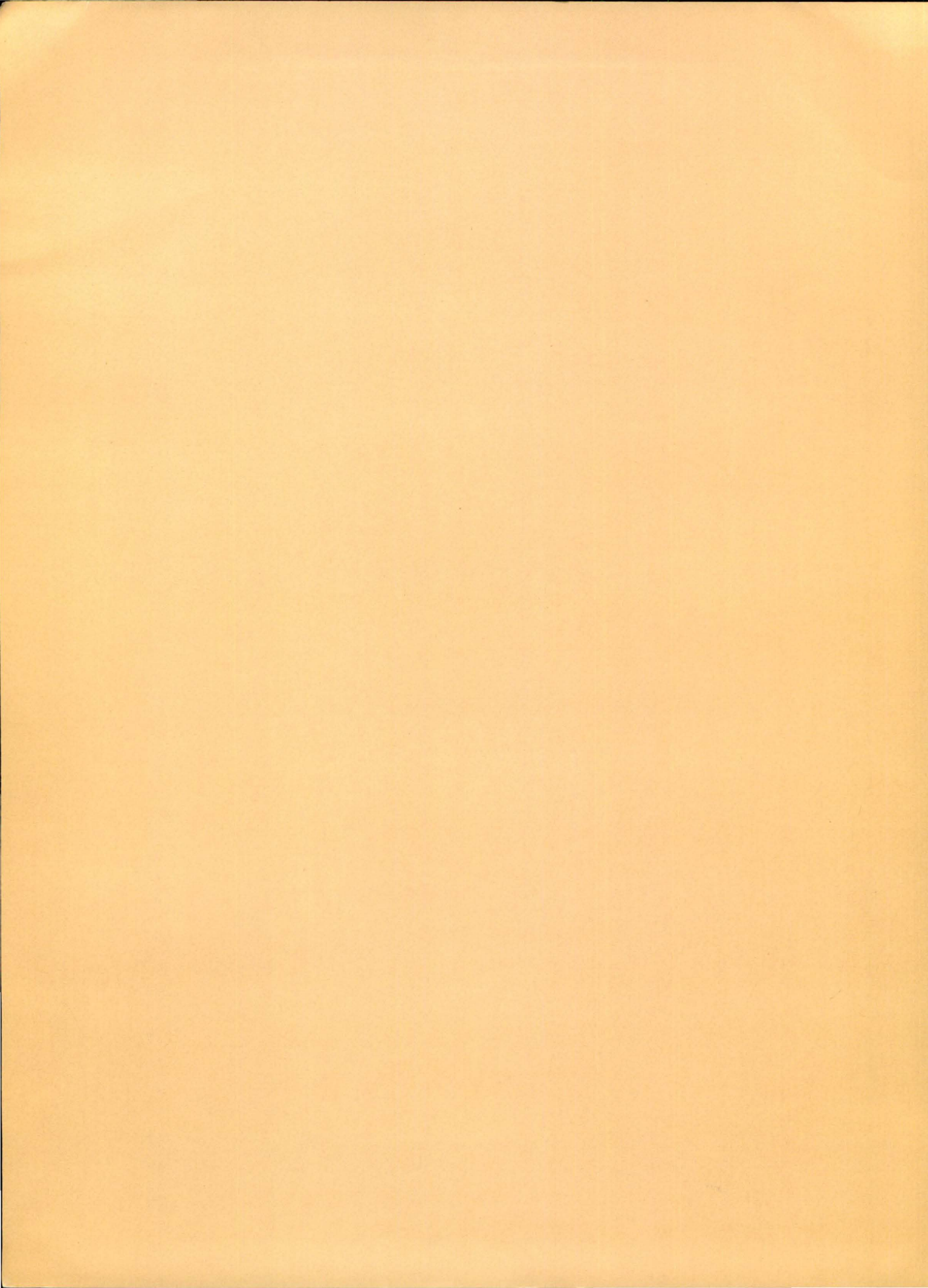
The Report contains 30 Paragraphs involving financial effect of ₹ 98.13 crore. The Department/Government have accepted audit observations involving ₹ 27.33 crore out of which ₹ 0.98 crore had been recovered. The replies in the remaining cases have not been received (October 2014). These are discussed in succeeding Chapters II to VII.

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<sup>††</sup> In the case of remaining 11 units, IRs were issued during the year 2014-15.



**Chapter II**  
**Taxes/VAT on Sales, Trade etc.**





## CHAPTER-II TAXES/VAT ON SALES, TRADE ETC.

### 2.1 Tax administration

Kerala General Sales Tax (KGST)/Kerala Value Added Tax (KVAT) laws and rules made thereunder are administered at the Government level by the Secretary, Taxes. The Commercial Taxes Commissioner is the head of the Commercial Taxes Department who is assisted by Joint Commissioners, Deputy Commissioners (DC), Assistant Commissioners and Commercial Tax Officers. The assessment, levy and collection of tax are done by Assistant Commissioners and Commercial Tax Officers.

KGST is leviable on sale of Ganja and opium, foreign liquor and certain petroleum products. VAT is leviable on the intrastate sale of remaining commodities and Central Sales Tax (CST) on interstate sales.

### 2.2 Internal audit

The details on working of internal audit wing, though called for, (June 2014) have not been furnished by the Department (October 2014).

### 2.3 Results of audit

Test check of the records of 154 units in 2013-14 relating to KVAT/KGST assessments and other records showed underassessment of tax and other irregularities involving ₹ 429.35 crore in 1,882 cases which fall under the following categories given in **Table - 2.1**.

Table - 2.1

				(₹ in crore)	
Sl. No.	Categories	Number of cases	Amount		
1.	Turnover escaping assessment	878	181.46		
2.	Application of incorrect rate of tax	93	47.95		
3.	Grant of irregular exemption	260	25.80		
4.	Grant of excess input tax credit	156	4.53		
5.	Incorrect grant of concessional rate of tax	14	4.86		
6.	Non/short levy of Interest	4	0.03		
7.	Other lapses	477	164.72		
	<b>Total</b>	<b>1,882</b>	<b>429.35</b>		

During the course of the year, the Department accepted underassessment and other deficiencies involving ₹ 30.07 crore in 410 cases which were pointed out in audit during the earlier years. An amount of ₹ 12.03 crore was realised in 599 cases during the year 2013-14. A few illustrative cases involving ₹ 75.52 crore are discussed in the following paragraphs.



## Value Added Tax

### 2.4 Short remittance of tax due to short accounting of purchase/sales turnover

Purchase turnover/sales turnover was not accounted fully resulting in short payment of tax.

Rule 22(1) and (2) of KVAT Rules, 2005 stipulates that every dealer should file periodical and annual return showing the details of total, exempted and taxable turnover, output tax due/collected, input tax credit availed of, net tax due including reverse tax and tax paid during the return period. Section 42(2) of KVAT Act, 2003 states that where any dealer detects any omission or mistake in the annual return with reference to the audited figures, he shall file revised return rectifying the mistake along with proof of payment of differential tax, if any. As per Section 25 of KVAT Act, 2003 if whole or any part of the turnover has escaped assessment to tax, the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgment, the turnover which has escaped assessment to tax and assess the tax payable on such turnover. As per Section 67(1)(d) of KVAT Act, 2003 submission of untrue or incorrect return will attract penalty upto twice the amount of tax or other amount evaded or sought to be evaded.

- (11 CTOs<sup>1</sup>)

Audit cross verified the details of purchase, sales etc., conceded by the assesseees in their annual return with the figures in Form 13A appended to the annual accounts and found that 23 assesseees in 11 Commercial Tax Offices (CTO) did not include the entire purchase turnover in their annual accounts and hence the sales turnover accounted was not that of the sales corresponding to entire purchase. This resulted in escape of turnover from assessment and short remittance of tax, cess and interest<sup>2</sup> of ₹ 22.31 crore. Maximum penalty leviable worked out to ₹ 32.37 crore as given in **Appendix III**.

When the case was pointed out to the Department in September 2014, it was stated that a detailed report would be furnished soon after the verification from the offices concerned. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

<sup>1</sup> CTOs Special Circle, Alappuzha, Aluva, Kannur, Kottayam, Mattancherry, Thiruvananthapuram and Thrissur, Special Circle I, Ernakulam, Kozhikode, Special Circle III, Ernakulam, Special Circle (Produce), Mattancherry.

<sup>2</sup> Interest in all cases is calculated from May of next financial year and upto the month preceding the month in which audit pointed out the case.

- (31 CTOs<sup>3</sup>)

Audit compared the aggregate figures of sales and stock transfer as per the returns filed by the dealers with that of the certified statement of particulars filed in Form No. 13A enclosed with audit certificate and found that in 72 cases of 31 assessment circles, aggregate of sales turnover and stock transfer conceded in return was less than that in Form No. 13A. Non-compliance of provisions of Section 42(2) was not detected by the assessing officers and the same was not assessed to tax under Section 25. The resultant short payment of tax including cess and interest worked out to ₹ 22.09 crore. Penalty of ₹ 29.93 crore was also leviable in above cases as shown in **Appendix IV**.

When the case was pointed out to the Department in September 2014, it was stated that a detailed report would be furnished soon after the verification from the offices concerned. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

## **2.5 Short levy of tax due to application of incorrect rate of tax**

Rate of tax applied on the taxable turnover was less than the rate applicable as per the statute.

**2.5.1 Margarine is taxable at 12.5 per cent under Sl. No. 64(8) of the list of goods taxable at 12.5 per cent notified under KVAT Act, 2003. Department of Commercial Taxes, clarified<sup>4</sup> (October 2012) that the commodity margarine would be taxable at 12.5 per cent. It was judicially<sup>5</sup> held by the Hon'ble High Court of Kerala that margarine in all forms are taxable at 12.5 per cent.**

- (CTO, Special Circle, Thiruvananthapuram)

M/s Stanes Trading Company, Thiruvananthapuram was a dealer in ingredients for bakery products which included various types of margarine. As per purchase invoices filed, the assessee had purchased bakery vanaspathy which is nothing but margarine for ₹ 46.73 lakh, ₹ 86.71 lakh and ₹ 1.26 crore during 2008-09, 2009-10 and 2010-11 respectively. The assessee sold bakery vanaspathy during the respective years along with other bakery products. Sale value of bakery vanaspathy adding conceded Gross Profit (GP) to purchase value would be ₹ 48.76 lakh, ₹ 90.18 lakh and ₹ 1.32 crore respectively during these years. Audit noticed that the assessee included the sales turnover of bakery vanaspathy which

<sup>3</sup> CTOs Anchal, Attingal, Cherthala, Kayamkulam, Kodungallur, Kunnankulam, Thaliparamba, Vadakara, **I Circle**, Alappuzha, Thiruvananthapuram **II Circle**, Ernakulam, Kannur, , Kozhikode, Thiruvananthapuram, **III Circle** Ernakulam, **IV Circle** Ernakulam, Kozhikode, **Special Circle** Alappuzha, Kannur, Kollam, Kottayam, Mattancherry, Palakkad, Thrissur, Thiruvananthapuram, **Special Circles I** Ernakulam, Kozhikode, **II** Ernakulam, Kozhikode, **III** Ernakulam and AIT & CTO Alappuzha.

<sup>4</sup> Order No. C3/21062 dated 09/10/2012

<sup>5</sup> 37 VST 594 (HC of Kerala) SSD Oil Company Ltd. Vs State of Kerala



was taxable at 12.5 *per cent* in the turnover taxable at four *per cent*. This resulted in short payment of tax, cess and interest amounting to ₹ 30.33 lakh. The assessing authority did not select the case for revised assessment to rectify the defect.

The case was pointed out to the Department in March 2013 and reported to Government in January 2014. Government stated (April 2014) that orders creating additional demand of ₹ 6.09 lakh, ₹ 10.84 lakh and ₹ 14.53 lakh for 2008-09, 2009-10 and 2010-11 respectively were issued and the assessee remitted ₹ 2.49 lakh for 2008-09. Further report has not been received (October 2014).

- (CTO, Special Circle I, Ernakulam)

M/s. Giby Traders, Ernakulam was a dealer in bakery products, margarine, edible oil etc. During 2011-12 the assessee filed annual return conceding turnover of ₹ 3.85 crore taxable at four *per cent*. Audit scrutinised the purchase invoice of the assessee and found that during the year they purchased margarine worth ₹ 2.15 crore. However, corresponding sales turnover of ₹ 2.24 crore (adding GP of 4.06 *per cent* on the purchase turnover) was not assessed to tax at correct rate of 12.5 *per cent*. The assessing authority also did not re-assess the tax. Application of incorrect rate of tax resulted in short remittance of tax, cess and interest of ₹ 22.26 lakh.

When the case was pointed out in September 2013, the Department stated (March 2014) that assessment had been completed (October 2013) creating additional demand of ₹ 22.45 lakh. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

- (CTO, Special Circle (Produce), Mattancherry)

M/s. Ruchi Soya Industries Limited, Cochin was an assessee engaged in trading of edible oils, bakery products etc. During the period from 2006-07 to 2011-12 (six years), the assessee self assessed to tax the sales turnover of edible oils other than coconut oil amounting to ₹ 17.26 crore at four *per cent*. Audit found that this turnover included sales turnover of bakery vanaspathy amounting to ₹ 17.26 crore which is nothing but margarine. Though margarine was taxable at 12.5 *per cent* its sales turnover was assessed at four *per cent* only. The assessing authority also did not re-assess the tax. This resulted in short payment of tax, cess and interest of ₹ 2.12 crore.

The case was pointed out to the Department in May 2013. The assessing authority stated that the audit objection was on the premise that the bakery vanaspathy is margarine and since there is no proof for the findings that the bakery vanaspathy is margarine, the audit objection was baseless. However, on subsequent verification, it was found that the assessment for 2006-07 and 2007-08 (two years) had been completed (March 2014) creating additional demand of ₹ 1.03

crore accepting the contention of Audit. No action has been taken by the Department in case of the remaining four years (2008-09 to 2011-12).

The case was reported to Government in August 2014. Their reply has not been received (October 2014).

- (CTO, Special Circle I, Ernakulam)

M/s SSD Oil Mills Company Limited, Cochin was a dealer in edible oils, margarine, bakery products etc. Audit found that the assessee self assessed to tax their sales turnover of margarine for ₹ 3.03 crore and ₹ 3.20 crore for the years 2010-11 and 2011-12 at four *per cent* instead of at the correct rate of 12.5 *per cent*. The application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 65.83 lakh.

When the case was pointed out in October 2013, the Department stated in May 2014 that the assessments for the years 2010-11 and 2011-12 were completed (March 2014) and additional demand of ₹ 71.21 lakh was created. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

- (CTO, Special Circle I, Ernakulam)

M/s Manu Enterprises, Cochin was a dealer in edible oil, margarine etc. Though the assessee was dealing mainly with margarine, the sales turnover of margarine for ₹ 9.99 crore, ₹ 11.71 crore, ₹ 17.92 crore and ₹ 25.46 crore for the years 2008-09, 2009-10, 2010-11 and 2011-12 respectively were assessed to tax at four *per cent* treating it as edible oil instead of 12.5 *per cent* applicable to margarine. The application of incorrect rate of tax resulted in short remittance of tax, cess and interest of ₹ 7.27 crore.

When this was pointed out in October 2013, the Department stated in March 2014 that the assessments for the years 2008-09 and 2009-10 were completed and additional demand of ₹ 1.29 crore was created. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

**2.5.2 Bakery products including biscuits sold under brand name, registered under the Trade Mark Act, 1999 are liable to be taxed at 12.5 *per cent* under Sl. No. 11 of list of goods taxable at 12.5 *per cent* notified under KVAT Act, 2003.**

- (CTO, Special Circle II, Ernakulam)

M/s. Elite Foods Private Limited, Kochi was a manufacturer of bakery products selling goods under a brand name 'Elite' registered under Trade Mark Act, 1999. During 2011-12, they self assessed to tax their sales turnover of bakery products



within the state for ₹ 26.92 crore and interstate sales without C form for ₹ 12.31 lakh at four *per cent* instead of the correct rate of 12.5 *per cent* applicable to food products sold under brand name registered under the Trade Mark Act, 1999. This resulted in short remittance of tax, cess and interest of ₹ 2.76 crore.

This case was pointed out to the Department in December 2013 and reported to Government in June 2014. Their replies have not been received (October 2014).

- (CTO, Special Circle I, Kozhikode)

M/s Ojin Foods (P) Ltd., Kozhikode was a dealer in bakery products, sugar etc. As per the annual return filed by the assessee for the year 2010-11, the sales turnover of bakery products amounting to ₹ 7.93 crore was self assessed to tax at four *per cent* as if they were sold under un-registered brand name. Audit verified the details of brand name with the Controller General of Patents, Designs and Trademarks, Mumbai available in the internet and found that the assessee was a holder of registered brand name 'Ojin'. Hence, the rate of tax applicable was 12.5 *per cent*. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 78.94 lakh.

When this case was pointed out in September 2012, the assessing authority stated (September 2012) that notice under Section 25(1) of the KVAT Act, 2003 had been issued proposing to assess the turnover of bakery products at 12.5 *per cent*. Further, the case was reported to Government in June 2013. Their reply has not been received (October 2014).

- (CTO, Special Circle I, Ernakulam)

M/s. Best Foods, Kochi was a manufacturer and dealer of bakery products. Audit found from the internet, that the assessee had been permitted to use the registered trade mark 'Best, Two Chef (Label)' by the Controller General of Patents, Designs and Trademarks, Mumbai. Thus, the products were sold under the registered trade mark and hence were taxable at 12.5 *per cent*. However, during 2011-12, the assessee self assessed to tax the sales turnover of bakery products for ₹ 5.53 crore at four *per cent* instead of 12.5 *per cent* applicable to branded food products. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 54.62 lakh.

The case was pointed out in August 2013; the Department stated in January 2014 that the assessment had been completed in November 2013 creating additional demand of ₹ 56.99 lakh. Further, this case was reported to Government in May 2014. Their reply has not been received (October 2014).

**2.5.3** (CTO, Special Circle, Perumbavoor )

**Under entry 103 of list of goods taxable at 12.5 per cent notified under KVAT Act 2003, ‘Muslipower X-tra’ is a commodity taxable at 12.5 per cent. This has been clarified<sup>6</sup> (November 2012) by the authority under Section 94 of the KVAT Act, 2003.**

M/s Kunnath Pharmaceuticals, Muvattupuzha was a manufacturer of ‘Musli power X-tra’. During 2009-10 to 2011-12, the assessee self assessed to tax the sales turnover of ‘Muslipower X-tra’ at four *per cent*, treating it as medicine. The Department clarified (November 2012) that ‘Muslipower X-tra’ is not classifiable under medicine but should be treated as an unclassified item taxable at 12.5 *per cent*. However, the assessing authority did not complete the assessment applying the correct rate. This resulted in short remittance of tax, cess and interest of ₹ 3.06 crore as detailed in **Table - 2.2**.

**Table - 2.2**

(₹ in crore)				
Sl. No.	Year	Local sales turnover/ interstate sales turnover without Form C	Short remittance of tax, cess and interest	Reply of department
1	2009-10	18.82	1.67	The case was brought to the notice of the Department in June 2011. The assessing authority stated in November 2011 that notice was issued to the assessee for production of accounts and the assessment would be revised after verification.
2	2010-11	12.79	1.04	When the case was pointed out (July 2012), the assessing authority stated (January 2013) that notice had been issued to the assessee to produce accounts for the year 2010-11 and result would be submitted.
3	2011-12	4.06	0.35	This was pointed out to the Department in July 2013 and reported to Government in April 2014. Government accepted the contention of Audit and stated (August 2014) that the assessment was finalised and demand notice for balance due ₹ 38.81 lakh including interest was served. (June 2014).
<b>Total</b>			<b>3.06</b>	
The cases pointed out in (1) and (2) above were reported to Government in September 2014. Their replies have not been received (October 2014).				

<sup>6</sup> Order No. C3/23413/12/CT dated 28.11.2012



**2.5.4** (CTO, II Circle, Perumbavoor)

**Steam boilers and thermic fluid heaters are taxable at 12.5 per cent under Entry 60(2) and 103 respectively of list of goods taxable at 12.5 per cent notified under KVAT Act, 2003. This rate of tax applicable on these commodities has been clarified by the Commissioner of Commercial Taxes in August 2009. Chimney is also taxable at 12.5 per cent under Entry No. 103 of the above notification as it is not included in any of the schedules to the Act.**

M/s. Thermal Tech Engineers, Perumbavoor was a manufacturer and dealer of thermic fluid heater, steam boiler, chimney etc. During 2009-10, 2010-11 and 2011-12, the assessee had sales turnover of ₹ 1.16 crore, ₹ 1.40 crore and ₹ 1.45 crore respectively for those commodities. Audit found that as per annual returns filed by the assessee for the years, the assessee self assessed to tax the above commodities at four per cent against the correct rate of 12.5 per cent. The assessing authority did not select the case for revised assessment to rectify the defect and make good the short levy. This resulted in short payment of tax, cess and interest of ₹ 42.35 lakh.

When this was pointed out in May 2013, the Department stated in September 2013 that notice under Section 25(1) was issued by the assessing officer for levy of tax at 12.5 per cent. This case was reported to Government in May 2014. Their reply has not been received (October 2014).

**2.5.5** (CTO, Special Circle I, Ernakulam)

**Abrasive sheet, asbestos sheet, ignition coil etc., are taxable at 12.5 per cent under entries 1, 10(2)(b) and 33(11) of list of goods taxable at 12.5 per cent notified under KVAT Act, 2003.**

M/s Kummenchery Steels, Thiruvankulam was a dealer in iron, steel, metals, alloys etc. During 2011-12, the assessee did not concede in the annual return any interstate purchase of 12.5 per cent taxable items and entire interstate purchase was shown as four per cent taxable. Further, the assessee did not concede any sales turnover of 12.5 per cent taxable items. Audit scrutinised data available on check post module of Kerala Value Added Tax Information System (KVATIS) and found that assessee had effected interstate purchase of 12.5 per cent taxable items such as abrasive sheet, asbestos sheet, ignition coil etc., for ₹ 1.72 crore. As there was no closing stock of 12.5 per cent taxable items, it was evident that corresponding sales turnover was included in four per cent taxable sale. Self assessment at incorrect rate of tax on commodities worth ₹ 1.72 crore (without considering GP) resulted in short remittance of tax, cess and interest of ₹ 17.15 lakh.

The case was pointed out to the Department in September 2013 and reported to Government in June 2014. Their replies have not been received (October 2014).

**2.5.6 (CTO, Special Circle, Malappuram)**

**As per list of goods taxable at 12.5 per cent notified under KVAT Act, 2003, cosmetics including hair oil, hair cream etc., are taxable at 12.5 per cent. As per proviso 13 to Section 6(1) of the Act, tax payable on *ayurvedic* cosmetic products manufactured under a drug license granted under the Drugs and Cosmetics Act, 1940 (Central Act 23 of 1940) containing added medicaments having subsidiary therapeutic or prophylactic uses shall be four per cent for the period from 1 April 2005 to 12 November 2009.**

M/s Santhosh Pharmacy, Kadalundi Nagaram was a manufacturer and dealer in *ayurvedic* products. During 2011-12, they self assessed their sales turnover of *ayurvedic* cosmetic products coming under the list of 12.5 per cent taxable goods notified under KVAT Act, 2003 for ₹ 2.09 crore at four per cent on maximum retail price by classifying them as medicines. Misclassification resulted in short remittance of tax, cess and interest of ₹ 15.03 lakh.

Audit pointed out this to the Department in May 2013 and reported to Government in February 2014. Their replies have not been received (October 2014).

**2.5.7 (CTO, Special Circle, Malappuram)**

**Under entry 45 of the list of goods taxable at 12.5 per cent notified under KVAT Act, 2003, furniture made from any material is taxable at 12.5 per cent till 31 March 2012.**

M/s. Tiptop Furniture Industries, Kottakkal was a dealer in furniture and furnishing materials. During 2011-12, the assessee filed annual return disclosing total local sales turnover of ₹ 17.82 crore. This included turnover classified as sale of handicrafts for ₹ 1.21 crore which was self assessed to tax at four per cent. As per closing stock of inventory, Audit found that the commodity classified as handicrafts was nothing but carved wooden settee, dining table etc. Hence, these were classifiable as furniture taxable at 12.5 per cent. The assessing authority did not select the case for revised assessment to rectify the defect. The misclassification resulted in short remittance of tax, cess and interest of ₹ 11.59 lakh.

This case was pointed out to the Department in May 2013 and reported to Government in February 2014. Government stated (July 2014) that assessment had been completed creating additional demand of ₹ 12.62 lakh and the amount has been recommended for revenue recovery. Further report has not been received (October 2014).



**2.5.8** (CTO, Special Circle II, Ernakulam)

**As per Section (2liiA) of KVAT Act, 2003 used motor vehicles means a motor vehicle purchased and registered under the Motor Vehicles Act, 1988 and used for a minimum of 15 months subsequent to registration. Under proviso 10 to Section 6(1) of KVAT Act, 2003, the rate of tax on the sale of used motor vehicles is 0.5 per cent.**

M/s Indus Motors Company (P) Limited, Kochi was a dealer in motor vehicles and parts. As per the annual return for 2009-10 filed by the assessee, their conceded total and taxable sales turnover of used motor vehicles were ₹ 45.97 crore and ₹ 45.75 crore respectively. The taxable turnover was self assessed to tax at 0.5 per cent. Assessing authority confirmed from the website of the motor vehicles department that 21 of these motor vehicles, the sale value of which amounted to ₹ 56.17 lakh were not actually used for minimum period of 15 months and completed the assessment (September 2012) applying 12.5 per cent tax on the turnover of ₹ 56.17 lakh. The original assessment was revised (June 2013) on detection of suppression by data mining team of the Department. However, Audit found that subsequently based on application from the assessee for rectification of some errors in the assessments, another assessing officer assessed the entire sales turnover of ₹ 45.97 crore conceded by the assessee as used motor vehicles in their annual return at 0.5 per cent. Assessment of tax on vehicles used for less than 15 months at the rate applicable to used vehicle resulted in short levy of tax, cess and interest of ₹ 9.67 lakh.

When this was pointed out in audit (November 2013), the Department stated that the matter would be examined. The case was reported to Government in June 2014. Their reply has not been received (October 2014).

**2.5.9** (CTO, (WC&LT), Kollam)

**As per Section 6(1) of the KVAT Act, 2003 transfer of goods involved in the execution of works contract where transfer is not in the form of goods is liable to be taxed at 12.5 per cent. Tyre retreading contract is a works contract where transfer of goods does not take place in the form of goods as evident from the fact that it is included as item 4 in table below Rule 10 (2)(b) of KVAT Rules, 2005. The Rule specified the labour and other charges to be deducted as percentage of the value of the works contract in cases where the actual turnover is not ascertainable from the books of accounts or the dealer has not maintained any books of accounts.**

M/s Quilon Tyres and Treads, Kollam was an assessee who had a contract receipt of ₹ 86.06 lakh during 2010-11 from retreading of tyres. The assessee split the contract as sale of materials (₹ 66.48 lakh) and labour charges (₹ 19.58 lakh) and assessed tax at four per cent on former portion treating it as sale of tread rubber and availed exemption on the later. Since tyre retreading contract is a works contract, transfer value of goods has to be assessed to tax at 12.5 per cent. Failure

to levy tax at 12.5 *per cent* resulted in short levy of tax, cess and interest of ₹ 6.91 lakh.

This case was pointed out (February 2013) to the Department and reported to the Government in November 2013. Government stated (April 2014) that assessment has been completed (December 2013) creating total additional demand of ₹ 10.51 lakh and demand notice has been issued to the dealer. Further report has not been received (October 2014).

**2.5.10** (CTO, (WC&LT), Pathanamthitta)

**According to proviso to Section 8(a)(ii) of KVAT Act 2003, the compounded tax payable by any works contractor registered under the provisions of CST Act, 1956 or an importer, in respect of contract awarded by Government of Kerala shall be four *per cent* of the whole contract amount. Section 7(5) of the CST Act, 1956 requires the dealer to apply for cancellation of registration not later than six months before the end of a year and cancellation of registration shall take effect from the end of the year.**

M/s Mathew Abraham, Ranni was a works contractor registered under CST Act, 1956. During 2010-11, the assessee self assessed his contract receipts from Government of Kerala at compounded rate of three *per cent* and the assessing authority revised the assessment in May 2012 creating additional demand of ₹ 4.73 lakh at differential rate of one *per cent*, cess and interest. But CTO (WC&LT), Pathanamthitta, cancelled the same on the ground that the dealer had no CST Registration. Audit found that the assessee requested the assessing authority in January 2010 for the revalidation of C Forms upto 30 June 2010. From this, it is evident that the assessee had not applied for cancellation of registration six months prior to April 2010 without which cancellation of registration would not be effective during 2010-11. Hence, the assessee was liable to pay compounded tax at four *per cent*. Application of incorrect rate resulted in short levy of tax, cess and interest of ₹ 5.03 lakh.

This case was pointed out in December 2012 to the Department and was reported to Government in December 2013. Government stated (July 2014) that assessment for the year 2010-11 has been completed creating additional demand of ₹ 5.70 lakh. Further report has not been received (October 2014).



## 2.6 Short levy of tax due to incorrect claim of input tax/special rebate allowed

Excess input tax credit/special rebate was availed resulting in short levy of tax.

### 2.6.1 (8 CTOs<sup>7</sup>)

As per Section 30(3) (a) of KVAT Act, 2003, no registered dealer shall collect any sum purporting to be by way of tax on the sale of any goods at a rate exceeding the rate at which he is liable to pay tax. Thus, collection of tax in excess of the amount of tax actually due is illegal. The first proviso below Section 11(3) of KVAT Act, 2003 stipulates that no input tax credit shall be allowed to any tax illegally collected. As per Section 67(1)(e) of KVAT Act, 2003, bogus claim of input tax credit will attract penalty upto twice the amount of tax or other amount evaded or sought to be evaded.

As per annual returns filed by 13 dealers in eight CTOs, Audit found that the assessee availed input tax credit for the purchases made by them in excess of what was actually due to them. The assessing authority did not select the case for revised assessment to rectify the defect. This resulted in short levy of tax, cess and interest of ₹ 2.40 crore. Penalty upto ₹ 3.01 crore was also leviable in these cases as shown in **Appendix V**.

When the case was pointed out to the Department in September 2014, it was stated that a detailed report would be furnished soon after the verification from the offices concerned. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

**2.6.2 Under proviso 3 to Section 11(3) read with proviso 3 to Section 12(1) of KVAT Act, 2003 where any goods purchased in the State are subsequently sent outside the State or used in the manufacture of goods and the same are sent outside the State by sale in the course of inter-state trade, which is exempted from tax, input tax credit and special rebate shall be limited to the amount of input tax/purchase tax paid in excess of four *per cent* on the purchase turnover of such goods sent outside the State. As per Rule 12A of KVAT Rules, 2005, where taxable goods are used during a return period partly in relation to taxable transaction and partly in relation to exempted or non-taxable transaction, the input tax paid or special rebate to which the dealer has become entitled to during such return period shall be apportioned between the taxable and exempted transactions on the basis of the ratio of taxable and exempted turnover and the portion relating to exempted sale or transaction shall be disallowed.**

<sup>7</sup> CTOs I Circle, Palakkad, Special Circles Alappuzha, Kannur, Kollam, Kottayam, Thrissur, Special Circle III, Ernakulam and Special Circle II, Kozhikode.

- (CTO, Special Circle I, Kozhikode)

M/s Parisons Foods (P) Limited, Kozhikode was a dealer in edible oil, coconut oil and industrial inputs etc. During 2010-11, interstate stock transfer constituted 17.78 *per cent* of its disposal of goods excluding trading of coconut oil and high sea sale. Total local purchase excluding coconut oil being ₹ 55.92 crore, local purchase proportionate to stock transfer for which input tax credit to be disallowed was ₹ 9.94 crore. However, the assessee availed entire tax paid on local purchase as input tax credit. The assessing authority did not select the case for revised assessment to rectify the defect. This resulted in short payment of tax, cess and interest of ₹ 46.99 lakh.

The case was pointed out to the Department in September 2012 and reported to Government in June 2013. Their replies have not been received (October 2014).

- (CTO Special Circle, Perumbavoor)

M/s E.V. Mathai & Sons, Kothamangalam was a dealer in rubber sheets and rubber products. During 2011-12, the sales turnover conceded by the assessee was ₹ 124.32 crore. Out of this, taxable sale was for ₹ 46.68 crore (37.55 *per cent*) and the balance of ₹ 77.64 crore (62.45 *per cent*) was exempted as interstate sale. The assessee availed excess input tax credit and paid less purchase tax as detailed in **Table - 2.3 and Table - 2.4.**

**Table - 2.3**

Local purchase from registered dealers	Tax at 4 <i>per cent</i> on local purchase	Input tax credit		
		admissible (37.55 <i>per cent</i> of ₹4.59 crore )	availed	availed in excess (A)
(₹)	(₹)	(₹)	(₹)	(₹)
114.83 crore	4.59 crore	172.47 lakh	177.78 lakh	5.31 lakh

**Table - 2.4**

Local purchase from unregistered dealers	Local purchase proportionate to interstate sales (62.45 <i>per cent</i> )	Purchase tax		
		due 4 <i>per cent</i>	paid	short payment (B)
(₹)	(₹)	(₹)	(₹)	(₹)
659.50 lakh	411.86 lakh	16.47 lakh	11.40 lakh	5.07 lakh
<b>Total short payment of tax (A) + (B)</b>				<b>10.38 lakh</b>

This resulted in short payment of tax, cess and interest of ₹ 11.95 lakh.

The case was pointed out to the Department in July 2013 and reported to Government in May 2014. Their replies have not been received (October 2014).



- (CTO, II Circle, Kannur)

M/s Bushra Plywoods & Wood Industries and Jas Plywood, Kannur were Small Scale Industrial (SSI) units eligible for exemption from payment of CST. The assessee availed benefit of CST exemption during the years 2005-06 and 2006-07. Since their interstate sales were exempted from payment of tax, the input tax at four *per cent* on purchase proportionate to exempted interstate sales should have been disallowed. Audit found that the assessing authority allowed the input tax paid by the assessee in full and excess input tax credit amounting to ₹ 6.91 lakh was refunded to the assessee. This resulted in short levy of tax and interest of ₹ 11.60 lakh.

This was pointed out to the Department between December 2012 and January 2013 and reported to Government in June 2013. Government replied (January 2014) that the assessment in respect of the above dealers for the years 2005-06 and 2006-07 had been completed by the assessing officer demanding tax and interest of ₹ 4.70 lakh and ₹ 7.14 lakh respectively after the defect being pointed out by Audit. Appeal is pending before DC (Appeal), Kozhikode. Further reply has not been received (October 2014).

- (CTO, Special Circle, Thiruvananthapuram)

M/s. Kerala State Electronics Corporation, Manvila was a dealer in electronic goods. During 2010-11, they had local purchase for ₹ 4.38 crore and they availed input tax credit of ₹ 36.23 lakh. Out of the total disposal of goods for ₹ 8.91 crore, ₹ 2.43 crore constituting 27 *per cent* of the total goods disposed during the year was stock transferred outside the State. As such, four *per cent* input tax credit proportionate to interstate stock transferred out had to be reversed. Availing of excess input tax claim resulted in short remittance of tax, cess and interest of ₹ 5.69 lakh as shown in **Table - 2.5**.

Table - 2.5

	(₹ in lakh)
Total disposal of goods	891.40
Interstate stock transfer out	243.25 (27 <i>per cent</i> )
Total local purchase turnover for which input tax credit was claimed	438.38
Local purchase value proportionate to stock transfer (27 <i>per cent</i> of ₹ 438.38 lakh)	118.36
Input tax claim to be disallowed (four <i>per cent</i> )	4.73
<b>Total short levy including cess and interest</b>	<b>5.69</b>

The case was pointed out to the Department in December 2012 and reported to Government in January 2014. Government stated (April 2014) that the assessee had been directed (February 2014) to remit the excess input tax credit availed. Further report has not been received (October 2014).

**2.6.3** (CTO, Special Circle II, Ernakulam)

**As per Rule 10(b) of KVAT Rules, 2005, while determining the taxable turnover of a dealer, all amounts allowed to purchasers in respect of goods returned by them within a period of ninety days from the date of delivery of the goods can be deducted from the total turnover of the dealer. As per Section 41 of KVAT Act, 2003, the dealer effecting the sale shall issue to the purchaser a credit note in such cases.**

M/s Apollo Tyres Limited, Kochi was a dealer in tyres, tubes, flaps, tread rubber etc. Audit found that as per the annual return filed by the assessee for 2011-12, the assessee claimed credit of ₹ 12.00 lakh as tax element of credit note. The above tax credit was not admissible as there was no corresponding sales return as per Form 13A. Incorrect claim of tax credit resulted in short remittance of tax, cess and interest of ₹ 14.55 lakh.

When this was pointed out (January 2014), the assessing authority stated that the matter would be examined. Further, this case was reported to Government in June 2014. Their reply has not been received (October 2014).

**2.6.4 As per Section 25 of KVAT Act, 2003 where any input tax credit or special rebate has been wrongly availed of, the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgment, input tax credit or special rebate that has been wrongly availed of and disallow the input tax credit or special rebate wrongly availed of. As per Section 20A of KVAT Act, 2003, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.**

• (CTO, Special Circle I, Ernakulam)

M/s Bams Condiments Impex Private Limited, Kochi was a dealer in food products, edible oil, flours etc. Audit scrutiny revealed that the assessee availed input tax credit of ₹ 8.07 lakh on purchases aggregating ₹ 3.05 crore from a sister concern during 2011-12. Audit found that as per sale lists filed by the sister concern in KVATIS, their aggregate sales to the assessee during the year was only ₹ 69.29 lakh and output tax collected and remitted to Government was ₹ 1.65 lakh. But assessing authority did not reassess the case under Section 25 and disallow incorrectly availed input tax credit of ₹ 6.42 lakh. This resulted in short remittance of tax, cess and interest of ₹ 7.58 lakh.

When this was pointed out in October 2013, the Department stated that the case would be examined. Further, this case was reported to Government in June 2014. Their reply has not been received (October 2014).



- (CTO, Special Circle II, Ernakulam)

M/s Lan Mark Shops India Private Limited, Ernakulam was a dealer in electrical and electronic goods. As per the annual return filed for 2011-12, the assessee had purchase returns of commodities taxable at 12.5 per cent and four per cent amounting to ₹ 1.05 crore. Audit found that for reversing input tax credit, the dealer calculated tax of ₹ 7.36 lakh only on the above purchase return against the actually due tax of ₹ 12.96 lakh leading to short assessment of tax of ₹ 5.60 lakh as shown in Table - 2.6.

Table - 2.6

Sl. No.	Description of goods	Rate of tax (%)	Value	Tax (₹ in lakh)		
				due	assessed	Short assessment
1	White goods, electrical and electronic goods, microwave oven and cooking range, air conditioner etc.	12.5	103.26	12.90	7.31	5.59
2	Electronic goods, iron & steel and its products	4	1.49	0.06	0.05	0.01
<b>Total</b>				<b>12.96</b>	<b>7.36</b>	<b>5.60</b>

This resulted in excess availing of input tax credit and consequent short remittance of tax, cess and interest of ₹ 6.79 lakh.

This case was pointed out (January 2014) to the Department and was reported to Government in June 2014. Government stated (October 2014) that the assessing authority had completed the assessment (February 2014) and the assessee had paid ₹ 7.56 lakh. The reply was not tenable as actual tax amount due was ₹ 12.96 lakh but only ₹ 7.56 lakh has been paid.

## 2.7 Short levy of tax due to escape of turnover from assessment

Turnover conceded in the return was less than that arrived at as per Rule.

**2.7.1** As per Rule 10(2)(a) of the KVAT Rules, 2005, in relation to works contract in which transfer of property takes place not in the form of goods but in some other form, the taxable turnover in respect of the transfer of property involved in the execution of works contract, shall be arrived at after deducting labour and other charges specified thereunder from the total amount received for the execution of the works contract. However, if the taxable turnover so arrived at falls below the cost of goods transferred in the execution of works contract, an amount equal to the cost of goods transferred in the execution of works contract together with profit, if any, shall be the taxable turnover in respect of such works contract.

- (CTO (WC&LT), Palakkad)

M/s Oceanus Dwellings (P) Limited, Palakkad was a works contractor. During 2010-11, the assessee had a total contract receipts of ₹ 20.73 crore. From this, the assessee availed an exemption of ₹ 7.24 crore towards payment to subcontractors and ₹ 5.65 crore under Rule 10. Out of the remaining turnover of ₹ 7.84 crore, ₹ 1.42 crore was assessed to tax at compounded rate of three *per cent* and balance turnover of ₹ 6.42 crore, as non-compounded turnover. Audit found that as per the annual return filed, the assessee had purchases of ₹ 13.09 crore. As such, the non-compounded portion of works contract assessable should not be less than ₹ 13.09 crore against which turnover assessed to tax was ₹ 6.42 crore. Escape of turnover over ₹ 6.67 crore from assessment resulted in short remittance of tax, cess and interest of ₹ 1.02 crore.

When this case was pointed out to the Department in February 2013, the assessing authority agreed to examine the case. The case was reported to Government in May 2014. Their reply has not been received (October 2014).

- (CTO, (WC&LT), Kollam)

Shri. L Satheek, Kollam, a works contractor, filed annual return for 2009-10 conceding total contract receipt of ₹ 5.46 crore. As per the annual return, the assessee availed exemption of ₹ 4.68 crore and self assessed tax on the balance turnover of ₹ 78.26 lakh only. Audit found that the cost of goods transferred to the work together with freight and profit element aggregated to ₹ 5.92 crore. Escape of turnover of ₹ 5.14 crore from self assessment resulted in short payment of tax, cess and interest of ₹ 86.42 lakh.

The case was pointed out to the Department in March 2013 and to the Government in November 2013. Government stated (March 2014) that the assessment was revised creating additional demand of ₹ 1.10 crore and the amount was advised for realisation under revenue recovery. Further report has not been received (October 2014).

- (CTO (WC&LT), Kozhikode)

M/s ERA INFRA Engineering Limited, Kozhikode, a works contractor, disclosed a taxable turnover of ₹ 1.40 crore in their annual return for 2009-10, after availing exemption under Rule 10 of KVAT Rules, 2005. Purchase value of goods transferred to the work during the year was ₹ 2.81 crore. The taxable turnover which includes the gross profit as per the provisions of the KVAT Rules, 2005 would come to ₹ 2.89 crore. However, the assessing authority did not re-assess the escaped turnover of ₹ 1.49 crore. This resulted in short levy of tax, cess and interest of ₹ 21.77 lakh.

The case was pointed out to the Department in September 2011 and reported to the Government in March 2012. Government stated (July 2012) that assessment



has been revised creating additional demand of ₹ 18.62 lakh. Further report has not been received (October 2014).

### 2.7.2 (Five CTOs)

**Explanation VII under Section 2(lii) of the KVAT Act, 2003 stipulates that where a dealer sells any goods purchased by him at a price lower than that at which it was purchased and subsequently receives any amount from any person towards reimbursement of the balance of the price, the amount so received shall be deemed to be turnover in respect of such goods. It was judicially held<sup>8</sup> that credit notes issued by the manufacturer to the distributor towards recoupment of additional sale price is for the goods sold by him and such cases clearly attracts Explanation VII.**

Audit noticed between February 2012 and June 2013 that in five offices, the discount/ incentive received in six cases was not reckoned as turnover for assessing to tax, though the dealers concerned sold goods purchased by them at price lower than that at which they were purchased. The assessing authority did not select the cases for assessment to rectify the defect. This resulted in short payment of tax, cess and interest of ₹ 61.16 lakh as detailed in **Table - 2.7**.

Table - 2.7

Sl. No.	Name of assessee Name of the circle	Period/ Commodity/ Rate	Nature of irregularity	(₹ in lakh) Tax, cess and interest leviable
1	AB Traders, Amaravila CTO, Special Circle, Thiruvananthapuram	2010-11 Cement/ White cement 12.5%	Goods purchased for ₹ 15.65 crore were sold for ₹ 15.20 crore. Subsequently the assessee received ₹ 1.42 crore as discount which was not assessed to tax.	21.16
Government stated (April 2014) that assessment was revised creating additional demand of ₹ 17.93 lakh as tax and ₹ 4.48 lakh as interest. The dealer remitted ₹ 7.47 lakh. Further report has not been received (October 2014).				
2	M Abubaker, Amaravila CTO, Special Circle, Thiruvananthapuram	2010-11 Cement 12.5%	Goods purchased for ₹ 8.50 crore was sold for ₹ 8.15 crore. Subsequently the assessee received ₹ 83.83 lakh as discount which was not assessed to tax.	12.49
Government stated (April 2014) that the assessment has been revised creating additional demand of ₹ 11.29 lakh as tax and ₹ 2.71 lakh as interest and the assessee remitted an amount of ₹ 4.67 lakh. Further report has not been received (October 2014).				
3	Lakshmi Digital Plaza, Thrissur CTO, III Circle, Thrissur	2010-11 and 2011-12 Electrical and	Goods purchased for ₹ 1.03 crore and ₹ 5.91 crore during 2010-11 and 2011-12 were sold for ₹ 1.01 crore and ₹ 5.90 crore. The assessee	9.82

<sup>8</sup> 2011(38 VST 74 (Ker) Cement house Vs State of Kerala (High Court of Kerala)



Sl. No.	Name of assessee Name of the circle	Period/ Commodity/ Rate	Nature of irregularity	(₹ in lakh) Tax, cess and interest leviable
		Electronic goods 12.5%	subsequently received discount of ₹ 18.79 lakh and ₹ 48.01 lakh which were not assessed to tax	
	Reply has not been received from Department/Government (October 2014).			
4	M/s Alpha Agencies, Palakkad CTO, II Circle, Palakkad	2010-11 Electronic goods 12.5%	Goods purchased for ₹ 2.26 crore was sold for ₹ 1.97 crore. Subsequently the assessee received ₹ 44.21 lakh as discount which was not assessed to tax.	6.75
	Reply has not been received from Department/Government (October 2014).			
5	M/s Three Star Traders, Tanur CTO, Tirur	2010-11 Cement/ White cement 12.5%	Goods purchased for ₹ 6.53 crore was sold for ₹ 6.32 crore. Subsequently the assessee received ₹ 39.16 lakh as discount which was not assessed to tax.	5.64
	Reply has not been received from Department/Government (October 2014).			
6	M/s Alpha International Traders, Mannarkkad CTO, Special Circle, Palakkad	2010-11 Cement/ White cement 12.5%	Goods purchased for ₹ 12.87 crore was sold for ₹ 12.77 crore. Subsequently the assessee received ₹ 35.56 lakh as discount which was not assessed to tax.	5.30
	Reply has not been received from Department/Government (October 2014).			
<b>Total</b>				<b>61.16</b>

**2.7.3 (CTO, Special Circle, Palakkad)**

As per Section 2(xliv) of the KVAT Act, 2003, sale price includes any sum charged for anything done by the dealer in respect of the goods or services at the time of or before delivery of, excise duty, special excise duty or any other duty or taxes except the tax imposed under KVAT Act, 2003. As per Section 31(5) of the Act, failure to pay tax or any amount assessed or due, within the time prescribed attracts simple interest at the rate of twelve *per cent per annum*. Further, it was judicially held<sup>9</sup> by the Hon. Supreme Court of India that if the seller is under obligation to transport goods to the place of the buyer, any incidental or transportation expenses charged will form part of the sale consideration.

M/s. SEPR Refractories (I) Limited, Palakkad a manufacturer of electrocast refractories, tiles adhesives etc., filed annual return for 2010-11 conceding total sales turnover of ₹ 153.15 crore. Audit found that as per Profit and Loss (P&L) account of the assessee, they had a total sales turnover of ₹ 159.95 crore including

<sup>9</sup> 34 VST 2010(SC) India Meters Vs State of Tamil Nadu.



excise duty. The assessing authority did not re-assess the case to tax the escaped turnover of ₹ 6.81 crore. This resulted in short payment of tax, cess and interest of ₹ 37.92 lakh.

The case was pointed out to the Department in December 2012 and reported to Government in April 2014. Their replies have not been received (October 2014).

#### 2.7.4 (CTO, I Circle, Thiruvananthapuram)

**Sale of disc tapes, solid state non volatile storage devices, smart cards and other media for recording of sound or of other phenomena, whether or not recorded, are liable to be taxed at four per cent under Sl. No. 69 (4) of Third Schedule to KVAT Act, 2003.**

M/s. State Institute of Educational Technology, Thycaud, Thiruvananthapuram filed annual return for 2010-11, conceding a taxable turnover of ₹ 1.30 crore. Audit found that as per the income and expenditure statement forming part of the audited accounts of the assessee, they had an additional income of ₹ 1.06 crore from sale of educational video programmes during the year, which was not included in the annual return and assessed to tax. The assessing authority also did not re-assess the escaped turnover. This resulted in short payment of tax, cess and interest of ₹ 5.23 lakh.

The case was pointed out to the Department in March 2013 and reported to Government in January 2014. Government stated (October 2014) that assessment had been completed creating additional demand of ₹ 5.38 lakh and Revenue Recovery proceeding has been initiated to collect the amount. Further report has not been received (October 2014).

### **2.8 Short payment of tax due to non revision of self assessments having defects/deficiencies**

Assessing authorities did not re-assess tax in the case of defective self assessments.

**2.8.1 As per Section 25(1) of KVAT Act, 2003 where whole or any part of turnover of business has escaped assessment in any year or where for any reason the whole or any part of the turnover has been assessed at a rate lower than the rate at which it is assessable, the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgment, the turnover which has escaped assessment or the turnover which has been assessed at a rate lower than the rate at which it is assessable and assess the tax payable on such turnover. As per instructions of Commissioner of Commercial Taxes<sup>10</sup>,**

<sup>10</sup> Circular No. 16/2011 dated 26.08.2011

registered dealers are required to upload the details of their interstate sales and stock transferred to other states, of goods before the consignment reaches the check posts and the same is approved by the check post authorities when consignments are released from check posts, these details are linked to KVATIS to enable the assessing authority to ascertain whether the transaction appear in returns filed. As per Section 67(1)(d) of KVAT Act, 2003 submission of untrue or incorrect return will attract penalty upto twice the amount of tax or other amount evaded or sought to be evaded.

- (14 CTOs<sup>11</sup>)

Audit cross verified the details of interstate transfer of stock by way of sale or otherwise by the assesseees with that of the annual returns filed by the assesseees and found that 28 dealers under 14 CTOs had failed to report entire/part of their interstate sales and stock transfer out, captured in check post module of KVATIS. The assessing authorities did not re-assess the same under Section 25 of KVAT Act, 2003. This resulted in short payment of tax, cess and interest of ₹ 2.19 crore. Penalty upto ₹ 3.22 crore was also leviable in these cases as shown in **Appendix VI**.

When the case was pointed out to the Department in September 2014, it was stated that a detailed report would be furnished soon after the verification from the offices concerned. The case was reported to Government in September 2014. Their reply has not been received (October 2014).

- (CTO, Special Circle, Malappuram)

M/s Tharayil Automobiles, Perinthalmanna was a dealer in motor vehicles and automobiles spare parts. The assessee filed its annual return disclosing the sales turnover of ₹ 1.72 crore during 2011-12. As per P&L account of the assessee for 2011-12, the closing stock of spares conceded was ₹ 5.18 lakh. Audit found that as per the returns and accounts of the assessee for the previous years, its closing stock of spares for 2011-12 should be ₹ 1.13 crore. Hence, there was a suppression of turnover amounting to ₹ 1.12 crore resulting in short levy of tax of ₹ 15.68 lakh including cess and interest as shown in **Table - 2.8**.

**Table - 2.8**

Sl. No.	Description	Amount (₹ in lakh)
1	Closing stock arrived at by Audit as per details in P&L account	113.25
2	Closing stock as conceded by the assessee	5.18

<sup>11</sup> CTOs Third Circle, Thiruvananthapuram, Special Circle, Alappuzha, Kannur, Kollam, Kottayam, Mattancherry, Palakkad, Thiruvananthapuram, Thrissur, Special Circle I, Kozhikode, Special Circle II, Kozhikode, Special Circle II, Ernakulam, Special Circle III, Ernakulam, Special Circle (Produce) Mattancherry.



Sl. No.	Description	Amount (₹ in lakh)
3	Difference in closing stock	108.07
4	Add conceded GP 3.54 per cent	3.83
5	Sales turnover suppressed	111.90
6	Tax short levied (12.5 per cent)	13.99
7	Cess (one per cent)	0.14
8	Interest (11 per cent)	1.55
9	<b>Total short levy</b>	<b>15.68</b>

This case was pointed out to the Department in May 2013 and reported to Government in February 2014. Their reply has not been received (October 2014).

- (CTO, Special Circle, Malappuram)

M/s.Kerala Automobiles, Manjeri was a dealer in motor vehicles and automobiles spare parts. The sales turnover of spare parts conceded by the assessee for 2010-11 and 2011-12 were ₹ 3.40 crore each. Audit found that the actual sales turnover during the years would come to ₹ 3.99 crore each considering the stock balances, purchases conceded and applying GP of 3.88 per cent admitted by the assessee. The assessing authority did not select the case for assessment levying tax on the suppressed turnover. The suppressed turnover was worked out to ₹ 1.18 crore and resultant short levy of tax amounted to ₹ 17.36 lakh including cess and interest.

This case was pointed out to the Department in May 2013 and reported to Government in February 2014. Their replies have not been received (October 2014).

- (CTO, III Circle, Kozhikode)

M/s. Sahadevan Sons Bakers and Butlers Shop, Kozhikode was selling goods chargeable at different VAT rates – 12.5 per cent, four per cent, one per cent and non-taxable. Audit found that the dealer disclosed ₹ 80.98 lakh as sales turnover of 12.5 per cent taxable items in their annual return for 2010-11. Audit worked out the sales turnover of 12.5 per cent taxable confectioneries as ₹ 1.32 crore for 2010-11 from their trading, profit and loss account and connected records. Apparent misclassification of sale of 12.5 per cent taxable good as exempted/one/four per cent taxable goods resulted in short remittance of tax, cess and interest of ₹ 7.21 lakh. The assessing authority did not re-assess the case to rectify the defects.

The case was pointed out to the Department in July 2012 and reported to Government in June 2013. Their replies have not been received (October 2014).

- (CTO, II Circle, Kannur)

M/s Purushotham Gokuldas, Kannur was a dealer in cosmetics and medicines etc., who was dealing with consignment sale of readymade garments also. During 2010-11, they self assessed to tax a sales turnover of readymade garments for ₹ 48.58 lakh. Audit found that as per audited accounts, the assessee had an opening stock, interstate stock transfer into the State and closing stock of readymade garments for ₹ 1.79 crore, ₹ 71.76 lakh and ₹ 84.88 lakh respectively. As such, the cost of readymade garments sold would be ₹ 1.66 crore which was not completely included in the taxable turnover for self assessment. Thus, the assessing authority did not re-assess the escaped sales turnover of ₹ 1.17 crore. This resulted in short payment of tax, cess and interest of ₹ 5.59 lakh.

The case was pointed out to the Department in November 2012 and reported to the Government in June 2013. Government stated (January 2014) that the assessment had been completed creating additional demand of ₹ 5.82 lakh. The revenue recovery action advised has been stayed (August 2013) by DC (Appeals), Kozhikode. Further report has not been received (October 2014).

- (CTO, II Circle, Thrissur)

M/s FUMR Agro Exports (P) Limited, Thrissur, a dealer in rice, sauces, jams etc., filed their annual return for 2009-10 disclosing the turnover taxable at 12.5 *per cent* as ₹ 26.16 lakh. Audit found that as per their annual return for 2009-10, they had purchased 12.5 *per cent* taxable items for ₹ 64.14 lakh during the year. Closing stock of 12.5 *per cent* taxable goods disclosed being ₹ 6.36 lakh, the sales turnover would come to ₹ 59.43 lakh, considering the conceded gross profit of 2.85 *per cent*. The assessing authority did not re-assess to tax the escaped turnover of ₹ 33.27 lakh. This resulted in short payment of tax, cess and interest of ₹ five lakh.

The case was pointed out to the Department in December 2011 and reported to Government in November 2012. Government stated (July 2013) that assessment was revised creating additional demand of ₹ 5.54 lakh. Further report has not been received (October 2014).

## **2.9 Short levy of tax due to incorrect exemption of turnover**

Turnover was exempted from tax against the provisions of Act.

(CTO, Special Circle I, Ernakulam)

**Section 5(2) of CST Act, 1956 stipulates that a sale or purchase of goods shall be deemed to take place in the course of import of the goods into the territory of India only if the sale or purchase either occasions such import or is**



**effected by a transfer of documents of title to the goods before the goods crossed the customs frontiers of India.**

M/s Voltas Limited, Kochi was a dealer in air conditioners, automobiles spare parts, white goods etc. During 2011-12, the assessee imported fork lift from Italy and sold it to Port Officer, Kollam port and availed exemption on its sales turnover of ₹ 2.84 crore claiming it as sale in the course of import. Audit found that as per the delivery note, the ownership of the commodity was with the assessee even after it crossed customs frontiers of India and hence subsequent sale was intrastate sale liable to be taxed under KVAT Act, 2003. Assessing authority did not re-assess the case rectifying the defect. This resulted in short payment of tax, cess and interest of ₹ 42.09 lakh.

On this case being pointed out in December 2013, the assessing authority stated that the case would be examined. Further, this case was reported to Government in June 2014. Their reply has not been received (October 2014).

### **2.10 Short levy of tax due to non-assessment/incorrect computation of contract receipt**

Contract receipts were not assessed to tax as per the provisions of KVAT Act, 2003

**As per Section 6(1) of the KVAT Act, 2003 transfer of goods involved in the execution of works contract where transfer is not in the form of goods is liable to be taxed at 12.5 per cent on transfer value of goods. The Commissioner of Commercial Taxes clarified<sup>12</sup> in November 2006 that in the case of supply and installation of sign boards, transfer is in the form of goods, irrespective of the fact whether it is a tradable commodity or not. As per KVAT Act, 2003 electric lighting and visual signaling equipment are liable to be taxed at 12.5 per cent under Sl No.33 (14) of the list of goods taxable at 12.5 per cent notified under KVAT Act, 2003.**

- (CTO, Special Circle, Thiruvananthapuram)

Keltron Communications, Thiruvananthapuram did not assess any tax on contract receipts of ₹ 1.11 crore and ₹ 95.18 lakh received during 2009-10 and 2010-11 respectively towards supply, erection and commissioning of traffic signal system. As the contract was for signaling system which is in the form of goods, the entire turnover was liable to be assessed at 12.5 per cent. Non-assessment of contract receipts to tax resulted in short payment of tax, cess and interest of ₹ 33.13 lakh.

This case was pointed out to the Department in December 2012 and reported to Government in January 2014. Government stated (April 2014) that pre-

<sup>12</sup> Order No. C7.31433/06/CT dated 18.11.2006

assessment notice had been issued to the assessee to assess the contract receipts. Further report has not been received (October 2014).

- (CTO, Special Circle, Kollam)

M/s Jose Electricals, Kollam was a dealer in electrical goods who undertakes electrical contract works also. During 2008-09, 2009-10 and 2010-11, they received ₹ 95.46 lakh, ₹ 46.29 lakh and ₹ 92.91 lakh respectively on various electrical contract works awarded by Railways, Public Works Department (PWD) Electrical Division, Kollam Corporation, Kerala State IT Mission etc. The assessee claimed exemption from tax on these receipts on the ground that materials involved were already assessed to tax at scheduled rate at the time of purchase. As the assessee is liable to pay tax under Section 6 (1)(f) of KVAT Act, 2003, cost of goods transferred to works contract together with profit element was liable to be assessed at 12.5 per cent. Non assessment of tax on cost of goods along with profit element resulted in short remittance of tax, cess and interest of ₹ 16.70 lakh.

This case was pointed out to the Department in March 2013 and reported to the Government in April 2014. Government stated (August 2014) that the assessments were revised by creating additional demand of ₹ 16.82 lakh. Further report has not been received (October 2014).

### **2.11 Short levy of compounded tax**

Compounded tax was not levied on the newly purchased cone crusher.

(CTO, Thiruvalla)

**As per Rule 11(7) of KVAT Rules, 2005 where any additional machinery or machineries are installed by a dealer producing granite metals with the aid of mechanised crushing machine who had opted for payment of compounded tax, the details thereof shall be furnished to the assessing authority within fifteen days of such installation and the assessing authority shall revise the permission granted. As per Section 8(b) (iv) of KVAT Act, 2003 the compounded tax payable for cone crusher during 2011-12 was ₹ 15 lakh per annum.**

M/s. Kuzhuvamannil Industries, Pullad was a metal crushing unit. They had two primary crushers and four secondary crushers during 2010-11 for which they paid ₹ 16.80 lakh as compounded tax. Audit found that as per annexure to balance sheet of the assessee for 2010-11, they had purchased a cone crusher for ₹ 57.49 lakh during the year and availed admissible depreciation during 2010-11 and 2011-12. However the cone crusher was not taken into account while the assessing authority fixed the compounded tax for 2011-12. Consequently, compounded tax for the year was fixed at ₹ 16.97 lakh (including cess) instead of



₹ 39.69 lakh. This resulted in short payment of tax, cess and interest of ₹ 26.59 lakh.

When the case was pointed out to the Department in October 2013, it was stated that notice had been issued to the dealer. Further, the case was reported to Government in May 2014. Their reply has not been received (October 2014).

### **2.12 Reckoning of sales as works contract and consequent short levy of tax**

The assessee reckoned sales as works contract to reduce tax liability.

(CTO (WC&LT), Thrissur)

**As per KVAT Act, 2003 motor bodies built on chassis of motor vehicles are liable to be taxed at 12.5 per cent. It was judicially held<sup>13</sup> that construction of body on a vehicle is a contract of sale.**

M/s. Renil Auto Garage, Thrissur was an assessee running the business of body building for motor vehicles. During the period from 2006-07 to 2009-10, their total turnover was ₹ 1.61 crore. Audit found that the assessee self assessed to tax the above turnover at two/three per cent, treating it as works contract instead of assessing it as sale at 12.5 per cent. The assessing authority did not select the case for revised assessment to rectify the defect. This resulted in short payment of tax, cess and interest of ₹ 22.26 lakh.

This case was pointed out to the Department in November 2011 and reported to Government in November 2012. Government stated (July 2014) that assessments have been completed creating additional demand of ₹ 22.22 lakh and Revenue Recovery Certificate was issued to collect the amount. Further report has not been received (October 2014).

### **2.13 Non-payment of surcharge**

Surcharge leviable under Kerala Surcharges on Taxes Act, 1957 was not levied.

(CTO, II Circle, Kalamassery)

**As per Section 3(1A) of the Kerala Surcharge on Taxes Act, 1957 (KST Act, 1957) in the case of national or multinational companies functioning in the State as retail chains or direct marketing chains who import not less than 50**

<sup>13</sup> Mckenzie's Ltd. Vs State of Maharashtra (SC) and CC Sebastian Vs State of Kerala (16 KTR 117(Ker))

**per cent of their stock from outside the State or country, the tax payable under KVAT Act, 2003 on goods shall be increased by a surcharge at the rate of 10 per cent, if 75 per cent of the sales are retail business, and total turnover exceeds five crore rupees.**

M/s K-Link Healthcare (India) Private Limited, Kochi was a multinational company involved in direct marketing of health care products. As per annual return filed by the assessee during 2011-12, their entire products for sale were imported from outside the State and sales turnover for the year was ₹ 7.14 crore. Audit found that though more than 75 per cent of their sales were through direct marketing/retail chain, the output tax of ₹ 77.98 lakh was not increased by a surcharge at 10 per cent as per provisions of the KST Act, 1957. This resulted in short payment of surcharge and interest of ₹ 8.66 lakh.

The case was pointed out to the Department in April 2013 and reported to the Government in May 2014. Government stated (October 2014) that the assessment for 2011-12 was completed creating additional demand of ₹ 27.80 lakh. The assessee remitted (January 2014) an amount of ₹ 13.95 lakh. Balance amount is under stay by Hon'ble High Court. Further report has not been received (October 2014).

#### **2.14 Non-levy of tax due to failure of completion of assessment**

The assessing authority did not assess tax on the turnover disclosed in the P&L account.

(CTO, Perinthalmanna)

**As per Section 8 (b) of the KVAT Act 2003, dealers producing granite metals with the aid of mechanised crushing machines can opt to pay tax at compounded rates varying from ₹ 30,000 per annum to ₹ 18 lakh per annum depending on the size and nature of the crusher. As per Section 25 of KVAT Act, 2003 if whole or part of the business of a dealer escaped assessment to tax in any year the assessing authority may, at any time within five years from the last date of the year to which return relates, proceed to determine to best of its judgment, the turnover which has escaped assessment and assess tax payable on the same.**

Inspection conducted by the Intelligence Officer, Squad I, Commercial Taxes, Malappuram, in the business place of M/s Angadippuram Blue Metals, Eranthodu, an unregistered metal crusher unit, during August 2007, revealed a suppression of turnover of ₹ 26.50 lakh, and the intelligence officer imposed (March 2008) a penalty of ₹ 6.62 lakh. The Deputy Commissioner (Appeals) reduced the penalty (February 2012) to ₹ 4.97 lakh, the recovery of which was stayed (July 2012) by the KVAT Appellate Tribunal. As per the trading, P&L account filed, the assessee had sales turnover of ₹ 27.04 lakh for 2007-08.



Though, penalty was imposed for non-registration, non-maintenance of accounts and non-compliance to statutory notices, no action was taken by the assessing authority to assess the turnover disclosed in the P&L account. This resulted in non-levy of tax and interest of ₹ 5.54 lakh.

This case was pointed out to the Department in September 2013 and reported to Government in February 2014. Their replies have not been received (October 2014).

## **Sales Tax**

### **2.15 Short levy of tax due to incorrect computation of compounded tax**

While computing the compounded tax, rate was applied on incorrect turnover tax reckoned for previous year.

**Section 7 of the Kerala General Sales Tax Act, 1963, as amended in July 2006, stipulates that any bar attached hotel not being a star hotel of and above three star hotel, heritage hotel or club, may, at its option, pay turnover tax on the turnover of foreign liquor calculated at one hundred and forty per cent of the purchase value of such liquor or at one hundred and fifteen per cent of the highest turnover tax payable by it as conceded in the return or accounts or the turn-over tax paid for any of the previous consecutive three years, whichever is higher.**

- (CTO I Circle, Tripunithura)

M/s Thiruvankulam Tourist Home, Tripunithura was a bar attached hotel. As per the assessment order for 2008-09, the compounded tax payable by the assessee for the year was fixed at ₹ 38.37 lakh taking the highest turnover tax for the previous consecutive three years. As such, turnover tax for 2009-10 and 2010-11 would come to ₹ 44.56 lakh and ₹ 51.25 lakh respectively including cess, based on the turnover tax for 2008-09. However, while finalising the assessment, the assessing authority fixed turnover tax for 2009-10 and 2010-11 at ₹ 35.18 lakh and ₹ 40.80 lakh respectively. The incorrect computation of compounded tax resulted in short levy of tax, cess and interest of ₹ 25.52 lakh.

This case was pointed out to the Department in November 2013 and reported to Government in May 2014. The Government stated (October 2014) that assessment for 2009-10 and 2010-11 had been revised creating total additional demand of ₹ 27.40 lakh. The assessee remitted ₹ 11.06 lakh and the balance amount of ₹ 16.34 lakh is still pending for realisation under revenue recovery. Further report has not been received (October 2014).

- (AIT & CTO, Kuthiyathode)

M/s Hotel Mithila Bar, Eramallur was a bar attached hotel. While finalising turnover tax assessment for 2007-08, turnover tax at compounded rate was arrived at ₹ 37.06 lakh taking the highest turnover tax payable for the previous three consecutive years. The turnover tax for 2008-09 and 2009-10 were fixed at ₹ 42.62 lakh and ₹ 49.51 lakh respectively, based on the turnover tax fixed for 2007-08. Audit found that the sale of liquor reported in the P&L account of the assessee for 2006-07 was ₹ 3.59 crore and hence the turnover tax payable for



2006-07 would come to ₹ 35.90 lakh. As such, the turnover tax payable for 2007-08, 2008-09 and 2009-10 at 115 per cent of turnover tax of the preceding years would be ₹ 41.28 lakh, ₹ 47.47 lakh and ₹ 54.59 lakh respectively. Incorrect computation of turnover tax resulted in short levy of tax, cess and interest of ₹ 21.13 lakh.

This case was pointed out by Audit in May 2013 and reported to Government in November 2013. Government stated (April 2014) that assessment for the years 2008-09 and 2009-10 were reopened under Section 19 of the KGST Act, 1963 and the revenue recovery proceedings were initiated for recovery of arrears. The assessee also remitted 25 per cent of arrears. The case is pending with DC (Appeals), Kollam. It was also stated that action would be taken to revise the assessment for 2007-08 cancelling the original assessment. Further report has not been received (October 2014).

- (CTO, Special Circle II, Ernakulam)

M/s Hotel Yuvaraj (P) Ltd., Thevara was a bar attached hotel. The turnover tax assessments for 2006-07, 2007-08 and 2008-09 of the assessee were revised in June 2012 and the turnover tax at compounded rate was fixed at ₹ 28.64 lakh, ₹ 30.38 lakh and ₹ 32.43 lakh respectively at 115 per cent of the highest tax payable in previous three consecutive years. Audit found that based on compounded tax fixed for 2006-07, turnover tax for 2007-08 and 2008-09 would be ₹ 32.93 lakh and ₹ 38.52 lakh respectively at 115 per cent of the turnover tax for the preceding year. Incorrect computation resulted in short levy of turnover tax, cess and interest of ₹ 12.28 lakh.

When this case was pointed out by Audit (December 2012), the Department stated in May 2013 that assessments were revised in December 2012 and additional demand of ₹ 3.98 lakh and ₹ 1.30 lakh were created for 2007-08 and 2008-09. Reason for variation in short levy pointed out and additional demand created has not been explained.

The case was reported to Government in May 2014. Their reply has not been received (October 2014).

- (AIT & CTO, Kuthiyathode)

M/s Envees Inn Bar, Eramallur was a bar attached hotel. While finalising turnover tax assessment for 2009-10, the assessing authority fixed the turnover tax at compounded rate of ₹ 21.23 lakh and that of 2010-11 at ₹ 24.41 lakh. Audit found that the assessee conceded the sale of liquor in the P&L account for 2008-09 as ₹ 1.98 crore and hence the turnover tax payable for 2008-09 would come to ₹ 19.75 lakh. As such, the turnover tax for 2009-10 and 2010-11, calculating at 115 per cent of that for preceding years, would be ₹ 22.72 lakh and ₹ 26.12 lakh respectively. Incorrect computation of turnover tax resulted in short levy of tax, cess and interest of ₹ 4.19 lakh.

When the case was pointed out in May 2013, Department stated in July 2013 that assessment under Section 19(1) of the KGST Act, 1963 was completed (June 2013) for the assessment years 2009-10 and 2010-11 and an additional demand of ₹ 4.25 lakh was created. The case was reported to Government in November 2013. Their reply has not been received (October 2014).

## **2.16 Short levy of tax due to incorrect assessment**

Incorrect reckoning of turnover tax resulted in short levy of compounded tax.

As per Section 5(2) of the KGST Act, 1963, bar attached hotels are liable to pay turnover tax at 10 *per cent* of turnover of foreign liquor sold by them. However, as per Section 7 of KGST Act, 1963 bar hotels of below three star can opt for payment of such tax at compounded rate. For bar hotels, the rate effective from 1 July 2006 is higher of (a) the turn over tax on the turnover of foreign liquor calculated at 135 *per cent* of purchase value of liquor, for hotels situated in *panchayat* area and at 140 *per cent* of purchase value of liquor for bar hotels situated in municipal corporation area or (b) 115 *per cent* of highest turnover tax payable by it as conceded in the return or accounts or the turnover tax paid, for any of the previous consecutive three years. As per Rule 13(3) of Foreign Liquor Rules, 1953 (FL Rules, 1953) from 1 April 2007, only three star hotels and above are eligible for bar license but existing licensees not having above classification and functioning on 31 March 2007 shall be regularised. In the case of dealers in foreign liquor other than bar attached hotel, turnover tax payable as per the Act is five *per cent* of the turnover of foreign liquor.

- (CTO, Special Circle, Thiruvananthapuram)

M/s Hotel City Light Private Limited, Pothencode and M/s Hotel City Palace Private Limited, Pottakuzhy were bar attached hotels which opted for payment of tax at compounded rate.

The turnover tax assessments for 2007-08 to 2009-10 of the assesseees were originally finalised as a continuing business in December 2011 and revised in March 2012 accepting the assessee's claim that it was new business, as it was taken over from a firm by a newly incorporated company with effect from 1 April 2007. Consequently, turnover tax for 2007-08 was fixed based on purchase turnover of liquor instead of at 115 *per cent* of the tax payable on 2006-07 which was higher. Tax for 2008-09 and 2009-10 were also fixed based on the incorrectly fixed tax for 2007-08.

Audit found that the companies were registered in October 2005 and had applied for transfer of license in November 2005. As such, the companies were running the business since 2005-06. Bar licenses were in the name of the same individual even after incorporation as company. If they were new entities after 31 March



2007, Rule 13(3) of FL Rules, 1953 ought to have prevented it from grant of bar licence as the hotels had no three star status. Incorrect assessments of 2007-08 to 2009-10 during revision resulted in short levy of tax, cess and interest amounting to ₹ 46.19 lakh as shown in **Table - 2.9**.

Table - 2.9

Name of Assessee/Area Name of office	Turnover tax fixed			Turnover tax payable			(₹ in lakh)
	2007-08 (based on purchase turnover of liquor)	2008-09 (115% of turnover tax for 2007-08)	2009-10 (115% of turnover tax for 2008-09)	2007-08 (based on tax payable for 2006-07)	2008-09 (115% of turnover tax for 2007-08)	2009-10 (115% of turnover tax for 2008-09)	Short levy (including cess and interest)
M/s Hotel City Light Private Limited, Pothencode Panchayat area CTO, Special Circle, Thiruvananthapuram	28.98	33.84	38.92	36.39	42.27	48.61	37.00
M/s Hotel City Palace Private Limited, Pottakuzhy Municipal Corporation area CTO, Special Circle, Thiruvananthapuram	15.98	18.56	21.35	17.80	20.67	23.77	9.19
<b>Total</b>							<b>46.19</b>

These cases were pointed out to the Department in March 2013 and reported to Government in January 2014. Their replies have not been received (October 2014).

- (CTO, Special Circle I, Ernakulam)

M/s Kerala State Co-operative Consumer Federation Limited, Kochi is a dealer in many consumer products and Indian Made Foreign Liquor (IMFL). During 2011-12, the assessee conceded a turnover of ₹ 639.23 crore relating to sale of foreign liquor which was assessed to turnover tax. Audit found from the P&L account that during the year, the assessee had other trading income of ₹ 96.64 lakh being chilling charges. The assessee did not include this turnover for calculating turnover tax. The assessing authority did not select the case for revised assessment to rectify the defect. Escapement of turnover of ₹ 96.64 lakh from assessment resulted in short payment of turnover tax, cess and interest of ₹ 5.71 lakh.

The case was pointed out to the Department in October 2013 and reported to Government in June 2014. Their replies have not been received (October 2014).

### **2.17 Short levy of social security cess due to incorrect computation**

Social security cess was short levied while completing assessment.

(CTO, Special Circle I, Ernakulam)

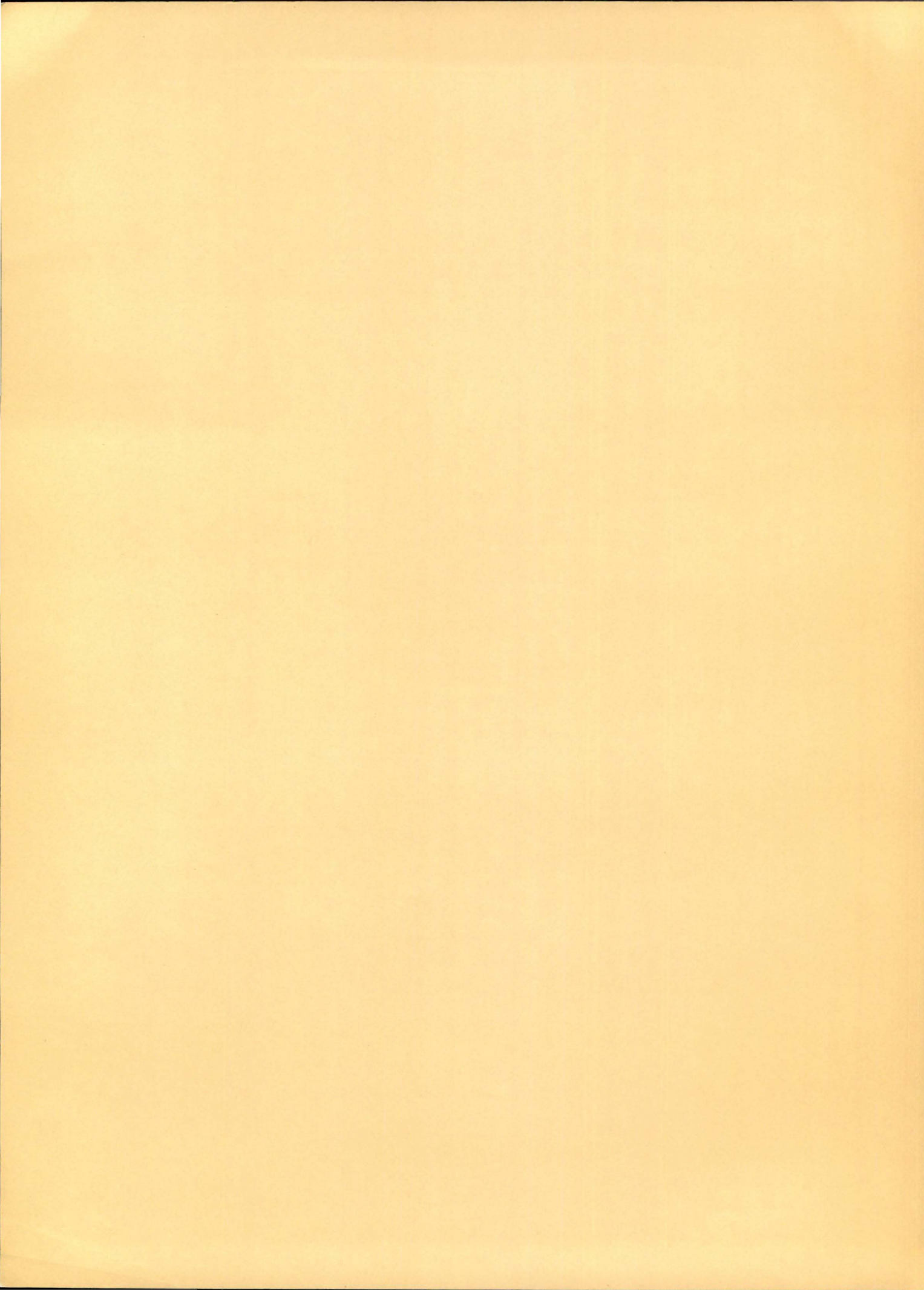
**As per Section 6 of Kerala Finance Act 2008, social security cess at the rate of one per cent is leviable on tax payable under Section 5 and 7 of KGST Act, 1963 from 1 April 2008 onwards.**

M/s. Kerala State Co-operative Consumer Federation Limited, Kochi was a dealer in IMFL along with other consumer products. During 2011-12, they had a turnover of ₹ 639.23 crore relating to sales of IMFL for which turnover tax admitted was ₹ 34.33 crore. Audit found that the assessee was liable to pay one per cent cess on ₹ 34.33 crore which amounted to ₹ 34.33 lakh against which the assessee paid only ₹ 6.83 lakh. The assessing authority also did not take any steps to demand the short remittance of cess. This resulted in short collection of cess and interest of ₹ 32.17 lakh.

When this was pointed out in October 2013, the assessing authority stated that the case would be examined. Further, this case was reported to Government in June 2014. Their reply has not been received (October 2014).



**Chapter III**  
**Taxes on Agricultural Income**





## CHAPTER-III TAXES ON AGRICULTURAL INCOME

### 3.1 Tax administration

The levy and collection of taxes on agricultural income is governed by The Kerala Agricultural Income Tax (KAIT) Act, 1991 and is administered by Commissioner of Commercial Taxes (CCT). The assessment, levy and collection are done by Inspecting Assistant Commissioners (IAC), Agricultural Income Tax and Commercial Tax Officers (AIT & CTO). The Commercial Taxes Department is under the control of the Secretary to Government (Taxes) at the Government level.

The Companies and persons, who derive agricultural income within the State are liable to pay agricultural income tax (AIT). In respect of Companies, tax is chargeable at the rates prescribed in the Schedule to the KAIT Act, 1991. From April 2000, persons holding landed property upto 500 hectares may opt to pay tax at compounded rate. No tax is payable on first five hectares.

### 3.2 Internal audit

The details on working of internal audit wing, though called for (June 2014) have not been furnished by the Department (October 2014).

### 3.3 Results of audit

In 2013-14, test check of the records of nine units relating to agricultural income tax assessments and other records showed underassessment of tax and other irregularities involving ₹ 6.65 crore in six cases which fall under the following categories given in **Table - 3.1**.

Table - 3.1

Sl. No.	Categories	(₹ in crore)	
		Number of cases	Amount
1.	Income escaped assessment	5	6.63
2.	Inadmissible expenses	1	0.02
	<b>Total</b>	<b>6</b>	<b>6.65</b>

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 2.67 lakh in seven cases which were pointed out in audit during the earlier years. An amount of ₹ 2.61 lakh was realised in seven cases during the year 2013-14. A few illustrative cases involving ₹ 2.53 crore are discussed in the following paragraphs.

## **Compliance Audit observations**

### **3.4 Short levy of AIT due to acceptance of claim for deduction from income twice**

Claim of assessee for deduction of ₹ four crore from net profit towards insurance under 'Group gratuity scheme' which has already been shown as expenditure in P&L account for computing net profit was accepted by assessing officer.

(IAC (AIT) Kottayam)

**As per Section 5(k) of KAIT Act, 1991 any sum paid during the previous year to an employee as gratuity in accordance with the provision of the Payment of Gratuity Act, 1972 less such amount if any claimed in any previous year towards provision for gratuity in respect of such employee, is an allowable deduction. Explanation II below Section 5 stipulates that in case of any deduction towards gratuity or bonus, the deduction shall be allowed in the year in which actual payment is made to the employee or to any fund recognised in this behalf by the Government, irrespective of the method of accounting less any deduction already allowed in the previous year or years in respect of the employee.**

The Plantation Corporation of Kerala Limited, Kottayam, a public sector company, claimed ₹ four crore paid against insurance premium under 'group gratuity scheme' as deduction from the net profit to arrive at the agricultural income for the previous year 2009-10 as per the statement of computation. Assessing officer accepted the claim as admissible deduction. Audit scrutiny of the accounts of the assessee revealed that the assessee had already accounted this amount as expenditure in the P&L account for arriving at the net profit along with annual insurance premium. Acceptance of the claim for deduction by the assessing officer resulted in short computation of agricultural income to the tune of ₹ four crore and consequent short levy of AIT of ₹ two crore.

The case was pointed out in audit to the Department in December 2013 and reported to Government in February 2014. Their replies have not been received (October 2014).



### **3.5 Short levy of AIT due to non-reckoning of receipt of previous year against bad debt written off during preceding years**

The assessing officer did not reckon the receipt of the assessee during the previous year against the bad debt written off during preceding years.

(IAC (AIT) Kottayam)

**As per Section 4(2) (iii) of KAIT Act, 1991 any amount received in the previous year in respect of bad debts written off pertaining to any previous year, shall be deemed to be agricultural income received in the previous year.**

As per the P&L account for 2009-10 of The Plantation Corporation of Kerala Limited, Kottayam, a public sector company, they received ₹ 1.38 crore as miscellaneous income which included ₹ 57.85 lakh being bad debt written off in earlier years. Though, any amount received in the previous year in respect of bad debts written off in earlier years should be deemed to be agricultural income of the year in which it is received, the assessing authority while finalising the assessment (October 2012) did not include the above income as agricultural income. This resulted in short levy of AIT of ₹ 28.92 lakh (50 per cent of ₹ 57.85 lakh).

The case was pointed out in audit to the Department in December 2013 and reported to Government in January 2014. Their replies have not been received (October 2014).

### **3.6 Short levy of AIT due to non-consideration of crop insurance received during the previous year**

The assessing officer did not reckon the crop insurance claim received by the assessee during the previous year for computing agricultural income.

(IAC (AIT) Kottayam)

**As per Section 4(2) (ii) of KAIT Act, 1991 when an allowance or deduction has been made in the assessment for any year in respect of loss, expenditure or liability incurred by the assessee and where the assessee has obtained either in cash or in any other manner in respect of such loss, expenditure or some benefit in respect of such liability during the previous year the amount obtained by him or the value of benefit accrued to him shall be deemed to be agricultural income received in the previous year.**

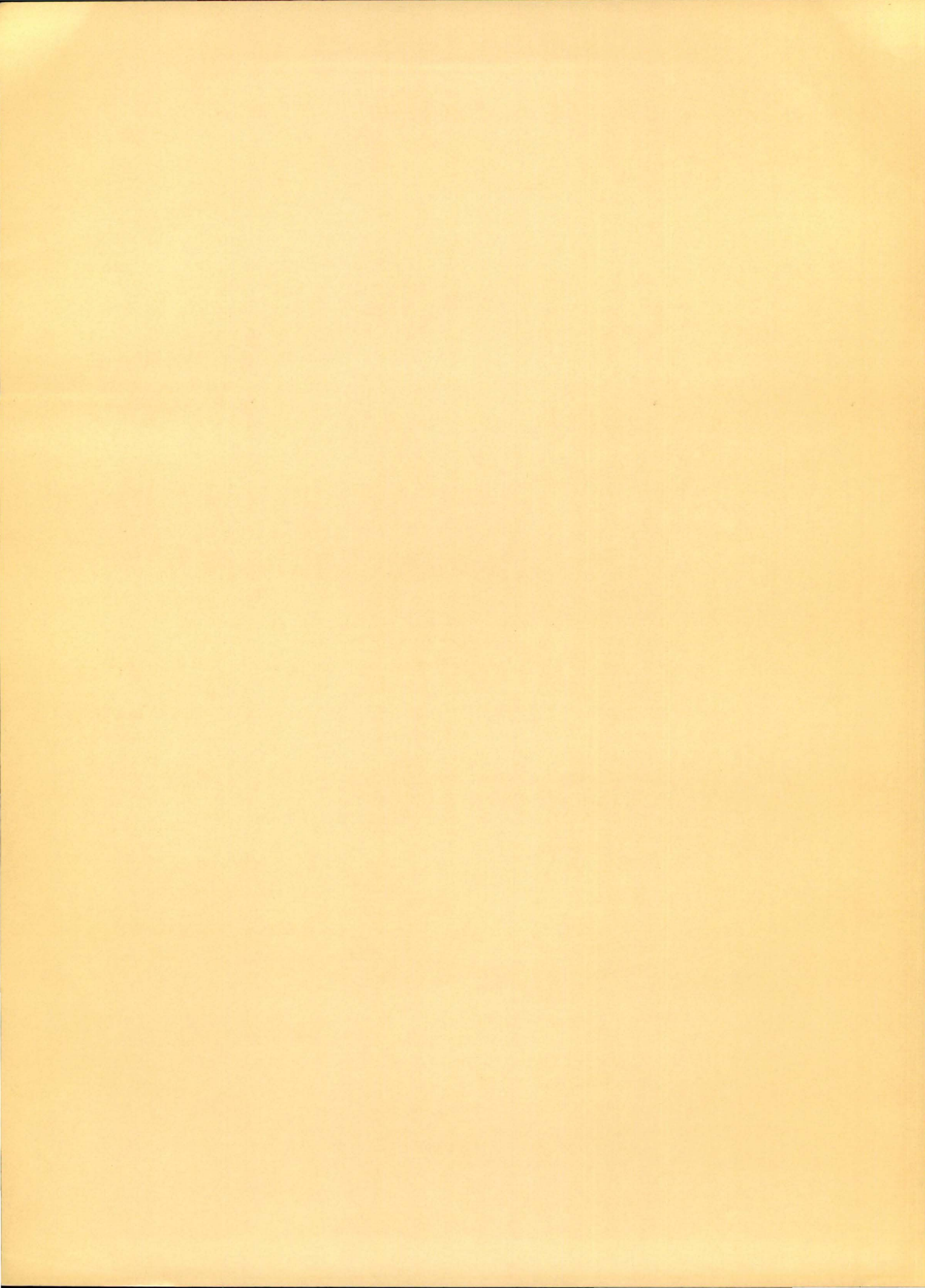
The Plantation Corporation of Kerala Limited, Kottayam, a public sector company, received ₹ 1.38 crore as miscellaneous income as per their P&L

account for 2009-10. Audit found that the miscellaneous income included receipt towards crop insurance of ₹ 48.35 lakh. However, while finalising the assessment for the year 2009-10 (October 2012), the assessing authority did not include ₹ 48.35 lakh as agricultural income for the year 2009-10. This resulted in short levy of AIT of ₹ 24.18 lakh.

The case was pointed out in audit to the Department in December 2013 and reported to Government in January 2014. Their replies have not been received (October 2014).



**Chapter IV**  
**Taxes on Vehicles**





## CHAPTER-IV TAXES ON VEHICLES

### 4.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder. The Transport Department functions under the administrative control of the Transport Commissioner. The levy and collection of tax in the State are governed by the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989 and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976.

### 4.2 Internal audit

Finance Officer attached to the office of the Transport Commissioner (TC) conducts annual audit of offices of the Deputy Transport Commissioners and Regional Transport Offices (RTOs). The Senior Superintendents attached to the office of the Deputy TC conduct internal audit of Sub Regional Transport Offices (SRTOs). Internal Audit team in the office of the Transport Commissioner is comprised of two Accounts Officers and two Senior Superintendents. The internal audit function of the Deputy TC's offices in four zones is looked after by eight Senior Superintendents and eight clerks (two each in each zones). No special training has been imparted to the personnel of the Internal Audit Wing (IAW). An annual inspection programme schedule is prepared well in advance and the internal Audit is being conducted as per the schedule and when an inspection is scheduled, a team is constituted by deploying officials from other sections of the office due to shortage of staff in the Inspection Wing. The periodicity of audit of all offices is 'annual' but the Department could not achieve the target due to lack of proper training. Against the target of 86 units, 52 units were audited during 2013-14. The Department has not prepared a separate Internal Audit Manual. At the end of March 2014, 1,397 paragraphs involving ₹ 125.32 lakh relating to 271 IRs were outstanding. The IAW could clear only 5.80 *per cent* of the outstanding paras during the year.

During 2012-13, against the target of 86 units, 72 units were audited, whereas during 2013-14, only 52 units were audited against the target of 86 units.

### 4.3 Results of audit

Test check of records of 70 units in 2013-14, relating to token tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under National Permit Scheme showed under-assessment of tax and other irregularities involving ₹ 22.51 crore in 392 cases which fall under the following categories as given in **Table - 4.1**.

**Table - 4.1**

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/short levy of tax	157	2.28
2.	Non/short levy of tax due to irregular exemption	3	0.02
3.	Other lapses	232	20.21
	<b>Total</b>	<b>392</b>	<b>22.51</b>

During the course of the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 19.42 crore in 309 cases which were pointed out by Audit. An amount of ₹ 3.03 crore was realised in 152 cases during the year 2013-14. A few illustrative cases involving ₹ 10.69 crore are discussed in the following paragraphs.



## Compliance Audit observations

### 4.4 Loss of revenue due to non-collection of advertisement fee

Advertisement fee as prescribed in the statutes was not collected.

(RTO (NS), Thiruvananthapuram)

**As per Rule 191 of the Kerala Motor Vehicles Rules, 1989, advertisements shall be exhibited on transport vehicles only with the sanction of the State Government or the Regional Transport Authority and on payment of fee<sup>1</sup> of ₹ 10 per 100 sq.cm for a period of one year or part thereof for each vehicle. The advertisement fee due for a year is payable in advance.**

Scrutiny of the details of advertisements sanctioned by the Regional Transport Office (Nationalised Sector), Thiruvananthapuram, revealed that the Kerala State Road Transport Corporation (KSRTC) had not collected the advertisement fees for 2011-13 for advertisements exhibited on 4,800 vehicles by the licensee M/s Koushik Group, Hyderabad (a private firm) on a total area of 4434.76 lakh sq.cm. Though, the licensee violated the agreement conditions that the licensee shall be liable for the payment of advertisement tax or other taxes/rates, if any that may be levied by the Government, KSRTC did not take any action to realise the amount. As the licence period has expired (March 2013) and the licensee left the field, the non-collection of advertisement fee has resulted in loss of revenue of ₹ 8.87 crore.

The KSRTC/Department has not taken any action to realise the fees from the private firm, instead it has appealed (November 2012) to the Government to exempt the firm from payment of advertisement fees, which was not in order.

When this was pointed out (June 2013), the Department stated (June 2013) that the Managing Director, KSRTC had been asked to remit the advertisement fees. Further report about the action taken against the defaulters for the loss of ₹ 8.87 crore has not been received (October 2014).

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted the contention of Audit and assured that the decision on the points highlighted in the audit observation would be taken at the earliest. Final reply has not been received.

<sup>1</sup> SRO No. 65/94 dated 17.7.1994

#### 4.5 Non-imposition of fine in cases of overloaded vehicles

Fine as prescribed in the Act was not realised on overloaded vehicles.

(12 RTOs/20 SRTOs<sup>2</sup>)

As per Section 79 of the Motor Vehicles (MV) Act, 1988 while issuing goods carriage permit, the authority shall mention the maximum gross vehicle weight of the vehicles used in the permit. As per Section 113 of the MV Act, 1988, no person shall drive any motor vehicle or trailer, the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. The power to have a vehicle weighed is entrusted with the officers of the Motor Vehicles Department as per Section 114 of the Act. As per Section 194 of Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention to the provisions of Section 113 shall be punishable with minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 per tonne of excess load together with liability to pay charges for off loading the excess load.

Audit scrutiny in 32 RTOs/SRTOs revealed that as per Check Reports, 475 vehicles were found carrying weight in excess of limit prescribed in the registration certificates issued under the MV Act, 1988. Audit found that the officers who inspected the above vehicles allowed them to proceed without levying the fine prescribed in the Act and without offloading the excess weight. This resulted in non-levy of fine of ₹ 27.66 lakh in 475 cases as shown in **Appendix VII**.

Inaction on the part of the designated inspectors not only resulted in their failure to comply with the provisions of the Act and resultant non-realisation of penalty but possible damage of roads entailing extra expenditure on the repair, etc.

On these being pointed out (between December 2012 and November 2013), the Department stated (between July 2013 and October 2013) that ₹ 27,000 had since been realised in seven cases and action would be taken to realise the fine in remaining cases.

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think

<sup>2</sup> **RTOs:** Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Kozhikode, Malppuram, Muvattupuzha, Palakkad, Thiruvananthapuram and Thrissur  
**SRTOs:** Alathur, Changanassery, Cherthala, Guruvayur, Kanjirappally, Kayamkulam, Kazhakuttom, Kodungallur, Koduvally, Kothamangalam, Mannarkkad, Mavelikkara, Nedumangad, Pattambi, Perumbavoor, Ranni, Thiruvalla, Tirur, Vandiperiyar and Wadakkancherry.



about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

#### **4.6 Short levy of one time tax on migrated/reclassified vehicles**

One time tax realised on reclassified/migrated vehicles was less than those prescribed as per the statutes.

(15 RTOs/28 SRTOs)<sup>3</sup>

**Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 (KMVT Act, 1976) as amended by Finance Act 2007 and Finance Act 2010 stipulates that one time tax is leviable in the case of vehicles such as motor cycles, three wheelers, PSVs (non transport), construction equipment vehicles and motor cars which are originally registered in other States on or after 1 April 2007 and migrated to Kerala State and vehicles registered on or after 1 April 2007 and reclassified from the category of transport vehicles depending on the age of vehicle from the month of original registration.**

During the audit of 43 RTOs/SRTOs, it was noticed that the registering authority short levied one time tax in 927 vehicles migrated from other States/reclassified during the period between April 2010 and May 2013 due to incorrect adoption of age of vehicles. This resulted in short levy of tax of ₹ 1.26 crore in 927 cases as shown in **Appendix VIII**.

On these being pointed out (between December 2012 and November 2013) the Department stated (between July 2013 and November 2013) that in 48 cases, ₹ 8.89 lakh has been collected and action would be taken to realise the short collection in the remaining cases. Further report has not been received (October 2014).

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

<sup>3</sup> **RTOs:** Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara and Wayanad

**SRTOs:** Alathur, Aluva, Angamaly, Changanassery, Chengannur, Cherthala, Guruvayoor, Irinjalakuda, Kanhangad, Kanjirappally, Karunagappally, Kayamkulam, Kazhakuttom, Koduvally, Kothamangalam, Mannarkkad, Mattancherry, Mavelikkara, North Parur, Nedumangad, Neyyattinkara, Pattambi, Perinthalmanna, Perumbavoor, Tripunithura, Tirur, Vaikom and Wadakkanchery

#### 4.7 Short levy of one time tax on registration of new vehicles

One time tax realised on vehicles was less than that prescribed as per the statutes.

(9 RTOs/10 SRTOs<sup>4</sup>)

Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 as amended by Finance Act 2007 and Finance Act 2010 stipulates that one time tax shall be levied on the purchase value of certain categories of vehicles at percentage basis. The rate of one time tax leviable with effect from 1 April 2010 in respect of vehicles having engine capacity of and above 1,500 cc is eight *per cent* and in respect of vehicles having engine capacity below 1,500 cc is six *per cent* of their purchase values respectively. As per the Kerala Finance Act 2012, with effect from 1 April 2012, one time tax shall be levied at the rate of six *per cent*, eight *per cent*, 10 *per cent* and 15 *per cent* respectively of value on vehicles having purchase value upto ₹ 5 lakh, more than ₹ 5 lakh and upto ₹ 10 lakh, more than ₹ 10 lakh and upto ₹ 15 lakh and more than ₹ 15 lakh respectively.

During the audit of 19 RTOs/SRTOs, it was noticed that one time tax amounting to ₹ 14.69 lakh was short levied in 308 cases due to application of incorrect rate of tax or due to depiction of incorrect value of the vehicle as shown in **Appendix IX**.

On these being pointed out (between December 2012 and October 2013), the Department stated (September and November 2013) that ₹ 3.01 lakh had been realised in 64 cases and action would be taken to realise the short collection in the remaining cases.

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

<sup>4</sup> **RTOS:** Attingal, Ernakulam, Idukki, Kasargod, Kozhikode, Palakkad, Thiruvananthapuram, Vadakara and Wayanad  
**SRTOs:** Changanassery, Karunagappally, Kayamkulam, Kazhakkuttom, Nedumangad, Neyyattinkara, Tripunithura, Tirur, Vandiperiyar and Wadakkancherry



#### 4.8 Short levy of tax on stage carriages with mofussil<sup>5</sup> permits

Tax realised on stage carriages with mofussil permits was less than those prescribed as per the statutes.

(RTO Ernakulam, Kasargod and Kozhikode)

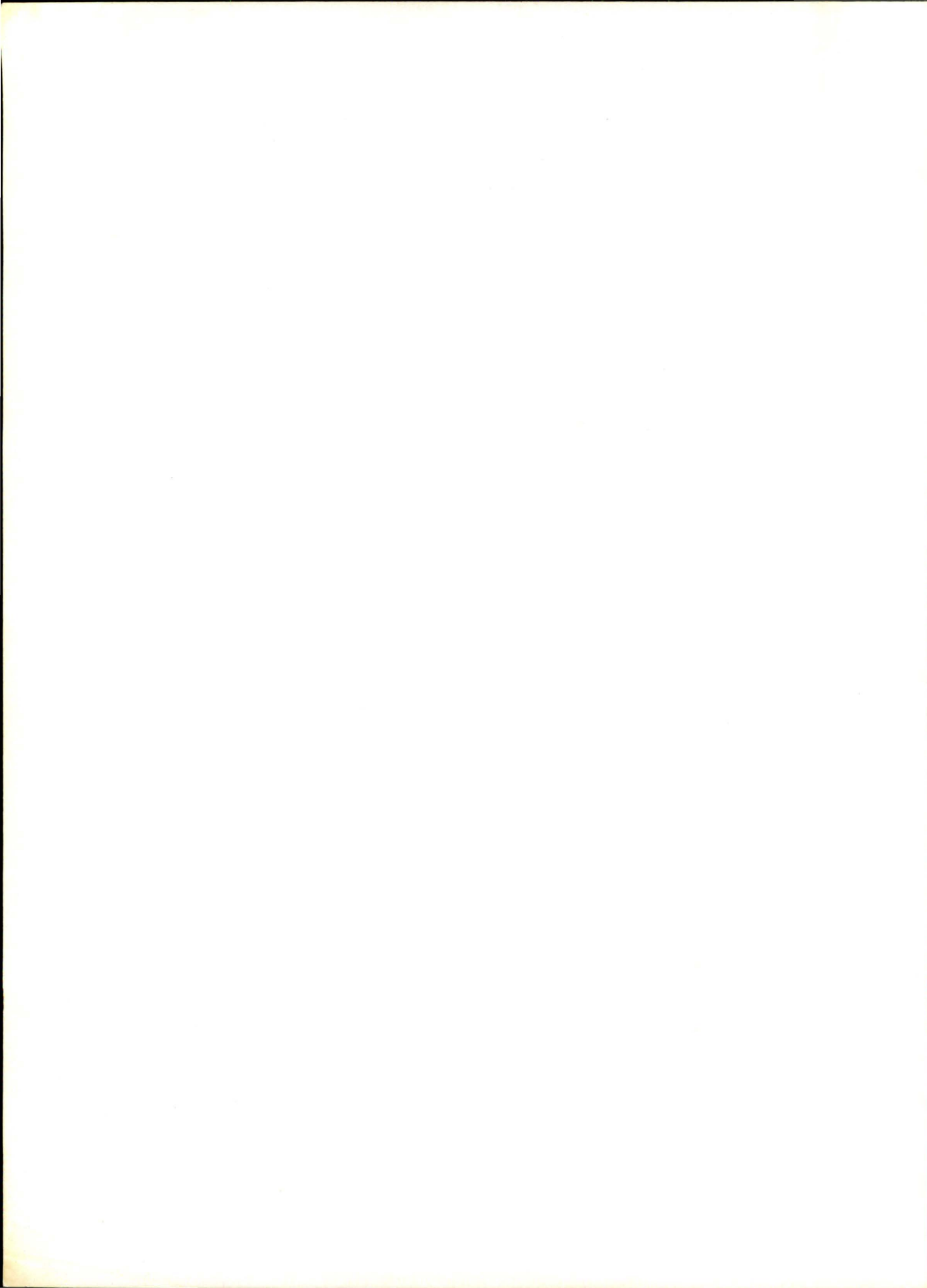
**As per Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976 tax shall be levied at the rates prescribed in the Schedule. Rule 269 (1) of Kerala Motor Vehicles Rules, 1989 prescribes the minimum seating capacity of a stage carriage which shall be directly proportional to the wheel base of the vehicle. As per the Rule, the minimum number of seats may be reduced by one fifth in respect of stage carriages operating as city/town service.**

Audit observed in Regional Transport Offices, Ernakulam, Kasargode and Kozhikode, that tax was collected on the reduced seating capacity from nine stage carriages with mofussil permits. Those stage carriages with mofussil permits were allowed a reduction of one fifth of the total seats and tax was worked out based on the seating capacity arrived at as if they were stage carriages operating as city/town service. This resulted in short levy of tax of ₹ 13.26 lakh for the period 2003-2013 as shown in **Appendix X**.

The case was pointed out between July 2013 and November 2013; the Department stated that in two cases demand notices were issued and in four cases, vehicles were issued with city permits. In the remaining cases, it was stated that details would be intimated later.

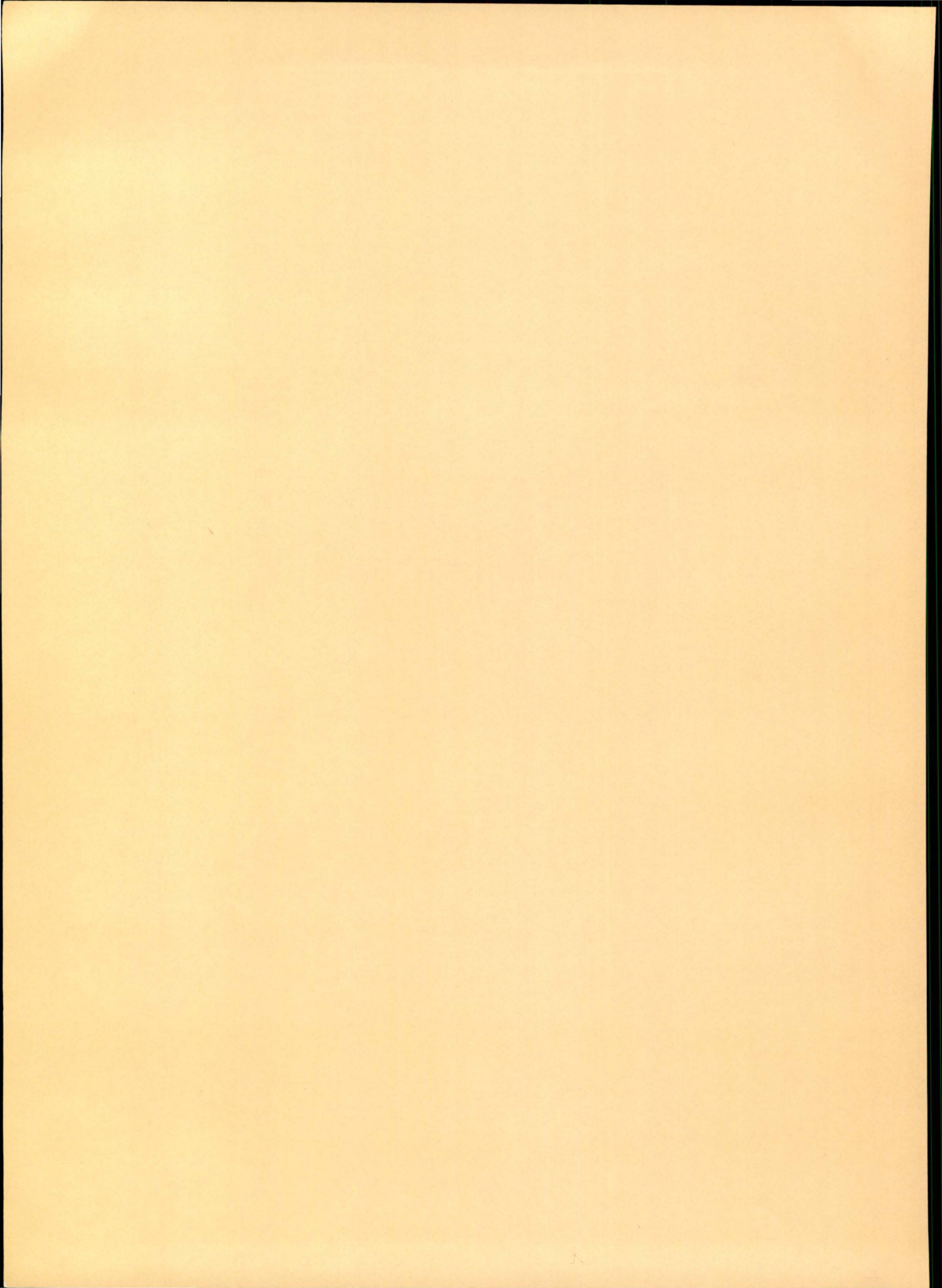
In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

<sup>5</sup> Places beyond the town/city limits





**Chapter V**  
**Land Revenue and Electricity**  
**duty**





## CHAPTER-V LAND REVENUE AND ELECTRICITY DUTY

### A. LAND REVENUE AND BUILDING TAX

#### 5.1 Tax administration

The Revenue and Disaster Management (R&DM) Department is under the control of the Principal Secretary at the Government level and the Commissioner of Land Revenue is the head of the Department. The revenue collection of the Department includes collection of basic tax, building tax, lease rent and plantation tax. The Department realises arrears of public revenue under the Kerala Revenue Recovery Act, 1968 (KRR Act, 1968) with interest and cost of process prescribed.

#### 5.2 Internal audit

The Internal Audit Wing (IAW) of the Department is supervised by the Senior Finance Officer under the control of the Commissioner of Land Revenue. The audit of *Taluk* offices, Revenue Divisional Offices and Revenue Recovery Offices, Offices of Vigilance Deputy Collectors and Central Stamp Depot is conducted once in a period of two to three years. The IAW is handled by one senior superintendent, three junior superintendents, one head clerk and six clerks. The Department stated that due to the shortage of staff and ceiling on travelling allowance, the sub units could not be audited in a year or two. The Department also stated that there is no regular training programme for the staff of IAW. During 2013-14, the IAW planned 42 units for internal audit which was covered during the year. During 2013-14, the Department had cleared only 52 paragraphs out of 20,541 paragraphs which is only 0.25 per cent of the outstanding objections as against 2.42 per cent of the previous year. Thus, the functioning of IAW was not effective.

#### 5.3 Results of audit

The records of 51 units relating to land revenue and building tax were test checked during 2013-14. Under-assessment of tax and other irregularities involving ₹ 17.29 crore were detected in 147 cases which fall under the following categories as given in **Table - 5.1**.

Table – 5.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Under-assessment and loss under building tax	86	3.62
2	Under-assessment and loss under other items	61	13.67
	<b>Total</b>	<b>147</b>	<b>17.29</b>

During the course of the year, the Department accepted under-assessments and other deficiencies involving ₹ 4.60 crore in 96 cases. An amount of ₹ 3.19 crore was realised in 184 cases during the year. A few illustrative audit observations involving revenue of ₹ 1.50 crore are discussed in the following paragraphs.



## Compliance Audit observations

### 5.4 Non-levy of building tax

Buildings were not assessed to building tax by the assessing authority though reported by Village Officers for assessment.

As per Section 5(1) of the Kerala Building Tax Act, 1975, building tax shall be charged on every building the construction of which is completed on or after 10 February 1992 based on the plinth area of the buildings at the rates prescribed. As per Rule 3 of the Kerala Building Tax (Plinth Area) Rules, 1992 every village officer shall transmit to the assessing authority, within five days of the expiry of each month, a monthly list of buildings liable to assessment, together with extracts from building application register of the local authority within whose area the buildings included in the list are situated.

- (Seven *Taluk* offices<sup>1</sup>)

Audit cross-verified the building tax assessment registers of seven *Taluk* offices with the booking registers and collection registers of 44 village offices<sup>2</sup> and found that 167 buildings completed between April 2007 and March 2013 and reported by Village Officers to the assessing authority for assessment of building tax were not assessed to tax. This resulted in non-assessment of building tax of ₹ 51.77 lakh.

The matter was pointed out (between May 2012 and January 2014) to Department and reported to Government in March 2014. The Government stated (August 2014/October 2014) that ₹ 10.98 lakh had been recovered in 98 cases, exempted in four cases involving ₹ 9,900 and action is being taken to realise the amount in remaining cases. Further reply has not been received (October 2014).

<sup>1</sup> Devikulam, Kannur, Mukundapuram, Muvattupuzha, Ottappalam, Pathanapuram and Taliparamba

<sup>2</sup> Kannur II, Velloorkunnam, Marady, Kalloorkad, Onakkur, Anchal, Alaymon, Edamalakkal, Punalur, Thenmala, Valakode, Kulathupuzha, Thalavoor, Piravanthoor, Pattambi, Mannakandom, Pattuvam, Chuzhali, Panniyoor, Kuttiyeri, Kurumathoor, Payyavoor, Kolachery, Kallyad, Malapattam, Ramantholi, Kooveri, Pariyaram, Madayikonam, Kallur, Mattathur, Kuruvilassery, East Chalakudy, West Chalakudy, Kodassery, Kallor Thekkum Mury, Kallor Vadakkum Mury, Kuttichira, Edathirinhi, Kadappassery, Trikur, Kakkulissery, Aloor and Manavalassery.

- (Six *Taluk* offices<sup>3</sup>)

Audit collected the details of buildings completed from the local authorities which were cross-verified with the building tax assessment registers of six *Taluk* offices, the booking registers and collection registers of 13<sup>4</sup> village offices and found that 192 buildings completed between April 2008 and March 2013 were either not reported by Village Officers to the assessing authority for assessment or though reported for assessment were not assessed to building tax by the assessing authority. This resulted in non-assessment of building tax of ₹ 31.09 lakh.

The matter was pointed out (between April 2013 and January 2014) to the Department and reported to Government in March 2014. The Government stated (October 2014) that ₹ 4.97 lakh had been recovered in 43 cases, 15 cases involving ₹ 1.38 lakh had been exempted and action is being taken to realise the amount in remaining cases. Further reply has not been received (October 2014).

### **5.5 Non-realisation of luxury tax and non-demand of interest**

Luxury tax was not assessed and demanded though building tax was assessed. Further, interest was not levied though luxury tax was paid after the prescribed dates

**As per Section 5A of the Kerala Building Tax Act, 1975, a luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings completed on or after 1 April 1999, having a plinth area of 278.7 square metres or more. The Act further stipulates that luxury tax is to be paid in advance on or before 31 March every year. As per Section 19 of the Act, in case of default, such amount shall be recoverable under the law relating to the recovery of arrears of public revenue due on land. Further, the arrears of tax shall attract interest at six per cent per annum from the date of default.**

- (16 *Taluk* offices<sup>5</sup>)

Audit observed after scrutiny of luxury tax assessment records of 16 *Taluk* offices, that in 1,392 cases, the assessee did not pay luxury tax during the period 1999-2000 to 2012-13. Failure of *Tahsildars* of the *Taluk* Offices concerned to take action under Section 19 resulted in non-realisation of luxury tax and interest amounting to ₹ 63.78 lakh.

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<sup>3</sup> Devikulam, Kozhikode, Muvattupuzha, Pathanapuram, Thalassery and Vadakara.

<sup>4</sup> Munnar, Poolakode, Thazhekcode, Muvattupuzha, Velloorkunnam, Marady, Punalur, Valacode, Paniyannur, Manathana, Kolayad, Vadakara and Nadakuthazha.

<sup>5</sup> Changanassery, Kannur, Karthikappally, Kochi, Koyilandy, Mavelikkara, Meenachil, Ottappalam, Ranni, Palakkad, Thalappilly, Thalassery, Thaliparamba, Thiruvananthapuram, Vadakara and Vythiri



The matter was pointed out (between December 2012 and December 2013) to the Department and reported to Government in March 2014. The Government stated (August 2014) that in 738 cases, ₹ 23 lakh had been realised and action is being taken to recover the amount in the 632 cases and no reply has been furnished for the remaining cases. Further reply has not been received (October 2014).

- (Seven *Taluk* offices<sup>6</sup>)

As a result of scrutiny of luxury tax registers of seven *Taluk* offices, Audit found that in 642 cases, the assesseees paid luxury tax for the years 2002-03 to 2011-12 after the prescribed due dates. The delay in payment of tax ranged between 2 to 165 months. The assessing authority accepted the delayed payment of luxury tax without collecting the interest prescribed. The non levy of interest under Section 19 in the above 642 cases amounted to ₹ 3.04 lakh.

The matter was pointed out (between January and May 2013) to the Department and reported to Government in March 2014. The Government stated (August 2014) that ₹ 0.42 lakh had been realised in respect of 242 cases, 16 cases have been exempted from payment of interest and action is being taken to recover the amount from the remaining cases. Further report has not been received (October 2014).

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<sup>6</sup> Kannur, Koyilandy, Kozhikode, Ranni, Thalappilly, Thiruvananthapuram and Vadakara

## B. Electricity Duty

### 5.6 Tax administration

The Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 and Rules made thereunder govern the levy of duty on the sale and consumption of electrical energy. Power Department is under the control of the Secretary (Power) at the Government level and the Chief Electrical Inspector administers the Act with the assistance of Additional Chief Electrical Inspector, Deputy Chief Electrical Inspectors, Electrical Inspectors, Deputy Electrical Inspectors and Assistant Electrical Inspectors on technical matters in Headquarters office.

### 5.7 Internal audit

The details called for (June 2014) from the Department have not been received (October 2014).

### 5.8 Results of audit

Test check of the records of nine units in 2013-14 relating to the Power Department showed non/short levy of tax involving ₹ 51.93 lakh in five cases as given in **Table - 5.2**.

Table – 5.2

Sl. No.	Categories	(₹ in lakh)	
		Number of cases	Amount
1.	Non/short levy of tax	5	51.93

During the course of the year, the Department did not accept any cases of underassessment and other deficiencies which were pointed out in audit during the year 2013-14. No amount was realised during the year 2013-14. An illustrative case involving ₹ 18.26 lakh is discussed in the following paragraph.



## Compliance Audit observations

### 5.9 Short levy of electricity duty

Licensees collected electricity duty only at 10 paise per unit of energy consumed from the low tension consumers instead of at 10 *per cent* of invoice price.

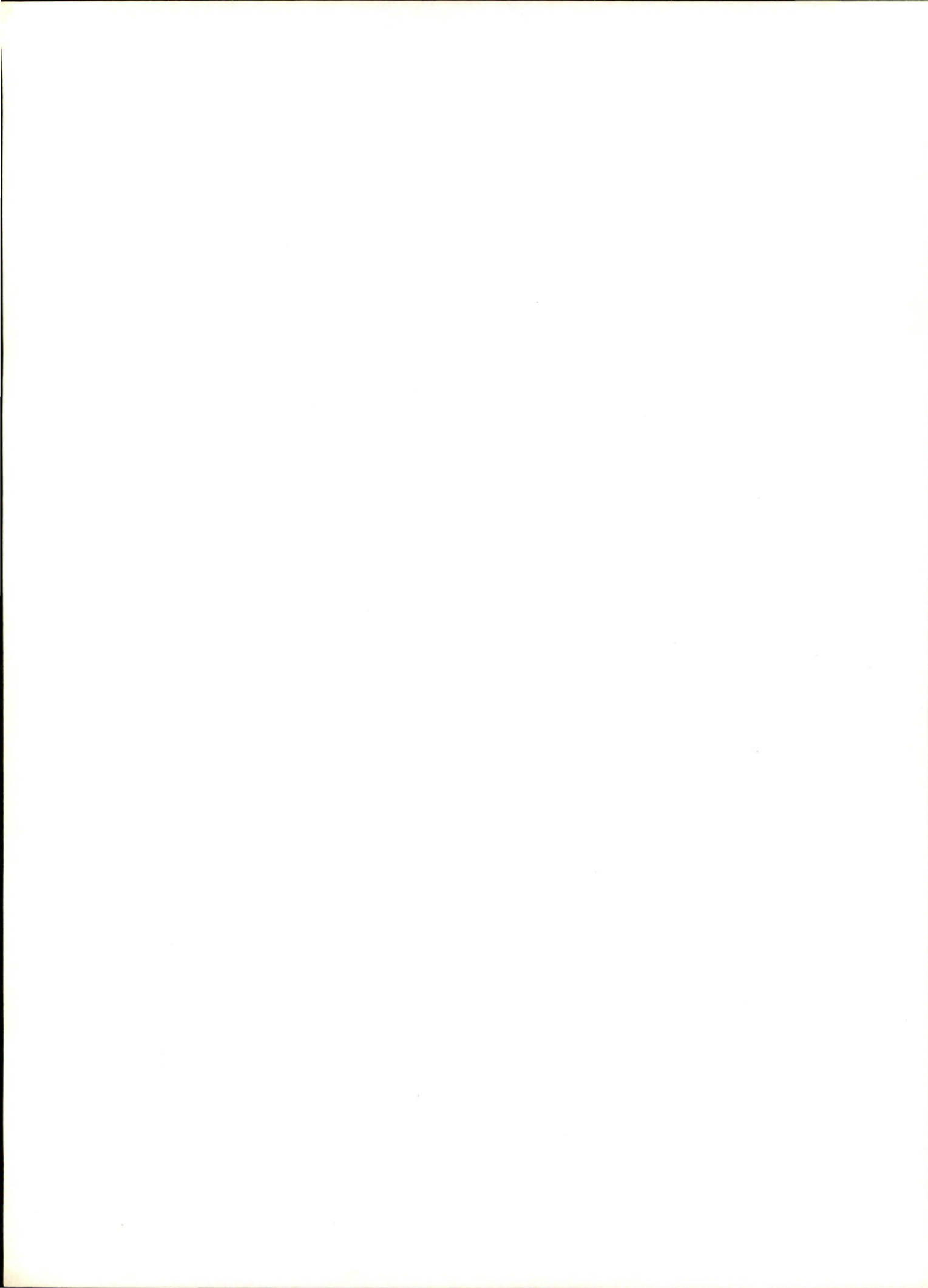
(Chief Electrical Inspectorate, Thiruvananthapuram)

As per the tariff of the Kerala State Electricity Regulatory Commission, supply of electrical energy at a voltage exceeding 33 KV under normal conditions is classified as Extra High Tension (EHT) consumer and supply at 33 KV and 22 KV or 11 KV is considered as High Tension (HT) consumer. As per schedule of the Kerala Electricity Duty Act 1963, electricity duty at 10 paise per unit is to be charged from industrial consumers taking supply of energy at 11 KV and above and in all other cases electricity duty at the rate of ten *per cent* of the price of energy indicated in the invoice including industrial consumers taking supply of energy at points below 11 KV. As per Section 8 of the Act, any sum due on electricity duty, if not paid shall be deemed to be in arrears and interest not exceeding eighteen *per cent per annum* shall be payable on such sums. Thrissur Municipal Corporation and M/s Kannan Devan Hills Plantations Co. (P) Ltd (KDHP) are licensees for distributing electric energy in their area of operation. Consumers/licensees are liable to collect and pay electricity duty stipulated under Section 5(1) of the Kerala Electricity Duty Act 1963.

Audit scrutiny of details of monthly remittance statements in the Chief Electrical Inspectorate, Thiruvananthapuram revealed that the above licencees had collected electricity duty at 10 paise per unit of energy consumed instead of at the rate of 10 *per cent* of invoice price from low tension consumers for the period from July 2012 to March 2013. This resulted in short levy of electricity duty of ₹ 18.26 lakh including interest as shown in **Appendix XI**.

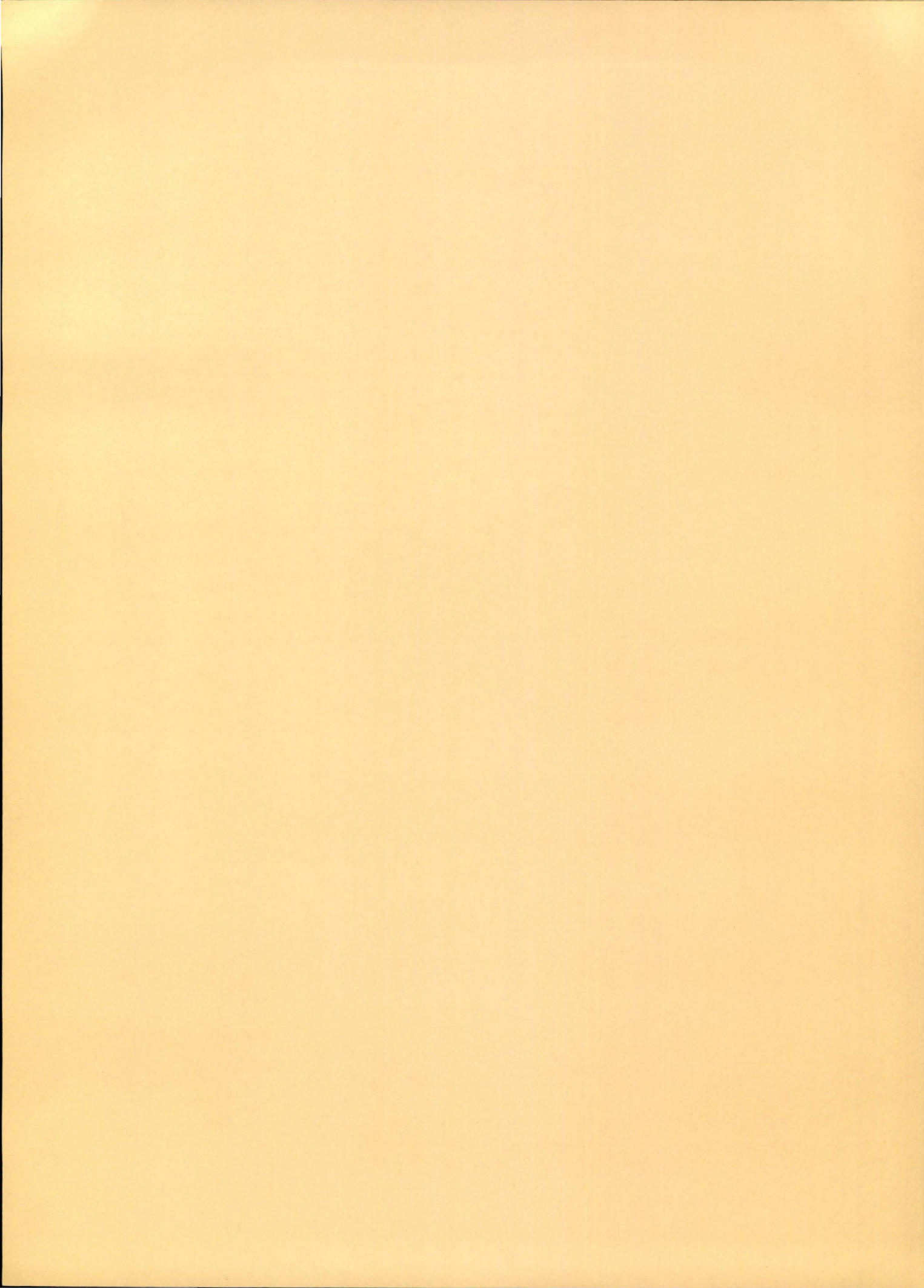
When the case was pointed out, the Department stated (February 2014) that inspection of accounts maintained by the licensees had not been conducted and action would be initiated to realise the electricity duty short levied. Further report has not been received (October 2014).

The matter was reported to the Government in June 2014; their reply has not been received (October 2014).





**Chapter VI**  
**State Excise**





## CHAPTER-VI STATE EXCISE

### 6.1 Tax administration

The Secretary to the Government (Taxes) is the administrative head of the Excise Department at Government level. The Department is headed by the Excise Commissioner. The Department has been divided into three<sup>1</sup> zones which are headed by the Joint Excise Commissioners, South, Central and North zone. The divisions at the district level are under the Deputy Commissioners. Besides, Excise Inspectors under the control of the Deputy Commissioner of the respective districts are deputed to oversee collection of excise duties, license fee etc.

### 6.2 Internal audit

The Internal Audit Wing (IAW) in the State Excise Department is headed by the Joint Commissioner of Excise and is assisted by one Assistant Excise Commissioner, three superintendents, three excise inspectors and six preventive officers.

This wing conducts inspections in the 313 sub offices based on the questionnaire for inspection contained in the Excise Manual in accordance with the guidelines issued by the Finance (IAC) Department as well as Departmental instructions issued from time to time.

Out of the total units, 46 were audited. There were 70 IRs with 119 observations involving ₹ 109.82 crore outstanding at the end of the year. The Department has not prepared a separate internal audit manual.

### 6.3 Results of audit

In 2013-14, test check of the records of 25 units relating to excise duty, license fee receipts etc., showed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 7.77 crore in 14 cases which fall under the following categories given in **Table - 6.1**.

Table – 6.1

Sl. No.	Categories	₹ in lakh)	
		Number of cases	Amount
1.	Non-levy of excise duty on transit wastage	1	1.76
2.	Short levy of enhanced license fee on FL3 licenses	2	740.00
3.	Short levy of enhanced fee on SP VI and SP VII licenses	2	7.46

<sup>1</sup> South zone (Alappuzha, Kollam, Kottayam, Pathanamthitta and Thiruvananthapuram), Central zone (Ernakulam, Idukki, Palakkad and Thrissur) and North zone (Kannur, Kasargod, Kozhikode, Malappuram and Wayanad)

Sl. No.	Categories	Number of cases	(₹ in lakh)
			Amount
4.	Short collection of rental on toddy shops	1	16.14
5.	Short collection of cost of establishment	3	10.82
6.	Others	5	0.73
	<b>Total</b>	<b>14</b>	<b>776.91</b>

During the course of the year, the Department accepted underassessment and other deficiencies involving ₹ 8.09 lakh in five cases which were pointed out. The Department realised an amount of ₹ 0.10 crore in eight cases during the year 2013-14 which were pointed out during previous years. A few illustrative cases involving ₹ 8.22 crore are discussed in the following paragraphs.



## Compliance Audit observations

### 6.4 Short levy of enhanced license fee from FL-3 licensees

The differential FL-3 license fee was not collected from the licensees though the fee was enhanced during the year.

(Excise Commissionerate, Thiruvananthapuram)

As per Rule 13(3) of the Foreign Liquor Rules, 1953 FL-3 Hotel (Restaurant) licenses were issued to hotels which have obtained three star and above classification for one year on payment of the annual rent of ₹ 22 lakh. As per Rule 13 (15) in the case of enhancement of annual rent/fee, all licensees are liable to remit the difference between the amount of annual rent/fee already remitted and the enhanced rent/fee. Government through a notification<sup>2</sup> enhanced the annual rent of FL-3 licenses from ₹ 22 lakh to ₹ 23 lakh during 2012-13.

Scrutiny (February 2014) of the FL-3 license issue register for the year 2012-13 in the Office of the Commissioner of Excise, Thiruvananthapuram and the details of fee collected furnished by the 14 Excise Divisional Offices<sup>3</sup>, revealed that license fee at pre-revised rates for 2012-13 was collected from 740 FL-3 licensees in the State. Though, the annual license fee for 2012-13 was revised, the balance fee was not collected from these 740 licensees. This resulted in short levy of license fee of ₹ 7.40 crore as shown in **Appendix XII**.

When this was pointed out to Department (February 2014) and to Government (April 2014), the Government stated (June 2014) that enhancement of license fee has only prospective effect and Government have no intention to increase license fee retrospectively. The reply furnished is not acceptable as this was in contravention to Rule 13 of Foreign Liquor Rules, 1953. Further remarks have not been received (October 2014).

<sup>2</sup> GO(P) No. 60/2013/TD dated 30 March 2013

<sup>3</sup> Alappuzha, Ernakulam, Idukki, Kannur, Kasargod, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur and Wayanad.

## 6.5 Non-levy of fine due to incorrect computation of transit wastage of spirit

The wastage of ENA was allowed in excess due to incorrect computation of the wastage on the volume in bulk litres without converting it into proof litres based on the strength.

(Excise offices in five distilleries<sup>4</sup>)

**Rule 7 (5) of the Kerala Foreign Liquor (Compounding, Blending & Bottling) Rules, 1975 read with Rule 55 of the Kerala Distillery and Warehouse Rules, 1968, specifies allowance for wastage in the case of spirits allowed to be imported. In the case of spirits obtained by the distilleries/blending units in the State, the licensee shall pay duty at the rate<sup>5</sup> of ₹ 20 per proof litre<sup>6</sup> (PL) for excess wastage where such losses could not be accounted for the satisfaction of the Deputy Commissioner of Excise. As per Rule 47 A (4) (b) of the Kerala Distillery and Warehouse Rules 1968, all consignments of extra neutral alcohol (ENA) obtained shall be verified by volume and strength jointly by officer-in-Charge of the distillery and licensee and the net quantity received shall be taken into account. As per Rule 11 of the Kerala Rectified Spirit Rules, 1972 a fine at the rates of duty applicable to rectified spirit shall be levied on quantity of spirit wasted in excess of such limits.**

Scrutiny of the consignment registers on ENA for the year 2012-13 maintained in five distilleries revealed that the volume and strength of each consignment of spirit received in distillery was less than the volume and strength recorded at the exporting unit. The Department computed the wastage only on the basis of volume in bulk litres without considering the volume in proof litres based on the strength of the spirit. The incorrect computation of the wastage resulted in allowing excess wastage of 1.12 lakh PL and non-levy of duty of ₹ 22.46 lakh as given in **Table - 6.2**.

<sup>4</sup> United Distilleries Ltd., Amruth Distilleries Ltd., United Spirits Ltd., Empee Distilleries Ltd., Kerala Alcoholic Products Ltd.

<sup>5</sup> GO(P) No. 97/2010/TD dated 3.4.2010 .

<sup>6</sup> Spirit having same alcohol content as one litre of 'proof spirit', ie. a mixture of alcohol and water with alcohol 57.06 per cent by volume at 60° F.



Table - 6.2

## Non-levy of fine due to allowance of excess wastage

Name of Distillery	Wastage allowed in excess (PL)	Non levy of fine @ ₹ 20 per PL (₹)
1. United Distilleries Ltd.	7,090	1,41,800
2. Amruth Distilleries Ltd.	19,967	3,99,340
3. United Spirits Ltd.	60,612	12,12,240
4. Empee Distilleries Ltd.	15,818	3,16,360
5. Kerala Alcoholics Products Ltd.	8,825	1,76,500
	<b>1,12,312</b>	<b>22,46,240</b>

When the cases were reported (between February and March 2014), officers concerned replied that the cases would be examined and reply furnished. Further report has not been received (October 2014).

The cases were reported to Government in April 2014; their reply has not been received (October 2014).

### 6.6 Short levy of license fee from licensees of SP VI and SP VII licenses

The license fee on the sale of spirituous preparations though revised, same was collected only at pre-revised rate.

(Two<sup>7</sup> Excise Division Offices and seven<sup>8</sup> Excise Circle Offices)

**Under Rule 11 of the Kerala Spirituous Preparations (Control) Rules, 1969, for the wholesale and retail sales of spirituous preparations (SP), dealers shall have SP VI and SP VII licenses respectively. Government enhanced<sup>9</sup> the license fee for SP VI and SP VII licenses from ₹ 500 to ₹ 5,000 and ₹ 150 to ₹ 1,000 respectively.**

Scrutiny of the license fee registers for the period 2009-12 of two Divisional and seven Circle Offices revealed that the license fee at pre-revised rates for 2011-12 was collected from the 79 SP VI and 49 SP VII licensees. Though the license fee was revised vide Notifications dated 17.8.2011 and 19.11.2011, the balance was not collected from the licensees. This resulted in non-levy of license fee of ₹ 3.97 lakh as shown in **Appendix XIII**.

<sup>7</sup> Kasargod and Thrissur.

<sup>8</sup> Fort Kochi, Irinjalakuda, Kodungalloor, Kunnathunadu, Thrissur, Vadanapally and Wadakkancherry.

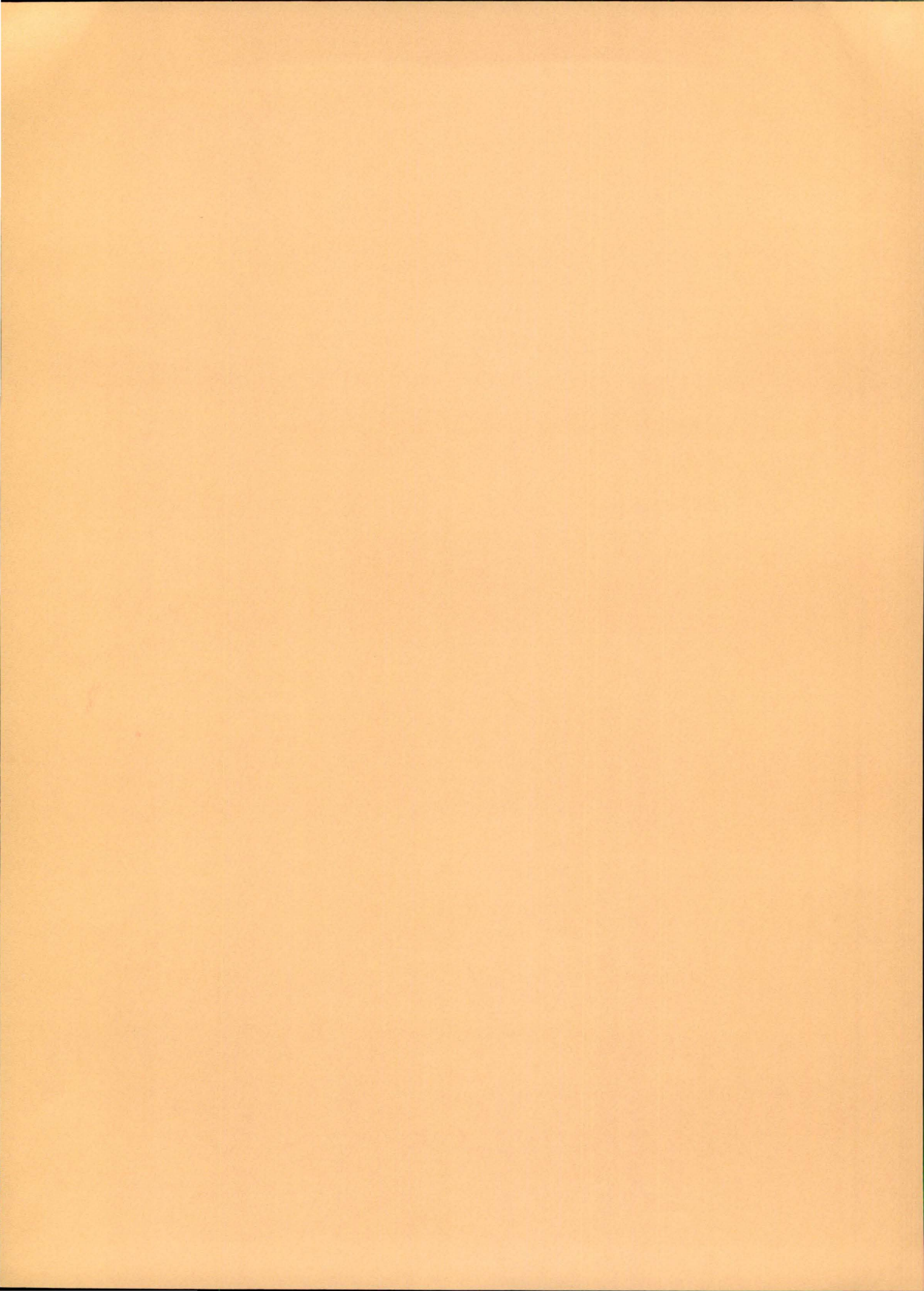
<sup>9</sup> GO(MS) No. 107/2011/TD dated 17.8.2011 and GO(P) No. 150/2011/TD dated 19.10.2011

When this was pointed out (between June 2013 and March 2014), the Department stated that the matter would be examined and reply furnished later. Further report has not been received (October 2014).

The case was reported to Government in February 2014; their reply has not been received (October 2014).



**Chapter VII**  
**Stamp duty and Registration fees**





## CHAPTER-VII STAMP DUTY AND REGISTRATION FEES

### 7.1 Tax administration

Receipts from stamp duty and registration fee are regulated under the Indian Stamp Act, 1899 (IS Act), Indian Registration Act, 1908 (IR Act) and the rules framed there-under as applicable in Kerala and are administered at the Government level by the Secretary to Government, Taxes Department. The Inspector General of Registration (IGR) is the head of the Registration Department who is empowered with the task of superintendence and administration of registration work. He is assisted by the District Registrars (DR) and Sub Registrars (SR).

### 7.2 Internal audit

Inspector General of Registration (IGR), Kerala monitors the functioning of the Internal Audit Wing (IAW) of the Registration Department. The District Registrar (DR) (Audit) and team do the audit in the district. The sub-registry offices are audited annually. The total number of staff deputed for the internal audit work in this Department is sixty eight. The team leader is the DR (Audit) who is assisted by his subordinates. There is no separate manual for internal audit in the Department. Training of staff in the audit wing is included in the Department training programme undertaken through the Institute of Management in Government. The auditee offices are selected after giving special preference to those offices where the Registering Officer is due to retire shortly which itself is a risk analysis aimed at avoiding revenue loss. During 2013-14, IAW has audited 284 units out of 299 units planned for audit. During the year 2013-14, 1,776 audit observations could be cleared out of the 7,829 outstanding observations, which was 22.68 per cent of the outstanding observations.

### 7.3 Results of audit

In 2013-14, test check of the records of 78 units of the Registration Department showed non/short levy of stamp duty and registration fee etc. and other irregularities amounting to ₹ 0.51 crore in 34 cases which fall under the categories given in **Table - 7.1**.

Table - 7.1

Sl. No.	Categories	₹ in crore)	
		Number of cases	Amount
1	Non/short levy of stamp duty and registration fees	10	0.09
2	Other irregularities	24	0.42
	<b>Total</b>	<b>34</b>	<b>0.51</b>

During the course of the year, the Department accepted undervaluation and other deficiencies involving ₹ 1.25 crore in 91 cases, which were pointed out in earlier years. Four cases involving ₹ 0.06 crore were pointed out during the year 2013-14. An amount of ₹ 0.06 crore was realised in 80 cases during the year 2013-14. Compliance Audit on the Fixation of Fair Value of Land in the State and an illustrative case involving ₹ 4.73 lakh are discussed in the following paragraphs.



## Compliance Audit observations

### 7.4 Fixation of Fair Value of Land in the State

#### 7.4.1. Introduction

The receipts from Stamp Duty (SD) and Registration Fee (RF) are regulated by the Indian Stamp Act (IS Act), 1899, the Registration Act, 1908, the Kerala Stamp Act (KS Act), 1959 and the rules<sup>1</sup> made thereunder. At Government level, Secretary, Taxes Department is responsible for the administration of the IS Act, 1899, KS Act 1959 and rules framed thereunder. IGR, Kerala is responsible for collection of RF levied by Government and to see the adequacy of SD paid for executing the instrument presented for registration. SD is leviable on execution of instrument and RF is payable at the prescribed rates. Major portion of the receipts from SD and RF in the State is derived from registration of transfer of property effected by way of instruments such as conveyance, gift, settlement, partition, release etc. The SD and RF leviable in such cases are at *ad-valorem* specified in Schedule to the KS Act, 1959 vide instances shown in **Appendix XIV**.

The Revenue and Disaster Management (R&DM) department is responsible for the fixation of fair value of land and Registration department for registration of documents, collection of RF and monitoring the adequacy of SD paid on documents.

The receipts from sale of stamps and registration fees in the State of Kerala (State) during 2013-14 was ₹ 2,593.29 crore and contributed around 8 *per cent* of the total tax revenue of the State.

The objective of fixation of fair value was to prevent the understatement of value or consideration in transactions relating to land shown in the documents presented for registration, consequent evasion of SD, bringing transparency in the registration process and to eliminate corruption connected with the land transactions and its registration.

There was a delay of 22 years in fixation of a minimum value/fair value for land in the State, aimed at preventing understatement of value or consideration shown in the instruments presented for registration as shown in **Table - 7.2**.

<sup>1</sup> The Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995, The Kerala Stamp Rules, 1960

**Table - 7.2**  
**Milestones in fixation**

Year	Event	Remarks
1988	Introduction of Section 28A and 45A of KS Act, 1959 relating to minimum value of land	Minimum value of land was fixed for the first time by the District Collectors
1991	Section 28A and 45A of KS Act, 1959 relating to minimum value of land were withdrawn	Withdrawn due to discrepancies in the minimum value fixed and reduction in number of documents presented for registration.
1994	Introduced Section 28A and 45A of KS Act, 1959 relating to fair value	New Section was introduced fixing criteria for determination of fair value of lands.
2004	Fixed the fair value in January 2004 and withdrew the same in February 2004	The fair value was withdrawn on basis of complaints from public regarding the fixation of fair value.
2006	In Budget 2006 the fixation of fair value was introduced again	Land was assigned classification into 15 categories.
2008	The draft fair value was published in May 2008	Seeking suggestions from the public
2010	Published the fair value in March 2010	Implemented with effect from 1 April 2010

Though the Government fixed fair value through orders issued in 2010 as indicated above, as of March 2014, the exercise was still incomplete.

Audit was conducted during May 2014 to September 2014, covering the period from April 2009 to March 2014 with reference to rules, regulations and guidelines framed by the Government for fixing and implementation of the fair value system.

Audit test checked the files and records maintained by the Commissioner of Land Revenue, seven<sup>2</sup> District Collectorates out of fourteen, seven<sup>3</sup> Revenue Divisional Offices (RDOs) out of twenty one, seven<sup>4</sup> Taluk Offices out of sixty three and twenty one<sup>5</sup> village offices out of 1,635 villages under the R&DM department. Audit also test checked the files and records maintained by the IGR, Kerala and six<sup>6</sup> Sub Registrar Offices (SROs). Soft copy of the database on fair value fixed for land in the State maintained and provided to Audit by the IGR, Kerala were also analysed and audit queries raised.

<sup>2</sup> Thiruvananthapuram, Kollam, Ernakulam, Palakkad, Malappuram, Kozhikode and Kannur

<sup>3</sup> Thiruvananthapuram, Kollam, Fort Kochi, Palakkad, Perinthalmanna, Kozhikode and Thalasserry.

<sup>4</sup> Thiruvananthapuram, Kollam, Fort Kochi, Palakkad, Perinthalmanna, Kozhikode and Thalasserry

<sup>5</sup> Corporation Area (Sasthamangalam, Mundakkal, Fort Kochi, Mattancherry, Thoppumpady, Chevayur, Kasaba, Nagarom, Vengeri) ; Municipal area (Perurkada, Vattiyurkavu, Eravipuram, Yakkara, Palakkad1, Palakkad3, Perinthalmanna, Thalasserry) ; Panchayat area (Mayyanadu, Angadipuram, Thiruvangadu and Kodiyeeri.)

<sup>6</sup> Sasthamangalam, Palakkad, Chevayur, Kozhikode, Perinthalmanna, Thalasserry.



**Audit findings**

The following deficiencies in the fixation of fair value of land were noticed.

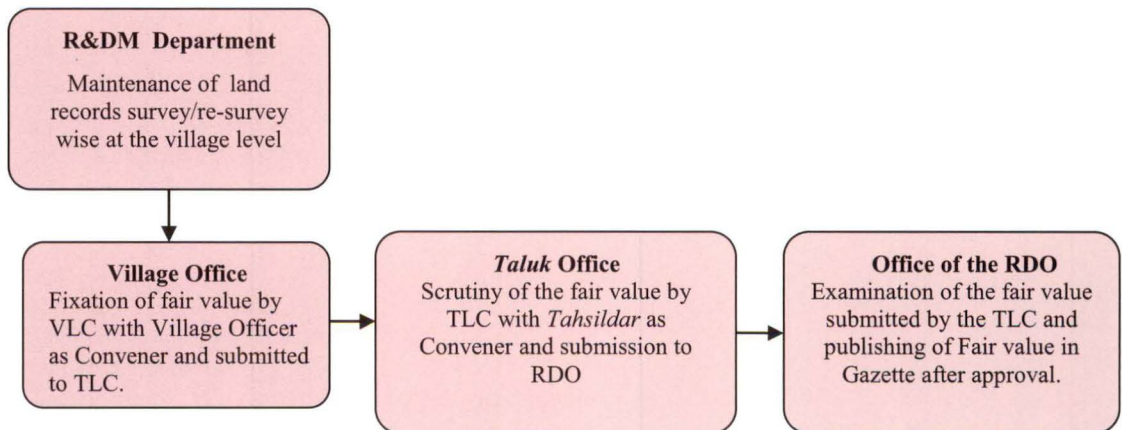
**7.4.2. Process in fixation of fair value and its deficiencies**

As per Section 28A of the KS Act, 1959 and Rule 3 of the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995 (KS(FFVL) Rules, 1995) RDO shall, for the purpose of fixation of the fair value of the land, ascertain the fair value of land by classifying the land as those lying in (i) Municipal Corporation areas (ii) Municipalities and (iii) Rural areas. Within the above categories, fair value shall be fixed by the RDOs giving regard *inter alia* to the following matters, namely:

- (a) development of the area in which the land is situated such as the commercial importance, facilities for water supply, electricity, transport and communication;
- (b) proximity of the land to markets, bus stations, railway stations, factories, educational institutions or other institutions;
- (c) the geographical lie of the land, the nature of the land such as dry, waste, wet or garden land, fertility, nature of crop, yielding capacity and cost of cultivation; and
- (d) such other matters as may be provided in the rules made under KS Act, 1959.

A flow chart indicating the procedure of fixation of fair value is shown below.

**Chart 1**  
**Procedure for fixation of fair value**



As per Rule 4 of the KS (FFVL) Rules, 1995, after fixing, the fair value is to be published in Form A appended to the above rule. In the Schedule attached to

Form A, each piece of land, with reference to survey/resurvey number, subdivision wise, is to be classified according to their use by selecting one of 15 classifications<sup>7</sup> given therein.

#### **7.4.2.1 Lack of proper guidelines, procedure, methodology etc., for fixing true market value/fair value**

No comprehensive guidelines specifying clearly the procedure and methodology for fixing the fair value was issued by the Principal Secretary R&DM Department/ the Secretary, Taxes Department/the Commissioner of Land Revenue /the IGR, Kerala. Audit observed that in the absence of the clear parameters based upon which the market value of land is determined, the Department was not able to fix the fair value of the land as decided by Government. Though the land was classified into fifteen categories, the detailed procedure/parameters for classifying the land under each category were not prescribed. The classification adopted by the respective RDOs for arriving at the fair value was inconsistent as explained in para 7.4.4.

#### **7.4.2.2 Lack of public involvement in fair value fixation through various committees**

Audit found that in respect of all the twenty one villages test checked, VLC was not formed in any of the villages to fix the fair value of land as required in the above government orders/instructions. Out of the seven *Taluk* offices test checked, TLC was formed only in three<sup>8</sup> *Taluks*. Audit was not able to ascertain the formation of VLC/TLC from the RDOs concerned as records were not available with these offices.

Failure to constitute the VLC or TLC resulted in fixation of fair value without local participation as desired by government. There was no system to monitor the constitution and convening of VLC or TLC.

On being asked by Audit, Village Officers/*Tahsildars* and RDOs did not produce any records based on which fair value was fixed.

Audit could not assess the basis for the fixation of fair value. The Village officers fixed the fair value on a presumptive amount which had no bearing on the market value of the land as shown in paragraph 7.4.4.3.

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<sup>7</sup> 1. Commercially important plot, 2. Residential plot with NH/PWD road access, 3. Residential plot with Corporation/Municipality/*Panchayat* road access, 4. Residential plot with Private road access, 5. Residential plot without vehicular access, 6. Garden land with road access, 7. Garden land without road access, 8. Coastal belt, 9. Water logged land, 10. Rocky land, 11. Waste land (land in close proximity to dumping yards, grave yards or similar other circumstances etc), 12. Wet land, 13. Hill tract with road access 14. Hill tract without road access, 15. Government land.

<sup>8</sup> Kollam, Ernakulam and Thalassery



### **7.4.3. Failure to fix fair value for all survey numbers**

RDO shall issue Notification for the fair value for each plot/land to be fixed and published sub-division wise by showing the survey/resurvey number in Form A as appended to the KS (FFVL) Rules, 1995. The Commissioner of Land Revenue<sup>9</sup> directed all RDOs in the State to ensure that all the survey numbers in all villages are included in the fair value register/compact disk. Audit scrutiny revealed that in several cases, the fair value was not fixed as explained below.

A scrutiny of the fair value registers/database of the selected seven *Taluks*<sup>10</sup> under seven<sup>11</sup> RDOs revealed that the fair value was not fixed in case of 1,32,991 survey/resurvey numbers in 89 villages.

Among the seven RDOs, RDO Kollam stated (August 2014) that fair value of some of the missing survey numbers pointed out by Audit were fixed. However it did not specify the survey numbers for which fair value has been fixed and the database was also not updated. It was stated by five RDOs that these cases would be examined. Final reply has not been received (October 2014).

RDO, Fort Kochi stated that Government land in 223 survey numbers in Njarakkal, Elamkunnappuzha and Puthuvyppu villages was not included in the fair value register/database. This is in violation of the classifications prescribed in Form A as appended to the Notification of the KS (FFVL) Rules, 1995 and the specific directions of the Commissioner of Land Revenue to include all survey numbers in the fair value list.

It was seen that the process of fixation of fair value was still incomplete even after four years of publishing of final fair value in 2010 by the RDOs. Audit found that as on March 2014, fair value was fixed by RDOs in approximately 16,180 cases. In all these cases, the fixation was based on request of the land owner and was not detected by the Department.

The Department was not able to explain the reasons for non fixation of fair value in the above cases.

Non-fixation of fair value for escaped survey/resurvey numbers is putting hardship for title holders at the time of registration of documents/deeds.

### **7.4.4. Irregularities in fixation of fair value**

Audit came across three types of irregularities in the fixation of fair value as described below which will have significant revenue impact.

<sup>9</sup> In his proceedings No LRA3-46270/2006 dated 8 June 2009

<sup>10</sup> Thiruvananthapuram, Kollam, Fort Kochi, Perinthalmanna, Palakkad, Kozhikode and Thalassery

<sup>11</sup> Thiruvananthapuram, Kollam, Fort Kochi, Palakkad, Perinthalmanna, Kozhikode and Thalassery.

#### **7.4.4.1. Classification and fixation of fair value of land without ascertaining the actual use**

As per Rule 4 of the KS (FFVL) Rules, 1995 and Form A appended to the rules land is to be classified (out of the fifteen classifications prescribed therein) according to its use. Principal Secretary (R&DM) directed (November 2006) that the land is to be classified according to the actual state at the time of fixation of fair value.

Test check of the fair value register of Palakkad-1 village revealed that in eighteen cases (detailed in **Appendix XV**) 1.07 Ha. land was classified as residential plot or wet land. Audit found that the land so classified was already ordered for conversion to 'commercial purpose' as per Kerala Land Utilisation Orders 1967 by the RDO, Palakkad during 2006-08 i.e. prior to fixation of fair value. The land is presently used for commercial or religious purposes. Thus, the classification of the land was not on the basis of actual state/use at the time of fixation of fair value.

In the fair value register of Yakkara village, Palakkad *Taluk*, no land has been classified as "Commercially important Plots" though some areas of the village are in the heart of the Palakkad town. On scrutiny of the maps, field measurement book available in the village office and on physical verification of plot/land etc., it was found that some parts of the survey numbers<sup>12</sup> are in the commercially important area of the town. However, all the plots in those survey numbers are classified as residential plot or wet land instead of "Commercially Important plots".

As such, the fixation of fair value had been done without considering the actual use/state of the land resulting in non compliance with the directions of the Government facilitating the RDOs to fix the fair value on presumptive basis.

On this being pointed out, Department stated that steps would be taken to rectify the mistakes (August and September 2014).

#### **7.4.4.2 Anomalies in fixation of fair value of similar/comparable plots**

The Government issued instructions to conduct 'Zonal Centralised Verification' of fair value in order to fix fair value at uniform rates in respect of plots with survey numbers falling in common boundaries of villages. The Commissioner of Land Revenue, Thiruvananthapuram directed<sup>13</sup> that during the centralised verification, adequate care should be taken to ensure that fair value of similar or comparable plots in the village boundaries are uniform.

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<sup>12</sup> Survey numbers 879, 880, 904, 907, 2396, 2400, 2403, 2405 and 2406

<sup>13</sup> Vide UO letter No. LR(A)3-45270/2006 dated 13 August 2009



Plots lying on either side of the road/boundary were verified<sup>14</sup> in thirteen village offices,<sup>15</sup> and it was seen that in 448 cases the plots/fields were lying on the sides of the common boundary/roads of the villages and were having similar/comparable/identical nature and classification prescribed for fixation of fair value. However, there was variation ranging from four to 88 *per cent* in fair value fixed for identical plots. Some of the major cases are as under.

Table - 7.3

## Anomaly in fixation of fair value

Sl. No.	Survey No/ Block- Resurvey No.	Class code	Fair value (₹)	Common Boundary	Sl. No.	Survey No/ Block- Resurvey No.	Fair value Class code	Fair value (₹)	Percentage of variation
	Kollam district, Kollam Taluk, Eravipuram village					Kollam district, Kollam Taluk, Mayyanadu village			
1	BL25-367/18	2	1,80,000	Thattamala-Koottikada-Karikuzhi PWD Road	1	BL27-10/16	4	40,000	78
2	BL25-367/7	4	1,50,000		2	BL27-10/5	4	12,50,000	88
3	BL25-367/10	4	1,50,000		3	BL27-10/6	4	40,000	73
4	BL25-621/20	3	1,00,000		4	BL26-86/5	3	25,000	75
5	BL25-621/12	3	1,00,000		5	BL26-86/22	4	20,000	80
6	BL25-621/13	3	1,00,000		6	BL26-86/7	3	25,000	75
	Palakkad District, Palakkad taluk, Palakkad1 village					Palakkad District, Palakkad taluk, Palakkad3 village			
7	850/1A	12	3,60,000		7	2549	1	11,11,500	68
8	850/3	12	3,60,000		8	2555	1	11,11,500	68
9	852/2	12	3,11,220		9	2556	1	11,11,500	72

Further, of 29 plots in Perinthalmanna village (included in thirteen villages above) of Perinthalmanna Taluk lying opposite sides of Palakkad- Kozhikode NH 213/ Nilambur-Perinthalmanna SH, also revealed that there was difference in fair value fixed for plots in 28 cases lying on the opposite/adjacent sides of the roads ranging from nine to 61 *per cent*. Some major cases are:

<sup>14</sup> With reference to Litho maps, Field Measurement Books and Basic Tax Registers

<sup>15</sup> Mayyanadu, Eravipuram, Mundakkal, Fort Kochi, Mattancherry, Thoppumpady, Yakkara, Palakkad1, Palakkad3, Chevayur, Vengeri, Perinthalmanna, Angadipuram.

Table 7.4

Anomaly in fixation of fair value

Sl. No.	Survey No/Block-Resurvey No.	Class code	Fair value (₹)	Common Boundary	Sl. No.	Survey No/Block-Resurvey No.	Fair value Class code	Fair value (₹)	Percentage of variation
1	8	2	7,00,000	Palakkad-Kozhikode NH213	1	127	2	3,25,000	54
					2	128	01,02	2,75,000	61
2	14	2	5,50,000		3	130	1	2,75,000	50
3	105	1	9,00,000	Nilambur-Perinthalmanna SH Road	4	103	1	5,00,000	44
4	77	1	5,00,000		5	64	1	80,000	38

The Department admitted the anomaly in fixation of fair value of plots in 448 cases and 28 plots lying on the sides of Palakkad-Kozhikode NH 213 and Nilambur-Perinthalmanna State Highway and stated (September 2014) that the fair value of each village was fixed by Village Officer concerned and hence the variation occurred in fair value of similar/comparable land. The failure to constitute VLC, absence of joint verification of village boundaries and lack of monitoring at the higher level resulted in the anomaly in fixing fair value of similar/comparable land.

**7.4.4.3 Fixation of low fair value of land**

Section 28A of the KS Act, 1959, requires that every RDO shall subject to such rules as made by Government, fix the fair value of land situated within the area of his jurisdiction, for the purpose of determining the duty chargeable at the time of registration of instrument involving land.

After publication of the draft fair value on 5 May 2008, in order to mitigate the defects crept in the fair value fixed, it was decided to fix (June 2009)<sup>16</sup> the fair value at least 50 per cent of the market value.

- Audit test checked the sale deeds (where value shown in the document was ₹ five lakh or more) registered immediately before the introduction of fair value and found that in 91 documents<sup>17</sup> registered during 2009-10 (in four<sup>18</sup> SROs out of the six test checked) the fair value fixed was far less than the value disclosed in the previous documents registered. Even on considering the value shown in the previous documents registered as the market value, the fair value fixed was less than 50 per cent of the previous transaction value. Audit noticed that the fair value fixed was only 2.51 to 47.84 per cent of the

<sup>16</sup> LRA3-45270/2006 dated 8 June 2009

<sup>17</sup> Audit test checked 426 documents with transaction value above ₹ five lakh. Out of these above point was noticed in 91 cases.

<sup>18</sup> Sasthamangalam, Kozhikode, Chevayur and Palakkad



value shown in the previous documents. A few cases are shown in **Appendix XVI**.

- Audit scrutinised 78 cases in which KINFRA<sup>19</sup> purchased<sup>20</sup> (between August 2009 and March 2010) land for Kannur Airport Project during 2009-10 and compared the purchase value with the fair value fixed (highest rate among the 15 classifications of survey numbers) subsequently for the same survey numbers. Audit found that the fair value fixed for the land by the R&DM department was less than 50 per cent of the purchase value paid by the R&DM department itself through KINFRA. The fair value fixed in above cases ranged from 8.09 to 40.47 per cent of the purchase value. A few cases are shown in **Appendix XVII**.

Failure to constitute the VLC, non defining of the “market value” resulted in fixation of fair value at a level lower than the previous transaction value or purchase value.

As such the fair value fixed was not fair enough to ensure proper revenue to the State defeating the primary objective for fixation of fair value.

#### **7.4.5. Impact of non- fixation/incorrect fixation of fair value**

As the fixation of fair value of land is not completed and in the cases where the fair value fixed was not in compliance with the prescribed criteria, Audit was not able to ascertain the true extent of evasion of SD. The revenue potential could be ascertained only on completion of fixation of fair value in an effective manner. IGR, Kerala stated that the Department did not conduct a study with regard to the impact of fixation of fair value on the realisation of SD.

#### **7.4.6. Non-fixation of criteria for determining the value of building set forth in documents presented for registration**

As per Section 28 (1) and 28(2) of the KS Act, 1959, the consideration and all other facts and circumstances affecting the chargeability of duty or the amount of the duty with which it is chargeable shall be fully and truly set forth in the instrument. In the case of instruments relating to immoveable property chargeable with *ad valorem* duty on the fair value of the land and property, it shall fully and truly set forth the value of all other properties including building, if any, in the land involved.

<sup>19</sup> Kerala Industrial Infrastructure Development Corporation is a statutory Corporation under the Government of Kerala for acquiring land for industrial purposes in the State.

<sup>20</sup> Purchases were made through negotiation by the District Level Purchase Committee constituted by Government in Keezhallur village and Pazhassi village under RDO Thalasserry

The IGR, Kerala directed (December 2008<sup>21</sup>) the registering officers to classify the buildings into five categories and value the buildings at the rates prescribed by him for each class. However, this direction was withdrawn by the IGR, Kerala on 22 December 2008 as the Government directed that this could be implemented only after further discussions and evaluation.

No further orders have been issued by the Government in Taxes Department/Registration Department prescribing the rate and method of valuation of buildings even after a lapse of more than 5 years of the withdrawal of the direction of the IGR. Presently there is no system to check understatement of value of buildings in instruments presented for registration.

In the absence of guidelines for valuation of building, there is extensive understatement of the value of buildings in the documents presented for registration. Registering authorities report undervaluation in respect of the buildings also to the District Registrars.

#### **7.4.7 Conclusion**

Though the system of fair value was introduced in 2010 for land comprising in 1,635 villages, many cases of non fixation of fair value were noticed in 89 test checked villages. The Department did not have a system for identifying these cases and it comes to know about non fixation of fair value only when the public approaches respective SROs for service. Thus, the implementation of the scheme of fair value was still incomplete.

The Government did not prescribe the detailed procedure for classification of land for the purpose of fixation of fair value.

The system of monitoring the implementation of the scheme was also weak and the fair value was fixed without defining market value and in many cases the fair value was far below the previously registered document value. There were variations ranging from four to 88 *per cent* in fair value fixed for identical plots sharing common boundaries/roads.

#### **7.4.8 Recommendations**

*Audit recommends that Government may:-*

- *consider identification and fixation of fair value for each plot in all the villages in the State with the assistance of the Survey Department.*
- *define the fifteen classifications of land prescribed for fair value fixation.*
- *prescribe parameters to ascertain the market value of land for fixing the fair value.*

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<sup>21</sup> Vide his letter No.RR.6-8375/08 dated 15 December 2008



- *prescribe uniform fair value for similar/comparable plots in the common boundaries/roads.*
- *consider looking into the irregularities in the fixation of fair value in the State to ensure that fixation of fair value is done based on a prescribed criteria.*
- *prescribe procedure/guidelines for the fixation of value for buildings shown in the documents presented for registration.*

### **7.5 Short levy of stamp duty and registration fee due to undervaluation of sale deeds**

The consideration set forth in the conveyance deeds registered was less than the fair value fixed for the land.

(SRO, Thalasserry)

**As per Section 45 A of the Kerala Stamp Act 1959, if, on verification, the registering officer finds that the consideration set forth in the instrument is less than the fair value of land fixed, he shall direct the payment of proper stamp duty on the fair value of the land, and shall duly register such instrument and certify by endorsement on the instrument that proper stamp duty has been charged and paid.**

In Sub Registry Office, Thalasserry two sale deeds for 8.09 ares<sup>22</sup> and 14.16 ares were registered in June 2010 for ₹ 32.36 lakh and ₹ 53.87 lakh respectively. Audit found (August 2013) that the value per are adopted<sup>23</sup> for the land in above cases was less than the fair value of rupees six lakh per are prescribed for the property in that survey numbers. Non adoption of fair value of land while registering the document resulted in undervaluation of ₹ 47.33 lakh and short levy of stamp duty and registration fee of ₹ 4.73 lakh.

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<sup>22</sup> Are is a unit of measurement of land 1 Are = 100 square metre, 100 Are = One hectare, 1 Are = 2.471 cent, 247.1 cent = 1 hectare.

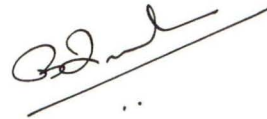
<sup>23</sup> ₹ 4 lakh and ₹ 3.80 lakh per are respectively.



This was pointed out to the Department in August 2013 and reported to Government in April 2014. While admitting the audit observations, Government stated (July 2014) that in respect of one sale deed, the short levy has been treated as the liability of the registering authority and in respect of the other, the short levy would be realised from the registering authority concerned. Further report has not been received (October 2014).

**Thiruvananthapuram,  
The**

1 JAN 2015



**(Dr. BIJU JACOB)  
Accountant General  
(Economic and Revenue Sector Audit)  
Kerala**

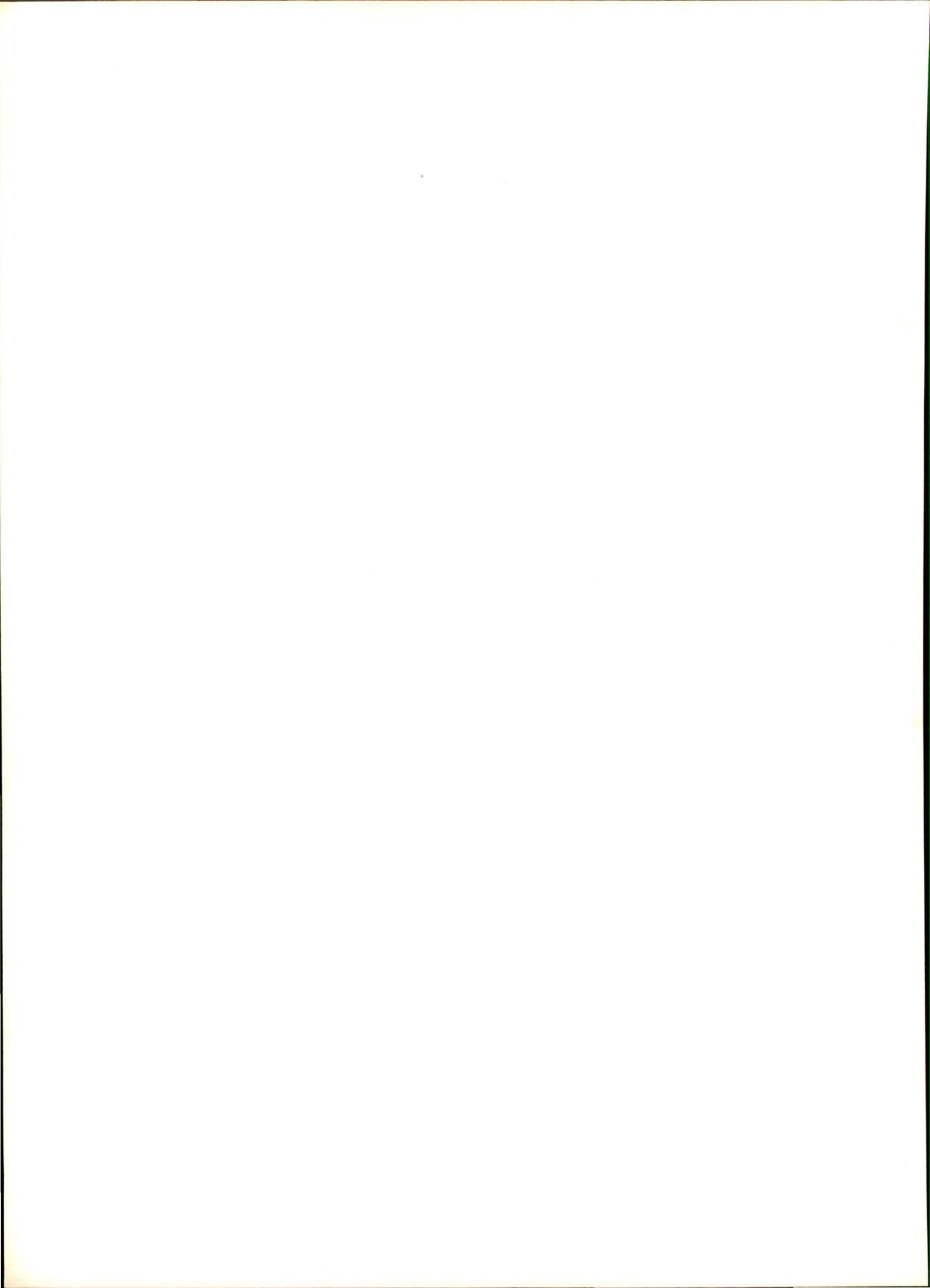
**Countersigned**

**New Delhi,  
The**

6 JAN 2015

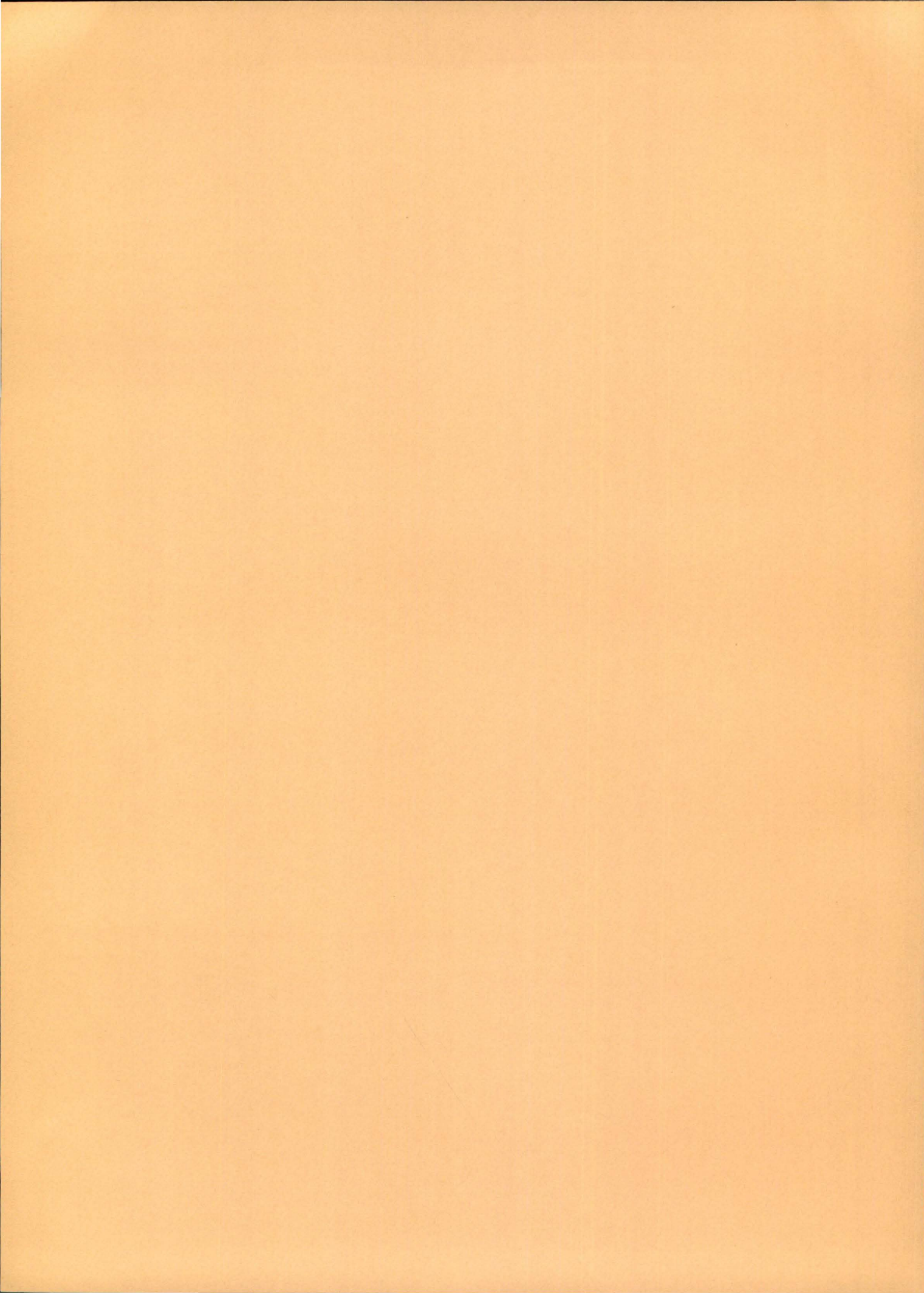


**(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India**





# Appendix





## Appendix – I

(Ref: Paragraph 1.7.3)

### Details of non-production of records

(₹ in crore)						
Sl. No.	Name office	Year in which to be audited	Number of cases not submitted		Tax amount	
			VAT	KGST	VAT	KGST
1.	CTO, Special. Circle (Produce), Mattancherry	2013-14	61	0	NIL	NIL
2.	CTO, Special Circle II, Ernakulam	2013-14	76	0	NIL	NIL
3.	CTO, Special Circle I, Ernakulam	2013-14	123	42	NIL	NIL
4.	CTO (WC&LT), Ernakulam	2013-14	394	0	NIL	NIL
5.	CTO, IV Circle, Ernakulam	2013-14	184	0	NIL	NIL
6.	CTO, Special Circle, Mattancherry	2013-14	47	0	NIL	NIL
7.	CTO, Special Circle III, Ernakulam	2013-14	27	0	NIL	NIL
8.	CTO, III Circle, Ernakulam	2013-14	76	0	NIL	NIL
9.	CTO, I Circle, Ernakulam	2013-14	147	0	NIL	NIL
10.	CTO (WC&LT), Mattancherry	2013-14	174	19	NIL	NIL
11.	CTO, Aluva	2013-14	159	1	NIL	NIL
12.	CTO, Angamally	2013-14	36	0	NIL	NIL
13.	CTO, I Circle, Kalamasserry	2013-14	18	0	NIL	NIL
14.	CTO, I, Circle, Tripunithura	2013-14	51	0	NIL	NIL
15.	CTO, Muvattupuzha	2013-14	21	0	NIL	NIL
16.	CTO, North Paravoor	2013-14	70	0	NIL	NIL
17.	CTO, Kothamangalam	2013-14	51	0	NIL	NIL
18.	CTO, II Circle, Thripunithura	2013-14	15	0	NIL	NIL
19.	CTO, I Circle, Mattancherry	2013-14	22	31	NIL	NIL
20.	CTO, III Circle, Palakkad	2013-14	2	0	NIL	NIL
21.	CTO, Mannarkkad	2013-14	12	0	NIL	NIL
22.	CTO, II Circle, Changanasserry	2013-14	66	0	NIL	NIL
23.	CTO, Special Circle, Malappuram	2013-14	52	0	NIL	NIL
24.	CTO, Tirur	2013-14	9	0	NIL	NIL
25.	CTO, Ottappalam	2013-14	2	0	NIL	NIL
26.	CTO, Pattambi	2013-14	46	0	NIL	NIL
27.	CTO, II Circle, Kottayam	2013-14	45	0	NIL	NIL
28.	CTO, I Circle, Kottayam	2013-14	21	0	NIL	NIL
29.	CTO, Ponkunnam	2013-14	154	0	NIL	NIL
30.	AIT & CTO, Alathur	2013-14	24	0	NIL	NIL
31.	CTO, Chittur	2013-14	51	0	NIL	NIL
32.	CTO, Special Circle, Kottayam	2013-14	20	0	NIL	NIL
33.	CTO, Manjeri	2013-14	160	0	NIL	NIL



(₹ in crore)						
Sl. No.	Name office	Year in which to be audited	Number of cases not submitted		Tax amount	
			VAT	KGST	VAT	KGST
34.	CTO (WC&LT), Malappuram	2013-14	23	0	NIL	NIL
35.	CTO, Ponnani	2013-14	18	26	NIL	NIL
36.	CTO, Vaikom	2013-14	26	3	NIL	NIL
37.	CTO, Pala	2013-14	18	78	NIL	NIL
38.	CTO, I Circle, Palakkad	2013-14	18	18	NIL	NIL
39.	CTO (WC&LT), Palakkad	2013-14	46	0	NIL	NIL
40.	CTO, Special Circle, Palakkad	2013-14	42	0	NIL	NIL
41.	CTO, Tirurangadi	2013-14	18	0	NIL	NIL
42.	CTO, Special Circle, Thrissur	2013-14	3	3	NIL	NIL
43.	CTO, II Circle Thrissur	2013-14	50	0	NIL	NIL
44.	CTO, Chavakkad	2013-14	105	0	NIL	NIL
45.	CTO, Kayamkulam	2013-14	33	0	NIL	NIL
46.	CTO, Irinjalakuda	2013-14	83	0	NIL	NIL
47.	CTO, Kunnankulam	2013-14	23	0	NIL	NIL
48.	CTO, Kodungallur	2013-14	85	0	NIL	NIL
49.	CTO, Special Circle, Alappuzha	2013-14	67	0	NIL	NIL
50.	CTO, Wadakkancherry	2013-14	29	0	NIL	NIL
51.	CTO, I Circle, Alappuzha	2013-14	6	0	NIL	NIL
52.	CTO, I Circle, Trivandrum	2013-14	160	0	NIL	NIL
53.	CTO (WC&LT), Kollam	2013-14	27	0	NIL	NIL
54.	CTO (WC&LT), Pathanamthitta	2013-14	21	0	NIL	NIL
55.	CTO (WC&LT), Trivandrum	2013-14	58	0	NIL	NIL
56.	IAC, Pathanamthitta	2013-14	15	0	NIL	NIL
57.	CTO, Attingal	2013-14	164	0	NIL	NIL
58.	CTO, Pathanamthitta	2013-14	5	0	NIL	NIL
59.	CTO, I Circle, Kollam	2013-14	6	0	NIL	NIL
60.	CTO, Kottarakkara	2013-14	79	0	NIL	NIL
61.	CTO, Special Circle, Kollam	2013-14	167	0	NIL	NIL
62.	CTO, Karunagappally	2013-14	6	0	NIL	NIL
63.	CTO, Chathannoor	2013-14	44	0	NIL	NIL
64.	CTO, II Circle, Kozhikode	2013-14	15	0	NIL	NIL
65.	CTO, V Circle, Kozhikode	2013-14	220	50	NIL	NIL
66.	CTO, Kuthuparamba	2013-14	159	0	NIL	NIL
67.	CTO, III Circle, Kannur	2013-14	13	0	NIL	NIL
68.	CTO, Vadakara, Kozhikode	2013-14	220	61	NIL	NIL
69.	CTO, I Circle, Kozhikode	2013-14	31	0	NIL	NIL
70.	CTO, I Circle, Thalasserry	2013-14	4	0	NIL	NIL
71.	CTO, II Circle, Kannur	2013-14	121	0	NIL	NIL



(₹ in crore)						
Sl. No.	Name office	Year in which to be audited	Number of cases not submitted		Tax amount	
			VAT	KGST	VAT	KGST
72.	CTO, Payyannur, Kannur	2013-14	12	0	NIL	NIL
73.	CTO, Koyilandy, Kozhikode	2013-14	53	0	NIL	NIL
74.	CTO, III Circle, Kozhikode	2013-14	17	0	NIL	NIL
75.	CTO, Special Circle, Kozhikode	2013-14	28	0	NIL	NIL
76.	CTO, IV Circle, Kozhikode	2013-14	32	0	NIL	NIL
77.	CTO, Special Circle II, Kozhikode	2013-14	18	0	NIL	NIL
78.	CTO, Hosdurg	2013-14	14	0	NIL	NIL
79.	CTO, Perambra	2013-14	2	0	NIL	NIL
80.	CTO, II Circle, Thalasserry	2013-14	31	0	NIL	NIL
81.	CTO, Special Circle, Kasaragode	2013-14	1	0	NIL	NIL
82.	CTO, Special Circle, Trivandrum	2013-14	344	0	Nil	Nil
83.	CTO, III Circle Kozhikode	2013-14	24	0	NIL	NIL
84.	CTO, I Circle, Kannur	2013-14	4	0	NIL	NIL
85.	CTO, Kundara	2013-14	8	0	NIL	NIL
86.	CTO, Ranni	2013-14	7	0	NIL	NIL
87.	CTO, Sulthanbathery	2013-14	9	13	NIL	NIL
88.	CTO, Vythiri	2013-14	23	0	NIL	NIL
			<b>5,271</b>	<b>345</b>		
	<b>Total</b>		<b>5,616</b>			
	<b>Taxes on Agricultural Income</b>					
89.	CTO, Nedumkandom	2012-13	9		0.02	
90.	AIT & CTO, Chittur	2013-14	7		Nil	
91.	AIT & CTO, Thiruvananthapuram	2013-14	18		Nil	
92.	AIT & CTO, Ranni	2013-14	3		Nil	
	<b>Total</b>		<b>37</b>		<b>0.02</b>	
	<b>Grant total</b>		<b>5,653</b>			

**Appendix – II**  
**(Ref: Paragraph 1.9)**

**Details of action taken on the recommendations accepted by the Departments/Government**

Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
31 March 2008	Receipts from Luxury Tax	4	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>• making the budget estimates realistic.</li> <li>• maintain the prescribed register and to watch registration and renewal of the entities.</li> <li>• prescribing a mechanism for sharing of information amongst different departments to ensure all entities are brought under tax net.</li> <li>• prescribing penal provisions and accountability of the authorities.</li> </ul>	PA examined by PAC (28.10.2009) and their recommendations furnished in Report No. 133 (2008-11). PAC reiterated the recommendations of Audit and the department noted all of them for future guidance which was stated in the Action Taken Report.
31 March 2009	Cross verification of purchase/sale effected under KGST/KVAT/ CST Acts	5	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>• fixing targets for the intelligence officers for carrying out cross verification of records of the entry and exit check posts.</li> <li>• shifting the check post at Kunjippally to a more strategic location closer to the actual border with Mahe to arrest scope of evasion of tax.</li> <li>• prescribing a system of carrying out regular cross verification of declaration forms and issuing guidelines for checks to be conducted before accepting declaration forms.</li> <li>• issuing immediate orders withdrawing the waiver of tax, interest and penalty from the defaulting dealers.</li> <li>• making the internal audit wing functional and effective.</li> </ul>	<p>PA examined by PAC (15.09.2010) and their recommendations furnished in Report No. 9 (2011-14).The Committee agreed with the audit recommendation to fix targets for intelligence officers for carrying out cross verification of records and noted the impropriety in maintaining a check post at Kunjipally and recommended its expansion and urged that the issue of uniform floor rate of tax between Kerala and Mahe be taken up with Govt of India. The Committee also noted that the internal audit wing of the department was ineffective.</p> <p>The Dept observed in the Action Taken Report that uniform floor rate for petrol and diesel was a recommendation of the empowered committee when VAT was implemented but the states are reluctant to implement it. Once implemented, Kerala will also be bound by the same. No reply is</p>



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
				furnished by the Taxes dept on the rest of the recommendations.
	Information technology review of Package for effective administration of registration laws (PEARL)	11	<ul style="list-style-type: none"> <li>• Officers should be nominated for effective liaison with NIC for completion and acceptance of the project of computerisation of Registration Dept.</li> <li>• Validation of data should be given utmost priority.</li> <li>• Individual databases should be merged and centralised.</li> <li>• AMC conditions should be strictly enforced.</li> <li>• Data backup policy should be revised. Offsite storage of daily backup should be made.</li> <li>• Digitisation of documents should be commenced.</li> <li>• A suitable Business Continuity/Disaster Management Plan should be formulated and implemented.</li> <li>• A password policy should be formulated and compliance ensured.</li> <li>• Environmental/physical access control weaknesses should be remedied in a timely fashion.</li> <li>• Enactment required for the computerised operation should be made.</li> <li>• A business process re-engineering should be done.</li> </ul>	PA examined by PAC (04.01.2012) and their recommendations furnished in Report No.18 (2011-14). During the discussion, the Secretary Taxes stated that the department had developed a modified version of PEARL i.e., PEARL 3.1 rectifying the deficiencies pointed out by the Accountant General. Separate module for audit was also incorporated in the version.
	Recovery of arrears of revenue under the Revenue Recovery Act	8	<p>The Government may</p> <ul style="list-style-type: none"> <li>• prescribe a time limit/procedure to be followed by the RR officers for follow-up action on stay cases.</li> <li>• evolve a rational/scientific method in fixing targets and any shortfall in collection may be viewed critically.</li> <li>• insist that RRC should be returned only after exploring all means of realising the arrears by the requisitioning departments.</li> <li>• direct the requisitioning department to resort to revenue recovery action only after the expiry of appeal period.</li> <li>• insist that the Excise Department should take care of the realisation of arrears under RR Act.</li> <li>• enforce the timeframe prescribed strictly and periodic reconciliation of the RR cases.</li> <li>• serve a copy of the notice to the concerned Sub Registrar under his acknowledgement so as to comply with the provisions of the Transfer of Registry Rules 1966.</li> <li>• dispense with the system of direct collection by requisitioning department after</li> </ul>	PA examined by PAC (29.11.2012) and their recommendations furnished in Report No. 35 (2011-14). The Committee noted that the performance of the Revenue Dept in RR collection was pathetic and urged that earnest efforts should be made to realise the amount due. The Committee also recommended a monitoring mechanism in this regard. The Committee reiterated the view of audit that the Excise Dept should take care of realisation under RR in the cases under its purview. The position of the Dept with regard to the rest is not known since the Action Taken Report has not been furnished.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
			the commencement of RR action and in special schemes enabling direct collection, RRC should be recalled from the RR department.	
	Transition from Sales Tax to VAT in Kerala (Standalone)	16	<p>The Government /Department may</p> <ul style="list-style-type: none"> <li>• introduce at the earliest a comprehensive manual of VAT specifying procedures for administration of Act and Rule.</li> <li>• make provisions in the KVAT Rules for mandatory verification of records of Income Tax/Central Excise departments and TINXSYS while conducting audit assessments/assessment of escaped turnover.</li> <li>• consider amendment of Act/Rules to make mandatory deposit of percentage of tax, interest and penalty in dispute, before entertaining appeal cases to ensure registration of genuine appeal cases only and lessen the scope of evasion/run away cases.</li> <li>• amend the Act/Rules to fix a minimum penalty for each and every offence based on its magnitude to avoid unfettered discretion of the assessing officer.</li> <li>• effectively monitor disposal of pending assessments and collection of arrears of pre-VAT period.</li> <li>• evolve a foolproof mechanism for detection of unregistered dealers and bring them under the tax net.</li> <li>• publish in departmental website details of cancelled and suspended registrations to verify whether dealers avail ITC on goods purchased from such dealers.</li> <li>• create a database for uploading the stock position of dealers for future reference</li> <li>• include an Audit Module in the KVATIS software.</li> <li>• enforce strict compliance of the provisions regarding filing of the returns and prescribe specific penal provisions for delayed filing of returns to arrest cases of delayed/non-filing of returns.</li> <li>• direct the AAs to conduct thorough scrutiny of the returns especially with reference to the figures of the enclosures to the audit certificate/P&amp;L account submitted by the dealers.</li> <li>• take actions such as imposition of penalty, suspension of registration etc. Against those who fail to furnish the prescribed documents along with the returns, without it being limited to levy of penalty alone.</li> <li>• enforce compliance of time limit prescribed in the Act for disposal of the appeal cases.</li> <li>• give direction to the AAs for maintenance of basic records in the circles.</li> <li>• store details of monthly diary received from circles/check posts in computer so</li> </ul>	<p>PA examined by PAC (09.10.2013) and their recommendations furnished in Report No. 54 (2014-16). The Committee reiterated the audit recommendations regarding computerisation, development of an audit module in KVATIS, publication of a comprehensive Manual on KVAT, effective monitoring over completion of assessments of Pre-VAT period, compulsory registration of all dealers and amending the KVAT Act to strengthen the provision regarding imposition of penalty for first and subsequent offences.</p> <p>No information regarding the action taken on the above recommendations is available since Action Taken Statement has not been furnished.</p>



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
			<p>that they can consolidate and retrieve it, whenever required and thus avoid wastage of time and manpower in collecting the same data again.</p> <ul style="list-style-type: none"> <li>ensure that internal audit is strengthened.</li> </ul>	
31 March 2010	Levy and collection of Motor Vehicles Tax	7	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>adequate change in the fee for duplicate driving licence covering the cost of card.</li> <li>strengthen the enforcement wing to plug the offences committed under motor vehicle laws.</li> <li>securing the computer servers by providing necessary passwords.</li> <li>strengthen the input controls and validation checks.</li> <li>ensuring the quality of the infrastructure developed by the service provider.</li> <li>consider ways to render prompt services to the public without delay.</li> <li>strengthening the internal control mechanism.</li> </ul>	PA Examined by PAC (30.07.2014) and report is awaited.
	Working of Co-operation Department	7	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>devising suitable measures for monitoring the demand and levy of interest and penal interest.</li> <li>evolving appropriate mechanism for watching the realisation of dividend declared by the societies.</li> <li>strengthening the mechanism for watching the collection of guarantee commission.</li> <li>evolving a system for ascertaining the eligibility of beneficiaries before sanctioning the assistance.</li> <li>taking steps to avoid retention of huge amount received as loan from NCDC on behalf of beneficiaries in TP account for long period.</li> <li>taking effective steps for the realisation of amount under revenue recovery.</li> <li>issuing guidelines to improve the quality and functioning of internal audit wing.</li> </ul>	PA Examined by PAC (27.08.2014) and report is awaited.
31 March 2011	Compounding Schemes in Commercial Taxes Department	3	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>review of works contract compounding by a senior/supervisory officer</li> <li>prescribing proper registers to implement IT systems to watch the details of dealers who have opted for payment of tax under the compounding scheme</li> <li>conducting periodic inspection of metal crusher units to ascertain the number of units in the possession of the assessee from time to time.</li> </ul>	Action taken explanatory notes received, but not discussed.
	Utilisation of declaration	2	<p>The Government may consider</p> <ul style="list-style-type: none"> <li>issuing instructions regarding the checks to be carried out before accepting</li> </ul>	Action taken explanatory notes not received.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
	forms in inter-state trade		<ul style="list-style-type: none"> <li>• declarations for allowing concession/exemption</li> <li>• strengthening the internal control mechanism.</li> </ul>	
	Levy and collection of stamp duty and registration fee	7	<p>The Government may</p> <ul style="list-style-type: none"> <li>• implement a time bound action plan to settle outstanding undervaluation cases.</li> <li>• consider creating awareness amongst public officers regarding their responsibility in respect of understamped instruments produced before them.</li> <li>• consider an Economic Intelligence Unit to obtain data and verify that documents have been registered when due for the right value.</li> <li>• consider an amendment to the Kerala Stamp Act to include provision for collection of stamp duty on ad-valorem basis on issue of shares and levy of stamp duty on licence agreements as lease.</li> <li>• direct registering officers to insist on production of agreements relating to purchase/sale of flats at the time of registration.</li> <li>• making internal audit/inspection of sub offices mandatory and up to date</li> <li>• inspection of public offices to plug leakage of revenue.</li> </ul>	PA Examined by PAC( 24.09.2014) and report is awaited.
	Computerisation in motor vehicles department	3	<p>The Department may</p> <ul style="list-style-type: none"> <li>• replace the existing system of storing data at independent servers in various locations with a centralised server system.</li> <li>• enable e-payment/online submission of application to facilitate online services.</li> <li>• consider recruiting qualified personnel to administer the IT applications.</li> </ul>	Action taken explanatory notes received but not discussed.
	Performance Audit of State Excise Department (Standalone)	11	<p>The Government /Department may</p> <ul style="list-style-type: none"> <li>• prepare a strategic plan covering mission, vision and objectives.</li> <li>• ensure that security labels are printed under its direct supervision.</li> <li>• take immediate steps to levy and recover the permit fees under Section 11 of the Abkari Act for the period from 2006-07 onwards.</li> <li>• consider amending the Rules(like prescribing aerial distance) to ensure that the distance restriction principle of prohibiting functioning of bars near educational institutions, places of worship etc applied in practice.</li> <li>• immediately provide the required infrastructure support to the enforcement wing.</li> <li>• prescribe norms for leakage of seized spirit and monitor adherence of such norms.</li> <li>• start fresh toddy collection centres under direct supervision of the Excise Dept</li> <li>• take timely action to equip enforcement employees with arms, ammunition and</li> </ul>	Action taken explanatory notes received but not discussed.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
			<p>provide other support facilities like boat.</p> <ul style="list-style-type: none"> <li>• prescribe time limits for completion of chemical analysis and submission of test results.</li> <li>• consider taking action to prescribe clear parameters for identifying natural or artificial toddy.</li> <li>• carry out a work study to clearly assess the manpower needs.</li> </ul>	
31 March 2012	Levy and collection of VAT on evasion prone commodities/ areas in Commercial Taxes Department	5	<p>The Government /Department may consider</p> <ul style="list-style-type: none"> <li>• restoring audit assessment wing, Commercial Investigation Wing, and strengthening the Internal Audit Wing to ensure compliance of the provision of the Acts and Rules.</li> <li>• introducing a system of obtaining information periodically from other Departments/Boards etc. in respect of the persons registered with them and cross verify the same with KVATIS to trace the dealers whose turnover crossed the threshold limit.</li> <li>• taking follow up action on goods brought into the state in view of its potential misuse of items covered by Form 16.</li> <li>• notifying the nature of transactions which would come under the scope of intangible and incorporeal good eligible to tax as featured in the schedule attached to the Maharashtra VAT Act.</li> <li>• taking timely action to revise floor rates in respect of evasion prone commodities.</li> </ul>	Action taken explanatory notes not received.
	Conduct of Lotteries in the State	5	<p>The Department may</p> <ul style="list-style-type: none"> <li>• ensure that provisions for ascertaining the genuineness of tickets before payment of prizes are observed.</li> <li>• pursue the cases with the crime branch for ensuring credibility.</li> <li>• finalise accounts of lotteries scheme wise for the efficient conduct of lotteries.</li> <li>• fix a timeframe for e-payment.</li> <li>• ensure a databank of all the persons involved directly or indirectly by making suitable provisions in the software LIMS.</li> </ul>	Action taken explanatory notes not received.
31 March 2013	Performance Audit on Assessment, levy and collection of VAT on	6	<p>The Government /Department may ensure that</p> <ul style="list-style-type: none"> <li>• separate identification numbers/code are assigned to work contractors.</li> <li>• separate account subheads are provided for accounting receipts under works contracts.</li> <li>• regular survey and inter-departmental cross verification of data are conducted to</li> </ul>	Action taken explanatory notes not received.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
	transfer of goods involved in the execution of works/supply contract		identify the works contractors by strengthening the intelligence wing and suitable measures for registration are taken promptly. <ul style="list-style-type: none"> <li>• valid documents in support of compounding are produced by the applicant timely.</li> <li>• internal control mechanism is adequate to plug revenue loss, detecting the defects/deficiencies promptly.</li> <li>• various declaration forms in support of claims for concession/exemptions are verified properly.</li> </ul>	
	Land Management by the Government of Kerala with special focus on land for Aranmula Airport and Smart City Kochi (Standalone)	13	Audit recommends for <ul style="list-style-type: none"> <li>• taking steps for effective implementation of the land management policy so as to generate maximum revenue to Government since the supply/availability of land is very limited.</li> <li>• identifying and inventorising all government lands on a war footing by surveying and demarcating the land.</li> <li>• prescribing and maintaining a register in the <i>Taluk</i>/District/Division level for noting the details of the lease such as order number, area under lease, name of the lessee, date of expiry of lease, periodical renewal details and demand, collection and balance of lease rent etc in respect of each lease.</li> <li>• developing a mechanism to fix lease rent and renew the lease within the time period stipulated in Act/Rules and fix a mechanism to revise fair value of land at frequent intervals.</li> <li>• prescribing a heavy fine and punitive action against those who violate lease conditions and initiate effective action against encroachment and prompt implementation of provisions of KLCA.</li> <li>• fixing conditions for assignment of land on registry putting in place a reporting system from village level to Commissioner of Land Revenue level for monthly reporting of lease cases such as total cases, time expired cases, demand, collection and balance of lease rent, resumed cases under resumption procedure etc.</li> <li>• identifying and inventorising all forest lands on a war footing by surveying and demarcating the land.</li> <li>• developing a mechanism to monitor and renew the lease/lease rent within the time period stipulated in Act/Rules.</li> <li>• putting in place a mechanism to realise lease rent dues promptly.</li> <li>• ensuring that agreements are executed in all lease cases.</li> </ul>	Action taken explanatory notes not received.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
			<ul style="list-style-type: none"> <li>• conducting an indepth study on the need for a fifth airport in the small state of Kerala and that too at Aranmula which is less than 150 Kms from Thiruvananthapuram and Kochi international airports.</li> <li>• conducting an indepth study on the impact of the project on the ecology/environment on the basis of the issues raised in the Reports of the Legislature Committee on Environment, Kerala State Biodiversity Board and the Expert Committee appointed by AAI and take effective action to resolve the impacts.</li> <li>• conducting an independent enquiry into the cases of violations of provisions of various Act/Rules including the lapses that has occurred at all levels including that of the secretariat departments which supported the illegal acts of the individual/company.</li> </ul>	
	Effectiveness of Kerala Value Added Tax Information System (KVATIS) in the Tax Administration of Commercial Taxes Department (Standalone)	20	<ul style="list-style-type: none"> <li>• Business Rules regarding registration may be mapped properly to avoid acceptance of multiple registrations by the system unless specifically permitted by Commissioner of Commercial Taxes under Section 20(3).</li> <li>• The system be updated to cover the risk of tax evasion by dealers having multiple registration, working out their aggregate turnover as specified in Section 20(4) of KVAT Act.</li> <li>• Department may conduct periodical analysis of dormant registration numbers, other than application for temporary stoppage of business (vide Section 16), and take timely action for issuing notices for renewal or otherwise cancel the registration of dealers who had no business transactions for more than two years, to avoid misuse of Registration Certificate.</li> <li>• System should generate appropriate alerts for renewal of Bank guarantees before its date of expiry and while dealers are effecting transactions.</li> <li>• Necessary modifications may be made to the system to adequately capture the results of manual verification done by Assessing Officers.</li> <li>• The department may provide adequate controls in the software to detect and alert the interstate transactions by cancelled dealers and the dealers who have not renewed their registration.</li> <li>• Entering of valid registration numbers in the field for Consignee TIN/Consignor TIN in the e-declaration format for generating e-token may be made mandatory.</li> <li>• System generated alerts needs to be devised for tracking consignment of goods in bulk quantity to prevent misuse of the facility for transporting consignments</li> </ul>	Action taken explanatory notes not received.



Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
			<p>'for own use' without payment of tax.</p> <ul style="list-style-type: none"> <li>• The system should be enabled to provide information about the non-surrendered transit passes to authorities including the intelligence wing of the department so as to track such vehicle.</li> <li>• Department may ensure that all business Rules are mapped to the system properly, that the system provides all necessary input and that there exists adequate process controls and validation checks to detect shortfalls in payment of tax.</li> <li>• Government may consider strengthening KVATIS for monitoring the scrutiny of returns through it.</li> <li>• The Department may incorporate a provision in the KVATIS to ensure that the closing stock shown in the certified accounts in Form 13-A of a year is correctly taken as the opening stock of the succeeding year.</li> <li>• Proper controls be built into the system so that the system can scrutinise returns collecting details from different databases.</li> <li>• Department/Govt may initiate early action for the upgradation of the present server which would be cost effective in terms of improvement of revenue realisation it would fetch.</li> <li>• The Department may operationalise the Audit Assessment Module with suitable modifications for the selection of high risk dealers through KVATIS for detailed audit.</li> <li>• The Department may initiate action to make use of other Modules so that the disposal of appeals, the nature of penalty levied, progress of collecting arrears etc can easily be monitored.</li> <li>• Important/required MIS reports may be made available in the software.</li> <li>• The Department may impart sufficient training to all officers and staff periodically.</li> <li>• The upgradation of the present system/server which is slow, would be cost effective in terms of improvement of revenue realisation, which was one of the primary goals of implementation of KVATIS.</li> <li>• The Department may lay down norms for check of physical records on the basis of reports generated through KVATIS indicating risk areas.</li> </ul>	



## Appendix – III

(Ref: Paragraph 2.4)

**Short remittance of tax due to short accounting of purchases**

Sl. No.	Office name	Dealer name/TIN	Year	Sales turnover arrived at (₹)	Total sales returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Tax including cess due (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
1	CTO Special Circle, Kannur	Karakkattu Agencies 32120203072	2010-11	1208618264	592558698	616059566	100-4.00	24888806	9955523	34844329	49777612
2	CTO, Special Circle, Kannur	Flash Traders 32120260795	2009-10	228253110	131023814	97229296	100-4.00	3928064	2042593	5970657	7856128
3	CTO, Special Circle, (Produce) Mattanchery	Vishal Export 32150336185	2009-10	678138852	363222312	314916540	100-4.00	12722628	6615767	19338395	25445256
4	CTO, Aluva	Njavallil Latex Pvt. Ltd 32150350585	2009-10	628310385	623638034	4672351	100-4.00	188763	98157	286920	377526
5	CTO, Special Circle I, Ernakulam	Evergrowing Iron & Finvest Ltd 32070247424	2011-12	880275358	558557196	321718162	100-4.00	12997414	3639276	16636690	25994828
6	CTO, Special Circle I, Ernakulam	Watts Electronics(Pvt) Ltd 32071694602	2010-11	198166882	181102113	17064769	100-4.00	689417	275767	965183	1378834
7	CTO, Special Circle III, Ernakulam	FCI OEN Connectors Ltd 32070418694	2009-10	2384459398	2027356430	357102968	43.56-12.5, 56.44-4.00	27781275	14446263	42227539	55562550
8	CTO, Special Circle III, Ernakulam	Hindustan Organic Chemicals Limited, Phenol Unit, Ambalamugal P.O 32070430405	2011-12	5431523863	5134818441	296705422	100-4.00	11986899	3356332	15343231	23973798



Sl. No.	Office name	Dealer name/TIN	Year	Sales turnover arrived at (₹)	Total sales returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Tax including cess due (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
9	CTO, Special Circle III, Ernakulam	Trinethra Super Retail Private Limited 32070482504	2011-12	1195708472	984741622	210966850	100-4.00	8523061	2386457	10909518	17046122
10	CTO, Special Circle III, Ernakulam	Acer India Pvt Ltd 32070485384	2011-12	1515195199	1417831587	97363612	100-4.00	3933490	1101377	5034867	7866980
11	CTO, Special Circle, Kottayam	Thomson Rubbers India Pvt. Ltd 32050222064	2011-12	1588622196	1584769107	3853089	100-4.00	155665	43586	199251	311330
12	CTO, Special Circle, Mattanchery	Kancor Ingredients Limited 32150238895	2011-12	2505345390	2401333307	104012083	100-4.00	4202088	1176585	5378673	8404176
13	CTO, Special Circle, Mattanchery	Kancor Ingredients Limited 32150238895	2009-10	1809350282	1781710203	27640079	100-4.00	1116659	580663	1697322	2233318
14	CTO, Special Circle, Mattanchery	United Oil Industries 32150294515	2009-10	192640164	190180802	2459362	100-4.00	99358	51666	151024	198716
15	CTO, Special Circle, Mattanchery	Anna Aluminium Co.(P) Ltd 32150223134	2010-11	721760003	632043977	89716026	100-4.00	3624527	1449811	5074338	7249054
16	CTO, Special Circle, Mattanchery	Anna Aluminium Co.(P) Ltd 32150223134	2011-12	901750115	886271066	15479049	100-4.00	625354	175099	800453	1250708
17	CTO, Special Circle, Thrissur	M.P.R. Mercantile Syndicate 32081470975	2010-11	325808318	263322729	62485589	100-12.5	7888806	3155522	11044328	15777612
18	CTO, Special Circle, Thrissur	M.P.R. Mercantile Syndicate 32081470975	2011-12	658980822	585956681	73024141	100-12.5	9219298	2581403	11800701	18438596



Sl. No.	Office name	Dealer name/TIN	Year	Sales turnover arrived at (₹)	Total sales returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Tax including cess due (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
19	CTO, Special Circle, Thrissur	Hil Limited . 32080252004	2011-12	636050210	599482870	36567340	100-12.5	4616627	1292655	5909282	9233254
20	CTO, Special Circle, Thrissur	Parekkadens Enterprises 32080579784	2010-11	400279182	304090598	96188584	100-4.00	3886019	1554408	5440426	7772038
21	CTO, Special Circle, Thiruvananthapuram	EICL Limited 32010125905	2011-12	228798167	2051511645	236470025	100-4.00	9553389	2674949	12228338	19106778
22	CTO, Special Circle, Alappuzha	Duro Flex Pvt Ltd 32040231985	2011-12	442656290	424366204	18290086	12.77-12.5, 87.23- 4.00	939434	263041	1202476	1878868
23	CTO, Special Circle I, Kozhikode	Plymica Ltd 32110279492	2011-12	182067518	118454779	63612739	89-12.5, 11- 4.00	8278466	2317971	10596437	16556932
		<b>TOTAL</b>						<b>161845507</b>	<b>61234871</b>	<b>223080378</b>	<b>323691014</b>

Appendix –IV

(Ref: Paragraph 2.4)

Short remittance of tax due to short reporting of sales turnover

Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
1	CTO, Special Circle, Kannur	32120239465	Soubhagya Tile House	2009-10	39980303	39098655	881648	91.79-12.5, 8.21- 4.00	105094	54649	159743	210188
2	CTO, Special Circle, Kannur	32120260222	PPM Chicken Agency Puthanpurayil	2009-10	55903756	53581756	2322000	92.37- 12.5, 07.63-4.00	270785	140808	411593	541570
3	CTO, Thaliparamba	32120441414	Arafa Store, Cherattiyadan	2009-10	65583489	64561964	1021525	89.78-12.5, 10.22- 4.00	120005	62403	182408	240010
4	CTO, Special Circle, Kannur	32120282575	Spice India Thayath	2010-11	578012426	575072426	2940000	100-4.00	118776	47510	166286	237552
5	CTO, II Circle, Kannur	32120666212	Klassik Traders	2010-11	39126956	38244460	882496	97.92- 12.5, 2.08- 4.00	109839	43936	153775	219678
6	CTO, Special Circle, Kannur	32120690635	Memi. K.	2010-11	120539539	114570365	5969174	100-4.00	241155	96462	337616	482309
7	CTO, Special Circle, Kannur	32122299892	New Pradeep Enterprises Leela R	2010-11	71892293	70455367	1436926	95.54- 12.5, 4.46- 4.00	175910	70364	246274	351820
8	CTO, Special Circle I, Ernakulam	32070298792	Shankara Infrastructure Materials Limited	2009-10	1201521008	991200332	210320676	100-4.00	8496955	4418417	12915372	16993911
9	CTO, Special Circle I, Ernakulam	32070289814	Asian Paints Limited	2010-11	4864284643	4849595041	14689602	100-12.50	1854562	741825	2596387	3709125



Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
10	CTO, Special Circle I, Ernakulam	32071659412	A S K Rathnasamy Nadar	2010-11	128346307	126446714	1899593	76.45- 12.50, 23.55- 4.00	201418	80567	281986	402836
11	CTO, Special Circle II, Ernakulam	32070319705	WIPRO GE Healthcare Private Limited	2009-10	397606867	391430189	6176678	3.29- 12.50, 96.71- 4.00	266984	138831	405815	533967
12	CTO, Special Circle II, Ernakulam	32070363884	ULTRATECH Cement Limited	2009-10	2207044714	2203384318	3660396	100-12.50	462125	240305	702430	924250
13	CTO, Special Circle II, Ernakulam	32070344725	Falcon Tyres Ltd.	2010-11	1085289828	878327500	206962328	100-12.50	26128994	10451598	36580592	52257988
14	CTO, Special Circle III, Ernakulam	32070425422	Nitta Gelatin India Limited	2009-10	1996737048	1671585578	325151470	31.48- 4.00	4135250	2150330	6285580	8270501
15	CTO, Special Circle III, Ernakulam	32070463402	Nippon Motor Corporation Private Limited	2009-10	4680554024	4663257219	17296805	100-12.50	2183722	1135535	3319257	4367443
16	CTO, Special Circle III, Ernakulam	32070482954	The Travancore Cochin Chemicals Limited	2009-10	1174950859	1171366587	3584272	100-4.00	144805	75298	220103	289609
17	CTO, Special Circle III, Ernakulam	32071075424	Mark Associates, Renji	2009-10	212053700	187325594	24728106	79.41- 12.5, 20.59- 4.00	2684817	1396105	4080921	5369633
18	CTO, Special Circle III, Ernakulam	32070444974	Gulf Oil Lubricants India	2010-11	246681953	224430562	22251391	100-12.50	2809238	1123695	3932933	5618476
19	CTO, Special Circle III, Ernakulam	32070445604	Somany Ceramics Limited	2010-11	245412506	216949306	28463200	100-12.50	3593479	1437392	5030871	7186958
20	CTO, Special Circle III, Ernakulam	32071272895	RF Motors Private Limited	2011-12	802354709	799843734	2510975	100-12.50	317011	88763	405774	634021
21	CTO, Special Circle, Kottayam	32050274455	PAN Marketing	2009-10	186714470	179208376	7506094	100-12.50	947644	492775	1440420	1895289



Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
22	CTO, Special Circle, Kottayam	32050274962	Hindustan Newsprint Ltd	2010-11	3032277891	3028833130	3444761	100-4.00	139168	55667	194835	278337
23	CTO, Special Circle, Mattanchery	32150249572	Supreme Steel Industries	2009-10	123282298	119054823	4227475	100-4.00	170790	88811	259601	341580
24	CTO, Special Circle, Thrissur	32080290772	CJ Interio Mart C V Jose and Sons	2009-10	16998048	12705820	4292228	84.01- 12.5, 15.99- 4.00	482973	251146	734118	965945
25	CTO, Kodungallur	32081008634	Kunjikomu K.K,	2010-11	69469631	67661828	1807803	88.85- 12.50	202787	81115	283902	405574
26	CTO, Kunnamkulam	32081211022	Mandumpal Enterprises	2011-12	325710456	310769410	14941046	1.20- 12.50, 83.28- 4.00	525329	147092	672421	1050658
27	CTO, Special Circle, Thiruvananthapuram	32010619015	JCT Motors	2009-10	297898427	264495295	33403132	12.50	4217145	2192916	6410061	8434291
28	CTO, Special Circle, Thiruvananthapuram	32010888442	Indroyal Crafts Private Limited	2009-10	115249914	113182755	2067159	98.5- 12.50, 1.5- 4.00	258317	134325	392642	516634
29	CTO, Attingal	32010152725	Jaya Agencies	2010-11	38509483	34231688	4277795	98.5- 12.50, 1.5- 4.00	534563	213825	748388	1069126
30	CTO, Special Circle, Thiruvananthapuram	32010164864	South Indian Federation of Fishermen Societies	2010-11	64227953	58591850	5636103	69.58- 12.50, 30.42- 4.00	564368	225747	790115	1128736
31	CTO, Special Circle, Thiruvananthapuram	32010616225	Indroyal Furniture Company Private Limited	2010-11	135092159	133924742	1167417	100-12.50	147386	58955	206341	294773
32	CTO Special Circle, Thiruvananthapuram	32010103844	Adtech Systems Limited	2011-12	382631539	371081567	11549972	100-12.50	1458184	408292	1866476	2916368
33	CTO, Cherthala	32040250132	The Travancore Mats & Matting Co.	2009-10	451602517	447288686	4313831	19.91- 12.50, 66.32- 4.00	224016	116488	340504	448032
34	CTO, I Circle, Alappuzha	32040296245	S D Pharmacy	2010-11	42934888	37236308	5698580	100-4.00	230223	92089	322312	460445



Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
35	CTO, I Circle, Alappuzha	32040296245	S D Pharmacy	2011-12	39942411	34948260	4994151	100-4.00	201764	56494	258258	403527
36	CTO, Kayamkulam	32040983182	Deepu Agencies	2010-11	202543119	197560653	4982466	30.94- 12.50, 69.06- 4.00	333636	133454	467090	667272
37	CTO, Kayamkulam	32040983182	Deepu Agencies	2011-12	268046570	263668377	4378193	29.98- 12.50, 70.02- 4.00	289564	81078	370642	579128
38	CTO, Special Circle, Alappuzha	32040253822	The Highland Produce Company Limited	2011-12	363218572	336906640	26311932	14.42- 12.50, 85.58- 4.00	1388732	388845	1777578	2777465
39	AIT & CTO, Alappuzha	32041309735	D.C.Mills (Private) Limited	2011-12	582589079	576780982	5808097	24.60- 12.50	180385	50508	230893	360770
40	CTO, Special Circle, Kollam	32020201394	Rajan Cashew Company	2009-10	554485391	547705998	6779393	100-4.00	273887	142421	416309	547775
41	CTO, Anchal	32021469775	Kadavil Chemicals and Cements	2009-10	47272264	44850679	2421585	100-12.50	305725	158977	464702	611450
42	CTO, Special Circle, Kollam	32021674839	Koppara Enterprises Printing And Copy Solutions India Private Limited	2009-10	21043524	14716313	6327211	100-4.00	255619	132922	388541	511239
43	CTO, Special Circle, Kollam	32020282282	Anu Cashews	2010-11	293790969	276735543	17055426	100-4.00	689039	275616	964655	1378078
44	CTO, III Circle, Kollam	32020824532	Veronica Marine Exports Private Limited	2010-11	558628673	518767634	39861039	100-4.00	1610386	644154	2254540	3220772



Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
45	CTO, Special Circle I, Kozhikode	32110218674	Ace Automobiles Private Limited	2009-10	182857074	176745691	6111383	97.88- 12.50, 2.12- 4.00	760439	395428	1155868	1520879
46	CTO, Special Circle I, Kozhikode	32110222904	Parisons Foods Private Limited	2009-10	3259626180	3240516363	19109817	98.65- 4.00	761614	396039	1157653	1523228
47	CTO, Special Circle I, Kozhikode	32110267645	Plast O Plast	2009-10	390686794	372875066	17811728	100-4.00	719594	374189	1093783	1439188
48	CTO, Special Circle I, Kozhikode	32110276375	Gunnebo India Private Limited	2009-10	47262253	41938875	5323378	100-12.50	672076	349480	1021556	1344153
49	CTO, Special Circle I, Kozhikode	32110845401	APCO Automobiles Private Limited	2009-10	452826862	450713008	2113854	100-12.50	266874	138774	405649	533748
50	CTO, Special Circle I, Kozhikode	32110869104	Kalliyath Sanitary Centre	2009-10	92206353	91246413	959940	97.91- 12.50, 2.09- 4.00	119470	62124	181594	238940
51	CTO, Special Circle I, Kozhikode	32110295501	Hindalco Industries Limited	2010-11	1231560747	1223986933	7573814	3.64- 12.50, 96.36- 4.00	329650	131860	461510	659300
52	CTO, Vadakara	32111266904	Bhima Traders	2009-10	81093256	77391330	3701926	100-12.50	467368	243031	710400	934736
53	CTO, Vadakara	32111266904	Bhima Traders	2010-11	52255552	49720985	2534567	100-12.50	319989	127996	447985	639978
54	CTO, Vadakara	32111266904	Bhima Traders	2011-12	39387022	33841272	5545750	100-12.50	700151	196042	896193	1400302
55	CTO, Special Circle II, Kozhikode	32110361842	KTC Automobiles P Ltd	2009-10	1936462706	1483195191	453267515	100-12.50	57225024	29757012	86982036	114450047
56	CTO, III Circle, Kozhikode	32110364305	Radiant Market Beams Pvt Ltd	2009-10	11421673	9331334	2090339	93.5- 12.50, 6.5- 4.00	252241	131165	383406	504481
57	CTO, Special Circle II, Kozhikode	32110777462	WALL N FLOOR	2009-10	50661134	49729992	931142	98.19- 12.50, 1.81- 4.00	116110	60377	176487	232220
58	CTO, Special Circle II, Kozhikode	32111077184	Cresecent Woods	2009-10	9428464	7001192	2427272	63.62- 12.50, 36.38- 4.00	230634	119930	350564	461268



Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
59	CTO, Vadakara	32111236192	M/s Roshini Traders	2009-10	39873553	37688715	2184838	46.10- 12.50, 53.90- 4.00	174736	90863	265599	349473
60	CTO, II Circle, Kozhikode	32110759282	Mukkom Tyres	2010-11	81274278	80173941	1100337	100-12.50	138918	55567	194485	277835
61	CTO, IV Circle, Kozhikode	32110921855	Manasi Initiatives	2010-11	65134259	62079096	3055163	21.04- 12.50, 76.02- 4.00	174985	69994	244979	349969
62	CTO, IV Circle, Kozhikode	32110954345	Sarasons Traders	2010-11	76939419	75087526	1851893	93.83- 12.50, 4.59- 4.00	222810	89124	311934	445620
63	CTO, Special Circle, Palakkad	32090217952	Future Retail Limited	2009-10	1158284563	986556122	171728441	39.15- 12.50, 51.84- 4.00	12084571	6283977	18368548	24169141
64	CTO, I Circle, Thiruvananthapuram	32010612952	Lord Krishna Associates	2011-12	67562795	63541205	4021590	1.32- 12.50, 98.68- 4.00	167030	46768	213798	334059
65	CTO, II Circle, Ernakulam	32071623592	The Mobilestore Limited	2010-11	293603077	284978640	8624437	100-4.00	348427	139371	487798	696855
66	CTO II Circle, Thiruvananthapuram	32010734542	Rams Electricals	2010-11	9946443	7006443	2940000	26.08- 12.50, 73.92- 4.00	184602	73841	258442	369203
67	CTO, III Circle, Ernakulam	32071771664	S S Marketing	2009-10	21072455	14576691	6495764	53.18- 12.50, 46.82- 4.00	558993	290676	849670	1117986
68	CTO, III Circle, Ernakulam	32071775624	Kay Kay Exports	2010-11	229683841	224134259	5549582	100-4.00	224203	89681	313884	448406
69	CTO, Special Circle, II, Ernakulam	32071753001	Neha Latha	2011-12	232960166	222735747	10224419	93.85- 12.50, 6.15- 4.00	1236850	346318	1583168	2473701
70	CTO, IV Circle, Ernakulam	32071885402	Western IT Distributors Sheeja	2009-10	311596461	303374858	8221603	2.92- 12.50, 97.08- 4.00	352763	183437	536199	705526

Sl. No	Office name	TIN	Dealer name	Year	Total sales accounted (₹)	Total turnover returned (₹)	Turnover escaped (₹)	Turnover-applicable tax rate (%)	Short levy including cess (₹)	Interest (₹)	Tax plus interest (₹)	Penalty (₹)
71	CTO, IV Circle, Ernakulam	32071885402	Western IT Distributors Sheeja	2010-11	362071270	352529668	9541602	1.83- 12.50, 98.17- 4.00	400471	160188	560660	800942
72	CTO, IV Circle, Ernakulam	32071893704	Malhotra Marketing Private Limited	2009-10	60611442	57490934	3120508	100-12.50	393964	204861	598825	787928
			<b>TOTAL</b>						<b>149657111</b>	<b>71226618</b>	<b>220883733</b>	<b>299314221</b>



## Appendix –V

(Ref: Paragraph 2.6.1)

## Details of short levy of tax due to excess claim of input tax credit

Sl. No.	Name of office	TIN	Name of the dealer	Period of return	Purchase value (₹)	Rate of tax (%)	IPT eligible for set off (₹)	Input tax claimed (₹)	Excess input tax claimed (₹)	Cess (₹)	Interest (₹)	Total including tax, cess and interest (₹)	Penalty (₹)
1	CTO, Special Circle, Kannur	32120213984	Nikshnan Electronics	2008-09	422739035	12.50	52842379	60993360	8150981	81510	5268794	13501285	16464982
2	CTO, Special Circle, Kannur	32120568055	Popular Stores	2008-09	44178035	12.50	5522254	5874511	352257	3523	227699	583478	711558
3	CTO, Special Circle III, Ernakulam	32070491572	Traco Cable Co. Ltd.	2009-10	83433804	4.00	3337352	3494609	157257	1573	82591	241421	317659
4	CTO, Special Circle, Kottayam	32050571275	Standard Treads Private Ltd.	2008-09	2538823	4.00	101553	317348	215795	2158	139490	357443	435906
5	CTO, Special Circle, Kottayam	32050571275	Standard Treads Private Ltd.	2009-10	300280216	4.00	12011209	12420997	409788	4098	215221	629107	827772
6	CTO, Special Circle, Kottayam	32050235632	N.T Paul & Company	2009-10	3261175	4.00	130447	407154	276707	2767	145327	424801	558948
7	CTO, Special Circle, Thrissur	32080583992	Kalyan Silks Trichur (P) Ltd.	2008-09	112644248	4.00	4505770	6886400	2380630	23806	1538839	3943276	4808873
8	CTO, Special Circle, Thrissur	32080224835	Yamuna Roller Flour Mills	2009-10	231485329	1.00	2314853	2559741	244888	2449	128615	375952	494673
9	CTO, Special Circle, Alappuzha	32040269425	Popy Umbrella Mart	2008-09	20175542	4.00	807022	989298	182276	1823	117823	301922	368198
10	CTO, Special Circle, Alappuzha	32040888614	Wilton Weavers Pvt. Ltd.	2008-09	7461985	4.00	298479	417218	118739	1187	76753	196679	239852
11	CTO, Special Circle, Kollam	32021455274	Agasthiacode Rubber Traders	2009-10	139890265	4.00	5595611	5725658	130047	1300	68301	199649	262696
12	CTO, Special Circle II, Kozhikode	32111211712	Koroth Padmanabhan Co (Cement) Pvt. Ltd.	2010-11	166537065	12.50	20817133	22953463	2136330	21363	863077	3020770	4315386
13	CTO, I Circle, Palakkad	32090544573	Kakkassery Agencies	2009-10	15024788	12.50	1878099	2002439	124341	1243	65304	190888	251168
			<b>Total</b>						<b>14880036</b>	<b>148800</b>	<b>8937834</b>	<b>23966671</b>	<b>30057671</b>



Appendix –VI

(Ref: Paragraph 2.8.1)

Details of short payment of tax due to short reporting of interstate sales effected through checkposts

Sl. No.	Office Name	Dealer name/TIN	Year	Value of goods transported out through check posts	Turnover of goods transported out returned	Turnover short reported	Turnover-applicable tax rate	Tax due	Cess	Tax due including cess	Interest	Total tax cess and interest	Penalty
				₹	₹	₹	(%)	₹	₹	₹	₹	₹	₹
1	CTO, Special Circle, Kannur	Priya Associates 32121020204	2011-12	6915002	0	6915002	4.00	276600	2766	279366	78223	357589	558732
2	CTO, Special Circle, (Produce) Mattancherry	General Commodities Ltd 32150359506	2010-11	119595550	1704000	117891550	4.00	4715662	47157	4762819	1905128	6667947	9525638
3	CTO, Special Circle II, Ernakulam	Faras Info-techs Pvt. Ltd (owners of V.G. Saraf & Sons) 32070398894	2010-11	1184368	0	1184368	12.50	148046	1480	149526	59810	209336	299052
4	CTO, Special Circle III, Ernakulam	HT Foods Pvt. Ltd. 32070407275	2011-12	4075797	705716	3370081	4.00	134803	1348	136151	38122	174273	272302
5	CTO, Special Circle III, Ernakulam	Kerala Electrical and Allied Engineering Co. Ltd. - KEL 32070477925	2011-12	14036102	5367791	8668311	4.88 - 12.50, 95.12 - 4.00	382689	3827	386516	108224	494740	773031
6	CTO, Special Circle, Kottayam	Lakshmi Match Industries 32050257592	2011-12	15840855	13086557	2754298	4.00	110172	1102	111274	31157	142431	222547
7	CTO, Special Circle, Mattanchery	Bestwood Traders 32150725762	2011-12	62434235	58475729	3958506	18.80 -12.50, 81.2- 4.00	221597	2216	223813	62668	286481	447626
8	CTO, Special Circle, Mattanchery	Zahi Rubbers India Ltd. 32150730622	2010-11	27019624	3608242	23411382	4.00	936455	9365	945820	378328	1324148	1891640
9	CTO, Special Circle, Thrissur	Modern Sanitary 32080710565	2010-11	6216273	39794	6176479	96.72 -12.50, 3.28- 4.00	754840	7548	762388	304955	1067343	1524777



Sl. No.	Office Name	Dealer name/TIN	Year	Value of goods transported out through check posts	Turnover of goods transported out returned	Turnover short reported	Turnover-applicable tax rate	Tax due	Cess	Tax due including cess	Interest	Total tax cess and interest	Penalty
				₹	₹	₹	(%)	₹	₹	₹	₹	₹	₹
10	CTO, Special Circle, Thrissur	Best Ready Mix Concrete 32080756904	2010-11	1966316	0	1966316	12.50	245790	2458	248248	99299	347547	496496
11	CTO, Special Circle, Thiruvananthapuram	Narmada Business Links (P) Limited 32010106364	2011-12	2212298	0	2212298	12.50	276537	2765	279302	78205	357507	558604
12	CTO, Special Circle, Thiruvananthapuram	Parthas 32010128864	2011-12	6470847	0	6470847	0.6 -12.50, 48.06- 4.00	129249	1292	130541	36552	167093	261082
13	CTO, Special Circle, Thiruvananthapuram	Marikar Engineers Private Ltd 32010131755	2011-12	20783091	0	20783091	12.50	2597886	25979	2623865	734682	3358548	5247730
14	CTO, Special Circle, Thiruvananthapuram	South Indian Federation Of Fishermen SOC 32010164864	2010-11	17277301	12972906	4304395	12.50	538049	5380	543429	217372	760801	1086858
15	CTO, Special Circle, Thiruvananthapuram	Bombay Rayon Fashions Ltd 32010185002	2010-11	136378710	100931182	35447528	4.00	1417901	14179	1432080	572832	2004912	2864160
16	CTO, Special Circle, Thiruvananthapuram	Nirmala Automobiles (P) Ltd. 32010194902	2010-11	884064	0	884064	12.50	110508	1105	111613	44645	156258	223226
17	CTO Special Circle, Thiruvananthapuram	Nirmala Automobiles (P) Ltd. 32010194902	2011-12	3557147	2247040	1310107	12.50	163763	1638	165401	46312	211713	330802
18	CTO, Special Circle, Thiruvananthapuram	JCT Motors 32010619015	2011-12	2250111	0	2250111	12.50	281264	2813	284077	79542	363619	568154
19	CTO, Special Circle, Thiruvananthapuram	New Chalai Agencies 32010874604	2010-11	2145524	0	2145524	12.50	268191	2682	270873	108349	379222	541746



Sl. No.	Office Name	Dealer name/TIN	Year	Value of goods transported out through check posts	Turnover of goods transported out returned	Turnover short reported	Turnover-applicable tax rate	Tax due	Cess	Tax due including cess	Interest	Total tax cess and interest	Penalty
				₹	₹	₹	(%)	₹	₹	₹	₹	₹	₹
20	CTO, Special Circle, Thiruvananthapuram	New Chalai Agencies 32010874604	2011-12	5110385	3351834	1758551	12.50	219819	2198	222017	62165	284182	444034
21	CTO, Special Circle, Alappuzha	The Travancore Mat & Mattings Company 32040250132	2011-12	15297985	443072	14854913	6.12 -12.50, 79.42- 4.00	585551	5856	591407	165594	757001	1182814
22	CTO, Special Circle, Kollam	M/s. Chemmarathil Cashew Company 32020207536	2011-12	35323423	33005388	2318035	4.00	92721	927	93649	26222	119871	187298
23	CTO, Special I Circle, Kozhikode	Hindalco Industries Ltd 32110295501	2010-11	12032810	9237186	2795624	4.00	111825	1118	112943	45177	158120	225886
24	CTO, Special Circle II, Kozhikode	M.C. Traders. 32110917344	2010-11	2582992	0	2582992	4.00	103320	1033	104353	41741	146094	208706
25	CTO, Special Circle II, Kozhikode	M. Muhammed Nazeem 32111062222	2011-12	16803358	15516496	1286862	12.50	160858	1609	162467	45491	207958	324934
26	CTO, Special Circle, Palakkad	PKV Trading Company 32090281942	2011-12	3305760	0	3305760	4.00	132230	1322	133552	37395	170947	267104
27	CTO, III Circle, Thiruvananthapuram	Pure Petrochem India Pvt. Ltd 32010860902	2010-11	6060738	2594751	3465987	12.50	433248	4332	437580	175032	612612	875160
28	CTO, III Circle, Thiruvananthapuram	Al-Mela Shopping (P) Ltd 32010890995	2010-11	7575440	2527566	5047874	47.22 -12.50, 52.78- 4.00	404521	4045	408567	163427	571993	817134
		<b>Total</b>									<b>5746649</b>	<b>21860286</b>	<b>32227273</b>



## Appendix –VII

(Ref: Paragraph 4.5)

## Non-levy of fine on overloaded vehicles

Sl. No		Name of office	No. of cases	Fine (in ₹)
1.	RTO	Alappuzha	9	58000
2.		Attingal	7	34000
3.		Ernakulam	8	67000
4.		Kannur	18	57000
5.		Kasargode	35	133000
		Kasargode	12	42000
6.		Kottayam	34	212000
7.		Kozhikode	27	117000
8.		Malappuram	21	104000
9.		Muvattupuzha	22	178000
10.		Palakkad	24	100000
11.		Thiruvananthapuram	14	64000
12.		Thrissur	35	236000
13.	SRTO	Alathur	5	35000
14.		Changanassery	15	82000
15.		Cherthala	3	23000
16.		Guruvayur	6	32000
17.		Kanjirappally	3	10000
18.		Kayamkulam	6	52000
19.		Kazhakkuttom	9	40000
20.		Kodungallur	10	61000
21.		Koduvally	19	110000
22.		Kothamangalam	6	39000
23.		Mannarkkad	3	13000
24.		Mavelikkara	13	103000
25.		Nedumangad	9	34000
26.		Pattambi	3	17000
27.		Perumbavoor	58	515000
28.		Ranni	11	54000
29.		Thiruvalla	5	34000
30.		Tirur	5	22000
31.		Vandiperiyar	15	52000
32.		Wadakkanchery	5	36000
		<b>Total</b>	<b>475</b>	<b>2766000</b>

**Appendix – VIII**  
**(Ref: Paragraph 4.6)**

**Details of cases in which one time tax was short levied on vehicles that migrated from other state /or were reclassified**

Sl. No.	Name of office	No. of cases	Short levy of tax (₹)
1	RTO, Alappuzha	14	124129
2	RTO, Attingal	33	615859
3	RTO, Ernakulam	27	216647
4	RTO, Kannur	62	796216
5	RTO, Kasargode (2012-13)	19	182983
	RTO, Kasargode (2011-12)	11	203904
6	RTO, Kottayam	21	320835
7	RTO, Kozhikode	44	586831
8	RTO, Malappuram	118	1489361
9	RTO, Muvattupuzha	5	25827
10	RTO, Palakkad	22	316337
11	RTO, Pathanamthitta	42	571000
12	RTO, Thiruvananthapuram	42	648552
13	RTO, Thrissur	37	689943
14	RTO, Vatakara	14	171993
15	RTO, Wayanad	21	369465
	<b>Total</b>	<b>532</b>	<b>7329882</b>
1	SRTO, Alathur	12	104244
2	SRTO, Aluva	5	95555
3	SRTO, Angamaly	4	31557
4	SRTO, Changanassery	15	164703
5	SRTO, Chengannur	9	242238
6	SRTO, Cherthala	23	351025
7	SRTO, Guruvayoor	10	128853
8	SRTO, Irinjalakuda	8	176558
9	SRTO, Kanjirappally	10	68681
10	SRTO, Kanhangad	14	248154
11	SRTO, Karunagappally	18	413995
12	SRTO, Kayamkulam	2	65555
13	SRTO, Kazhakuttom	7	93182
14	SRTO, Koduvally	30	334793
15	SRTO, Kothamangalam	5	77526
16	SRTO, Mannarkkad	5	75480
17	SRTO, Mattancherry	13	177387
18	SRTO, Mavelikkara	5	65478
19	SRTO, Nedumangad	44	957404
20	SRTO, Neyyattinkara	11	115686
21	SRTO, North Parur	8	50089
22	SRTO, Pattambi	12	96398
23	SRTO, Perinthalmanna	17	95489
24	SRTO, Perumbavoor	26	310027
25	SRTO, Tirur	40	396376
26	SRTO, Tripunithura	3	28995
27	SRTO, Vaikom	25	146350
28	SRTO, Wadakkancherry	14	193251
	<b>Total</b>	<b>395</b>	<b>5305029</b>
	<b>Grand Total</b>	<b>927</b>	<b>12634911</b>



**Appendix – IX**  
**(Ref: Paragraph 4.7)**

**Details of cases in which one time tax was short levied on registration of new vehicles**

Sl No.	Name of office	No. of cases	Short levy (in ₹)
1	RTO, Attingal	45	48316
2	RTO, Ernakulam	25	142915
3	RTO, Idukki	12	74373
4	RTO, Kasargod	18	39872
5	RTO, Kozhikode	8	29673
6	RTO, Palakkad	5	214980
7	RTO, Thiruvananthapuram	22	189348
8	RTO, Vatakara	2	23377
9	RTO, Wayanad	8	29052
10	SRTO, Changanassery	10	31103
11	SRTO, Karunagappally	8	85151
12	SRTO, Kayamkulam	7	10681
13	SRTO, Kazhakuttom	1	16437
14	SRTO, Nedumangad	92	125207
15	SRTO, Neyyattinkara	13	27744
16	SRTO, Thripunithura	2	14271
17	SRTO, Tirur	9	63156
18	SRTO, Vandiperiyar	20	36109
19	SRTO, Wadakkancherry	1	266769
	<b>Total</b>	<b>308</b>	<b>1468534</b>

**Appendix –X**  
**(Ref: Paragraph 4.8)**

**Short levy of tax on stage carriages with mofussil permits**

Sl. No.	Name of office	Description of vehicle	Period	No. of quarters	Rate of tax per quarter	Tax due		Tax paid		Short levy of tax
						(in ₹)				
1	<b>RTO, Kozhikode</b>	KL12 B 3536	1.10.2006 to 31.12.2010	17	29910	508470	269760			238710
2	<b>RTO, Kasargod</b>	KL05 R 3237	25.5.2004 to 31.12.2013	38+2months	23490	908280	729640			178640
3		KL11 AA 199	12.7.2007 to 31.12.2013	26	20070	521820	453960			67860
4		KL13 J 4644	4.3.2003 to 31.12.2013	43+1month	29910	1296100	869700			426400
5	<b>RTO, Ernakulam</b>	KL07 AN 9803	1.7.2004 to 31.3.2013	35	23490	822150	793800			28350
6		KL07 H 5576	1.4.2010 to 31.3.2013	12	29910	358920	298800			60120
7		KL07 BB 4399	1.10.2006 to 31.3.2013	26	23490	610740	507000			103740
8		KL07 AP 5134	1.1.2005 to 31.3.2013	33	20070	662310	554400			107910
9		KL07 AS 4304	1.7.2004 to 31.3.2013	35	20070	702450	588000			114450
<b>Total</b>						<b>6391240</b>	<b>5065060</b>			<b>1326180</b>



## Appendix - XI

(Ref: Paragraph 5.9)

## Details of short levy of electricity duty from consumers

(in ₹)										
Thrissur Municipal Corporation										
Month	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total
Electricity duty payable @10 %of the price of energy charges	3412583	3630652	3626649	3832337	3636505	3779528	3506971	3622674	3734341	32782240
Electricity duty paid @ 10 ps per unit	2976094	3228620	3430858	3779600	3558380	3746197	3462601	3594438	3641243	31418031
Short levy	436489	402032	195791	52737	78125	33331	44370	28236	93098	1364209
Arrears from	1.9.2012	1.10.2012	1.11.2012	1.12.2012	1.1.2013	1.2.2013	1.3.2013	1.4.2013	1.5.2013	
No. of months (up to 31.1.2014)	17	16	15	14	13	12	11	10	9	
Interest @ 18% per annum	111305	96488	44053	11075	15234	6000	7321	4235	12568	308279
<b>Total short levy including interest</b>	<b>547794</b>	<b>498520</b>	<b>239844</b>	<b>63812</b>	<b>93359</b>	<b>39331</b>	<b>51691</b>	<b>32471</b>	<b>105666</b>	<b>1672488</b>
Kannan Devan Hills Plantation Co.(P) Ltd.										
Month	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total
Electricity duty payable @10 %of the price of energy charges	274436	328245	309380	293133	299456	318486	314034	249975	236819	2623964
Electricity duty paid @ 10 ps per unit	259812	314105	294333	278372	285530	302207	297891	237838	225873	2495961
Short levy	14624	14140	15047	14761	13926	16279	16143	12137	10946	128003
Arrears from	1.9.2012	1.10.2012	1.11.2012	1.12.2012	1.1.2013	1.2.2013	1.3.2013	1.4.2013	1.5.2013	
No. of months (up to 31.1.2014)	17	16	15	14	13	12	11	10	9	
Interest @ 18% per annum	3729	3394	3386	3100	2716	2930	2664	1821	1478	25216
<b>Total short levy including interest</b>	<b>18353</b>	<b>17534</b>	<b>18433</b>	<b>17861</b>	<b>16642</b>	<b>19209</b>	<b>18807</b>	<b>13958</b>	<b>12424</b>	<b>153219</b>
<b>Grand total</b>										<b>1825707</b>

**Appendix –XII**

**(Ref: Paragraph 6.4)**

**Short levy of enhanced licence fee from FL-3 licensees**

Sl. No.	Name of office	No. of licencees as on 31.3.2013	Short levy @ ₹ one lakh (₹ in lakh)
1	EDO, Alappuzha	38	38
2	EDO, Ernakulam	183	183
3	EDO, Idukki	26	26
4	EDO, Kozhikode	30	30
5	EDO, Kollam	57	57
6	EDO, Kannur	27	27
7	EDO, Kasargod	8	8
8	EDO, Kottayam	71	71
9	EDO, Malappuram	27	27
10	EDO, Palakkad	37	37
11	EDO, Pathanamthitta	24	24
12	EDO, Thrissur	113	113
13	EDO, Thiruvananthapuram	88	88
14	EDO, Wayanad	11	11
	<b>Total</b>	<b>740</b>	<b>740</b>



## Appendix –XIII

(Ref: Paragraph 6.6)

## Short levy of licence fee from licencees of SP VI and SP VII licences

SP VI licencees					
Sl. No.	Name of office	No. of licencees	Amount due @ ₹ 5,000 per licence (₹)	Amount collected @ ₹ 500 (₹)	Amount not collected (₹)
1	EDO, Kasargod	1	5000	500	4500
2	ECO, Thrissur	24	120000	12000	108000
3	ECO, Kodungalloor	8	40000	4000	36000
4	ECO, Wadakkancherry	4	20000	2000	18000
5	ECO, Irinjalakuda	33	165000	16500	148500
6	ECO, Vadanapally	5	25000	2500	22500
7	ECO, Fort Kochi	1	5000	500	4500
8	ECO, Kunnathunadu	3	15000	1500	13500
<b>Total</b>		<b>79</b>	<b>395000</b>	<b>39500</b>	<b>355500</b>
SP VII licencees					
Sl. No.	Name of office	No. of licencees	Amount due @ ₹ 1,000 per licence (₹)	Amount collected @ ₹ 150 (₹)	Amount not collected (₹)
1	EDO, Kasargod	1	1000	150	850
2	ECO, Thrissur	22	22000	3300	18700
3	ECO, Kodungalloor	6	6000	900	5100
4	ECO, Wadakkancherry	8	8000	1200	6800
5	ECO, Fort Kochi	5	5000	750	4250
6	ECO, Kunnathunadu	7	7000	1050	5950
<b>Total</b>		<b>49</b>	<b>49000</b>	<b>7350</b>	<b>41650</b>
<b>Grand total</b>		<b>128</b>	<b>444000</b>	<b>46850</b>	<b>397150</b>

Appendix –XIV

(Ref: Paragraph 7.4.1)

Rates of Stamp duty for major instruments at *ad-valorem*

Sl. No.	Type of Instrument	Article	Period		Rate of Stamp duty in Rupees for every ₹ 100 or part thereof		
			from	to	Panchayat	Municipality	Corporation
1	Conveyance*	21,22	1.4.1991	31.3.2010	6	8.5	8.5
			1.4.2010	31.3.2013	7	8	9
			1.4.2013	31.3.2014	5	6	7
2	Exchange of property	29	29.7.1996	31.3.2014	Same duty as conveyance.		
3	Gift	31			Same duty as conveyance.		
4	Partition	42 (ii)			Six Rupees for every ₹ 100 or part of thereof of the amount or the value of the separated share or shares of the property.		
5	Power of Attorney in favour of a person other than family members to sell any immovable property	44 (e), 44(f)			Same duty as conveyance for the fair value of the land or amount of the consideration.		
6	Settlement in favour of persons other than family members	51 (a) (ii)			The same duty as Bottomry Bond for a sum equal to the amount of value of the properties settled as set forth in such instruments or fair value of the land whichever is higher.		
7	Release - other than family members	48(b)			The same duty as conveyance, for such amount or value of the property or claim or fair value of the land of which the right is relinquished in proportion to the right relinquished or consideration for the release, whichever is higher.		
<p>* upto 1 April 2010, duty was computed on the amount or value or the consideration shown in the documents whichever was higher. From 1 April .2010, the duty is computed on the fair value of the land or on the amount or value of the consideration shown in the documents whichever is higher. For the period upto 31 March 2010, surcharge @ 4 per cent for Municipality and Panchayats and 5 per cent for Corporation area were also chargeable.</p>							



## Appendix –XV

(Ref: Paragraph 7.4.4.1)

## Details of land for which KLU given for construction of building for commercial purpose.

Palakkad I village of Palakkad Taluk

Sl. No	File No.	Block No	Survey No.	Area	Fair Value in ₹	Classification as per FV Register	Present use
1	4124/06	1/17	751/1	10 cent	741000	Residential Plot with NH/PWD Road Access	Commercial Building
2	1083/07	1/17	751/1	9.5 cent	741000	Residential Plot with NH/PWD Road Access	Commercial Building
3	1347/06	4/29	1529	5 cent	466830	Wetland	Religious Building
4	71/06	1	52/2 pt	5 cent	155610	Wetland	Commercial Building
5	4465/06	3/38	1571/1A	10 cent	466830	Residential Plot with Pvt. Road Access	Building.
6	841/07	5/1	52/2	12.5 cent	155610	Wetland	Commercial Building
7	240/07	5/1	52/2	11.67 cent	155610	Wetland	Commercial Building
8	887/07	5/5	260/2	28 cent	233415	Wetland	Vacant Plot
9	3357/06	4/1	36/1	5 cent	311220	Residential Plot with Municipal Road access	Commercial Building
10	3714/05	4/1	50 pt.	9.31 cent	311220	Residential Plot with Municipal Road access	Commercial Building
11	3628/07	4/1	49/3	8 cent	311220	Residential Plot with Municipal Road access	Commercial Building
12	3721/07	4/29	1522	4.3 cent	466830	Wetland	Empty land
13	392/05	3/38	1547/3	20 cent	466830	Residential Plot with Pvt. Road access	
14	3826/07	38	1553/1	30.4 cent	466830	Residential Plot with Pvt. Road access	Commercial Building
15	3539/07	4/29	1522	33 cent	466830	Wetland	
16	3847/07	3/38	1553/1	30.4 cent	466830	Residential Plot with Pvt. Road access	Vacant Plot
17	73/06	7	521	3.44 cent	155610	Wetland	
18	3682/06	1/17	729/1,2	30 cent	622440	Residential Plot with NH/PWD Road Access	Commercial Building
Total				2.6552 Acre 107.45 Are <sup>1</sup>			

<sup>1</sup> Are is a unit of measurement of land 1 Are = 100 square metre, 100 Are = One hectare, 1 Are = 2.471 cent, 247.1 cent = 1 hectare.

Appendix –XVI

(Ref: Paragraph 7.4.4.3)

Statement of cases where fair value less than previous transaction value<sup>2</sup>.

Sl. No.	Year	Document No.	Block No.	Survey No.	Sub Div	Re-survey No	Sub Div.	Extent in Are	Value of land in document (₹)	Class code as per document	Rate per Are as per document (₹)	50% of rate per Are (₹)	Fair value fixed per Are (₹)	Class code as per fair value register	Percentage of Fair value fixed w.r.t. Average value as per document
1	2009	2618	023	495	4	495	4/8	1.62	840000	3	518519	259259	13000	5	2.51
2	2009	1324	023	2425	2	507	18/1	2.02	800000	4	396040	198020	13000	4	3.28
3	2009	2958	023	2469	57/2	513	30	2.83	1000000	2	353357	176678	15600	5	4.41
4	2009	2056	023	459	2/2/1	44	29	2.43	600000	3	246914	123457	13000	06	5.27
5	2009	1870	023	2098	A/7	571	9	2.12	800000	4	377358	188679	26000	6	6.89
6	2009	1465	NULL	370	2/1	NULL		2.43	1200000	4	493827	246914	39000	04	7.90
7	2009	1019	023	787	A/4/12	176	32/1	1.62	1700000	4	1049383	524691	104000	4	9.91
8	2009	2697	023	2084		564	9/1	1.93	500000	4	259067	129534	26000	06	10.04
9	2009	2366	023	1982		606	28	2.63	650000	3	247148	123574	26000	7	10.52
10	2009	2635	023	1727	2	273	7/1/1	1.42	1050000	3	739437	369718	78000	3	10.55
11	2010	118	41			27,28	3	1.66	1775000	4	1069277	534639	130000	4	12.16
12	2009	3065	023	918	4	143	20/1	2.83	1800000	4	636042	318021	84500	4	13.29
13	2009	3210	023	897	5	230	25	1.10	430000	4	390909	195455	52000	5	13.30
14	2009	896	NULL	4146	2/3	NULL		1.62	900000	4	555556	277778	75000	4	13.50
15	2009	2866	NULL	4146	2/3	NULL		1.62	900000	4	555556	277778	75000	4	13.50
16	2009	1746	078	1407	2/2/1	51		2.06	700000	4	339806	169903	162500	4	47.82
17	2010	165	23			55	7	2.30	500000	3	217391	108696	104000	3	47.84

<sup>2</sup> The above relates to Perurkada, Vattiyurkavu and Sasthamangalam villages under SRO Sasthamangalam of Thiruvananthapuram district



## Appendix -XVII

(Ref: Paragraph 7.4.4.3)

Statement of comparison of the value of the land purchased by KINFRA and the fair value fixed.

Sl No.	Doc No.	Desam	desam code	Survey No.	Extent of Land (in Hectares)	Extent of Land (in Cent)	Type of structure (if any)	DLPC rate of land per Hectare (₹)	DLPC rate of land per Cent (₹)	Value of structures (₹)	Value of land per Are (₹)	50% of the value per Are (₹)	Fair value fixed per Are (₹)	Percentage of fair value to Purchase value
1	1470/10	Kara	9	3/3	0.0202	4.99	House Building	12350000	50000	97582	123550	61775	10000	8.09
2	2416/09	Kara	9	4/3	0.2407	59.45	Nil	12350000	50000	0	123550	61775	10000	8.09
3	2556/09	Kara	9	4/6	0.0607	14.99	Nil	12350000	50000	0	123550	61775	10000	8.09
4	1160/10	Kara	9	8/1	0.1195	29.52	Nil	12350000	50000	0	123550	61775	10000	8.09
5	3720/09	Elampara	5	107/3	0.3978	98.26	Nil	5434000	22000	0	54362	27181	5000	9.20
6	3185/09	Keezhallur	1	21/2A2	0.0607	14.99	Nil	5434000	22000	0	54362	27181	5200	9.57
7	3160/09	Keezhallur	1	21/2A3	0.0648	16.01	Boundary Wall	5434000	22000	1482	54362	27181	5200	9.57
8	3776/09	Keezhallur	1	21/2B	0.2650	65.46	Nil	5434000	22000	0	54362	27181	5200	9.57
9	542/10	Keezhallur	1	21/2C 21/2B	0.3280	81.02	Nil	5434000	22000	0	54362	27181	5200	9.57
10	3807/09	Kotheri	7	82	0.1606	39.67	Nil	6175000	25000	0	61775	30888	6000	9.71
11	3565/09	Kotheri	7	64/1	0.0587	14.50	Basement Wall	9880000	40000	48028	98840	49420	10000	10.12
12	384/10	Kotheri	7	64/2	0.0647	15.98	Nil	9880000	40000	0	98840	49420	10000	10.12
13	1296/10	Kotheri	7	64/2	0.1943	47.99	Nil	9880000	40000	0	98840	49420	10000	10.12
14	1170/10	Kara	9	5	0.5375	132.76	Boundary Wall	8645000	35000	43712	86485	43243	10000	11.56
15	812/10	Kotheri	7	85/1	0.1602	39.57	Nil	6175000	25000	0	61775	30888	7500	12.14

Sl No.	Doc No.	Desam	desam code	Survey No.	Extent of Land (in Hectares)	Extent of Land (in Cent)	Type of structure (if any)	DLPC rate of land per Hectare (₹)	DLPC rate of land per Cent (₹)	Value of structures (₹)	Value of land per Are (₹)	50% of the value per Are (₹)	Fair value fixed per Are (₹)	Percentage of fair value to Purchase value
16	1266/10	Kotheri	7	85/2A	0.0931	23.00	Nil	6175000	25000	0	61775	30888	7500	12.14
17	847/10	Keezhallur	1	22Pt	0.0062	1.53	Nil	5434000	22000	0	54362	27181	6700	12.32
18	2478/09	Peravur	3	4	0.5341	131.92	Mud wall	5187000	21000	2567	51891	25946	6900	13.30
19	1291/10	Kotheri	7	66	0.2033	50.22	Nil	6175000	25000	0	61775	30888	8300	13.44
20	3157/09	Kotheri	7	78	0.0300	7.41	Nil	6175000	25000	0	61775	30888	8300	13.44
21	2476/09	Elampara	5	107/1	0.1954	48.26	Nil	3952000	16000	0	39536	19768	15000	37.94
22	2325/09	Elampara	5	108/1	0.1983	48.98	Boundary wall	3952000	16000	2482	39536	19768	15000	37.94
23	2926/09	Peravur	3	12/1A2 12/1B 12/2A	2.0020	494.49	Building , Well & Compound Wall	12350000	50000	670405	123550	61775	50000	40.47

DLPC: District Level Purchase Committee