

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh 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	7,772.97	9,114.70	10,473.13	12,017.64	13,613.50
	• Non-tax revenue	4,461.86	2,208.20	2,658.46	2,738.18	3,342.86
	Total	12,234.83	11,322.90	13,131.59	14,755.82	16,956.36
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	5,076.68	6,341.35	8,088.54	10,203.50	10,767.14 ¹
	• Grants-in-aid	2,431.74	2,932.54	4,474.15	5,729.41	5,853.71
	Total	7,508.42	9,273.89	12,562.69	15,932.91	16,620.85
III.	Total receipts of the State	19,743.25	20,596.79	25,694.28	30,688.73	33,577.21
IV.	Percentage of I to III	62	55	51	48	50

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 50 *per cent* of the total revenue receipts (Rs. 33,577.21 crore) against 48 *per cent* in the preceding year. The balance 50 *per cent* of receipts during 2008-09 was from the Government of India.

1 For details please see statement No. 11: "Detailed accounts of revenue by minor heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2008-09. Figures under the head "0021 Taxes on income other than corporation tax - Share of net proceeds assigned to States" booked in the Finance Accounts 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.

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

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	• Sales tax • Central Sales Tax	3,912.01	4,508.42	5,261.41	6,045.07	6,842.99	(+) 13.20
2.	State excise	1,192.36	1,370.38	1,546.68	1,853.83	2,301.95	(+) 24.17
3.	Stamp duty and registration fee	788.71	1,009.48	1,251.10	1,531.54	1,479.29	(-) 3.41
4.	Taxes on goods and passengers	468.07	578.58	744.60	916.44	1,332.57	(+) 45.41
5.	Taxes on vehicles	488.65	556.02	634.30	702.62	772.56	(+) 9.95
6.	Taxes and duties on electricity	707.18	842.27	714.55	626.08	343.06	(-) 45.21
7.	Land revenue	46.80	77.16	132.21	129.15	338.84	(+) 162.36
8.	Other taxes on income and expenditure - tax on professions, trades, callings and employments	150.21	153.08	163.81	185.02	172.29	(-) 6.88
9.	Other taxes and duties on commodities and services	14.28	14.15	19.55	20.10	20.28	(+) 0.90
10.	Hotel receipts	4.75	5.37	4.92	7.79	9.67	(+) 24.13
11.	Taxes on immoveable property other than agricultural land	(-) 0.05	(-) 0.21	--	--	--	--
Total		7,772.97	9,114.70	10,473.13	12,017.64	13,613.50	(+) 13.28

The following reasons for variation were reported by the departments.

Sales Tax: The increase of 13.20 *per cent* was stated to be due to increase in price and special recovery campaign.

State excise: The increase of 24.17 *per cent* was stated to be due to increase in auction value.

Taxes and duties on electricity: The decrease of 45.21 *per cent* was stated to be due to non-deposit of Rs. 583.34 crore by the Madhya Pradesh State Electricity Board for the year 2008-09. However, no reason was cited by the department for the arrears pending with the Madhya Pradesh State Electricity Board.

Hotel Receipts: The increase of 24.13 *per cent* was stated to be due to expiry of exemption period to new hotels.

The other departments did not inform (October 2009) the reasons for variation, though called for (April 2009).

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

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Non-ferrous mining and metallurgical industries	733.72	815.31	923.91	1,125.39	1,361.08	(+) 20.94
2.	Forestry and wildlife	559.11	490.40	536.50	608.89	685.60	(+) 12.60
3.	Miscellaneous general services	79.61	21.30	736.58	374.60	380.17	(+) 1.49
4.	Other non-tax receipts	2,906.97	152.02	159.30	220.17	580.56	(+) 163.69
5.	Interest receipts	25.90	527.20	132.73	206.98	163.29	(-) 21.11
6.	Other administrative services	50.78	67.20	59.55	68.15	55.58	(-) 18.44
7.	Major and medium irrigation	37.92	29.57	29.82	37.42	37.08	(-) 0.91
8.	Police	23.23	26.16	24.26	25.03	23.63	(-) 5.59
9.	Public works	9.94	53.08	16.39	20.33	21.74	(+) 6.94
10.	Medical and public health	16.76	11.73	20.88	21.93	20.88	(-) 4.79
11.	Co-operation	17.92	14.23	18.54	29.29	13.25	(-) 54.76
Total		4,461.86	2,208.20	2,658.46	2,738.18	3,342.86	(+) 22.08

The following reasons for variation were reported by the departments.

Non-ferrous mining and metallurgical industries: The increase of 20.94 *per cent* was stated to be due to revision of royalty on coal and constant vigil by the department.

Forestry and wildlife: The increase of 12.60 *per cent* was stated to be due to increase in sale of forest produce against the target.

Co-operation: The decrease of 54.76 *per cent* was stated to be due to non-receipt of audit fee from District Co-operative Banks by virtue of amendment in the provisions of Co-operative Act.

Other non-tax receipts: The increase of 163.69 *per cent* was mainly due to substantial increase in receipts under the head 'Education, sports, art and culture' (0202) during the year 2008-09. Against the receipt of Rs. 13.75 crore during the previous year, the receipt under this head was Rs. 318.97 crore during 2008-09.

Miscellaneous general services: The sharp increase under this head during the year 2006-07 as compared to the previous year was mainly due to receipt of Rs. 726.12 crore on account of Debt consolidation and Relief facility to the state under recommendations of the 12th Finance Commission.

The other departments did not inform (October 2009) the reasons for variation, 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 are mentioned below:

(Rupees in crore)

Sl. no.	Head of revenue	Budget estimates	Actuals	Variation excess (+) or shortfall (-)	Percentage increase (+)/decrease (-) over budget estimates
A. Tax revenue					
1.	Sales tax	6,720	6,842.99	(+) 122.99	(+) 1.83
2.	State excise	2,150	2,301.95	(+) 151.95	(+) 7.07
3.	Stamp duty and registration fee	1,700	1,479.29	(-) 220.71	(-) 12.98
4.	Taxes and duties on electricity	900	343.06	(-) 556.94	(-) 61.88
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	1,235	1,361.08	(+) 126.08	(+) 10.21
2.	Forestry and wildlife	600	685.60	(+) 85.60	(+) 14.27
3.	Cooperation	10	13.25	(+) 3.25	(+) 32.50

The reasons for variations of actuals over budget estimates during 2008-09 as intimated by the respective departments are given below:

Taxes and duties on electricity: As stated by the department, the actual receipts under the head was Rs. 926.39 crore against the estimate of Rs. 900 crore. An amount of Rs. 343.06 crore is exhibited in the Finance accounts (2008-09) due to non-deposit of Rs. 583.34 crore by the Madhya Pradesh State Electricity Board. However, no reasons were cited for the arrears pending with the Board.

Non-ferrous mining and metallurgical industries: The increase of 10.21 *per cent* was stated to be due to revision of royalty on coal and constant vigil by the department.

Forestry and wildlife: The increase of 14.27 *per cent* was stated to be due to sale of more/excess forest produce than the target.

The other departments did not inform (October 2009) the reasons for variation, though called for (April 2009).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection as furnished by the concerned departments and the percentage of 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 are mentioned below:

(Rupees in crore)

Sl. no.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2007-08
1.	Sales tax	2006-07	5,261.41	48.20	0.92	0.83
		2007-08	6,045.07	60.36	1.00	
		2008-09	6,842.99	96.23	1.41	
2.	Taxes on vehicles	2006-07	634.30	6.41	1.01	2.58
		2007-08	702.62	7.60	1.08	
		2008-09	772.56	5.88	0.76	
3.	State excise	2006-07	1,546.68	303.79	19.64	3.27
		2007-08	1,853.83	396.04	21.36	
		2008-09	2,301.95	505.46	21.96	
4.	Stamp duty and registration fee	2006-07	1,251.10	36.48	2.92	2.09
		2007-08	1,531.54	44.54	2.91	
		2008-09	1,479.29	41.72	2.82	

Thus, the percentage of expenditure on the collection of sales tax and stamp duty and registration fee was marginally higher than the all India average. This and the continuous increase in the former need to be looked into by the Government. The percentage of expenditure on the collection of taxes on vehicles was below the all India average.

In case of state excise where the figures are abnormally higher than the all India average percentage, **audit observed that in the Finance Accounts, there was no separate head showing 'collection charges' as was available in the case of other taxes like taxes on sales/trade, taxes on vehicles etc.,** and the cost of liquor paid to the manufacturers from the budget provisions for expenditure was also being booked under the head 2039-state excise along with other expenditures.

The Government may consider opening of a separate sub-head 'collection charges' on the lines of practice for the other taxes for effectively monitoring the functioning and the performance of the department. This will also enable the State to compare the collection cost position vis-a-vis the all India average Government percentage on a like to like basis.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 765.45 crore of which Rs. 533.03 crore (excluding Transport Department) was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009
1.	Taxes on vehicles	31.17	Information not furnished
2.	State excise	59.60	55.49
3.	Taxes & duties on electricity	19.72	13.86
4.	Sales tax	546.04	424.29
5.	Non-ferrous mining and metallurgical industries	12.19	12.19
6.	Co-operation	9.23	5.51
7.	Stamp duty and registration fee	87.50	21.69
Total		765.45	533.03

The position of arrears of revenue at the end of 2008-09 in respect of other departments was not furnished (October 2009) by the Government despite being requested (April 2009). Also, the stages at which arrears were pending for collection were not furnished by the departments (October 2009).

1.5 Arrears in assessment

The details of assessments relating to sales tax, profession tax, entry tax, luxury tax, tax on works contracts pending at the beginning of the year, additional cases becoming due for assessment during the year, cases disposed during the year and pending cases at the end of each year during 2006-07, 2007-08 and 2008-09 as furnished by the Commercial Tax Department are mentioned below:

Name of tax		Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed during the year	Balance at the end of the year	Percentage of column 5 to 4
1.		2.	3.	4.	5.	6.	7.
Commercial Tax Department							
Sales tax	2006-07	2,60,792	4,02,291	6,63,083	2,99,596	3,63,487	45.18
	2007-08	3,63,487	2,81,575	6,45,062	3,41,769	3,03,293	52.98
	2008-09	3,03,293	3,41,838	6,45,131	3,78,096	2,67,035	58.61
Profession tax	2006-07	1,11,924	1,10,091	2,22,015	1,06,502	1,15,513	47.97
	2007-08	1,15,513	1,45,481	2,60,994	1,33,479	1,27,515	51.14
	2008-09	1,27,515	1,50,048	2,77,563	1,53,188	1,24,375	55.19

1.		2.	3.	4.	5.	6.	7.
Entry tax	2006-07	1,41,158	2,40,983	3,82,141	1,97,047	1,85,094	51.56
	2007-08	1,85,094	2,23,297	4,08,391	2,19,980	1,88,411	53.87
	2008-09	1,88,411	2,36,999	4,25,410	2,55,054	1,70,356	59.95
Luxury tax	2006-07	590	819	1,409	711	698	50.46
	2007-08	698	1,007	1,705	1,007	698	59.06
	2008-09	698	1,330	2,028	1,364	664	67.26
Tax on works contracts	2006-07	1,721	5,487	7,208	3,707	3,501	51.43
	2007-08	3,501	3,211	6,712	2,965	3,747	44.17
	2008-09	3,747	5,160	8,907	6,366	2,541	71.47

Thus there has been increase in disposal of assessment cases during 2008-09 as compared to the previous years.

1.6 Evasion of tax

The details of evasion as reported by the Sales Tax, State Excise and Stamp Duty and Registration Fee Departments are mentioned below:

Sl. no.	Name of the 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 pending cases as on 31 March 2009
					No. of cases	Amount of demand (Rs. in crore)	
1.	Sales tax	353	297	650	183	3.14	467
2.	State excise	7	65	72	34	0.006	38
3.	Stamp duty and registration fee	7,165	5,638	12,803	4,929	12.83	7,874

Thus, there was increase in the number of pending cases under all the three Heads.

1.7 Refunds

The number of 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 end of the year 2008-09 as reported by the departments are mentioned below:

(Rupees in crore)

Sl. no.	Category	State excise		Sales tax		Stamp duty and registration fee	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	21	1.27	1,520	16.04	912	2.43
2.	Claims received during the year	71	10.38	9,589	131.33	820	2.14
3.	Refunds made during the year	45	2.42	10,456	131.67	761	2.82
4.	Balance outstanding at the end of the year	47	9.22	653	15.70	971	1.75

Thus, there was an increase in the number and amount of refund cases at the end of the year in the State excise department.

1.8 Failure to enforce accountability and protect the interest of the Government

Accountant General (Works & Receipt Audit), Madhya Pradesh conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IR) incorporating irregularities detected during inspection and not settled on the spot. These are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the department and Government separately.

Inspection Reports issued upto December 2008 pertaining to various offices of commercial tax, land revenue, registration and other departments disclosed that 20,189 paragraphs relating to 6,253 IRs have remained outstanding since 1997-98 to the end of December 2008.

The huge pendency of IRs due to non-receipt of replies indicates that the heads of the offices/departments failed to initiate action to rectify the defects, omissions and irregularities pointed out in the IRs. To ensure that action to recover the revenue due does not become time barred, it is recommended that the Government take suitable steps to ensure that prompt and appropriate

responses are given to the audit observations, action is initiated against officials/officers responsible to send replies to IRs/paragraphs as per the prescribed time schedule and take action to recover loss/outstanding demands in a time bound manner.

1.9 Response of the departments to draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the audit office to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in this Report were sent to the Principal Secretaries/Secretaries of the concerned departments. Their replies have not been received (October 2009). The paragraphs pertaining to these departments have been included in this Report without the response of the departments.

1.10 Follow-up on Audit Reports

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2008 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 18 March 2009. Reports upto the year 2005-06 have been discussed by the Public Accounts Committee (PAC) and Report for year 2006-07 has also been partly discussed. The recommendations of the PAC have been received for Audit Reports pertaining to different years.

Action taken reports (ATN) on the PAC recommendations upto 1992-93 have been received. In respect of Audit Reports for 1993-94 and thereafter, ATNs have not been received from the concerned departments although instructions of November 1994 issued by the State Legislature Affairs Department stipulate that these should be issued within six months from the date of receipt of recommendations by the PAC.

1.11 Compliance with the earlier Audit Reports

During the years between 2003-04 and 2007-08 the departments/Government accepted audit observations involving Rs. 782.56 crore of which only Rs. 9.78 crore has been recovered till 31 March 2008 as mentioned below:

(Rupees in crore)

Year of the Audit Report	Total money value of the Report	Accepted money value	Amount recovered
2003-04	125.53	26.26	0.29
2004-05	41.96	13.24	0.28
2005-06	85.85	32.56	2.42
2006-07	318.57	288.61	1.93
2007-08	623.43	421.89	4.86
Total	1,195.34	782.56	9.78

1.12 Departmental audit committee meetings

During the year 2008-09, thirteen departmental audit committee meetings were held in which 326 IRs and 1,956 paragraphs involving money value of Rs. 300.32 crore were settled.

1.13 Results of audit

Test check of records of sales tax, land revenue, state excise, tax on vehicles, stamp duty and registration fee, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue amounting to Rs. 2,342.15 crore in 2,96,745 cases. During the year, the departments accepted underassessment and other losses of Rs. 804.20 crore in 77,791 cases. An amount of Rs. 18.95 crore had been recovered in 1,426 cases relating to different years.

This report contains 81 paragraphs including three reviews involving Rs. 1,339.50 crore. The departments/Government accepted audit observations involving Rs. 112.89 crore out of which Rs. 3.11 crore had been recovered. In respect of observations not accepted by the department, the reasons for non-acceptance have been included in the related paragraphs. These are discussed in succeeding chapters II to VIII.