

CHAPTER V

REVENUE RECEIPTS

5.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India during the year 2011-12 and the corresponding figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Category	2007-08	2008-09	2009-10	2010-11	2011-12
I	Revenue raised by the Government					
	(a) Tax revenue	652.85	725.35	867.74	1,074.47	1,329.43
	(b) Non-tax revenue	625.82	628.64	642.93	742.78	153.31
	Total (I)	1,278.67	1,353.99	1,510.67	1,817.25	1,482.74
II	Receipts from the Government of India – Grants-in-aid	856.95	1,104.51	1,330.66	1,382.78	1,288.68
III	Total receipts of the Government (I + II)	2,135.62	2,458.50	2,841.33	3,200.03	2,771.42
IV	Percentage of I to III	60	55	53	57	54

(Source: Finance Accounts of the respective years)

The above table indicates that during the year 2011-12, the revenue raised (₹ 1,482.74 crore) by the Union Territory Government was 54 per cent of the total revenue receipts (₹ 2,771.42 crore) as against 57 per cent in the preceding year. The balance (₹ 1,288.68 crore) 46 per cent of the receipts during 2011-12 was obtained from the Government of India.

5.1.1 The details of tax revenue raised during the year 2011-12 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1	Taxes on sales, trade, etc.	354.98	381.86	453.11	595.00	750.15	(+) 26.07
2	State excise	224.02	279.60	329.06	378.55	447.27	(+) 18.15
3	Stamp duty and registration fees	41.37	30.80	50.15	51.93	77.43	(+) 49.10
4	Taxes on vehicles	31.60	32.46	34.75	48.27	53.55	(+) 10.93
5	Land revenue	0.54	0.38	0.54	0.62	0.80	(+) 29.03
6	Others	0.34	0.25	0.13	0.10	0.23	(+) 130.00
	Total	652.85	725.35	867.74	1,074.47	1,329.43	

(Source : Finance Accounts of the respective years)

The reasons for variation in receipts in 2011-12 over 2010-11 as furnished by the Departments concerned are mentioned below:

Taxes on sales, trade, etc.: The increase (26.07 per cent) was due to strict compliance of payment and collection of tax.

State excise: The increase (18.15 per cent) was due to upward revision of Excise Duty and additional Excise Duty on Indian Made Foreign Liquor (IMFL) and beer.

Stamp duty and registration fees: The increase (49.10 per cent) was due to sale of more non-judicial stamps.

Taxes on vehicles: The increase (10.93 per cent) was due to registration of more number of new vehicles and revision of taxes.

The other Departments did not furnish (December 2012) the reasons for variation despite being requested (July 2012).

5.1.2 The details of the non-tax revenue raised during the year 2011-12 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) / decrease (-) in 2011-12 over 2010-11
1	Power	570.36	545.90	549.39	662.71	58.73	(-) 91.13
2	Interest receipts, dividends and profits	21.41	47.60	56.98	42.15	38.72	(-) 8.13
3	Medical and public health	7.83	6.55	6.58	10.77	8.46	(-) 21.4
4	Education, sports, art and culture	0.48	0.46	0.45	0.61	0.84	(+) 37.70
5	Crop husbandry	0.34	0.29	0.39	0.41	0.48	(+) 14.63
6	Other receipts	25.40	27.84	29.14	26.13	46.08	(+) 76.38
	Total	625.82	628.64	642.93	742.78	153.31	

(Source : Finance Accounts of the respective years)

The reasons for variation in receipts in 2011-12 over 2010-11 as furnished by the departments concerned are mentioned below:

Power: The decrease (91.13 per cent) was due to utilising the receipts on sale of power for purchase of power.

Medical and public health: The decrease (21.40 per cent) was due to belated receipt from the Employees Insurance Corporation for the fourth quarter towards reimbursement of expenditure incurred by the Union Territory of Puducherry.

The other Departments did not furnish (December 2012) the reasons for variation despite being requested (July 2012).

5.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actual revenue receipts for the year 2011-12 in respect of the principal heads of tax and non-tax revenue are given in the following table:

(₹ in crore)

Sl. No	Heads of Revenue	Budget estimates	Actuals	Variation excess (+) or shortfall (-)	Percentage of variation excess (+) or shortfall (-)
1	Taxes on sales, trade, etc.	1244.83	750.15	(-) 494.68	(-) 39.74
2	State excise	778.00	447.27	(-) 330.73	(-) 42.51
3	Stamp duty and registration fees	113.96	77.43	(-) 36.53	(-) 32.06
4	Taxes on vehicles	89.86	53.55	(-) 36.31	(-) 40.41
5	Land revenue	1.42	0.80	(-) 0.62	(-) 43.66
6	Interest receipts, dividends and profits	71.91	38.72	(-) 33.19	(-) 46.15
7	Medical and public health	10.04	8.46	(-) 1.58	(-) 15.65
8	Education, sports, art and culture	1.19	0.84	(-) 0.35	(-) 29.41
9	Crop husbandry	0.48	0.48	0.00	0.00

(Source : Annual Finance Statement and Finance Accounts of the respective years)

The Departments did not furnish (December 2012) reasons for variation despite being requested (July 2012).

5.3 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment under the Pondicherry General Sales Tax Act and Puducherry Value Added Tax Act for the year 2011-12 and the corresponding figures for the preceding two years as furnished by the Department are given in the following table:

(₹ in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of col. 2 to 6
1	2	3	4	5	6	7
2009-10						
ST	5.68	---	0.43	0.13	5.98	94.98
VAT	232.80	---	0.39	---	233.19	99.83
Non-VAT	213.76	---	0.18	---	213.94	99.92
2010-11						
ST	4.72	---	0.43	0.04	5.11	92.37
VAT	288.64	---	0.66	---	289.30	99.77
Non-VAT	300.14	---	0.44	---	300.58	99.85
2011-12						
ST	2.73	0.37	0.19	0.03	3.26	83.78
VAT	383.03	0.01	1.35	--	384.39	99.65
Non-VAT	360.93	0.54	1.02	--	362.50	99.57

The above table shows that the collection of revenue at the pre-assessment stage ranged between 83.78 and 99.92 *per cent* during 2009-10 to 2011-12.

5.4 Arrears of revenue

The arrears of revenue pending for collection as on 31 March 2012 under the principal heads of revenue, as reported by various Departments was ₹ 465.16 crore as indicated below:

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Commercial Taxes	204.50	22.69	The arrears related to collection of tax under PGST/CST and VAT Acts and major portion was covered under court cases.
2.	Electricity	227.60	55.96	Reasons for pending arrears on account of sale of power to consumers were not furnished by the Department.

(1)	(2)	(3)	(4)	(5)
3.	State Excise	18.77	9.66	Arrears were mainly due to non payment of <i>kist</i> by the lessees of arrack and toddy shops.
4.	Public Works	10.23	3.39	The arrears related to water charges due from consumers.
5.	Government Automobile Workshop	2.88	0.42	The arrears were due from Government departments towards sale of petrol, oil and lubricants.
6.	Port	0.59	0.57	Arrears were mainly due from M/s Container Corporation of India Limited, Government of India undertaking, towards land rent.
7.	Stationery and Printing	0.16	0.02	The arrears related to amount due from Government departments.
8.	Town and Country Planning	0.13	0.13	The arrears related to final cost of plots due from the allottees of various housing schemes.
9.	Tourism	0.08	0.04	The arrears were mainly due from guests/Government Officials/MLAs and Ministers towards room rent.
10.	Co-operation	0.07	0.02	Arrears related to audit fees and other receipts due.
11.	Judicial	0.04	0.03	In some cases, the accused were undergoing imprisonment and in some cases, appeals were pending in courts, etc.
12.	Industries and Commerce	0.11	0.11	Arrears related to rent due from defunct industrial units and to be recovered under the Revenue Recovery Act.
	Total	465.16	93.04	

The other Departments did not furnish (December 2012) the details of arrears of revenue, if any.

5.5 Fraud and evasion of tax

The details of cases of fraud and evasion of sales tax detected, cases finalised and the demands for additional tax and penalty levied as reported by the Commercial Taxes Department are mentioned below:

Cases pending as on 1 April 2011	Cases detected during 2011-12	Total	Number of cases in which assessments/investigations were completed and additional tax and penalty levied		Number of pending cases as on 31 March 2012
			Number of cases	Amount demanded	
123	44	167	33	₹ 39.71 lakh	134

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

Principal Accountant General (Economic and Revenue Sector Audit), Tamil Nadu arranges periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). Important irregularities are included in the IRs issued to the heads of 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, rectify the defects and omissions promptly and report compliance to the office of the Principal Accountant General within two months from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the heads of the Departments by the office of the Principal Accountant General.

A review of IRs issued upto December 2011 disclosed that 558 paragraphs involving ₹ 236.48 crore relating to 158 IRs remained outstanding at the end of June 2012. The Department-wise break up of the IRs and audit observations outstanding as on 30 June 2012 are as given in the following table:

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales tax	45	278	93.46
3	Stamp duty and registration fees	58	123	2.67
4	Taxes on vehicles	32	112	4.18
5	State excise	23	45	136.17
	Total	158	558	236.48

5.7 Status of recovery against audit observations accepted by the Government

A review of the replies of the Government to the paragraphs of the Audit Reports for the last five years from 2006-07 to 2010-11 shows that against the revenue effect of ₹ 93.78 crore pointed out by audit, the department accepted observations of ₹ 77.77 crore but the actual recovery was only ₹ 0.29 crore. The year-wise break up of the recovery of revenue till October 2012 is given in the following table:

(₹ in crore)

Year of Audit Report	Revenue effect of the chapter	Amount accepted by the department	Amount recovered
2006-07	1.13	0.00	0.00
2007-08	9.49	1.80	0.20
2008-09	73.28	73.28	0.01
2009-10	0.34	0.06	0.04
2010-11	9.54	2.63	0.04
Total	93.78	77.77	0.29

It is recommended that the Government may revamp the recovery mechanism to ensure that the amount involved in accepted cases is promptly recovered.

5.8 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2011-12 revealed under assessment/short levy/loss of revenue amounting to ₹ 132.98 crore in 38 audit observations. During the course of the year, the Departments accepted ₹ 17.21 lakh in 11 audit observations of which ₹ 3.65 lakh pertaining to seven cases were pointed out during the year and the rest in earlier years. ₹ 5.01 lakh was recovered by the Department.

This Chapter contains four paragraphs on “Sales Tax/Value Added Tax” and “Taxes on Vehicles” involving money value of ₹ 78.59 lakh.

Commercial Taxes Department

Sales Tax / VAT

5.9 Non-levy of penalty

As per Section 27(3) of the Pondicherry General Sales Tax Act, 1967, if the tax assessed under this Act or any instalment thereof is not paid by any dealer or person within the time specified therefor in the notice of assessment or in the order permitting payment in instalment, the dealer or person shall pay by way of penalty, in addition to the amount due, a sum equal to two *per cent*, of such amount for each month or part thereof after the date specified for its payment.

During audit in Mahe assessment circle (December 2010) it was noticed that two assesseees paid tax dues for the years 2005-06 and 2006-07 after the dates prescribed for payment. The belated payment of tax though, warranted levy of penalty, the assessing authority omitted to levy the penalty of ₹ 3.53 lakh.

The matter was communicated (January 2011) to the Department. The Department levied penalty for ₹ 3.53 lakh and collected an amount of ₹ 2.87 lakh (August/September 2012). Further report is awaited (January 2013).

The matter was reported (July 2012) to the Government and their reply is awaited (January 2013).

5.10 Non-payment of purchase tax

As per Section 24 of the Puducherry Value Added Tax Act, 2007, every registered dealer shall file a tax return within 15 days after the end of the month for which it relates and the returns submitted by the dealer along with tax due thereon shall be accepted as self-assessed.

According to entry 1 of Part B of second schedule to the Act *ibid*, old and beaten gold or silver jewellery are taxable at the rate of one *per cent* at the point of last purchase.

During test check of records (October 2012) in the Office of the Commercial Tax Officer-I, Puducherry, it was noticed that three assesseees purchased old gold and silver from the customers for ₹ 68.92 crore, during the years 2010-11 and 2011-12. The dealers reported this turnover in their returns but they did not pay tax on the purchase value even though

they were liable to pay tax at last purchase point. The non-payment of tax worked out to ₹ 68.92 lakh.

This was pointed out to the Department (November 2012) and their reply is awaited (January 2013).

The matter was communicated to the Government (November 2012) and their reply is awaited (January 2013).

Transport Department

Taxes on Vehicles

5.11 Non-levy of penalty

As per Section 6A of the Pondicherry Motor Vehicles Taxation Act, 1967 the tax due in respect of transport vehicles is to be paid within thirty days from the commencement of the quarter. As per Section 9 where there is default/delay in payment of such quarterly payment, the registered owner is liable to pay along with the arrears, penalty at prescribed rate.

The Government of Puducherry vide notifications¹ extended the date of payment of tax in respect of two quarters October-December 2010 and January-March 2011 by one month.

During test check (October 2011) of records in the Regional Transport Office (RTO), Puducherry for the period from April 2007 to March 2011, it was noticed that in respect of 195 vehicles, tax has been paid belatedly, the delay ranging from one month to one year. However, penalty from 25 per cent to 100 per cent depending upon the period of delay though leviable was not levied. This resulted in non-levy of penalty of ₹ 4.46 lakh.

On this being pointed out, the Department replied (October 2011) that the Government of Puducherry has granted extension of time for payment of quarterly tax in two quarters and in respect of the remaining periods, the details will be examined and penalty will be collected wherever applicable. The reply requires reconsideration since the notifications referred were considered by audit while calculating the period and quantum of levy of penalty. Further report is awaited (January 2013).

The matter was reported to the Government (November 2011), and their reply is awaited (January 2013).

¹ G.O.Ms.No.23/2010/Tr.Sectt. Puducherry dated 14.10.2010
G.O.Ms.No.2/Tr.Sectt/2011 Puducherry dated 28.1.2011

5.12 Short collection of life time tax

With effect from 1 October 2010, the rates of life time tax for motor vehicles were revised. In respect of non-transport vehicles costing ₹ 20 lakh and above, the rate of life time tax is ₹ 50,000.

During test check (October 2011) of records in the office of the RTO, Puducherry it was noticed that in respect of four non-transport vehicles registered after 01 October

2010, even though the cost of each vehicle was more than ₹ 20 lakh life time tax of ₹ 8,000 was collected based on the laden weight of the vehicle. This resulted in short collection of life time tax amounting to ₹ 1.68 lakh.

On this being pointed out, the Department collected the differential life time tax of ₹ 42,000 in July 2012 in respect of one vehicle. The Department further replied that demand notices in respect of the other vehicles have been issued. Further report is awaited (January 2013).

The matter was reported to the Government November 2011, and their reply is awaited (January 2013).