

CHAPTER - I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. no.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
I	Revenue raised by the state Government					
	• Tax revenue	3,227.80	4,051.91	5,045.70	5,618.10	6,593.72
	• Non-tax revenue	1,243.93	1,229.53	1,451.34	2,020.45	2,202.21
	Total	4,471.73	5,281.44	6,497.04	7,638.55	8,795.93
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	1,876.29	2,507.82	3,198.80	4,034.98	4,257.91 ¹
	• Grants-in-aid	900.85	1,049.23	1,757.40	2,205.12	2,608.92
	Total	2,777.14	3,557.05	4,956.20	6,240.10	6,866.83
III	Total receipts of the State (I + II)	7,248.87	8,838.49	11,453.24	13,878.65	15,662.76
IV	Percentage of I to III	62	60	57	55	56

The above table indicates that during the year 2008-09, the revenue raised by the state Government was 56 per cent of the total revenue receipts (Rs. 15,662.76 crore) against 55 per cent in the preceding year. The balance was received from the Government of India.

1.1.2 The following table presents the details of the tax revenue raised during the period 2004-05 to 2008-09:

¹ For details refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2008-09. The amount under the minor head 901 - share of net proceeds assigned to the state booked under the major heads 0020 - Corporation tax, 0028-other taxes on income and expenditure, 0032 - taxes on wealth, 0038 - Union excise duty, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenue raised by the state and included in the state's share of divisible Union taxes in this statement.

(Rupees in crore)

Sl. no.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	• Commercial-tax	1,347.17	1,602.85	2,140.71	2,502.70	2,946.78	(+) 17.74
	• Central sales tax	326.69	486.35	702.33	521.00	664.16	(+) 27.48
2.	State excise	458.27	634.50	706.81	843.10	964.10	(+) 14.35
3.	Stamp duty and Registration fee	247.77	312.80	389.51	462.72	495.59	(+) 7.10
4.	Taxes and duties on electricity	308.92	362.31	469.12	394.86	415.10	(+) 5.13
5.	Taxes on vehicles	191.79	205.97	253.05	276.94	313.78	(+) 13.30
6.	Taxes on goods and passengers	287.13	395.33	301.81	510.72	420.71	(-) 17.62
7.	Other taxes on income and expenditure taxes on professions, trades, callings and employments including hotel receipts tax	27.13	20.65	16.23	11.54	7.67	(-) 33.54
8.	Other taxes and duties on commodities and services	4.25	4.26	5.27	6.40	6.33	(-) 1.09
9.	Land revenue	28.68	26.89	60.86	88.12	359.50	(+) 307.97
Total		3,227.80	4,051.91	5,045.70	5,618.10	6,593.72	(+) 17.37

The reasons for variation in receipts for 2008-09 from that of 2007-08, in respect of principal heads of revenue as furnished by concerned departments were as under:

Central sales tax: The increase (27.48 per cent) was due to increase in rate of Central Sales tax and rate of iron.

State excise: The increase (14.35 per cent) was due to allotment of liquor shop through application system and processing fee and increase in sale of liquor.

Taxes on vehicles: The increase (13.30 per cent) was due to increase in registration of new vehicles and strict enforcement of recovery.

The other departments did not inform (November 2009) the reasons for variation, despite being requested (April 2009).

1.1.3 The following table presents the details of major non-tax revenue raised by the state during the period from 2004-05 to 2008-09.

(Rupees in crore)

Sl. no.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/decrease (-) in 2008-09 over 2007-08
1.	Non-ferrous mining and metallurgical industries	679.83	721.12	813.42	1,031.55	1,243.24	(+) 20.52
2.	Forestry and wild life	159.85	203.17	205.79	258.07	322.29	(+) 24.88
3	Interest receipt	101.26	97.67	186.04	205.61	237.40	(+) 15.46
4.	Major and medium irrigation	67.26	38.98	104.96	97.62	126.03	(+) 29.10
5.	Other non-tax receipts	69.23	106.41	74.32	96.44	135.18	(+) 40.17
6.	Medical and public health	3.21	3.07	19.33	7.62	1.67	(-) 78.08
7.	Other administrative services	12.30	14.23	13.10	10.59	11.49	(+) 8.49
8.	Police	3.74	10.21	12.11	12.31	8.22	(-) 33.22
9.	Public works	5.63	13.94	9.31	11.67	13.59	(+) 16.45
10.	Miscellaneous general services	37.45	14.91	8.62	281.84	95.58	(-) 66.08
11.	Co-operation	4.17	5.82	4.34	7.13	7.52	(+) 5.46
12.	Power	100.00	0.00	0.00	0.00	0.00	0.00
Total		1,243.93	1,229.53	1,451.34	2,020.45	2,202.21	(+) 8.99

The reasons for variation in the receipts for 2008-09 from that of 2007-08, in respect of principal heads of revenue as furnished by concerned departments were as under:

Non-ferrous mining and metallurgical industries: The increase (20.52 per cent) was due to increase in production of coal and minerals.

In remaining cases, reasons for variation have not been received (November 2009), though called for (April 2009).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue were as follows:

(Rupees in crore)

Sl. no.	Heads of revenue	Budget estimate	Actuals	Variations excess (+) or shortfall (-)	Percentage variation
A. Tax revenue					
1.	Taxes on sales, trade etc.	3,470.00	3,610.94	(+) 140.94	(+) 4.06
2.	State excise	950.00	964.10	(+) 14.1	(+) 1.48
3.	Taxes and duties on electricity	476.75	415.10	(-) 61.65	(-) 12.93
4.	Stamp duty and registration fee	520.00	495.59	(-) 24.41	(-) 4.69
5.	Taxes on goods and passengers	485.00	420.71	(-) 64.29	(-) 13.26
6.	Taxes on vehicles	315.50	313.78	(-) 1.72	(-) 0.55
7.	Land revenue	100.00	359.50	(+) 259.5	(+) 259.5
8.	Other taxes on income and expenditure	3.09	6.92	(+) 3.83	(+) 123.94
9.	Other taxes and duties on commodities and services	6.69	6.33	(-) 0.36	(-) 5.38
10.	Hotel receipts tax	0.70	0.75	(+) 0.05	(+) 7.14
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	1,185.50	1,243.24	(+) 57.74	(+)4.87
2.	Forestry and wildlife	280.00	322.29	(+) 42.29	(+) 15.10
3.	Interest receipts	163.03	237.40	(+) 74.37	(+) 45.62
4.	Major and medium irrigation	134.00	126.03	(-) 7.97	(-) 5.95
5.	Medical and public health	15.95	1.67	(-) 14.28	(-) 89.53
6.	Other administrative services	21.94	11.49	(-) 10.45	(-) 47.63
7.	Police	11.51	8.22	(-) 3.29	(-) 28.58
8.	Public Works Department	15.19	13.59	(-) 1.6	(-) 10.53
9.	Water supply and sanitation	4.12	4.32	(+) 0.20	(+) 4.85
10.	Others (Jail)	1.81	1.00	(-) 0.81	(-) 44.75

The reasons for variations reported by the concerned departments in respect of some principal heads of revenue were as under:

Stamp duties and registration fees: The decrease (4.69 per cent) was due to two per cent exemption on stamp duty for the sale deeds made by women including 0.5 per cent exemption provided in the cases of the transfer deed.

Taxes and duties on electricity: The decrease (12.93 per cent) was due to the cases of Energy development cess pending in the High Court.

The other departments did not inform (November 2009) the reasons for variation, despite being requested (April 2009).

1.3 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross

collection during the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 were as indicated in the following table:

(Rupees in crore)

Sl. no.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2007-08
1.	Taxes on sales, trade etc.	2006-07	2,843.04	12.46	0.44	0.83
		2007-08	3,023.70	14.24	0.47	
		2008-09	3,610.94	16.38	0.45	
2.	Taxes on vehicles	2006-07	253.05	4.09	1.62	2.58
		2007-08	276.94	5.30	1.91	
		2008-09	313.78	13.12	4.18	
3.	State Excise	2006-07	706.81	17.94	2.54	3.27
		2007-08	843.10	19.75	2.34	
		2008-09	964.10	26.30	2.73	
4.	Stamp duty and registration fee	2006-07	389.51	10.86	2.79	2.09
		2007-08	462.72	10.83	2.34	
		2008-09	495.59	11.69	2.36	

The foregoing table indicates that the percentage of expenditure on collection in respect of the stamp duty and registration fees for the year 2006-07 to 2008-09 and taxes on vehicles for the year 2008-09 was higher than the all India average. **The Government needs to take appropriate measures in these cases.**

After being pointed out, the Registration Department stated that the cost of collection was marginally higher due to payment of 20 *per cent* interim relief to the staff under sixth pay commission as where as the Transport Department stated that cost of collection was higher due to expenses incurred on election of *Vidhan Sabha* and *Lok Sabha* during the year 2008-09 and expenditure on computerisation and information technology.

1.4 Analysis of arrears of revenue

The arrears of some principal heads of revenue as on 31 March 2009 as reported by the department amounted to Rs. 470.30 crore of which Rs. 235.85 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. no.	Heads of revenue	Amount out-standing as on 31 March 2009	Amount out-standing for more than 5 years as on 31 March 2009	Remarks
1.	Taxes on sales, trade etc.	200.24	98.61	Out of Rs. 200.24 crore, an amount of Rs. 44.87 crore has been stayed by court and RRCs of Rs. 32.64 crore have been sent to other states for execution; Rs. 45.07 crore is unrecoverable and Rs. 25.80 crore pertain to dues against sick units. Reasons for non-recovery of arrears of Rs. 51.86 crore were not intimated by the department.
2.	Taxes on vehicles	4.01	3.24	Out of Rs. 4.01 crore, demands for Rs. 1.10 crore were stayed by the courts. Reasons for non-recovery of arrears of Rs. 2.91 crore were not intimated by the department.
3.	State excise	23.96	23.27	Out of Rs. 23.96 crore, an amount of Rs. 79 lakh is for write-off, Rs. 82 lakh pertain to cases pending in appeal, Rs. 12.08 crore has been stayed by the court, Rs. 5.13 crore pertain to licensees who became insolvent. Reasons for non-recovery of arrears of Rs. 5.14 crore were not intimated by the department.
4.	Stamp duty and registration fee	3.69	0.59	Reasons for non-recovery are awaited.
5.	Taxes and duties on electricity	122.92	2.38	Out of Rs. 122.92 crore, an amount of Rs. 66.41 crore pertains to dues from Chhattisgarh Electricity Board for which action is being taken at Government level and Rs. 1.61 crore has been stayed by court.

				Reasons for non-recovery of arrears of Rs. 54.90 crore were not intimated by the department.
6.	Geology and mining	2.24	1.68	Out of Rs. 2.24 crore, Rs. 27 lakh has been stayed by court/Government, Rs. 1 lakh pertain to industries which are shut down, Rs. 52 lakh pertain to assesseees whose whereabouts are not known and Rs. 88 lakh pertain to dues pending with other departments. Reasons for non-recovery of arrears of Rs. 56 lakh were not intimated by the department.
7.	Irrigation	113.24	106.08	Out of Rs. 113.24 crore, Rs. 92.82 crore pertain to water charges payable to farmers, Rs. 20.42 crore pertain to water supplied to <i>Nagar Nigam, Nagar Palika and Panchayat</i> .
Total		470.30	235.85	

The Registration Department did not intimate (November 2009) the specific action taken in respect of arrears despite being requested.

1.5 Arrears in assessment

The number of pending cases at the beginning of the year 2008-09, becoming due during the year, disposed during the year and pending at the end of the year 2008-09 as furnished by the departments are as mentioned below:

Name of tax	Opening balance (2008-09)	Addition during the year	Total number of assessment cases due	Cases disposed during the year	Cases pending at the end of the year	Percentage of clearance (column 5 to 4)
1	2	3	4	5	6	7
Commercial tax	30,055	52,509	82,564	61,686	20,878	74.71
Professional tax	6,252	22,331	28,583	28,066	517	98.19
Entry tax	41,718	27,961	69,679	33,281	36,398	47.76
Luxury tax	31	98	129	125	4	96.90
Tax on works contract	21	94	115	96	19	83.48
Total	78,077	1,02,993	1,81,070	1,23,254	57,816	68.07

Thus, 31.93 per cent of the assessment cases were pending at the end of the year. **The Government may consider initiating action for expeditious disposal of pending assessment cases.**

1.6 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised is indicated in the following table below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31 March 2009
					No. of cases	Amount of demand (Rupees in crore)	
1.	Commercial tax	17	16	33	3	1.54	30
2.	State excise	15	-	15	-	-	15

Thus, during 2008-09 the State Excise Department could not finalise any of the 15 cases pending for more than four years and the Commercial Tax Department could finalise only 3 out of 33 cases. **The Government may consider taking effective steps to dispose the cases.**

1.7 Refunds

The refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09, as reported by the departments is mentioned in the table below:

(Rupees in crore)

Name of the department	Opening balance		Claims received		Refunds allowed		Closing balance	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Commercial tax	190	360.90	3,721	4.97	3,413	358.11	498	7.76
State excise	3	1.77	16	0.30	16	2.06	3	0.01
Total	193	362.67	3,737	5.27	3,429	360.17	501	7.77

The Government may consider taking effective steps to dispose the cases early.

1.8 Failure to enforce accountability and protect interest of the Government

Audit observations on under assessments, short determination/realisation of taxes, duties, fees etc. and defects in the maintenance of initial records, which are not settled on the spot, are communicated to the heads of the departments through inspection reports (IR). Important irregularities are also reported to

the Government/departments through IRs by the office of the Accountant General to which replies are required to be furnished by them within one month.

The number of IRs and audit observations relating to revenue receipts issued up to 31 December 2008 which were pending with the departments as on 30 June 2009, along with corresponding figures for the preceding two years, is mentioned below:

Sl. no.	Particulars	Position as on 30 June		
		2007	2008	2009
1.	Number of IRs pending settlement	1,587	1,875	1,955
2.	Number of outstanding audit observations	6,113	7,059	7,266
3.	Amount of revenue involved (Rupees in crore)	1,693.28	2,711.75	2,847.14

The department wise breakup of the IRs and audit observations outstanding as on 30 June 2009 are mentioned below:

Sl. no.	Department	No. of outstanding		Amount (Rupees in crore)	Earliest year to which the IR relates
		IRs	Audit observations		
1.	Commercial tax	314	1,973	256.24	1992-93
2.	Stamp duty and registration	244	599	28.36	1990-91
3.	Land revenue	472	1,263	306.38	1994-95
4.	Transport	99	709	77.15	1994-95
5.	State excise	106	322	320.67	1994-95
6.	Geology and mining	113	403	476.39	1994-95
7.	Electricity duty	8	28	116.34	1997-98
8.	Entertainment tax	53	69	1.52	1994-95
9.	Other tax departments	277	1,017	238.62	1994-95
10.	Forest (Revenue)	269	883	1,025.47	1979-80
Total		1,955	7,266	2,847.14	

It would be seen from the above table that no efforts were made by the concerned departments for the settlement of outstanding observations. Since the outstanding amount represents unrealised revenue, **the Government needs to take effective action on the issues raised in the IRs.**

1.9 Departmental audit committee meetings

The process of settlement of the outstanding audit observations contained in the IRs is to be expedited through departmental audit committees constituted by the Government. These committees are chaired by the Secretary of the department concerned and attended by the officers concerned of the State

Government and of the office of the Accountant General (Audit). The meetings for reviewing and monitoring the progress of settlement of the audit observation/paragraph are required to be held on a regular basis.

During the year 2008-09 two audit committee meetings were held in January and March 2009. **The Government should ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.**

1.10 Response of the departments/Government to draft audit paragraph

As per standing instructions of the Finance Department, all departments are to send their response to the draft paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the department concerned through demi-official letters requesting them to send their response within three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty four draft paragraphs proposed to be included in the report of the Comptroller and Auditor General of India (Revenue receipts) for the year ended 31 March 2009 were forwarded to the Secretaries of the respective departments between March 2009 and July 2009. Out of 24 draft paragraphs, the departments have accepted the audit observations in 15 paragraphs.

1.11 Follow-up of audit reports

According to the instructions issued by the Finance Department, all departments were required to furnish explanatory memoranda, vetted by audit, to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House.

As on March 2009, seven departments had not furnished the departmental notes in respect of 33 paragraphs included in the Audit Reports for the years between 2004-05 and 2006-07 for vetting. The delay ranged from six to 33 months as mentioned below:

Sl. no.	Name of the department	Year of report	Date of presentation to the legislature	Last date by which departmental notes were due	No. of paragraphs for which departmental notes were due	Delay in months at the end of March 2009
1.	Commercial tax	2005-06	15.03.07	15.6.07	14	22
		2006-07	8.7.08	8.10.08	10	6
2.	Land revenue	2004-05	23.3.06	23.6.06	1	33
3.	Geology and mining	2005-06	15.3.07	15.6.07	1	22
		2006-07	8.7.08	8.10.08	3	6

4.	Water resources	2006-07	8.7.08	8.10.08	1	6
5.	Motor vehicle tax	2006-07	8.7.08	8.10.08	1	6
6.	Stamp duty and registration fee	2006-07	8.7.08	8.10.08	1	6
7.	Forest receipt	2006-07	8.7.08	8.10.08	1	6
Total					33	

With a view to ensure accountability of the executive, the Public Accounts Committee (PAC) lays down in each case, the period within which action taken notes (ATN) on its recommendations should be sent. The PAC discussed 140 selected paragraphs pertaining to the Audit Report for the years 1998-99 to 2005-06 and gave its recommendations on 103 paragraphs. However, ATNs have not been received in respect of 28 recommendations of the PAC from the departments concerned as mentioned below:

Year	Name of the department						Total
	Commer- -cial tax/State Excise	Co- operative	Urban development/ Registration	Motor vehicle/ Land revenue	Water resource / Mining	Food civil supplies /Public works department	
1998-99	--/2	1	--/4	2/1	2/--	1/--	13
1999- 2000	--/--	--	--/--	--/--	--/3	--/--	03
2000-01	--/1	--	--/6	4/--	1/--	--/--	12
2001-02	--	--	--	--	--	--	--
2002-03	--	--	--	--	--	--	--
Total	--/3	1	--/10	6/1	3/3	1/--	28

1.12 Compliance with earlier Audit Reports

In the audit report of 2003-04 to 2007-08 cases of under assessment, non/short levy of taxes, loss of revenue, failure to raise demands etc. were indicated involving Rs. 454.68 crore, the departments accepted observations of the audit reports involving Rs. 71.47 crore of which Rs. 6.23 crore only had been recovered till March 2009 as mentioned below:

(Rupees in crore)

Sl. no.	Year of the Audit Report	Total money value	Amount accepted	Recovery made upto March 2009
1.	2003-04	46.72	12.40	1.58
2.	2004-05	46.00	1.05	1.43
3.	2005-06	253.10	2.22	1.88
4.	2006-07	15.99	2.92	0.59
5.	2007-08	92.87	52.88	0.75
Total		454.68	71.47	6.23

The Government needs to take effective steps to recover the outstanding amount in the interest of revenue.

1.13 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fees and other non-tax receipts conducted during the year 2008-09 indicated underassessment, short levy and loss of revenue amounting to Rs. 632.13 crore in 7,198 cases. The departments concerned accepted underassessment and other deficiencies of Rs. 502.20 crore in 3,869 cases which had been pointed out in audit during the year 2008-09.

This report contains 22 paragraphs including three reviews, pointing out non/short levy of taxes, duties, interest and penalties etc. involving Rs. 486.08 crore. The Government/department accepted audit observations involving Rs. 446.33 crore of which Rs. 45.79 lakh had been recovered up to March 2009. Audit observations with a total revenue effect of Rs. 34.40 crore have not been accepted by the departments, but their contentions have been appropriately commented upon in the relevant paragraphs. These are discussed in succeeding chapters II to VI.