

CHAPTER-III GENERAL

3.1 Trend of revenue receipts

3.1.1 The tax and non-tax revenue raised by the Government of Gujarat during the year 2018-19, 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 3.1.1**:

Table 3.1.1: Revenue Receipts

(₹ in crore)						
Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Revenue raised by the State Government					
	• Tax revenue	61,339.81	62,649.41	64,442.71	71,549.41	80,102.74
	• Non-tax revenue	9,542.61	10,193.51	13,345.66	15,073.97	13,416.99
	Total	70,882.42	72,842.92	77,788.37	86,623.38	93,519.73
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties ¹	10,296.35	15,690.43	18,835.39	20,782.29	23,489.33
	• Grants-in-aid	10,799.01	8,949.23	13,218.05	15,885.60	18,992.48
	Total	21,095.36	24,639.66	32,053.44	36,667.89	42,481.81
3.	Total revenue receipts of the State Government (1 and 2)	91,977.78	97,482.58	1,09,841.81	1,23,291.27	1,36,001.54²
4.	Percentage of 1 to 3	77	75	71	70	68.76

(Source: Finance Accounts of the State)

The above table indicates that there was overall increase in collection of revenue in the State during the last five years. The revenue raised by the State Government (₹ 93,519.73 crore) during the year 2018-19 was 68.76 per cent of the total revenue receipts against 70 per cent in the preceding year. The balance 31.24 per cent of the receipts during 2018-19 were from the Government of India.

¹ Figures under the Heads “0008 - Integrated Goods and Services Tax (IGST), 0020 - Corporation tax, 0021 - Taxes on Income other than corporation tax, 0028 - Other taxes on income and expenditure, 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 2018-19.

3.1.2 The details of the tax revenue raised during the period 2014-15 to 2018-19 are given in Table 3.1.2:

Table 3.1.2: Tax Revenue

(₹ in crore)

Sl. No.	Heads of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) or decrease (-) in 2018-19 over 2017-18
1.	Sales tax/Value Added Tax ³	38,418.73	37,755.00	41,530.49	26,176.14	19,628.45	(-) 25.01
	Central sales tax	5,726.53	6,336.05	4,783.29	3,462.74	2,785.80	(-) 19.55
	Entertainment and Luxury Tax	185.06	195.63	223.57	85.41	3.32	(-) 96.11
	State Goods and Services Tax (SGST)	0.00	0.00	0.00	21,250.86	34,888.71	(+) 64.18
Sub-total		44,330.32	44,286.68	46,537.35	50,975.15	57,306.28	(+) 12.42
2.	Taxes and duties on electricity	5,877.65	5,999.66	5,833.10	6,484.29	7,347.79	(+) 13.32
3.	Stamp duty and registration fees	5,503.34	5,549.42	5,782.93	7,254.75	7,780.77	(+) 7.25
4.	Land revenue	1,892.65	2,528.50	1,998.52	1,859.04	2,407.51	(+) 29.50
5.	Taxes on vehicles	2,695.09	3,007.98	3,212.95	3,885.44	4,118.60	(+) 6.00
6.	Taxes on goods and passengers	210.35	265.19	66.40	131.28	116.73	(-) 11.08
7.	State excise	140.27	123.32	151.53	84.75	130.59	(+) 54.09
8.	Taxes on Immovable Property other than agriculture land	160.18	341.85	259.48	286.74	259.31	(-) 9.56
9.	Receipt under Education cess Act	263.03	274.62	323.09	310.25	362.41	(+) 16.81
10.	Taxes on Professions, Trades, Calling and Employment	230.78	240.60	249.24	259.90	260.51	(+) 0.23
11.	Other taxes ⁴	36.15	31.59	28.12	17.82	12.24	(-) 84.93
Total		61,339.81	62,649.41	64,442.71	71,549.41	80,102.74	(+) 11.95
Percentage of growth over previous year			2.13	2.86	11.03	11.95	

(Source: Finance Accounts of the State)

- The tax revenue has shown continuous increase during the last five years; maximum increase was in 2018-19 (11.95 per cent). The substantial increase in tax revenue in 2018-19 over 2017-18 was from

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

⁴ Other taxes include "Receipts from Cesses under Other Acts, Cable Tax and Other Receipts.

‘SGST’, ‘Stamp Duty and Registration Fees’, ‘Land revenue’, ‘Taxes on Vehicles’ and ‘Taxes and duties on electricity’.

- **Stamp Duty and Registration Fees:** The increase in revenue was due to more receipts on sale of Stamps and Non-Judicial Stamps.
- **Land Revenue:** The increase in revenue was due to more receipts under Rates and Cesses on Land.
- **Taxes and Duties on Electricity:** The increase in revenue was due to more receipts under the head “Taxes on consumption and sale of Electricity”.
- **Taxes on Vehicles:** The increase in revenue was due to more receipts under “The Indian Motor Vehicle Act”.

The reasons for variation wherever found substantial though called for (May/September 2019), were not furnished by the concerned Departments.

3.1.3 The details of the non-tax revenue raised during the period 2014-15 to 2018-19 are indicated in **Table 3.1.3:**

Table 3.1.3: Non-Tax Revenue

Sl. No.	Heads of revenue						(₹ in crore)
		2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) or decrease (-) in 2018-19 over 2017-18
1.	Non-ferrous mining and metallurgical industries	4,285.85	3,350.19	3,746.50	8,988.62	4,863.00	(-) 45.90
2.	Interest receipts	1,011.47	843.00	2,580.10	1,081.44	1,611.71	(+) 49.03
3.	Major and medium irrigation	1,034.91	1,028.42	1,086.10	1,211.52	1,326.95	(+) 9.53
4.	Miscellaneous general services	26.27	1,443.86	28.92	56.96	39.53	(-) 30.60
5.	Other administrative services	169.07	129.99	176.67	151.36	130.59	(-) 13.72
6.	Police	214.20	219.82	248.88	318.01	312.19	(-) 1.83
7.	Medical and public health	243.57	171.51	981.98	173.81	271.59	(+) 56.26
8.	Public works	59.27	130.01	52.52	48.56	77.03	(+)58.63
9.	Forestry and wild life	48.15	48.92	45.59	54.74	46.49	(-) 15.07
10	Ports and light houses	742.08	922.24	933.48	967.59	1,153.35	(+)19.20
11	Labour and Employment	406.91	464.29	434.03	511.79	643.25	(+)25.69
12	Other non-tax receipts ⁵	1,300.86	1,441.26	3,030.89	1,509.57	2,941.31	(+)94.84
Total		9,542.61	10,193.51	13,345.66	15,073.97	13,416.99	(-) 10.99

(Source: Finance Accounts of the State)

⁵ This includes receipts under “Education, Sports, Arts and Culture, Road and Bridges, Other Social Services, Other Rural Development programmes”, “Urban Development”, “Industries” and “Tourism” etc.

The main contributor for decrease in non-tax revenue (10.99 per cent) in 2018-19 over 2017-18 was 'receipts from non-ferrous mining and metallurgical industries and Miscellaneous general services.' The decrease in receipts under the major head "Non-ferrous mining and metallurgical industries" (45.90 per cent) was due to less receipts under other receipts.

The reasons of variation in respect of other departments wherever found substantial (more than 10 per cent), though called for (May/September 2019), were not furnished by the concerned Departments.

3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 on some principal heads of revenue amounted to ₹ 48,042.23 crore of which ₹ 15,653.07 crore was outstanding for more than five years, as detailed in the **Table 3.2:**

Table 3.2: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Remarks
1.	VAT/ Sales Tax	46,941.75	14,888.50	Out of total outstanding amount of ₹ 46,941.75 crore, recovery of ₹ 153.68 crore was covered by Revenue Recovery Certificates, recovery of ₹ 16,671.45 crore was stayed by High Court/ Other Judicial Authorities and Government, recovery of ₹ 2,423.39 crore was outstanding due to dealers becoming insolvent. Details of the stages of pendency/ recovery of remaining amount were not furnished by the Department.
2.	Stamp Duty and Registration Fees	378.48	225.48	Out of total outstanding amount of ₹ 378.48 crore, recovery of ₹ 36.05 crore was covered by Revenue Recovery Certificates, recovery of ₹ 21.13 crore was stayed by High Court/ Other Judicial Authorities and Government. The concerned Department did not furnish the stages at which the remaining amount of arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested (May/September 2019) by Audit.
3.	Taxes and duties on electricity	167.14	132.73	Out of total outstanding amount of ₹ 167.14 crore, recovery of ₹ 8.09 crore was pending with BIFR while recovery of ₹ 121.67 crore was held-up due to cases pending before the High Court of Gujarat and ₹ 37.38 crore proceeding under revenue recovery certificate is processed.
4.	Taxes on vehicles and Taxes on goods and passengers	185.58	37.08	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.
5	Oil and Natural Gas receipts (Director of Petroleum)	369.28	369.28	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.
	Total	48,042.23	15,653.07	

(Sources: Information furnished by the Departments)

It can be seen from the table above that the arrears aggregating to ₹ 15,653.07 crore were pending for more than five years, ₹ 227.11 crore were covered by RRCs and ₹ 16,814.25 crore were stayed by Court under the above heads of revenue⁶.

3.3 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 State Tax and Commercial Tax Department in respect of Value Added Tax/ Sales Tax and Profession Tax were as shown in **Table 3.3** below:

Table 3.3: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Balance at the end of the year as on 31 March 2019	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
Value Added Tax/Sales Tax	3,88,540 ⁷	1,04,325	4,92,865	1,30,017	3,62,848	26.38
Profession Tax	58,677	4,260	62,937	2,190	60,747	3.48
Total	4,47,217	1,08,585	5,55,802	1,32,207	4,23,595	23.78

(Sources: Information furnished by the Department)

It can be seen from the above table that disposal of the assessments during 2018-19 was 23.78 *per cent* as against disposal of 22.78 *per cent* of the total assessments in 2017-18⁸. The Department needs to make more efforts to dispose of the cases expeditiously.

3.4 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 3.4**:

⁶ The information was furnished by State Tax and Commercial Tax Department, Stamps and Registration Department and Collector of Electricity Duty.

⁷ As per the information furnished by the Department, there was variation in the figures of closing balance (3,68,954) as on 31 March 2018 and opening balance (3,88,540) as on 01 April 2018 furnished by the Department. The reason for variation was not furnished to audit (June 2020).

⁸ Report No. 3 of the year 2019, Government of Gujarat.

Table 3.4: Evasion of tax

(₹ in crore)

Sl. no.	Head of revenue	Cases pending as on 1 April 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/ investigation was completed and additional demand with penalty etc. was raised		Number of cases pending for finalisation as on 31 March 2019
					Number of cases	Amount of demand	
1	Value Added Tax/ Sales Tax	345	193	538	235	1,087.80	303
2	Taxes on Vehicles and Taxes on Goods and passengers	36,606 ⁹	62,251	98,857	19,208	97.58	79,649
3	Stamp duty and Registration fees	2,125	--	2,125	1,412	37.70	1,831
	Total	39,076	62,444	1,01,520	20,855	1,223.08	81,783

(Sources: Information furnished by the Departments)

Overall, 80.56 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, Energy and Petrochemicals Department etc. did not furnish the details regarding evasion of tax/ revenue despite being requested in May/September 2019.

3.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19, as reported by the Departments are given in **Table 3.5**:

Table 3.5: Refund cases

(₹ in crore)

Sl. no.	Particulars	Taxes on Vehicles and Taxes on Goods and Passengers		Stamp Duty and Registration Fees	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	93	0.49	58	1.70
2.	Claims received during the year	744	9.79	462	10.77
3.	Refunds made during the year	438	8.17	483	11.55
4.	Balance outstanding at the end of year	399	2.11	37	0.92

(Sources: Information furnished by the Departments)

⁹ As per information furnished by the Department, there was variation in the number of cases pending (54,196) as on 31 March 2018 and the number of cases pending (36,606) as on 01 April 2018. The reason for variation was not furnished to audit (June 2020).

The Revenue Department (in respect of Land Revenue), State 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 the year and refunds made during the year despite being requested in May/September 2019.

3.6 Response of the Government/ Departments towards audit

The Principal Accountant General (Audit-II), Gujarat, Ahmedabad (PAG), 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 the 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 PAG 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 2018 disclosed that 3,615 paragraphs relating to 985 IRs involving ₹ 1,227.08 crore remained outstanding at the end of June 2019 as mentioned below along with the corresponding figures for the preceding two years in **Table 3.6**.

Table 3.6: Outstanding IRs and paras

Particulars	June 2017	June 2018	Jun 2019
Number of Inspection Reports pending for settlement	904	952	985
Number of outstanding audit observations	3,412	3,399	3,615
Amount of revenue involved (₹ in crore)	1,023.31	1,096.57	1,227.08

3.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in the **Table 3.6.1**.

Table 3.6.1: Outstanding IRs and paras (Department wise)

Sl. no.	Name of the Department	Nature of receipts	(₹ in crore)		
			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	373	1,165	361.32
2.	Revenue	Land revenue	102	620	376.02
		Stamp duty and registration fees	285	997	310.17
		Valuation of Property	29	81	9.76
		Expenditure	59	144	16.85

3.	Ports and Transport	Taxes on Vehicles and Taxes on Goods and Passengers	65	333	67.98
4.	Energy and Petrochemicals	Electricity duty	11	27	13.32
		Oil and Natural Gas receipts (Director of Petroleum)	5	33	43.48
5.	Industries and Mines	Mining Receipts	56	215	28.18
Total			985	3,615	1,227.08

During 2018-19, 129 IRs were issued, of these the first replies were not received even after a lapse of one month from the date of issue of IRs in respect of 47 IRs pertaining to the State Tax and Commercial Tax Department (32), Revenue Department (5), Ports and Transport Department (5), Industries and Mines Department (4) and Energy and Petrochemicals Department (1). The Department needs to expedite the reply and to take effective action to rectify the defects, omissions and irregularities pointed out in the IRs.

3.6.2 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 discuss periodically the outstanding audit observations with Heads of Departments concerned. During 2018-19, seven meetings for disposal of outstanding audit observations were held in respect of State Tax and Commercial Tax Department (04) and Revenue Department {in respect of Land Revenue (01) and Stamp duty and Registration Fee (02)} in which 235 paragraphs were settled.

Meetings for disposal of outstanding audit observations in respect of Port and Transport Department (in respect of Commissioner of Transport), Industries and Mines Department and Energy and Petrochemicals Department were not held.

3.6.3 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 2018-19 as many as 3,433 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 3.6.3:**

Table 3.6.3: Non-production of records

Name of the office/ Department	No. of cases selected for audit	No. of cases in which records produced for audit	Number of cases in which records not produced for audit
Sales Tax and Commercial Tax Department	19,119	15,699	3,420
Revenue Department	5,450	5,437	13
Total	24,569	21,136	3,433

The non-production of assessment files, returns, refunds, registers and other relevant records was 13.97 *per cent* of the total cases selected for audit scrutiny in respect of the above two Departments. Audit could not vouch the correctness of the levy and collection of taxes in these cases.

3.6.4 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 PAG to the Additional Chief Secretaries (ACS)/ Principal Secretaries (PS) 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.

Thirty-eight draft paragraphs including one Performance Audit were sent to the Department/Government between August 2019 and May 2020. Of these, 31 draft paragraphs have been included in this Audit Report. Reply in respect of two draft paragraphs has been received and included in the relevant paragraph. Replies in respect of remaining 29 draft paragraphs have not been received (May 2020).

3.6.5 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 Legislative 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.

Three hundred and thirteen 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, 2016 and 2017 were placed before the State Legislature Assembly between March 2012 and March 2019. Action taken explanatory notes in respect of 70 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 from the Audit Reports for the year ended 31 March 2010 onwards so far (May 2020).

3.7 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* includes 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.

Of the Audit universe comprising 616 auditable entities, keeping in view the availability of the staff, 139 entities were planned and 138¹⁰ entities were audited. Besides, one Performance Audit of 'Grant of Government Land and Monitoring of its proper utilisation' was taken up for detailed scrutiny.

Position of local audit conducted during the year

Test check of the records of units of State Tax Department, Revenue Department, Ports and Transport Department, Energy and Petrochemicals Department and Industries and Mines Department conducted during the year 2018-19, revealed underassessment/ short levy/ loss of revenue amounting to ₹ 382.38 crore in 850 cases¹¹.

During the course of the year, the concerned Departments accepted under assessment and other irregularities of ₹ 23.68 crore involved in 291 cases which were pointed out in audit during 2018-19 and earlier years. The Departments recovered ₹ 6.32 crore in 191 cases at the instance of audit.

3.8 Coverage of this Report

This report contains 25 paragraphs (including one Performance Audit of 'Grant of Government Land and Monitoring of its proper utilisation'), relating to Non/ short reduction/ reversal of ITC, short/ non-levy of VAT/ CST/ Entry Tax/ premium price/ conversion tax/ service charge/ stamp duty/ motor vehicles tax/ dead rent and other irregularities, system issues relating to Registration under GST/IT audit of Vahan and Sarathi/ involving financial effect of ₹ 393.12 crore.

The concerned Departments/ Government have accepted audit observations involving ₹ 17.31 crore out of which ₹ 6.17 crore have been recovered. The replies in the remaining cases have not been received (January 2020). These are discussed in the succeeding Chapters IV to VII.

¹⁰ One unit (Collector, Bhuj) cancelled due to Lok Sabha election

¹¹ Excluding Performance Audit of 'Grant of Government Land and Monitoring of its proper utilization' involving ₹ 262.25 crore and IT audit of Vahan and Sarathi involving ₹ 12.49 crore.