

## CHAPTER-I: GENERAL

### 1.1 Introduction

This Chapter presents an overview of the trend of revenue receipts of the Government of Uttar Pradesh (GoUP), follow up on Audit Reports, response of the Government/Departments towards Audit, etc.

### 1.2 Trend of receipts

**1.2.1** The tax and non-tax revenue raised by the GoUP, the State's share of the net proceeds of the divisible Union taxes and duties assigned to States, grants-in-aid received from the Government of India (GoI) during the year 2021-22, and the corresponding figures for the preceding four years are presented in **Table-1.1**.

**Table-1.1: Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>1</b>	<b>Revenues raised by the State Government</b>					
	• Tax Revenue	97,393.00	1,20,121.86	1,22,825.83	1,19,897.30	1,47,367.74
	<b>Percentage of growth compared to previous year</b>	<b>13.29</b>	<b>23.34</b>	<b>2.25</b>	<b>(-) 2.38</b>	<b>22.91</b>
	• Non-tax Revenue	19,794.86	30,100.71	81,705.08	11,846.15	11,435.97
	<b>Percentage of growth compared to previous year</b>	<b>(-) 31.60</b>	<b>52.06</b>	<b>171.44</b>	<b>(-) 85.50</b>	<b>(-) 3.46</b>
	<b>Total</b>	<b>1,17,187.86</b>	<b>1,50,222.57</b>	<b>2,04,530.91</b>	<b>1,31,743.45</b>	<b>1,58,803.71</b>
<b>2</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	1,20,939.14	1,36,766.46	1,17,818.30	1,06,687.01	1,60,358.05 <sup>1</sup>
	• Grants-in-aid	40,648.45	42,988.48	44,043.97	57,745.87	51,849.68 <sup>2</sup>
	<b>Total</b>	<b>1,61,587.59</b>	<b>1,79,754.94</b>	<b>1,61,862.27</b>	<b>1,64,432.88</b>	<b>2,12,207.73</b>

<sup>1</sup> For details, please see Statement No. 14-Detailed accounts of revenue by the minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2021-22. Figures under the major heads 0005-Central Goods and Services Tax, 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 and Minor Head 901-Share of net proceeds assigned to States 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 net proceeds of divisible Union taxes and duties' in this statement.

<sup>2</sup> Includes compensation of ₹ 8,299.42 crore towards loss of revenue arising out of the implementation of the Goods and Services Tax.

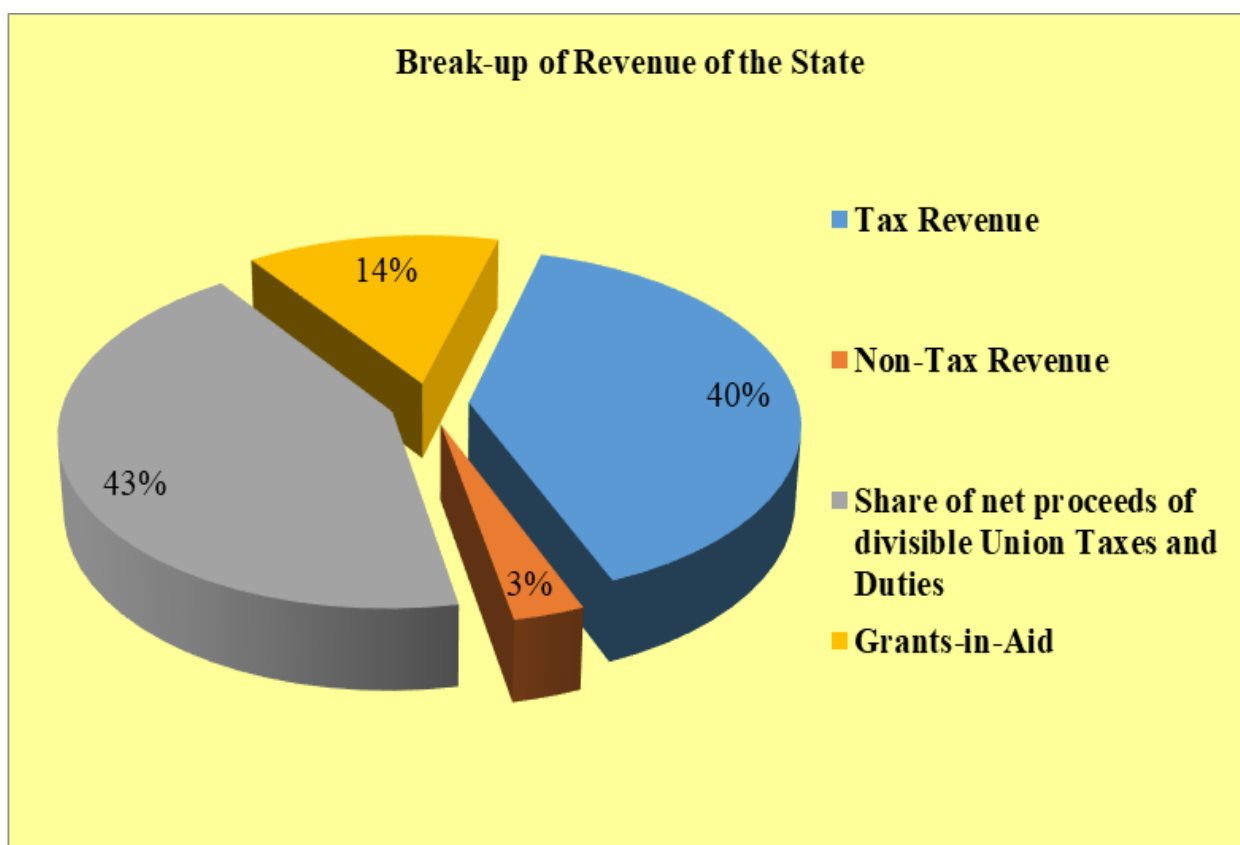
Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
3	Total revenue receipts of the State Government (1 and 2)	2,78,775.45	3,29,977.51	3,66,393.18	2,96,176.33	3,71,011.44
4	Percentage of 1 to 3	42	46	56	44	43

Source: Finance Accounts of the Government of Uttar Pradesh.

The above table indicates that the average annual growth rates in respect of tax revenue and non-tax revenue were 11.88 *per cent* and 20.59 *per cent* respectively during the period 2017-22. Revenue raised by the State Government increased by 20.54 *per cent* during the year 2021-22 over the previous year.

The break-up of revenue receipts of the State for the year 2021-22 in terms of percentage is shown in **Chart-1.1**.

**Chart-1.1**



1.2.2 Details of tax revenue raised during the period 2017-18 to 2021-22 are given in **Table-1.2**.

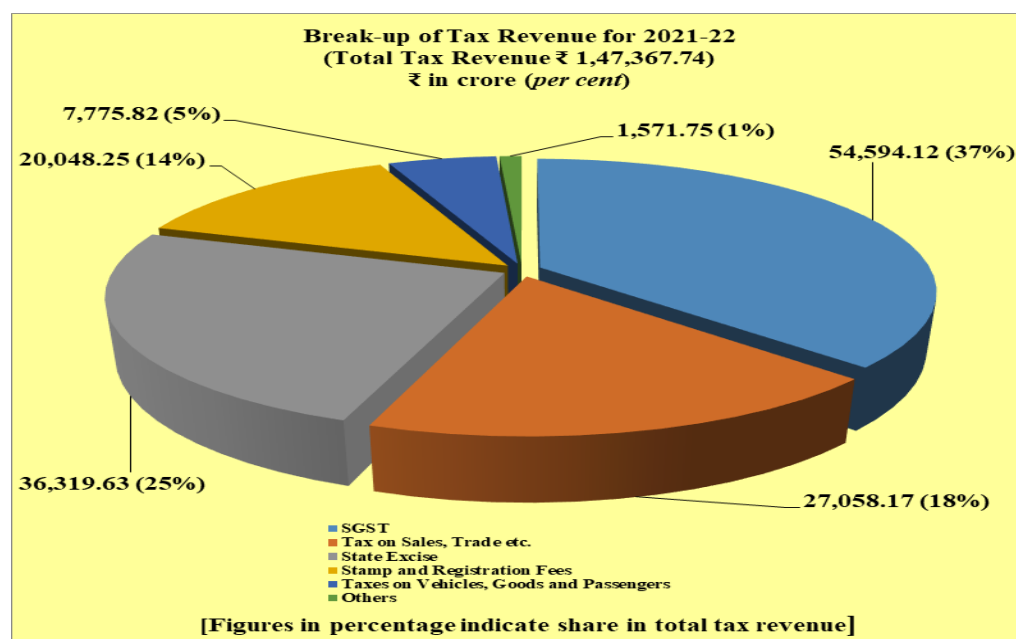
Table-1.2: Details of tax revenue

Sl. No.	Head of revenue	₹ in crore)						
		2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+) or decrease (-) in actuals of 2021-22 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2021-22	Actuals of 2020-21
1	Taxes on Sales, Trade, etc.	36,397.30	22,078.00	24,660.00	28,287.00	31,100.00	(-) 13.00	(+) 22.29
		31,112.52	23,797.84	20,517.13	22,127.06	27,058.17		
	State Goods and Services Tax (SGST)	28,602.70	49,422.00	52,980.10	63,281.00	73,285.00	(-) 25.50	(+) 27.38
		25,373.96	46,108.03	47,232.41	42,860.03	54,594.12		
2	State Excise	20,593.23	23,000.00	31,517.41	37,500.00	41,500.00	(-) 12.48	(+) 20.82
		17,320.27	23,926.66	27,324.76	30,061.21	36,319.63		
3	Stamps and Registration Fees	17,458.34	18,000.00	19,179.07	23,197.00	25,500.00	(-) 21.38	(+) 21.69
		13,397.57	15,733.03	16,069.80	16,475.24	20,048.25		
4	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	5,481.20	7,400.00	7,863.42	8,650.00	9,350.00	(-) 16.84	(+) 19.95
		6,403.69	6,930.02	7,714.88	6,482.65	7,775.82		
5	Others <sup>3</sup>	2,969.13	2,800.00	3,976.00	5,106.00	5,610.00	(-) 71.98	(-) 16.89
		3,784.99	3,626.28	3,966.85	1,891.11	1,571.75		
<b>Total</b>		<b>1,11,501.90</b>	<b>1,22,700.00</b>	<b>1,40,176.00</b>	<b>1,66,021.00</b>	<b>1,86,345.00</b>	<b>(-) 20.92</b>	<b>(+) 22.91</b>
		<b>97,393.00</b>	<b>1,20,121.86</b>	<b>1,22,825.83</b>	<b>1,19,897.30</b>	<b>1,47,367.74</b>		

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of the Government of Uttar Pradesh.

The break-up of tax revenue for the year 2021-22 is shown in **Chart-1.2**.

Chart-1.2



<sup>3</sup> Includes receipts (less than five per cent of tax revenue) from the following: Taxes and duties on Electricity, Land Revenue, Hotel Receipt Tax, Other Taxes and Duties on Commodities and Services etc.

The reasons for wide variation in actual receipts during the year 2021-22 over the previous year are discussed below:

- The overall growth of 22.91 *per cent* in own tax revenue during the year 2021-22 was mainly due to increase in ‘State Goods and Service Tax (SGST)’ (by ₹ 11,734.09 crore), ‘State Excise’ (by ₹ 6,258.42 crore), ‘Taxes on Sales, Trade, etc.’ (by ₹ 4,931.11 crore), ‘Stamp & Registration fees’ (by ₹ 3,573.01 crore) and ‘Taxes on Vehicles, Goods and Passengers’ (by ₹ 1,293.17 crore).
- SGST collection increased by ₹ 11,734.09 crore during the year 2021-22. The main reason for increase in SGST collection was more receipts from Input Tax Credit cross-utilisation of SGST and Integrated Goods and Service Tax (IGST) (by ₹ 6,312.72 crore), transfer in of tax component of SGST from apportionment of IGST (by ₹ 1,960.01 crore) and under receipts awaiting transfer to other minor heads (by ₹ 5,862.88 crore). However, there was less receipts of ₹ 1,958.14 crore under minor head 101-tax (SGST).
- Taxes on Sales, Trade, etc., increased by ₹ 4,931.11 crore during the year 2021-22 was mainly due to increase in receipts under Central Sales Tax Act (by ₹ 515.34 crore) and Value Added Tax (by ₹ 4,328.76 crore).
- The growth in ‘State Excise’ was due to more receipts on account of sale of country spirits (₹ 3,633.94 crore), malt liquor (₹ 827.97 crore) and liquor (₹ 1,724.49 crore).
- Receipts under ‘Stamps and Registration Fees’ increased mainly on account of more sale of Non-Judicial stamps (₹ 3629.12 crore) and more receipts from fees for registering documents (₹ 502.00 crore). However, there was less receipts on sale of Judicial Stamp (₹ 589.52 crore).
- Receipts under ‘Taxes on Vehicles’ increased mainly due to net effect of more receipts under State Motor Vehicle Taxation Act (₹ 1,689.47 crore).

**1.2.3** Details of non-tax revenue raised during the period 2017-18 to 2021-22 are indicated in **Table-1.3**.

**Table-1.3: Details of non-tax revenue**

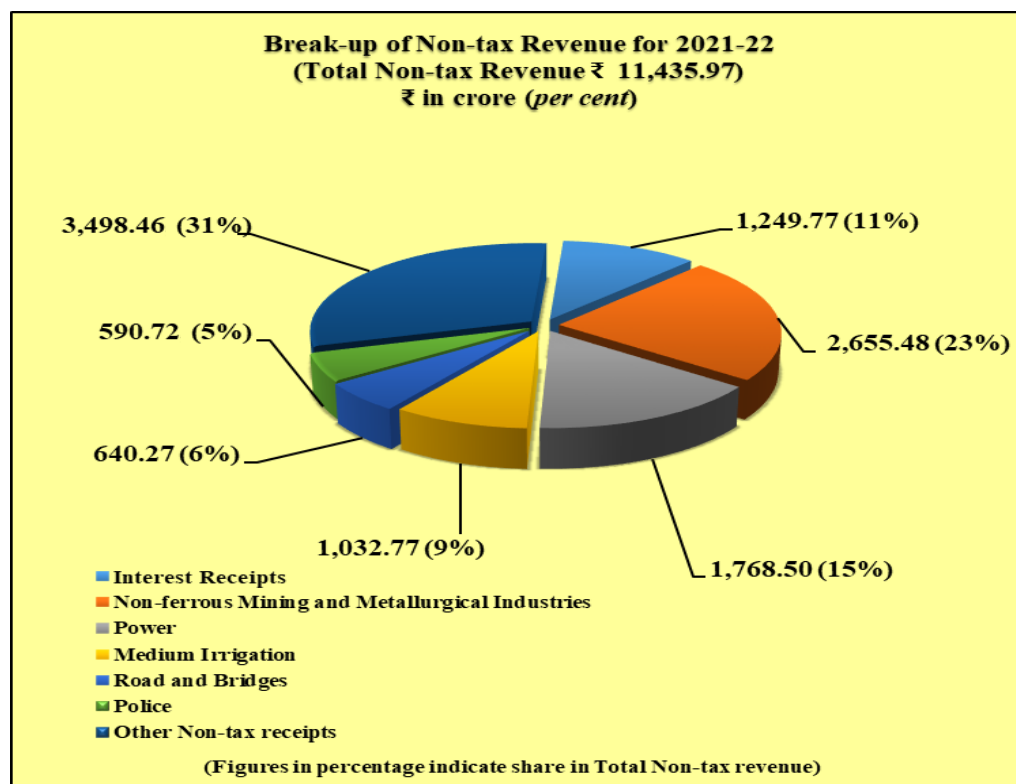
(₹ in crore)								
Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+) or decrease (-) in actuals of 2021-22 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2021-22	Actuals of 2020-21
1	Interest Receipts	800.00 1,093.38	843.60 1,712.44	1,200.00 1,469.44	2,100.00 1,115.55	2,100.00 1,249.77	(-) 40.49	(+) 12.03
2	Non-ferrous Mining and Metallurgical Industries	3,200.00 3,258.88	4,000.00 3,165.44	4,400.00 2,180.93	4,000.00 3,112.74	4,500.00 2,655.48	(-) 40.99	(-) 14.69

(₹ in crore)								
Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+) or decrease (-) in actuals of 2021-22 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2021-22	Actuals of 2020-21
3	Power	4,448.34 4,695.85	5,700.00 5,735.40	4,175.00 1,044.14	3,537.00 1,308.99	3,749.00 1,768.50	(-) 52.83	(+) 35.10
4	Medium Irrigation	987.90 833.69	988.73 777.98	1,000.00 872.42	1,060.00 1,014.95	1,102.00 1,032.77	(-) 06.28	(+) 01.76
5	Road and Bridges	900.00 365.92	950.00 932.13	1,000.00 706.81	1,560.00 997.34	6,654.00 640.27	(-) 90.38	(-) 35.80
6	Police	424.00 422.96	445.20 467.80	522.00 427.61	653.41 458.04	693.00 590.72	(-) 14.76	(+) 28.97
7	Other Non-tax receipts <sup>4</sup>	7,676.47 9,124.18	15,894.13 17,309.52	18,335.96 75,003.73	18,262.52 3,838.54	6,623.67 3,498.46	(-) 47.18	(-) 08.86
<b>Total</b>		<b>18,436.71</b> <b>19,794.86</b>	<b>28,821.66</b> <b>30,100.71</b>	<b>30,632.96</b> <b>81,705.08</b>	<b>31,178.93</b> <b>11,846.15</b>	<b>25,421.67</b> <b>11,435.97</b>	<b>(-)</b> <b>55.01</b>	<b>(-)</b> <b>03.46</b>

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of Government of Uttar Pradesh.

The break-up of non-tax revenue for the year 2021-22 is shown in **Chart-1.3**.

**Chart-1.3**



<sup>4</sup> Others includes receipts (less than five per cent of non-tax revenue) from the following: Miscellaneous General Services, Housing, Public Works, Stationery and Printing, Social Security and Welfare, Other Administrative Services, Village and Small Industries, Forestry and Wild Life, Medical and Public Health, Urban Development, etc.

The reasons for wide variation in actual receipts during the year 2021-22 over the previous year are discussed below:

- There was an overall decrease of 3.46 *per cent* in non-tax receipts amounting to ₹ 410.18 crore during the year 2021-22 over 2020-21, mainly due to less receipt under the head ‘Non-Ferrous Mining and Metallurgical Industries’ (by ₹ 457.26 crore), less receipt under head ‘Road and Bridges’ (by ₹ 357.07 crore) and less receipt under Other Non-tax receipts (by ₹ 340.08 crore).
- The decrease of receipt under ‘Non-ferrous Mining and Metallurgical Industries’ was due to less receipts from mineral concession fees, rents and royalties (₹ 372.31 crore).
- There was increase of receipts under revenue head ‘Power’ by 35.32 *per cent* due to more receipts (₹ 458.81 crore) for rural electrification.
- The decrease of receipt under head ‘Road and Bridges’ was due to less receipt from other receipts viz receipts from government ferries, receipts of establishment expenses etc. (₹ 360.97 crore).
- The increase in receipts under head ‘Police’ was due to increase in receipts from Police supplied to the other Governments (₹ 120.42 crore) and other receipts (₹ 11.91 crore).
- The decrease of receipt under head ‘Other Administrative Services’ was due to less receipt under other receipts for other administrative services (₹ 213.34 crore).

Further, Audit noticed wide variations between the budget estimates approved by the Finance Department and actual revenues during the year 2021-22 under different heads of revenue (refer Table 1.2 and 1.3) which indicated that the budget estimates were not prepared on a realistic basis.

#### **Recommendation 1:**

**The Finance Department needs to revisit their budgeting methods to make the budget estimates more realistic.**

#### **1.3 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2022 in respect of some principal heads of revenue amounted to ₹ 37,082.23 crore of which ₹ 15,142.67 crore was outstanding for more than five years, as detailed in **Table 1.4**.

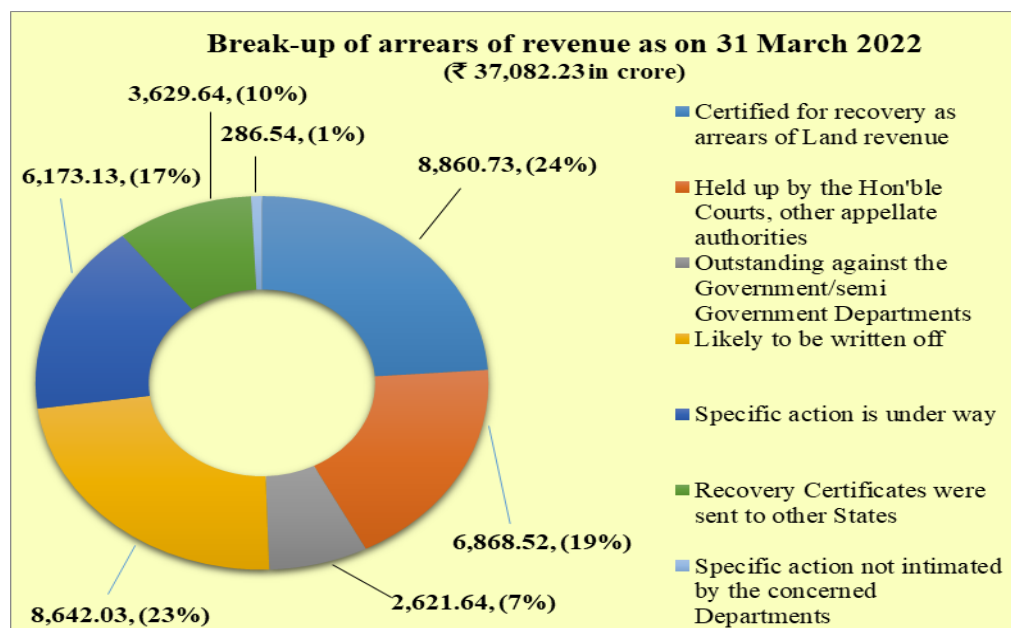
**Table 1.4**  
**Arrears of revenue**

(₹ in crore)				
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022	Stages at which arrears were pending
1.	Tax on Sales, Trades etc.	36,073.60	14,961.52	Out of ₹ 36,073.60 crore, demand for ₹ 8,492.26 crore had been certified for recovery as arrears of land revenue; recovery certificates for ₹ 3,629.64 crore have been sent to other states; recoveries for ₹ 6,614.28 crore had been stayed by the Hon'ble courts/appellate authority; recoveries for ₹ 2,613.38 crore were outstanding against the Government/semi Government Departments; the demand for recovery of ₹ 8,635.14 crore was likely to be written off; and ₹ 83.38 crore was outstanding from transporters. For remaining amount of ₹ 6,005.52 crore, specific action was underway in the Department.
2.	State Excise	52.95	52.95	Out of ₹ 52.95 crore, demand for ₹ 31.39 crore had been certified for recovery as arrears of land revenue; recoveries for ₹ 15.83 crore had been stayed by the Hon'ble courts/appellate authority and the demand for recovery of ₹ 5.73 crore was likely to be written off.
3.	Stamps and Registration Fees	538.04	128.20	Out of ₹ 538.04 crore, demand for ₹ 127.99 crore had been certified for recovery as arrears of land revenue; recoveries for ₹ 233.10 crore had been stayed by the Hon'ble courts/appellate authority; recoveries for ₹ 8.26 crores were outstanding against the Government/semi Government Departments; the demand for recovery of ₹ 1.08 crore was likely to be written off. For remaining amount of ₹ 167.61 crore, specific action was underway in the Department.
4.	Taxes on Vehicles	417.64	Information not provided by the Department.	Out of ₹ 417.64 crore, demand for ₹ 209.09 crore had been certified for recovery as arrears of land revenue; recoveries for ₹ 5.31 crore had been stayed by the Hon'ble courts/appellate authority; the demand for recovery of ₹ 0.08 crore was likely to be written off. For remaining amount of ₹ 203.16 crore, actions were pending at Department level.
5.	Non-Ferrous Mining and Metallurgical Industries	Information not provided by the Department.		The details of arrear were not available with the Department at Directorate level.
<b>Total</b>		<b>37,082.23</b>	<b>15,142.67</b>	

Source: Information provided by the Departments.

The break-up of arrears of revenue as on 31 March 2022 is shown in **Chart-1.4**.

**Chart-1.4**



Out of the total outstanding amount of ₹ 37,082.23 crore, ₹ 8,860.73 crore was certified for recovery as arrears of land revenue, ₹ 6,868.52 crore was held up by the Hon'ble Courts, other appellate authorities, ₹ 2,621.64 crore was outstanding against the Government/semi Government Departments, ₹ 8,642.03 crore was likely to be written off, for ₹ 6,173.13 crore specific actions were underway in the Commercial Tax Department and Stamps and Registration Department and Recovery Certificates of ₹ 3,629.64 crore were issued to other States whereas specific action taken in respect of the remaining ₹ 286.54 crore was not intimated by the concerned departments.

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

To ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo motu* action on all Paragraphs/Performance Audits (PAs) figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Audit Reports on Revenue Sector for the years 2015-16 to 2020-21 except Audit Report on Pricing of Production and Sale of Liquor (State Excise Department) for the year ended 31 March 2018 have not been discussed by the PAC. Moreover, no explanatory notes were received (as of May 2023) for Audit Reports on Revenue Sector for the years 2015-16, 2016-17, 2017-18, 2019-20 and 2020-21 which were placed before the State Legislative Assembly between May 2017 and February 2023. Details of pending explanatory notes pertaining to the various Departments are given in **Table-1.5**.



Table-1.5

Sl. No.	Audit Report ending on	Date of presentation in the Legislature	Number of paragraphs and PAs in the Report	Number of paragraphs and PAs where explanatory notes received	Number of paragraphs and PAs where explanatory notes not received
1	31 March 2016	18 May 2017	25 + 1 PA	00	25 + 1 PA
2	31 March 2017	19 July 2019	15	00	15
3	31 March 2018 (Stand Alone, State Excise)	19 July 2019	08	08	00
4	31 March 2018	24 February 2020	17	00	17
5	31 March 2019	18 August 2021	23	12	11
6	31 March 2020	17 December 2021	18	00	18
7	31 March 2021 (Performance Audit Report on Information Technology System in Transport Department)	22 February 2023	1 PA	00	1 PA
<b>Total</b>			<b>106 + 2 PAs</b>	<b>20</b>	<b>86<sup>5</sup> + 2 PAs</b>

During the period from 2017-18 to 2022-23, the PAC discussed 142 paragraphs out of 835 from 28 Revenue Audit Reports. Details are given in **Table-1.6**.

Table-1.6

Sl. No.	Year	No. of Reports discussed during the year	Total No. of paras in the Reports	No. of para discussed during the year
1	2017-18	No PAC meeting was held during the year		
2	2018-19	13	384	74
3	2019-20	09	273	33
4	2020-21	01	26	03
5	2021-22	03	118	26
6	2022-23	02	34	06
<b>Total</b>		<b>28</b>	<b>835</b>	<b>142</b>

### 1.5 Response of the Government/Departments towards Audit

On completion of the audit of Government/Departments and the offices, Audit issues Inspection Reports (IRs) to the concerned head of the offices, with copies to their superior officers for corrective action and monitoring. Serious financial irregularities are reported to Heads of the Departments and the Government.

Review of IRs issued up to September 2022 revealed that 49,603 paragraphs relating to 13,464 IRs remained outstanding at the end of March 2023.

<sup>5</sup> Commercial Tax (21 paragraphs), State Excise (13 paragraphs), Transport (21 paragraphs and 2 PAs), Stamps and Registration (06 paragraphs), Geology and Mining (24 paragraphs) and Entertainment Tax (01 paragraph).

Department-wise details relating to the revenue sector of the State Government are given in **Table-1.7**.

**Table-1.7: Department-wise details of Inspection Reports**

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations
1	Commercial Tax	Taxes on Sales, Trade, etc.	6,357	27,239
		Entertainment tax	240	548
2	State Excise	State Excise	1,200	2,140
3	Transport	Taxes on vehicles	1,403	7,681
4	Stamps and Registration	Stamps and registration fees	3,980	10,417
5	Geology and Mining	Non-ferrous mining and metallurgical industries	284	1,578
<b>Total</b>			<b>13,464</b>	<b>49,603</b>

The first replies are required to be received from the heads of offices within four weeks of receipt of IRs. Out of total 185 IRs issued during 2022-23, Audit received first reply from the heads of offices in case of 17 IRs within four weeks. The first replies had not been received in case of remaining 168 IRs issued during the year 2022-23. This large pendency of the IRs and non-receipt of first replies from the Departments is indicative of the fact that the heads of audited units have failed to take cognisance of the reported Audit findings and initiate any corrective action in this regard. Irregularities of similar nature are being reported year after year with no improvement/evidence of any corrective action by the concerned Departments visible at the ground level. This adversely affected the effectiveness of Audit.

**Recommendation 2:**

**The State Government needs to introduce a mechanism to ensure that the Departmental officers respond to IRs promptly and take corrective action.**

**1.6 Results of audit**

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

Audit covered five Departments<sup>6</sup> of the State Government and test-checked the records of 185 out of 1,498 auditable units (12.35 per cent) relating to Value Added Tax, Stamps and Registration Fees, Geology and mining, State Excise, Taxes on Vehicles, Goods and Passengers during the year 2022-23. In these five Departments, revenue of ₹ 1,47,844.14 crore was collected during the year 2021-22, out of which the 185 audited units collected

<sup>6</sup> Commercial Tax, State Excise, Transport, Stamps & Registration fees and Geology & Mining.

₹ 40,816.96 crore. In the 185 audited units, records were test-checked on the basis of turnover/tax payments which revealed underassessment/short levy/loss of revenue aggregating to ₹ 3,756.59 crore in 86,505 cases (out of 3,41,447 test-checked cases) which were reported to the Departments through IRs. The concerned Departments accepted (between April 2022 and July 2023) underassessment and other deficiencies of ₹ 2.96 crore in 18 cases (including those pointed out in earlier years) and reported recovery of ₹ 5.42 lakh in six cases.

In addition, Compliance Audit on 'Department's oversight on Goods and Services Tax payments and returns filing' in Commercial Tax Department revealed underassessment/short levy of revenue amounting to ₹ 1,655.39 crore. The Department accepted audit observations amounting to ₹ 1,247.97 crore and reported recovery of ₹ 16.47 crore.

### **Recommendation 3:**

**The State Government should evolve a mechanism to ensure that the Departments recover all underassessments/short levies pointed out by the Audit and accepted by the Departments.**

## **1.7 Coverage of this Report**

This Report contains Compliance Audit on '**Department's oversight on Goods and Services Tax payments and returns filing on the year 2017-18**' and seven paragraphs from local audits conducted during the year and those of earlier years which could not be included in the previous reports involving financial effect of ₹ 1,674.20 crore.

The Commercial Tax Department accepted audit observations on Department's oversight on Goods and Services Tax Payments and Returns filing amounting to ₹ 1,247.97 crore and reported recovery amounting to ₹ 16.47 crore. Departments of Stamps & Registration and Geology & Mining accepted audit observations amounting to ₹ 2.73 crore. Replies of other Departments have not been received (January 2024). These are discussed in the succeeding Chapters II to V.

The errors/omissions pointed out are on the basis of a test audit. **The Government/Department may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and if so, to rectify them and put in place a system that would prevent such errors/omissions.**