PRESS BRIEF

COMPLIANCE (REVENUE) REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE PERIOD ENDING MARCH 2022

GOVERNMENT OF TAMIL NADU

CAG'S COMPLIANCE (REVENUE) REPORT FOR THE PERIOD ENDING MARCH 2022-GOVERNMENT OF TAMIL NADU- WAS PLACED IN THE LEGISLATIVE ASSEMBLY ON 29 JUNE 2024.

Following are the major audit findings included in the above report:

The report contains 11 paragraphs, including Subject Specific Compliance Audit in GST, Compliance Audit on "Functioning of TASMAC" and individual Draft Paragraphs in Stamp Duty and Registration, involving ₹2,978.46 crore. Some of the major findings are mentioned below:

I General

The total revenue receipts of the State during 2021-22 were ₹1,34,982.81 crore, comprising tax revenue of ₹1,22,866.29 crore and non-tax revenue of ₹12,116.52 crore. ₹37,458.62 crore was received from the Government of India as State's share of divisible Union taxes and ₹35,050.98 crore as grants-in-aid. The revenue raised by the State Government in 2021-22 was 65 *per cent* of the total revenue receipts as compared to 67 *per cent* in 2020-21. Taxes on sales and trade and Goods and Services Tax (₹93,944.70 crore) formed a major portion (76 *per cent*) of the tax revenue of the State.

(Paragraph 1.1)

Test-check of records relating to Goods and Services Tax, Motor Vehicles Tax, Stamp Duty and Registration Fee, State Excise, Mines and Minerals and Land Revenue during the year 2021-22 revealed under-assessments, short levy, loss of revenue and other observations amounting to ₹149.08 crore and were issued as Inspection Reports.

(Paragraph 1.9)

II Goods and Services Tax

During the Subject Specific Compliance Audit (SSCA) on "Department's oversight on GST payments and Return filing" the following deficiencies were found:

- Audit was conducted and reported in three parts *viz*. Audit of circles, Centralised Audit and Detailed Audit. In the Audit of circles, the oversight functions were evaluated in 10 circles; in the Centralised Audit, 436 taxpayers were test-checked for deviations from rules and inconsistencies. In the Detailed Audit, the returns and allied granular records of 100 taxpayers were test-checked in detail to identify incorrect claims of ITC and non/short payment of taxes.

(Paragraph 2.4.4)

- Compliance Audit of circles revealed that the Proper Officers (POs) did not act against non-filers of returns. It was also ascertained that no scrutiny of returns was performed during the period of Audit and no Standard Operating Procedure was issued for conduct of scrutiny. Audit noticed that cancelled taxpayers did not file GSTR-10 and these taxpayers could also obtain new registrations without filing returns.

(Paragraph 2.4.6)

- The Centralised Audit was performed based on 14 pre-set parameters derived from data. In 143 cases, there were data entry errors which led to incorrect information in the returns. In 111 cases, Audit pointed out irregularities amounting to ₹992.38 crore. Department recovered ₹5.46 crore and also issued notices in 103 cases.

(Paragraph 2.4.7)

- During the conduct of Detailed Audit, Audit noticed deficiencies relating to excess ITC, claim of ITC on blocked credit and incorrect availing of ITC on imports among others. The excess claim amounted to ₹31.08 crore.

(Paragraph 2.4.8.2A)

- Detailed Audit also revealed an undischarged tax liability in 56 cases amounting to ₹22.68 crore.

(Paragraph 2.4.8.2B)

III State Excise

- Check of records in eight out of 43 depots revealed that TASMAC did not pay differential excise duty of ₹30.50 crore due to revision of rates of Indian Made Foreign Liquor, although MRP was revised based on this revision. The observation was accepted and demand had been raised against TASMAC.

(Paragraph 3.3.8.1)

- Post preparation of Draft Project Report for End-to-End Computerisation, attempting to revise the Project requirement has led to inordinate delay in implementation of end-to-end computerisation. The project is yet to take off.

(Paragraph 3.3.8.3 (i))

- The Godown monitoring system does not have provision to register manufacturing date and batch numbers of liquor stocks. TASMAC is therefore not in a position to monitor and clear stocks adopting first-in-first-out method.

(Paragraph 3.3.8.3 (ii))

- The tenderers selected for transporting liquor did not possess valid documents such as GSTIN, insurance for vehicles, etc. although these were mandatory requirements to participate in the tender. Also, award of tenders repetitively to same persons flags the possibility of cartelisation.

(Paragraph 3.3.8.4)

- Out of 5,359 PoS machines installed in retail vending shops, only 3,114 machines were functional. Trade continues to be predominantly cash based amidst complaints of overcharging.

(Paragraph 3.3.8.5(ii))

IV Stamp Duty and Registration Fee

- In one case, the Chartered Mechanical Engineer (CME), while valuing building accessories stated that these accessories were installed after registration. However, the CME's report contained evidence clearly showing that the accessories were installed before the deed was submitted for registration. The failure of RO to verify facts and figures led to a loss of Stamp Duty and Registration Fee of ₹21.67 lakh.

(Paragraph 4.4.1)

- Audit noticed a case where the consideration agreed in a sale agreement was not adopted in the final sale deed. There was a short levy of Stamp Duty and Registration Fee of ₹1 crore.

(Paragraph 4.4.2)

- The RO classified a non-family settlement as a non-family partition despite guidance for treatment for classification of such instruments was available through an order of the Chief Controlling Revenue Authority. The misclassification resulted in a short collection of Stamp Duty and Registration Fee of ₹30.23 lakh.

(Paragraph 4.4.3)

- A short adoption of actual extent conveyed due to non-inclusion of common area that resulted in short collection of Stamp Duty and Registration Fee of ₹45.23 lakh.

(Paragraph 4.4.4)

- There was short declaration of advance amount paid while registering the Sale Agreement which resulted in short collection of Registration Fee of ₹54.20 lakh.

(Paragraph 4.4.5)

- The Deputy Inspector General of Registration (DIG) had revised the guidelines in respect of three properties but these revised values were not uploaded in the Registration Department's website. The RO had, without verifying the revised orders, adopted values as found in the website. This resulted in a short levy of Stamp Duty and Registration Fee of ₹2.68 crore.

(Paragraph 4.4.6)

- In one case, the lease period was arrived at incorrectly which resulted in short collection of Stamp Duty of ₹22.65 lakh.

(Paragraph 4.4.7)

- In one case, the RO referred an instrument of non-family release, which does not fall under the category of instruments that can be referred under Section 47A (1), to DRO (Stamps) for valuation. The DRO's valuation was lesser than the guideline values. The incorrect reference resulted in loss of revenue of Stamp Duty and Registration Fee of ₹3.44 crore.

(Paragraph 4.4.9)

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