

## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Gujarat during the year 2015-16, the State's share of net proceeds of divisible Union Taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are as mentioned in **Table 1.1.1**:

**Table 1.1.1**

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	44,252.29	53,896.69	56,372.37	61,339.81	62,649.41
	• Non-tax revenue	5,276.52	6,016.99	7,018.31	9,542.61	10,193.51
	<b>Total</b>	<b>49,528.81</b>	<b>59,913.68</b>	<b>63,390.68</b>	<b>70,882.42</b>	<b>72,842.92</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	7,780.31	8,869.05	9,701.93	10,296.35	15,690.43 <sup>1</sup>
	• Grants-in-aid	5,649.87	6,445.80	6,883.13	10,799.01	8,949.23
	<b>Total</b>	<b>13,430.18</b>	<b>15,314.85</b>	<b>16,585.06</b>	<b>21,095.36</b>	<b>24,639.66</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>62,958.99</b>	<b>75,228.53</b>	<b>79,975.74</b>	<b>91,977.78</b>	<b>97,482.58<sup>2</sup></b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>79</b>	<b>80</b>	<b>79</b>	<b>77</b>	<b>75</b>

(Source: Finance Accounts of the State)

The above table indicates that there was overall increase in collection of revenue during the last five years. The revenue raised by the State Government (₹ 72,842.92 crore) during the year 2015-16 was 75 per cent of the total revenue receipts against 77 per cent in the preceding year. The balance 25 per cent of the receipts during 2015-16 was from the Government of India.

<sup>1</sup> Figures under the Heads "0020 - Corporation tax, 0021 - Taxes on Income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax, 0045 - Other taxes and duties on commodities and services", - share of net proceeds assigned to State booked in the Finance Accounts under 'A - Tax Revenue', have been excluded from revenue raised by the State and included in State's share of divisible Union taxes, in this statement.

<sup>2</sup> For details, please see **Statement No. 14-** Detailed Statement of revenue and capital receipts by minor heads of the Finance Accounts of the Government of Gujarat for the year 2015-16.

1.1.2 The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in **Table 1.1.2**:

**Table .1.1.2**

(₹ in crore)

Sl. No.	Heads of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+) or decrease (-) in 2015-16 over 2014-15
1.	Sales tax/Value Added Tax <sup>3</sup>	27,259.38	34,086.69	35,685.20	38,418.73	37,755.00	(-) 1.73
	Central sales tax	3,942.93	5,377.98	5,290.86	5,726.53	6,336.05	(+) 10.64
2.	Taxes and duties on electricity	3,654.56	4,406.60	4,692.77	5,877.65	5,999.66	(+) 2.08
3.	Stamp duty and registration fees	4,670.27	4,426.93	4,749.35	5,503.34	5,549.42	(+) 0.84
4.	Land revenue	1,477.18	2,207.85	1,727.41	1,892.65	2,528.50	(+) 33.60
5.	Taxes on vehicles	2,251.03	2,276.26	2,282.81	2,695.09	3,007.98	(+) 11.60
6.	Taxes on goods and passengers	208.34	210.58	833.56	210.35	265.19	(+) 26.07
7.	State excise	72.11	84.91	109.82	140.27	123.32	(-) 12.08
8.	Other taxes on income and expenditure <sup>4</sup>	222.18	207.80	222.22	230.87	240.72	(+) 4.27
9.	Other taxes <sup>5</sup>	494.31	611.09	778.37	644.33	843.57	(+) 30.92
	<b>Total</b>	<b>44,252.29</b>	<b>53,896.69</b>	<b>56,372.37</b>	<b>61,339.81</b>	<b>62,649.41</b>	<b>(+) 2.13</b>

(Source: Finance Accounts of the State)

- It would be seen from the above table that the tax revenue raised by the State Government has increased by 42 *per cent* during the last five years. The overall tax revenue as well as different types of tax receipts had shown upward trend during 2015-16 except receipts under “Sales Tax/ Value Added Tax” and “State excise”.
- The decrease (-12.08 *per cent*) in receipts under major head “State excise during 2015-16 over 2014-15 was mainly due to decrease in receipts under the minor head “Malt Liquor” and “Medicinal and toilet preparations containing alcohol, opium, etc.”.
- The reasons for substantial decrease/ increase, wherever applicable though called for, were not reported by the concerned Departments.

<sup>3</sup> Sales Tax/Value Added Tax includes tax on sales of Motor Sprit and Lubricants, Trade Tax and Other Receipts.

<sup>4</sup> Other taxes on income and expenditure include “Taxes on Professions, Trades, Calling and Employment” and “Share of Net Proceeds assigned to States”.

<sup>5</sup> Other taxes include “Taxes on Immovable Property other than Agricultural land”, “Entertainment Tax”, “Luxury Tax” etc.

**1.1.3** The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table 1.1.3**:

**Table 1.1.3****(₹in crore)**

Sl. No.	Heads of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+) or decrease (-) in 2015-16 over 2014-15
1.	Non-ferrous mining and metallurgical industries	1,819.64	1,847.16	1,578.34	4,285.85	3,350.19	(-) 21.83
2.	Interest receipts	631.89	1,325.84	1,267.18	1,011.47	843.00	(-) 16.66
3.	Major and medium irrigation	684.15	714.13	897.51	1,034.91	1,028.42	(-) 0.63
4.	Miscellaneous general services	69.65	(-)334.66 <sup>6</sup>	90.62	26.27	1,443.86	(+) 5,396.23
5.	Other administrative services	70.27	102.22	100.32	169.07	129.99	(-) 23.11
6.	Police	138.97	163.84	177.81	214.20	219.82	(+) 2.62
7.	Medical and public health	90.76	126.34	111.88	243.57	171.51	(-) 29.58
8.	Public works	38.07	44.36	54.99	59.27	130.01	(+) 119.35
9.	Forestry and wild life	39.93	54.39	60.04	48.15	48.92	(+) 1.60
10.	Other non-tax receipts <sup>7</sup>	1,693.19	1,973.37	2,679.62	2,449.85	2,827.79	(+) 15.43
	<b>Total</b>	<b>5,276.52</b>	<b>6,016.99</b>	<b>7,018.31</b>	<b>9,542.61</b>	<b>10,193.51</b>	<b>(+) 6.82</b>

(Source: Finance Accounts of the State)

- The non-tax revenue raised by the State Government has increased by 93 per cent during the last five years. There was an overall increase of 6.82 per cent in non-tax receipts during the year 2015-16 as compared to 2014-15.

<sup>6</sup> Includes ₹ 471.87 crore on account of recovery of debt waiver (write off) granted by Government of India to Government of Gujarat for 2009-10, which remained to be adjusted in the accounts for 2011-12.

<sup>7</sup> This includes receipts under “Ports and light houses”, “Education, Sports, Arts and Culture”, “Labour and Employment”, “Housing”, “Fisheries”, “Village and Small Industries”, “Crop Husbandry”, etc.

- There was steep increase (+5,396.23 per cent) in receipts under major head “Miscellaneous General Services” during 2015-16 over 2014-15. This was due to increase in receipts under the minor heads “Other receipts” and “Deduct- Refunds”.
- There was increase (+119.35 per cent) in receipts under major head “Public Works” during 2015-16 over 2014-15. This was due to increase in receipts under the minor heads “Rents” and “Other receipts”.
- There was decrease (-21.83 per cent) in receipts under major head “Non-ferrous mining and metallurgical industries” during 2015-16 over 2014-15. This was due to decrease in receipts under the minor heads “Mineral concession fees, rents and royalties”, “Receipts under the Carbide of Calcium Rules” and “Other receipts”, etc.
- There was decrease (-29.58 per cent) in receipts under major head “Medical and public health” during 2015-16 over 2014-15. This was due to decrease in receipts under the minor heads “Receipts from Employees State Insurance Schemes”, “Medical Stores Depots”, etc.
- The reasons for substantial variations, wherever applicable though called for, were not reported by the concerned Departments.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 on some principal heads of revenue amounted to ₹ 32,359.25 crore of which ₹ 11,522.63 crore was outstanding for more than five years, as detailed in the **Table-1.2**:

**Table 1.2**

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Remarks
1.	VAT/ Sales Tax	30,869.23	10,140.24	Out of total outstanding amount of ₹ 30,869.23 crore, recovery of ₹ 2,328.44 crore was covered by Revenue Recovery Certificates, recovery of ₹ 16,014.40 crore was stayed by High Court/ Other Judicial Authorities and Government, recovery of ₹ 619.45 crore was outstanding due to dealers being insolvent. Details of the stages of pendency/recovery of remaining amount were not furnished by the Department.
2.	Stamp Duty and Registration Fees	1,125.41	1,125.41	The concerned Department did not furnish the stages at which the arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested by Audit.

3.	Taxes and duties on electricity	135.64	128.83	Out of total outstanding amount of ₹ 135.64 crore, recovery of ₹ 8.09 crore was pending with BIFR, recovery of ₹ 127.55 crore was stayed by Courts.
4.	Taxes on Vehicles and Taxes on Goods and passengers	228.97	128.15	The concerned Department did not furnish the stages at which the arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested by Audit.
	<b>Total</b>	<b>32,359.25</b>	<b>11,522.63</b>	

(Sources: Information furnished by the Departments)

It would be seen from the table that arrears aggregating to ₹ 11,522.63 crore were pending for more than five years under the above four heads of revenue.

The other Department like Revenue Department (in respect of Land Revenue), and Industries and Mines Department, etc. did not furnish the details regarding arrears of revenue despite being requested in May/ July 2016. As such total arrears of tax and non-tax revenue pending for collection could not be ascertained.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of Value Added Tax/ Sales Tax and Profession Tax was as in **Table 1.3**:

**Table 1.3**

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed off during 2015-16	Balance at the end of the year as on 31 March 2016	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
Value Added Tax/Sales Tax	2,11,972	1,14,850	3,26,822	1,26,084	2,00,738	38.58
Profession Tax	41,260	17,003	58,263	7,866	50,397	13.50
<b>Total</b>	<b>2,53,232</b>	<b>1,31,853</b>	<b>3,85,085</b>	<b>1,33,950</b>	<b>2,51,135</b>	<b>34.78</b>

(Sources: Information furnished by the Department)

It could be seen from the above table that percentage of assessments made during 2015-16 was 34.78 *per cent* indicating therein that the Department needs to make more efforts to dispose off cases expeditiously.

## 1.4 Evasion of tax detected by the Department

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

**Table 1.4**

(₹ in crore)

Sl. no.	Head of revenue	Cases pending as on 1 April 2015	Cases detected during 2015-16	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2016
					Number of cases	Amount of demand	
1.	Value Added Tax/ Sales Tax	632	393	1,025	716	1,088.56	309
2.	Taxes on Vehicles and Taxes on Goods and passengers	58,786	25,446	84,232	24,854	183.62	59,378
3.	Stamp Duty and Registration Fees	3,916	286	4,202	398	31.14	3,804
	<b>Total</b>	<b>63,334</b>	<b>26,125</b>	<b>89,459</b>	<b>25,968</b>	<b>1,303.32</b>	<b>63,491</b>

(Sources: Information furnished by the Departments)

Overall 71 per cent cases were still pending for finalisation in the Departments.

The other Departments like Revenue Department (in respect of Land Revenue), Industries and Mines Department, etc. did not furnish the details regarding evasion of tax/ revenue despite being requested in May/ July 2016.

## 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 as reported by the Department is given in **Table 1.5**:

**Table 1.5**

(₹ in crore)

Sl. no.	Particulars	Taxes on Vehicles and Taxes on Goods and Passengers		Taxes and Duties on Electricity	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	28	3.87	00	0.00
2.	Claims received during the year	1,248	15.79	05	5.56
3.	Refunds made during the year	1,191	15.99	05	5.56
4.	Balance outstanding at the end of year	85	3.67	00	0.00

(Sources: Information furnished by the Departments)

The Revenue Department (in respect of Land Revenue), Commercial Tax Department and Industries and Mines Department did not furnish the details regarding claims outstanding at the beginning of the year, claims received during the year, balance outstanding at the end of year and refunds made during the year despite being requested in May/ July 2016.

## 1.6 Response of the Government/ Departments towards audit

The Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad (AG), conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the 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 offices/ Government are required to comply promptly on 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 receipt of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Inspection Reports issued upto December 2015 disclosed that 3,545 paragraphs involving ₹ 1,260.01 crore relating to 918 IRs remained outstanding at the end of June 2016 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

**Table 1.6**

Particulars	June 2014	June 2015	June 2016
Number of Inspection Reports pending for settlement	3,518	1,526	918
Number of outstanding audit observations	12,846	7,262	3,545
Amount of revenue involved (₹ in crore)	7,510.40	4,562.83	1,260.01

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in the **Table 1.6.1**.

**Table 1.6.1**

(₹ in crore)

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance (Commercial Tax)	Taxes/ VAT on sales, trade etc. including Profession Tax	341	1,212	469.44
2.	Revenue	Land revenue	95	460	289.99
		Stamp duty and registration fees	239	1,079	378.28
		Valuation of Property	21	64	7.04
		Expenditure <sup>8</sup>	109	338	18.80
3.	Ports and Transport	Taxes on Vehicles and Taxes on Goods and Passengers	61	269	28.45
4.	Energy and Petrochemicals	Electricity duty	9	13	14.44
		Director of Petroleum	4	11	39.11
5.	Industries and Mines	Mining Receipts	39	99	14.46
<b>Total</b>			<b>918</b>	<b>3,545</b>	<b>1,260.01</b>

Audit did not receive even the first replies from the heads of office within one month from the date of issue of IRs for 44 IRs issued during 2015-16 pertaining to the Commercial Tax Department, Revenue Department, Ports and Transport Department and Energy and Petrochemicals Department. In respect of remaining Departments, the first replies of IRs were received within one month of issue of IRs. The pendency of the IRs due to non-receipt of the replies indicated that the heads of offices and the Department need to take effective action to rectify the defects, omissions and irregularities pointed out in the IRs.

### 1.6.2 Departmental audit committee meetings

The Government sets up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. During 2015-16, 11 Audit Committee Meetings were held in respect of Commercial Tax Department, Revenue Department (in respect of Land Revenue), Industries and Mines Department and Energy and Petrochemicals Department in which 823 paragraphs were settled.

Audit Committee meetings in respect of Ports and Transport Department and Revenue Department (in respect of Stamp Duty and Registration Fees) were not held. However, it has been noticed that there has been a gradual decrease in the number of outstanding audit inspection reports and number of audit observations as mentioned in **Table 1.6**.

<sup>8</sup> Money value of the paragraphs included in IRs pertaining to Revenue Department issued by AG (General and Social Sector Audit), Gujarat, Rajkot has not been considered.



### 1.6.3 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 2015-16 as many as 995 assessment files, returns, refunds, registers and other relevant records, which had become due for audit in the year, were not made available to audit. Break-up of these cases is given in **Table 1.6.3**:

**Table 1.6.3**

Name of the office/ Department	Year in which it was to be audited	Number of cases not produced for audit
Sales Tax/VAT	2015-16	794
Land Revenue	2015-16	201
	<b>Total</b>	<b>995</b>

### 1.6.4 Response of the Departments to the 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 AG to the Principal Secretaries/ Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send 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.

Twenty three draft paragraphs including two Performance Audits were sent to the Principal Secretaries/Secretaries of the respective Department by name between January and August 2016. The Principal Secretary of the Revenue Department did not send replies to five draft paragraphs despite issue of reminders (September 2016) and the same have been included in this Report without the response of the Department.

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

The internal working system of the Public Accounts Committee, notified in March 1966, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislature 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.

Two hundred and sixty eight paragraphs (including performance audit reports) included in the Reports of the Comptroller and Auditor General of India on the

Revenue Receipts/ Revenue Sector of the Government of Gujarat for the years ended 31 March 2010, 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislature Assembly between March 2012 and March 2016. Action taken explanatory notes in respect of 107 paragraphs from four Departments (Finance Department, Revenue Department, Ports and Transport Department and Energy and Petrochemicals Department) had not been received from the Audit Report for the year ended 31 March 2010 onwards so far (October 2016).

## **1.7 Audit Planning and Results of Audit**

The unit offices under various Departments are categorised into high, medium and low risk according to their revenue realisation, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* include critical issues in Government revenues and tax administration i.e. budget, white paper on state finances, reports of the Finance Commission (Central and State), recommendations of the taxation reforms committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2015-16, the audit universe comprised 699 auditable entities, of which audit of 99 entities was planned and 103 entities were audited during the year, which is 14.74 *per cent* of the total auditable entities.

Besides the compliance audit mentioned above, two performance audits were also taken up to examine the efficacy of the tax administration of these receipts.

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

Test check of the records of units of Commercial Tax Department, Revenue Department, Ports and Transport Department, Energy and Petrochemicals Department and Industries and Mines Department conducted during the year 2015-16 revealed under assessment/ short levy/ loss of revenue amounting to ₹ 225.62 crore in 926 cases.

During the course of the year, the concerned Departments accepted under assessment and other irregularities of ₹ 20.25 crore involved in 312 cases which were pointed out in audit during 2015-16 and earlier years. The Departments recovered ₹ 9.31 crore in 274 cases at the instance of audit.

## **1.8 Coverage of this Report**

This report contains 23 paragraphs including two Performance Audits of “Administration of Motor Vehicles Tax”, and IT audit of gARVI – System of registration of documents, relating to irregular/excess allowance of ITC, short/non-levy of VAT/ CST/ premium price/ stamp duty/ registration fees and other irregularities involving financial effect of ₹ 190.43 crore.

The concerned Departments/ Government have accepted audit observations involving ₹ 13.08 crore out of which ₹ 4.34 crore have been recovered. The replies in the remaining cases have not been received (October 2016). These are discussed in the succeeding Chapters II to VI.

