

CHAPTER-III

GENERAL

3.1 Introduction

Part-III of this Report contains two chapters i.e. Chapter-III General and Chapter-IV Compliance Audits of Revenue Sector. Chapter-III presents an overview of the revenue receipts of the Government of Chhattisgarh (GoCG) during the year 2020-21, analyses of trend of receipts over the five-year period of 2016-17 to 2020-21, and details of arrears of tax revenue pending collection as of 31 March 2021. Further, audit approach for examination of revenue receipts of the State is outlined, and the response of the State Government to audit findings is also discussed.

Chapter-IV contains three Compliance Audit paragraphs of “Transitional Credit of Goods and Services Tax”, “GST Refunds” and “Commercial Tax Department”. Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes etc., and the general principles governing sound public financial management and the conduct of public officials.

The audit observations in Part-III are based on the results of a test check of the records made available to audit by the concerned government departments. There may be similar irregularities, errors/omissions in other units of these departments but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected, and accounted for, as per the provisions of the related Acts and Rules.

3.2 Trend of revenue receipts

A summary of the revenue realised (tax and non-tax revenue, the State’s share of net proceeds of divisible Union taxes and duties assigned, Grants-in-aid received from the Government of India (GoI) during the last five years from 2016-17 to 2020-21 and the corresponding figures for the preceding three years) of Government of Chhattisgarh is given in **Table 3.1**:

Table 3.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Revenue raised by the State Government					
	Own Tax revenues	18,945.21	19,894.68	21,427.26	22,117.85	22,889.20
	Percentage of growth compared to previous year	10.95	5.01	7.70	3.22	3.49
	Non-tax revenue	5,669.25	6,340.42	7,703.02	7,933.77	7,136.95
	Percentage of growth compared to previous year	8.71	11.84	21.49	3.00	-10.04
	Total	24,614.46	26,235.10	29,130.28	30,051.62	30,026.15
2.	Receipts from Government of India					
	Share of net proceeds of divisible Union taxes and duties	18,809.16	20,754.81	23,458.69	20,205.84	20,337.54
	Grants-in-aid ¹	10,261.63	12,657.17	12,505.96	13,611.24	12,812.49
	Total	29,070.79	33,411.98	35,964.65	33,817.08	33,150.03
3.	Total revenue receipts of the State Government (1 + 2)	53,685.25	59,647.08	65,094.93	63868.70	63176.18
4.	Percentage of 1 to 3	46	44	45	47	48

(Source: Finance Accounts of the Government of Chhattisgarh)

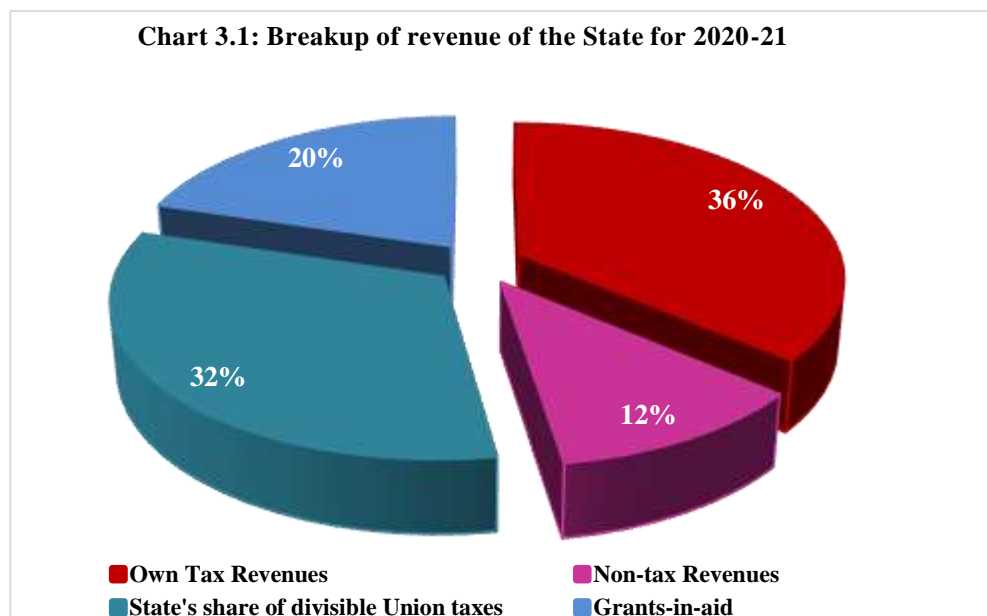
The State's performance in mobilisation of resources is assessed in terms of own tax revenue and non-tax revenue excluding the State's share in Central taxes and Grants-in-aid, which are based on the recommendations of the Finance Commission.

It is evident from the above table that:

- The own tax revenue of the State showed increasing trend during 2016-21 and increased by 3.49 *per cent* during 2020-21 as compared to previous year.
- The non-tax revenue of the State had also increased during 2016-20 but there was a decrease of 10.04 *per cent* during 2020-21 as compared to previous year mainly due to decrease in receipts under non-ferrous mining and metallurgical industries, Interest receipts, Minor Irrigation, Public Works, etc.,
- While 48 *per cent* of the revenue receipts during 2020-21 came from the State's own resources comprising own tax and non-tax revenue, the share of net proceeds of divisible Union Taxes & duties and Grants-in-Aid from Government of India together contributed 52 *per cent* of total revenue.

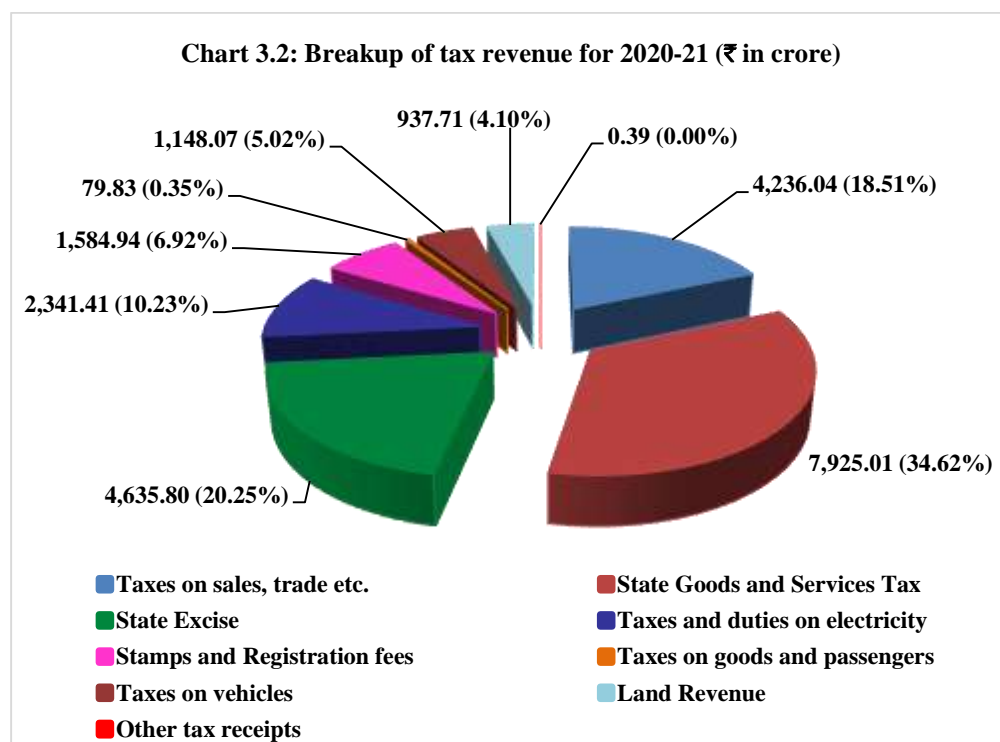
Pictorial representation of breakup of revenue receipts of the State for the year 2020-21 is given in **Chart 3.1**.

¹ Centrally sponsored scheme, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI) to States/Union Territories with Legislatures.



3.2.1 Own Tax Revenue

Pictorial representation of the breakup of own tax revenues for the year 2020-21 is given in **Chart 3.2**:



Budget Estimates (BE) and actual receipts of own tax revenue during the period 2016-21 are given in **Table 3.2**:

Table 3.2: Details of own tax revenues

(₹ in crore)

Head of Revenue		2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of variation in 2020-21 over 2019-20 for Actual
Taxes on Sales, trade etc.	BE	11,928.37	13,444.70	3,718.42	3,788.30	4,144.86	(+) 7.75
	Actual	9,927.21	6,449.60	4,087.72	3,931.37	4,236.04	
State Goods and Services Tax ²	BE	NA	3,212.82	5,006.65	8,201.70	10,700.92	(+) 0.38
	Actual	NA	4,386.56	8,203.41	7,894.82	7,925.01	
State Excise	BE	3,870.00	3,168.50	4,355.00	5,000.00	5,199.72	(-) 6.39
	Actual	3,443.51	4,054.01	4,489.03	4,952.36	4,635.80	
Taxes and duties on electricity	BE	1,575.00	1,650.00	1,850.00	2,090.00	2,200.00	(+) 27.46
	Actual	1,495.48	1,688.95	1,790.27	1,837.00	2,341.41	
Stamps and Registration fees	BE	1,485.00	1,550.00	1,790.00	1,550.00	1,705.00	(-) 3.04
	Actual	1,211.35	1,197.47	1,108.46	1,634.63	1,584.94	
Taxes on goods and passengers ³	BE	1,563.77	1,767.06	5.63	0.00	3.00	(+) 97.08
	Actual	1,340.35	477.66	54.51	40.51	79.83	
Taxes on vehicles	BE	954.11	1,200.00	1,500.00	1,600.00	1,600.00	(-) 9.95
	Actual	985.27	1,180.01	1,204.85	1,274.85	1,148.07	
Land revenue	BE	550.00	600.00	660.00	700.00	600.00	(+) 70.03
	Actual	503.66	446.41	487.57	551.50	937.71	
Other tax receipts ⁴	BE	37.85	40.38	0.00	0.00	1.5	(-) 51.85
	Actual	38.38	14.01	1.44	0.81	0.39	
Total	BE	21,964.10	26,633.46	18,885.70	22,930.00	26,155.00	(+) 3.49
	Actual	18,945.21	19,894.68	21,427.26	22,117.85	22,889.20	

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh).

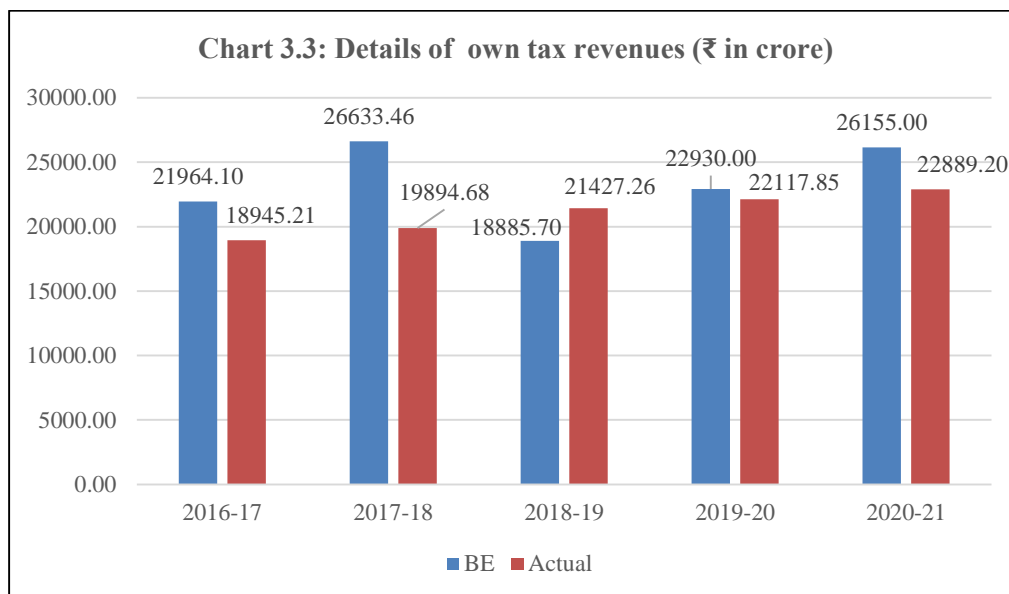
Receipts under Taxes on sales, trade etc., had not matched the expectations projected by the State Government in its budget during 2016-18, but exceeded budgetary estimates during 2018-19 to 2020-21. Receipts under SGST had not matched the expectations projected in its budgetary estimates during 2019-21 but constituted the single largest source of revenue for the State during 2019-21. Taxes on goods and passengers exceeded budgetary estimates during 2018-21 while Taxes on vehicles had not matched the expectations projected

² Goods and Services Tax was implemented with effect from 1 July 2017. Central indirect taxes such as central excise duty, additional excise duty and excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD), state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax have been subsumed in GST.

³ Major portion (84 per cent) of Taxes on Goods and Passengers is from Entry Tax during the period 2020-21, which has since been abolished and subsumed in GST from 1 July 2017.

⁴ 'Others' include actual receipts during 2020-21 under the following Revenue Heads: Hotel receipts tax (₹ 18.08 lakhs); other taxes on income and expenditure (₹ 20.77 lakhs); and other taxes and duties on commodities and services (₹ 0.27 lakhs).

during 2017-21. The year on year comparison of actual revenue raised by the State Government w.r.t. the Budget estimate is shown in **Chart 3.3** below:



As seen from **Chart-3.3**, barring the year 2018-19, own tax revenue raised by the Government did not match with the original estimates projected in the Budget. However, actual own tax receipts of the Government registered a continuous growth during 2016-21.

The concerned departments reported following reasons for variation between the budget estimates and the actual revenue receipts during 2020-21 as the decline in receipts in some cases, over that of the previous year.

Taxes on sales, trade etc.: Value Added Tax (VAT) was applicable on all goods before implementation of GST. The State Government implemented GST *w.e.f* 1 July 2017, on all goods except petrol, diesel, Aviation Turbine Fuel (ATF), natural gas and liquor. The receipts from Taxes on sales, trade etc., during 2020-21 increased by 7.75 *per cent* as compared to 2019-20.

State Goods and Services tax: The receipts from GST during 2020-21 increased by 0.38 *per cent* as compared to 2019-20 mainly due to less impact on business during COVID-19 pandemic.

State Excise: The revenue from State Excise decreased by 6.39 *per cent* mainly due to closure of country/foreign liquor shops from 1st April 2020 to 3rd May 2020 in lock down imposed by State Government during COVID-19 pandemic and other lockdown imposed by district collector at district level.

Taxes and duties on electricity: There was an increase of 27.46 *per cent* in tax revenue in 2020-21 as compared to previous year due to recovery of pending outstanding dues from industries.

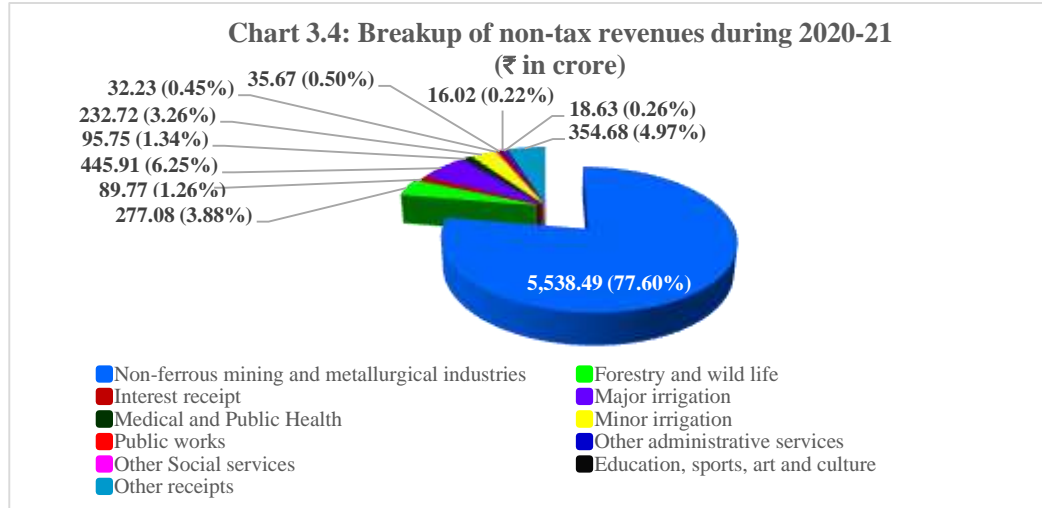
Taxes on vehicles: The decrease in revenue of 9.95 *per cent* during 2020-21 was due to COVID-19 pandemic.

Taxes on goods and passengers: There was an increase of 97.11 *per cent* in 2020-21. The reasons for increase in revenue had been requested from the department (May 2022). The reply is still awaited.

Stamps and Registration fees: There was a decrease of 3.04 *per cent* in tax revenue in 2020-21 as there was substantial increase in revenue due to receipts from mining leases in previous year whereas during 2020-21, the receipts were normal.

3.2.2 Non-tax Revenue

The break-up of non-tax revenue for the year 2020-21 is shown in **Chart 3.4:**



The details of the non-tax revenue raised during the period 2016-21 are indicated in **Table 3.3:**

Table 3.3: Details of non-tax revenues raised by the Government

(₹ in crore)

Head of Revenue		2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of deviation in 2020-21 over 2019-20
Non-ferrous mining and metallurgical industries	BE	5,500.00	5,600.00	6,000.00	6,500.00	6,670.00	(-) 10.60
	Actual	4,141.47	4,911.44	6,110.24	6,195.73	5,538.49	
Forestry and wild life	BE	550.00	600.00	600.00	600.00	700.00	(+) 11.11
	Actual	405.15	291.17	236.73	249.37	277.08	
Interest receipt	BE	249.38	137.25	132.93	126.83	194.49	(-) 61.37
	Actual	157.24	180.44	189.55	232.41	89.77	
Major irrigation	BE	586.47	703.68	738.89	791.67	749.94	(+) 2.03
	Actual	437.35	461.23	521.81	437.04	445.91	
Minor irrigation	BE	288.34	288.34	302.76	324.39	330.42	(-) 19.06
	Actual	180.84	121.73	164.06	287.54	232.72	
Medical and Public Health	BE	15.93	29.33	45.99	44.73	62.10	(+) 7.72
	Actual	46.50	52.56	52.86	88.88	95.75	
Public works	BE	43.72	73.70	43.00	50.00	95.83	(-) 29.92
	Actual	41.12	54.29	73.57	45.98	32.23	
Other administrative services	BE	23.69	65.43	42.82	28.41	47.34	(-) 0.22
	Actual	36.66	39.81	42.10	35.75	35.67	
Other social	BE	4.30	30.00	30.00	20.50	11.01	(-) 4.22

services	Actual	28.71	17.42	8.12	16.73	16.02	
Education, sports, art and culture	BE	7.60	6.97	28.03	21.20	16.09	(+) 24.59
	Actual	27.04	17.15	14.04	14.83	18.63	
Other non-tax receipts	BE	150.71	169.50	205.58	317.27	337.38	(+) 7.64
	Actual	167.17	193.18	289.94	329.51	354.68 ⁵	
Total	BE	7,420.14	7,704.20	8,170.00	8,825.00	9,214.60	(-) 10.04
	Actual	5,669.25	6,340.42	7,703.02	7,933.77	7,136.95	

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

The concerned departments reported following reasons for variation between the budget estimates and the actual revenue receipts during 2020-21 as well as the decline in receipts in some cases, over that of the previous year.

Non-ferrous mining and metallurgical industries: There was a decrease of 10.61 *per cent* in 2020-21 due to less receipt of revenue as compared to previous year due to COVID-19 pandemic and target amount was also decreased to ₹ 5,500 crore.

Forestry and Wildlife: There was an increase in receipts by 11.11 *per cent* in 2020-21 over the previous year, as harvesting and transportation in coupes could be carried out in stipulated time.

Minor irrigation: The decrease of 19.06 *per cent* in 2020-21 in receipts under this Head was due to non-deposition of water tax by industrial institutions and non-receipt of water tax from the local bodies. Further, the farmers were also given exemption by Chhattisgarh Government from payment of tax.

Major irrigation: The increase of 2.03 *per cent* 2020-21 in receipts was due to payment of outstanding water tax by Korba and Raipur Nagar Nigam. The short realisation (40.54 *per cent*) vis-à-vis BE was due to granting of exemption by the State Government, and non-payment of arrears of water tax by Chhattisgarh State Power Generating Company Limited.

Education, sports, art and culture: There was an increase in revenue of 24.59 *per cent* during 2020-21 from the previous year. The reasons for the same had been requested from the department (May 2022). The reply is still awaited.

Other non-tax receipts: The increase of 7.64 *per cent* in 2020-21 was mainly due to increase in revenue under Police, Miscellaneous general services, Water

⁵ Other non-tax receipts include actual receipts during 2020-21 under the following heads: Dividends and profits (₹ 2.29 crore); Public service commission (₹ 8.25 crore); Police (₹ 29.06 crore); Jails (₹ 4.89 crore); Stationery and printing (₹ 1.99 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 61.84 crore); Miscellaneous general services (₹ 75.20 crore); Family welfare (₹ 0.00 crore); Water supply and sanitation (₹ 5.06 crore); Housing (₹ 4.77 crore); Urban development (₹ 10.20 crore); Information and publicity (₹ 0.04 crore); Labour and employment (₹ 22.46 crore); Social security and welfare (₹ 13.34 crore); Crop husbandry (₹ 23.23 crore); Animal husbandry (₹ 9.72 crore); Fisheries (₹ 5.77 crore); Food storage and warehousing (₹ 1.30 crore); Cooperation (₹ 2.88 crore); Other agricultural programmes (₹ 1.86 crore); Other rural development programmes (₹ 37.70 crore); Medium irrigation (₹ 5.16 crore); Village and small industries (₹ 2.84 crore); Industries (₹ 12.08 crore); Civil aviation (₹ 0.00 crore); Roads and bridges (₹ 0.89 crore) and Other general economic services (₹ 11.86 crore).

supply and sanitation, Social security and welfare, Fisheries, Cooperation, Other agricultural programmes, Other rural development programmes and Industries heads.

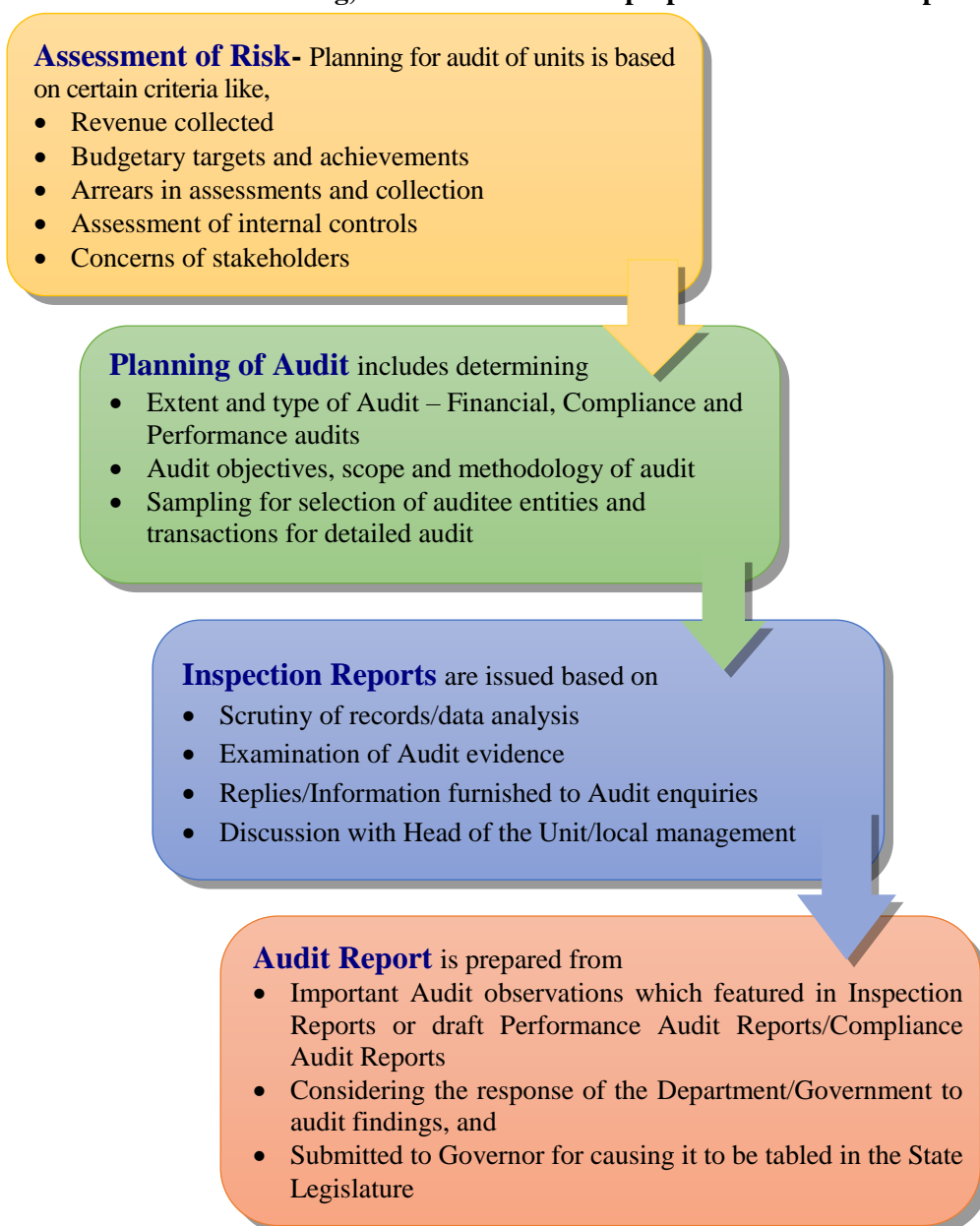
3.3 Authority for audit

The Comptroller and Auditor General of India (CAG) derives his authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers, and Conditions of Service) Act, 1971 (DPC Act). CAG audits receipts of the Government under Section 16 of the DPC Act.

3.4 Planning and Conduct of audit

The following **flowchart** depicts the process of planning, conduct of audit and preparation of Audit Reports:

Chart 3.5: Planning, conduct of audit and preparation of Audit Reports



After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Chhattisgarh under Article 151 of the Constitution of India for causing them to be laid on the Table of State Legislature.

During the year 2019-20, audit of 119 units out of total 544 auditable units under seven departments were planned and 134 units audited including 15 units for PA on Assessment, levy and collection of Stamp duty & Registration Fee. During the year 2020-21, audit of 38 units out of total 222 auditable units under two departments⁶ were planned and 36 units were audited, besides units of Commercial Tax-GST Department covered in three CAs.

3.5 Analysis of arrears of revenue

The arrears of revenue, as on 31 March 2021 in respect of six departments amounted to ₹ 9,924.74 crore, of which, ₹ 4,502.10 crore (45.36 per cent) was outstanding for more than five years, as detailed in **Table 3.4**:

Table 3.4: Arrears of revenue outstanding as of 31 March 2021

(₹ in crore)

Sl. No.	Head of Revenue/ Name of the department	Total amount outstanding	Amount outstanding for more than five years	Reply of department with respect to status of outstanding cases
1.	Taxes and duties on electricity	6,574.47	3,218.36	Revenue Recovery Certificates (RRCs) issued in 10 cases; pending in court in eight cases, stay order by court in three cases and in 40 cases pending in 'Others'.
2.	Taxes on sales, trade etc.	3,208.62	1,205.58	Pending in Court (₹ 425.13 crore); Non detail of movable and immovable property of defaulters (₹ 201.29 crore); RRCs issued in 29157 cases; Stayed by court (₹ 1142.67 crore); RRCs issued to other States (₹ 235.16 crore); sick industries (₹ 23.13 crore); written-off (₹ 2.20 crore); Amount postponed in appeal monitoring (₹ 253.11 crore); Amount of RRC sent to other circles/divisions (₹ 24.97 crore); Closure of business by firms (₹ 813.88 crore);
3.	Stamps and Registration fees	68.01	31.72	RRCs issued in 763 cases; pending in court in 96 cases; stay order by court in 10 cases and in two cases details of moveable/immovable properties of defaulters were not available.
4.	State Excise	56.48	43.37	RRCs issued in 109 cases; pending in court in 19 cases.
5.	Non-ferrous mining and metallurgical industries	0.88	0.88	The Department stated (January 2022) that instructions have been issued to Mining officers to recover the arrears by special drive. Further, in review meeting the Secretary, Mineral Resources Department, Chhattisgarh Government has instructed to the districts to send proposal to write off the arrears, which are very old.
6.	Taxes on vehicles	16.28	2.19	Pending in court (₹ 0.84 crore)
	Total	9,924.74	4,502.10	

(Source: Information furnished by the departments concerned)

⁶ Geology and Mining, Forest Department.

Departments concerning Revenue and Disaster Management (RDM) and Forestry wildlife did not provide any information even after pursuing (January 2022) the matter at the Government level. There was discrepancy in the data provided by the Transport Department and therefore it could not be included. Follow up at Government level was done but no information was received.

3.6 Response of the Government/departments to Audit

3.6.1 Position of outstanding Inspection Reports

On completion of audit of government departments and offices, Audit issues Inspection Reports (IRs) to the concerned Heads of Offices with copies endorsed to their superior officers to enable monitoring and initiation of corrective action. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Analysis of IRs issued up to 31 March 2021, revealed that 11,386 paragraphs relating to 2,766 IRs issued during 1994-95 to 2020-21 remained outstanding at the end of June 2021. Department-wise details of IRs and audit observations are mentioned in **Table 3.5:**

Table 3.5: Department-wise status of IRs

(₹ in crore)

Sl. No.	Name of department	Nature of receipts	Type of IRs	No. of outstanding IRs 2020-21	No. of outstanding audit observations 2020-21	Money value involved 2020-21
1.	Stamp Duty & Registration	Stamp duties and Registration fee	Rev.	254	757	108.94
			Exp.	13	58	26.01
2.	Motor Vehicle and Transport	Taxes on vehicles	Rev.	198	1464	297.63
			Exp.	66	145	0.33
3.	Forest	Forestry and Wild life	Rev.	429	1326	1333.33
			Exp.	499	2621	1284.81
4.	Commercial Tax	Taxes on sales trade etc.	Rev.	537	3590	728.72
			Exp.	73	113	556.20
5.	Mining	Registration fee	Rev.	174	650	1435.04
			Exp.	61	184	689.78
6.	Excise	State Excise	Rev.	165	415	2247.74
		Entertainment tax	Rev.	103	165	4.20
		State excise, Excise & Entertainment tax.	Exp.	50	87	27.74
7.	Land Revenue	Land Revenue	Rev.	597	1886	1115.65
			Exp.	48	122	13.82
8.	Electricity and safety	Taxes and Duties on electricity	Rev.	21	91	2348.82
			Exp.	7	19	8031.58
9.	Other Tax Departments	Other receipts	Rev.	288	1042	651.19
			Exp.	1	10	0.13
			Rev.	2766	11386	10271.26
			Exp.	818	3359	10630.40
Total				3584	14745	20901.66

Rev.- Revenue; Exp.-Expenditure

Out of 36 IRs issued during 2020-21, Audit did not receive even the first reply in respect of 30⁷ IRs (83.34 per cent) from the Heads of Offices.

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

State Government should ensure prompt and appropriate response to audit observations, as well as take action against those failing to furnish replies to the IRs/paragraphs as per the prescribed time schedule.

3.6.2 Departmental Audit Committee Meetings (ACMs)

The Government sets up Audit Committees to monitor and expedite the progress of settlement of the pending IRs and paragraphs. During the year 2020-21, ACM of Mining Department was conducted, in which 230 paragraphs were discussed, and 122 paragraphs and 12 IRs were settled.

Efforts were made to conduct ACMs for settlement of outstanding paras and the matter was pursued with the Heads of the Departments. However, during 2020-21, due to COVID- 19 pandemic, ACM of only Mining Department was conducted.

State Government should direct all departments to settle pending audit observations through periodic ACMs and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.

3.7 Results of audit

During the year 2020-21, test check of records of 20 units pertaining to Forest Department revealed several cases of loss of revenue, other irregularities, irregular/unfruitful expenditure etc. aggregating ₹ 185.67 crore in 1,183 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 0.74 crore in 14 cases.

⁷ Forest-17; Mining-13;