

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 2016-17, the share of net proceeds of divisible Union Taxes and duties assigned to the State and Grants-in-aid received by the State 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	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Revenue raised by the State Government					
	· Tax revenue	53,896.69	56,372.37	61,339.81	62,649.41	64,442.71
	· Non-tax revenue	6,016.99	7,018.31	9,542.61	10,193.51	13,345.66
	Total	59,913.68	63,390.68	70,882.42	72,842.92	77,788.37
2.	Receipts from the Government of India					
	· Share of net proceeds of divisible Union taxes and duties ¹	8,869.05	9,701.93	10,296.35	15,690.43	18,835.39
	· Grants-in-aid	6,445.80	6,883.13	10,799.01	8,949.23	13,218.05
	Total	15,314.85	16,585.06	21,095.36	24,639.66	32,053.44
3.	Total revenue receipts of the State Government (1 and 2)	75,228.53	79,975.74	91,977.78	97,482.58	1,09,841.81²
4.	Percentage of 1 to 3	80	79	77	75	71

(Source: Finance Accounts of the State)

There was overall increase in collection of revenue in the State during the last five years. The revenue raised by the State Government (₹ 77,788.37 crore) during the year 2016-17 was 71 *per cent* of the total revenue receipts against 75 *per cent* in the preceding year. The balance 29 *per cent* of the receipts during 2016-17 were from the Government of India.

¹ 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.

² 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 2016-17.

1.1.2 The details of the tax revenue raised during the period 2012-13 to 2016-17 are given in **Table 1.1.2**:

Table 1.1.2

(₹ in crore)

Sl. No.	Heads of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
1.	Sales tax/Value Added Tax ³	34,086.69	35,685.20	38,418.73	37,755.00	41,530.49	(+) 10.00
	Central sales tax	5,377.98	5,290.86	5,726.53	6,336.05	4,783.29	(-) 24.51
2.	Taxes and duties on electricity	4,406.60	4,692.77	5,877.65	5,999.66	5,833.10	(-) 2.78
3.	Stamp duty and registration fees	4,426.93	4,749.35	5,503.34	5,549.42	5,782.93	(+) 4.21
4.	Land revenue	2,207.85	1,727.41	1,892.65	2,528.50	1,998.52	(-) 20.96
5.	Taxes on vehicles	2,276.26	2,282.81	2,695.09	3,007.98	3,212.95	(+) 6.81
6.	Taxes on goods and passengers	210.58	833.56	210.35	265.19	66.40	(-) 74.96
7.	State excise	84.91	109.82	140.27	123.32	151.53	(+) 22.88
8.	Other taxes on income and expenditure ⁴	207.80	222.22	230.87	240.72	249.24	(+) 3.54
9.	Other taxes ⁵	611.09	778.37	644.33	843.57	834.26	(-) 1.10
	Total	53,896.69	56,372.37	61,339.81	62,649.41	64,442.71	(+) 2.86

(Source: Finance Accounts of the State)

- It can be seen from the above table that the tax revenue raised by the State Government has increased by 19.57 per cent during the last five years.
- The overall tax revenue as well as different types of tax receipts had shown upward trend during 2016-17 over 2015-16 except receipts under “Central Sales Tax”, “Taxes and duties on electricity”, “Land Revenue”, “Taxes on goods and passengers” and “other taxes”.

The reasons for variation wherever found substantial though called for (May/August 2017) were not furnished by the concerned Departments.

³ Sales Tax/Value Added Tax includes tax on sales of Motor Spirit and Lubricants, Trade Tax and Other Receipts.

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

⁵ 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 2012-13 to 2016-17 are indicated in **Table 1.1.3**:

Table 1.1.3

(₹ in crore)

Sl. No.	Heads of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
1.	Non-ferrous mining and metallurgical industries	1,847.16	1,578.34	4,285.85	3,350.19	3,746.50	(+) 11.83
2.	Interest receipts	1,325.84	1,267.18	1,011.47	843.00	2,580.10	(+) 206.06
3.	Major and medium irrigation	714.13	897.51	1,034.91	1,028.42	1,086.10	(+) 5.61
4.	Miscellaneous general services	(-)334.66 ⁶	90.62	26.27	1,443.86	28.92	(-) 98.00
5.	Other administrative services	102.22	100.32	169.07	129.99	176.67	(+) 35.91
6.	Police	163.84	177.81	214.20	219.82	248.88	(+) 13.22
7.	Medical and public health	126.34	111.88	243.57	171.51	981.98	(+) 472.55
8.	Public works	44.36	54.99	59.27	130.01	52.52	(-) 59.60
9.	Forestry and wild life	54.39	60.04	48.15	48.92	45.59	(-) 6.81
10.	Other non-tax receipts ⁷	1,973.37	2,679.62	2,449.85	2,827.79	4,398.40	(+) 55.54
	Total	6,016.99	7,018.31	9,542.61	10,193.51	13,345.66	(+) 30.92

(Source: Finance Accounts of the State)

- The non-tax revenue raised by the State Government has increased by 121.80 *per cent* during the last five years. There was an overall increase of 30.92 *per cent* in non-tax receipts during the year 2016-17 as compared to 2015-16.

The cause of such high rate of growth though called for (May/ August 2017) were not furnished by the concerned Departments.

⁶ 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.

⁷ 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.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹ 33,685.27 crore of which ₹ 11,928.54 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 out-standing as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Remarks
1.	VAT/ Sales Tax	32,677.64	11,221.66	Out of total outstanding amount of ₹ 32,677.64 crore, recovery of ₹ 3,361.58 crore was covered by Revenue Recovery Certificates, recovery of ₹ 13,471.40 crore was stayed by High Court/ Other Judicial Authorities and Government, recovery of ₹ 2,134.63 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	607.85	484.69	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	108.67	104.16	Out of total outstanding amount of ₹ 108.67 crore, recovery of ₹ 8.09 crore was pending with BIFR, recovery of ₹ 100.58 crore was stayed by Courts.
4.	Taxes on Vehicles and Taxes on Goods and Passengers	291.11	118.03	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.
	Total	33,685.27	11,928.54	

(Sources: Information furnished by the Departments)

It would be seen from the table that arrears aggregating to ₹ 11,928.54 crore were pending for more than five years under the above four heads of revenue.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of 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 2016-17	Total assessments due	Cases disposed off during 2016-17	Balance at the end of the year as on 31 March 2017	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
Value Added Tax/Sales Tax	2,00,738	1,41,061	3,41,799	1,01,987	2,39,812	29.84
Profession Tax	50,397	8,596	58,993	10,652	48,341	18.06
Total	2,51,135	1,49,657	4,00,792	1,12,639	2,88,153	28.10

(Sources: Information furnished by the Department)

It could be seen from the above table that percentage of assessments pending disposal increased by 15 *per cent* during 2016-17. Assessment made during 2016-17 was only 28.10 *per cent* indicating therein that the Department needs to make more efforts to dispose of cases expeditiously for easier transition to GST in 2017-18.

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 2016	Cases detected during 2016-17	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 2017
					Number of cases	Amount of demand	
1.	Value Added Tax/ Sales Tax	309	581	890	516	1,451.34	374
2.	Taxes on Vehicles and Taxes on Goods and passengers	59,378	26,098	85,476	24,819	209.08	60,657
	Total	59,687	26,679	86,366	25,335	1,660.42	61,031

(Sources: Information furnished by the Departments)

Overall 70.66 *per cent* cases were still pending for finalisation in the Departments.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 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		Mining Receipts	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	85	3.67	00	0.00
2.	Claims received during the year	604	14.37	14	0.22
3.	Refunds made during the year	605	14.77	12	0.21
4.	Balance outstanding at the end of year	84	3.27	2	0.01

(Sources: Information furnished by the Departments)

The Revenue Department (in respect of Land Revenue) and Commercial Tax 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/ August 2017.

1.6 Response of the Government/ Departments towards audit

The Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad (AG), conducts periodical inspections 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 act 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 2016 disclosed that 3,412 paragraphs involving ₹ 1,023.31 crore relating to 904 IRs remained outstanding at the end of June 2017 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

Table 1.6

Particulars	June 2015	June 2016	June 2017
Number of Inspection Reports pending for settlement	1,526	918	904
Number of outstanding audit observations	7,262	3,545	3,412
Amount of revenue involved (₹ in crore)	4,562.83	1,260.01	1,023.31

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 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	320	1,067	222.40
2.	Revenue	Land revenue	93	485	318.14
		Stamp duty and registration fees	253	1,032	368.05
		Valuation of Property	20	55	7.12
		Expenditure ⁸	95	263	17.65
3.	Ports and Transport	Taxes on Vehicles and Taxes on Goods and Passengers	69	305	17.96
4.	Energy and Petrochemicals	Electricity duty	9	22	15.57
		Director of Petroleum	5	21	38.75
5.	Industries and Mines	Mining Receipts	40	162	17.67
Total			904	3,412	1,023.31

Audit did not receive even the first replies from the heads of office within one month from the date of issue of IRs for 56 IRs issued during 2016-17 pertaining to the Commercial Tax Department (30), Revenue Department (9), Ports and Transport Department (7), Industries and Mines Department (9) and Energy and Petrochemicals Department (1). In respect of remaining IRs, the first replies 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.

⁸ 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 included.

1.6.2 Departmental audit committee meetings

Chapter 14 of the Regulations on Audit and Accounts 2007 stipulates that Government may establish audit committees for the purpose of monitoring and ensuring compliance and settlement of pending audit observations. Each committee so established shall comprise a representative each from the administrative department, Audit and a nominee from the Finance Department besides the head of the department of the auditable entity. Accordingly, the Government has set up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. Besides, Group Officers also discusses periodically the outstanding audit observations with Heads of Departments concerned. During 2016-17, seven meetings for disposal of outstanding audit observations were held in respect of Commercial Tax Department and Revenue Department (in respect of Land Revenue) in which 360 paragraphs were settled.

There had been decrease in the number of outstanding audit inspection reports and number of audit observations as mentioned in **Table 1.6**.

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 2016-17 as many as 974 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	2016-17	490
Land Revenue	2016-17	484
	Total	974

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 one draft paragraphs including one Performance Audit were sent to the Principal Secretaries/ Secretaries of the respective Department by name between March and July 2017. The Principal Secretary of the Revenue Department did not send replies to seven draft paragraphs despite issue of reminders (June 2017) 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 ninety-one 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, 2015 and 2016 were placed before the State Legislature Assembly between March 2012 and March 2017. Action taken explanatory notes in respect of 72 paragraphs from five Departments (Finance Department, Revenue Department, Ports and Transport Department, Industries and Mines Department and Energy and Petrochemicals Department) had not been received (September 2017).

1.7 Audit Planning and Results of Audit

The offices under various Departments are categorised into high, medium and low risk auditable entities 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 year⁹ 2016-17, the audit of 124 entities were planned and audited during the year. Besides, one Performance Audit of “Grant, levy and collection of receipts from mining leases” was taken up for detailed scrutiny.

⁹ Audit universe comprised of 720 auditable entities, keeping in view the availability of the staff, 124 were planned for audit.

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 2016-17 revealed under assessment/ short levy/ loss of revenue amounting to ₹ 358.78 crore in 817 cases.

During the course of the year, the concerned Departments accepted under assessment and other irregularities of ₹ 4.13 crore involved in 162 cases which were pointed out in audit during 2016-17 and earlier years. The Departments recovered ₹ 2.72 crore in 152 cases at the instance of audit.

1.8 Coverage of this Report

This report contains 21 paragraphs including one Performance Audit of “Grant, levy and collection of receipts from mining leases”, relating to irregular/ excess allowance of ITC, short/ non-levy of VAT /CST/ premium price/ stamp duty/ registration fees and other irregularities, system issues relating to determination of market value of immovable properties involving financial effect of ₹ 263.50 crore.

The concerned Departments/ Government have accepted audit observations involving ₹ 1.64 crore out of which ₹ 60.45 lakh have been recovered. The replies in the remaining cases have not been received (September 2017). These are discussed in the succeeding Chapters II to V.